



**VBDO**

# **VBDO Quick Scan Series**

**Voting on sustainability by seven Dutch banks**

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June 2007



# VBDO Quick Scan Series

**Voting of large Dutch institutional investors on  
CSR related shareholder proposals for some US companies**

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**June 2007**

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# 1./ Introduction

This is a VBDO Quick Scan report. It is part of a series of reports portraying a standard VBDO approach: quick, simple and straightforward reports on CSR issues in the capital market that signal trends or behaviours of players in these markets. VBDO thinks there are many issues that need a closer and more critical look. Part of the motive behind the VBDO quick scan series is to encourage and initiate more thorough research. In general, VBDO quick scans are based on a sound interpretation of publicly available documents published by the market players themselves. Generally, a company's annual report is the most important source and complementary its website is used. The VBDO approach has not changed over the past years and will most likely not change in years to come. VBDO believes standardisation and transparency of information to be a prerequisite for improved quality and ability to measure improvements.

At present, VBDO conducts two quick scans on pension funds and institutional investors. The first is an inventory of CSR policies by pension funds, first conducted in 2004-2005. At the time, VBDO was surprised by the limited information available, especially in annual reports. VBDO did not expect to find extensive paragraphs on CSR or SRI but the end result was highly disappointing. Moreover, VBDO's initial intention to include an estimation of the amount of SRI investments by pension funds proved fruitless. The quality of information was well below par. The research was repeated in 2005-2006. The most important difference with the previous report was the use of an extensive database. The database dramatically increased both research efficiency and the amount of pension funds included. The results however hardly improved as information on SRI or CSR by Dutch pension funds in their annual report continued to remain very rare. Estimations on CSR volumes proved equally hard, since quantifications were largely lacking.

The second VBDO quick scan on voting behaviour of pension funds and large institutional investors was the basis for the report VBDO published in March 2007. This quick scan was first conducted in 2006. It again uses publicly available information as a base. However for this quick scan report VBDO was fortunate enough to also make use of a database developed and managed by the Interfaith Centre of Corporate Responsibility (ICCR). This database provides its users with an extensive overview of all American proposals for Annual General Meetings (AGM) that were filed in past years. It helped VBDO to get an overview of voting behaviour by Dutch institutional investors on CSR related proposals in the United States. The reason why the research focuses on CSR related proposals in the US is practical. Annual General Meetings in the Netherlands simply do not have CSR related issues on the agenda of the AGM and CSR related resolutions are very scarce.

This latest quick scan is complementary to the scan that was published in March 2007 and has to be regarded as such. The March 2007 scan included 4 of the largest pension funds, 2 banks, ABN AMRO Asset Management and ING Investment Management, insurer AEGON and asset manager Robeco (asset manager for the Rabobank Group). The focus however, like in 2006, was on the voting behaviour of the large pension funds. This (June 2007) quick scan solely focuses on banks, including the banks that claim to use sustainability as guideline for all their business, ASN Bank and Triodos Bank.

Chapter two will elaborate upon the goal, scope and methodology of the report. The goal of this quick scan was to get insight into the voting behaviour of Dutch banks on CSR related issues. The quick scan research group was limited to 7 Dutch banks. Chapter three describes the voting policies and voting behaviour of the selected group of large Dutch institutional investors on 15 proposals (table 2, p. 5) and an overview of arguments used to justify voting behaviour. VBDO will conclude with its most important findings in chapter 4.

<sup>1</sup> CSR: Corporate Social Responsibility    <sup>2</sup> SRI: Socially Responsible Investment

## 2./ Goal, scope and methodology

### 2.1 Goal

VBDO's long term ambition regarding capital markets is that they become fully socially and environmentally responsible. Every investment decision should have a holistic SRI nature; are we investing in companies that create triple p value for all their current key stakeholders without jeopardizing the opportunities for stakeholders in the future? VBDO is convinced, and more and more research support this conviction, that SRI creates more and better value in the long run. Large institutional investors should therefore invest in a socially responsible manner and where possible actively encourage companies to improve their CSR performance.

This quick scan aims to give an impression of voting behaviour of large banks at AGMs in the United States. VBDO wants to determine whether, and if so to what extent, Dutch banks actively encourage companies to improve their CSR performance. One way of improving CSR performance is by filing or supporting CSR related proposals. VBDO is not implying that approving CSR related proposals necessarily lead to better CSR results. But whether an investor believes this either to be the case or not, *it should transparently motivate its decision*.

### 2.2 Scope and Methodology

Being a complementary quick scan to the previous quick scan on voting behaviour of large institutional investors, the scope and methodology of this quick scan are largely similar. Again, VBDO used publicly available information and the ICCR database. VBDO wanted to give a quick insight into the voting behaviour of Dutch banks, specifically on the voting behaviour in CSR related issues at AGMs. So far, such issues occur predominantly in the US capital market and only as shareholder proposals at AGMs. ICCR maintains a list of these proposals including a description or the full text of the proposal. VBDO has used this list for selecting proposals on CSR issues and comparing the voting behaviour of institutional investors. The ICCR list contains about 270 CSR related shareholder proposals for the 2006 AGM season.

Proposals on the ICCR list that were withdrawn or omitted from the AGM agendas were not taken into consideration by VBDO as they would not have been voted on. VBDO also excluded proposals regarding "board diversity", "executive compensation", "political contributions", "MacBride Principles" and "charitable contributions" as they could be seen as not clearly CSR related, especially in the European context. After these filters there were 95 proposals that were clearly CSR related and that had been brought to a vote at the AGMs. The voting information of each institutional investor could be derived by using their proxy voting systems. These systems are a database in which the institutional investors report their votes on each proposal per AGM per company of which the institutional investors have shares. All votes of all relevant banks on these 95 CSR related shareholder proposals were filled out in a spreadsheet.

The following step was the selection of examples of CSR related shareholder proposals out of the condensed ICCR list. VBDO inventoried all votes of the institutional investors on all 95 proposals and then made a selection of proposals for companies where preferably all or a majority of the institutional investors hold shares, so comparison between the investors would also be possible. This step is clearly somewhat subjective and limited, however, voting behaviour on all CSR proposals does not show a lot of differences from the selected proposals. For this complementary quick scan VBDO focused solely on banks and their voting behaviour over 2006. The research group included three parties that were included in the March 2007 quick scan, ABN AMRO, ING and Robeco (Rabobank), and four other Dutch banks, ASN Bank, Fortis, SNS Reaal and Triodos Bank<sup>3</sup>. This list does not entail all Dutch banks but VBDO believes that the current research group is sufficiently illustrative. Despite the fact that ASN Bank is a full daughter of SNS Reaal, it was included in the scan because it operates under its own name, has its own mission and it is regarded as one of the two Dutch 'sustainable' banks.

Proxy voting is in development in the banking sector. Since this scan was conducted, several banks might have altered their policies. The results of these alterations will become clear next year, in the quick scan over 2007. The websites used at the time of the scan are included in appendix 1.

<sup>3</sup> When referring to the banks, in most cases this implies the asset management of the company (e.g. ABN AMRO 'asset management', ING Investment Management and Robeco as the asset manager of Rabobank Group). However VBDO does mention CSR policies of the banks in the report. For the VBDO this refers to the whole bank.

## 3./ Voting behaviour of Dutch Institutional Investors

### 3.1 Voting policies

Table 1 gives an overview of the translation of Corporate Responsibility policies into voting guidelines, as far as this is indicated on the website of the bank. In general this is done through the following cascade: first the Corporate Responsibility Policy is translated into an investing policy; the next step is to create a voting policy, and the final step is to use practical voting guidelines. Our research shows that all investigated banks have a CSR policy and only 5 out of 7 have some kind of investing policy on sustainability. It should be noted that some of these policies only concern a part of the investment portfolio. Five out of 7 banks have a voting policy (only 3 banks mention CSR in their voting policies). Four out of the 7 investigated banks publish the actual voting behaviour on their website. We can conclude that all banks have a CSR policy that is mentioned on their website. However, there is hardly any specific voting policy on CSR related issues for AGMs in proxy voting policies or guidelines except at Fortis, ASN Bank and Triodos Bank. Only a small group of banks actually translates their CSR policy into practical voting policy and guidelines that are available on their website.

Table 1 *Overview voting policies and voting guidelines on the websites of each bank.*

	ABN AMRO	ASN Bank	Fortis	ING	Robeco (Rabobank)	SNS Reaal	Triodos Bank
Corporate Responsibility	x	x**	x	x	x	x	x
Investing policy	x*	x	x***	x	-	-	x
Voting policy	-	x	x	x	x	-	x
Voting behaviour per company	x	-	-	x	x	-	x

\* only valid for sustainable funds.

\*\* no separate sustainable policy, as criteria for sustainability are incorporated in their mission statement

\*\*\* only valid for SRI funds.

### 3.2 Overview actual voting

Table 2 shows the numerical results of the VBDO scan. In total VBDO screened almost 600 votes (one vote is one vote cast by one institution at one proposal). For more than 140 cases it was not clear if the institution did not vote because the company was not in their portfolio or they did not vote although it was in their portfolio.

Table 2 *Numerical results of the VBDO quick scan*

	ABN AMRO	ASN Bank	Fortis	ING	Rabobank (Robeco)	SNS Reaal	Triodos Bank
Total number of votes	12	6	49	88	50	0	2
Percentage 'For'	25%	0%	27%	7%	28%	0%	100%
For	3	0	13	6	14	0	2
Against	9	0	34	23	36	0	0
Abstain	0	0	0	0	0	0	0
No vote	0	6	2	59	0	0	0

Although we can conclude that (with the exception of Triodos Bank) the investigated banks only vote in favour of the selected sustainable resolutions in a minority of cases, further research by the VBDO showed that e.g. comparisons between the banks is more complex than the overview suggests. The most illustrative example is when one compares ING to ABN AMRO. In the case of ABN AMRO Asset Management numbers indicate that they do not have many shares in the list of American companies that are relevant for this quick scan. However ABN AMRO Asset Management does not distinguish between 'shares not owned' and 'shares owned but not voted upon' in the proxy voting behaviour information given on their website. Only those companies in which ABN AMRO Asset Management owns shares 'and' voted upon, can be found in the proxy voting system. ING Investment Management on the other hand, maintained the rule in 2006 to vote only on the top 500 of her share portfolio. However all companies in their share portfolio can be found in the proxy voting system, despite the possibility that they did not vote. In other words, you can not compare the results of both banks.

Table 3 (next page) further supports these conclusions. It provides a short overview of how the selected banks have voted on fifteen selected CSR related shareholder proposals in the USA. These proposals were specified because VBDO considers them as clear cases of CSR resolutions, making to withhold or vote against less convincing. All of the large banks (ING, ABN AMRO, Robeco (Rabobank) and Fortis) use Institutional Shareholders Services to determine their voting behaviour. This doesn't imply that all banks follow ISS voting advices blindly. Banks consider their final vote based on ISS input and their own - mainly corporate governance and not CSR-criteria.

Table 3 Voting behaviour of seven Dutch banks.

AGM Details			VOTING BEHAVIOUR						
Company	Datum	Proposal	ABNAMRO Asset- management	ASN	Fortis	ING	Rabo bank (Robeco)	SNS Reaal	Triodos bank
3M COMPANY	09 May 2006	Implement China Principles	-	-	-	Against	Against	Unknown	For
ALTRIA GROUP, INC.	27 April 2006	Adopt Global Labor (ILO) Standards	-	-	Against	For	Against	Unknown	-
THE BOEING COMPANY	01 May 2006	Develop Ethical Criteria for Military Contracts	-	-	-	x	Against	Unknown	-
THE BOEING COMPANY	01 May 2006	Develop and adopt Human Rights Policies	-	-	-	x	For	Unknown	-
CHEVRON	26 April 2006	Report on Environmental Impact of Drilling in Sensitive Areas	-	-	-	x	-	Unknown	-
CHEVRON	26 April 2006	Adopt a Human Rights Policy	-	-	-	x	-	Unknown	-
THE COCA-COLA COMPANY	19 April 2006	Report on Environmental Liabilities in India (water use)	-	-	-	x	-	Unknown	-
COOPER INDUSTRIES, LTD.	25 April 2006	Adopt a Human Rights Policy	-	-	-	Against	Against	Unknown	-
DISNEY (WALT) COMPANY / ABC	10 March 2006	Report on Vendor Standards in China	-	-	-	Against	Against	Unknown	-
THE DOW CHEMICAL COMPANY	11 May 2006	Evaluate Potential Links Between Company Products and Asthma	-	-	Against	x	Against	Unknown	-
THE DOW CHEMICAL COMPANY	11 May 2006	Report on Security of Chemical Facilities	-	-	Against	x	Against	Unknown	-
FREEMPORT-MCMORAN COPPER & GOLD INC.	01 Dec. 2006	Review Payment Policy to Indonesian Military	-	-	Against	x	-	Unknown	-
GENERAL MILLS INC	25 Sept. 2006	Label Genetically Modified Ingredients	-	-	Against	x	Against	Unknown	For
KIMBERLY-CLARK CORPORATION	17 April 2006	Report on Feasibility of Phasing Out the Use of Non-certified Wood Fiber	-	-	-	x	-	Unknown	-
LOCKHEED MARTIN CORPORATION	27 April 2006	Report on Depleted Uranium Weapons Components	-	-	For	x	-	Unknown	-
TEXTRON INC.	26 April 2006	Report on Depleted Uranium Weapons Components	-	-	Against	x	Against	Unknown	-

- no vote and/or not in portfolio (or unclear if it is in portfolio)

x no vote (this is different from abstain)



### 3.3 Short interpretations of bank voting behaviour

As mentioned, to compare voting behaviour of these banks is far from easy. For that reason VBDO will refrain from making conclusions of comparative nature. Hence we give in alphabetical order a short interpretation of the voting behaviour per investigated bank.

