



# 2008 Proxy Season Preview

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## INTRODUCTION

The Social Issues Service is aware of 305 proposals on social issues that have been filed so far for U.S. companies’ annual meetings in 2008—about the number that had come to light at this point last year. This list is bound to change as more resolutions are filed or discovered when they are challenged at the Securities and Exchange Commission. In 2007, 369 social issues proposals were ultimately filed, of which 195 came to votes.

The list will also change as resolutions are withdrawn or omitted. Some proponents will withdraw their resolutions if the companies agree to some or all of the proponents’ requests; a few 2008 withdrawals have already taken place. Other resolutions will be knocked out if the SEC staff finds them in violation of its shareholder proposal rule, which allows companies to challenge resolutions both on certain technical grounds (such as being filed late) and substantive grounds, such as dealing with mundane, “ordinary business” issues that are for management, not shareholders, to decide.

Concerns about the **environment** have again generated the largest single category of social issues proposals, with about 75 filed for 2008 so far. Nearly half of these proposals question companies about

whether they have undertaken sufficient strategic planning and action to reduce their greenhouse gas emissions, to increase their energy efficiency or otherwise to prepare for global climate change. And approximately 16 companies are being asked to review or reduce the toxicity of their products, or to take new steps to assure product safety.

For a fifth year, a diverse coalition of investors is asking companies to report in detail on their **political contributions** and their rationales for them, including in many cases, their engagement in political activity through trade associations; 52 proposals have been filed on these and other corporate political issues.

Proponents continue to focus on proposals asking companies to issue **sustainability reports**, making clear in most cases that their preferred format is the one developed by the Global Reporting Initiative. So far, 28 proposals have been filed.

The New York City pension funds and several social investment firms are continuing what have been notably successful efforts to persuade companies to revise their formal anti-bias policies to outlaw discrimination on the

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basis of employees' sexual orientation; 26 proposals have been filed on these and other **equal employment opportunity** issues.

The **human rights** category, with 21 resolutions, contains some of this year's most notable new initiatives. Six investment firms are being asked to report on how their investment policies address human rights issues—a proposal that raises the question of investments in foreign companies that operate in Sudan. Other resolutions that ask companies about general human rights policies home in on specific concerns in a way that such proposals have not in the past.

How busy this proxy season is will be determined in part by what happens in the area of resolutions on **health**. Proponents affiliated with religious groups and the AFL-CIO have filed more than 20 proposals asking companies to endorse principles for universal health care. A similar effort fell flat in 2007, with most of the resolutions excluded with the SEC staff's blessing, but the proponents have tried to phrase their 2008 proposals to get around that hurdle.

The landscape of shareholder proponents is familiar from recent years. Once again, religiously affiliated proponents are prominent, with their activity coordinated through the Interfaith Center on

Corporate Responsibility. Social investment funds are again major actors, including Calvert Funds, Domini Social Investments, Walden Asset Management, Trillium Asset Management, NorthStar Asset Management, Boston Common Asset Management and Green Century Funds. The New York City pension funds are major filers on a number of issues. Other proponents include the Nathan Cummings Foundation, People for the Ethical Treatment of Animals and As You Sow.

### **Resources**

For subscribers to the Social Issues Service, the most current list of shareholder proposals on social issues can be found on the Governance Analytics platform at <https://ga.issproxy.com>. After signing in, click on the "Watchlists" tab, and then on the "Checklist" tab.

Beginning next month, the Social Issues Service will post more detailed background reports on the various social and environmental issues that are the focus of shareholder campaigns this year, and will send e-mail alerts to subscribers as these become available. The background reports will also be available on Governance Analytics. Click first on the "Resource Center" tab, and then on the "Background Reports" tab.

## **ANIMAL WELFARE**

People for the Ethical Treatment of Animals returns to the contemporary shareholder scene for the fourth year, with a campaign that is slightly smaller and more varied than the ones it has mounted recently. At this point 15 resolutions are pending, down from 20-plus for the last several years.

Among new proposals is one to **Denny's** to "encourage the company to end its partnership with Ringling Bros and Barnum & Bailey circuses." The supporting statement alleges that Denny's partnership "directly supports wanton cruelty to animals, as the web site [www.DeadlyDennys.com](http://www.DeadlyDennys.com) details." It says MasterCard, Visa and Sears, Roebuck have ended their sponsorships of Ringling and asks Denny's to follow their lead.

Two other new PETA resolutions, to **Lowe's** and **Home Depot**, ask both retailers to discontinue the sale of glue traps, which snare animals that walk

across them by immobilizing them with a strong adhesive. (Although the proposal is being coordinated by PETA, Trillium Asset Management is the sponsor of the proposal at Lowe's.) The resolution notes that Walgreens, CVS, Rite Aid and Safeway have banned the sale of glue traps and asks the two targets to follow suit. Unless the SEC staff diverges from precedent, these resolutions, if challenged, will be omitted; the staff has always agreed with companies that resolutions on what specific products to sell involve "ordinary business" management decisions.

Other new proposals relate to the purchase of eggs produced by chickens that are not confined to cages. Burger King has now pledged to ensure that at least 5 percent of the eggs it uses are cage-free, and PETA is asking **McDonald's** to do the same. A different resolution asks **Wendy's** to report on

the feasibility of purchasing an unspecified percentage of “cage-free” eggs.

A new resolution to **Amgen** and **Pfizer** asks the companies to report on measures they have taken to correct Agriculture Department citations for violations of the Animal Welfare Act. This replaces a resolution asking the companies to review non-animal tests methods that came to a vote in 2006 and 2007.

A new resolution to **Covance** asks the company to report on the feasibility of establishing an environmental enrichment committee to foster quality animal care standards. This is the first resolution directly to Covance, which operates animal testing laboratories used by many of the drug companies that have received resolutions on animal testing in recent years, and which was the subject of a PETA lawsuit on mistreatment of primates at a facility in Virginia.

PETA is again asking **Eli Lilly** and **Pfizer** to report on their rationales for exporting animal testing to countries with weak animal welfare protections, especially China. It has also proposed this resolution to **Wyeth** for the first time. The proposal got 4.2 percent at Lilly and 8.5 percent at Pfizer at its first time up in 2007.

A resolution asking **Chevron** to adopt an Animal Welfare Policy affirming a commitment to reducing animal tests and providing for the needs of animals replaces a resolution asking the company to review animal welfare standards that failed to receive enough support for resubmission in 2007. It is not clear that the SEC staff will find the reso-

lutions sufficiently different to require Chevron to bring the new proposal to a vote if it decides to challenge it.

For the last two years, PETA has proposed resolutions to a variety of companies in support of the controlled-atmosphere killing (CAK) of chickens, which it considers the least cruel form of poultry slaughter. This year it has gone back to **Safeway** on this issue, this time asking it to give preference to suppliers that adopt CAK. It is approaching **Domino’s** for the first time, asking it to issue a report evaluating progress made toward evaluating the use of CAK. Finally, PETA, in another resolution relating to chicken slaughter, is continuing a longstanding argument with **Yum Brands**. It is again asking it to implement recommendations for animal treatment made by former members of its Kentucky Fried Chicken subsidiary’s animal welfare council in 2005.

In addition to the batch of resolutions coordinated by PETA, Calvert Asset Management has a new proposal on animal tests for Botox. The resolution, to **Allergan**, asks the company to report annually on plans to eliminate the use of the animal-based LD50 test from its Botox manufacturing process. The resolution asserts that the safety testing community has “all but abandoned” Botox and that a “Botox-like product manufactured with a non-animal alternative test would have a strong marketing advantage in the U.S.”

