

Active Investor Social Update

Fourth Quarter, 2014

Happy New Year! In the fourth quarter, we advanced several of our key ESG initiatives. We received comprehensive responses from global banks to our climate risk inquiry, continued successful dialogues with Costco and Qualcomm on GHG emission targets, and engaged Costco and Tesco to address egregious labor conditions in their supply chains, notably in the Thai shrimp industry. We bolstered our shareowner engagement work by supporting new public disclosure and reporting tools in the areas of global health, hydraulic fracturing, and water stewardship, and we supported European regulatory reform in the areas of human rights and global supply chain management. We begin 2015 with resolve to continue encouraging companies to improve transparency and pursuing global social change.



Fisherman clearing the nets on colorful Thai trawler.

Inside the Issue

PAGE ONE

- Welcome & Taking Stock: Reflecting on the Quarter

PAGE TWO

- Company dialogues & engagement updates
- Issue Area: *Human Rights*

PAGE THREE

- Company dialogues & engagement updates
- Issue Area: *Climate Change*

PAGE FOUR

- Company dialogues & engagement updates
- Issue Areas: *Board Diversity, Environmental Risk Management, Global Health*

Taking Stock: Reflecting on the Quarter

	Milestones	Work in Progress
<i>Environmental Risk Management</i>	EOG shared its plans to conduct water testing before drilling new wells.	EOG to adopt public goals to reduce methane emissions and improve the environmental footprint of operations.
	Qualcomm committed to substantive dialogue around board-level evaluation of its climate change program.	Qualcomm to set public, science-based GHG emission reduction targets.
	Joined steering committee of Chemical Footprint Project.	adidas to work with suppliers on hazardous chemicals management.
<i>Global Health</i>	Hosted U.S. briefing on findings from "2014 Access to Medicine Index."	Pharmaceutical companies to adopt due diligence systems to address ethical breaches & marketing practices.
<i>Climate Change</i>	Received over 20 responses from banks to our investor inquiry on climate risk, a 1/3 response rate to date.	Banks to increase disclosure and transparency related to climate risk across business models.
	Released collaborative report on hydraulic fracturing operations, "Disclosing the Facts 2014," which found significant improvements in public reporting from some companies.	Companies to increase responsiveness to the CDP Water questionnaire, as well as overall attentiveness to water concerns.
<i>Human Rights</i>	Tesco committed to pay a sustainable living wage at a significant portion of its banana supplier farms.	Food producers and retailers to ensure sustainable living wages and safer working conditions with suppliers.

Active Investor Social Update

Fourth Quarter, 2014

Company dialogues & engagement updates

HUMAN RIGHTS

Supply Chain Oversight

In December, Boston Common led a global investor dialogue with Tesco to discuss the company's approach to responsible sourcing in its agricultural supply chain. Tesco has dedicated substantial resources to addressing supply chain concerns, with 45 full-time, local labor standard experts on staff. Almost half of Tesco's bananas are sourced from suppliers who supply exclusively to Tesco. On average, Tesco pays these suppliers 6% above the Fairtrade Minimum Price. Tesco has committed to paying a sustainable living wage on these farms by 2017. Tesco has also initiated due diligence practices for its Thai shrimp suppliers, where labor abuses are known to have occurred. The company is working with the Thai government to abolish human trafficking and forced labor in the seafood supply chain and with CP Foods to establish a global benchmark in sustainable shrimp feed production.

In December, Boston Common learned more about Costco's efforts to combat egregious labor practices in the Thai fishing industry. Under the multi-stakeholder Shrimp Feed Supply Chain Task Force, Costco is working with its suppliers, the Thai government and business officials, and industry peers to establish accountability and transparency within this supply chain to ensure better working conditions for Thai fisherman, down to the boat level.

In October, Boston Common organized a call with the adidas Group to learn more about its approaches to apparel supply chain oversight, Bangladesh, capacity-building to monitor suppliers, and living wages. adidas has a consolidated apparel supply chain, with approximately 60% of its global sourcing volume coming from eight to ten suppliers. The company will move beyond Tier 1 (direct contract) supplier management to manage its Tier 2 suppliers, which include dyeing houses, printing facilities, and other wet processors with significant environmental impacts. adidas is working with the Zero Discharge of Hazardous Chemicals Group (ZDHC), which addresses chemical management in the global supply chain for apparel and footwear companies.

Global Legislation

In October, Boston Common and a group of 24 global investors, representing over \$1 trillion in assets under management, sent a joint statement to the European Commission, the European Council, and the European Parliament recommending changes to the proposed EU conflict minerals legislation. The investor group recommended that the EU legislation be more aligned with Section 1502 of the Dodd-Frank Wall Street Reform



Steven Heim (right), with Hiparidi Top'Tiro, President of Mobilization of Indigenous Peoples of the Cerrado in the Mato Grosso region of Brazil

and Consumer Protection Act, which mandates downstream due diligence to reduce the trade in conflict minerals (i.e. tin, tungsten, tantalum, and gold) from the Democratic Republic of Congo and surrounding countries. The investor group also recommended changing the legislation to apply to all downstream actors, including manufacturers, in order to stop the flow of conflict minerals from the Congo.