#### ABN AMRO

Data provided in the tables on ABN AMRO are very difficult to interpret because not all companies ABN AMRO owns shares of are included in their proxy voting system. Having said that, policies on sustainability do not always translate into voting behaviour (only 25% in favour). Further research on external resources reveal that general voting policy on CSR related issues is not available on the website..

#### ASN Bank

ASN has specific admittance and exclusion criteria for the selection of shares in their portfolio. When ASN Bank invests in a company, there is the possibility to vote on annual shareholder meetings. Voting occurs on the basis of three themes (Corporate Governance, environment and social issues). ASN Bank will make an apparent lack of effort on mentioned themes clear to the specified company. However, ASN Bank did not make use of its voting rights in American companies. They do make clear in which companies on the list (six in total) they have shares.

#### Fortis

Fortis too has only applied their CSR policy in roughly a quarter (27%) of their votes. Another significant matter is that Fortis has shares in questionable companies (Freeport-McMoran, Textron and Lockheed Martin) and that they have mainly voted against CSR proposals of these specific companies. This appears not to be in line with their own CSR policies which stresses the importance of aligning business operations with social values.

#### ING

ING has the most diversified portfolio of all banks in the research group, or at least is the most transparent about it. It is remarkable that out of 88 votes only 6 (7%) were in favour of resolutions and in 59 cases ING did not vote. Even discarding the non-votes would they show a mere 20% in favour ratio. A notably low number, especially when one takes their very extensive CSR policies into account. ING policies on CSR are strongly under development since 2006. ING has recently implemented a defence policy which excludes the possibility of having shares under own management from companies that are clearly linked to the defence industry (nevertheless ING has shares in defence companies like Textron and Lockheed Martin but did not use its voting rights). The voting policy guidelines however do not include sustainability.

#### Rabobank (Robeco)

Robeco is the asset manager of the Rabobank. Robeco does have an extensive CSR policy that is available on their website. The Robeco website on voting policies is not very clear on their stance towards CSR/sustainability; it predominantly focuses on Corporate Governance. Robeco is very active when it comes to voting (99% of all cases). Of the big four (ING, ABN, Fortis and Rabobank/Robeco) Robeco has the least number of companies in their portfolio that were included in this research. They voted in favour in 28% of the cases that have been included in this research.

#### SNS

Regarding the USA, SNS asset management predominantly invests in external index funds. Only SNS investment funds are used for active voting (through an external manager). In 2006 SNS did not vote on American names. They are currently determining and implementing their voting policy. It seems to the VBDO that SNS has some catching up to do.

#### Triodos

Triodos is the only bank in this scan that has developed policies and guidelines for CSR, investments and voting. Moreover they clearly describe their voting behaviour and they clearly motivate why they voted the way they did. It should be noted that Triodos only has shares in two companies which makes a comparison with for example ING rather impossible. Nonetheless they deserve a compliment for their overall transparency and consistency.

## 4./ VBDO conclusions

Comparisons between the investigated banks are hard to make (see 3.2 for further explanation). However, the following conclusions can be made.

All banks have policies on CSR that is mentioned on their website. Corporate Responsibility is also a subject that can be found in the voting policy or guidelines of three banks. Furthermore, based on the fact that a mere 25% votes in favour of sustainability proposals, not all voting behaviour of banks seems to be consistent with voting policies and CSR policies. Only a low percentage of the investigated banks voted in favour of the selected CSR resolutions.

Proxy voting however is in development in the banking sector. SNS Reaal for example did not vote on a single American company in which they had shares in 2006 but have expressed the intention to do so in 2007. ING Investment Management will use its proxy vote in 2007 for all investments over 100 million euro of companies (approx. 2500 companies in total) in which they have shares under management which is significantly more than the previously mentioned 500 companies in 2006.

All large banks use the research results of Institutional Shareholder Services (ISS). Most banks do verify ISS-advice with own (CSR) policies. The level of verification strongly varies, with some closely adhering to ISS advice and others claiming strongly to compare ISS advice with own CSR and voting policies.

If one would compare the banks in this scan Triodos Bank would be regarded as best in class. Besides having a policy on all aspects that were included (CSR, voting and investment) and having specific CSR guidelines in its voting policy, Triodos Bank provides written explanations per proxy vote as to why they voted as they did. VBDO considers this a recommendation for sector peers.

However, Triodos Bank has shares in only two American companies where CSR resolutions were filed (both in favour of filed proposals). As such it is difficult to compare them with for example ING (over 2500 companies in their portfolio).

## Appendix 1 Websites used

<b>ABN AMRO</b>	Corporate Governance beleid	<a href="https://www.asset.abnamro.com/portal/index.jsp?pageID=corporategovernance">https://www.asset.abnamro.com/portal/index.jsp?pageID=corporategovernance</a>	
	Corporate responsibility beleid	<a href="https://www.asset.abnamro.com/portal/servlet/amice.web.servlet.DownloadServlet?location=/document/service-centre/CorpGovPol_Engl.pdf">https://www.asset.abnamro.com/portal/servlet/amice.web.servlet.DownloadServlet?location=/document/service-centre/CorpGovPol_Engl.pdf</a>	
	Beleggingsbeleid	<a href="http://www.abnamro.com/com/about/sd/sd_intro.jsp">http://www.abnamro.com/com/about/sd/sd_intro.jsp</a>	
	Stembeleid	<a href="https://www.asset.abnamro.com/portal/index.jsp?pageID=sustainablefunds">https://www.asset.abnamro.com/portal/index.jsp?pageID=sustainablefunds</a>	
	Voting richtlijnen		
	Voting per bedrijf	<a href="https://www.asset.abnamro.com/portal/index.jsp?pageID=campaign&amp;articleID=Campaign_VDS">https://www.asset.abnamro.com/portal/index.jsp?pageID=campaign&amp;articleID=Campaign_VDS</a>	
<b>Rabobank</b>	Corporate Governance beleid	<a href="http://www.rabobankgroep.nl/asp/default.asp?node_id=10214&amp;version_id=1">http://www.rabobankgroep.nl/asp/default.asp?node_id=10214&amp;version_id=1</a> <a href="http://www.rabobankgroep.nl/asp/default.asp?node_id=1551&amp;version_id=1">http://www.rabobankgroep.nl/asp/default.asp?node_id=1551&amp;version_id=1</a> <a href="https://www.robeco.nl/dut/press/static/cg/governance.jsp">https://www.robeco.nl/dut/press/static/cg/governance.jsp</a> <a href="http://www.robeco.com/extranet/f4i/pdf/press/Robeco_CG_beleid_2006.pdf">http://www.robeco.com/extranet/f4i/pdf/press/Robeco_CG_beleid_2006.pdf</a>	
	Corporate responsibility beleid	<a href="http://www.rabobankgroep.nl/asp/default.asp?node_id=1551&amp;version_id=1">http://www.rabobankgroep.nl/asp/default.asp?node_id=1551&amp;version_id=1</a>	
	Beleggingsbeleid		
	Stembeleid	<a href="http://www.robeco.com/extranet/f4i/pdf/press/RAM_NL_Voting_Service.pdf">http://www.robeco.com/extranet/f4i/pdf/press/RAM_NL_Voting_Service.pdf</a> <a href="https://www.robeco.nl/dut/press/static/cg/stembeleid.jsp">https://www.robeco.nl/dut/press/static/cg/stembeleid.jsp</a> <a href="https://www.robeco.nl/dut/press/static/cg/uitlenen_aandelen.jsp">https://www.robeco.nl/dut/press/static/cg/uitlenen_aandelen.jsp</a>	
	Voting richtlijnen	<a href="https://www.robeco.nl/dut/press/static/cg/stemmen.jsp">https://www.robeco.nl/dut/press/static/cg/stemmen.jsp</a>	
	Voting per bedrijf	<a href="https://www.robeco.nl/dut/press/static/cg/stemverslag_per_fonds.jsp">https://www.robeco.nl/dut/press/static/cg/stemverslag_per_fonds.jsp</a>	
	<b>ING</b>	Corporate Governance beleid	<a href="http://www.ingim.com/ING/EN/CorporateGovernance/GeneralIntroduction/index.htm">http://www.ingim.com/ING/EN/CorporateGovernance/GeneralIntroduction/index.htm</a>
		Corporate responsibility beleid	<a href="http://www.ing.com/group/showdoc.jsp?docid=147379_NL&amp;menopt=ins crp">http://www.ing.com/group/showdoc.jsp?docid=147379_NL&amp;menopt=ins crp</a>
		Beleggingsbeleid	<a href="http://www.ing.com/cms/idc.cgi_isapi.dll?IdcService=GET_FILE&amp;dDocName=074046_NL&amp;RevisionSelectionMethod=latestReleased">http://www.ing.com/cms/idc.cgi_isapi.dll?IdcService=GET_FILE&amp;dDocName=074046_NL&amp;RevisionSelectionMethod=latestReleased</a> (business principles)
		Stembeleid	<a href="http://www.ing.com/group/showdoc.jsp?docid=074110_EN&amp;menopt=cog%7Ccoc%7Cigv">http://www.ing.com/group/showdoc.jsp?docid=074110_EN&amp;menopt=cog%7Ccoc%7Cigv</a>
Voting richtlijnen			
Voting per bedrijf		<a href="http://vds.issproxy.com/SearchPage.php?CustomerID=2666">http://vds.issproxy.com/SearchPage.php?CustomerID=2666</a>	
<b>Fortis</b>	Corporate Governance beleid	<a href="http://www.fortis.com/governance/index.asp">http://www.fortis.com/governance/index.asp</a> <a href="http://www.fortis.com/governance/media/pdf/fortis_governance_statement_UK.pdf">http://www.fortis.com/governance/media/pdf/fortis_governance_statement_UK.pdf</a>	
	Corporate responsibility beleid	<a href="http://www.fortis.com/sustainability/sustainability_statement.asp">http://www.fortis.com/sustainability/sustainability_statement.asp</a>	
	Beleggingsbeleid	<a href="http://www.investments.fortis.com/Publications/Flyers/en/brochure_SRI_en.pdf">http://www.investments.fortis.com/Publications/Flyers/en/brochure_SRI_en.pdf</a>	
	Stembeleid	<a href="http://www.investments.fortis.com/Publications/Market_Communication/en/MarketComm_2007-05_en.pdf">http://www.investments.fortis.com/Publications/Market_Communication/en/MarketComm_2007-05_en.pdf</a>	
	Voting richtlijnen		
	Voting per bedrijf	Ontbreekt op website; toegestuurd per mail: Voting 2006 Market US 1qt.xls / Voting 2006 Market US 2 qt.xls/ Voting 2006 Market US 3 qt.xls / Voting 2006 Market US 4 qt.xls	
	<b>SNS Reaal</b>	Corporate Governance beleid	<a href="http://www.snsreaal.nl/index.asp?NID=6539">http://www.snsreaal.nl/index.asp?NID=6539</a>
Corporate responsibility beleid		<a href="http://www.snsreaal.nl/index.asp?NID=6540">http://www.snsreaal.nl/index.asp?NID=6540</a>	
Beleggingsbeleid		Ontbreekt op website	
Stembeleid		Ontbreekt; stembeleid ontvangen per mail: Stembeleid SNS REAAL.doc	
Voting richtlijnen		Ontbreekt op website	
Voting per bedrijf		Ontbreekt op website	

**ASN** Corporate Governance beleid <http://www.asnbank.nl/index.asp?nid=5580>  
 Corporate responsibility beleid <http://www.asnbank.nl/index.asp?nid=5801>  
 Beleggingsbeleid <http://www.asnbank.nl/index.asp?nid=5179>  
 Stembeleid <http://www.asnbank.nl/index.asp?NID=5587>  
 Voting richtlijnen Ontbreekt  
 Voting per bedrijf <http://www.asnbank.nl/blob.asp?id=10745>

**Triodos** Corporate Governance beleid [http://www.triodos.nl/nl/static/pdf/nlnl\\_proxvotingnl.pdf?lang=](http://www.triodos.nl/nl/static/pdf/nlnl_proxvotingnl.pdf?lang=)  
 Corporate responsibility beleid [http://www.triodos.com/com/about\\_triodos/196912/?lang=](http://www.triodos.com/com/about_triodos/196912/?lang=)  
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 Voting per bedrijf [http://www.triodos.com/com/triodos\\_research/215857/216034/](http://www.triodos.com/com/triodos_research/215857/216034/)

**ICCR:** CSR related Shareholder proposals in the US: [http://www.iccr.org/shareholder/proxy\\_book07/07statuschart.php](http://www.iccr.org/shareholder/proxy_book07/07statuschart.php)

**Company**

**websites**

3M Company [www.3m.com](http://www.3m.com)  
 Altria Group Inc [www.altria.com](http://www.altria.com)  
*company proxy statements are usually mentioned under shareholder information* The Boeing Company [www.boeing.com](http://www.boeing.com)  
 Chevron Texaco Corporation [www.chevron.com](http://www.chevron.com)  
 The Coca-Cola Company [www.coca-cola.com](http://www.coca-cola.com)  
 Cooper Industries [www.cooperindustries.com](http://www.cooperindustries.com)  
 (Walt) Disney Company <http://corporate.disney.go.com/index.html>  
 The Dow Chemical Company [www.dow.com](http://www.dow.com)  
 Freeport-McMoran Copper and Gold Inc. <http://www.fcx.com/>  
 Kimberly-Clark Corporation <http://www.kimberly-clark.com/>  
 Lockheed Martin Corporation [www.lockheedmartin.com](http://www.lockheedmartin.com)  
 Textron Inc. [www.textron.com](http://www.textron.com)



## Appendix 2 Text of shareholder proposals and company proxy statements

In this chapter detailed information is given about the fifteen proposals in table 3. Per proposal is summarised what shareholders want to achieve with the proposal and what the reaction of the company is on the specific proposal.

