

# Active Investor Social Update

## Second Quarter, 2013

It is now the summer of 2013. One hundred years after the Triangle Shirtwaist Factory fire killed 140 garment workers in New York City, the scale of the tragedies in Bangladesh is hard to comprehend. Over 1,500 Bangladeshi garment workers have died since last November, and thousands more have been injured. Each of these deaths could have been prevented. This knowledge chastens us for our complacency and challenges us to use our voice as investors, to try to ensure these tragedies never happen again.

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### Taking Stock: Reflecting on the Quarter

	<i>What changed</i>	<i>We will continue to work toward</i>
<i>Environmental Risk Management</i>	PNC committed to publish more details about the company's environmental risk assessments	PNC developing meaningful programs to address its lending policies and climate change Statoil exiting its tar sands operations in Canada
<i>Global Health</i>	AT&T committed to adopt a policy on lead acid battery recycling	Lowe's addressing chemicals of concern in its products
<i>Disclosure and Transparency</i>	GlaxoSmithKline and Unilever exited lobby group ALEC	UK-based corporations increasing disclosure of political lobbying through third-party organizations
<i>Human Rights</i>	Investor Statement released calling for changed practices in Bangladesh	Companies adopting and implementing the Accord on Fire and Building Safety ConocoPhillips adopting public implementation criteria for its Indigenous Peoples' rights policy
	SEC passed conflict minerals reporting requirements	Comprehensive immigration reform

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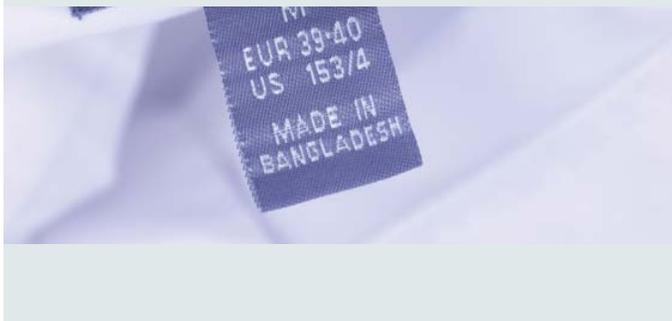
## Company dialogues & engagement updates

### Spotlight on Bangladesh

Boston Common has been one of the lead investors on an initiative coordinated by the Interfaith Center on Corporate Responsibility (ICCR) to address systemic problems in the Bangladesh apparel supply chain. An investor statement signed by over 200 signatories from 16 countries, with combined assets of over \$2 trillion, called on companies to enact system-wide reforms to prevent unsafe working conditions. The statement also encourages companies to join the Accord on Fire and Building Safety, developed by trade unions and civil society organizations, which supports a multi-stakeholder framework and is legally binding. Over 40 global retailers, primarily European, have already adopted and begun working to implement the Accord. So far, two U.S. companies – Abercrombie & Fitch and PVH – have signed the Accord.

The investor statement was sent directly to companies as well as to six North American apparel trade associations, calling on them to support the Accord. Unfortunately, the trade associations, along with several U.S. companies, including Gap, J.C. Penney and Wal-Mart, have joined the alternative Safer Factory Initiative, in which we have less confidence. Boston Common is currently engaging Gap, Disney and VF Corporation on this issue and will continue to urge all companies to adopt the Accord and work towards a common framework for the industry in Bangladesh and beyond.

“The current model, which assures global customers will have a ready supply of inexpensive and up-to-the-minute fashion, incentivizes corruption and lax oversight as low-cost producing nations compete in a race to the bottom for garment manufacturing contracts.” - Investor Statement on Bangladesh



## ENVIRONMENTAL RISK MANAGEMENT

### Bank Lending and Climate Change

\$5.4 billion worth of PNC Financial investors – representing 22.8% of votes cast – supported Boston Common’s resolution asking the company to assess its exposure to climate change in its lending, investing and financing activities. In a first step, PNC has agreed to publish more details about its risk and valuation process for environmentally intensive projects and to allow Boston Common to review a draft of this report. We will continue to push the company’s new CEO and General Counsel for more substantive changes including: empowered internal experts, risk and valuation policies and environmental impact assessments.

