

# 2005 Annual Report of the Barnard College Advisory Committee on Socially Responsible Investing

April 8, 2005

## *Advisory Committee Members:*

Adelle Tilebalieva (Co-Chair Student Representative)  
Cecilia Culverhouse (Co-Chair, Alumnae Representative)  
Andre Burgstaller (Faculty Representative)  
Linda Kahn (Alumnae Representative)  
Richard Pious (Faculty Representative)  
Lala Wu (Student Representative)  
Lewis Wyman (Administrative Representative, non-voting)

## **I. Introduction**

In the summer of 2002, the Barnard Board of Trustees approved a proposal to create an Advisory Committee on Socially Responsible Investing ("the ACSRI" or "the Committee"). Its purpose is to advise the Trustees on "the social implications of Barnard's institutional investment program and to advise the Board's Committee on Investments on social and ethical issues that arise in the management of the College's endowment."

In reviewing and making recommendations on Barnard's portfolio, the ACSRI relies on two principles. First, as a non-profit institution Barnard must consider the public interest when making investment decisions. Second, as an educational institution inspired by a specific set of values, Barnard must ensure that investment decisions reflect and encourage these values. Of course, the Committee recognizes that, in considering ACSRI recommendations, the Trustee's Investment Committee must take into account the financial impact on the health and long-term growth of Barnard's endowment of any investment decision.

## **II. Community Input**

Three mechanisms ensure that the Committee's deliberations and recommendations genuinely reflect the wider Barnard community's position regarding what constitutes socially responsible investment. First, the Committee actively seeks interaction with the community through its website (<http://www.barnard.edu/sri>). The site contains extensive information on the ACSRI charter, ACSRI meeting minutes, and the history of socially responsible investing at Barnard. Importantly, the website also has a feedback page that encourages community members to submit their suggestions and ideas for consideration by the Committee.

Second, input is solicited through the annual Barnard SRI Community Forum, at which interested students and outside experts are invited to present their views on any topic relating to socially responsible investment as it pertains to Barnard's portfolio. This year's community forum was held on November 30<sup>th</sup>, 2004 and, though sparsely attended, helped to concentrate the Committee's mind.

The third mechanism for ensuring that the Committee's views are representative is intrinsic to its tripartite composition. The latter is meant to fairly reflect the Barnard community's three constituencies. The two student representatives on the Committee are nominated by the Student Governing Association, the two alumnae delegates by the Associate Alumnae of Barnard College, and the two faculty members by the Faculty Governance and Procedures Committee. President Judith Shapiro confirms these nominations.

## **III. Research**

In addition to soliciting input from the community, the Committee also sought information from outside sources. It primarily utilized the two organizations Barnard employs to perform pertinent investment background research—the Interfaith Center for Corporate Responsibility (ICCR) and the Investor Responsibility Research Center (IRRC)—but as well referred to relevant Securities Exchange Commission (SEC) resources. Where necessary, committee members in addition used information provided by government agencies, non-profit organizations, and newspapers.

## **IV. Agenda Setting**

According to the most recent investment information provided by the Trustee's Investment Committee and the resources mentioned under III, approximately 40 shareholder resolutions pertaining to social and ethical issues were pending at companies Barnard has investments in. The Committee divided these resolutions into ten issue areas; each Committee was asked to do background research on two to three of these and to provide the Committee

with an appraisal of their relative importance, as measured against the two governing ACSRI principles mentioned earlier. It is on the basis of this preliminary selection that this year's eleven recommendations, discussed below, were ultimately arrived at.

## V. Recommendations

The Committee has agreed to support eleven (11) resolutions researched by its members over the course of the past year: two each falling under the issue area of HIV/AIDS reporting (A) two under the issue areas of equal employment opportunity (B), one under glass ceiling reporting efforts (B); and one under sexual orientation anti-bias efforts (B); three under executive compensation/pay disparities (C); and two under human rights principles in corporate operations in China (D). The table below provides a summary overview. It is followed by discussions of the four issue areas in question and the reasons prompting the Committee to lend its support to the associated eleven resolutions.

<b>Issue Area</b>	<b>Shareholder Proposal</b>	<b>Company</b>	<b>Meeting Date</b>
A	HIV Reporting	Abbott Laboratories	04/22/2005
A	HIV Reporting	Caterpillar, Inc.	04/13/2005
B	Equal Employment Opportunity	Amgen, Inc.	05/11/2005
B	Sexual Orientation Anti-Bias Policy	Universal Health Services	06/02/2005
B	Equal Employment Opportunity	Wal-Mart Stores, Inc.	06/03/2005
B	Report on Glass Ceiling Efforts	Wal-Mart Stores, Inc.	06/03/2005
C	Executive Pay Discrepancy	Citigroup	04/19/2005
C	Executive Pay Discrepancy	JP Morgan Chase &Co.	05/17/2005
C	Executive Pay Discrepancy	Wells Fargo & Company	04/26/2005
D	China Principles	3M Corporation	05/10/1005
D	China Principles	Illinois Toll Works	05/06/2005

## **A. HIV/AIDS Reporting**

### *Background*

AIDS, tuberculosis and malaria are among the most pernicious diseases in the world today, responsible for 6 million deaths each year, more than half in sub-Saharan Africa. The United Nations Program on HIV/AIDS (UNAIDS), estimated that the number of people around the world with HIV/AIDS totaled 39.4 million in December 2004, including 17.6 million women and 2.2 million children. The most affected region by far is sub-Saharan Africa—with about 25.4 million cases, followed by Asia, Latin America and the Caribbean, and Eastern Europe and Central Asia, in that order. Poverty, political strife and lack of infrastructure pose challenges to effective health intervention in these regions. (Appendix A1 provides more detailed information on the scope and economic consequences of current pandemics.)

A growing consensus holds that HIV/AIDS, Tuberculosis and Malaria pose a grave threat to world stability and security and impose obligations on the private sector. Experts argue that it would be in the long-term business interest of companies in affected regions to provide prevention and medical treatment for their employees. Also at issue is how far drug companies should go to help make essential drugs available for sick people in poor countries by relaxing patent rights, stepping up research and development and allowing differential pricing.

