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Active Investor Social Update

Fourth Quarter, 2013

Inside the Issue

Taking Stock: Reflecting on the Quarter

	What changed	*We will continue to work toward*
Environmental Risk Management	JPMorgan Chase commits to finalizing and publishing its Environmental and Human Rights Strategy	Development of meaningful bank policies to address climate change lending and financing decisions
	Coalition releases benchmarking of reporting on best environmental and community relations practices for hydraulic fracturing operations	Adoption of best practices and disclosure for hydraulic fracturing by oil & gas companies
	Disney commits to a public statement on an approach to product and chemical safety and to ongoing investor engagement	Commitment by Disney to prioritize the elimination of key toxic chemicals in its products
Disclosure and Transparency	VF Corporation commits to releasing a sustainability report in 2014 and to increasing water reporting	Encourage VF Corporation to respond to the CDP Water survey and VF to become an industry leader in water stewardship
	Visa commits to greater reporting of political and lobbying oversight, and exits ALEC	Encourage Visa, and other companies, to continue to improve disclosure related to trade associations, including payments
Human Rights	Adidas joins the Bangladesh Accord on Building and Fire Safety	Additional companies adopting the Accord and higher standards for worker human rights in Bangladesh and other low-cost sourcing countries

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Meredith Benton (center) spoke on a panel at the CDP US Water Report 2013 Launch, adding emphasis to the report's request that public companies provide more data on their water programs and use.

ENVIRONMENTAL RISK MANAGEMENT

Managing Water Scarcity

Water plays an integral role in industrial and agricultural production. It is critical in the energy sector, from extraction and refining to electricity generation, as well as to sectors with large supply chains such as apparel, electronics, and food. Despite the expected growth in industrial water demand, agriculture remains one of the most significant users of water, currently accounting for 70% of global withdrawals. However, the World Resource Institute's Aqueduct project reveals that more than 25% of the world's agriculture is grown in areas of high water stress.

Water availability and water scarcity poses "limits to growth" and "license to operate" questions for investors. Companies like Adidas, Costco, Lowes, Tesco, and apparel manufacturer VF Corporation will face serious disruptions in their businesses if water runs out. With water scarcity affecting China, Mexico, India, and parts of the US, a company may also find itself in conflict with communities over access to water, putting its license to operate at risk.

Apparel production is a water-intensive process and many chemicals are used by fabric mills in the dyeing and printing process. VF Corporation derives a quarter of its revenues from its Jeanswear business. Similar to fabric mills, denim laundries use substantial amounts of water and chemicals in the rinsing process. VF Corporation has a global supply chain footprint, contracting from almost 2,000 factories and running 29 company-owned facilities to make its apparel goods. Over 50% of VF's suppliers are located in Asia, known to face serious water scarcity.

With these concerns in mind, Boston Common filed, and then successfully withdrew, a shareholder proposal with VF Corporation, to ask about the company's water management practices. During our November meeting, the company shared that VF is preparing to release its first corporate sustainability report in 2014, with emphasis to be placed on carbon and energy. VF plans detailed disclosures on water usage and quality for 2016. We discussed other efforts the company is taking to manage and reduce its water usage, such as evaluating chemical use, and auditing suppliers' wastewater discharges. These steps are on par with industry best practice. We will continue our dialogue with VF in 2014 to help it become an industry leader in water stewardship efforts.

Bank Financing and Climate Change

JPMorgan Chase is one of the largest financiers in energy worldwide and also engages in the storage, transportation, marketing or trading of several commodities, including fossil fuels and other GHG-intensive products. According to Rainforest Action Network's 2012 "Coal Finance Report Card," JPMorgan Chase is one of the leading underwriters in the global coal industry. In November 2012, Boston Common filed a shareholder proposal after it became clear that JPMorgan Chase did not have a strategic company-wide framework to address the climate change implications of its lending, financing, and investing portfolio. We withdrew after the company committed to developing a greenhouse gas management and assessment process and to publish an environmental and social risk assessment policy. Boston Common reviewed and shared edits to JPMorgan's draft environmental and human rights strategy over the summer. We provided feedback on a broad range of planned environmental and human rights policies, in addition to the climate change-specific language.