Boston Common and clients also met with JPMorgan Chase to discuss its progress developing policies and strategy relating to climate change. JPMorgan Chase committed to this meeting and ongoing dialogue when Boston Common withdrew its shareholder resolution earlier this year.

### Toxic Chemicals

For the second year, Boston Common participated in the Green Chemistry and Commerce Council (GC3) Roundtable, a multi-stakeholder forum that advances green chemistry and design across supply chains. This year’s Roundtable explored ways to phase out concerning substances in medical devices and household products. Companies shared practices of gradually phasing out Polyvinyl Chloride (PVC), phthalates, Bisphenol-A (BPA) and Polychlorinated Biphenyls (PCBs) from their products, and discussed their work with suppliers to find safer alternatives. Discussions also focused on current state-of-the-art research on polymers and the development of bio-based polymers to reduce the use of flame retardants. Flame retardants have been linked to lower IQs and hyperactivity in children.

In the context of promoting safer chemicals in products and supply chains, Boston Common is leading a group of investors in a dialogue with Lowe’s to address the risks of toxic chemicals in its products. We have written to Lowe’s asking the company to commit to phasing out chemicals of concern and to apply the same level of scrutiny to suppliers. We also asked the company to endorse the Guide to Safer Chemicals, a best practice guide for downstream chemicals users, which was developed by business and NGO thought leaders. <http://www.bizngo.org/guide.php>

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### DISCLOSURE AND TRANSPARENCY

Boston Common is coordinating with UK asset manager Sarasin & Partners to lead an initiative calling for greater public disclosure of UK company political lobbying practices through third parties including trade associations. As of June 3, 2013, 32 U.S., UK- and European-based investors and organizations, with over \$211 billion in assets, have signed on to a letter sent to 31 UK companies asking for greater transparency and board-level accountability. These companies include AstraZeneca, Barclays, BG Group and Standard Chartered. Boston Common, along with Hazen Foundation, is also speaking with Pearson PLC, a UK-based educational materials and testing provider with allegedly inappropriate ties to U.S. legislators.

In response to a question raised by Boston Common partner, ShareAction, GlaxoSmithKline and Unilever confirmed that they are no longer members of ALEC, a controversial think tank. Since June 2012, Boston Common, with other investors, had been encouraging GlaxoSmithKline to exit ALEC on the heels of other multi-nationals such as Kraft, PepsiCo and McDonald's.

In partnership with Public Citizen, Boston Common also called on Google to disclose its policies for supporting trade associations. We are concerned that the company's membership in the U.S. Chamber of Commerce appears to sit in conflict with stated strategic goals. In a question raised at the company's annual meeting, Google representatives acknowledged that this membership was also internally controversial.

Boston Common has joined the Principles for Responsible Investment (PRI) palm oil working group, which is comprised of investors representing \$2 trillion in assets under management. The group actively engages large buyers of palm oil to ensure they fully understand the social and environmental risks associated with the sourcing and use of palm oil. The development of palm oil plantations, particularly in Indonesia and Malaysia, has been linked to deforestation, greenhouse gas emissions, displacement of local communities and local ecosystem impacts. Boston Common is supporting the group's position paper calling on palm oil buyers to join the Roundtable on Sustainable Palm Oil (RSPO) and set timeframes for sourcing certified sustainable palm oil.

### Spotlight on Statoil

In May, Boston Common led a new initiative by U.S. investors questioning Statoil on its tar sands operations in Canada. Statoil's investments in tar sands have been quite controversial in Norway and represent less than 3% of its total proved reserves, as of year-end 2012. We sent Statoil an investor letter prior to its annual meeting, stating our support for a shareholder proposal by Greenpeace Nordic and World Wildlife Fund of Norway, which asked Statoil to withdraw from tar sands extraction. Our letter was signed by 26 other investors with a combined \$103 billion in assets under management, including Storebrand Investments, one of the largest asset managers in Norway.