### *Leading By Example*

In response to the pandemic some companies have initiated health programs of varying extent and effectiveness. It remains that business leaders rarely have a robust fact base on which to base decisions about how HIV is affecting their businesses. About two-thirds of respondents in a recent survey could not provide an estimate of their workplace HIV/AIDS prevalence rates, and only 14 percent of firms had conducted quantitative HIV/AIDS risk assessments. Even though business leaders are concerned about HIV/AIDS, they find it hard to pinpoint which areas of their businesses are affected. However, company-driven HIV/AIDS programs that AIDS activists consider exemplary exist. One such program is at Heineken, one of the world's largest brewing companies. Heineken has operations in more than 170 countries, with production based in more than 110 breweries in over 50 countries. According to Global Business Coalition, Heineken has had a HIV prevention program in operation for over 10 years in central Africa, with regular reviews and updates conducted by the regional manager. The company's board has defined HIV/AIDS as a key issue for the company, not just as a medical issue but as "one with enormous social implications that could not be ignored." It undertook risk assessments, considering the impact of HIV/AIDS and costs of intervention in three countries (Ghana, Burundi and Thailand), and had an external agency review the data for analysis and recommendations. The results of this process, Heineken says, "gave confidence that its response made sense in financial as well as humanitarian terms." Heineken is not alone in its efforts. Other companies, such as Ford, have made similar efforts to determine how the HIV/AIDS pandemic affects their operations and workers (see Appendix A2 for examples of other companies' efforts.)

### *Additional Issues*

A different and more complex issue is how much and in form drug companies should facilitate access to the relevant drugs in poor countries. What is not in question, though, is that—if only for long-term strategic reasons—they are well advised to study the matter in depth and to report their evolving thinking to shareholders.

### *Current Shareholder Efforts*

The 2005 shareholder campaign against HIV/AIDS, tuberculosis and malaria is once again led by the Interfaith Center on Corporate Responsibility. The resolutions—which are identical in wording to last year's (see appendix A3 and A4)—ask major companies such as Caterpillar, Inc. and pharmaceuticals such as Abbot Laboratories, to examine the economic effects of the HIV/AIDS, tuberculosis and malaria pandemics on the company's business strategies, to review company initiatives in the area, and to report to shareholders within six months after the annual meeting. The lead sponsor of the resolution before Abbott Laboratories is the Society of Jesus -- Maryland Province, Doris Gormley SRI Consultant. Additional sponsors include ASC Investment Group; Benedictine Sisters Charitable Trust; Christian Brothers Investment Services; and Trinity Health; UMC-Women's Division. The lead sponsor for the Caterpillar resolution is Church of the Brethren Benefit Trust, Mr. William Thomas Director of Foundation Ops.

### *Recommendation*

The Committee concludes that there are clear economic costs to inaction on the part of drug companies and major employers of people with HIV/AIDS, while the potential benefits of problem review, shareholder reporting,

and resultant company initiatives can be very large indeed. At a minimum, researching and reporting about the economic effects of the HIV/AIDS pandemic on the company involved, as requested by the Abbot Labs and Caterpillar resolutions at hand, is an effective, efficient, and admirable way to respond to the global crisis. It deserves the Barnard Trustee's and its Investment Committee's full support.

## **B. Equal Employment Opportunity and Sexual Orientation Anti-Bias Policies**

### *Background*

Increasingly shareholders are raising concerns about equal employment opportunity (EEO) in the companies in which they are invested. The two main areas of concern are the adoption of sexual orientation anti-bias policies and the reporting on equal employment opportunity and glass ceiling. In 2004 the ACSRI recommended a shareholder resolution urging Wal-Mart to report on its EEO efforts and steps to remove its glass ceiling. The Investment Committee did not support this decision because it wanted to take a consistent stand against all forms of workplace discrimination. This year the ACSRI has recommended resolutions that address the different forms of discrimination present in America's workplaces.

### *Adoption of Sexual Orientation Anti-Bias Policy*

Presently, no federal legislation exists that protects against discrimination based on sexual orientation. Polls indicate that an overwhelming majority of Americans believe that discrimination based on sexual orientation should be outlawed, and a strong majority believes that same-sex partners should be entitled to many of the same benefits as heterosexual partners. However, only 15 states – Illinois, California, Connecticut, Hawaii, Maryland, Massachusetts, Minnesota, New Mexico, New York, Nevada, New Hampshire, New Jersey, Rhode Island, Vermont, and Wisconsin, and the District of Columbia- have amended their civil rights statutes to prohibit discrimination based on sexual orientation. In contrast, following the 2004 presidential election, 11 states – Ohio, Arkansas, Georgia, Kentucky, Michigan, Mississippi, Montana, North Dakota, Oklahoma, Oregon, and Utah- passed constitutional amendments banning same-sex marriage, bringing the number of states with laws or constitutional amendments barring marriage for same-sex couples to 40. Without state and federal protection, other mechanisms to preserve individuals' rights must be established.

Increasingly, American corporations are becoming the source of employment protection for GLBT (gay, lesbian, bisexual and transgender) workers. They are responding with the protection of these workers' rights. More than 80 % of the S&P 500 and all but 90 of the *Fortune 500* companies bar discrimination based on sexual orientation through their nondiscrimination policies. Moreover, nearly half, 229, of the *Fortune 500* companies offer domestic partner benefits.

Including sexual orientation in companies' EEO policies has been a fairly successful shareholder campaign. In 2004, 21 of 24 such proposals have been withdrawn as companies agreed to change their written EEO policies to ban discrimination based on sexual orientation. Examples include Alltel, Alcoa, and C.H. Robinson among other companies. In 2003, 13 out of 19 and in 2002, 4 out of 9 such proposals were withdrawn. A resolution to include sexual orientation in EEO policies is now pending at Advance Auto Parts, Exxon Mobil, Gentex, Nucor, and Universal Health Services. At Exxon Mobil, this resolution gained 29% support in 2004, and received 34% support at Emerson Electric's early shareholder meeting in February 2005.

### *Potential Costs (and lack thereof)*

In evaluating sexual orientation nondiscrimination resolutions one must raise the following questions: Do shareholders share the proponents' concerns about the lack of explicit protection for GLBT workers in corporate equal employment policies? What would be the benefits and disadvantages of including sexual orientation in equal employment opportunity statements? What costs might be associated with amending EEO policies to include sexual orientation?

According to studies conducted by the Human Rights Campaign, the largest national GLBT political organization, the costs associated with including sexual orientation in companies' nondiscrimination policies have been reported as quite low. Because same-sex couples tend to be younger and usually don't have children, domestic partner benefits tend to be less expensive than those covering a spouse. Moreover, many same-sex partners tend to be already employed and may already have coverage through their jobs. Recently, insurance carriers have dropped surcharges for covering domestic same-sex partners, and fraud rates for such programs have been relatively low.

Also according to HRC, companies with sexual orientation nondiscrimination in their EEO policies have reported higher productivity and employee morale as a result of offering same-sex partner benefits.