In November 2013, Boston Common chose not to re-file with JPMorgan Chase, even though the company fell behind schedule in making this corporate strategy public. We did so knowing that the extra time would enable JPMorgan Chase to expand its policies and build stronger internal support. The company also agreed to share its policy draft with other external stakeholders (until now, only Boston Common has given feedback) and then publish its strategy document by the end of Q1 2014.

In October, we also held a call with JPMorgan Chase to discuss our concerns about the ongoing litigation it was facing, including the U.S. Department of Justice inquiry into its mortgage lending practices. On the call, JPMorgan noted that about 80% of the settlement, which was later confirmed to total $13 billion, was attributable to companies it acquired during the financial crisis at the request of U.S. government agencies. JPMorgan reported that it is taking a critical review of all its business lines, ramping up its hiring of compliance personnel, and increasing investments in technology to prevent future legal issues.

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Ongoing Relationships: Apache

In September, Boston Common organized and convened its 9th annual shareowner group 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 also provide investors valuable insights into Apache and the oil & gas industry. Approximately 30 investors attended this September's meeting, which covered a wide variety of topics with Mr. Farris, including climate change and asset risk, hydraulic fracturing and water management, human rights policy and Egypt, Alaska and Indigenous Peoples rights policy, Apache's produced water spill in Canada, corporate governance, and sustainability reporting.

Chemical Safety

Boston Common has successfully negotiated the withdrawal of a chemical safety resolution with Disney. Scientific knowledge has been growing about the consequences for children's health from exposures to toxic chemicals in consumer products. Chemicals of concern have included selected phthalates and heavy metals, some of which can be present in polyvinyl chloride, and selected brominated flame-retardants. We withdrew our shareholder proposal given Disney's commitment to release a public statement that frames their current product and chemical approach and practices. It highlights Disney's commitment to product safety, outlines expectations of vendors and licensees, including meeting regulatory requirements and conducting safety testing, and describes how the company communicates these expectations through product guidelines. Disney also committed to further investor and stakeholder consultation in 2014 and ongoing public reporting on new developments. We will continue to encourage Disney on how it can advance its work on such a vitally important issue impacting consumer health and safety at the company and industry levels.

DISCLOSURE & TRANSPARENCY

Political Contributions

As investors, we encourage transparency and accountability in the use of corporate funds to influence legislation and regulation–both directly and indirectly. We believe such disclosure is in the best interest of shareholders. Many UK companies, especially those with large U.S. footprints, are actively engaged in corporate political and lobbying activities in the U.S.–directly, through the formation of Political Action Committees (PACs), and most often through trade associations and other third-party organizations. UK companies are also actively involved in lobbying activities in the UK as well as the European Union.

During the 2013 proxy season Boston Common co-led an investor initiative engaging half of the FTSE 100 companies in the UK calling on greater disclosure and due diligence procedures related to corporate political and lobbying activities.

Spotlight on Hydraulic Fracturing

In November, Boston Common released with three other partners a new report that analyzed the public disclosure of oil & gas companies regarding their hydraulic fracturing operations in the U.S. and Canada. "Disclosing the Facts: Transparency and Risk in Hydraulic Fracturing Operations" examined the reporting practices of 24 companies on five key metrics: (1) toxic chemicals; (2) water and waste management; (3) air emissions; (4) community impacts; and (5) management accountability, on a play-by-play basis. (See the report at: http://disclosingthefacts.org/). The yearlong study by Boston Common, As You Sow, Green Century, and the Investor Environmental Health Network found that companies as a whole were not providing sufficient information for investors on their efforts to reduce community and environmental impacts. The study also gave examples of notable practices by companies and detailed recommendations for improvements by the industry.

Within the report, of the 32 indicators against which companies were scored, no company reported on more than half. The top scoring company with 14 of 32 indicators was Encana of Canada. Apache, a company with which Boston Common has done extensive engagement with on this issue, came in second. The companies in the study with the least disclosure included BP, Exxon Mobil, and QEP Resources. In the past two years, the International Energy Agency and the Natural Gas Subcommittee of the U.S. Secretary of Energy's Advisory Board have released authoritative reports that urge greater quantitative disclosure by the industry and provide evidence of the need for more rigorous reporting.