### 1) 3M Company: Implement China Principles

COMPANY: 3M COMPANY / DATE AGM: 09 MAY 2006

#### Shareholder proposal: Implement China Principles

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.

- 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.
- 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.
- 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.
- Our facilities and suppliers shall prohibit the use of corporal punishment, any physical, sexual or verbal abuse or harassment of workers.
- Our facilities and suppliers shall use production methods that do not negatively affect the worker's occupational safety and health.
- Our facilities and suppliers shall not call on police or military to enter their premises to prevent workers from exercising their rights.
- 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.
- 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.
- Our facilities and suppliers shall use environmentally responsible methods of production that have minimum adverse impact on land, air and water quality.
- 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.
- We will not sell or provide products or technology in China that can be used to commit human rights violations or labor rights abuse.
- We will issue annual statements to the China Working Group detailing our efforts to uphold these principles and to promote these basic freedoms.

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. 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.

## Statement of 3M Company:

*3M has long been recognized worldwide as an ethical and law-abiding company. Although the Company has business operations in more than 60 countries, 3M has only one set of business conduct policies and human resource principles that apply globally. These universal standards provide a framework for conducting business the right way – legally and ethically – everywhere 3M does business, including the People's Republic of China. 3M opposes the proposal because adopting duplicative principles for one country is unnecessary and contrary to the benefits derived from one set of standards applicable to every country where we do business. 3M's universal standards relate to and substantially implement each of the principles described in the proposal and include:*

- **Fair Employment and Labor Practices:** Our compensation for our workforce in China significantly exceeds minimum wage requirements. 3M values a diverse workforce and has extensive programs to identify, hire, educate, and promote employees with a wide range of skills and attributes. 3M prohibits workplace harassment and respects workers' freedom to associate with each other and organize. 3M has adopted strong worker protection principles that apply worldwide that prohibit the use of forced or bonded labor, or the employment of children under the minimum age established by local law.
- **Harassment-free Workplace:** It is 3M policy that employees and others acting on 3M's behalf are entitled to a working environment that is free of inappropriate behavior of all kinds and harassment because of age, disability, marital status, race or color, national origin, religion, sex or sexual orientation.
- **Environmental, Health and Safety:** It is 3M policy to provide a safe and healthful workplace for its employees, and to minimize the impact of our production processes and products on the environment.
- **Supplier Expectations:** We also set specific expectations for our suppliers. These expectations state that a 3M supplier must, among others: (i) ensure that goods produced for 3M have been manufactured and sold in compliance with all applicable laws, rules, and regulations; (ii) comply with all local country labor laws, including those related to wages, hours worked, working conditions, and child labor; (iii) not use labor which is a result of mental or physical coercion, physical punishment, slavery or other oppressive labor conditions; (iv) comply with applicable country employment discrimination laws; (v) hire and employ workers in compliance with applicable laws, wages, benefits, and working hours are expected to be fair and reasonable in the local labor market; and (vi) provide workers with a safe and healthy work environment that is in compliance with applicable laws.

*Each year, 3M publishes on its Web site a sustainability report that looks beyond financial reporting and marketplace performance to present a broader perspective of our Company and our values. This report provides our employees and a broad external audience with an overview of the management systems we apply to the economic, social, workforce, and environmental aspects of our business. This report is available not only to the China Working Group referred to in the stockholder proposal, but to everyone. A copy of the report is available at:*

*[http://solutions.3m.com/wps/portal/!ut/p/kcxm/04\\_Sj9SPykssy0xPLMnMz0vMOQ9KzYsPDdaP0I8yizeINzTy0S\\_IcFQEAILZSrE!](http://solutions.3m.com/wps/portal/!ut/p/kcxm/04_Sj9SPykssy0xPLMnMz0vMOQ9KzYsPDdaP0I8yizeINzTy0S_IcFQEAILZSrE!)*

*In recognition of our commitment to sustainability, 3M has been selected for inclusion in the 2006 Dow Jones Sustainability Index that tracks the performance of sustainability-driven companies worldwide. This marks the fifth year that we have been included in the index and named the leader in our category of diversified companies.*

*Our business touches a broad and diverse group of individuals and organizations – our employees, stockholders, customers, suppliers, and communities in which we operate. The Company's universal standards effectively support its responsibilities to each of its stakeholders. We believe the Company's global business conduct policies, human resource principles and management systems already address the objectives sought by the Proponent.*

*Last year, Harrington Investments, on behalf of a nominal stockholder, asked the Company to include the same proposal in the Company's proxy materials for its 2005 annual meeting. 3M responded directly to Harrington Investments that it already substantially implemented the Proposal. At Harrington's request for specific detailed information on 3M's practices in China, 3M arranged conference calls for representatives from Harrington Investments and the non-profit China Working Group that periodically works with Harrington Investments, and several 3M representatives, including 3M China's managing director and manufacturing director. In the last conference call, the executive director of the China Working Group explicitly sought a financial contribution from the Company to support that group's efforts in China in exchange for withdrawing the proposal. The Company declined to make a contribution under those circumstances and the proposal was defeated at last year's annual meeting.*

**The Board of Directors recommends a vote "AGAINST" this proposal for the reasons discussed above. Proxies solicited by the Board of Directors will be voted "AGAINST" this proposal unless a stockholder indicates otherwise in voting the proxy.**



## 2) Altria Group Inc.: Global Labor Standards

COMPANY: ALTRIA GROUP INC. / DATE AGM: 27 APRIL 2006

### Shareholder proposal: Adopt Global Labor Standards

Our company currently has extensive overseas operations. Reports of human rights abuses in the overseas subsidiaries and suppliers of U.S.-based corporations has led to an increased public awareness of the problems of child labor, "sweatshop" conditions, and the denial of labor rights in U.S. corporate overseas operations. Corporate violations of human rights in these overseas operations can lead to negative publicity, public protests, and a loss of consumer confidence which can have a negative impact on shareholder value. A number of corporations have implemented independent monitoring programs with respected human rights and religious organizations to strengthen compliance with international human rights norms in subsidiary and supplier factories. Many of these programs incorporate the conventions of the International Labor Organization (ILO) on workplace human rights, and the United Nations' Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights ("UN Norms"), which include the following principles:

- All workers have the right to form and join trade unions and to Bargain collectively. (ILO Conventions 87 and 98; UN Norms, section D9).
- Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. (ILO Convention 135; UN Norms, section D9)
- There shall be no discrimination or intimidation in employment. Equality of opportunity and treatment shall be provided regardless of race, color, sex, religion, political opinion, age, nationality, social origin or other distinguishing characteristics. (ILO Conventions 100 and 111; UN Norms, section B2).
- Employment shall be freely chosen. There shall be no use of force, including bonded or prison labor. (ILO Conventions 29 and 105; UN Norms, section D5).
- There shall be no use of child labor. (ILO Convention 138; UN Norms, section D6)

Independent monitoring of corporate adherence to these internationally recognized principles is essential if consumer and investor confidence in our company's commitment to human rights is to be maintained.

Shareholders request that the company commit itself to the implementation of a code of conduct based on the aforementioned ILO human rights standards and United Nations' Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights, by its international suppliers and in its own international production facilities, and commit to a program of outside, independent monitoring of compliance with these standards.



## Statement of Altria:

*We agree with the principles on which this proposal is based, but we do not believe we need to implement an additional code of conduct or commit to supplemental monitoring systems at this time. In April 2003, our Company and its various subsidiaries implemented a Code of Conduct for Compliance and Integrity ("Code of Conduct" or "Code") for their global operations and enhanced and streamlined their existing Compliance and Integrity systems to strengthen enforcement. The Code of Conduct provides employees with guidance in policy areas related to the workplace, conducting business around the world, dealing with consumers and communities and society, among others. We believe our Code of Conduct, among other things, addresses the five principles that the proponents list as being included in the conventions of the International Labor Organization and the United Nations Norms on the Responsibilities of Transnational Corporations with regard to Human Rights.*

*Our Code of Conduct includes provisions that foster workplaces that are safe and professional and promote teamwork, diversity, trust and equal opportunities for all persons. The Code requires our companies to recruit, hire, develop, promote, discipline and provide other conditions of employment without regard to a person's race, color, religion, sex, age, national origin, sexual orientation, disability, citizenship status, marital status or any other legally protected status. This includes providing reasonable accommodation for employees' disabilities or religious practices. The Code does not permit any form of harassment where the purpose or effect is to create an offensive, hostile or intimidating environment.*

*Our companies prohibit discrimination against workers who choose to organize in accordance with applicable labor laws or workers union representatives. Our companies believe employees have the right to form and join trade unions and to bargain collectively. They also believe that employees have the right to refrain from such activity. Our companies respect the choices that our employees make about third-party representation in a union context. In those situations in which employees have chosen to be represented by a third-party, we are committed to dealing with those employee representatives in a direct and straightforward manner and to be open to collective agreements as required by local and national regulations.*

*The Code of Conduct also includes a section on Child Labor and Forced Labor, which prohibits our companies from engaging in or condoning the unlawful employment of children or the use of forced labor in the workplace. None of Altria's companies employ persons below the age of 15, or the local minimum employment age or mandatory schooling age, whichever is higher. Some subsidiaries have a higher minimum age. We want contract laborers who work in our facilities to meet these standards as well.*

*The companies' Compliance and Integrity programs are designed to help management identify and address, among other things, issues that pertain to the Code of Conduct. Each of our companies is expected to develop and implement action plans based, in part, on periodic and systematic assessments that identify potential legal, policy and reputation risks relevant to their business. The companies' compliance plans contain specific action steps to promote continuous improvement. With regard to our companies' suppliers, the Code states that each company is pledged to work with direct suppliers and with licensees and joint ventures who produce branded products to implement appropriate minimum age/forced labor standards. With regard to suppliers down the supply chain - whether in the agricultural sector or otherwise - each Altria company is expected to work proactively with others to address child labor and forced labor issues.*

*For example, to address child labor issues in tobacco-growing regions, particularly in developing countries, both Philip Morris International (PMI) and Philip Morris USA (PM USA) are members of the Elimination of Child Labor in Tobacco (ECLT) Foundation based in Geneva, Switzerland. This foundation is supported by the ILO. The ECLT Foundation is a partnership between trade unions, tobacco growers and tobacco companies. It develops independent research to produce an objective picture of the conditions and level of child labor in tobacco growing; it supports and funds local and community-based projects aimed at reducing child labor in tobacco growing; and it establishes and shares best practices and lessons learned in addressing these issues.*

*PMI and PM USA also work with other organizations and coalitions worldwide with the goal of eliminating child labor in tobacco growing. The companies support initiatives such as "The Future Is Now" with the Pan American Development Foundation in Brazil and a sustainable agriculture partnership with Washington State University in Malawi to help improve economic, environmental and social conditions in the farming of tobacco and other crops. These efforts are monitored by the partnering organizations.*

*Kraft Foods Inc. (Kraft) is addressing labor issues at its supply base by contributing to the sustainable development of disadvantaged agricultural communities that grow coffee and cocoa. As such, it supports efforts that help to improve agricultural practices, grow better quality products and foster improved working and living conditions - including combating abusive child labor, forced labor and other unacceptable labor practices. Together, these efforts help contribute to the health, security and future of its suppliers' communities' families and their children.*

*For example, Kraft helps to fund the International Cocoa Initiative (ICI), a partnership of leading chocolate companies and associations, non-governmental organizations, the ILO, and others. The mission of the ICI is to oversee and sustain efforts to eliminate the worst forms of child labor and forced labor in the growing and processing of cocoa beans and their derivative products. Among other initiatives in local communities, initially focused on West Africa, the ICI is emphasizing the need to eliminate abusive labor practices, actively supporting community-based initiatives, and channelling information and reporting on progress.*

*Additionally, Kraft has a partnership with the Rainforest Alliance to promote development and certification of coffee production in Latin America meeting nine environmental and social targets, including fair treatment and good conditions for workers. To achieve certification, farms must adhere to these strict standards and are audited by the Sustainable Agriculture Network, a group of non-government organizations in Latin America coordinated by the Rainforest Alliance. In 2005, Kraft purchased more than 13 million pounds of coffee from certified farms in Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Peru. This amount is nearly triple the volume of 2004, and Kraft expects to again significantly increase the quantity in 2006.*

*Our family of companies has an important role to play along with others to help address issues related to human rights. We believe that our Code of Conduct, our enhanced Compliance and Integrity system, and our collaborative approach to supplier issues provide us with adequate and comprehensive mechanisms for identifying and addressing human rights abuses.*

**Therefore, your Board urges stockholders to vote AGAINST this proposal, and proxies received by the Company will be so voted unless stockholders specify a contrary choice in their proxies.**

### 3) The Boeing Company: Ethical Criteria for Military Contracts

COMPANY: THE BOEING COMPANY / DATE AGM: 01 MAY 2006

#### Shareholder proposal: Develop Ethical Criteria for Military Contracts

The Boeing Company, like other global corporations, faces increasingly complex ethical questions and challenges as the international, social, cultural, economic and political context within which it operates changes.

Faith communities measure the global economy not only by what it produces, but also by its impact on the environment, how it touches human life and whether it protects the dignity of the human person.

As shareholders, we believe decisions to develop and to produce weapons can have grave consequences for the lives and/or freedom of people worldwide if the company has not considered its responsibility for its decisions. We believe that economic decision-making has both moral and financial components, and that our company's responsibilities include analyzing the effects of its decisions with respect to employees, communities, nations and a sustainable environmental future.

