

# Active Investor Social Update

*Third Quarter, 2013*

As investors, our strategy has been to build the business case for changes in corporate behavior away from short-term, short-sighted practices. Through our long-term investment in this strategy, and perseverance as engaged investors, we have seen changes away from business-as-usual towards more thoughtful, sustainable practices. We are pleased to be able to share with you some recent successes.

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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>	National Oilwell Varco agreed to expand its sustainability reporting	Statoil to withdraw from Canadian oil sands
	Filed a shareholder resolution with Disney on adopting a chemical safety policy	Walgreens to adopt best practices in chemical safety
<i>Global Health</i>	Michelle Obama's "Let's Move" initiative to solve childhood obesity takes on the issue of responsible marketing	PepsiCo, Mondelez and Unilever to adopt global health goals
<i>Disclosure and Transparency</i>	GlaxoSmithKline and Unilever exited lobby group ALEC	UK-based corporations increasing disclosure of political lobbying through third-party organizations
	Raised awareness with over 45 UK companies on risks associated with non-alignment of political and lobbying practices	
<i>Human Rights</i>	Lawsuit dismissed against SEC conflict minerals disclosure	Companies to commit to supplier safety Accord
	Asked 24 global companies to join the Accord on Fire and Building Safety	

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## Company dialogues & engagement updates

### Spotlight on Engaging Houston

In a whirlwind Houston trip in August, Boston Common met with Apache, Statoil, Spectra Energy, National Oilwell Varco, Baker Hughes and ConocoPhillips. Key topics discussed were climate change, fossil fuel divestment and carbon asset risk, environmental performance and human rights policies.

Boston Common met one-on-one with Steve Farris, Chairman & CEO of Apache Corp. to review progress the company has made on various ESG issues and where Apache should focus in the coming year. Apache's lead engineer and its top water expert also discussed technologies Apache is developing to reduce negative air or water impacts from hydraulic fracturing for shale gas and oil production. Apache recognized the two key issues facing its industry as water and GHG emissions.

In our meetings with top Statoil executives and two of its largest Norwegian shareholders, Boston Common discussed both Statoil's Canadian tar sands operations and its U.S. unconventional oil and gas operations employing hydraulic fracturing. Statoil shared its goal to reuse 100% of its produced water from oil & gas wells and steps it is taking to reduce gas flaring in North Dakota, including developing new technology to recover methane gas. Statoil said it would not expand its Canadian tar sands operations unless they were more economic than its other projects worldwide. Boston Common has helped lead U.S. investors in calling for the company to withdraw from its Canadian tar sands operations.

Boston Common encouraged Spectra Energy to grow its business in the eastern U.S. to allow more users to switch to natural gas from fuel oil and coal. The company shared with us its draft Indigenous Peoples' rights policy for Canada, which it may release later this year. We encouraged Spectra to develop the policy because we believe its good relations with First Nations in Canada is a competitive advantage relative to other pipeline companies.

In our meetings with National Oilwell Varco (NOV), Boston Common suggested the company seek to develop new products to help customers eliminate fugitive methane emissions and improve environmental performance. Additionally, in response to our request, by the end of 2013, NOV plans to substantially expand its online sustainability reporting.

Boston Common also met with Baker Hughes (BHI), encouraging it to develop new technology and services to enable oil and gas companies to improve their environmental performance. Boston Common encouraged the company to develop more products to prevent and contain methane emissions and to develop technology for carbon capture and sequestration (CCS). The company expressed concerns about the current market interest for CCS.

Boston Common's September meeting with ConocoPhillips focused on Indigenous Peoples' rights and hydraulic fracturing. We discussed the company's progress in developing social indicators for implementing its Indigenous Peoples' rights policy, as well as investor interest regarding methane emissions, carbon asset risk, and fossil fuel divestment.



First Lady Michelle Obama hosted a White House Convening on Food Marketing to Children. Boston Common's Lauren Compere pictured in front row.

## GLOBAL HEALTH

### Food Marketing & Access to Nutrition

On September 18th, Lauren Compere participated in a White House Convening on Food Marketing to Children hosted by First Lady Michelle Obama's Let's Move campaign. This gathering brought together experts and thought leaders to discuss opportunities and barriers to advancing progress on childhood obesity. Two breakout sessions focused on how to continue to make progress in reducing marketing of unhealthy food to kids and strategies for shifting tactics for marketing healthier choices.

In March, the Access to Nutrition Index (ATNI), a new global initiative that evaluates food and beverage manufacturers on their policies and practices related to obesity and undernutrition, was launched. As an investor serving on the Expert Group, Boston Common spoke at and helped to organize a number of investor briefings recently including Boston, New York, and London. This quarter Boston Common also continued its multi-year engagements with PepsiCo, Mondelez, and Unilever about how they are managing the risks and opportunities related to obesity and nutrition in their product mix, with a particular focus on establishing global goals to reduce sugar, salt, trans fats, and saturated fats and to increase positive nutrients. A key focus was pushing for more robust labeling practices, as well as establishing stricter marketing guidelines for children, including via digital media. Unilever has one of the more comprehensive disclosures to customers, including children, regarding the use of their information and should be viewed as a best practice model for its peers to follow.

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During our meetings with PepsiCo, Mondelez, and Unilever, we also discussed their response to the “Behind the Brands” report that Oxfam published in September. The report evaluates the supply chain policies of the ten largest global food and beverage companies, examining seven areas critical to sustainable agricultural production: women, small-scale farmers, farm workers, water, land, climate change, and transparency. We also encouraged PepsiCo and Unilever to disclose how they are mitigating the risks associated with commodities speculation.

