



BOSTON COMMON ASSET MANAGEMENT, LLC

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Happy New Year! As detailed below, 2010 was a year of many successes in advancing corporate performance on the environmental, social, and governance spectrum. We look forward to working on behalf of our clients to expand on these successes and take on new endeavors in 2011.

Health

Our engagement of **Veolia Water** on access to **water and sanitation as a human right** has generated a high level of interest from its Executive Board. In November, Boston Common had a dialogue with CEO Jean Michel Herrewyn and three additional senior executives. Mr. Herrewyn discussed how Veolia Water uses the **CEO Water Mandate** to increase commitment to water sustainability issues worldwide and practical steps Veolia has taken globally to promote access to water throughout the developing world. In response to our inquiry, Veolia also wrote us a detailed, seventeen-page letter. Boston Common will continue pushing for systematic monitoring and reporting on access to water practices as part of our engagement of Veolia.

As part of our focus on responsible nutrition practices, Boston Common met with the **Global Alliance for Improved Nutrition (GAIN)** to inform our engagement strategy for food and

beverage companies in 2011. Developing comprehensive strategies to address **obesity and undernutrition** emerged as key issues. In November, Lauren Compere presented Boston Common's responsible nutrition engagement with companies such as **Kraft, Pepsi, Nestle, and Unilever** at the SRI in the Rockies conference and also highlighted our leadership on global health and access to medicines issues. Our November 18th presentation is available via podcast on the SRI in the Rockies website.

Workplace & Supply Chain

As part of our leadership on eradicating the use of **minerals mined in conflict regions** of the Democratic Republic of Congo, Boston Common is part of both investor and multi-stakeholder groups focused on implementation of the **Conflict Minerals Special Disclosures provision of the Dodd-Frank Financial Reform Act**, aimed at exposing corporate use of conflict minerals. We have met with senior representatives of the **U.S. Securities and Exchange Commission (SEC)**. As part of the investor coalition, we submitted comments to the SEC under the rule-making process for the provision. Over fifty investors representing over \$230 billion in assets endorsed the comments, emphasizing how investors would use the Special Disclosure to analyze management of supply chain risk. As part

2010 Corporate Engagement Highlights

Focus	Outcome
Apache Corp.	Held multi-company investor forums with Boston Common on offshore oil safety & natural gas fracking
BJ Services & Baker Hughes	Marketed new environmentally preferred fracturing fluids and additives for shale gas wells
Congo Conflict Minerals	Engaged on new disclosure requirements under Dodd-Frank Act*
Costco	Adopted company-wide seafood sustainability policy & ended sale of several at-risk species*
Disney Co.	Published human rights policy referencing human trafficking and protection of children
Emerging Markets Disclosure	Published report on Korean ESG disclosure and engaged 6 companies on report findings*
IBM	Earned 45% of shareholders support for Say on Pay proposal
Indigenous Peoples' Rights	Led investor initiative encouraging U.S. to endorse UN Declaration on the Rights of Indigenous Peoples*
Itron	Expanded non-discrimination protections for employees
Sustainability in Japan	Co-Sponsored Tokyo roundtable on Japanese stakeholder engagement model
JPMorgan Chase	Disclosed more detail on financing of new coal-fired power plants in U.S.
Staples	Ended use of cash register receipt paper containing BPA
Symantec	Ended practice of virtual-only annual meetings that prevented shareholder interaction*
TJX Companies	Expanded disclosure on cotton in supply chain harvested by children in Uzbekistan

*Boston Common worked in coalition with other investors/NGOs to achieve success

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of the multi-stakeholder group, we helped draft a second set of recommendations endorsed by companies such as **AMD, Dell, Ford, Hewlett-Packard,** and **Microsoft.**

Global smart metering company **Itron** will expand its non-discrimination codes to include **gender identity as a protected status** as the result of Boston Common's proposal on the issue. In the course of our dialogue with Itron, we were impressed with management's dedication to eradicating all forms of discrimination in the workplace. Itron's new policy will bring it in line with non-discrimination best practices for Lesbian, Gay, Bisexual, and Transgender workers.