We believe companies engaging in research, development, production and sales of weapons, weapons components and weapons delivery systems should evaluate the decisions made when bidding on such work. That bidding/contract process should follow a defined format and include clear, concise criteria and policies.

These recommended practices are consistent with those of the United State Armed Forces, which, for example, regularly utilize military lawyers and others to evaluate the prospective use of particular strategies and weapons on the battlefield according to the ethical standards reflected in the Geneva Conventions and other norms of international law.

We recommend that the criteria/standards include:

- consideration of the impact of the contract on a sustainable environment, which in appropriate cases might include long-term environmental impact studies, questions of waste management or toxic releases and transfers;
- strategies for stability of employment, including descriptions of alternate production plans and funding sources;
- directives for business practices which respect the culture of communities in which factories are located;
- guidelines derived after critical study of political and civil stability of countries and before sale of weapons, weapons parts and dual-use technology;
- studies of potential impacts of military production and use of those products on peoples' economies, environments and societies, along with specific actions for remediation, should it be required;
- disclosure of the existence and nature of arrangements with any local security forces; and
- processes that ensure that the principles of the common good and the integrity of creation are considered when making decisions about bidding on contracts.

We believe that careful, values-based consideration of the contracts on which management bids, whether for research and development, production or foreign sales, is crucial for continued public acceptance of the company as an ethical entity entitled to derive profit from armament manufacturing.

Shareholders request that the Board of Directors review and if necessary amend and amplify our Company's code of conduct and statements of ethical criteria for military production-related contract bids, awards and contract execution, and report the results of this process to shareholders within six months of the annual meeting.

## Statement of The Boeing Company:

*The U.S. government relies on the technological and manufacturing capability of the private sector to develop the expertise and produce the equipment it has determined will be needed to achieve a sound defense posture as the nation faces new and varied threats. The Company, with its technological capabilities and expertise, participates in the nation's defense activities in the belief that it is appropriate to support government decisions made in the interest of peace and national security. The Company's periodic reports on Forms 10-K and 10-Q provide extensive information concerning the Company's military products and services.*

*The Company is committed to the highest standards of corporate integrity and ethical business conduct. This commitment is implemented through its ethics and business conduct policy and other ethics and compliance policies and procedures that apply to all of its operations, including the bidding and performance of its military contracts and compliance with environmental, health and safety laws. A copy of the Company's ethics and business conduct policy is available on the Company's website.*

*The Company sells military products only in strict compliance with the requirements of the U.S. government. The Board of Directors believes that the development of criteria for the bidding, acceptance and implementation of military contracts is properly within the purview of government policymakers and regulators. The Company's policies require compliance with all U.S. laws and regulations that control the export and sale of military products overseas. Many of the Company's overseas sales of military products are made under contracts with the U.S. government, which then sells the products directly to a foreign government that is a U.S. ally of friendly nation. Most of these transfers are a matter of public record through U.S. government-provided information or the news media.*

**The Board of Directors does not believe that the review and report requested by this proposal are warranted or that the report would be informative to shareholders. The Board of Directors unanimously recommends a vote against this proposal.**

## 4) The Boeing Company: Develop and Adopt Human Rights Policies

COMPANY: THE BOEING COMPANY / DATE AGM: 01 MAY 2006

### Shareholder proposal: Develop and adopt Human Rights Policies

James McNerney, Jr. becoming President and CEO of Boeing, BusinessWeek addressed "image" and "growth" challenges facing him and the Company (07.18.05). Since then some "growth" concerns are being abated. However, what BW called "Boeing's dark side" still clouds our future. Strikes have continued, indicating that "the long history of bad blood between Boeing and its unions" is far from over." BusinessWeek also questioned "the math" of management's rationale for not settling with its workers (BW, 09.26.05). Meanwhile the Company can compete for government-rocket contracts only under "the most stringent government oversight of corporate-ethics programs ever imposed on a defense contractor" (The Wall Street Journal, 03.07.05).

At last year's AGM, after BusinessWeek declared that Boeing's "culture breeds turmoil" (BW, 03.21.05), the proponents of various shareholder resolutions opined that the company was "ethically challenged" (Chicago Sun Times, 05.03.05). One of the resolutions voted on there (which received double-digit support) is the subject of this resolution. That Boeing continues to be "ethically challenged" and its "culture" has not adequately changed can be ascertained from the fact that, when the main proponent of this resolution wrote Mr. McNerney, as well as the Corporate Secretary (09.23.05), asking for dialogue about finding new ways to address concerns raised previously and in this resolution dealing with the Company's position on human rights in repressive regimes where it operates (notably China), there was no response from either.

As shareholders, we believe transnational corporations operating in countries with repressive governments, ethnic conflict, weak rule of law, endemic corruption, or poor labor and environmental standards face serious reputational risks and diminished share value if they are perceived to be responsible for, or complicit in, human rights violations.

Among the various nations where our company operates, the Peoples Republic of China has consistently been noted as violating human rights. Yet, Boeing has been called "China's most valuable lobbyist." It has lobbied the U.S. government to grant China Most Favored Nation status. Increasingly it transfers jobs there.

While many companies have adopted comprehensive human rights policies based upon the Universal Declaration of Human Rights, including Ford for its operations in China, Boeing has no comprehensive human rights policy enabling it to effectively manage and avoid allegations of aiding and abetting such abuses. We believe significant commercial advantages may accrue to Boeing by adopting a comprehensive human rights policy including: enhanced corporate reputation, improved employee recruitment and retention, improved community and stakeholder relations, and reduced risk of adverse publicity, divestment campaigns, and law suits;

Shareholders request the Board to develop and adopt a comprehensive human rights policy to include an explicit commitment to support and uphold the principles and values contained in the Universal Declaration of Human Rights. We suggest the Board adopt such a policy at the earliest possible time and that it issue a report on the progress made in this regard, especially in places like China which have consistently been listed as in violation of basic human rights, no later than November 5, 2006.

## Statement of The Boeing Company:

*The Company already has in place policies that promote improvement of working conditions, protection of the environment and achievement of diversity. The Company's policies and related procedures are also designed to ensure that its operations worldwide are conducted using the highest standards of integrity and ethical business conduct applied uniformly and consistently.*

*The Company's Office of Internal Governance, which reports directly to the Company's Chief Executive Office, is responsible for the Company's internal audit, ethics, import, export, international service contractors, and compliance assessment programs. The Ethics and Business Conduct Committee, whose members include the Chief Executive Officer and presidents of the operating groups, is responsible for ensuring that appropriate policies and procedures exist to implement the Company's ethics and compliance programs. Each business unit of the Company has an Ethics Executive and Ethics Advisors assigned to provide guidance and answer questions regarding proper behavior in the workplace, business ethics issues, and the Company Values. The Company requires that all employees sign (and employees must annually recommit to) the Company's code of conduct. In addition, the statement - encompasses an array of socially responsible behavior, from protecting the environment and promoting health and well-being of the Company's people and their families to working with the Company's communities by volunteering and financially supporting education and other worthy causes.*

*In accordance with its definition of Good Corporate Citizenship, the Company invests in the communities where its employees work and live, both in the United States and abroad. The Company's Learning Together program provides every employee with company-funded opportunities to realize their full potential through continuing education. In China, the Company's philanthropic activities include support of the China Charity Federation (a nationwide non-governmental charity organization delivering assistance and services to the poor and disaster victims), the Golden Key Research Center of Education of Visually Impaired (providing education for blind children in China to enable them to support themselves as adults), the Junior Achievement International China, Inc. (providing market-driven economics education for the youth of China) and the Philip Hayden Foundation (helping China's orphaned and special needs children). These initiatives help build a framework for local development that is fundamental to the furtherance of human rights.*

*The Company's policies in other important functional areas also demonstrate its commitment to human rights and responsible corporate citizenship. For example, the policy on Safety, Health and Environmental Affairs states the Company's commitment to provide employees with a safe and healthful workplace, protect the environment wherever the Company conducts business and strive for excellence in safety, health and environmental stewardship. The policy on People states the Company's commitment to promote a work environment that fosters communication, productivity, creativity, teamwork and employee satisfaction, and to provide fair and equitable compensation and benefit.*

*Likewise, the Company's Supplier Management policy establishes the Company's commitment to ensure the highest standard of ethical and business conduct as it relates to the procurement of goods and services. Our suppliers everywhere, including China, as well as our consultants and contract labor receive ethics and business conduct training materials so that they are aware of the Company's standards of business conduct. Contract terms for third-party providers state the expectation that they will have or develop and will adhere to a code of ethical standards.*

*The Company is committed to conducting its business in a lawful manner worldwide, including in China. China's recent admission to the World Trade Organization and Congress's 2000 legislation granting it permanent normal trade relations status shape the manner in which the Company conducts its business in that country. The 2000 legislation also creates the Congressional Executive Commission and charged it with monitoring the status of human rights in China. The Company recognizes the importance of the issues raised in this proposal and believes its policies address the Proponent's concerns. However, it also believes that the Congressional Executive Commission is the appropriate body to monitor and report on human rights developments in China.*

**For the reasons set forth above, the Board of Directors believes that adaptation of the policy called for by this proposal is unnecessary because the Company's principles, policies and practices already address the objectives sought by the proposal. The Board of Directors unanimously recommends a vote against this proposal.**

## 5) Chevron Texaco Corp.: Drilling in protected Areas

COMPANY: CHEVRON TEXACO CORP. / DATE AGM: 26 APRIL 2006

### Shareholder proposal: Prepare a Report on Environmental Impact of Drilling in Sensitive Areas

Biodiversity is being lost at an alarming rate, and there is a need to preserve the Earth's remaining species of plants and animals. The direct and indirect impact of oil and gas exploration and production can pose significant risks to biodiversity. Protected and sensitive areas are essential for supporting biodiversity. Development in these areas can have negative impacts on biodiversity. For example, the Department of the Interior estimates that drilling in the coastal plain of the Arctic National Wildlife Refuge will displace or damage up to 40 percent of the Porcupine River Caribou herd, threaten denning areas for polar bears, and disturb ecosystems that support more than 130 species of migratory birds.

As shareholders, we believe there is a need to study, disclose, and report on the possible impact to our company's value from decisions to do business in protected and sensitive areas, including IUCN Management Categories I-IV and Marine Management Categories I-V; World Heritage Sites; and national parks, monuments, and wildlife refuges. Preserving sensitive ecosystems will enhance our company's image and reputation with consumers, elected officials, current and potential employees, and investors. Some of our major competitors have already enacted such a policy.

We agree with Chevron when the company states "there has been growing recognition that preservation of biodiversity is not only an environmental issue, but also one with important social and economic implications. The public has become increasingly concerned about the loss of biodiversity in key regions of the world and the role industry has played in that loss."

We welcome ChevronTexaco's interest in biodiversity and the goal of doing no harm to the environment. Chevron acknowledges that its understanding of biodiversity conservation concerns has expanded. Chevron has "identified the opportunity to more systematically manage the issue by better integrating it into our Operational Excellence Management System."

As shareholders we strongly believe, in addition to managing the issue, there is a need to study and disclose the impact on our company's value from decisions to do business in protected areas. This would allow shareholders to assess the risks created by the company's activity in these areas as well as the company's strategy for managing these risks.

Shareholders request that the independent directors of the Board of Chevron prepare a report, at reasonable cost and omitting proprietary information, on the potential environmental damage that would result from the company drilling for oil and gas in protected areas such as IUCN Management Categories I-IV and Marine Management Categories I-V, national parks, monuments, and wildlife refuges (such as the Arctic National Wildlife Refuge), and World Heritage Sites. The report should consider the implications of a policy of refraining from drilling in such areas and should be available to investors by the 2007 annual meeting.

## Statement of Chevron:

*Your Board believes Chevron has expressly committed to conducting its business in a socially responsible and ethical manner that protects people and the environment, and it openly communicates its principles and examples of incorporating them in its day-to-day business in Company materials such as its annual Corporate Responsibility Report. Therefore, your Board believes a special report on this subject is unnecessary and an inefficient use of Company resources and recommends you vote AGAINST the proposal.*

*Chevron's operations are guided by principles that strongly emphasize the importance of protecting people and the environment. Safe, reliable, efficient and environmentally sound operations are among its core values. The Company continually works to improve processes to protect and conserve the natural environment wherever it operates.*

*In addition, Chevron has adopted a formal statement describing how it supports biodiversity conservation. The most important way Chevron supports such conservation is by considering biodiversity-related issues during the company's decision-making and management processes, particularly through its Operational Excellence Management System - its corporate-wide health, environment and safety operational principles and practices.*

*The Company also supports biodiversity conservation through engagement with governments, non-governmental organizations, communities, industry and educational associations and other stakeholders on this issue. For example, Chevron participates in the multi-year Energy and Biodiversity Initiative. It is incorporating Initiative tools into the Company's Management System and is encouraging its industry peers to use the tools as well. The Company is also engaged with external policy initiatives such as the Convention on Biological Diversity and actively promotes enhanced attention by industry to biodiversity conservation.*

*Your Board recognizes that protecting the environment is an important issue. The Company operates in protected areas only where the government has legally authorized such operations and where the Company is confident it can comply with all regulatory requirements and utilize operating practices appropriate for the area.*

*Your Board believes that decisions on whether to operate in protected areas need to be made case-by-case. They should be based on the specific circumstances of the area and operation involved, and should consider the potential risks and benefits to both business value and biodiversity. Every decision is unique and specific to the location and the Company's operational plans, but in every case the Company works to understand the potential risks and benefits -to both business value and biodiversity.*

*Chevron's case-by-case approach makes most sense to balance economic and environmental business needs. Our stockholders have derived value from oil and gas production from historic and existing Company operations in protected areas. Continued major global expansion of the number and size of protected areas that prohibit natural resource development has the potential to foreclose much needed oil and gas production and thus poses risks for future stockholder value.*

*The Company has described numerous elements of its environmental policies and practices in its most recent Corporate Responsibility Report, including a specific section on Biodiversity. Your Board believes a special report is an inefficient use of Company resources when the issues are addressed through existing Company communication vehicles.*

*Your Board believes the Company's approach to operating in protected areas, balancing economic and environmental business needs, is aligned with Chevron's principles designed to build long-term value and is openly communicated. Stockholders endorsed the Company's approach by defeating overwhelmingly a similar proposal in 2005.*

**Therefore, your Board recommends you vote AGAINST the proposal.**



## 6) Chevron Texaco Corp.: Develop and Adopt Human Rights Policy

COMPANY: CHEVRON TEXACO CORP. / DATE AGM: 26 APRIL 2006

### Shareholder proposal: Develop and Adopt Human Rights Policy

As shareholders, we believe transnational corporations operating in countries with repressive governments, ethnic conflict, weak rule of law, endemic corruption, or poor labor and environmental standards face serious risks to their reputation and share value if they are seen as responsible for, or complicit in, human rights violations.