### ENVIRONMENTAL RISK MANAGEMENT

In August, the Silicon Valley Toxics Coalition (SVTC) published its 2013 Solar Scorecard. The report grades the 40 largest solar photovoltaic (PV) companies on a number of sustainability areas, including their use of toxic chemicals, recycling, and provision of green jobs. As a primary supporter of the SVTC scorecard since 2009, Boston Common has played a pivotal role in providing guidance on the questionnaire and recruited over \$1.5 trillion in investor assets under management to encourage solar PV company participation in the survey. The top three solar PV companies as graded in the 2013 scorecard are Trina Solar, Yingli, and SunPower.

Boston Common helped draft and co-signed an investor letter that environmental NGO Ceres sent to over 50 of the world’s largest oil & gas, coal, and electric power companies. The letter asks companies to assess and report publicly on their potential “carbon asset risk” and commit to dialogue with investors on this challenging issue. The fossil fuel industry is expected to face regulations related to high carbon fuel combustion. This may lead to existing energy assets for some companies becoming uneconomic or leading to “stranded assets” with no value.

### Chemicals and Product Safety

This quarter, Boston Common continued our work on chemicals and product safety by engaging Walgreen Co., a North American drug retailer. Our investor group is concerned that Walgreens is falling behind industry peers on chemical safety practices. Some of Walgreens’s private label products are not screened for chemicals of concern, most importantly its beauty and baby products. Boston Common recommended strongly that Walgreens capitalize on its new 45% stake in Boots, and apply Boots’s chemical safety policies covering beauty, personal care, and baby products.

### Spotlight on Bangladesh

Boston Common is helping to lead an ICCR-coordinated investor initiative supported by over 200 organizations with over \$3.1 trillion in assets under management. This initiative supports a multi-stakeholder approach to address the systemic issues in the apparel supply chain. The primary short-term focus is engaging companies that have not signed the European-led Accord on Fire and Building Safety (signed by over 85 companies) or the North American-led Alliance for Bangladesh Worker Safety (signed by 21 companies). In this regard, a letter was sent to 24 global companies, including adidas, asking them to join the Accord. The Accord is a credible and independent initiative developed by global brands, local and global trade unions, and labor rights organizations. It has the potential to affect more than one-fourth of Bangladesh’s apparel factories. On September 5th Lauren Compere spoke at “A Panel Discussion on Ethical Sourcing in the Apparel Industry” sponsored by the Boston Area Sustainable Investment Consortium (BASIC) and shared expertise on addressing the specific issues facing the apparel industry in Bangladesh and beyond.

### Sustainable Fisheries

Boston Common held a call with Costco to get a progress update on the company’s sustainable fisheries practices. Two years ago, Boston Common and a larger group of investors asked Costco to adopt a Sustainable Fisheries Policy and to work with a third-party organization to stay abreast of emerging scientific evidence. Salmon is the company’s signature fish, and Costco is waiting for the launch of the Salmon Standard by the Aquaculture Stewardship Council (ASC) sometime next year. The ASC standard aims to address the key environmental and social impacts of salmon farming associated with sourcing of feed ingredients, disease transmission between farms and into wild salmon populations, escapes into the wild, use of antibiotics and GMO ingredients as well as labor issues on farms.

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Boston Common cautioned Costco about a possible disconnect between its existing policies and sourcing practices. Concerns have been raised that there is an increase in sea lice at Marine Harvest, Costco's largest supplier at Chilean farms. These concerns are compounded by the lack of appropriate therapeutic methods applied by Chilean farmers to treat sea lice and lax oversight by the Chilean government towards enforcing sustainable fish-farming standards.

### DISCLOSURE & TRANSPARENCY

#### Lobbying Disclosure

Boston Common, co-leading with Sarasin & Partners, sent 47 letters to FTSE 100 companies in the UK seeking greater disclosure of lobbying policies. Twenty companies have responded thus far. In June, Boston Common discussed the issue of lobbying disclosure with Barclays, GlaxoSmithKline and Unilever in London.

As a result of our year-long engagement, GlaxoSmithKline has published on its website "GSK Work with Public Policy Groups." GSK also published an extensive list of its trade association memberships in health-related sectors. This reporting builds from earlier investor pressure to evaluate GSK's membership in trade associations.

Boston Common has filed a shareholder proposal at Visa for the second year in a row. The company still does not disclose to shareholders its trade association or other third party memberships, nor the amounts given to such organizations for lobbying activities.

#### Conflict Minerals

In July, the federal U.S. District Court for the District of Columbia upheld the implementation rules for Section 1502 of the Dodd-Frank Act and dismissed the lawsuit filed against the U.S. Securities and Exchange Commission (SEC)



The Interfaith Center on Corporate Responsibility's (ICCR) Human Trafficking Team with panelists and moderator. Boston Common's Lauren Compere pictured in front row.

by the U.S. Chamber of Commerce, the National Association of Manufacturers and the Business Roundtable. Boston Common applauded the decision as we believe that the SEC rules chart a workable path for companies to report on their sourcing and due diligence processes associated with conflict minerals. We think a multi-pronged strategy is important to encourage peace and prosperity after two decades of conflict and massive dislocation. This positive outcome reflects five years of effort made by Boston Common and others in supporting the SEC rule-making process.

### HUMAN RIGHTS

At the Interfaith Center on Corporate Responsibility's (ICCR) September event, "Breaking the Bonds: Modern Day Strategies to Combat Modern Day Slavery," Lauren Compere shared Boston Common's belief that it is critically important to proactively address human rights throughout the corporate supply chain.

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