#### *Women and Minorities in the Work Force*

Although diminishing, there remains a gap between the number of women and minorities in upper level management positions and that in non-managerial positions. Only seven of *Fortune 500's* CEOs have been female, and only three have been minorities. This lack of women and minorities has indicated a systemic pattern of discrimination in certain companies and has been held up by the courts as such. Recent lawsuits at Wal-Mart, Morgan Stanley, Costco and Boeing have resulted in litigation and settlement costs for the affected companies. According to a study of 300 corporate general counsels conducted by law firm Fulbright & Jaworski, 62% said that their largest area of litigation exposure was employment lawsuits.

Related, there continue to be hard to justify-pay gaps. A variety of studies conducted on the dynamics of the American work-force have pointed to a large pay disparity between men's, and women and minorities' earning potential. Based on 2003 U.S. Department of Labor Bureau of Labor Statistics, for every dollar that a man earns in the United States, a woman earns an average of 76 cents; including 93 cents as a cashier or administrative assistant; 88 cents as a registered nurse; 70 cents as retail manager; 63 cents as a financial manager; and 59 cents as a surgeon or physician.

#### *Obtaining Corporate EEO Data*

It is reasonable to request a company's diversity data because, although avenues exist through which shareholders can obtain EEO information on their companies, they are time consuming to pursue. Shareholders can request information through the Freedom of Information Act, but companies may take weeks to respond. Similarly, companies have to disclose their EEO statistics to the SEC, but obtaining these statistics from the SEC involves lengthy and often confusing research. The SEC mandated process of disclosure does not bring EEO concerns to the forefront of shareholder discussions where they belong. Companies pursuing efforts to ensure diversity would benefit from shareholder knowledge of these efforts. Correspondingly, companies lacking in diversity could gain insight from shareholders on ways in which to diversify. Moreover, since companies already disclose this EEO information to the SEC it should not be that costly for them to make it available to shareholders, as a lot of the data-gathering structure is there already.

#### *Current Shareholder Efforts*

This year three companies have EEO, glass ceiling, and/or sexual orientation anti-bias resolutions before them. These companies included Amgen, Inc., Universal Health Services, and Wal-Mart Stores, Inc. The resolution before Universal Health Services deals with the adoption of a sexual orientation anti-bias policy. The lead sponsors of this resolution are the New York City Pension Funds. The resolution submitted to Amgen Inc. requests that the company reporting on its diversity, as well as its affirmative action policies and/ or programs. The lead sponsor of this resolution is social investment firm Walden Asset Management. Other sponsors include Domini Social Investments, the Tides Foundation, and the State of Connecticut Treasurer's Office. The two resolutions before Wal-Mart Stores call for the company to report on EEO efforts in a manner similar to that requested by shareholders of Amgen, Inc. and, in addition for the submission a report on the distribution of 2004 equity compensation by gender and race of stock options and restricted stock awards. The lead sponsors of the EEO resolution are Sisters of Charity of St. Elizabeth, NJ. Other sponsors include Trillium and Walden Asset Managements. The lead sponsor of the latter resolution is Northstar Asset Management, Sisters of Charity of St. Elizabeth, and Catholic Healthcare West. The resolutions are provided in appendices B1-B4.

#### *Recommendation*

The Committee finds the shareholders' request for reports on EEO data and glass ceiling efforts fair and necessary to advancement of women and/or minorities within corporations. Similarly, the Committee believes that the social and economic benefits of implementing a sexual orientation anti-discrimination policy exceed implementation and operational costs. The Committee supports the four resolutions before Universal Health Services, Inc., Amgen, Inc., and Wal-Mart Stores, Inc. and recommends that they receive the support of the Trustees and Investment Committee.

## **C. Executive Compensation and Pay Disparities**

### *Background*

Recent scandals in companies like Enron and WorldCom have brought the already controversial issue of executive compensation to the forefront once again. Apart from its costliness to shareholders and its de-motivating impact on employees, excessive executive compensation is bad social policy, contributing as it does to the widening income disparities that mark American society. IRRC cites *Business Week*, according to which the average CEO earned more than 200 times the wages of the average U.S. worker in 2002—in 1980 the ratio was around 40:1. IRRC also notes a *Wall Street Journal* study in 2002 that showed a 10% median increase in CEOs' salary and cash bonuses against U.S. wage and benefits growth of 3.2% in 2002 and 4.2% in 2001. According to a United for a Fair Economy report, if the minimum wage had risen as fast as CEO compensation, it would have been \$21.41/hour in 2001 instead of \$5.15. Academic studies at Berkeley and Stanford have shown that this widening inequality hurts employee morale, lowers productivity and causes higher turnover, a conclusion consistent with the result of a 2001 United for a Fair Economy study which finds that companies with smaller pay gaps actually perform better in terms of stock price. IRRC points out that extraordinary bonuses paid to executives now routinely accompany mergers and acquisitions (functioning as hidden incentive for such deals to go through), notwithstanding the fact that sizeable layoffs typically accompany such mergers—mergers which, as often as not, end up reducing a company's long-run economic viability.

### *Limitations to Existing Regulations*

Though N.Y.S.E. and NASDAQ listing requirements demand executive compensation disclosure and though the IRS puts limits on deductions for compensation of the highest paid executives of large publicly traded companies, these regulations often have a limited bite as there are easy ways to circumvent them in spirit if not in letter. (See appendix C1 for the relevant regulations and ways to circumvent them.)

### *Shifting Trends*

IRRC notes, on the positive side, that corporations are increasingly using social performance criteria in determining executive pay. In its review of 96 publicly traded U.S. companies in the *Fortune 100*, it found that 47 reported executive pay using specific social criteria, while 71 more generally employed non-financial criteria in executive pay assessments. Examples of non-financial criteria of a social kind were workplace diversity, environmental management, corporate citizenship and employee safety.

### *Current Shareholder Efforts*

In light of the above considerations, the Committee's attention was drawn by three identical resolutions proposing guidelines for CEO compensation submitted to Citigroup, JP Morgan Chase, and Wells Fargo & Company respectively. The Catholic Equity Fund, a socially responsible and religious index fund managed by the investment firm, Catholic Funds, sponsored all three resolutions. These resolutions thoroughly address the executive pay concerns discussed above. The resolution along with an analysis of its strengths and potential objections from the three companies is available in Appendix C2 and C3.

### *Recommendation*

The 2005 executive pay discrepancy resolutions thoroughly address the executive pay concerns discussed above. The Committee agrees with former New York Federal Reserve President William McDonough that "nothing in economic theory" justifies the tremendous rise in CEO compensation. Furthermore, it believes that the "market" in executive compensation has rewarded a select few while undervaluing the contributions made by each company employee. The Committee recommends the enthusiastic support of the Trustees and its Investment Committee for the three executive pay resolutions.