Our company has business operations in more than 180 nations, many of which have consistently been noted by the U.S. Department of State as violating basic human rights. (February 27, 2005, [www.state.gov/g/drl/rls/hrrpt/2004](http://www.state.gov/g/drl/rls/hrrpt/2004)). At least 78 companies have already adopted human rights policies referencing the Universal Declaration of Human Rights.

The persistent allegations of human rights abuses leveled at our company creates an urgent situation that requires our company to allocate maximum resources to address this human rights crisis. "The families in the vicinity of the Ecuadorian oil-drilling operations have had to drink from contaminated rivers and streams because they had such limited access to running water. And any pollution-related illnesses they may contract pose an even greater danger than normal because of their abject poverty and the absence of adequate health care." ("Rain Forest Jekyll and Hyde?" Bob Herbert, New York Times, October 20, 2005 )

We believe significant commercial advantages may accrue to our company by adopting a comprehensive human rights policy based on the above mentioned Universal Declaration of Human Rights and the International Labor Organization's Core Labor Standards which would serve to enhance corporate reputation, improve employee recruitment and retention, improve community and stakeholder relations, and reduce the risk of adverse publicity, consumer boycotts, divestment campaigns and law suits.

A comprehensive human rights policy would include, but not be limited to, the right to equal opportunity and non-discriminatory treatment; right to security of persons; rights of workers, including the right to freedom of association and collective bargaining and a safe and healthy workplace; the rights of indigenous peoples; economic, social and cultural rights, including the right to development, adequate food and drinking water; the right to health and environmental protection.

On June 30, 2004 the U.S. Supreme Court upheld the Alien Tort Statute of 1789 which permits foreigners to file suit in U.S. courts for violations of international law that have "definite content and acceptance among civilized nations".

"In the post-Enron environment, every global company's board of directors, needs to oversee its assessment and management of these risks. Given the magnitude of potential claims, liability may even extend to individual directors, if they are not seen as exercising proper oversight." (Harvard Business Review, August 2003)

We believe such a policy will benefit our company by helping to ensure that it is not associated with violations of human rights and the associated reputation and liability risks to shareholder value.

Shareholders request the Board to adopt a comprehensive, transparent, verifiable human rights policy and report to shareholders on the plan for implementation by October, 2006.

## Statement of Chevron:

*Support for universal human rights has long been, and will continue to be, a core value and an important part of the way Chevron conducts its business. This core value is widely communicated through existing Company publications, including The Chevron Way and the Corporate Responsibility Report. It is also reflected in Chevron's support for leading initiatives and the Company's recent adoption of a Human Rights Statement. Your Board believes that a special report summarizing the Company's efforts to develop and deploy a human rights policy is unnecessary and an inefficient use of Company resources. Therefore, your Board recommends you vote AGAINST this proposal.*

*The Company has adopted a Human Rights Statement and is currently working on the implementation plan. The Statement builds on The Chevron Way's articulation of support for universal human rights as one of the Company's core values. The Statement provides a framework to guide our decision making and constructive engagement on human rights and affirms the Company's commitment to supporting human rights in the communities in which we operate around the world. The Company plans to publish the Statement on its external Web site concurrently with publishing the 2005 Corporate Responsibility Report.*

*While the ultimate responsibility for safeguarding human rights rests with governments, your Board believes that the Company plays an important role. Chevron recognizes and respects the principles stated in the Universal Declaration of Human Rights and works actively to conduct its global operations in a manner consistent with the legitimate role of business. To this end, Chevron works cooperatively with governments, civil society and communities wherever it operates. Our existing policies and practices, dialogue with stakeholders and support for leading initiatives are part of our commitment to human rights.*

*Chevron has a long history of supporting human rights. The Company was one of the original twelve companies to subscribe to the Sullivan Principles, a code of corporate conduct issued in 1977 which addressed equality of pay and working conditions, non-segregation in the workplace and other issues to improve the opportunities and quality of life for black citizens in South Africa. Chevron was one of the original signatories to the 1999 Global Sullivan Principles, which address a wide range of human rights issues in all nations. The Company also participates in the government-hosted dialogue process on the Voluntary Principles on Security and Human Rights, together with other major oil, gas and mining companies as well as leading human rights and corporate responsibility groups. The Principles are a set of guidelines designed to help companies maintain the safety and security of their operations in a manner consistent with human rights principles.*

**Your Board believes that the Company's commitment to universal human rights is evident through our existing policies, practices and continued support for leading initiatives, making a separate report on our implementation plan unnecessary and an inefficient use of Company resources. Therefore, your Board recommends you vote AGAINST this proposal.**

## 7) The Coca-Cola Company: Water Use

COMPANY: THE COCA-COLA COMPANY / DATE AGM: 19 APRIL 2006

### Shareholder proposal: Develop a Report on environmental liabilities in India (Water Use)

The 2004 Environmental Report published by The Coca Cola Company states, "Water is essential for life, and water scarcity is fast becoming one of the world's most pressing global challenges. While the amount of water in the world is finite, during the past century, the world's population has tripled and water use has increased six times. A third of the world's population already lives under water-stressed conditions, and it is predicted that this figure will rise to two-thirds by 2025;"

A Joint Parliamentary Committee appointed by the Indian government found: "that the water level in many parts of the country is getting depleted alarmingly."

There have been numerous public protests of The Coca-Cola Company's operations throughout India, involving thousands of Indian citizens and several non-governmental organizations in several states of the country.

On October 25, 2005, an article in The Hindu entitled "'Coke Plant Will Not Be Allowed to Function'" referred to the town of Plachimada, India, as "where the local people have been waging an agitation for the last three years demanding the closure of the company for allegedly exploiting the groundwater, leading to shortage of water for drinking and irrigation purposes."

For nearly two years the Plachimada plant has been the subject of rulings unfavorable to the company's ongoing operations by local government and Indian courts—including a rejection of Coca-Cola's license application by the council of village leaders, an order by the Pollution Control Board to stop operations, and an appeal by the Kerala state government to the Indian Supreme Court challenging Coca-Cola's right to draw groundwater. Other Coca-Cola plants, including Mehdi ganj, are facing similar pressure.

Shareholders believe there is a need to study and report on the impact on our company's value from decisions to do business in sensitive areas of water scarcity. As Shareholders, we applaud our company for its water conservation efforts and agree with Coca-Cola's statement that, "water resource management is an environmental priority for our Company."

We welcome this interest in water conservation and management, and as shareholders we believe, in addition to recognizing the issue, there is a need to study and disclose the impact on our company's value from decisions to do business in areas where the water supply is at risk. This would allow shareholders to assess the risks created by the company's activity in these areas as well as the company's strategy for managing these risks.

Shareholders request that the independent directors of the Board of The Coca-Cola Company prepare a report, at reasonable cost and omitting proprietary information, on the potential environmental and public health damage of each of its plants, affiliates and proposed ventures extracting water from areas of water scarcity in India. The report should consider the implications of a policy of refraining from extracting ground and surface water in India and should be available to investors by the 2007 annual meeting.

## Statement of The Coca-Cola Company:

The Coca-Cola Company recognizes that water is a precious natural resource under growing stress around the world. The Company also understands that water scarcity and poor water quality impact our business, as we have reported to the SEC and investors in our Form 10-K for the past two years.

In response to these ongoing risks and issues, the Company has taken the following actions:

- Starting in 2004, we conducted a global water risk assessment at the operating division level. This assessment was followed by a 2005 plant-level risk assessment. The results of this work have identified priority action areas and mitigation strategies (including social aspects) in business planning.
- Recognizing that some operations are located in regions that periodically face drought conditions, we recently issued written guidance to our global manufacturing operations on actions to take in such situations.
- In 2004, we revised our Company environmental due diligence standards used when acquiring, divesting, or entering into long-term leasing of land or businesses. These revisions look beyond the typical environmental and safety issues associated with normal manufacturing practices to include water availability, quantity, and quality from a plant operational perspective. These changes also take into account social issues around water that could impact the decision as to where the plant is to be located and/or its size.
- The Company has started a process of proactively engaging local communities, with local governments and partners, in water sensitive areas to address social issues of water access, sanitation and hygiene education.
- The Company has a program of monitoring and minimizing its use of water and incorporating concerted efforts to conserve this precious natural resource especially in areas of the world where quality and scarcity are major geographic and social issues.
- We have recently developed, and are implementing, a watershed management program to address the issue of source water protection in geographies where we operate. Such studies go beyond our facility's needs and help establish a scientific approach to evaluating and communicating the watershed quality and water supply concerns of the surrounding communities as a whole.
- The Company has long had an internal audit program to evaluate the environmental performance of our operations including water issues. This program is in the process of being expanded to our franchise bottling operations to complement their own internal assessment and performance programs.

As to groundwater issues in southern India specifically, the Kerala High Court ruling released in April 2005 (the result of a year-long independent study) stated that our facility was not the cause of water shortages in that community. The study showed that a cycle of three years of short monsoon seasons in the Kerala area was the main contributor to the local water shortages.

Through our rainwater harvesting efforts in several communities and plant operations in India, we currently are returning a significant portion of the water we remove from aquifers for production purposes. Additionally, the Company has initiated partnerships to set up local rainwater harvesting projects in communities around the country and to mobilize local residents behind these water conservation efforts. These projects combine modern technology with the reinstatement of traditional methods of water management that had fallen into disrepair in some local communities.

The Board understands the need and desire for transparency in all matters including environmental safety and health issues related to our operations in India and elsewhere. However, we feel that this proposal is unnecessary at this time because our above-described existing environmental, health and safety policies, practices, and reporting methods provide a wide range of information regarding the impacts of our operations throughout India and the world. Furthermore, the Board believes that producing the report called for in this proposal would create a redundant use of Company human and financial resources.

Information regarding our environmental and water resources stewardship can be found at [www2.coca-cola.com/citizenship/environmental\\_report2004.pdf](http://www2.coca-cola.com/citizenship/environmental_report2004.pdf) and [www.cokefacts.org](http://www.cokefacts.org).

**The Board of Directors recommends a vote AGAINST the proposal regarding environmental impacts of operations in India.**

## 8) Cooper Industries, Ltd.: Develop and Adopt Human Rights Policy

COMPANY: COOPER INDUSTRIES, LTD. / DATE AGM: 25 APRIL 2006

### Shareholder proposal: Develop and adopt Human Rights Policy

Cooper Industries, Ltd. currently has extensive overseas operations. Reports of human rights abuses in the overseas subsidiaries and suppliers of U.S.-based corporations has led to an increased public awareness of the problems of child labor, "sweatshop" conditions, and the denial of labor rights in U.S. corporate overseas operations. Corporate violations of human rights in these overseas operations can lead to negative publicity, public protests, and a loss of consumer confidence which can have a negative impact on shareholder value.

A number of corporations have implemented independent monitoring programs with respected human rights and religious organizations to strengthen compliance with international human rights norms in subsidiary and supplier factories. Many of these programs incorporate the conventions of the International Labor Organization (ILO) on workplace human rights, and United Nations' Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights ("UN Norms"), which include the following principles:

1. All workers have the right to form and join trade unions and to bargain collectively. (ILO Conventions 87 and 98; UN Norms, section D9).
2. Workers representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions. (ILO Convention 135; UN Norms, section D9).
3. There shall be no discrimination or intimidation in employment. Equality of opportunity and treatment shall be provided regardless of race, color, sex, religion, political opinion, age, nationality, social origin or other distinguishing characteristics. (ILO Conventions 100 and 111; UN Norms, section B2).
4. Employment shall be freely chosen. There shall be no use of force, including bonded or prison labor. (ILO Conventions 29 and 105; UN Norms, section D5).
5. There shall be no use of child labor. (ILO Convention 138; UN Norms, section D6).

Independent monitoring of corporate adherence to these internationally recognized principles is essential if consumer and investor confidence in our company's commitment to human rights is to be maintained.

Expectations of the global community are growing that companies need to have policies in place that promote and protect human rights within their areas of activity and sphere of influence, which helps promote and protect the company's reputation as a good corporate citizen. Many companies have adopted ethical statements that apply to employee behavior while 92 companies worldwide have adopted explicit human rights policies that address a company's responsibility to the communities and societies where they operate. ([www.business-humanrights.org](http://www.business-humanrights.org), November, 2005)

Cooper Industries has over one hundred manufacturing locations on five continents. Without a comprehensive human rights policy, our company faces reputational risks by operating in countries, such as China, where the rule of law is weak, where arbitrary arrest, detention, torture and extra-judicial executions occur and where factory workers in plants from which our company sources its products may be subject to degrading working conditions. (Feb. 28, 2005; U.S. State Department Country Human Rights Reports-2004; <http://www.state.gov/g/drl/rls/hrrpt/2004/41640.htm>)

"Businesses are now finding that...they are being judged by the company they keep. As they rely more on outsourcing, they may be held responsible for the sins of their subcontractors," according to an Editorial in *The Economist* (January 24, 2004). Only 12% of the S&P 500 companies have a supplier code of conduct that addresses workplace human rights, according to the Investor Responsibility Resource Center (November 2004, IRRS Corporate Social Issues Reporter).