In November, Boston Common and a group of 20 investors, representing approximately \$1.5 trillion in assets under management, supported the inclusion of Transparency in Supply Chains (TISC) legislation as part of the UK Modern Slavery Bill. The TISC legislation builds, in part, on the California Transparency in Supply Chain Act, which became mandatory in 2012 for companies doing business in California with annual world-wide gross receipts exceeding \$100 million; it requires companies to report on their evaluation and amelioration of the risks of trafficking and slavery in their supply chains.

Human Rights of Indigenous Peoples

In September, Boston Common organized and moderated a panel on corporations and Indigenous Peoples at the World Conference on Indigenous Philanthropy. The panel included a lively discussion between a World Bank official and Indigenous leaders from Latin America and Africa. At the conference, Steven Heim helped advise Hiparidi Top'Tiro, the president of Mobilization of Indigenous Peoples of the Cerrado in the Mato Grosso region of Brazil, on investor strategies that might help his people gain access to their territories, currently broken up by large GMO soybean farms.

In October, Boston Common helped organize an investor meeting with Victoria Tauli-Corpuz, the new United Nations Special

Active Investor Social Update

Fourth Quarter, 2014

Company dialogues & engagement updates

Rapporteur on the Rights of Indigenous Peoples. In our three-hour meeting, investors, NGOs, and legal advocates shared with Ms. Tauli-Corpuz how investors are positioned to help advance the rights of Indigenous Peoples through engagement with companies and direct investment in Indigenous communities.

CLIMATE CHANGE

Ongoing Efforts to Increase Disclosure

In early 2014, Boston Common launched a portfolio-wide engagement, targeting 22 core holdings, to assess water risk management in companies' operations and supply chains. We encouraged their response to the 2014 CDP Water questionnaire. Companies' approaches to water management tend to focus on water savings and efficiency measures, and often fail to incorporate assessment of supply chain water risks or engagement with communities on shared water needs. Thus far, 20% of contacted companies have responded to our inquiry letter, with 10% committing to respond to the survey as part of overall efforts to improve water management disclosure.

In September, the Boston Common-led global investor coalition, representing a total of \$540 billion in assets under management, sent letters to 63 banks asking them to explain their long-term approach to climate risk. The letter encouraged banks to embrace the critical role they must play in the transition to a low-carbon future. We customized the letters to reflect each bank's known climate risk practices and participation in industry initiatives, such as the Equator Principles, CDP, and the Carbon Principles. To date, we have received written responses from over 20 banks, including Bank of Montreal, Barclays, BNP Paribas, Credit Suisse Group, Deutsche Bank, Morgan Stanley, Standard Chartered, Sumitomo Mitsui Financial Group, TD Bank, U.S. Bancorp, and UniCredit. We have initiated active investor dialogues with a number of these banks.

Boston Common has joined the Steering Committee of the Chemical Footprint Project, a joint initiative of Clean Production Action and the Lowell Center for Sustainable Production. The Project aspires to improve corporate progress and disclosure relating to safer chemicals. Boston Common is working in cooperation with multi-stakeholder experts to inform the development of a questionnaire and reporting system for chemicals. These tools will enable companies to measure and assess the exposure of their supply chains to hazardous chemicals and to benchmark themselves against industry peers as they move toward safer alternatives.

Building Investor Resources for Industry Benchmarking¹

A number of reports released this quarter will enable investors to better understand the sustainability strengths and weaknesses of companies relative to their industries. This comparability is essential for assessing risk, identifying best-in-class investments, and engaging lagging companies to encourage improvements.

Silicon Valley Toxics Coalition (SVTC) "2014 Solar Scorecard"

The report grades over 30 of the largest solar photovoltaic (PV) companies by market share on sustainability areas, including toxic chemicals, recycling, and green jobs. Since 2009, Boston Common has played a pivotal role in providing guidance on the Scorecard questionnaire. This year, we recruited investors, representing \$1.6 trillion in assets under management, to encourage solar PV company participation in the survey.

"Disclosing the Facts 2014: Transparency and Risk in Hydraulic Fracturing Operations"

Boston Common released the report in collaboration with the Investor Environmental Health Network, As You Sow, and Green Century. This is the second annual report to analyze the public disclosure of oil and gas companies regarding their hydraulic fracturing operations in the U.S. and Canada. The report found that companies, as a whole, are not providing sufficient information about their efforts to reduce community and environmental impacts; however, since 2013, several companies have greatly increased their disclosure. The study gives examples of notable company practices and detailed recommendations for industry improvements. Of the 35 indicators against which companies were scored, only one company reported on more than half: BHP Billiton (18 of 35). It was followed by Hess, EQT, Encana, and Apache, a company with which Boston Common has done extensive engagement. Companies in the study with the least disclosure included QEP, Carrizo, and Continental.

