

Active Investor Social Update

Second Quarter, 2015

► *Pope Francis links climate issues to social justice and human rights.*

QUARTERLY HIGHLIGHT: HUMAN RIGHTS

From climate change to corporate governance, the investor's perspective on what constitutes human rights is evolving. In this issue of our *Active Investor Social Update*, we focus on the broadening scope of human rights issues as they overlap with environmental, social, and governance (ESG) concerns. We see a growing recognition of the material risks posed by poor human rights practices to the financial performance of companies, not just to their reputations.



Lauren Compere (right) presents on a panel with John Ruggie, author of the "UN Guiding Principles for Business and Human Rights," at an event hosted by the British Embassy in Washington in May.

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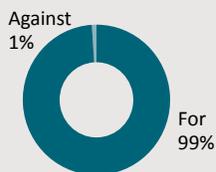
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Proxy Season Review

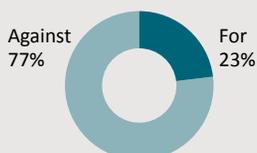
Climate Change: Statoil



Spring is proxy season, defined by annual shareholder meetings and voting corporate ballots. Filing shareholder resolutions and proxy voting are two of the many tools available to investors committed to advancing social change. Among our key initiatives:

► We voted in favor of the "Aiming for A" climate strategy proposal at **Statoil** that won 99% of the vote after Statoil's board supported the resolution advanced by Swedish pension funds. We have previously led an engagement about redirecting the company's capital expenditures away from Canadian tar sands.¹

Board Diversity: Discovery Communications



► **Discovery Communications** earned a 23.1% vote on increasing diverse representation and women on its Board—a positive outcome considering a significant portion of voting shares are owned by insiders.

► We co-filed shareholder resolutions on "simple majority vote tallying," which went to vote at **Morgan Stanley** and **Simon Property Group** this spring, asking the companies to use a simple majority vote tally for proposals as opposed to counting abstentions as "no" votes.

¹ Active Investor Social Update: 3Q 2014

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Engagement Updates

HUMAN RIGHTS REPORTING

Over 80% of corporate executives identified “human rights” as a key business risk in a survey by the Economist Intelligence Unit in April. Yet less than half of these companies had a policy that explicitly mentioned human rights.² Establishing standards for reporting on human rights-related issues would enable companies and investors to assess and calibrate potential risks.

Boston Common is spearheading a collaborative engagement with a coalition of 90 investors (\$4 trillion in assets under management) in support of the UN Guiding Principles Reporting Framework. The Framework provides standardization of reporting amidst current ad-hoc practices.

Unilever, a company we have engaged since 2008, was the first to adopt the UNGP Framework. The company just released its first report, which details its commitments to addressing human rights issues beyond first-tier suppliers, improving working conditions for migrant labor, and collaborating with other organizations to influence systemic change. The report also covers ways to empower women, address sexual harassment, and identify health and safety issues in the company’s supply chain.

HUMAN RIGHTS OF INDIGENOUS PEOPLES

The environment, livelihood, and cultures of Indigenous Peoples may be threatened by companies seeking resources or engaged in projects on their lands. In addition to reputational risk, such companies could face legal risks related to human rights violations and financial risks from delayed or canceled projects.

As part of our long-term engagement on the rights of Indigenous Peoples, in April, Boston Common participated as the only investor in a workshop organized by First Peoples Worldwide, the UN Global Compact (UNGC), and Future 500. The workshop brought together staff from major mining and oil companies and Indigenous NGOs to explore barriers to Indigenous Peoples’ rights. Steven Heim noted that while Boston Common has successfully urged extractives companies, such as **ConocoPhillips** and **Apache**, to adopt policies on Indigenous Peoples, our next challenge will be encouraging implementation of those policies and defining metrics. Both corporate and NGO participants identified a lack of capacity to negotiate and implement Indigenous Peoples’ rights as an obstacle.

Following the April workshop, the UNGC invited Boston Common to join its launch of two major initiatives in June:

General Counsel for Corporate Sustainability and Business for the Rule of Law. The new UNGC guides and frameworks will help advance corporate governance, human rights, and sustainability practices by companies and states.

