



BOSTON COMMON ASSET MANAGEMENT, LLC

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Dear Friend,

Happy New Year! On your behalf, Boston Common helped shape the approach of our portfolio companies to key environmental and social issues in 2007. The broad range of advocacy initiatives detailed in this Update, from climate change to executive pay to banking in Sudan, represent ongoing campaigns at Boston Common as well as new issues we will pursue going forward. Over the past year, we were encouraged by the growing number of clients who chose to actively co-file resolutions with us or join company dialogues directly! We look forward to continued collaboration in 2008 as we seek to further improve corporate performance on environmental and social justice issues of importance to all of us.

Sincerely,

Lauren Compere, Director of Shareholder Advocacy
Steven Heim, Director of Social Research
Dawn Wolfe, Social Research Analyst
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parently weigh the risks associated with such investments for its investors. We have a second meeting in February with the company to discuss the merits of our proposal.

This fall, Boston Common helped write a new shareholder proposal on **climate change** that investors filed with four natural gas pipeline operators: **El Paso, Williams, ONEOK, and OGE Energy**. The proposal, which Boston Common filed with OGE Energy, asks companies to set public goals for greenhouse gas reductions. We have discussed our proposal with OGE and how it could improve public reporting. Boston Common is considering its options for defending the proposal at the SEC following a challenge submitted by OGE.

Boston Common co-filed a shareholder proposal with **EnCana**, Canada's largest oil and gas company, asking it to detail how it accounts for the future **cost of carbon emissions** in its capital planning. At present, the company is a minor player in Canada's oil sands industry and a leader in carbon capture and storage technology. This technology is expected to help reduce greenhouse gas emissions from oil sands production.

Climate Change

Boston Common filed a shareholder proposal in November with **Citigroup**, asking the company to cease investments in the construction of **new coal-burning power plants** and mountaintop removal **coal mining operations**, both significant contributors to rising atmospheric levels of greenhouse gases. Given the uncertain regulatory landscape surrounding greenhouse gas emissions, we believe that Citigroup should, at a minimum, trans-

Human Rights

Boston Common's human rights proposal at **Cisco Systems** received a record 36% support at the company's annual shareholder meeting in November. The proposal asks Cisco to inform shareholders how it ensures that its business operations in repressive regimes do not violate the **human rights** of privacy, free expression, and personal security. Boston Common has been the lead filer of similar proposals at Cisco for three consec-

2007 Corporate Engagement Highlights

Company	Issue	Outcome
Aflac	Executive Pay	Becomes first U.S. company to let shareholders vote on executive pay packages.
Baker-Hughes	Climate Change	Issues first sustainability report in early 2008.
Cisco	Human Rights	Proposal on human rights and the Internet receives record support of 36%.
Colgate-Palmolive	Political Contributions	Prohibits use of company trade association payments for political causes.
Volkswagen	Climate Change	Improves public disclosure on risks and opportunities of climate change.
Target*	Human Health	Agrees to reduce its use of PVC's in packaging and children's products.
ConocoPhillips	Indigenous Peoples Rights	Relinquishes section of disputed oil block back to Peruvian government.
Henkel	Human Health	Adopts plan to switch from PVC to PET packaging in key North American brands.

*Boston Common was a co-proponent of the proposal.



utive years, and each year shareholder support has grown. With over one-third of Cisco shareholders voting in favor of the proposal, we are encouraging management to act on our request.

This fall, Boston Common re-filed a shareholder proposal with **ConocoPhillips** regarding **Indigenous Peoples' rights**. ConocoPhillips is the largest U.S. operator in the Peruvian Amazon and San Juan Basin of the U.S. Southwest. In January, we organized a conference call with shareowners and Navajo activists who shared the negative impacts of oil and gas development on their way of life. We are seeking a meeting with ConocoPhillips to discuss how it addresses the concerns of the Navajo and other Indigenous Peoples affected by its operations.

In November, Boston Common pressed **Carnival PLC** to expand the company's vendor contracts and employee ethical code of conduct to include specific **protections for children**. As a model, we presented the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism (ECPAT), which has been adopted by over 500 companies.

As part of an investor-NGO coalition led by the **Sudan Divestment Taskforce** and **Amnesty International**, Boston Common met with officials of **Citigroup**, **JP Morgan Chase**, and **Merrill Lynch** at their New York offices in November to discuss the banks' investments in certain companies linked to Sudan. While the banks are invested in different ways and to varying degrees in some of the largest oil operators in Sudan, we are requesting they use their influence as major investors to press the oil companies to respond to the Darfur crisis. Revenues fueling the genocide in Darfur are largely generated from oil.

Workplace

Boston Common wrote to **Cummins** last October inquiring about allegations by the Teamsters union that Cummins and its U.S. distribution companies violated **international labor rights standards** for freedom of association and the right to bargain collectively. Cummins has denied the charges to Boston Common. We've suggested ways Cummins can improve its labor relations practices and will discuss these issues in detail with Cummins at a meeting in January.

Boston Common initiated contact with more than **twenty-five companies** in its small cap portfolio, each of which has only **one woman serving on its Board of Directors**. We are encouraging them to increase the number of women serving, as recent studies show that a critical mass of three or more women on a Board can cause a positive shift toward enhanced corporate governance. We are pleased that several plan to take up this issue in their next board nominating committee meetings.

Corporate Governance

Aflac announced in November that it would implement the advisory vote on **executive pay** in 2008, rather than 2009 as originally stated. Last year, Boston Common successfully led the proposal resulting in Aflac's decision to become the first U.S. company to let shareholders vote on executive compensation packages. We are encouraged by Aflac's continued leadership in this area and continue to work with company management as it prepares to implement the advisory vote in 2008. Boston Common filed two additional "say on pay" proposals for the 2008 proxy season with **IBM** and **Waddell & Reed Financial**.

This quarter, investors continued to challenge two **SEC** proposals aimed at curtailing **shareholder rights** by limiting access to the proxy. In November, the SEC voted 3-to-1 in favor of one proposal to block investors from nominating board of director candidates after a two-month public comment period. More than 22,500 comments were submitted, and the vast majority opposed curbing shareholder rights. The SEC vote did not address the second proposal to further limit the shareholder resolution process. Boston Common will continue to monitor this and defend shareholder rights through engagement of the SEC.

Corporate Sustainability in Asia

In November, Boston Common's Director of Shareholder Advocacy Lauren Compere participated in the **CSR Asia Summit** in **Hong Kong**. She shared our perspectives on **environmental, social, and governance** (ESG) issues as U.S. based social investors and learned the state of ESG issues in Asia. The Summit brought together leaders from business and civil society to discuss how ESG issues influence corporate value in Asia. In addition to speaking at the summit, Lauren met with representatives of six portfolio companies based in **Hong Kong, China** and **South Korea** and visited a factory in Shenzhen, China.

Asian corporations' responses to ESG issues vary, but we found similarities among the companies we met. Despite their global reach, firms such as **Esprit Holdings**, **Kookmin Bank**, and **POSCO** tend to view these issues in a limited regional context. Social investors, however, increasingly evaluate them against global peers that have developed more comprehensive workplace safety, environmental management, and stakeholder engagement processes. We heard a more comprehensive approach to managing ESG issues in our discussions with **Samsung** and **Standard Chartered**. In many cases, Boston Common was the first social investor these companies met with in person. We hope to build on the relationships made in Asia to help company management improve their response to ESG issues and recognize the impact they have on shareholder value.