In July, 2005, United Nations Secretary General Kofi Annan appointed a Special Representative to identify and clarify human rights standards for corporations, focusing on existing initiatives, including the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights (UN Norms). The UN Norms -covering a range of rights, including the right to equal opportunity, security of persons, rights of workers, respect for economic, social and cultural rights and obligations with regard to consumer and environmental protection- is an essential tool for corporations in developing and implementing human rights policies.

(<http://www1.umn.edu/humanrts/links/commentary-Aug2003.html>)

As shareholders, we recommend the review include:

1. A risk assessment to determine the potential for human rights abuses in locations where the company operates.
2. A report on the current system in place to ensure that the company's suppliers are implementing human rights policies in their operations, including monitoring, training and addressing issues of non-compliance.
3. The company's strategy of engagement with internal and external stakeholders.

The shareholders request that the company commit itself to the implementation of a code of conduct based on the aforementioned ILO human rights standards and the United Nations' Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights, by its international suppliers and in its own international production facilities, and commit to a program of outside, independent monitoring of compliance with these standards.

## Statement of Cooper Industries, Ltd.:

Cooper has a long-standing and well-recognized record to support workplace human rights wherever Cooper does business worldwide. Cooper's Code of Ethics and Business Conduct ("Code"), initially developed in 1961, has been translated into five languages and distributed to all employees worldwide. The Code is available on the Company's website at [www.cooperindustries.com/common/governance](http://www.cooperindustries.com/common/governance). The Code and Cooper's human resources policies and programs are based on the principle that all employees must be treated with dignity and respect. Cooper's existing policies and practices already address the concerns expressed in the above proposal and ensure compliance with global human rights standards. Specifically, the Code and existing policies and practices address the following matters:

- Cooper's Code provides that employees are free to select collective bargaining representation.
- The Code also provides that where trade unions are present, Cooper will deal with them fairly and conduct negotiations in a purposeful and non-adversarial manner. Accordingly, worker representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to enable them to carry out their representation functions.
- Cooper's policy concerning equal employment opportunities provides individuals full equality of opportunity without regard to an individual's race, color, religion, sex, age, national origin, or mental or physical disability.
- Cooper prohibits the use of forced labor and child labor. Cooper does not employ any person younger than 16 years of age. Cooper enforces its Code and other policies affecting workplace human rights through a well-developed compliance program. Cooper's compliance function, which is headed by an executive officer, oversees the worldwide distribution of the Code, compliance with its standards and enforcement efforts. The compliance program includes a hotline that Cooper employees and others are encouraged to use to report potential violations of the Code. Anyone contacting the hotline may provide his or her name or report anonymously. Each report is investigated and actions are taken as needed to address any violations and to prevent reoccurrence. In addition, compliance procedures include auditing programs to periodically review Company facilities worldwide for compliance with local law and Cooper's standards concerning workers' health and safety. In light of the Company's well-developed compliance process, Cooper management believes that the outside monitoring advocated by the proponent is unnecessary and that workplace standards are better served by Cooper's commitment to continuously improve and devote resources to its internal programs that are dedicated to achieving the same goals.

For the reasons outlined above, the Board of Directors recommends a vote "AGAINST" the shareholder proposal.

## 9) (Walt) Disney Company / ABC: Labor Standards - China

COMPANY: (WALT) DISNEY COMPANY / ABC / DATE AGM: 10 MARCH 2006

### Shareholder proposal: **Develop a Report on Vendor Standards in China**

The Walt Disney Company currently has extensive operations in China. Human rights abuses in the overseas subsidiaries and suppliers of U.S. corporations can lead to negative publicity, public protests and a loss of consumer confidence, which can have a negative impact on shareholder value. The Hong Kong Christian Industrial Committee has surveyed over twenty toy manufacturers in south China, including a number of suppliers of Disney and other major U.S. toy companies. The study found a number of violations of Disney's corporate code of conduct on the part of its suppliers, as well as violations of Chinese Labor Law. The study found that a large majority of workers surveyed at those supplier factories were unaware of the corporate codes of conduct of Disney and other U.S. toy companies that are supplied by their factories.

The New York City Employees Retirement System, the New York City Teachers' Retirement System, and the New York City Police and Fire Department Pension Funds, believe that the adoption of this resolution will benefit the company by helping to ensure that it is not associated with human rights violations in the workplace. We urge you to vote FOR this proposal.

Shareholders request that the Board of Directors review and report to shareholders by September 2006, on the adherence of Disney's suppliers in China to Disney's corporate code of conduct, to the provisions of the Chinese government's Labor Law, and to the core conventions of the International Labor Organization (ILO). This report should be prepared at reasonable expense and contain no proprietary information.



## Statement of Walt Disney Company:

*The Company adopted its International Labor Standards (ILS) program in 1996. The program encompasses a comprehensive set of policies, practices and protocols designed to protect the interests of workers engaged in the manufacture of Disney merchandise throughout the world, including China, whether for licensees or for direct sale at Disney properties. At the core of our ILS program are the principles set forth in the Company's Code of Conduct for Manufacturers, which was established in 1996. The Code sets forth our requirements for manufacturers of Disneybranded merchandise with respect to working conditions, compensation and benefits, working hours, nondiscrimination, health and safety, association, environmental protection, compliance with law, monitoring of compliance and publication of the Code itself. The principles embodied in our Code are consistent in most respects with the core conventions of the ILO referred to in this shareholder proposal. Our Code and ILS program are not, however, limited to China; we apply our program in all countries where Disney-branded merchandise is manufactured, with active implementation and monitoring currently in progress in more than 50 countries. In addition, our ILS program goes well beyond ILO principles by making education, cooperation, monitoring and remediation integral elements of a comprehensive labor policy. We have made meetings and training sessions with licensees, vendors, factories and business units an essential part of our ILS effort, holding hundreds of intensive training sessions with internal and external monitors, factory owners and managers, as well as with Disney employees.*

*And when manufacturing facilities fall short of our Code standards, we seek to work with management to develop a remediation plan to bring the facility into compliance and thus permit continuing authorization to manufacture branded merchandise. The requirements set forth in our Code are backed by an active monitoring program, using both internal and external monitors trained to perform thorough audits, including private discussions with factory workers. To date, we and our partners have conducted tens of thousands of audits of factories manufacturing Disney merchandise around the world.*

*In 2000, we began a project to enhance our monitoring programs by working with a group of interested nongovernmental organizations to develop an independent, objective process to evaluate our monitoring efforts. The initial phase of this project, which included a detailed review of our policies and procedures as well as site visits to observe our monitoring process in action, has been completed. A second phase, involving the development of a more comprehensive approach to promoting sustained Code compliance with a focus in China, is currently in process and is expected to be completed in early 2006. At the conclusion of this phase, we intend to report publicly on the project's progress, outcomes and learnings. An overview of the project and an interim report on project participants, detailed objectives and approaches and early progress can be found at [www.disneylaborstandards.com](http://www.disneylaborstandards.com).*

*As we proceed with these ongoing efforts to enhance our global ILS activities, we do not believe that an additional special report on manufacturing in China would contribute significantly to our efforts.*

**Accordingly, the Board recommends that you vote "AGAINST" this proposal, and your proxy will be so voted if the proposal is presented unless you specify otherwise.**

## 10) The Dow Chemical Company: Asthma

COMPANY: THE DOW CHEMICAL COMPANY / DATE AGM: 11 MAY 2006

### Shareholder proposal: Evaluate Potential links between Company Products and Asthma

Approximately half of Dow's end-use pesticide products (73 of 149) may be linked to asthma and other respiratory problems through active or inert ingredients or metabolites. Common Dow pesticide products with ingredients linked to respiratory problems include: FulTime, Dursban, Glyphomax, Tordon, Telone, Starane, Dithane, Widematch and more.

According to the Centers for Disease Control and Prevention (CDC), 16 million people in the U.S. suffer from asthma. Since the mid-1980s, asthma rates have reached epidemic levels. CDC states that nearly 1 in 8 school-aged children have asthma, the leading cause of school absenteeism due to chronic illness. Children are more susceptible than adults to asthma; lungs do not fully develop until at least the eighth year after birth, making a child vulnerable to pesticides and other pollutants linked to asthma. The number of children dying from asthma increased almost threefold from 1979 to 1996. The estimated annual cost of treating childhood asthma is \$3.2 billion.

According to a 2004 study in Environmental Health Perspectives, pesticides are both a trigger and root cause of asthma. Researchers discovered that children exposed to herbicides are four and a half times more likely to be diagnosed with asthma before age five; toddlers exposed to insecticides are over two times more likely to get asthma.

In addition to its retail and wholesale pesticide products, Dow produces many active ingredients in pesticides ultimately sold by other companies. For example, Dow is the sole US producer of 2,4-D, and one of the world's largest producers of chlorpyrifos, both of which are linked to asthma.

Data from CDC's 2005 National Report on Human Exposure to Environmental Chemicals found 76% of Americans have chlorpyrifos metabolites in their bodies. Children ages 6-11 have exposure at four times the level EPA considers acceptable for long-term exposure. Additionally, more than 25% of Americans have 2,4-D in their bodies, with highest concentrations also found in children ages 6-11. Proponents believe that CDC's data may aid in correlation of exposures to disease, which could in turn increase legal liabilities for Dow.

Proponents believe the report should include any and all Dow products found in peer-reviewed literature to potentially cause and/or trigger asthma, including end-use pesticides (and their inert ingredients and metabolites), pesticide active ingredients and other chemicals.

Shareholders request that the Board establish an independent panel, controlling for conflict of interest, to publish by May 2007, at reasonable cost and excluding proprietary information, a report analyzing the extent to which Dow products may cause or exacerbate asthma, and describing public policy initiatives, and Dow policies and activities, to phase out or restrict materials linked with such effects.

## Statement of Dow Chemical Company:

*Dow believes that the proposed report is unnecessary in light of our existing disclosures and public outreach on this subject. It would divert resources without benefit to our stockholders.*

*Pesticides improve the world's food production and protect our homes and health by controlling destructive and disease-carrying insects, crop diseases, and noxious weeds. Before being sold in the United States and other countries, these products must be registered by government regulators charged with the protection of human health and the environment. The registration process involves the review of large amounts of scientific information about potential effects. After registration, these products receive ongoing scrutiny. In response to new information, regulators may require additional studies, limit uses, or even cancel product registrations. Countries such as the United States, the United Kingdom, Germany, France, and Japan use a similar approach. These evaluations and decisions are available to regulators in other nations charged with pesticide reviews.*

*It is important to note that there is no scientific consensus that pesticides are a significant cause or trigger of asthma. The Environmental Protection Agency, the National Institute for Environmental Health Sciences, and the Centers for Disease Control and Prevention cite a variety of materials, such as dust mites, molds and cockroaches, as potentially linked with asthma, but do not list pesticides among the common causes or triggers of asthma.*

*Chlorpyrifos and 2,4-D, referenced in the proposal, have both undergone recent thorough scientific regulatory reviews by U.S. and European Union regulatory authorities. Further health and safety information on these products is available at [www.chlorpyrifos.com](http://www.chlorpyrifos.com) and [www.24d.org](http://www.24d.org). In addition, Dow supports these pesticides and its other products with a strong product stewardship program. Further information on Dow product stewardship is available at [www.dowagro.com/rc/index.htm](http://www.dowagro.com/rc/index.htm) and [www.dowproductsafety.com](http://www.dowproductsafety.com).*

*The proposed report would duplicate independent, credible, transparent, science-based regulatory processes that are already in place. In the United States and many other nations, existing regulatory processes already provide opportunities for public review and comment; these venues would be a more appropriate forum for proponents of this proposal to express their concerns.*

**For all of these reasons, your Board believes that this report is not in the best interests of Dow or its stockholders. Accordingly, your Board unanimously recommends a vote "AGAINST" this proposal.**

## 11) The Dow Chemical Company: Secure Chemical Facilities

COMPANY: THE DOW CHEMICAL COMPANY / DATE AGM: 11 MAY 2006

### Shareholder proposal: Develop a Report on Security of Chemical Facilities

Security at chemical facilities has become one of the most important issues facing our country. Across the United States, thousands of facilities use and store extremely hazardous substances in large quantities that pose major risks to surrounding communities, employees, and the environment.

According to Risk Management Plans (RMPs) filed by companies with the U.S. Environmental Protection Agency, at over 100 of these facilities more than one million people live in the area where they could be seriously injured or killed in the event of a catastrophic incident such as a chemical accident or terrorist attack. A report by the Army Surgeon General in 2003 ranked an attack on a chemical plant second only to a widespread biological attack in the magnitude of its hazard to the public. Numerous other government agencies and private groups have published warnings about these dangers. (<http://www.crtk.org/detail.cfm?docID=765%26cat=spills%2520and%2520emergencies>);

It is often possible for a company to increase the inherent security of a facility and decrease the number of people at risk of harm by switching to chemicals that are less acutely hazardous, reducing the quantities of extremely hazardous substances stored at facilities, altering the processes used at facilities, or locating facilities outside densely populated areas. Improving physical security through such steps as hiring additional security guards and building perimeter fences will not reduce the number of people endangered by a facility.