## **D. Human Rights in China Operations**

### *Background*

For over thirty years, shareholders have questioned companies about their human rights record. In the 1970's shareholders urged companies to stop conducting business with the oppressive South African regime. Since

the 1990's public campaigns and investigations have drawn global and shareholder attention to the inhumane and often illegal working conditions in American and European companies' factories in developing nations. These conditions have included 16 hour work days, the use of child labor, lack of respect for the interests of indigenous peoples, and the support of authoritarian regimes. In 1999 Global Exchange released a report based on research by the Hong Kong Christian Industrial Committee, which found workers in Disney's factories in China toiling 16 hours per day, seven days per week during peak times. The report also found that factories required the female workers to provide a deposit that would only be returned after two years of work. This requirement placed many of these workers in a position of indentured labor.

The standards to which companies are implicitly and explicitly held are set forth by the principles of the Universal Declaration of Human Rights, the two Human Rights Covenants the latter has given birth to, and the conventions of the UN's International Labor Organization (ILO). In recent years the UN (through its Global Compact and Draft Norms for Transnational Corporations), human rights organizations, social investment firms, and several countries (via extraterritorial application of their national human rights law, as in the case of the US Alien Torts Claim statute) have worked towards making not just states but multinational corporations accountable for violations of international human rights law.

### *Reputation of Corporate Citizen*

Though many legal issues remain regarding whether and to what extent human rights can be internationally enforced against non-state actors such as corporations, the moral and economic case for a company's adherence to universally endorsed human rights is strong. Quite apart from the likelihood that human rights law will become criminally enforceable against companies in international courts at some point in the future; its violation today by a corporate actor exposes the latter to unacceptable reputation and civil tort risks. As several well-known cases have shown, when perceived as egregious, corporate human rights violations can, through consumer boycotts, NGO campaigns, and employee defections—severely impair a company's shareholder value and economic viability. The most notable example is Nike, which after several consumer boycotts and public campaigns, took steps to reform the conditions of its factories. Facing revenue losses, Nike CEO Phillip Knight publicly committed to several improvements including, raising the minimum age of Nike workers to 18 years, allowing NGOs to monitor and reporting on conditions in its factories, and ensuring that all factories meet the United States Occupational Safety and Health Administration's standards for indoor air quality.

### *Current Shareholder Efforts*

With twelve companies shareholders have filed this year resolutions requesting they create or report on human rights policies. In particular, five companies have been asked to implement a set of operating principles ("China Principles") established by the China Working Group, a corporate human rights coalition. These principles consist of 11 norms that are to guide the operations of companies and their contractors in China. They are directly derived from the two UN Human Rights Covenants and the ILO conventions and are listed, together with the text of the corresponding shareholder resolution, in appendix D1 and D2. Barnard holds shares in two of the five companies with these resolutions: in the 3M Corporation and the Illinois Toll Works company. In both cases the lead sponsor of the resolutions is Harrington Investments, a social investment firm that worked with the China Group to author the resolution.

### *Recommendation*

The importance of ensuring the humane working conditions is a reason to support these resolutions. Two other powerful reasons are the economic losses resulting from damage to a company's reputation when inhumane working conditions in its factories are discovered and the expansion of American corporate operations in China. For these reasons the Committee recommends that the Barnard Trustees and its Investment Committee lend support to the China Principles resolution.

## **Appendix A1 The Global Pandemics: Economic Consequences of Failing to Act**

### *Broad Risks to Livelihood of Companies*

For companies that are major employers, the global pandemic presents enormous risks to profit and sustainability. According to the resolution's proponents, "[The HIV/AIDS pandemic] can directly impact our company's bottom line through decreased productivity, increased absenteeism, ballooning healthcare and disability costs, and the destruction of human capital." Dan Rosan, director of health programs at the Interfaith Center told IRRC that a top-down and global approach to the HIV/AIDS, tuberculosis and malaria pandemics was desired, and to begin focusing on the "second-wave countries" such as India, China and Russia.

In regards to drug companies, the health pandemics "pose major risks to the long-term financial health of firms...that operate in emerging markets," and proactively engaging the pandemics would be in the companies' long-term economic interests, according to the IRRC. They cite studies by the World Economic Forum and UNAIDS that say that the companies are not "particularly active in combating HIV/AIDS," and that business leaders appear to be making decisions based on "patchy assessment of the risks they face." They say, "Shareholders must fully understand the threats posed by these diseases in order to make informed assessments of our company's value."

The UN Security Council declared in July 2000 that the HIV/AIDS pandemic poses "a risk to stability and security" of the world. It said that the continuing spread of HIV/AIDS could have a "uniquely devastating impact on all sectors and levels of society," with a "growing impact on social instability and emergency situations." It expressed "keen interest in additional discussion among relevant United Nations bodies, Member States, industry and other relevant organizations to make progress...on the question of access to treatment and care, and on prevention." Since the time of this resolution, governments, international bodies and other organizations have initiated many new efforts in response, but despite a few success stories, the rate of HIV/AIDS infection has worsened or at best stagnated in most parts of the world.

### *Specific Economic Consequences of the Global Health Pandemic*

Given the economic damage the pandemic is causing, experts agree that immediate and effective action is necessary. Jeffrey Sachs, an economist and the director of the Center for International Development at Harvard University, and now head of the Earth Institute at Columbia University, asserted in his 2001 report, *Macroeconomics and Health: Investing in Health for Economic Development*, that "improving the health and longevity of the poor is an end in itself, a fundamental goal of economic development. But it is also a means to achieving the other development goals relating to poverty reduction."

Sachs's report noted that many factors are essential in carrying out effective health interventions in poor countries. These include political and financial commitments by governments of both developing and developed nations, sufficient technology, and clear and adequate operational strategy. He said that it is dangerous to assume that the "health goals will take care of themselves, as a fairly automatic byproduct of economic growth." At the same time, he said, it would also be wrong to underestimate the considerable progress that has been made in developing countries or to believe that "the remaining high disease burden is a byproduct of corrupt and broken health systems beyond repair in poorly governed countries."