Boston Common led an engagement with EOG Resources that resulted in the company's commitment to report on its methane emission and flaring intensities, as well as detail its major investments in new pipelines to capture flare gas for sale. Based on the company's progress, we decided not to file a shareholder proposal. Instead, we plan 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, besides new gas wells. We also encouraged EOG to allow concerned shareowners input earlier into EOG's 2014 sustainability reporting process.

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The letter focused on the need for companies to go beyond regulatory compliance to adopt best practices, including board oversight of the lobbying of legislators and regulators, membership criteria, assessment and monitoring of memberships in third-party organizations, and disclosure of payments to such organizations. As of the end of 2013, over 32 companies have responded. Seventeen of these companies indicated that they were considering enhanced disclosure in their 2014 annual reports or that our inquiry prompted discussion of disclosure in their management committees. In October, letter recipient AstraZeneca joined GlaxoSmithKline and Unilever in publicly disclosing that they had left ALEC.

Boston Common in December withdrew its shareholder proposal filed at Visa related to trade association disclosure. We agreed to do so given the company's improved policies and procedures, such as board-level oversight of lobbying activities and trade association affiliation. Visa also committed to listing any trade associations to which they belong that write model legislation and also to enhanced disclosure on policy and procedure changes. As part of Visa's enhanced lobbying disclosure published in early December, Visa also committed to listing any trade associations that do model legislation.Visa also left ALEC in 2013. We will continue to encourage Visa to take further steps related to trade association disclosure in the coming year.

Ongoing Relationships: GlaxoSmithKline

On November 7th, Boston Common hosted a meeting at our Boston office with GlaxoSmithKline's (GSK) CEO Sir Andrew Witty. We discussed the company's strategic approach to addressing global health needs around the world. GSK has focused on access to medicine through innovative approaches to R&D, including prize funds and patent pools, and volume sales targets. GSK is educating its employees, including management, on global health issues, challenges, and opportunities for the company. We commended GSK's recent departure from ALEC, the controversial U.S. trade association that wrote model state legislation including the controversial "Stand Your Ground" law. We also commended GSK's enhanced lobbying disclosure. Earlier in the quarter, Boston Common spoke with GSK about the corruption and bribery controversies in China. We questioned how the company was putting in place more robust due diligence procedures to screen third-party organizations and reduce risks.

Boston Common's Investment and ESG teams met with GlaxoSmithKline's CEO Sir Andrew Witty (center) in our Boston office. Also pictured, Pat Zerega of Mercy Investment Services (second from right)

HUMAN RIGHTS

Supply Chain Monitoring

Since May, Boston Common has helped to lead an ICCR-coordinated investor coalition of over 200 organizations, representing $3.1 trillion in assets, engaging companies to address the systemic problems in the Bangladesh apparel supply chain. The short-term focus has been on encouraging 21 companies to join the Bangladesh Accord on Building and Fire Safety (Accord), which includes worker representation and is legally binding. At the end of October 2013, Adidas joined the Accord after Boston Common led a dialogue with the company, along with a coalition of investors. Boston Common's long history of engaging Adidas on a number of supply chain accountability issues—including Uzbek cotton and human trafficking—played a key role in this engagement success.

The investor coalition is calling for the reform of apparel supply chains to ensure worker safety after the collapse of the Rana Plaza factory in April. Of the remaining companies engaged by the group, five have said they don't source from Bangladesh, one had exited the country, and the rest are in various stages of dialogue with the investors. Despite the investor group's progress to date, there is a need for a longer-term focus on engaging companies to be more transparent about their sourcing practices. We believe they should disclose where they are sourcing and their investment in capacity building down the supply chain to the factory floor. This would include moving beyond the Accord to support common standards for factory inspections and supporting the ILO Better Work Program in Bangladesh, which addresses the broader worker human rights issues.