Dow Chemical operates forty-one facilities in the United States that combined put a total of over six million people at risk in the event of a catastrophic release of chemicals caused by an accident or terrorist attack, according to an independent report analyzing RMPs filed by our Company with the EPA as of 2004 (<http://uspirg.org/uspig.asp?id2=13532&id3=USPIRG&>). These facilities use large quantities of extremely hazardous substances including hydrocyanic acid, hydrogen chloride, phosgene, anhydrous sulfur dioxide, chlorine, ethylene oxide, acrolein, and dimethyldichlorosilane;

Shareholders know little about our Company's efforts to prevent and reduce the magnitude of catastrophic incidents at its facilities. Our Company's most recent 10-K filing contains a single sentence on chemical security, referring to steps taken in 2002 and 2003. There is no discussion of possible improvements to inherent security, and no discussion of the potential impact a catastrophic chemical release could have on the Company or on employees, surrounding communities, and the environment;

Shareholders request that the independent directors of the Board of Dow Chemical prepare a report, at reasonable cost and omitting proprietary information, on the implications of a policy for reducing potential harm and the number of people in danger from potential catastrophic chemical releases by increasing the inherent security of Dow Chemical facilities through such steps as reducing the use and storage of extremely hazardous substances, reengineering processes, and locating facilities outside high-population areas. The report should be available to investors by the 2007 annual meeting.

## Statement of The Dow Chemical Company:

*The proponent fails to recognize the Company's ongoing commitment to security, community awareness and emergency preparedness, process safety and risk mitigation. Further, the public availability of much of the information the proponent is seeking is protected by law and/or is considered sensitive security information that should not or cannot be publicly disclosed.*

*The Company is public in its commitment to ensuring that its facilities, communities and products are protected from security threats, and that vulnerabilities are minimized or eliminated so that the Company can safely provide life-enhancing products and play a key role in the global economy.*

*The Company has maintained a comprehensive, multi-level security plan since 1988 and is continually improving all levels of its security plans. Emphasis is placed on the safety of the Company's communities and people by being prepared to meet risk at any level and to address both internal and external identifiable risks. The Company's security plans are developed to avert interruptions of normal business work operations which could materially and adversely affect the Company's results of operations, liquidity and financial condition.*

*The Company uses a risk-based site vulnerability assessment ("SVA") approach employing the U.S. Government's Sandia National Labs methodology. SVAs are applied to all manufacturing sites globally to assess the risk to sites, systems, and processes. The Company implements the American Chemistry Council's Responsible Care® Security Code requiring that all aspects of security be assessed and gaps be addressed. The Company exceeds the requirements of the Security Code through its global application and commencement of additional rounds of SVAs and upgrades. The SVA process, adherence to the Security Code, the Company's integrated Emergency Services and Security auditing program, and other process safety assessments and programs all include consideration of safer processes such as described by the proponents. This has been translated into continuous improvement in the reduction or elimination of vulnerabilities.*

*The Company's commitment also extends to community awareness and emergency preparedness in all Dow communities worldwide. In 1985, Dow implemented the Community Awareness & Emergency Response ("CAER") program as part of our commitment to the Responsible Care Code.® The program is designed to raise awareness of the operations, processes and emergency response plans and capabilities of our facilities. This ongoing effort includes extensive communication efforts with local officials, hospitals, school systems, businesses and the community at large.*

*In addition, the CAER effort focuses on emergency preparedness both internally and in the community. The safety of the communities around Dow sites has always been a primary interest of the Company, and a partnership has developed over the years to prepare coordinated area plans.*

*Local emergency responders train and drill with Company responders, and share information and planning critical to a successful response. Community drills are held with emergency communication and response plans developed, tested and refined on a regular basis. Communication tools include community meetings and media inserts, as well as emergency systems such as community sirens, emergency radio stations, automated phone calling systems, and websites.*

*The Company embraces and employs the use of inherently safer approaches to process design and operation, and the Company's security and process safety professionals review these approaches continuously. Process safety is exceedingly complicated, and if misapplied can result in risks being unintentionally shifted or substituted or higher risks being unwittingly created. Further, complex chemical processes are often unique and proprietary to a given company, and no reliable measurements or standards exist for inherent safety. As such, the Company utilizes a holistic approach based on its expertise, experience, technology know-how and continuous assessments to improve processes when chemistry allows.*

*The Company begins at the earliest stages of plant development and continues through the life cycle applying process safety technologies to increase safety and reduce risk. The following processes have been used:*

*The Company begins at the earliest stages of plant development and continues through the life cycle applying process safety technologies to increase safety and reduce risk. The following processes have been used:*

1. Intensification, which calls for using smaller quantities of hazardous substances within a process.
2. Substitution, which is a strategy to replace one material with a less hazardous substance if the chemistry of the process will allow.
3. Attenuation, which calls for using less hazardous conditions such as lower temperature or pressure or a less hazardous form of material, to the extent the chemistry allows.
4. Limitation of effects, which calls for designing a plant or process to minimize the impact of a release of material or energy. For example, the Company uses small diameter piping or restricting orifices in some of its processes to limit the flow rate in the event of an accidental release, making it almost impossible in those instances for a reaction to occur too quickly.
5. Simplification and error tolerance, which is used during design to eliminate or tolerate operating errors by making the plant more user-friendly and reliable. For example, using hard-piped connections in lieu of hoses in several hazardous services to reduce risk of loss of material.

The Company assesses the use of such processes when new processes are designed and then during its Reactive Chemical/Process Hazard Analysis conducted on a three- to five-year cycle through the life of a chemical process.

Such process safety applications are used in conjunction with passive safeguards, active controls and mitigation, procedures to assure the safety of operating and maintenance practices, and a formal operating discipline to create the Company's overall security and strategy approach. These activities are carried out globally to achieve uniformity and consistency in achieving the desired result of safety and security. Summaries, reports and information are contained in various confidential documents and are shared with those who need to know or who can leverage the results.

SVAs, process safety assessments and other reports generally include descriptions of the worst possible consequences that could arise out of an attack on a facility. This highly confidential information could serve as a blueprint for terrorists or those who wish to do the public harm-including how, when and where to attack. Such sensitive security information is protected under law from public disclosure. Several federal and state laws prohibit public disclosure or provide for information protection from public disclosure.

It is for similar reasons that the Federal Bureau of Investigation, among others, warned the United States Environmental Protection Agency not to disclose RMP worst-case scenario data online. This led to federal legislation restricting distribution of such sensitive security information. The Company, however, does share detailed information about its security and operations with local responders, law enforcement and authorized security officials to enhance confidence in the integrity of our programs and to assist the community in preparedness and response capabilities.

Disclosing information about facility processes and vulnerabilities in a public report as proposed by this resolution could potentially provide confidential information that could serve as a guide to those who wish to do harm. Considering the already available information provided by the Company on security and process safety, such a report would not only provide no benefit but would unnecessarily compromise security.

The Company's efforts in the area of security and process safety, as described above, are extensive. To the extent information on security and process safety can be shared without compromising security, the Company has been transparent and forthcoming about its chemical security activities and will continue to share openly and publicly information on its corporate website page, in its Annual Report on Form 10-K filings, through published papers and through other direct communications by the Company to stakeholders and other interested parties.

Further, the Company has already committed that it will: i) update on the Company's website the public Chemical Security position statement, to specifically include a review of the SVA process, ii) establish a public goal to further reduce the vulnerabilities of the Company's facilities worldwide beyond its substantial efforts to date, and iii) publicly state the goal and report progress on a regular basis.

**For all of these reasons, your Board believes that this proposal is not in the best interests of Dow or its stockholders. Accordingly, your Board unanimously recommends a vote AGAINST this Agenda Item.**

## 12) Freeport-McMoRan Copper & Gold Inc.: Human Rights - Indonesian Military

COMPANY: FREEPORT-MCMORAN COPPER & GOLD INC. / DATE AGM: 26 APRIL 2006

### Shareholder proposal: **Review Payment Policy to Indonesian Military**

As shareholders, we believe that transnational corporations operating in countries with repressive governments, ethnic conflict, weak rule of law, endemic corruption, or poor labor and environmental standards face serious risks to their reputation and share value if they are seen to be responsible for or complicit in human rights violations.

Freeport McMoRan has extensive operations in West Papua in Indonesia;

There have been numerous reports of human rights abuses against the indigenous population by the Indonesian military in connection with security operations conducted on behalf of Freeport McMoran. In 2002 the company made payments of \$5.6 million to the Indonesian military. In August 2002 several company employees including two American contract workers and an Indonesian, were ambushed and killed near company property. A 2002 investigation by the Indonesian Police found that there was a strong possibility that this attack was perpetrated by the Indonesian National Army Force.

Since the mid-1990's, Freeport's relationship with the Indonesian military has led to tens of millions of dollars in corporate payments, including direct payments to the military expenditures, to defend the company from lawsuits brought by victims of human rights abuses by the Indonesian military, and in an out-of-court settlement with the survivors and family members of those killed in the 2002 attack.

The New York City Employees' Retirement System, New York City Teachers' Retirement System, the New York City Police Pension Fund, the New York City Fire Department Pension Fund and the New York City Board of Education Retirement System, believe that it is time for the management to seriously review its policies in this area. Significant commercial advantages can accrue to our company by the rigorous implementation of human rights policies based upon The Universal Declaration of Human Rights. These include: enhanced corporate reputation, improved employee recruitment and retention, improved community and stakeholder relations, and a reduced risk of adverse publicity, divestment campaigns and lawsuits.

Shareholders urge management to review its policy concerning payments to the Indonesian military and security forces, with a particular reference to potential financial and reputational risks incurred by the company by these payments, and to report to shareholders by September 2005 on the findings of this review.

## Statement of Freeport-McMoRan Copper & Gold Inc.

At last year's annual meeting, our stockholders rejected an identical proposal and in 2004 rejected a similar proposal, with the proposal receiving less than 7.5% of support each time. Our board continues to believe that this proposal is not in the best interests of the Company or its stockholders. We have a longstanding commitment to providing a safe and secure working environment for our over 18,000 employees and contract workers. The Indonesian military and police provide security for our mining operations in a remote and logistically challenging area, and security is essential to the continuing safety of our workforce and the protection of our facilities. There is no alternative to our reliance on the Indonesian military and police in this regard. The need for this security, its cost and decisions regarding our relationships with the Indonesian Government and its security institutions are ordinary business activities that our management and board of directors thoroughly reviews and appropriately addresses on a continuous basis.

In accordance with our obligations under the Contract of Work and consistent with Indonesian law, U.S. law, and our adoption of the joint U.S. State Department - British Foreign Office Voluntary Principles on Security and Human Rights, we have taken appropriate steps to provide a safe and secure working environment. The Indonesian Government - not our company - is responsible for employing its security personnel and directing their operations. Indonesian law prohibits us from employing armed private security or arming our employees to protect our workforce and their families, 98% of whom are Indonesian. We provide financial support to ensure that the Indonesian Government's security personnel (the military and police) are properly fed and lodged, and have the logistical resources necessary to patrol company roads and secure our operations. Moreover, the Voluntary Principles on Security and Human Rights expressly recognize that companies "may be required or expected to contribute to, or otherwise reimburse, the costs of protecting company facilities and personnel borne by public security." We periodically review our policies and procedures with regard to our security support activities to ensure that proper controls are maintained. Any reported incidents or concerns with respect to those activities are investigated and resolved appropriately.

We have fully supported and cooperated with the Indonesian Government and the FBI in their investigations of the August 2002 attacks. In June 2004, the U.S. Justice Department indicted Anthonius Wamang, identified in the indictment as an operational commander in the Free Papua Movement (OPM), for leading the group that perpetrated the August 2002 attacks. In January 2006, Indonesian police, accompanied by FBI agents, arrested the indicted suspect and others at a Timika hotel. Anthonius Wamang and several others are being held for trial and additional suspects are being sought. We will continue to cooperate and support these investigations and hope that the identified perpetrator and others involved in the incident will be prosecuted for their crimes.

We condemn human rights violations in any form. We have a longstanding commitment to the protection of human rights and have been vigorous in enacting and enforcing our human rights policy. Our human rights policy, which was initially adopted in 1999, commits us to conducting our operations in a manner consistent with the Universal Declaration of Human Rights. The implementation of our human rights policy is overseen by Judge Gabrielle Kirk McDonald, former President of the International Criminal Tribunal for the former Yugoslavia, who serves as Special Counsel on Human Rights to our company and as a director of our company. In 2005, we arranged for a voluntary independent audit of our social, employment and human rights performance by the International Center for Corporate Accountability.

When allegations of human rights abuses have arisen in our area of operations, we have supported every legitimate investigation - none of which has found any wrongdoing on the part of the company or our personnel.

In addition, we voluntarily and directly contribute to the well-being of the people of Papua through the Freeport Partnership Fund for Community Development. In 2005, these voluntary financial contributions exceeded \$40 million and since 1996 have approximated \$200 million. Our company has been recognized by BusinessWeek as the most philanthropic American company for the past two years.

We believe this proposal is impracticable, misguided, mischaracterizes our relationships with Indonesian security institutions, and suggests actions that our management and board of directors already undertake as part of our ordinary business activities.

Accordingly, our board of directors unanimously recommends a vote AGAINST the adoption of this proposal.