Specific losses are as follows:

- **Loss of human capital:** As workers grow ill, absenteeism increases and productivity falls. As such conditions continue the professional education and training of the general work force suffers. HIV/AIDS hits people in their prime working years. In South Africa, one in five people between 15 and 49 years of age are estimated to be HIV-positive. According to a March 2001 British House of Commons study, *HIV/AIDS: The Impact on Social and Economic Development*, the labor force in Africa's high-prevalence countries is estimated to shrink 10 to 22 percent by the year 2020.
- **Increased business cost:** As employees become sick or die, firms and governments alike have to hire and train new workers; the increased turnover and training costs hurt the firm's stability and profitability. The rising cost of insurance to provide healthcare or funeral benefits to workers also cuts profit. A January 2000 U.S. National Intelligence Council report found that—based on measures including absenteeism, productivity decline, insurance costs and recruitment and training—HIV/AIDS would decrease an African firm's profits by at least 6 to 8 percent, and cut productivity by 5 percent.
- **Decreased business investment:** The extra costs associated with operating in an infected region diminish the ability to save and invest for future growth. A high rate of HIV infection also discourages inflows of new

investment from other regions. The consumer base shrinks as the population becomes sick and their economic powers dwindle. An article called “Demography and Economics of HIV/AIDS” in the British Medical Bulletin 57 noted that a South African furniture manufacturer (JD Group) “projected an 18 percent reduction in its customer base as a result of HIV/AIDS.”

- Inefficient use of natural resources: The pandemic has hit the economic sectors based on natural resources the hardest. One example is agriculture. As farmers become ill or preoccupied with tending to ill family members, agricultural lands are neglected and crop yields are reduced. Another example is the mining industry. Miners are especially vulnerable because they frequently are migrant workers, who live far from their families and come in contact with commercial sex workers. In Botswana, about a third of the industry’s employees are estimated to be HIV-positive.
- Disruption in the transfer of human capital: Economists writing for “Thinking About the Long-Run Economic Costs of AIDS” in the International Monetary Fund’s November 2004 report, *The Macroeconomics of HIV/AIDS*, say that AIDS’ disruption in the transfer of human capital from one generation to the next has a profound effect on the economies of hard-hit countries. They say, “Not only does AIDS cause unspeakable human suffering, but it also makes it difficult for these young men and women to provide for the education of their children....The result is possibly a whole generation of undereducated and hence underproductive youth, who in adulthood find it difficult to provide for their children’s education.”
- Other: In addition to the above, economists include significant public expenditure, loss of tax base, inefficient collateralization and functioning of credit markets and the decline in social cohesion and capital as other costs of health pandemics.

## **Appendix A2 Companies Reporting on Impact of HIV/AIDS**

In 2004 Coca-Cola’s management company recommended a vote in favor of the resolution that asked the company to review the impact of HIV/AIDS on its global operations, resulting in a 97.9 percent vote in support of the resolution. In the same year, Ford became the first company in the United States to issue a report based on the Global Reporting Initiative’s resource document on HIV/AIDS. That report revealed both strengths and weaknesses of the company’s global policy against the disease and as a result Ford was in a position to improve the scope and effectiveness of its corresponding programs. Similarly, AngloGold found that HIV/AIDS health programs and the provision of ARV treatments actually saved the company in health-related costs.

## **Appendix A3 HIV Reporting Resolution: Abbott Laboratories**

### **RESOLVED:**

Shareholders request that our Board review the economic effects of the HIV/AIDS, tuberculosis and malaria pandemics on the company’s business strategies, and its initiatives to date, and report to shareholders within (6) months following the next annual meeting. This report, developed at reasonable costs and omitting proprietary information, will identify the impacts of these pandemics on the company.

### **SUPPORTING STATEMENT:**

We believe that HIV/AIDS, tuberculosis (TB) and malaria pose major risks to the long-term financial health of companies, like Chevron Texaco that operate in developing countries. A 1999 Harvard study found that countries with severe malaria grew 1.3% less per person per year (*Malaria, Climate & Poverty*) and, according to the World Economic Forum, “[in] the most heavily affected countries, TB decreases GDP by 4-7%” (*Global Health Initiative Resource Paper*, February 2002)

In addition, a new report from the World Bank says “a complete economic collapse will occur” unless there is a response to the HIV/AIDS pandemic. It estimates that the HIV/AIDS crisis in Africa, where our company has operations in over 50 countries and employees more than 15,000 workers, is likely to cause growth in GDP to

decline at a much higher rate than the existing estimates of .3% to 1.5%. (*Long-Run Economic Costs of AIDS*, June 2003) According to the Brookings Institute, when “overall income growth decline[s]” the “future growth prospects” of firms operating in these countries also diminishes.”

Even more significantly, in our opinion, these diseases can directly impact our company’s bottom line through decreased productivity, increased absenteeism, ballooning healthcare and disability costs, and the destruction of human capital. Steve Simpson, Chevron Texaco’s Regional Medical Director for Africa has acknowledged that “[t]he success of our company is inextricably linked to the health and productivity of our employees.” And the Metropolitan AIDS Research Unit, which represents one of the largest insurance companies in South Africa, “has repeatedly warned that without active intervention, AIDS will cause the average cost of employee benefits [in South Africa] to double by 2005 and treble by 2010, adding 15 percent to the average wage bill”(Shifting the Burden of HIV/AIDS, Boston University School of Public Health, May 2002) We feel that this estimate should be of particular concern to shareholders of Chevron Texaco, which has extensive operations in South Africa.

We believe that the huge economic impact of HIV/AIDS, TB and malaria makes it imperative for the boards of directors to carefully evaluate and report to shareholders on the effects of these diseases on their companies. In our opinion, shareholders must fully understand the threats posed to our company by these diseases in order to make informed decisions about its value.

We urge shareholders to vote FOR this resolution.

**Lead Sponsor:** Society of Jesus -- Maryland Province, Doris Gormley SRI Consultant.

## **Appendix A4 HIV Reporting Resolution for Caterpillar, Inc.**

### **RESOLVED:**

Shareholders request that our Board review the economic effects of the HIV/AIDS, tuberculosis and malaria pandemics on the company's business strategy and its initiatives to date, and report to shareholders within six (6) months following the 2005 annual meeting. This report, developed at reasonable costs and omitting proprietary information, will identify the impacts of these pandemics on the company.

### **SUPPORTING STATEMENT:**

We believe that HIV/AIDS, Tuberculosis (TB) and Malaria pose major risks to the long-term financial health of firms, like Caterpillar, that operate in emerging markets.

The crisis of HIV/AIDS in Africa, with half of all global HIV/AIDS cases, is well known. UNAIDS—the joint United Nations AIDS program—reports life expectancy in much of southern Africa has declined by over half, to barely thirty years.

New research also shows disturbing trends in Asian markets. 7.4 million people in Asia are living with HIV, says UNAIDS. India has the greatest number of people living with HIV in the world, says Richard Feachem, who runs the Global Fund to Fight AIDS-TB-Malaria. New infection rates in Asia are at all time highs.

Foreign Affairs reported in December 2002 that even moderate HIV pandemics in India and China may reduce per capita GNP by 2025 to virtually 2000 levels—wiping out a generation's worth of economic growth.

In China, UNAIDS projects 10 million infections by 2010. Stephen Roach, Morgan Stanley's Chief Economist, wrote in June 2004 that "all the economic growth in the world cannot possibly compensate for the devastation China would face if [UNAIDS] projections were to come to pass."

Standard Chartered Bank Group Chief Executive Mervyn Davies, in a 2004 World Economic Forum report, cautioned that "AIDS imposes a day-to-day economic 'tax' that compromises business productivity." Firms pay in increased health and benefit costs, decreased productivity, higher turnover, and other ways.

Despite these warnings, the same report concluded "firms are not particularly active in combating HIV/AIDS" and "businesses appear to be making decisions based on a patchy assessment of the risks they face."

Unfortunately, "most companies do not yet report appropriate data for investors to make informed decisions about the impact of HIV/AIDS," says a 2003 survey of corporations by UNAIDS. We believe, to date, our company's reporting has also been inadequate.

In contrast to our company's performance, several large-cap firms make reporting on infectious diseases best practice. The Bill & Melinda Gates Foundation has funded an HIV/AIDS Resource Document at the Global Reporting Initiative.

In 2004, Coca-Cola shareholders approved a resolution seeking such a report with 98% support. Coca-Cola's subsequent report notes "the moral and business imperatives are of equal importance" in responding to HIV/AIDS.

Our experience with Coca-Cola and other leading companies demonstrates that these reports need not be onerous. In our opinion, shareholders must fully understand the threats posed by these diseases in order to make informed assessments of our company's value.

We urge shareholders to vote FOR this resolution.

**Lead Sponsors:** Church of the Brethren Benefit Trust, Mr. William Thomas Director of Foundation Ops.

## **Appendix B1 Sexual Orientation Discrimination Resolution for Universal Health Services**

The introductory text of this resolution was not available at the time this report was written. The text of this resolution mirrors that of a similar resolution before Exxon Mobil. The Exxon Mobil resolution can be viewed at [http://www.iccr.org/shareholder/proxy\\_book05/MEMBER-INITIATED%20ISSUES/ORIENTATION\\_EXXON.HTM](http://www.iccr.org/shareholder/proxy_book05/MEMBER-INITIATED%20ISSUES/ORIENTATION_EXXON.HTM).

### **RESOLVED:**

The Shareholders request that Universal Health Services amend its written equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and to substantially implement that policy.

### **STATEMENT:**

Employment discrimination on the basis of sexual orientation diminishes employee morale and productivity. Because state and local laws are inconsistent with respect to employment discrimination, our company would benefit from a consistent, corporate wide policy to enhance efforts to prevent discrimination, resolve complaints internally, and ensure a respectful and supportive atmosphere for all employees. Universal Health Services will enhance its competitive edge by joining the growing ranks of companies guaranteeing equal opportunity for all employees.

**Lead Sponsors:** New York City Employees Retirement System (NYC Pension Funds), Mr. Patrick Doherty.

## **Appendix B2 Equal Employment Opportunity Resolution for Amgen, Inc.**

Equal employment opportunity (EEO) is an important issue for shareholders, employees and managements, especially as the workforce becomes more diverse. According to the 1995 bipartisan Glass Ceiling Commission report, a strong diversity record makes a positive financial impact.

Yet, while women and minorities comprise 47% and 27% of the U.S. workforce, respectively, they represent less than 19% and 11% of executive-level positions. Representation in management is better, but still disproportionately low. Moreover, there was a significant decline in women's share of executive positions in the 1990s. (Peopleclick Research Institute, Feb. 2004, using U.S. Census Bureau's Census 2000 Special Equal Employment Opportunity Tabulation.)

Workplace discrimination can be a significant burden for shareholders due to the high cost of litigation, potential loss of government contracts, and the financial consequences of a damaged corporate image resulting from alleged regulatory violations. In several instances, *including at Home Depot*, the financial costs to shareholders of settling discrimination lawsuits has exceeded \$100 million.

While Home Depot's most significant EEO settlement was in 1998, allegations of discrimination have persisted. In August 2004, Home Depot agreed to pay \$5.5 million to settle U.S. Equal Employment Opportunity Commission charges of class-wide discrimination based on gender, race and national origin in its Colorado stores.

We agree with the Glass Ceiling Commission that "public disclosure of diversity data—specifically data on the most senior positions—is an effective incentive to develop and maintain innovative, effective programs to break the glass ceiling barriers." The Commission advocated for increased public disclosure of diversity data.

Well over one hundred major U.S. corporations disclose comprehensive EEO information to shareholders, including some that had previously experienced significant discrimination lawsuits, such as Chevron-Texaco and Coca-Cola.

In 2001 Home Depot entered into an agreement with a coalition of more than two dozen shareholder proponents representing investment firms, religious investors, foundations and a union, to provide comprehensive EEO information to investors, upon request. Since then, however, Home Depot has reversed its policy on disclosure of comprehensive EEO information.

We commend Home Depot for its leadership on many corporate social responsibility issues, particularly in the areas of environmental impact and community involvement. However, we believe Home Depot needs to show more leadership on workplace equality and honor its previous commitment to comprehensive EEO disclosure.

**RESOLVED:**

The shareholders request our company prepare a report, at reasonable cost and omitting confidential information, within four months of the annual meeting, including the following:

1. A chart identifying employees according to their gender and race in each of the nine major EEOC-defined job categories for the last three years, listing numbers or percentages in each category;
2. A summary description of any affirmative action policies and programs to improve performance, including job categories where women and minorities are underutilized; and
3. A description of any policies and programs oriented specifically toward increasing the number of managers who are qualified females or minorities.

**Lead Sponsor:** Walden Asset Management, Mr. Timothy Smith.

**Appendix B3 Equal Employment Opportunity Resolution for Wal-Mart Stores, Inc.**

Equal employment opportunity (EEO) is an important issue for corporate shareholders, employees and management, especially as the workforce becomes more diverse. According to the bipartisan Glass Ceiling Commission report, a positive diversity record makes a positive impact on the bottom line.

Yet, while women and minorities comprise two thirds of our population and 57% of the United States workforce, the Commission found that they represent little more than 3% of executive-level positions. Various projections indicate that women and minorities will constitute 62% of the workforce by 2005.

Workplace discrimination has created a significant burden for shareholders due to the high cost of litigation and potential loss of government contracts. Such litigation also damages the images of corporations and industries. In the pharmaceutical, petroleum and retail industries, discrimination lawsuits have resulted in a financial impact on shareholders that adds up to billions of dollars.

The Glass Ceiling Commission recognized that "public disclosure of diversity data-specifically data on the most senior positions-is an effective incentive to develop and maintain innovative, effective programs to break the glass ceiling barriers." The Commission recommended that both the public and private sectors work toward increased public disclosure of diversity data.

"Accurate data on minorities and women can show where progress is or is not being made in breaking glass ceiling barriers," observed the Commission.

More than 200 major U.S. corporations disclose EEO-1 reports to their shareholders. Among these companies are many who have experienced large racial and gender discrimination lawsuits; for example, Texaco, Shoney, Denny, Smith Barney and Coca-Cola. Today virtually every industry can claim some corporations who provide these reports to their shareholders. As an example, some institutions in the financial industry that have disclosed comprehensive EEO-1 data are Bank of America, Bank of New York, Citigroup, Wachovia, Merrill Lynch and JPMorganChase.

**RESOLVED:**

The shareholders request our company prepare a report, at reasonable cost and omitting confidential information, within four months of the annual meeting, including the following:

1. A chart identifying employees according to their sex and race in each of the nine major EEOC-defined job categories for the last three years, listing either numbers or percentages in each category;

2. A summary description of any affirmative action policies and programs to improve performances, including job categories where women and minorities are underutilized;
3. A description of any policies and programs oriented specifically toward increasing the number of managers who are qualified females or minorities;
4. A general description of how our company publicizes its affirmative action policies and programs to merchandise suppliers and service providers.

**Lead Sponsors:** Sisters of Charity of St. Elizabeth, NJ, Sr. Barbara Aires

## **Appendix B4 Glass Ceiling Equity Resolution for Wal-Mart Stores, Inc.**

During a meeting last October, Tom Coughlin, the chief of Wal-Mart's U.S. stores looked out at a room full of division heads and top line managers and saw something wasn't right. He rearranged the room, asking people to sit by gender and ethnicity so they could see what he saw: a room of white men." (*Time Magazine*; "Women vs. Wal-Mart" July 21, 2003 commenting on Coughlin's testimony in a sex discrimination lawsuit.)

### **WHEREAS,**

In June 2004, US District Judge Martin Jenkins certified a class action suit involving 1.6 million women who are current and former Wal-Mart employees, calling the suit "historic in nature, dwarfing other employment suits that came before it." Plaintiffs in the suit charge that Wal-Mart pays women less than men for doing the same job and point out that about two-thirds of Wal-Mart's hourly workers are women, but less than a third of managers are female, far less than other competitors in the retail industry.

Employee discrimination suits are on the rise nationwide and can be financially costly to companies and risk damage to their reputation. In 2000, Coca-Cola settled one of the nation's largest employee race discrimination suits for \$192 million. In 1997, Home Depot shareholders spent \$104 million to settle sex discrimination charges involving just 25,000 female employees.

One of the frequent contentions in employee discrimination suits is that employees are compensated differently on the basis of their race and gender. Historically these cases have rested largely on the payment of salaries and bonuses, but we believe in the future, employees will look more closely at corporate wealth distributed in the form of stock options and restricted stock.

According to Wal-Mart's proxy statements, in fiscal 2004 Wal-Mart distributed 13% of total options to the five most highly compensated employees, all white males, up from 9.4% of total options the previous year.

### **RESOLVED,**

Shareholders request that the Board shall prepare a special report, documenting the distribution of last year's equity compensation by race and gender of the recipient of the stock options and restricted stock awards (i.e. percentage of options and restricted stock received by white men, white women, African-American men, African-American women and so on). The report shall also provide context explaining the recent trends in equity compensation granted to women and employees of color. The report, prepared at reasonable cost and omitting proprietary information, shall be available to shareholders, upon request, no later than November 1, 2005.

### **SUPPORTING STATEMENT**

This report will provide information that will allow shareholders to evaluate whether there is an equity compensation glass ceiling at Wal-Mart, which might lead to potential future liability. In requesting this report we wish to be sure that all Wal-Mart's associates received wealth-creating opportunities that fairly reflect their contribution to the company. Wal-Mart has made a public commitment to be a leader in corporate diversity

initiatives and we believe the disclosure of this additional information is consistent with our company's commitment.

Please vote FOR this resolution.

**Lead Sponsor:** NorthStar Asset Management, Margaret Covert Shareholder Action Coordinator.

## **Appendix C1 Disclosure Requirements for Executive Pay and their Limitations**

In 2003, the SEC approved amended listing requirements for N.Y.S.E. and NASDAQ markets generally requiring shareholder approval of stock incentive plans. In December, 2001, the SEC changed rules on stock option disclosure. In 1993, Section 162m of the IRS code was enacted. This established a \$1,000,000 deductibility limit on executive compensation for the five highest paid executives of publicly traded companies with at least \$5mm in assets and at least 500 shareholders. The most important of the allowable exceptions is pay based on performance goals drafted by a compensation committee of outside directors and approved in advance by shareholders. An IRRC review of compensation committee reports shows that while companies generally adhere to this standard, they reserve the leeway to enter into future agreements that don't meet the deductibility standard. And while performance measures must be disclosed, performance goals need not. Also, bonus plan descriptions frequently state that a formula is used to in deciding bonuses but the formula itself is not disclosed.

## **Appendix C2 CEO Compensation Resolution for Citigroup, JP Morgan Chase, and Wells Fargo & Company**

**Resolved:** The shareholders urge the Board of Directors:

- < To limit the Compensation paid to the CEO in any fiscal year to no more than 100 times the average compensation paid to the company's Non-Managerial Workers in the prior fiscal year, unless the shareholders have approved paying the CEO a greater amount;
- < In any proposal for shareholder approval, to provide that the CEO can receive more than 100-times amount only if the company achieves one or more goals that would mainly reflect the CEO's contributions rather than general market conditions; and
- < In that proposal, to assure the shareholders that the Board will seriously consider reducing the CEO's compensation in the event of any unusual reduction in the company's workforce resulting from outsourcing or other factors.

This proposal does not apply to the extent that complying would necessarily breach a compensation agreement in effect at the time of the present shareholder meeting.

"Compensation" means salary, bonus, the grant-date present value of stock options, the grant-date present value of restricted stock, payments under long-term incentive plans, and "other annual" and "all other compensation: as those categories are defined for proxy statement purposes.

"Non-managerial Workers" mean U.S.-based employees working in the categories of Blue-Collar Occupations or Service Occupation or the Sales and Administrative Support components of White-Collar Occupations as used by the Bureau of Labor Statistics in its National Compensation Surveys."

