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*Boston Common's work in the summer was characterized by convening investor and industry panels on high-profile issues involving hydraulic fracturing and offshore oil safety, as well as continuing existing dialogues. One key success this quarter involved ConocoPhillips.¹ The company revised its **human rights policy** to include **Indigenous Peoples' rights**, following years of engagement by **Steven Heim**. We are also delighted to share the "SRI in the Emerging Markets" interview given by **Lauren Compere** in the September **Emerging Markets ESG** newsletter. Lauren discusses her SRI experience in Asia gained by engaging companies under the Emerging Markets Disclosure Project over the past four years.²*

Human Rights & Indigenous Peoples' Rights

In July, **ConocoPhillips** revised its **Human Rights Position statement** to include **Indigenous Peoples' rights**, following several years of dialogue led by Boston Common and the Church of the Brethren Benefit Trust. The new policy states the company's engagement with Indigenous communities is consistent with the principles of the UN Declaration on the Rights of Indigenous Communities and ILO 169, concerning Indigenous and Tribal People. When Boston Common and other investors met with ConocoPhillips in September, we asked the company to be transparent in implementing its new policy and to include grievance mechanisms for impacted Indigenous communities.

Boston Common led a dialogue with **Disney** to discuss how the company is implementing its revised **human rights policy** published on its website last October. Our shareholder group acknowledged that the greatest impact of the new policy will be on Disney's global supply chain and relationships with vendors and licensees. We emphasized that Disney needs to apply the new policy framework equally to other parts of the business, including resorts and hotels. We encouraged Disney to leverage its influence by addressing **human trafficking and modern day slavery** through its media and entertainment divisions. We will continue our dialogue with Disney by discussing progress on the anticipated conflict minerals disclosure requirements under the Dodd-Frank Act, as well as trafficking and slavery requirements under the new California Transparency Act.

For five years, Boston Common has engaged portfolio companies such as **TJX Companies**, urging them to adopt a comprehensive policy regarding the sourcing of cotton in Uzbekistan, which is known for using forced child labor. In September, through a campaign organized by the Responsible Sourcing Network, more than 60 global retailers and brands publicly pledged to avoid sourcing Uzbek cotton, including our portfolio companies **Carrefour**, **Li & Fung**, and **The Walt Disney Company**. We encouraged **Adidas** and several other portfolio companies to sign the pledge as well.

Environmental Risk Management

The controversial use of **hydraulic fracturing** for natural gas production is a primary focus for our shareholder engagement work in 2011. In September, we organized a meeting with **ConocoPhillips** on natural gas and hydraulic fracturing. The 2010 annual report for the Interfaith Center on Corporate Responsibility (ICCR) featured the results of our advocacy work with **Apache Corp.** on hydraulic fracturing.

Boston Common worked with Richard Liroff of the Investor Environmental Health Network to draft a set of **best management principles and key performance indicators (KPIs)** for **hydraulic fracturing** that investors can use in their dialogues with companies. In September, we convened a group of investors, NGO representatives, and Apache Corp. technical staff to review the draft KPIs. Investors asked that the KPIs include community impacts, community consultation/consent, and coverage of other types of hydrocarbon extraction.

Boston Common helped organize an **investor meeting on offshore oil drilling and safety** led by experts from Apache Corp. and Chevron Corp. in July. The class shared best practices to address offshore oil drilling risks and well construction techniques. This was the fourth investor meeting on offshore process safety that we have organized in conjunction with Apache in the past year. Boston Common plans to work collaboratively with a larger group of investors to draft KPIs for offshore oil safety risk management in the coming year.

¹ *ConocoPhillips Human Rights Statement:* <http://tiny.cc/mtga9>

² *Emerging Markets ESG interview:* <http://tiny.cc/6nmml>

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Boston Common met with key players in the financial services industry to discuss their lending policies in the energy and mining sectors. We met with the Sustainability teams of **HSBC Holdings** and **Deutsche Bank** to discuss their **lending policies and practices in high-risk sectors** such as energy, metals and mining, and forestry. We commended HSBC for being the first financial services company to have guidelines for financing existing coal-powered plants and oil sands projects. We asked HSBC and Deutsche Bank to develop a position on hydraulic fracturing and to adopt the Equator Principles. We invited both companies to monitor policies and programs that support women in management and at the board level.