## 13) Kimberly-Clark Corporation: Sustainable Forestry

COMPANY: KIMBERLY-CLARK CORPORATION / DATE AGM: 17 APRIL 2006

Shareholder proposal:

### Develop a Report on Feasibility of Phasing Out the Use of Non-certified Wood Timber

Kimberly-Clark is a leader in the global forest products industry and the largest manufacturer of tissue products in the world. The forest products industry is the largest industrial consumer of ancient forests. Kimberly-Clark

Kimberly-Clark sources virgin tree fiber from Canada's Boreal forest, the largest remaining ancient forest left in North America. As one of the world's largest storehouses of carbon, preservation of the Boreal is critical to mitigating climate change. The Boreal is home to nearly 50% of North America's bird species and contains the largest remaining populations of woodland caribou and wolverines. These and other species have declined significantly due to habitat loss, in part, from unsustainable logging.

Forest certification programs recognize forestry operations that adopt environmentally and socially responsible practices. Our company is requiring all of its global fiber suppliers to adhere to one of five international forest certification systems by the end of 2005. Of the certified fiber currently procured by Kimberly-Clark, 62% is certified to the Sustainable Forest Initiative (SFI), developed by the American Forest & Paper Association's a forest industry trade association.

The Forest Stewardship Council (FSC), a third-party auditor, is the only independent certification system in the world accepted by the conservation, aboriginal and business communities. Virgin tree fiber from logging operations certified to FSC standards is increasingly available. Credibility is the most important criterion for the selection of any certification scheme. By accepting fiber from the full panoply of available certification schemes, our company fails to set any standard at all.

Protests across North America have targeted our company for its fiber sourcing practices. Companies such as Home Depot, Lowe's, Ikea, and Andersen Windows have FSC certified wood procurement preferences. Major banks, such as JP Morgan Chase and Bank of America, have adopted policies limiting or prohibiting investment in companies and industries that negatively impact ancient forests.

JP Morgan Chase's 2005 Public Environmental Policy Statement states, "The Forest Stewardship Council (FSC) is one of the most robust high conservation value assessment processes. We prefer FSC certification when we finance forestry projects. ..."

Proponents believe that our company's current practices present serious risks to long-term shareholder value. It is critical for Kimberly-Clark to develop policies to ensure a long-term sustainable supply of raw materials and mitigate reputational risks by procuring fiber certified using credible standards.

We believe that a thorough feasibility study should discuss the Company's explicit goals and timeframes with respect to both:

- Increasing the use of FSC-certified virgin fiber with the goal of phasing out virgin fiber certified by less reliable and credible certification schemes; and
- Increasing the use of recycled fiber in both consumer and commercial products as a means to reduce reliance on virgin materials.

Shareholders request the Board to prepare a report, at reasonable cost and omitting proprietary information, by November 1, 2006, assessing the feasibility of phasing out our company's use of non-FSC certified fiber within 10 years.

## Statement of Kimberly-Clark Corporation:

Kimberly-Clark has a long history of dedication to responsible use of natural resources. Kimberly-Clark is a member of the World Business Council for Sustainable Development and its Sustainable Forest Products Industry Working Group. Kimberly-Clark has practiced sustainable forestry on its own forestlands for more than 60 years and, although it no longer owns or manages any forest lands in North America, it remains committed to the promotion of sustainable forestry and only sources fiber from suppliers that practice sustainable forestry management.

The Corporation is continuously reviewing its sustainable forestry policies and practices and seeking to improve its efforts to influence the practice of sustainable forestry on a global level. Kimberly-Clark highlights its dedication to sustainable forestry on its website, which includes the Corporation's sustainability report. The Corporation will continue to communicate with stockholders and the public about its environmental conservation work.

The Corporation maintains a comprehensive set of fiber procurement policies and practices. When Kimberly-Clark selects fibers for use in its products, it seeks to ensure that applicable product performance and customer requirements are met, as well as to ensure that sustainable forestry policies are followed. Kimberly-Clark's corporate policy prohibits the use of wood fiber from virgin rainforests or from designated ecologically significant old growth areas, including mixed hardwood forestlands in Indonesia; temperate rainforests in coastal British Columbia, Canada; and designated areas in Canada's Boreal Forest.

It is the Corporation's policy that all of its global fiber suppliers of round wood, wood chips and other forms of fiber, as well as all virgin pulp, be certified by one of five internationally recognized forest certification systems, and currently approximately 88 percent of the suppliers are certified. As of the end of 2005, Kimberly-Clark had audited all of its top suppliers, which account for 90 percent of our global fiber purchases, for compliance with the Corporation's sustainable forestry policies. Suppliers found not to be in compliance with the Corporation's sustainable forestry policies have developed action plans to correct any deficiencies and must complete their action plans by the end of 2006 as a condition of having their supply agreements renewed. The Corporation plans to conduct these audits on a continuing basis.

The stockholder proposal recommends that Kimberly-Clark only use fiber certified by the Forest Stewardship Council (FSC) and not fiber certified by any of the other recognized forest certification systems referenced above. This recommendation is not practical. Kimberly-Clark's use of certified fiber depends on meeting the following requirements:

- Increasing the use of recycled fiber in both consumer and commercial products as a means to reduce reliance on virgin materials.
- There must be sufficient certified forest fiber available;
- Pulp made from fiber sourced from certified forests must be commercially available for purchase by the Corporation in locations where the Corporation sources its fiber; and
- Fiber available to the Corporation must meet our product performance and cost requirements.

Kimberly-Clark purchases FSC-certified fiber to the extent that it is available and meets its product performance and fiber cost requirements. However, the global supply of FSC-certified fiber is not sufficient to allow Kimberly-Clark to rely exclusively on FSC-certified fiber. As shown in the following chart, as of February 2006, approximately seven percent of the world's forests were certified. As noted above, approximately 88 percent of the pulp fiber used globally by the Corporation is sourced from suppliers certified by one of five certification systems.

With respect to North America, northern bleached softwood kraft pulp, which is required to produce the strength of premium tissue products preferred by most consumers, is purchased from Canadian suppliers. As of February 2006, only about 10 percent of Canada's managed forests were FSC-certified. There are only two major suppliers producing softwood pulp from FSC-certified forests in Canada and they use a significant amount of their pulp internally. Thus, little of the pulp made from this fiber is commercially available to third party buyers such as Kimberly-Clark.

*The proposal also recommends increasing the Corporation's use of recycled fiber in both consumer and commercial products as a means to reduce reliance on virgin materials. Kimberly-Clark has conducted extensive research regarding the various types of fiber and is a leader in the industry in the use of recycled fiber in its products. Recycled fiber currently accounts for 29 percent of the Corporation's overall fiber use.*

*Kimberly-Clark's studies show that as the amount of recycled fiber in the product is increased, product performance attributes, such as softness and absorbency, are adversely affected. For this reason, the combined total of all branded consumer tissue products, including napkins, that contain recycled fiber accounted for only 1.8 percent of all dollars spent on these products in the United States in 2005.*

*Away-from-home tissue products often contain a higher percentage of recycled fiber. Some Kimberly-Clark away-from-home tissue products, such as Scott Coreless bath tissue, are made from 45 percent post-consumer recycled fiber, and some away-from-home paper towel brands, such as Scott tradition brown towels, contain a minimum 60 percent post-consumer recycled fiber. Kimberly-Clark continues to examine the use of recycled fiber in its products and to seek ways to reduce the Corporation's need for virgin fiber.*

*Representatives of the Corporation met by telephone with representatives of the proponents of the proposal in December 2005 to discuss their concerns and share the Corporation's sustainable forestry policies and practices.*

**In any case, the Board believes the information requested by the proponents has been communicated to stockholders and, therefore, additional reporting on this issue is not necessary. The Board unanimously recommends that the stockholders vote AGAINST the adoption of this proposal.**

## 14) Lockheed Martin Corporation: Nuclear Weapons - Depleted Uranium

COMPANY: KIMBERLY-CLARK CORPORATION / DATE AGM: 27 APRIL 2006

### Shareholder proposal: Develop a Report on Depleted Uranium Weapons

Managing nuclear waste and using nuclear materials, particularly depleted uranium-enhanced war materiel, are international problems. Depleted uranium (DU)—a long-lived radioactive and toxic waste—is a byproduct of enriched uranium. It is pyrophoric, burning spontaneously on impact. That, along with its extreme density, makes DU munitions the Pentagon's ideal choice for penetrating an enemy's tank armor or reinforced bunkers. When a DU shell hits its target, it burns, losing anywhere from 40% to 70% of its mass and dispersing a fine dust that can be carried long distances by winds or absorbed directly into the soil and groundwater.

Production, transport and storage of DU and application of DU in weapons manufacturing impacts health and safety of workers and residents of communities surrounding manufacturing facilities, as well as military personnel. We believe this could lead to increased healthcare costs, worker compensation claims, damage to the water table and property loss cases.

The Department of Defense in its 2001 base closings report has conceded DU ammunitions, missile components, warheads and air-launched projectiles tested at military bases in 36 U.S. states have caused contamination.

Lockheed Martin is the Number 1 Department of Defense contractor with \$20.7 billion in contracts (100 Companies Receiving The Largest Dollar Volume Of Prime Contract Awards - Fiscal Year 2004) and Department of Energy contractor for management of sites such as Sandia Laboratories, a key component of U.S. nuclear weapons evolution.

As shareholders, we believe corporations developing and producing weapons of mass destruction have a social and ethical responsibility to explain to shareholders and other stakeholders company policies and decision-making processes which justify production of DU and radiation-related weaponry especially when many other countries are replacing DU with tungsten.

The potential risk to human life as well as long-term costs of radiation contamination far out outweigh any benefit to our Company gained by continued production of DU weapons, components and associated delivery systems.

We suggest the report be posted on our Company's website and that the report include:

1. a brief history of Lockheed Martin's involvement in management of nuclear weapons sites and production of DU weapons components e.g. dates of contract awards and renewals, criteria for bidding on contracts.
2. human, workplace and environmental safety precautions e.g. safeguards for transportation, storage, impact on land and water and waste disposal siting and monitoring.
3. health and safety record at facilities i.e. accidents/incidents involving production, storage or transport of weapons, DU weapon components or waste products.
4. financial arrangements e.g. offsets from lobbying costs; liability in the event of an accident/incident; agreements with state/other local governments about storage in local communities.
5. policies and procedures for cooperating fully with persons, organizations and government agencies planning and carrying out health/safety assessment studies, e.g. providing all necessary information.

Shareholders request the Board of Directors to make available to all shareholders within six months of the annual meeting, a written report on Lockheed Martin's depleted uranium and other nuclear weapons related involvement, excluding confidential and proprietary information.

## Statement of Lockheed Martin:

*Lockheed Martin, in its national security support role for the United States government, handles uranium and depleted uranium in connection with various assembly, testing, and servicing activities in support of our government contracts. Lockheed Martin handles these materials in conformance with applicable regulations and safe work practices with particular regard for worker exposure, environmental impact, security, and transportations safety. Our programs are augmented by rigorous U.S. Government reviews.*

*The Corporation intends to continue to perform work in support of the national security interests of this country while assuring that appropriate measures are taken to protect the environment and the safety and health of all affected parties. The Board sees little value in a report to stockholders justifying our continued role in support of U.S. Government interests and strongly recommends the resolution not be adopted.*

**For these reasons, the Board unanimously recommends a vote "AGAINST" the proposal.**

## 15) Textron Inc.: Nuclear Weapons - Depleted Uranium

COMPANY: TEXTRON INC. / DATE AGM: 26 APRIL 2006

### Shareholder proposal: Develop a Report on Depleted Uranium Weapons Components

Depleted uranium used in industry and weapons may be toxic and may cause miscarriages, stillbirths, birth defects and a myriad of diseases. This illustrates a mounting health and safety problem and confirms that no amount of radiation is hazard-free.

Continued production, transport, and storage of depleted uranium increases health and safety risks for residents in communities surrounding the manufacturing facilities in addition to the probability of combat confrontations, worker compensation, veteran injury and property loss cases leading to billions of dollars in damage claims.

The Department of Defense in its 2001 base closings report has conceded depleted uranium ammunitions, missile components, warheads and air launched projectiles tested at military bases in 36 US states has caused contamination.

Debate has grown domestically and internationally around health and safety hazards arising from the process of depleted uranium weapons production beginning with uranium mining and extending to waste disposal.

The proponents of this resolution believe that corporations involved in the production and development of weapons designed to destroy with mega-deadly force have a social and ethical responsibility to explain to shareholders and stakeholders the policies and decision-making processes which justify the production of depleted-uranium and radiation-related weaponry.

We believe it appropriate for shareholders to raise concern about our company's dependency upon depleted uranium-related weapons contracts because of adverse affects to our company's image and exposure to legal actions in the event of an accident/incident.

From both moral and humanitarian points of view receiving information from our company's management on depleted uranium weapons development and depleted uranium delivery systems became more critical as we watched Gulf War I and II appropriations weighed against Federal allocations for veteran healthcare costs and military base closings clean ups.

The shareholders of Textron Corporation request that the Board of Directors prepare a report for shareholders within six months of the 2006 annual meeting, excluding proprietary information, to include:

- Brief history of our company's involvement in the production of DU weapons component, e.g. dates awarded contracts, criteria for decision to bid for the contracts, contract renewal dates.
- Human workplace and environmental safety precautions, e.g. safeguards in place for transportation, storage and waste disposal monitoring.
- Health and safety record at facility, i.e. have there been accidents, incidents involving production, storage or transport of weapons or DU weapon components.
- Financial arrangements, e.g. profits from contracts; offsets from lobbying costs; liability in the event of an accident/incident.
- Policies and procedures for cooperating fully with persons, organizations and agencies planning and carrying out health/safety assessment studies, e.g. providing all necessary information.

## Statement of Textron:

*The Board of Directors believes that the adoption of this proposal is unnecessary in that it does not relate to the company's business. Textron is not involved in the production of depleted uranium weapons and has no current plans to become involved in their production.*

Accordingly, the Board of Directors recommends a vote **AGAINST** this proposal.



