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Dear Reader,

This quarter's Active Investor Social Update takes us from reinvestment in Burma to a human trafficking workshop in Miami, and penetrates Houston, the world's energy hub. We look forward to sharing our most recent milestones in shareholder advocacy.

*Sincerely,
The Boston Common Shareowner Engagement Team*

SPOTLIGHT ON CONFLICT MINERALS DISCLOSURE

SEC Releases Final Rules of the Conflict Minerals Provision of the Dodd-Frank Act

On August 22nd, the Securities and Exchange Commission (SEC) issued the final rules of Section 1502, or the "Conflict Minerals" provision, of the Dodd-Frank Act. The regulation details how corporations listed on U.S. exchanges will need to report to the SEC on their sourcing of minerals from the Eastern Democratic Republic of the Congo (DRC).

The SEC commission narrowly passed the rule, with three votes in favor and two against. Dissenting commissioner Daniel M. Gallagher stated that the benefit of this rule to investors remained unclear. In a joint press release issued after the ruling, Boston Common Asset Management Managing Director Lauren Compere challenged this criticism, saying, "Investors will benefit from this rule, since it promotes transparency at all levels of a company's operations. We see mandatory reporting to the SEC on raw material sourcing as a much needed step for highlighting risks in the most vulnerable area of a company's supply chain."

Over the last two years, Boston Common has been one of the lead investors in providing substantive input to the SEC on the form the final rule should take. We worked through an investor coalition as well as via participation in a multi-stakeholder process which included companies, NGOs, and investors, to provide private and civil sector recommendations to the SEC.



While in Miami, Lauren Compere visited the only Mobile Slavery Museum in the U.S., operated by the Coalition of Immokalee Workers, which depicts real-life human trafficking and slave labor cases in Florida. *Credit: Ana Rodriguez-Soto, Florida Catholic Newspaper*

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COMPANY DIALOGUES & ENGAGEMENT UPDATES

SPOTLIGHT ON BURMA

U.S. STATE DEPARTMENT REPORTING REQUIREMENTS ON RESPONSIBLE INVESTMENT

As of June 2012, sanctions prohibiting U.S. investment in Burma were eased. Boston Common joined other investors in urging caution toward investment in the country, as its commitment to protecting human rights and rooting out corruption remains to be seen. Burma remains at the bottom of the global corruption index, and issues such as unlawful land grabs, limited judiciary oversight, and regional civil war persist.

On October 5th, Boston Common was one of the lead investors to comment on the new reporting requirements for responsible investment in Burma to the U.S. State Department. The draft requirements were released in July in relation to the issuance of new general licenses permitting investment and the provision of financial services in Burma. While we believe that the requirements are a valuable tool, there remains a need for greater transparency and clearer consequences for failure to comply.

The investor comments, coordinated by the Conflict Risk Network of which Boston Common is a founding member, were supported by 21 institutional investors, asset owners and asset managers with combined assets under management of more than \$407 billion. In the coming quarters, Boston Common will focus on engaging our portfolio holdings that are considering entry into Burma, stressing that enhanced human rights due diligence beyond normal protocols will be needed, given the high ESG risks still posed in the country.

HUMAN RIGHTS

This quarter, Boston Common continued its leadership in addressing human trafficking and modern day slavery. In July, Managing Director Lauren Compere spoke at the **Human Trafficking Academy** at the **St. Thomas University School of Law** in Miami, Florida, and shared our corporate engagement experience with lawyers, immigration officials and social service agencies there as part of a week-long curriculum focused on ending human trafficking.

Also in July, Boston Common continued its multi-year shareholder dialogue with **Disney**. Lauren led a conference call with investors and Disney representatives which focused on how the company is implementing its human rights policies and procedures. Disney provided an update of its **International Labor Standards Program**, which evaluates and addresses working conditions in facilities producing Disney branded products. This year, Disney committed to rolling out the program to all of its licensees worldwide, expanding the reach of its global oversight. The company discussed its efforts to promote online safety and to prevent exploitation in virtual spaces designed for children. Boston Common commended Disney for the progress it has made, and urged a greater focus on addressing human trafficking in its hotel and resort businesses, in particular by addressing the role of labor brokers in perpetuating human trafficking in its supply chain.

In June, we furthered our discussions on the Human Right to Water and Sanitation with **Veolia Water**. On a call with the company, Veolia stated that it has decided not to proceed with a previous commitment to undertake a Human Rights Impact Assessment (HRIA) in Guayaquil, Ecuador, where its subsidiary **InterAgua** is responsible for a number of water cut offs to local villages. Veolia believes that a local stakeholder consultation process involving community observers and InterAgua has managed to address core disputes with the community and customers. Veolia plans to explore other emerging markets where it might undertake an HRIA. The Interfaith Center for Corporate Responsibility (ICCR) profiled Boston Common's work with Veolia in its Annual Report.

In September, Boston Common continued its ongoing dialogue with **Ford Motor**. We commended Ford for its leadership in addressing conflict minerals in its own supply chain, and urged it to continue to be a role model for its global peers through its longstanding leadership in the Global Working Conditions Initiative of the Automotive Industry Action Group. We also encouraged the company to use its influence through other industry and peer joint ventures to raise the profile of human trafficking and modern day slavery.

TRANSPARENCY, DISCLOSURE & DUE DILIGENCE

This quarter, we continued our drive to promote greater reporting and disclosure among small cap companies in our engagement with **Brady Corporation**, an international manufacturer and marketer of safety and identity solutions. We held a call with the company the day after it launched its **inaugural Sustainability Report**. In addition to commending the company on improving its ESG disclosure efforts, we asked that in the future the company place more emphasis on the materiality analysis of its risks and opportunities, that it conduct audits and adopt a Code of Conduct for suppliers, and that it adopt a safe chemicals policy.