We met with **JPMorgan Chase** and **PNC Financial** to talk about **sustainable finance** and asked PNC to consider adopting a policy that avoids financing companies that extract coal by the mountain top removal (MTR) method. With JPMorgan, we discussed the company's overall approach to investing in high-impact energy industries such as coal-fired power plants, oil sands, and hydraulic fracturing. We recommended that JPMorgan adopt a similar policy to HSBC's, which applies to new and existing coal-fired power plants and includes explicit guidelines for lowering carbon emission levels.

Health & Nutrition

Boston Common has been instrumental in helping the **ICCR Water Group** develop a **hierarchy of criteria for water sustainability**. The criteria comprise eight benchmarks that ICCR members use to evaluate a company's water footprint, sustainable water use, and human rights issues related to access to water and sanitation. Boston Common will work with ICCR to form a multi-stakeholder panel to allow companies from different industries to share experiences on water management and community-impact issues.

We have continued our work on **sustainable fisheries** by joining a collaborative **PRI investor engagement** to encourage sustainable fishery sourcing practices by international retailers, distributors, and producers. Boston Common and 20 other investors wrote to **40 global companies in the food retail and producing sector** asking them to disclose information related to fisheries and their sourcing policies. Boston Common encouraged **Metro AG** to do more towards informing and educating its customers about seafood sustainability and traceability in addition to labeling its products.

Transparency & Disclosure

Boston Common was invited to participate in **National Grid's first Stakeholder Panel**, a multi-stakeholder group that con-

vened to review its sustainability report and to discuss the future direction of its sustainability efforts. We asked National Grid to place more emphasis on the materiality analysis that informs the reporting process, so investors can understand why the company selects certain sustainability issues over others in its reports. The stakeholder panel's recommendations will be published on the company website and will be used by the Board of Directors to inform strategic decision making.

We continued to raise the importance of **ESG disclosure** with **small and mid-cap companies Old National Bancorp** and **Brady Corporation**. Neither company has published a sustainability report. We will continue to engage with both companies helping them to better realize their impact on sustainability and the significance of sustainability disclosure.

Company Dialogue Meetings

Boston Common met with **Intel** and **Ford** to discuss how the companies could adopt a comprehensive **human rights framework** and enhance disclosure. With Intel, we shared the Human Trafficking Investor Statement that we drafted with ICCR. We encouraged Intel to develop a human rights framework and enhance its reporting on this issue. Ford told us the company will be providing more robust reporting on human rights, including a dedicated website portal.

In July, Steven Heim met with **Baker Hughes, Spectra Energy, ConocoPhillips**, and **Apache** in Houston. With Baker Hughes, we discussed the challenge investors face in assessing boards and their independence, reviewed its compliance systems for safety, ethics, human rights, and its disclosure of chemicals used in hydraulic fracturing. We asked Spectra to disclose its community consultation process for new gas pipelines and discussed with ConocoPhillips its new Indigenous Rights policy and how our shareowner group's multiyear dialogue opened the way for the company to engage with other shareowners and NGOs. Steven met with Apache's Chair/CEO and other staff to discuss the company's progress in the past year, including its global standards for process safety and contractor oversight and the future role of service companies in the industry.

The meeting with Apache marked the seventh consecutive year that Boston Common organized an **investor dialogue with Steve Farris, Apache's Chair and CEO** in New York City. The off-the-record, open discussion addressed a range of issues: disclosure of chemicals and improved water sourcing for hydraulic fracturing, operations in Egypt, adoption of a human rights policy, the future of federal climate-change policy, and expanded sustainability reporting. Our shareowner group will provide Mr. Farris with the top ten issues we would like Apache to cover in its public sustainability reporting.