



# BOSTON COMMON ASSET MANAGEMENT, LLC

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*The turn of this year has special meaning for us, as it marks our tenth year of operation as Boston Common Asset Management. As we share our most recent successes in shareholder advocacy and engagement with companies, we are reflective of the ten years of cumulative effort that have gone into developing an impactful voice as engaged, active investors, and we thank our clients and readers for their support.*

## SPOTLIGHT ON EMERGING MARKETS DISCLOSURE PROJECT

On October 15, 2012, the final report of the five-year-long Emerging Markets Disclosure Project (EMDP) was released. **Lessons Learned: The Emerging Markets Disclosure Project, 2008 – 2012**, chronicles the initiative, which has championed greater ESG transparency by emerging market companies in the four major markets of Brazil, Indonesia, South Africa and South Korea. Boston Common was a co-chair of the EMDP, co-leader of the EMDP South Korea team, and one of the key sponsors and contributors to the final report.

EMDP employed a unique collaborative model, in which global research providers worked with local counterparts to raise the quality of ESG research, and global and local investors established a corporate engagement framework that incorporated Western standards and local cultural norms. In December, Boston Common Managing Director Lauren Compere shared her experience of co-chairing this initiative at two Wall Street venues: an EIRIS-sponsored panel at Moody’s, and at Responsible Investor’s 4th annual ESG USA conference at Bloomberg headquarters. She also presented at a webinar sponsored by the International Working Group of the US SIF in November.

### Major EMDP accomplishments:

- Won the backing of 55 investors with more than \$1 trillion in assets under management.
- Formed four country teams with local and international partners in Brazil, Indonesia, South Africa and South Korea, which engaged 72 companies on sustainability issues.
- Created an ESG scorecard which provides a comparable ranking of the performance of emerging markets companies in key areas of ESG disclosure.
- Published four original research reports documenting disparities in sustainability disclosure practices and knowledge of ESG risks among emerging markets companies.

**FINANCIAL TIMES**

December 26, 2012 9:45 pm

**Dodd-Frank rule imperfect but has promise for the future**

*From Ms Lauren Compere.*

Sir, Katrina Manson's article "The quest for clean hands" (Analysis, December 19) takes a short-term view of a longstanding problem.

Excerpt from Lauren Compere's letter published in response to Dec. 18th *Financial Times* article on Conflict Minerals and the Dodd Frank Act. Read the full letter at [www.bostoncommonasset.com](http://www.bostoncommonasset.com).

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## SPOTLIGHT ON SUSTAINABLE FINANCE

The climate change implications of bank lending are substantial. Financial institutions contribute to climate change through their “financed emissions”, which are the greenhouse gas (GHG) emissions enabled through loans, investments and financial services. A bank’s financed emissions can dwarf its other climate impacts and expose it to significant reputational, financial and operational risks.

Boston Common has begun conversations with two key bank holdings, **PNC Financial** and **JPMorgan Chase**, about their lending policies related to climate change, thus broadening the focus of our existing dialogues with both companies on policies related to high impact practices such as mountain top removal coal mining and coal-fired power plants. JPMorgan Chase is the leading underwriter in the coal industry. PNC, meanwhile, is a significant lender in regions economically linked to the extraction of natural gas and coal.

Boston Common has filed shareholder resolutions with both banks asking for reporting on the companies’ managerial approach to climate change impacts. Both companies have publically stated that they consider preparedness and management of climate change to be a key business issue, and they have acknowledged climate change as presenting significant risks to their brands, businesses operations and performance. Unfortunately, these statements have not translated into verifiable meaningful programs.

PNC is challenging our request at the U.S Securities and Exchange Commission (SEC) and we are working to ensure that our shareholder proposal remains on the on the proxy ballot. In pleasant contrast, JPMorgan Chase is working with us to establish timelines and stakeholder feedback processes for the development of an updated environmental management policy.

## ENVIRONMENT & CLIMATE CHANGE

In December 2012, Boston Common helped launch the 2013 edition of the **Silicon Valley Toxics Coalition (SVTC)’s Sustainable Solar Initiative**: a campaign aiming to help steer the solar industry towards true sustainability. We amassed support from investors based in the U.S., UK, Europe, and Asia to co-sign an investor letter to be sent to over 200 solar photovoltaic (PV) companies encouraging them to participate in SVTC’s 2013 **Solar Scorecard**, which rates leading solar PV companies on use of safer chemicals, recycling, supply chain policies and disclosure.