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## **BANKING ISSUES**

### ***Predatory lending***

Activist shareholders provided an early warning on the subprime mortgage meltdown. This year Christian Brothers Investment Services has a new resolution to **Cash America**. That resolution asks for a committee of independent directors to “(1) oversee the amendment of current policies and the development of enforcement mechanisms to prevent employees or affiliates from engaging in predatory lending practices; and (2) provide a report to shareholders that offers assurances about the adequacy of the policy and its enforcement.” This replaces a 2007 resolution asking the com-

pany to develop internal controls to monitor predatory lending, which was omitted on ordinary business grounds.

### ***Community reinvestment***

NorthStar Asset Management has a new resolution to **Western Union** asking the company to “develop and implement a written policy for community reinvestment.” NorthStar has been concerned that the company is a major presence in poor neighborhoods, where it serves as a money transfer agency for immigrants, and that it has not done enough to build social capital there. Its 2007 reso-

lution on remittance fees was omitted on ordinary business grounds.

### ***Racial disparities in mortgage lending***

NorthStar is also re-filing a resolution with **Wells Fargo** that asks the board to prepare a report that provides explanations of racial and ethnic disparities in the cost of loans provided by the company. The resolution got 8.3 percent support last year, its second time before shareholders. It requests that the report discuss:

- racial and ethnic disparities pertaining to high cost mortgages revealed in Home Mortgage Disclosure Act data;
- whether such disparities affect home affordability or wealth-building benefits of homeownership for minority customers; and
- whether some of these disparities are explained by the racial wealth divide prevalent in the United States and, if so, what can be done to lessen this divide.

### ***Illegal immigration***

The National Legal and Policy Center, a Northern Virginia conservative group, has proposed a new resolution on illegal immigration to **Bank of America**, which it says was embroiled in controversy when it appeared to be marketing credit

cards to illegal aliens. The resolution requests an annual report addressing the following:

- 1) Policies and practices regarding the issuance of credit cards to individuals without Social Security numbers.
- 2) Policies and practices regarding the opening of financial accounts by persons using the Mexican government-issued *Matricula Consular* as identification.
- 3) Policies and practices to ensure that the Company's so-called SafeSend program is not used to facilitate money laundering, human smuggling, and/or other criminal activities.
- 4) Policies and practices regarding the lending of mortgage funds to individuals without Social Security numbers, and the extent to which such mortgages may be characterized as "sub-prime."
- 5) The amounts of financial support provided to 501(c)(3) and 501(c)(4) organizations.

Bank of America has filed a 14-page challenge to the resolution, arguing, among other things, that it constitutes ordinary business because it relates to the corporation's core products and services. It also contends that part of the proposal is vague and misleading.

## **BOARD DIVERSITY**

The number of resolutions on board diversity appears to be shrinking. Calvert Asset Management, which has taken the lead on this issue in recent years, has filed only one so far, asking Apple to increase efforts to ensure that women and minorities are among the candidates considered to fill vacancies on their boards, and has already reached an agreement to withdraw it. The Methodist pension board has submitted a board diversity pro-

posal to **Take-Two Interactive Software**, which has been embroiled in a number of controversies, some board-related, in recent years. The Episcopal Church has proposed a resolution to **L-3 Communications, Muller Industries** and **Zimmer Holdings** that also asks for a report.

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## **CHARITABLE CONTRIBUTIONS**

The Social Issues Service has found only a handful of proposals on charitable contributions so far this year, but more are certainly possible. These types of resolutions tend to come in over the transom from individual stockholders and to come to light only when challenged at the Securities and Exchange Commission or when they turn up in proxy statements.

The National Legal and Policy Center is again filing several resolutions asking companies to disclose their charitable contributions and policies. The supporting statements of the NLPC proposals indicate that the proponents have picked their targets because of concerns about particular types of contributions the companies had made, particularly to groups associated with Jesse Jackson. This year

the proposal has been resubmitted to **General Electric** and **Anheuser-Busch**. The NLPC withdrew it at Anheuser-Busch last year, after the company provided information about its contributions, but decided to re-file after the company failed to follow through with a discussion of its rationales for giving. The NLPC has also filed this proposal for the first time at **UAL**.

Last year the SEC staff allowed companies to omit resolutions from shareholders affiliated with Human Life International that were clearly motivated by opposition to giving to Planned Parenthood. The staff has switched position on these types of

resolutions several times over the years, and it is possible they might show up again. At this point, though, the Social Issues Service has been unable to track down any of them.

Investors have already voted on a proposal to **Walgreen** from individual proponent Marcella Meyer asking for disclosure of charitable contributions; the proposal appears to have been motivated by Meyer's concern about contributions to gay rights and Planned Parenthood.

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## ENVIRONMENT

As in the last several years, the environment category is the biggest and most diverse, with proposals on issues ranging from global warming, to use of renewables, to disclosure on toxics, to environmental controversies overseas. The resolutions come from all of the major actors in the proponent community.

### *Global warming and related issues*

Global warming continues to be a major concern of proponents of environmental resolutions, in proposals focused directly on greenhouse emissions as well as indirectly in proposals on renewable energy. In addition, as discussed in the section on Political Contributions, below, resolutions to energy companies that ask for a reporting of contributions to trade associations are motivated in part by concerns that companies that purport to be taking a lead on global warming are continuing to contribute to trade groups that dismiss the importance of the issue. And three resolutions to airlines, discussed below under Sustainability, ask for detail on greenhouse emissions, among other things.

The Sisters of St. Dominic, a leader on climate change since the issue first came before shareholders, have resubmitted their 2007 proposal to **Chevron**, **ExxonMobil**, **Ford** and **General Motors** asking the companies "to adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the company's products and operations." The order has also submitted that resolution to **Southern** for the first time. New Covenant Funds is proposing it to

**ConocoPhillips**. The proposal asks for a report by September 2008. The 2007 resolution got 31 percent support at ExxonMobil, a new high for a climate change proposal there, and 29 percent at General Motors. The vote was much lower at Chevron, where the company had recently taken steps to meet concerns about global warming.

Four different proponents have filed a resolution along the above lines with natural gas pipeline companies. The California State Teachers Retirement System has filed at **Oneok**, Boston Common Asset Management at **OGE Energy**, Catholic Healthcare East at **El Paso**, and the New York City pension funds at **Williams**. These resolutions ask that the companies set emissions reduction goals based on emerging, as well as current, technologies, and make a report available by Dec. 31. The proponents are concerned that loss of natural gas from pipelines may be a significant source of methane, which they describe as "a greenhouse gas more than 20 times more effective in trapping heat in the atmosphere than carbon dioxide."

The New York City pension funds have submitted their standard greenhouse proposal to two coal companies—**Arch Coal** and **Consol Energy**, and the Unitarians have submitted it to **Foundation Coal**. It asks each for a report by Sept. 1 "on how the company is responding to rising regulatory, competitive and public pressure to significantly reduce carbon dioxide emissions" from its operations. New York has also proposed this to **El Paso** and **Oneok**.

<b>Climate Change</b>
Arch Coal
Bank of America
Big Lots
Chevron
Citigroup
ConocoPhillips
Consol Energy
Dillards
Dover
El Paso
Exxon Mobil
Ford Motor
Foundation Coal
General Electric
General Motors
Harley-Davidson
Johnson & Johnson
KB Home
Kirby
Lowe's
Occidental Petroleum
OGE Energy
ONEOK
Parkway Properties
Pulte Homes
Ryder System
Ryland Group
Southern
Standard Pacific
Ultra Petroleum
Williams Cos.
<b>Energy Efficiency</b>
Allegheny Energy
Dominion Resources
Exxon Mobil
FirstEnergy
Southern

The Nathan Cummings Foundation has a new resolution asking **Ultra Petroleum** to report on its plans to address climate change.

The Cummings Foundation also continues to press the building industry on climate change. This year so far it has submitted resolutions to **KB Home, Pulte Homes, Ryland Group** and **Standard Pacific**. All ask for reports by Dec. 31. The proposals to Ryland and Standard Pacific, like the resolutions described above, ask for quantitative goals, and the resolutions to KB and Pulte seek feasibility reports on developing policies to minimize climate change. Walden Asset Management has proposed the

same feasibility report resolution to another building company, **Parkway Properties**.

Calvert Asset Management also continues to pursue the climate change issue, after achieving a number of withdrawal agreements last year. It is asking seven companies to issue reports assessing the impact of climate change on their operations and giving their rationales for not providing information through reporting mechanisms such as the Carbon Disclosure Project. It has filed its resolutions at **Big Lots, Dover, Kirby, Harley-Davidson, Lowes, OGE Energy** and **Ryder System**. Calvert has already reached withdrawal

agreements with Big Lots and Kirby, but the details of the agreements are not yet public.

The Connecticut Retirement and Trust Funds have new resolutions to **Ford** and **General Motors** relating to the new fuel economy standards mandated by Congress late last year. The proposals ask the companies to assess the steps they are taking to meet the standards and to report by Sept. 1. Connecticut has also written a new proposal for **Southern** asking that a committee of independent directors “assess actions the company is taking or could take to prepare for emerging federal policy and state regulations that focus on promotion of conservation and efficiency” and report by Sept. 1.

In addition to the raft of resolutions from proponents concerned about the effects of global warming, there are again a handful of resolutions from global warming skeptics. Action Fund Management is re-filing its resolution asking **General Electric** to publish a global warming report. It suggests that the report discuss specific scientific data and studies relied on to formulate GE’s climate policy; the extent to which GE believes human activity will significantly alter global climate, and whether such change is necessarily undesirable and whether a cost-effective strategy for mitigating any undesirable change is practical. It also asks for an estimate of costs and benefits to GE of its climate policy. The group has also filed a proposal asking for a climate change report at **Johnson & Johnson**.

Another conservative activist, Carl Olson, has re-filed his resolution asking **Occidental Petroleum** for a “Global Warming/Cooling Report.”

A number of other resolutions also focus on energy efficiency. Resolutions from the New York City pension funds to **Allegheny Energy** and **Dominion Resources** ask the companies to report by Sept. 1 “on actions the company is taking to work with policymakers to design new incentives that will provide financial returns for the company to reduce greenhouse gas emissions by improving the efficiency with which its customers use energy.” (The General Board of Pensions of the United Methodist Church is cosponsoring these proposals instead of the resolutions it led last year on power-line siting at the two companies.) New Covenant Funds have filed this at **FirstEnergy**.

In the related area of renewable energy, Steven Viederman has proposed a new resolution to **ExxonMobil** asking the board to “adopt a policy for renewable energy research, development and sourcing, reporting on its progress to investors in 2009.” Similarly, the Capuchins are asking **ExxonMobil** to report on how it can “become the industry leader within a reasonable period in developing and making available the technology needed (such as sequestration and engineered geothermal) to enable the U.S.A. to become energy independent in an environmentally sustainable way.”

An individual shareholder has filled still another climate-related proposal at ExxonMobil that asks it to establish a task force

to investigate and report to shareholders on the likely consequences of global climate change between now and 2030, for emerging countries, and poor communities in these countries and developed countries, and to compare these outcomes with scenarios in which ExxonMobil takes leadership in developing sustainable energy technologies that can be used by and for the benefit of those most threatened by climate change.

### **Toxic substances**

Members of the Investor Environmental Health Network are now in the third year of a coordinated campaign focused on product toxicity. The group achieved a number of withdrawal agreements last year, so there are not very many repeat resolutions.

The group is taking on a new subject—nanomaterials—which resolutions describe as “operative particles smaller than 1000 nanometers.” A nanometer measures one-billionth of a meter, and the proponents are concerned that nanoparticles are absorbed through the skin and interfere with cell function. Nanomaterials are used in cosmetics, anti-aging skin creams and sunscreens, among other products.

IEHN member Calvert Group is sponsoring identical proposals on the issue at **Avon** and **Colgate-Palmolive**. The resolutions ask for reports on the companies’ policies by Nov. 1, 2008. “The report should identify [the company’s] product categories that currently contain nanomaterials, and discuss any new initiatives or actions, aside from regulatory compliance, that management is taking to respond to this public policy challenge.” The propo-

nents are eager to see better labeling and consumer education.

A resolution on the same issue from As You Sow to **Wal-Mart** also asks for a report, in that case by June 2008. It suggests that, in addition to describing new initiatives, the report provide a list of all products sold by Wal-Mart that contain nanomaterials.

A new IEHN resolution to **Circuit City** from the Sisters of St. Francis of Philadelphia deals with toxic chemicals in electronics supply chains, emphasizing PVC (polyvinyl chloride). It asks for a report on the company’s product safety policies, with information on which of the company’s products may be affected by product safety concerns and on options for new initiatives to respond to those concerns. Catholic Healthcare West has filed a resolution along the same lines with **Kroger**, and Domini is taking the lead on the same resolution at **JC Penney**.

After pausing for a year, another IEHN member, Domini Social Investments, returned to **Becton, Dickinson** with a resolution at its annual meeting this month asking for a report evaluating the company’s policies on brominated flame retardants, which have been linked to suppression of the immune system, cancer and other effects. The resolu-

<b>Oil Sands</b>
Chevron
ConocoPhillips
<b>Water Use</b>
American Intl Group
Coca-Cola
Connecticut Water Svc
PepsiCo
<b>Sustainable Forestry</b>
Home Depot
International Paper
MeadWestvaco
R. R. Donnelley & Sons
<b>Recycling</b>
McGraw Hill Ryerson
PepsiCo
<b>Toxic Substances</b>
Avon Products
Becton, Dickinson
Circuit City Stores
Colgate-Palmolive
Du Pont
J. C. Penney
Kroger
RC2
Wal-Mart Stores
<b>Issues Outside the U.S.</b>
Chevron
<b>Arctic Drilling</b>
ConocoPhillips
Exxon Mobil
<b>Community Hazards</b>
ConocoPhillips
Exxon Mobil
<b>GMOs</b>
Dow Chemical
PepsiCo
Wendy's International
<b>Nuclear Power</b>
Ameren

tion got 8.7 percent support in 2006, and when the company promised to survey its suppliers on the use of BFRs in their products, Domini held off from resubmitting in 2007. Since then, however, the proponents say the company “has not disclosed a comprehensive, detailed policy and goals for systematically reviewing and reducing toxic hazards in its products,” so they decided to re-file.

Amalgamated Bank’s LongView fund has re-filed a resolution to **DuPont** on the use of PFOA (perfluoro-octanoic acid) in the production of Teflon and other products. The proposal, which asks for an evaluation of an expeditious phaseout of PFOA and the development of safer substitutes, got 22.9 percent support last year, down five points from the year before.

A repeat resolution to **Dow Chemical** on asthma triggers is also part of the IEHN campaign. It is discussed later, in the section on Health.

Finally, the Sisters of Mercy have re-filed last year’s resolution asking **Dow Chemical** to report “summarizing the pace and effectiveness of the environmental remediation process being undertaken by Dow in the vicinity of and downstream from its Midland headquarters.”

### ***Oil sands***

Several new resolutions this year relate to oil sands operations in the Canadian boreal forest that mine or upgrade bitumen, a new issue for shareholders. Green Century has filed at **Chevron** and Trillium at **ConocoPhillips**. Both proposals ask the companies to report on “the environmental damage that would result from the company’s expanding oil sands operations in the Canadian boreal forest,” including a discussion of discontinuing these expansions. The proponents assert that oil sands operations are the fastest growing source of Canada’s greenhouse gas emissions, and they say that logging and oil sands development have fragmented the boreal forest.

### ***Water use***

NorthStar has submitted new resolutions to **AIG**, **Connecticut Water Services** and **PepsiCo** asking the companies to “create a comprehensive policy articulating our company’s respect for and commitment to the Human Right to Water” as defined by the UN Committee on Economic, Social and Cultural Rights. NorthStar says the policy “should

address potability, volume, physical accessibility and affordability of water.”

A coalition of church groups has filed for a third year the resolution asking **Coca-Cola** to commission a study to report on the potential and environmental health damage from its ventures that extract ground and surface water from areas of water scarcity in India. The proposal got 6.7 percent support last year.

### ***Sustainable forestry***

Domini Social Investments continues to approach companies on the issue of purchasing products certified by the Forest Stewardship Council, which it describes as “the only independent certification system in the world accepted by the conservation, aboriginal and business communities.” This year it is asking **R.R. Donnelley**, **International Paper** and **MeadWestvaco** to issue reports “assessing the feasibility of phasing out our company’s use of non-FSC-certified fiber and increasing the use of postconsumer recycled fiber as a means to reduce our company’s impact on greenhouse gas emissions.”

A different Domini resolution to **Home Depot** asks for a report on progress toward implementing the company’s 1999 wood purchasing policy. The policy says the company will give preference to purchases from certified well-managed forests, but the proponents are concerned that the company does not provide sufficient information to enable shareholders to assess its performance under the policy.

### ***Recycling***

For the last two years, Walden Asset Management has taken the lead on bottle recycling issues. It withdrew resolutions at Coca-Cola and PepsiCo asking them to report on goals for “enhanced rates of beverage container recovery” after concluding that the companies were making satisfactory progress. It did not re-file this year, but As You Sow is now sponsoring the same resolution, but only at **PepsiCo**. Conrad McKerron of As You Sow told the Social Issues Service that the proponents had withdrawn last year’s proposals because the company agreed to work with peers to establish industry-wide beverage container recovery goals and had decided to re-file at PepsiCo when they concluded that not enough progress had been achieved.

As You Sow also has a new resolution at **McGraw Hill** that asks the company to report “studying ways to take leadership on the environmental aspects of paper procurement through actions such as promoting stronger national paper recovery goals, setting goals for recycled content in its magazines and books, and goals for a majority of its supply chain to adopt strong forest management certification procedures.”

#### *Environmental issues outside the United States*

Trillium and the New York City pension funds have resubmitted the 2007 resolution to **Chevron** asking that the company report “on the policies and regulations that guide Chevron’s assessment of the adequacy of host country laws and regulations with respect to their adequacy to protect human health, the environment and our company’s reputation.” Trillium has been particularly concerned about allegations of environmental contamination in Ecuador by a former Texaco subsidiary. The resolution also cites problems in Angola, Burma, Kazakhstan and the Niger Delta. The proposal got 8.6 percent support last year.

#### *National Petroleum Reserve, Arctic National Wildlife Refuge*

Green Century has re-filed a proposal with **ConocoPhillips** asking the company to report on the potential environmental damage that would result from drilling for oil and gas inside the National Petroleum Reserve.

Another Green Century proposal asks **ExxonMobil** to report on the potential environmental damage that would result from drilling for oil and gas in the coastal plain of the Arctic National Wildlife Refuge.

#### *Community hazards*

For a third year, church groups are asking **ConocoPhillips** and **ExxonMobil** to report on how each “ensures that it is accountable for its environmental impacts in all of the communities in which it operates.” The proposal has gotten about 10 percent support at both companies for each of the last two years.

#### *Genetically modified organisms*

Church groups continue to approach companies on the issue of labeling food products that may contain genetically engineered ingredients. For 2008, they have re-filed resolutions with **Dow**, **PepsiCo** and **Wendy’s**. The resolution at PepsiCo was withdrawn last year after an agreement.

#### *Nuclear power*

Church proponents have been approaching **Ameren** and its predecessor with nuclear-related proposals for more than 20 years. This year they have re-filed their 2007 proposal asking the company to “describe its efforts to reduce the release of radioactive materials to the air and water during [the] Callaway plant’s routine operation and to improve the quality of the monitoring of these releases.”

This is the only nuclear-related resolution the Social Issues Service has found for 2008, but others sometimes turn up unexpectedly from individual proponents in the pile of proposals that have been challenged at the SEC.

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## **EQUAL EMPLOYMENT**

The quest to prohibit workplace discrimination based on sexual orientation is again the major EEO issue of the proxy year. The New York City pension funds and social investment groups continue to press the issue, digging deeper into their portfolios as most of the prominent names in corporate America have adopted such a policy. Twenty-five resolutions have been filed by New York City and SRI funds for 2008. One has already been withdrawn, and others are not likely to come to votes.

In 2007, 15 of 24 proposals were withdrawn after companies agreed to change their written EEO policies to outlaw discrimination because of sexual orientation.

The standard proposal’s resolved clause asks each company to “amend its written equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and gender identity and to substantially implement that pol-

icy.” The phrase “gender identity” has been added to most of the pending proposals this year. This proposal is now pending at **Commercial Metals, Expeditors International, ExxonMobil, Idacorp, Leggett & Platt, Pentair, Seacor Holdings, Superior Energy, Verizon Communications** and **Wal-Mart**. It is a repeat at five of those companies, where it got some of the highest social issues votes of 2007—37.7 percent at the most prominent corporate holdout on the issue, ExxonMobil, 43 percent at Commercial Metals, 45.2 percent at Expeditors International, 26.5 percent at Leggett & Platt and 35 percent at Pentair.

Most of the resolutions listed above emanate from SRI groups. In earlier proxy seasons, New York City, sponsor of the long-running proposal at ExxonMobil, has coordinated a large campaign of resolutions making that standard request for a change in the antidiscrimination statement. Beginning in 2007, though, all of New York’s resolutions except the resubmission to Exxon have asked companies to adopt the “Equality Principles on Sexual Orientation,” launched by The Wall Street Project, part of the Community and Lesbian and Gay Rights Institute, in 1995. The resolutions ask companies to adopt the following principles prohibiting discrimination based on both sexual orientation and gender identity:

- 1) Discrimination based on sexual orientation and gender identity will be prohibited in the company’s employment policy statement.
- 2) The company’s non-discrimination policy will be distributed to all employees.
- 3) There will be no discrimination based on any employee’s actual or perceived health condition, status or disability.
- 4) There will be no discrimination in the allocation of employee benefits on the basis of sexual orientation or gender identity.
- 5) Sexual orientation and gender identity issues will be included in corporate employee diversity and sensitivity programs.
- 6) There will be no discrimination in the recognition of employee groups based on sexual orientation or gender identity.

- 7) Corporate advertising policy will avoid the use of negative stereotypes based on sexual orientation or gender identity.
- 8) There will be no discrimination in corporate advertising and marketing policy based on sexual orientation or gender identity.
- 9) There will be no discrimination in the sale of goods and services based on sexual orientation or gender identity; and
- 10) There will be no policy barring corporate charitable contributions to groups and organizations based on sexual orientation.

New York City has proposed the Equality Principles resolution to **Anadarko Petroleum, BorgWarner, Eastman Chemical, Erie Indemnity, Frontier Oil, Huntsman, Kelly Services, Lyondell Chemical, Marshall & Ilsley, Murphy Oil, SPX, Synovus, Tesoro Petroleum** and **Timken**. The city has withdrawn it at Family Dollar, when the company agreed to bar discrimination against the transgendered as well as homosexuals. Since it began concentrating on the Equality Principles resolution, the thrust of the city’s campaign seems to have been to get companies to apply anti-bias provisions to the transgendered, not to press them to follow the Equality Principles word-for-word.

The only other pending equal employment proposal is a resolution requesting standard EEO data, which religious investors have been proposing since the 1970s. In recent years, the number of those resolutions has dropped. So far for 2008, the Social Issues Service has found only a resubmission at **Home Depot**. Activist shareholders have been unhappy with Home Depot because of what they see as renegeing on a promise to be more forthcoming with EEO information. The lead filer of the proposal at Home Depot is Trillium Asset Management, with many co-filers. The resolution got 25.6 percent support last year, a drop of 10 points from the year before.

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## EXECUTIVE PAY AND SOCIAL ISSUES

Shareholder activists who specialize in social issues have often devised resolutions linking these issues to executive pay practices. In the past they

found that certain issues that the SEC considers ordinary business questions would slip by if tied to executive compensation. That has been less true

recently, and proponents have been using the mechanism less frequently. Only six were proposed for 2007, compared with 11 in 2006 and 19 the year before. This year the Social Issues Service has found only two so far, both repeats.

NorthStar has re-filed a resolution to **ExxonMobil** that asks the board to conduct an executive pay review and report. The review is to include: a comparison of total pay for the CEO and the lowest paid U.S. workers in 1995 and 2005; an analysis of changes in the relative size of the wage gap and the rationale behind it; whether the top executive pay package is “excessive” and should be modified; and whether sizeable layoffs or pay levels of the lowest paid workers should result in an adjustment of executive pay “to more reasonable and justifiable levels.” The resolution got 11.6 percent support in 2007, down a point from the year before.

The Sisters of St. Joseph of Nazareth have re-filed their 2007 proposal with **Take Two Interactive Software**. The resolution asks the board’s compensation committee, when setting executive compensation, to include social responsibility and environmental (as well as financial) criteria among the goals that executives must meet. The proponents argued that social responsibility criteria are especially appropriate given the company’s history, citing a Securities and Exchange Commission investigation of the company and its top executives. The proponents also cite the controversy over hidden sexual content contained in one of Take-Two’s best-selling games, *Grand Theft Auto: San Andreas*. The 2007 proposal got 10.6 percent support.

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## GLOBAL LABOR STANDARDS

The number of resolutions on global labor issues has been dropping as the New York City funds, which spearheaded earlier campaigns, have been focusing on other issues. The Social Issues Service has identified only eight still pending for 2008. As in recent years, most of the pending proposals ask companies to adopt a code of vendor conduct, based on the International Labor Organization’s core labor standards, or to amend current codes to incorporate those standards. These resolutions also ask for establishment of an independent monitoring process that assesses adherence to the standards. New York City has resubmitted this proposal to **Cooper Industries** and **Kimberly-Clark**. Both resolutions got a little over 10 percent support last year. The Methodist pension board filed a variation of the proposal at Tellabs but has already withdrawn it, and Domini is filing at **Cummins**.

Amalgamated Bank has re-filed its proposal to **Urban Outfitters** that asks the company to adopt a code based in the ILO principles but does not ask for monitoring. The resolution got 18.9 percent support in 2007.

Domini has a proposal asking **Xerox** to report on its code of conduct and compliance mechanisms for its vendors. The proponents are concerned that while Xerox has joined an industry coalition to

address supply chain labor conditions, it has published little information on its efforts.

In addition, Domini is filing a new proposal with **Nucor** that doesn’t refer to the ILO standards explicitly, but seems to imply them in its references to child and forced labor. That resolution requests “the Board of Directors to review the company’s policies and practices related to its global operations and supply chain to assess areas where the company needs to adopt and implement additional policies to ensure the protection of fundamental human rights and to report its findings to shareholders, omitting proprietary information and at reasonable expense, by October 2008.” It recommends the review include:

- 1) “A risk assessment to determine the potential for human rights abuses at the company’s operations or at the operations of the company’s direct and indirect suppliers, in each country where the company operates or purchases raw materials, with a particular focus on the use of child labor, or forced or trafficked labor, whether in the form of prison labor, indentured labor, bonded labor or labor persuaded by false incentives.
- 2) “A report on the current system in place to ensure that the company and its suppliers are im-

plementing 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 relating to human rights issues.”

The New York City pension funds have a resolution asking **Hershey** to “review and report on progress towards implementation of the 2001 Cocoa Protocol against forced labor.” They would like the report to discuss efforts to establish transparency in their cocoa supply chains and steps Hershey is taking to train buyers and quality control specialists on what practices constitute violations of local and international standards. The funds are concerned the 2001 Cocoa Protocol is not being carried out.

F+C Asset Management is acting as primary filer for the resubmission of New York City’s 2007 proposal to **Wal-Mart**, which is focused on the company’s labor practices in its domestic U.S. operations. The proposal asks for a report by September 2007 “on the negative social and reputational impacts of reported and known cases of management noncompliance with ILO conventions and standards on workers’ rights and the company’s legal and regulatory controls.” Whereas clauses refer to community efforts to block Wal-Mart stores or to force the company to pay higher wages and benefits. The resolution got 4.6 percent support last year.

A related resolution to **Reynolds American** is discussed later, in the section titled Tobacco.

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## HEALTH ISSUES

A large coalition is hoping to get around problems at the SEC that have blocked campaigns on universal health care in past proxy seasons.

### *Universal health care*

Over the years, activist shareholders have been frustrated by their inability to get shareholder proposals on health care coverage past the SEC; the SEC staff has held that the health care issue is excludable because it boils down to a matter of employee benefits, which have always been considered an “ordinary business” issue for management, outside the purview of shareholders.

Nevertheless, church groups and the AFL-CIO are now trying to revive an effort, largely scotched at the SEC in 2007, to get corporations to embrace a universal health insurance plan instead of supporting the status quo. Three types of resolutions with different supporting statements all ask companies to adopt principles for comprehensive health care reform such as those based upon five principles reported by the Institute of Medicine. The principles assert that health care coverage should be universal, continuous and affordable to individuals and families. They also hold that the “health insurance strategy should be affordable and sustainable for society” and that “health insurance should enhance health and well being by promoting access

to high-quality care that is effective, efficient, safe, timely, patient-centered, and equitable.”

The AFL-CIO has filed its proposals with **Boeing**, **IBM** and **United Technologies**. The proposal at IBM has already been withdrawn when the company posted its principles on its website. Church-affiliated shareholders have filed resolutions similar to the AFL-CIO version at a variety of corporations--**Comcast**, **ExxonMobil**, **Ford Motor**, **General Motors**, **Kraft Foods**, **Target**, **Waste Management** and **Wendy’s**. The “whereas” clauses of these versions stress the enormous costs of health care to corporations under the current system.

Religious investors have also filed another version directed specifically at health care companies that is still pending at **CVS**, **Eli Lilly**, **McDonald’s**, **Medco Health Solutions**, **Merck** and **Wyeth**. This proposal focuses on the \$351.1 million it says the health sector spent on lobbying the federal government in 2006. It argues that most of the lobbying “occurs without shareholder consent and that of other stakeholders whose public policy interests may be opposed to that of our company.” Filers withdrew this resolution at Johnson & Johnson “after an informative and constructive meeting,” and have also withdrawn at Abbott and Bristol-Myers Squibb. The companies agreed to post statements on health care reform on their websites.

In addition to these proposals, other church-affiliated shareholders have filed resolutions asking four tobacco companies—**Altria, Loews, Reynolds** and **UST**—to adopt the principles. That resolved clause focuses on the expense of smoking-related diseases to companies that would be avoided if a universal health care program were in existence.

Last year, some of the same shareholders tried to broach the issue of the lack of corporate support for universal health care with a resolution asking companies to report on “the implications of rising health care expenses and how it is positioning itself to address this public policy issue without compromising the health and productivity of its workforce.” The SEC staff allowed most of the companies that challenged the 2007 proposal on health care costs to omit it, saying that it constituted an ordinary business issue because it dealt with employee benefits. But between the times that it issued most of the no-action letters and the time it produced the last one, a different SEC attorney told Ford it had to include the identical resolution, without further comment. The company apparently did not protest to the SEC, although the Ford letter appeared to have been issued in error, but it is possible that a more fundamental change in the SEC’s position might be underway. If it’s not, the proposals are likely to be excluded again; challenges are pending on proposals at Boeing, United Technologies and Wendy’s. The church proposal to drug and health care companies appears to be on especially shaky ground since the supporting statement focuses on lobbying; the SEC has always considered lobbying, like employee benefits, to be off-limits as a subject of shareholder proposals.

### ***Drug reimportation***

Undeterred by adverse SEC staff rulings, the Minnesota state pension board, which is under political pressure on the issue in its home state, is continuing to resubmit its proposal on drug reimportation. It again has asked four drug companies (**Eli Lilly, Pfizer, Merck** and **Wyeth**) to “prepare a report on the effects on the long-term economic stability of the company and on the risks of liability to legal

claims that arise from the company’s policy of limiting the availability of the company’s products to Canadian wholesalers or pharmacies that allow purchase of products by U.S. residents.” This resolution came to votes in 2005 and received substantial support. But in the summer of 2005, the SEC staff articulated a new policy that concluded that companies should be able to exclude resolutions on environmental or public health issues as ordinary business if they “focus on the company engaging in an internal assessment of the risks or liabilities that the company faces as a result of its operations.” In 2006, all of the companies except **Wyeth** challenged the proposals under this interpretation, and the SEC staff agreed that they could be omitted. This happened again in 2007, but **Minnesota** continues to file an unaltered version, and now **Wyeth** has challenged the proposal and already been allowed to omit it in 2008. **Pfizer** and **Merck** have also received no-action letters and **Lilly** is likely to challenge successfully as well.

### ***Beverage safety***

**NorthStar Asset Management** resubmitted its 2007 resolution asking **Coca-Cola** to publish a report on chemical and biological testing data for its beverage products. The whereas clauses listed instances where questions have been raised about pesticide and bromate contamination of **Coke** products. **Coca-Cola** did not challenge last year, but this year has already objected successfully that the proposal raises an ordinary business issue.

### ***Asthma triggers***

**Trillium** has submitted its resolution to **Dow Chemical** on asthma triggers for a third time. It asks for an independent panel to publish a report “analyzing the extent to which **Dow** product categories 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.” It got 6.8 percent support last year, up a point from the year before.

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## HUMAN RIGHTS

The human rights category has a range of resolutions, from general requests for policies to proposals raising concerns about specific issues, and it has more new twists than most of the subjects raised this year. The most prominent new effort is aimed at U.S. investment firms' holdings in foreign countries that do business in Sudan.

### *Sudan*

Social investment firms have proposed a new human rights resolution to six investment firms that is motivated by concern over potential portfolio investment in oil companies involved in Sudan. The proposal is pending at **Citigroup, JPMorgan Chase, Merrill Lynch, Morgan Stanley, T. Rowe Price and Wells Fargo**.

The resolved clause asks for a report by October 2008 that discusses "how our investment policies address or could address human rights issues." It says "such a report should review the current investment policies of the corporation with a view toward adding appropriate policies and procedures to apply when a company in which we are invested, or its subsidiaries or affiliates, is identified as contributing to human rights violations through their businesses or operations in a country with a clear pattern of mass atrocities or genocide."

The supporting statement says that the continuing atrocities in Sudan "clearly" demonstrate the need for such a report. It asserts that much of the revenue behind the conflict is generated by Sudan's oil industry, which is dominated by four foreign oil companies: China National Petroleum, Petronas of Malaysia, Oil and Natural Gas Corporation of India and Sinopec of China. U.S. firms are barred by law from investing directly in Sudan, but the proponents believe U.S. investment companies also "bear fiduciary and moral responsibilities as owners of stock in companies that may be connected to human rights violations," and they would like the investment firms to report on how they can most effectively respond to human rights concerns, including adopting strategies for shareholder engagement and possible divestment.

Only one Sudan-related resolution has ever come to a vote at a U.S. company, a 2007 proposal from an individual asking Berkshire Hathaway not to

invest in foreign firms that operate in countries that U.S. companies are barred from entering under U.S. law. The proposal was one of the most discussed of the 2007 proxy season, though it ultimately received only 2.4 percent support in the overall voting. Warren Buffett had decided to let the proposal come to a vote at the annual meeting even though Berkshire Hathaway had gotten permission from the SEC staff to omit it as an ordinary business issue dealing with specific investments. The proponents of this year's proposals have tried to write them so that they can't be shot down at the SEC.

### *General human rights policies*

The proponents of high-scoring 2007 resolutions are again asking **Boeing, Chevron and Halliburton** to adopt comprehensive human rights policies. This resolution has also been re-filed at **Visteon** after being withdrawn there last year. The Dominican Sisters of Springfield, Ill., are asking **Caterpillar** to review and amend its human rights policies. The supporting statement notes that Caterpillar's current code of conduct makes no reference to human rights and that the company does business in companies "with human rights challenges," including China, Burma, Israel and the Palestinian territories. Another new resolution, to **Motorola**, from the Presbyterians and Methodists also asks the company to review and amend its human rights policies. The supporting statement notes that the only human rights elements in the company's current code are those pledging nondiscrimination and no use of forced or child labor.

In addition, other religious groups have proposed resolutions to companies that already have human rights policies to ask them to amend those policies to address specific concerns. A proposal to **Abbott** asks it to report by December 2008 on how it plans to "address the right to access to medicine." The resolution quotes UN Special Rapporteur Paul Hunt as saying "almost 2 billion people lack access to essential medicines. Improving access to existing medicines could save 10 million lives each year, 4 million of them in Africa and South-East Asia. Access to medicines is characterized by profound global inequity. Fifteen percent of the

world's population consumes over 90 percent of the world's pharmaceuticals."

A new proposal to **DuPont** asks it to amend its human rights policy "to include respect for and adherence to seed saving rights of traditional agricultural communities" and to report on the policy and its implementation within six months of the annual meeting.

### **Burma**

In addition to the resolution on a comprehensive human rights policy, **Chevron** has a new proposal from the Teamsters and Steelworkers inspired directly by its involvement in Burma, which has occurred through its acquisition of Unocal. The resolution asks the company to develop guidelines on withdrawing from countries where the government is illegitimate, there is a systematic violation of human rights and there is a call for economic sanctions from democracy advocates.

### **Aboriginal relations**

A new resolution from Calvert to **Weyerhaeuser** touches on an issue that was the subject of a different proposal to the company last year—the company's logging from the Whiskey Jack Forest in Canada, which is the traditional land use area of the Grassy Narrows First Nation. The resolution asks for a report by September 2008 "assessing progress towards implementing the company's Aboriginal Relations Policy and discussing potential changes in light of the challenges presented by the Whiskey Jack Forest issue." It suggests that the report include a review of indicators related to the goal of building mutually beneficial relationships with indigenous peoples in existing and future areas of operation and a discussion of the feasibility of suspending procurement from the Whiskey Jack Forest until the Grassy Narrows First Nation has given its consent.

Shareholders continue to press **ConocoPhillips** on the indigenous rights concerns it inherited when it acquired Burlington Resources along with a con-

troversy over its oil concessions in remote rainforests in Latin America. This year's version asks the company to report on "ConocoPhillips' policies, procedures, and practices for obtaining consent of Indigenous Peoples affected by our activities—whether as operator or minority partner—through their recognized and official governance structures; and its policies to avoid contact with Indigenous Peoples living in voluntary isolation." The Brethren Brotherhood Trust is the official primary filer, but Boston Common Asset Management, which has been taking the lead on this issue for several years, will continue to act as the primary liaison with the company.

### **Exploitation of children**

Religiously affiliated shareholders are approaching two new hotel chain targets concerning the exploitation of children on company premises. Resolutions to **Choice Hotels** and **Wyndham Hotels** ask the companies to adopt a human rights policy prohibiting the sexual exploitation of children. They suggest that the policy be based on provisions of "The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism" and that employees be trained in the policy. The resolution cites a multi-million dollar industry "that includes tour guides, web sites and brothel maps." A similar new resolution to **Continental Airlines** takes on the issue from the perspective of transportation of the sex trade.

### **Internet censorship**

The New York City pension funds have resubmitted their 2007 resolution to **Google** that asks that management institute policies to help protect freedom of access to the Internet that would include certain minimum specified standards. The resolution got 3.8 percent support at Google, a closely held company, last year.

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## **MILITARY AND SECURITY ISSUES**

Some familiar proposals on military questions show up from religious groups, and the Teamsters have written a new proposal on homeland security that has passed scrutiny at the SEC.

### **Foreign military sales**

Church groups are asking **Boeing**, **Northrop Grumman**, **Textron**, **ITT** and **Caterpillar** to report within six months of the annual meeting on their "foreign sales of weapons-related products

and services.” The supporting statement suggests that the report discuss such issues as criteria for choosing countries with which to do business, categories of military equipment exported for the past three years and procedures used to negotiate foreign sales. The resolution is new at ITT and Caterpillar. In the case of Caterpillar, the proposal is co-sponsored by Jewish Voice for Peace and returns to a matter that was the subject of a 2005-6 shareholder resolution—the sale of bulldozers to Israel that were used to tear down Palestinian settlements.

A similar proposal, to **United Technologies**, asks the company to report on its foreign offset agreements.

#### ***Depleted uranium***

The Sisters of Mercy have re-filed a proposal, new in 2006, on depleted uranium, at **Lockheed Martin**. The resolved clause asks for a written report within six months of the annual meeting on the company’s depleted uranium and other nuclear weapons-related involvement. The proposal got a solid 10 percent vote at Lockheed last year—high for a military issue.

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

#### ***Ethical criteria***

Church groups have proposed a resolution asking **General Dynamics** and **General Electric** to re-

view and, if necessary, amend their criteria for military contracts, with an eye to ethical and environmental standards. This resolution has been submitted to many defense contractors periodically over the last 25 years; it’s a repeat from 2007 at GE.

#### ***Homeland security***

The Teamsters have filed a new resolution with **Burlington Northern Santa Fe, CSX, Kansas City Southern, Norfolk Southern** and **Union Pacific** on the security actions they have taken to protect their infrastructure and personnel. The proposal asks for a report by the 2009 annual meeting on information relevant to the Company’s efforts to safeguard the security of their operations arising from a terrorist attack and/or other homeland security incidents.”

This resolution replaces a 2007 Teamsters resolution asking for “information relevant to the company’s efforts to both safeguard the security of their operations and minimize material financial risk arising from a terrorist attack and/or other homeland security incidents.” The SEC staff agreed with the 2007 targets that the resolution constituted an ordinary business issue. The Teamsters apparently were successful in correcting this problem by removing the phrase “minimize material risk” from the resolution. The SEC staff has already told Burlington Northern that it can’t omit this year’s resolution.

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## **NORTHERN IRELAND**

The 2008 proxy season will mark the 24th year for the shareholder campaign, led by the New York City pension funds, in support of resolutions asking firms to implement the MacBride principles against religious discrimination in employment in Northern Ireland. The funds have re-filed proposals at **Crane, Domino’s Pizza, Manpower** and

**Yum Brands** and plan to file again at **BE Aerospace** for its summer meeting. The Minnesota State Board of Investment is co-filing the proposals at Manpower and Yum Brands.

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## **POLITICAL CONTRIBUTIONS**

For the fifth year, a big shareholder effort involves a campaign seeking information on corporate political contributions. The proposals ask companies

to issue semi-annual reports on all political contributions, as well as providing the guidelines for those contributions and identifying the persons

involved in making contributions decisions. The resolutions include a request for information on contributions to so-called “527 committees,” groups formed for the purpose of influencing elections, but not overtly supporting or opposing specific candidates. In 2007 average support for the proposals in the overall voting climbed to 25 percent. Moreover, proponents achieved 22 withdrawal agreements; they had worked out only nine in the first three years of the campaign.

All of the resolutions that the Social Issues Service has seen for 2008 contain a clause asking for a reporting of dues paid to trade associations, defined in the proposal as “payments made to any tax ex-

Trade associations engage in political activities that may support or conflict with [company] positions. For example, [the company] has made significant efforts to claim leadership in addressing the problem of Global Warming. In contrast, the National Association of Manufacturing—of which [the company] is a member continues to take a strong position against action on Global Warming. Without disclosure, it is impossible for shareholders to know about [the company’s] payments to trade associations, and how these payments are used for political activities, including those that may conflict with company positions on Global Warming.

The resolutions follow a template developed by the Center for Political Accountability, a research group in Washington, D.C., that focuses on corporate political spending. The shareholder campaign was initially spearheaded by labor unions, but SRI funds, church groups and New York City are now filing extensively. The resolution is pending at the companies noted in the table.

The resolution has already been omitted at Boeing, McGraw Hill and Washington Mutual because of technical problems with the filing. The resolution was withdrawn at some of the 2008 targets in the earlier years of the campaign, before the sponsors inserted the section on trade union dues reporting. It has already been withdrawn this year at Johnson & Johnson, where it was also withdrawn at 2005.

Evelyn Y. Davis, the long-time corporate gadfly who alternates several political resolutions among her stockholdings, has filed proposals at seven companies for this year. She has re-filed her standard proposal that corporations affirm their political nonpartisanship at **Continental Airlines** and **Home Depot**. Davis’s proposal that corporations publish a list of their political contributions in major newspapers has been re-filed at **Lehman Brothers** and filed at **General Motors** and **US Airways**. Her proposal asking companies to disclose the names of employees with prior government service is pending at **Citigroup** and **JPMorgan Chase**.

Political Contributions	
Adobe Systems	Ford Motor
American Express	General Motors
American Intl Group	GEO Group
AT&T	Halliburton
Avon Products	Johnson & Johnson
Boeing	JPMorgan Chase
Boston Scientific	Marsh & McLennan.
Bristol-Myers Squibb	Massey Energy
Capital One Financial	McGraw Hill Ryerson
Charles Schwab	Praxair
Chubb	Prudential Financial
Citigroup	Texas Instruments
Comcast	Union Pacific
ConocoPhillips	Unisys
Cornell Cos.	United Parcel Service
Corrections Corp. of Amer.	UnitedHealth Group
DTE Energy	Valero Energy
Duke Energy	Wachovia
Eli Lilly and	Washington Mutual
Entergy	Waste Management
Exxon Mobil	Wyeth
EBay	Xerox
Evelyn Davis Proposals	
Citigroup	JPMorgan Chase
Continental Airlines	Lehman Brothers Holdings
General Motors	US Airways Group
Home Depot	

empt organization that is used for an expenditure or contribution if made directly by the corporation would not be deductible under section 162 (e)(1)(B) of the Internal Revenue Code.” This clause was included in some resolutions for the first time in 2006. A paragraph contained in the resolution targeted at ExxonMobil and some manufacturing companies explains the rationale:

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## PRODUCT SAFETY

The New York City pension funds have launched a new campaign responding to recent reports of toxic and hazardous products imported into the United States from overseas, especially China.