"2014 Access to Medicine Index" (ATMI)

This relative ranking of the top 20 global branded pharmaceutical companies covers seven core areas of a company's access strategies: General Access to Medicines Management, Public Policy & Market Influence, R&D, Pricing, Manufacturing & Distribution, Patents & Licensing, Capability Advancement in Product Development & Distribution, and Product Donations & Philanthropic Activities. As an early signatory, Boston Common has provided stakeholder feedback on its methodology and metrics since 2008. We utilize ATMI data in our corporate engagements, including with GlaxoSmithKline, Novartis, and Roche.

CDP "Global Water Report 2014"

CDP's (formerly Carbon Disclosure Project) fourth global annual report on water presents water data provided by 174 companies listed on the FTSE Global 500 Equity Index via the CDP Water questionnaire. Boston Common, along with over 570 institutional investors representing a total of \$60 trillion in assets under management, supports the CDP Water Program. We have encouraged companies including those in Asia and Latin America to participate in CDP Water through meetings or CDP webinars.

¹www.solarscorecard.com, disclosingthefacts.org, www.accesstomedicineindex.org, www.cdp.net

Active Investor Social Update

Fourth Quarter, 2014

Company dialogues & engagement updates

BOARD DIVERSITY & ACCOUNTABILITY

Over the last six months, Boston Common has attempted to engage Discovery Communications on the issue of boardroom diversity. We have written the company multiple times outlining our concerns about the lack of diversity on its board of directors, but unfortunately have received neither response nor acknowledgement of our correspondence. Therefore, we helped to facilitate the shareholder proposal recently filed with the company by Calvert, Mercy Investment Services, and Trillium and co-filed by Mercy Health. The proposal asks Discovery Communications to prepare a report on how the company plans to increase diverse representation on its board of directors. Boston Common has sent a letter of support for the proposal and hopes the company is open to dialogue in 2015.

ENVIRONMENTAL RISK MANAGEMENT

In December, Boston Common successfully negotiated a withdrawal of a shareholder proposal asking Qualcomm to set time-bound greenhouse gas (GHG) emission reduction targets. This agreement includes a commitment to substantive dialogue with the company over the next six months to evaluate appropriate targets for mitigating its carbon footprint, as well as a commitment to a board-level evaluation of Qualcomm's current climate change program.

In October, Boston Common brought together North American and European investors in the first-ever sustainability dialogue conference call with EOG Resources. The dialogue focused on hydraulic fracturing, water, methane emissions, carbon asset risk, Indigenous Peoples' rights, and advancement of women in management and on the board. EOG shared its plans to roll out water testing before drilling new wells. Boston Common intends to work with other investors to encourage EOG to adopt public goals for its methane emissions and flaring and to commit to "green" completions for all of EOG's operations.

This fall, Boston Common organized and convened its 10th annual shareowner meeting with Apache's Chair and CEO, Steve Farris, in New York City. Our annual, off-the-record meetings have helped drive new environmental, social, and governance changes by Apache over the years. These meetings provide investors valuable insight into Apache and the oil and gas industry.



Steven Heim (left) with Steve Farris, Chairman, CEO and President of Apache Corporation

Approximately 30 investors, including major Wall Street firms, attended this September's meeting, which covered a wide variety of topics, including climate change and carbon asset risk, hydraulic fracturing and water management, human rights policy, corporate governance, and sustainability reporting.

GLOBAL HEALTH

On December 8th, Boston Common co-convened a U.S. investor briefing on findings in conjunction with the release of the "2014 Access to Medicine Index" report. The 2014 report found that the pharmaceutical industry had made positive strides in developing and scaling innovations to improve access to and affordability of medicines. More companies are focusing on access-oriented business models in critical geographies, such as Africa. Almost half of access strategies focus on diseases, such as respiratory infections, diabetes, and hepatitis, which increasingly impact the developing world. Nevertheless, the report also found that advances in the development of and compliance with codes of conduct are needed to guard against incidents of bribery, corruption, and unethical marketing practices.

Boston Common also convened its 11th annual dialogue with GlaxoSmithKline on its access to medicine strategies. Through our engagements, Boston Common pushes for the corporate cultural shifts necessary for pharmaceutical companies to prosper, our investments to be safeguarded, and for the health challenges of the world's most disadvantaged people to be met.

Boston Common Asset Management is a federally registered investment adviser. The firm provides socially responsible investment management services to individuals and institutions who seek sustainable, long-term capital appreciation with social screening and shareholder advocacy. The information in this document should not be considered a recommendation to buy or sell any security. There is no assurance that any securities we discuss will remain in an account's portfolio at the time you receive this document. The securities discussed do not represent an account's entire portfolio and may represent only a small portion of an account's holdings. It should not be assumed that any securities transactions we discuss were or will prove to be profitable. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal.