

# PROXY SEASON PREVIEW

SPRING  
2007

## HELPING FOUNDATIONS ALIGN MISSION AND INVESTMENT

### INCLUDED IN THIS ISSUE:

- Hot Issues in 2007, Top Vote Getters in 2006, Trends in Voting
- Social Proposals: Animal Welfare, Environment, Health, Human Rights, Labor, Political Donations, Sustainability
- Governance Proposals: Board Diversity, Executive Compensation, Separate CEO and Chair
- News and Reports: Foundation Involvement, Resources, Spring Proxy Vote List



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# Proxy Season Preview — Spring 2007

*Helping Foundations Align Mission And Investment*

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# INTRODUCTION

Every year there are hundreds of shareholder proposals on social and environmental issues that are directly relevant to the missions of foundations. The Proxy Season Preview provides a thorough and useful source of information to help foundations identify these proposals and vote their proxies in an informed manner.

The 2007 Preview highlights key issues, describes all current social and environmental proposals, identifies the investors and organizations filing them, provides a list of companies and upcoming proxy votes, features significant media stories and new foundation reports, and offers a resource section that will further enable foundations to learn more about what their colleagues in the philanthropic community are doing in the way of aligning mission and investments.

Recent news articles on the Gates Foundation have drawn significant attention to the role of foundations' endowments in relation to their missions. The January 2007 LA Times articles strongly suggest that philanthropic initiatives are being compromised as foundations' grantmaking and investment policies are in effect supporting opposite sides of the issues that their grantmaking seeks to address. The question foundations are starting to grapple with is: are the positive impacts from our grantmaking being negated by any negative social and environmental impacts from the companies we invest in?

Proxy voting is a basic first step in aligning mission and investments. It supports strong management practices which in turn protects long-term shareholder value and the value of a foundation's endowment. Secondly, it supports the stated charitable mission of many foundations by backing stronger corporate social and environmental practices at US corporations without compromising return. Yet when it comes to using the proxy process, most foundations passively follow management recommendations even when they are not aligned with the foundations' own interests and values.

The majority of companies hold their annual meetings in the spring and several hundred proxy proposals will be voted on in the next few months (a smaller proxy season follows in the fall). This is the time for foundations to identify and support those proxy issues that are most related to their mission.

## TYPES OF PROPOSALS

Shareholders file two types of proposals — governance and social.

**Governance Proposals** focus on traditional management issues such as selection of directors, appointment of auditors and approving company stock plans. There are several hundred governance proposals filed every year and numerous sources of information, some of which are included in our Resource section. This preview focuses on those governance proposals that overlap with social issues such as board diversity or linking executive compensation to social criteria.

**Social Proposals** call for reports or policy changes on social or environmental issues. These are the shareholder proposals most directly related to foundations' programmatic goals. Most foundations delegate proxy voting to investment managers who often automatically vote in accordance with company management recommendations. Given that management almost uniformly votes against social proposals, foundations are, quite simply, supporting company actions that are often in opposition to their program mission.

Proposals listed here are up-to-date as of April 10, 2007. At this time more than 350 social proposals had already been filed and over 200 will be voted on this spring. Foundations will find many of these related to their grantmaking and mission.

### **NEW for 2007 — Online Updates**

Some proposals described here may not be listed on your proxy statement. Historically, about 30% of those filed will not go to a vote. Changes occur constantly as proposals are withdrawn by the filers in exchange for company dialogues, or omitted by the company in accordance with Securities Exchange Commission rules. Additionally, not all vote deadlines were available at the time of printing. **An updated listing of pending social proposals will be available on May 1 and June 1 at [www.asyousow.org](http://www.asyousow.org)**

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## MAJOR PLAYERS

### **The Interfaith Center on Corporate Responsibility (ICCR)**

accounts for two thirds of all 2007 social proposals filed. ICCR pioneered shareholder activism on social issues 30 years ago and continues to be the world's leading practitioner. ICCR does not own stock itself, but its members and associates work together through ICCR to co-ordinate efforts on many proposals. ICCR is comprised of 275 religious institutional investors, along with two-dozen socially responsible investment (SRI) firms, pension funds and foundations — with combined assets of \$110 billion. ICCR has traditionally been the leader on issues of diversity, environment, global warming, health, human rights, labor rights, violence and militarization.

**Socially Responsible Investors (SRIs)** consider their investments' returns as well as their investments' impact on society. SRIs are best known for developing positive or negative investment screens encompassing a variety of issues and industries. Some go a step further and actively engage companies on issues related to their screens. The most active SRIs engaged in shareholder dialogues and filing proposals over the last several years include Boston Common Asset Management, Calvert Group, Christian Brothers Investment Services, Citizens Funds, Domini Social Investments, Ethical Funds (Canada), Green Century Funds, Harrington Investment, Trillium Asset Management and Walden Asset Management.

**Pension Funds** have been prominent shareholder activists over the years both as proposal filers and influencing company policies behind the scenes. New York City Pension Funds (NYC Funds) — a consortium of five pensions including firefighters, police and teachers — has become not only the most active pension fund, but the most active of any filer with nearly 80 proposals this spring alone. Some of its core issues are labor, climate change, sustainability and political donations. The Minnesota State Board of Investment filed four proposals on drug re-importation policy. The California Public Employees Retirement System (the world's largest pension fund) rarely files proposals anymore, but it still yields great influence through its proxy voting and investment policies. The State of Connecticut Treasurer's Office is always an active filer and this year has a dozen proposals on environmental, labor rights and governance issues.