Boston Common has joined the **Thirty Percent Coalition**, a cross-industry group working to assure that qualified women hold 30% of board seats across public companies by the end of 2015. In late June, we - along with more than 70 representatives from pension funds, investment firms, foundations, religious institutions, and women's organizations - co-signed a letter sent to 41 companies on the S&P 500 Index that do not have any women on their boards of directors, urging them to embrace gender diversity by adding women to their board.

In July, Boston Common joined 40 other investors with approximately \$25 billion in assets under management in signing an investor letter urging 49 companies to conduct a comprehensive review of their memberships with think tanks and lobbying organizations such as the **American Legislative Exchange Council (ALEC)**, and **Heartland**. We questioned whether these relationships exposed companies to unnecessary reputational and business risks which could affect long-term shareholder value.

In August, Boston Common along with the Unitarian Universalist Association filed a shareholder resolution with **Visa Inc.** on political contribution disclosure related to trade unions. The resolution is part of a series of dialogues we have held with companies on best disclosure practices regarding political spending and lobbying in the wake of the 2010 Citizens United decision, in which the U.S. Supreme Court determined that the government could not prevent corporations and unions from making political contributions.

On September 12th, Boston Common attended the US Investor Roundtable for the **Carbon Disclosure Project (CDP)** at the New York Stock Exchange. CDP shared the results of its CDP S&P 500 Climate Change Report 2012, which found that companies in the United States have made significant strides towards closing the gap in carbon reporting and performance. The average S&P 500 performance score, which ranks companies according to the scale and quality of their emissions reductions and strategies, increased 44% from the previous year. This quarter Boston Common also became a full **CDP**



Lauren Compere addresses the audience at the Human Trafficking Academy at St. Thomas University Law School in Miami, FL.

Investor Member, and a member of **CDP's Carbon Action initiative**. We have supported the CDP initiative for the past 7 years as an investor signatory and have encouraged companies to respond to the CDP, including in our most recent engagements with South Korean companies via the Emerging Markets Disclosure Project.

PUBLIC POLICY

This quarter, Boston Common led in the development of an **Investor Statement** supporting the **U.S. Alien Tort Statute (ATS)** to protect human rights. ATS is a law that allows foreign individuals to bring civil suits in U.S. courts for violations of the Law of Nations and of U.S. treaty obligations. The statute is currently being contested in a case before the U.S. Supreme Court, where the plaintiffs are suing Royal Dutch Shell for the rape, torture, and extrajudicial killings of Nigerian environmental activists in the 1980s. Shell is set to argue that it should not be liable under the ATS because the U.S. is not its country of domicile. The investor statement argues that ATS provides legal recourse for victimized parties in countries that either do not have the political will or resources to enforce human rights standards. The ATS is an important tool in encouraging standardized expectations for corporate behavior related to human rights around the world. The investor statement garnered signatures from more than 30 investors, representing over \$500 billion US dollars.

In September, Boston Common along with a group of socially responsible investors issued a letter to the leadership teams of the **U.S. Senate and House Judiciary Committees on Immigration**. The letter urged progress on comprehensive immigration reform, in particular the creation of a pathway for currently undocumented immigrants to earn legal status in the United States. Signatories to the letter represented over \$145 billion in assets under management.



TOURING HOUSTON, THE WORLD'S ENERGY HUB

In August, Boston Common Asset Management Managing Director Steven Heim met with energy companies in Houston to discuss mechanisms for continued improvement on environmental and safety performance and public ESG reporting. The trip was anchored by Steven's annual one-on-one meeting with Steve Farris, Chair & CEO of **Apache Corp.** They met for over two hours to review progress the company has made in the past year on ESG issues and to suggest areas of focus for the coming year. While Apache has continued to show leadership in applying best practices, we urged it to report publicly on its efforts to minimize environmental risks from its hydraulic fracturing operations. We also asked it to adopt a policy on Indigenous Peoples rights.

Spectra Energy thanked Boston Common for our suggestions on improving their sustainability reporting last fall, which they incorporated into their 2012 Sustainability Report. We reiterated our recommendation that Spectra should adopt a formal policy on Aboriginal Peoples in Canada, where in our opinion Spectra's good practices provide it a competitive advantage in securing new gas pipeline routes vs. competitors. We encouraged the company to continue its business development efforts in the northeast US to provide the pipelines to allow a switch from high-carbon emitting coal power plants to lower carbon, cleaner burning natural gas.

We encouraged **Baker Hughes** to consider publicly supporting *Extracting the Facts: An Investor Guide to Hydraulic Fracturing*, which contains investor recommendations for best practices and risk disclosure in fracking operations. Baker Hughes develops green chemicals for fracturing fluids, and has created a methodology for operators to rate frack fluid toxicity. The company shared that it now has a sustainability manager for its chemical business, overseeing product supply chains as well as green chemistry projects. On the issue of human rights, we discussed recent political improvements in Burma but urged caution for reentry in to the country.

Our meeting with **National Oilwell Varco** (NOV) was our first in person ESG meeting with the company – and may have been one of the first ESG meetings for NOV as well. The company primarily manufactures oil and gas field equipment. We suggested that NOV consider reporting on how it reduces the water footprint of its global manufacturing operations and of its customers. NOV revealed that they have some projects underway to reduce water use in hydraulic fracturing.

With **ConocoPhillips** (COP) we discussed the May split-off of their refining and marketing business to form Phillips 66. We helped prepare for our October shareowner meeting in New York City. On the agenda for discussion is company progress on developing social indicators for tracking their new corporate policy on Indigenous Peoples rights, as well as protests in Peru against their plans to drill exploratory wells in areas of the Amazon upstream from the rainforest city of Iquitos.

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