In October, Boston Common participated in the initial joint meeting of the **Solar Commitment Advisory Group** organized by the **Solar Energy Industries Association (SEIA)**, along with participating solar PV companies. Boston Common is the sole investor member of the advisory group, launched by SEIA in March 2012. At the meeting, we provided suggestions on key performance indicators to be used in measuring improvements in sustainability performance by solar companies.

In January 2013, Congress extended the **Production Tax Credit (PTC) for wind power** as part of the “fiscal cliff” negotiations. The PTC has provided a critical incentive in boosting wind power and the development of other renewable energy sources in the U.S. by providing a 2.2 cents per kilowatt hour tax credit for the first 10 years of production by utility-scale projects. As part of an initiative organized by the Investor Network on Climate Risk, a project of Ceres, Boston Common signed on to multiple investor letters to Congress encouraging the renewal of the PTC for wind. In September, the Triangle Business Journal of North Carolina published our op-ed in support of renewing the wind power PTC. We highlighted both national and local benefits of wind power. ABB Ltd., a portfolio holding and one of the largest providers of infrastructure equipment for the wind energy industry, has its U.S. headquarters and a production facility in North Carolina.

Boston Common has co-filed a shareholder proposal with **EOG Resources** asking the company to publicly report quantitative data on measures used to reduce risk and apply best practices in hydraulic fracturing operations. EOG has greatly expanded its reporting on fracking over the past two years, yet still does not provide quantitative information enabling performance comparisons year-to-year, or with other companies. In December, we participated in an investor call with EOG during which the company detailed its plans for future reporting.

In October, **Ceres** published an investor statement on oil sands development in Canada that was co-signed by Boston Common and 48 other investors representing a total of over \$2 trillion in



assets. The investor statement called for specific performance improvements across the industry in four key areas facing the most material risks: greenhouse gas emissions, water withdrawals and freshwater contamination, land disturbance, and responsibilities to Indigenous communities.

Boston Common participated in the **4th Biophysical Economics Conference** held at the University of Vermont in October, 2012. The conference explored the critical role of energy and biophysical systems, which have been largely ignored in neoclassical economics developed in an era of cheap and seemingly limitless fossil fuels. Speakers measure of the amount of energy produced versus the energy required to produce it. Currently, most unconventional and renewable energy sources have substantially lower EROI values than conventional fossil fuels.

## PUBLIC POLICY ENGAGEMENT

Boston Common has been closely tracking proposed legislation in the European Parliament regarding human rights requirements for companies doing business in **Burma (Myanmar)**. The EU is deliberating the reinstatement of trade preferences with the country, which would grant duty-free and quota-free access to the European market for all Burmese goods, except for arms. In November 2012, Boston Common joined other global investors representing €105 billion of collective assets in writing to the **EU Parliamentary Committee for International Trade** to confirm investor support for due diligence, disclosure, and dispute resolution mechanisms for European companies doing business in Burma. On November 5th, the **Emerging Markets ESG Newsletter** published a special interview with Lauren Compere entitled “Five Questions about Burma”, which shared our perspective on what investors should know as U.S. corporations look at Burma re-entry.

In August, Boston Common filed a shareholder proposal with **Visa Inc.** on political contribution disclosure. The proposal, which will go to a vote on January 30th, emphasizes the substantial risks to Visa’s brand posed by questionable forms of lobbying and political activity, and calls on Visa to adopt best practice standards related to political contribution disclosure. In a follow-up call with the company in November, we outlined the steps Visa should take in addressing these concerns, including conducting a comprehensive review of the business rationale behind memberships and contributions to major trade associations, political organizations, think tanks, and lobbying organizations, starting with the **American Legislative Exchange Council (ALEC)**. While the company has initiated enhanced disclosure to the board on its involvement with trade associations, we persisted in taking this proposal to ballot as the company has not contemplated any disclosure to shareholders.

## GLOBAL & ENVIRONMENTAL HEALTH

The disposal of spent **lead-acid batteries** is a major public health problem in many countries, such as Mexico and China, and in regions such as Southeast Asia, where poor recycling practices expose communities and workers to toxic lead. A study by the Blacksmith Institute cites lead-acid battery recycling as the top contributor to the global toxic disease burden imposed by industrial pollutants. Lead-acid batteries are used widely in vehicles, and for backup power for data centers, cell phone towers and telecom switching stations. Boston Common is part of an investor campaign organized by the Investor Environmental Health Network (IEHN) and Occupational Knowledge International addressing the issue. This quarter, we were the primary filer in a shareholder proposal to **AT&T**, and lead investor for dialogue with **Microsoft**. In both engagements, we asked the companies to establish policies regarding lead-acid batteries that restrict the sending of spent batteries to regions with poor environmental controls. Additionally, we have co-signed letters to **Apple, Google, Verizon, and IBM** regarding their lead-acid battery recycling programs.