We suggested Statoil's capital and technological expertise would be better deployed elsewhere due to various investment risks from oil sands, including potential higher costs due to climate regulations. As we wrote in our letter to Statoil, "Oil sands are high cost resources that recoup their development expenditures over a long production life. Even on a stand-alone basis, the economics of many oil sands projects are questionable given project execution risks, transportation bottlenecks, and uncertainty about future oil prices. We also see additional threats in the negative externalities of oil sands projects: future carbon regulation, water scarcity, local environmental damage, and impairment to traditional livelihoods."

In June, Statoil met with us at our Boston office to discuss these issues, as well as our concerns about its unconventional oil and gas operations in the U.S. that use hydraulic fracturing. The company has agreed to continue discussions in the fall with U.S. investors led by Boston Common.

### GLOBAL HEALTH

Over 27% of AT&T shareholders voted for Boston Common's shareholder proposal to reduce health hazards from lead batteries used in cell phone towers and data centers. This resolution asked AT&T to enact a policy to address the safe recycling of lead batteries used in the company's supply chain. Battery recycling operations, especially outside the

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U.S., pose serious long-term health problems along with substantial legal risks for the company. We called on AT&T to assess where and how its lead acid batteries are acquired and recycled, and how compliance with environmental and safety standards is being assured throughout its supply chain. In response to our proposal, AT&T said it would adopt a policy later this year. We also presented a parallel resolution, lead-filed by Pax World Funds, at Google's annual meeting on June 6th, 2013.

#### HUMAN RIGHTS

##### Conflict Minerals

In May 2014, companies with potential exposure to conflict minerals (tin, tungsten and tantalum) sourced from the Democratic Republic of Congo (DRC) will have to send to the U.S. Securities and Exchange Commission their first Conflict Minerals Report. Boston Common was one of the investors leading a statement signed by over 56 investors, representing over \$458 billion in assets under management, which expressed support for the "Conflict Minerals" final rule (Section 1502 of the Dodd-Frank Act). The statement intended to help counter a lawsuit against the rule filed by the U.S. Chamber of Commerce, the National Association of Manufacturers and the Business Roundtable. We led this investor initiative believing that the "Conflict Minerals" rule promotes transparency in one of the most vulnerable areas of the supply chains of many companies.

##### Human Rights of Indigenous Peoples

In May, for the 7th year in a row, Boston Common spoke at the ConocoPhillips annual meeting about Indigenous Peoples' rights. Afterwards, Ryan Lance, Chairman and CEO of ConocoPhillips, requested a private meeting with Boston Common and Church of the Brethren Benefit Trust staff to discuss the rights of Indigenous Peoples' as well as ways for the company to improve stakeholder engagement. At this meeting, they also discussed hydraulic fracturing and its use in unconventional oil and gas development. Boston



On behalf of Boston Common, Steven Heim, Geeta Aiyer, and Lauren Compere accept the 2013 Business Leader in Human Rights Award from the Political Asylum/Immigration Representation Project (PAIR).

Common is organizing two meetings for September, 2013, with ConocoPhillips and other investors to continue these discussions. We are encouraging the company to improve its transparency and act as an industry leader in both areas.

##### Immigration Reform

In April, Boston Common convened some 70 investors and fiduciaries, with approximately \$890.5 billion in assets, to call on members of Congress to make comprehensive immigration reform an urgent priority. The investor letter maintains that reform is necessary to ensure a competitive U.S. labor force and a more prosperous economy for all Americans. It commends business leaders, including the CEOs of Microsoft and Walt Disney, who have similarly called on Congress to take action.

In June, Boston Common was honored to receive the 2013 Business Leader in Human Rights Award from The Political Asylum/Immigration Representation Project (PAIR). PAIR recognized Boston Common for its "leadership in promoting human rights in the corporate sector and in working to create a more just and sustainable world." PAIR is a non-profit 501(c)(3) organization representing indigent asylum-seekers and immigrants unjustly detained, many fleeing violence, trafficking and other human rights violations.

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