Human Rights/Indigenous Peoples' Rights

At the November annual meeting of **Cisco Systems** shareholders, Boston Common's proposal asking management to strengthen its **human rights practices** received 34% support. It is rare for a human rights proposal to be supported by over a third of investors. After five years of consistently high votes, however, Cisco remains reticent to act or meaningfully engage with investors on this topic. We believe management also used deceptive methods to tally the level of support, using different calculations for management-sponsored and shareholder-sponsored resolutions. As a result, Boston Common's ESG Team recommended divestment of Cisco Systems from its portfolio.

In a victory for Indigenous Peoples worldwide, the United States announced in December its qualified support for the **United Nations Declaration on the Rights of Indigenous Peoples.** The UN General Assembly first approved the Declaration in 2007, and the only no votes were cast by the U.S., Canada, Australia, and New Zealand. The U.S. was the last of those countries to change its position, and has not fully endorsed the Declaration. In 2010, Boston Common led an investor initiative encouraging unqualified endorsement of the Declaration. Nineteen investors from the U.S. and Canada representing over \$20 billion in assets signed our letter. Via the UN Principles for Responsible Investment, Boston Common is encouraging companies such as **ConocoPhillips, Repsol YPF,** and **Eni** to adopt policies of Free, Prior, and Informed Consent that reference the UN Declaration.

In October, **Disney** adopted a human rights policy based on input from investors, including Boston Common. The new policy includes Disney's procedures to **protect children,** as well as how the company is addressing broader **human trafficking** within its operations. Boston Common is leading a follow-up engagement with Disney to discuss the implementation of its human rights policy. Disney agreed to a broader investor meeting in early 2011.

Environment & Health

As a result of Boston Common's engagement of energy-services company **Baker Hughes** since 2006, the company has released on its website a trove of **sustainability indicators** pertaining to its global operations. Since releasing the information, Baker Hughes became the only oil & gas industry company that ranked in the top 100 companies in **Business Week's 2010 Green Rankings** of the 500 largest U.S. companies.

In lieu of filing shareholder proposals for 2011, Boston Common and Mercy Investment Services made arrangements with **Dentsply** and **Danaher** respectively to hold joint meetings on mitigating the environmental impacts of **mercury in dental amalgams,** or "silver fillings." We will build on several recent policy advances by the **U.S. Environmental Protection Agency** and **World Health Organization** among others that may help diminish the use of mercury amalgams globally.

Boston Common, **Apache Corp.,** and Ceres organized an investor forum on **offshore oil safety and risk management** in November that included officials of **Mariner Energy, Baker Hughes,** and its affiliate **Gaffney, Cline & Associates.** This was in response to the August 2010 letter by the **Investor Network on Climate Risk** to twenty-seven offshore oil companies regarding safety systems and practices. Investors and key personnel had a frank exchange and will meet again in February.

In October, the **Silicon Valley Toxics Coalition (SVTC)** launched its second annual **Solar Company Survey and Solar Scorecard,** sponsored in part by Boston Common. We helped draft the new survey sent to over 200 solar photovoltaics (PV) companies around the world and are encouraging major players such as **First Solar, Sanyo, SunPower,** and **Trina Solar** to respond. The scorecard allows for benchmarking of environmental and supply chain practices of solar PV companies.

Corporate Governance

Boston Common co-sponsored two shareholder proposals this quarter aimed at making **political expenditures by corporations** more transparent. Disclosure of political activity by corporations is crucial in the wake of the **Citizens United Supreme Court decision,** allowing for the unlimited flow of funds from corporate treasuries into political campaigns. The **IBM** proposal is focused on its role as a Board member of the U.S. Chamber of Commerce, which has taken positions on issue such as climate change that directly conflict with IBM's own stated policies. The **AT&T** proposal, asking for clarity on how it manages political contributions and expenditures, will likely go to a vote this spring.