Steven Heim presented at a special workshop during The United Nations Permanent Forum on Indigenous Issues (UNPFII). The workshop, led by the UN Special Rapporteur on the rights of Indigenous Peoples, contributed to the outline of the Special Rapporteur’s upcoming report “Investments and Impacts on Indigenous Peoples’ Rights.” Steven shared how investors can use engagement with companies and policy makers to further the human rights of Indigenous Peoples via public and private capital markets and investing.

GLOBAL LEGISLATION

Global legislation is beginning to shape the way companies are required to monitor and report on human rights issues in the context of supply chain management. Providing feedback into regulatory policy is one of our primary active ownership strategies to promote companies’ long-term thinking, transparency, and accountability. Boston Common worked in coalition to influence global legislation in the UK, continental Europe, and the U.S. this quarter.

In May, the European Parliament called for a mandatory due diligence requirement for conflict minerals, affecting companies along the entire supply chain, whether minerals are in their raw forms or parts of products. Conflict minerals disclosure improves investors’ awareness of and ability to assess human rights and reputational risks in a company’s supply chain. As a result of our collaborative engagement to urge the European Parliament to strengthen its draft legislation, the EU approved a more robust law, which has the potential to impact close to 6,000 companies.

We provided investor feedback on the recently passed Modern-Slavery Act in the UK, which was the first of its kind in Europe, requiring companies to disclose what steps they have taken to ensure their supply chains are slavery free. We also advocated for the U.S. Government’s Burma Responsible Investing Reporting Requirements, which obligate corporations making substantial new investments in Burma/Myanmar to report on their operations and impacts. President Obama recently renewed the Reporting Requirements through May 2016, given the ongoing conflict in the region.

² Economist Intelligence Unit Report, April 2015: “The Road from Principles to Practice: Today’s Challenges for Business in Respecting Human Rights.”

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Engagement Updates, New Initiatives & Collaborations

HUMAN RIGHTS & GOVERNANCE

Boston Common co-authored an article with the International Corporate Governance Network (ICGN), "Human Rights through a Corporate Governance Lens," (reprinted by Harvard Law School Forum on Corporate Governance and Financial Regulation), which emphasizes that, "human rights cannot be simply framed as a reputational or 'non-financial' risk; the consequences of poor human rights practices can materially impact a company's stakeholder relations, financial performance, and prospects for sustainable value creation."³

In addition to corporations, institutional investors have recently come under public scrutiny around human rights risks in their portfolios. Two prominent European investment funds, despite relatively small stakes in South Korean steel company **POSCO**, were criticized by The Organisation for Economic Co-operation and Development (OECD) for lack of sufficient due diligence. The article concludes that long-term investors should factor human rights issues into investment analysis and valuation "as a matter of both business ethics and enterprise risk management."

NEW INITIATIVES & COLLABORATIONS

Chemical Footprint Project

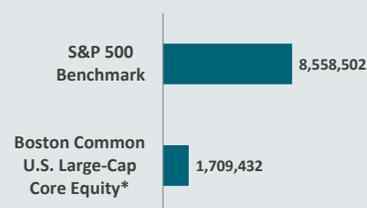
In June, Clean Production Action launched the Chemical Footprint Project (CFP), which builds on the CDP (formerly Carbon Disclosure Project) model and is the first organization asking companies to measure their chemical footprints. Information collected will include: management of chemicals, a chemicals inventory of companies' supply chains, steps towards removing and replacing toxic chemicals, and public reporting of their chemical footprints. Investors representing \$1.1 trillion in AUM currently support the project. As the first investor signatory, we recognize the importance of improved chemicals disclosure and safer alternatives for companies' supply chains. Boston Common is a member of the CFP Steering Committee and was actively involved in developing the methodology of the Project.

Banks and Corporate Culture

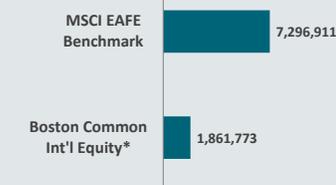
Boston Common launched a new initiative during the second quarter to engage banks on corporate culture issues, such as incentive misalignment for compensation. Our initial meetings with **Barclays** and **HSBC** in London focused on moving from short-term to long-term thinking and other performance metrics.