In November, Boston Common organized and chaired a call with **Groupe Casino**, a major French food retailer, and signatories to the UN Principles for Responsible Investment (UN PRI) concerned that the company’s fisheries policy does not cover the seafood sourcing practices of its overseas subsidiaries. We urged the company to adopt a group-level fisheries policy, which would ensure that the six fish species that are banned from sale in France are also banned in South American and Asian retail outlets. We urged Casino to be very transparent about the endangered fish stocks it sells overseas, and that it ensure that restricted species are certified through the Marine Stewardship Council or the Aquaculture Stewardship Council before appearing on store shelves. We are planning a follow-up conversation with Casino in May, as the company has invited our input into the next phase of their work with overseas subsidiaries.

## HUMAN RIGHTS

In October, Boston Common organized an investor meeting in New York City with **ConocoPhillips Corporation** to discuss the company’s implementation of its new Indigenous Peoples rights policy. We discussed the social indicators the company plans to use to measure and report on its performance in carrying out its human rights commitments. The company has announced that it will end its exploration plans for its two remaining oil blocks in the Amazon, both in Peru, which had been the subject of protests by local groups concerned about the potential pollution of their drinking water supplies.



Also in October, Boston Common, in conjunction with **Apache Corp.** and ICCR, organized a meeting with ICCR members and energy companies to establish a dialogue on human rights and the energy industry. Companies in attendance were Apache, ConocoPhillips and **Baker Hughes**. The discussion addressed corruption and the tools the industry is developing to address its human rights impacts.

### BOSTON COMMON HOSTS GSK CHAIRMAN

In November, **GlaxoSmithKline (GSK)** chairman Sir Christopher Gent requested a private meeting with Boston Common's shareholder engagement and investment teams. The request came as the result of a call earlier in the Fall of 2012 with GSK in which Boston Common questioned the company following a \$3 billion settlement with the U.S. government to resolve three separate investigations into the sales and marketing of nine products and the use of nominal pricing. On the call, Boston Common provided critical feedback to GSK, asserting that in order to be a true sustainability leader the company must be consistent with its approach across all operational functions, including ethical marketing, corporate governance, and environmental protection, and must ensure that its strategic partnerships are aligned with its mission and values.

At our November meeting with GSK, we discussed implementation of specific changes in procedure and corporate culture to directly address the circumstances that led to infractions resulting in the fine. Following our private meeting, Boston Common invited a small group of sustainable and responsible investors to join the conversation, and to discuss the company's long-term goals related to the sustainability of its business model and corporate responsibility practices.

Boston Common's engagement with GSK spans almost ten years, and has encompassed such core issues as access to healthcare, corporate governance, ethical marketing practices, political contribution disclosure, and sustainability reporting. We continue to hold up GSK as a thought leader on access to medicine and access to healthcare issues. For the third year in a row, GSK ranks at the top of the Access to Medicine (ATM) Index, released on November 28, 2012.

## APPOINTMENTS

We are pleased to report that in November **Steven Heim** was elected to the board of directors of the nonprofit advocacy group **Cultural Survival**. For 40 years, Cultural Survival has partnered with Indigenous communities around the world to defend their lands, languages, and cultures. Steven will bring an investor perspective to Cultural Survival, in addition to his years of experience on nonprofit boards and in shareholder advocacy.

**Lauren Compere** and **Steven Heim** have each been appointed to positions on steering committees of new collaborative engagements by the **UN-backed Principles for Responsible Investments (PRI)**. The Labor Standards in the Agricultural Supply Chain and Hydraulic Fracking steering committees will develop the PRI's engagement strategies for these two issue priorities for the next three years.

Client Portfolio Manager **Meredith Benton** has been elected to the board of directors of **US SIF: The Forum for Sustainable and Responsible Investment**. Meredith has been involved with US SIF for nearly a decade, including assisting in the launch of the Sustainable Investment Research Analyst Network (SIRAN) and sharing advocacy initiatives. As a board member, she aims to broaden access to sustainable and responsible investing beyond investment professionals and high-net worth individuals.

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