### **Supporting Statement:**

Our resolution is based on these premises:

1. Unless internally anchored, market-based compensation methods tend to produce excessive CEO compensation;
2. Very high CEO pay should require shareholder approval since it tends to produce sub par share performance long-term; and
3. Very highly paid CEOs should realize that they might share some pain when choosing job reductions as a means to achieve corporate goals.

Our resolution would introduce an internal foundation for CEO compensation—the company's CEO/average-worker pay ratio. Commentators note that on the average for U.S. companies this ratio has gone from about 42 in 1980 to several hundred today and that it tends to be much lower in foreign companies that compete successfully with U.S. companies. Consistent with these facts, the Blue Ribbon Commission of the National Association of Corporate Directors has urged compensation committees to use such a ratio as a factor in setting CEO compensation. Our resolution follows this advice.

Our resolution would not arbitrarily limit CEO compensation. Rather, it would offer the board the opportunity to persuade the shareholders that very high CEO compensation would make the company more competitive and would be in their interest.

At Black & Decker, CEO Compensation was 6.1, 11.2, and 19.3 million dollars in 2001, 2002, and 2003. The 2003 Compensation is 755 times the \$25,501 that the average U.S. worker makes according to the AFL-CIO's Executive Paywatch (<http://www.aflcio.org/corporateamerica/paywatch/>). In their 2004 analyses of executive pay versus shareholder return, Business Week gave the CEO its worst rating ([http://www.businessweek.com/pdfs/2004/0416\\_execpay.pdf](http://www.businessweek.com/pdfs/2004/0416_execpay.pdf)), and Forbes gave the CEO a grade of D (<http://www.forbes.com/lists/2004/04/21/04ceoland.html>).

**Lead Sponsor:** Catholic Equity Fund, Theodore Zimmer President.

### **Appendix C3 Strengths of Executive Pay Discrepancy Resolutions and Potential Objections**

As noted, the proposal has many strengths yet also some weaknesses, both of which we briefly enumerate in what follows. Considerations supportive of the proposal are:

- Market-based compensation methods tend to produce excessive CEO compensation.
- Very high CEO pay should require shareholder approval since it tends to affect share performance adversely in the long term.
- Very highly paid CEOs should “share some pain” when choosing job reductions to achieve corporate goals.
- The Blue Ribbon Commission of the National Association of Corporate Directors has urged compensation committees to use ratios as proposed here in setting CEO compensation.
- The proposal does not arbitrarily limit CEO compensation, but allows the Board to persuade the shareholders that it is in the company's and their best interest to exceed the recommended limit.

Possible counterarguments are:

- The Boards of Citigroup, JP Morgan Chase, and Wells Fargo & Company must have the flexibility to devise compensation packages that allow them to be competitive in recruiting, motivating and retaining talented senior executives.
- Establishing this arbitrary cap diminishes the significance of relevant factors like individual and corporate performance.
- Linking CEO pay to average wages of non-managerial workers means that CEO compensation would be determined by reference to job skills and compensation assigned by the market to a different category of employee.
- Citigroup is a global player with subsidiaries and affiliates in over 100 countries on 6 continents. Given such geographical dispersion and accompanying performance, pay and standard-of-living disparities, the benchmark for determining CEO's compensation levels and adjustments is difficult to determine.

### **Appendix D1 China Principles Resolution**

**WHEREAS:**

Our company's business practices in China respect human and labor rights of workers. The first nine principles below were designed to commit a company to a widely accepted and thorough set of human and labor rights standards for China. They were defined by the International Labor Organization and the United Nations Covenants on Economic, Social & Cultural Rights, and Civil & Political Rights.

(1) No goods or products produced within our company's facilities or those of suppliers shall be manufactured by bonded labor, forced labor, within prison camps or as part of reform-through-labor or reeducation-through-labor programs.

(2) Our facilities and suppliers shall adhere to wages that meet workers' basic needs, fair and decent working hours, and at a minimum, to the wage and hour guidelines provided by China's national labor laws.

(3) Our facilities and suppliers shall prohibit the use of corporal punishment, any physical, sexual or verbal abuse or harassment of workers.

(4) Our facilities and suppliers shall use production methods that do not negatively affect the worker's occupational safety and health.

(5) Our facilities and suppliers shall not call on police or military to enter their premises to prevent workers from exercising their rights.

(6) We shall undertake to promote the following freedoms among our employees and the employees of our suppliers: freedom of association and assembly, including the rights to form unions and bargain collectively; freedom of expression, and freedom from arbitrary arrest or detention.

(7) Company employees and those of our suppliers shall not face discrimination in hiring, remuneration or promotion based on age, gender, marital status, pregnancy, ethnicity, region of origin, labor, political or religious activity, or on involvement in demonstrations, past records of arrests or internal exile for peaceful protest, or membership in organizations committed to non-violent social or political change.

(8) Our facilities and suppliers shall use environmentally responsible methods of production that have minimum adverse impact on land, air and water quality.

(9) Our facilities and suppliers shall prohibit child labor; at a minimum comply with guidelines on minimum age for employment within China's national labor laws.

(10) We will not sell or provide products or technology in China that can be used to commit human rights violations or labor rights abuse.

(11) We will issue annual statements to the China Working Group detailing our efforts to uphold these principles and to promote these basic freedoms.

**RESOLVED:**

Stockholders request the Board of Directors to make all possible lawful efforts to implement and/or increase activity on each of the principles named above in the People's Republic of China.

**SUPPORTING STATEMENT:**

As U.S. companies import more goods, consumer and shareholder concern is growing about working conditions in China that fall below basic standards of fair and humane treatment. We hope that our company can prove to be a leader in its industry and embrace these principles. >>

**Lead Sponsor:** Harrington Investments

### **Appendix D2 Members of the China Working Group**

Below is a list of human rights organizations and social investment firms that comprise the China Working Group and support the China Principles (“US Business Principles for Human Rights of Workers in China”). The China Working Group was formed in 1999 as a response to a study by the Hong Kong Christian Industrial Committee. Corporate members include Reebok, Mattel, and Levi Strauss.

Amnesty International USA  
As You Sow  
Asia Pacific Center for Justice and Peace  
Asia Pacific Resources, Inc  
Calvert Group  
Citizens’ Funds  
Consumers’ Federation of America  
Fair Trade Foundation  
Global Exchange  
International Labor Rights Fund  
Harrington Investments  
Human Rights in China  
Human Rights for Workers  
Lawyers’ Committee for Human Rights  
National Consumers League  
Physicians for Human Rights  
Progressive Asset Management  
Robert F. Kennedy Memorial Center for Human Rights  
Sweatshop Watch  
Trillium Asset Management