The proposal is pending at **Home Depot, JC Penney, Mattel, Target and Wal-Mart**. The state of Connecticut Retirement Plans and Trust Funds is co-filing the proposals at Mattel and Target. The resolution asks for a report on product safety by December 2008. As described in the proposal to Target, "The report should summarize attempts by the company to secure its supply chain of goods marketed, which, if any product lines and catego-

ries sold in Target stores may be affected by the new product safety concern..., and the options for new initiatives or actions management is taking to respond to this public policy challenge, beyond those initiatives or actions already required by law." The resolution notes that 38 recalls of potentially hazardous Target products, ranging from toys to electrical appliances, have taken place since 2005. The other four resolutions give the same description of the report, but give recall statistics for the individual companies.

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## SUSTAINABILITY

In recent years, a growing number of organizations and interest groups have promoted the concept of "sustainability" as a goal for both countries and corporations. The most widely used definition of sustainability is probably the one contained in the 1987 final report of the United Nations World Commission on Environment and Development. That report called for "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

### *Standard sustainability resolution*

A shareholder campaign on the issue is now in its seventh year. Proponents include New York City, all of the most prominent social investment fund filers and church groups. The resolved clauses of most of the pending proposals simply ask companies to provide "sustainability reports," though this year's resolution from New York City also asks that the report include "multiple, objective statistical indicators." Proposed deadlines for producing the report vary from Sept. 1, 2008, to Oct. 31, 2008, to Dec. 31, 2008, depending on the proponent.

The supporting statement usually says:

We recommend that [the company] use the Global Reporting Initiative's Sustainability Reporting Guidelines ("The Guidelines") to prepare the report. The Global Reporting Initiative (see [www.globalreporting.org](http://www.globalreporting.org)) is an in-

ternational organization with representatives from the business, environmental, human rights and labor communities. The Guidelines provide guidance on report content, including performance in six categories (direct economic impacts, environmental, labor practices and decent work conditions, human rights, society, and product responsibility). The Guidelines provide a flexible reporting system that permits the omission of content that is not relevant to company operations. More than 1,000 companies use or consult the Guidelines for sustainability reporting.

The 2008 targets of this particular proposal are **Allegheny Technologies, AMR, Capital One Financial, Cigna, Comcast, Dentsply, Dillards, Dover, Felcor Lodging Trust, Hartford Financial, JetBlue Airways, Lowe's, Norfolk Southern, Pentair, Raytheon, Regions Financial, Safeway, Sigma-Aldrich, UAL and Waters**.

In the past, a number of sustainability resolutions have been withdrawn; proponents achieved substantive withdrawal agreements at 19 of 41 targets in 2007. The Camilla Madden Charitable Trust has already withdrawn a 2008 proposal after an agreement with Hasbro.

### *Other sustainability proposals*

The Calvert Group, in addition to filing a number of the generic proposals asking for a sustainability report, has filed a resolution with **Continental Airlines, Southwest Airlines and US Airways** asking

the company to “prepare a sustainability report describing corporate strategies to reduce greenhouse gas emissions and addressing other environmental and social impacts such as waste management and recycling, as well as employee and product safety.”

The Methodist pension board and Adrian Dominican Sisters have new filed resolutions asking three food companies to report on “measures taken to ensure the long-term sustainability and security of our company’s product supply chain, including

- Strategies to significantly reduce waste, energy and water use throughout the supply chain;
- Resource conservation programs and pollution prevention measures for the full product life-cycle;
- Labeling products for country of origin and presence of genetically modified ingredients; and

- Safety testing and systems to ensure identity preservation and traceability “from farm to fork.”

The proposal is pending at **Kellogg, Safeway and Yum Brands**. Kellogg is arguing that it should be able to omit it because it is too similar to the more generic sustainability reporting proposal that did not get enough support for resubmission at the company last year.

The Social Issues Service has not received a reply from a request to Action Fund Management, a conservative group that started filing resolutions in 2006, for information on proposals it may be filing in 2008. Its 2007 sustainability report proposal to Goldman Sachs that was critical of the firm’s environmental initiatives received enough support for resubmission and may be pending again, and a log at the SEC public reference room shows that the group has filed an environmental sustainability report resolution at Lehman Brothers.

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## TOBACCO

Tobacco has continued to diminish as an issue for most shareholders as anti-smoking activists see increasing success on the legislative front. Compared with a decade ago, when proponents offered 34 resolutions, only 10 were proposed for 2007, five of which came to votes and averaged only a meager 1.7 percent support. Nevertheless, a core of religious groups affiliated with the Interfaith Center continues to try to find new ways to bring the issue before annual meetings. For 2008 they have proposed a new proposal to **Altria** and **Reynolds** asking them “to find ways to implement a ‘two cigarette’ approach globally with [their] various cigarette brands” and to report to shareholders. The proposal cites an Oct. 22, 2007, op-ed piece in *The New York Times*, “The Two Cigarette Society,” proposing that the companies produce nicotine-free cigarettes as well as those with nicotine. Under the proposal, the sale of addictive cigarettes would be restricted to persons over 21 and teenagers who start smoking non-addictive cigarettes would be prohibited from switching to addictive cigarettes even after they turned 21.

In one of a number of 2008 resolutions in which a specific concern is wedded to a human rights policy, another new resolution asks **Reynolds** to “commit itself to create procedures for the implementation of the internationally agreed core human rights conventions in the countries in which it operates and to find ways to ensure that its suppliers are in compliance with these as well.” The “whereas” clauses indicate that the proponents’ particular concerns are that workers who harvest tobacco may contract acute nicotine poisoning through skin absorption. Compliance with human rights conventions, they believe, will ensure that tobacco harvesters have safe working conditions and adequate health care. (For more on the human rights-linked and global labor-related resolutions, see those categories, above.)

In addition to the new proposals, religiously affiliated proponents have re-filed two 2007 resolutions with **Altria**. One of those, which asks the company to voluntarily adopt the marketing and advertising provisions of the U.S. Master Settlement Agreement worldwide, was withdrawn last year after an agreement. The other asks **Altria** to stop

“company-sponsored ‘campaigns’ allegedly oriented to inform youth about smoking’s dangers” until the company can’t refute findings that those campaigns are ineffective; that resolution got 3.3 percent support.

The Sinsinawa Dominicans have proposed a resolution to **Loews** on tobacco advertising to African Americans. It asks the company to develop a policy it “shall not expend any greater percentage of its advertising expenditures in demographic areas that are defined as below-poverty level and pre-

dominately African American than it does in its other targeted areas. The proponents are concerned that, because more than half of the purchasers of Newport cigarettes are blacks, Loews’ Newport subsidiary is “inundating” the African American community with advertising.

In addition to those resolutions, shareholders affiliated with the Interfaith Center are asking Altria, Lowes, Reynolds and UST to endorse principles embracing universal health care. For details on those resolutions, see the section on Health, above.

## MISCELLANY

### *Privacy Rights*

As You Sow is asking **AT&T** to prepare a report that "discusses from technical, legal and ethical standpoints, the policy issues that pertain to disclosing customer records and the content of customer communications to federal and state agencies without a warrant, as well as the effect of such disclosures on privacy rights of customers. The report should be prepared at reasonable cost and made available to shareholders within six months of the annual meeting, and it may exclude proprietary, classified and confidential information, including information that would reveal the Com-

pany’s litigation, regulatory or lobbying strategy." The company was allowed to omit a different resolution on the same subject last year on ordinary business grounds.

### *Store Siting*

A new resolution to **Lowes** from Christian Brothers Investment Services raises the same issue of store siting that came up at Costco in 2005. The resolution asks the board to "develop a policy for land procurement, leasing and store siting and use that Incorporates social and environmental factors."