Spotlight on the Montreal Carbon Pledge

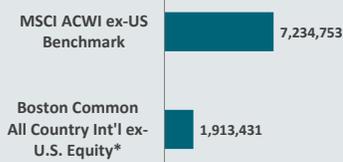
TOTAL METRIC TONS OF CO₂



80% LESS CARBON



74% LESS CARBON



74% LESS CARBON



82% LESS CARBON

We have undertaken the first steps to measure and disclose the carbon footprint of our portfolios. In 2015, Boston Common signed the Montreal Carbon Pledge, which is overseen by the UN-supported Principles for Responsible Investment. We became only the second U.S. asset manager signatory and now serve as an ambassador for the Pledge. The Pledge is a commitment to measure and publicly disclose the carbon footprints of our investment portfolios on an annual basis.

We are conducting carbon audits of our model portfolios and setting baselines to monitor trends over time. We will also use the results to inform our investment decision-making and engagement. The Montreal Pledge augments our longstanding practice of offsetting our firm-level carbon footprint with South Pole Carbon through sustainable reforestation in Peru, which preserves 1,610 hectares of rainforest and thereby sequesters 100,000 tons of CO₂.

*Comprehensive ESG Guidelines

**Sustainable Climate ESG Guidelines (no Energy holdings)

³"Human Rights through a Corporate Governance Lens," Harvard Law School Forum on Corporate Governance and Financial Regulation. Co-authored by International Corporate Governance Network (ICGN) and Boston Common Asset Management.

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Taking Stock: Reflecting on the Quarter

As long-term investors, we know the power of patient and persistent pressure on companies to effect significant change over time. We chart our “work in progress” alongside significant milestones that have resulted from Boston Common’s long-term engagement of companies and collaborations. For more information, please see notes in brackets, which link to previous Active Investor Social Updates and Thought Pieces where we have detailed our work on specific long-term initiatives. A complete archive can be found on our website in the News & Resources section.

	Milestones	Work in Progress
Environmental Risk Management	Voted in favor of the “Aiming for A” climate strategy proposal advanced by Swedish pension funds at Statoil, which won 99% of the vote after Statoil’s board supported the resolution.	Lead U.S. investors in urging Statoil to exit from its oil sands operations. Boston Common has led this initiative since 2011. [Active Investor: 3Q 2014]
	Developed methodology alongside NGO Clean Production Action, for the Chemical Footprint Project (CFP), which launched in June.	Met with EOG Resources to facilitate planning for sustainability dialogue with investors in October. [Active Investor 4Q 2013]
Climate Change	Signed the Montreal Carbon Pledge, formalizing our commitment to report on the carbon footprints of our portfolios, and serve as an ambassador for the pledge.	Urge banks to mitigate climate risk; HSBC stands out as a leader among peers in its approach to managing climate risk with its Center for Climate Excellence. [Active Investor: 3Q 2014; Financing Climate Change]
		Spoke at CDP’s 2015 Spring Workshop and encouraged companies to talk with investors on climate change and water issues using CDP as a platform for engagement. [Active Investor: 1Q 2015; 4Q 2013]
Human Rights	Co-authored article, “Human Rights through a Corporate Governance Lens,” in collaboration with ICGN.	Co-sponsored gathering that connected for the first time International Funders for Indigenous Peoples, Funders for LGBTQ Issues, and New England International Funders supporting Indigenous cultures including the most marginalized, LGBTQ, or disabled Native individuals.
	Provided investor feedback on new EU and UK legislation requiring due diligence and disclosure for conflict minerals and modern-day slavery, respectively.	
Governance & Transparency	Voted on shareholder proposals we co-filed at Morgan Stanley and Simon Property Group requiring Simple Majority Vote counting.	Engage banks in a new initiative focused on corporate culture issues, such as compensation.
	Discovery Communications earned a 23.1% vote on increasing diverse representation and women on its Board—a positive outcome considering a significant portion of voting shares are owned by insiders.	Filed a political lobbying disclosure shareholder proposal at Oracle given it does not disclose its funding of trade associations, either directly or through memberships, or the portions of funds used for lobbying.

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.