**Labor Unions** have historically been very engaged as shareholder activists. Many of their long term efforts have paid off and like most shareholder activists they are

finding more opportunities for company dialogues. Unions typically file a large number of governance proposals and this year they have filed about a dozen social proposals as well. The AFL-CIO, Service Employees International Union (SEIU), sheet metal workers and steelworkers filed proposals on political contributions. DuPont workers have pending proposals on plant closings and executive pay. The Teamsters continue to push for improved security safeguards in response to potential terrorist attacks.

**Foundations** have total endowments of more than \$600 billion, making them major institutional investors. Yet when it comes to using proxy votes to enhance their missions and investments, most foundations passively follow management's recommendations even when they are not aligned with the foundations' own interests or values. Yet a handful of foundations such as the As You Sow, Educational Foundation of America, Rose, Needmor, Jessie Smith Noyes and the Nathan Cummings Foundations, have been highly active in the shareholder advocacy community. Others such as Boston Foundation and Rockefeller Brothers Fund do not file proposals but follow internal proxy voting guidelines that they make publicly available. Foundation involvement continues to grow with nearly twenty foundations filing proposals this year. More foundations are internally discussing how best to align mission with investing and several are actively addressing this through approaches besides proxy voting such as SRI, program related or mission related investing (see Aligning Mission and Investment pg. 12).

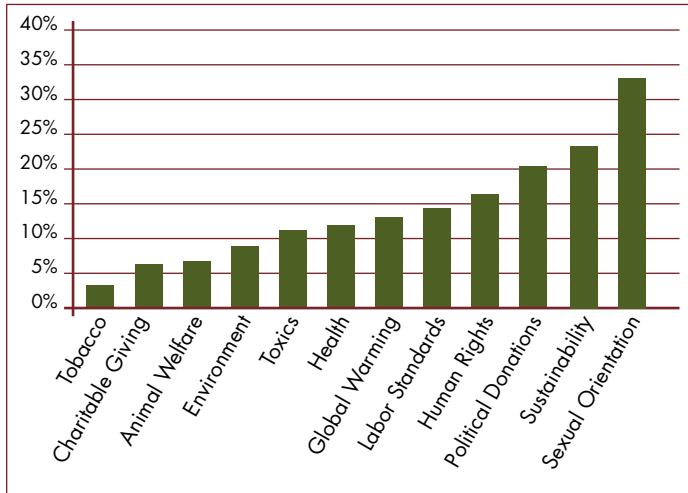
### **Non-Governmental Organizations (NGOs)**

continue to file a handful of proposals every year. The major exception is the People for the Ethical Treatment of Animals (PETA) which filed 23 animal welfare related proposals. Sierra Club filed four proposals on carbon tax, toxics, political contributions and energy efficiency; Amnesty International filed two on environmental justice issues; Corporate Accountability International filed at Coke regarding contaminants found in its beverages; and Jewish Voice for Peace continues to press Caterpillar for board accountability, due in part to its poor human rights record. Meanwhile socially conservative investors, concerned about such issues as homosexuality, illegal immigration, abortion, and slave reparations, have filed approximately 20 proposals for the second year in a row. The National Legal and Policy Center filed 11 charitable giving proposals (up from one proposal in 2005), and Human Life International filed two similar proposals. The Free Enterprise Institute's Action Fund continues to file proposals doubting the scientific validity of climate change (see Trojan Horse, pg. 5).

## REVIEW OF 2006 VOTES

The two hot issues of last year — sexual orientation discrimination and political contributions — were at the top both in proposals filed and votes received. Sexual orientation discrimination policies received an average vote of 33% with other labor issues also receiving good support (workers’ rights proposals attracted the most shareholder votes in 2005 as well). Sustainability reporting garnered an average vote of 24% which is comparable to its steady returns of the last few years. Political contributions, which accounted for the most proposals filed on a single issue last year, had strong votes averaging 21%. Environmental issues comprised the largest number of proposals voted on in 2006 and global warming proposals received the most votes in this category averaging 14% (see graph 1 below).

Graph 1: Top 2006 Social Proposal Votes by Issue



Social proposals have historically received single digit votes. While that is still the case for many proposals, there is a trend toward bigger votes indicating that at least some social investor issues are beginning to become important issues for mainstream investors as well. Table 1 shows that the number of social proposals gaining votes in the 20-50% range have risen significantly over the last three years, while the overall percentage of proposals receiving lower than 10% votes is steadily decreasing.

Table 1: Upward Trend in Social Proposal Votes

% Voted FOR the Proposal	2004 Number of Proposals	2006 Number of Proposals	Percent Change over three years
<10%	127	114	-10%
10–19%	46	27	-41%
20–29%	10	29	+190%
30%+	10	16	+60%

Of those social proposals that gained significant votes in 2006, many received totals comparable to or better than traditional governance proposals (see table 2). This serves as further evidence that social, environmental and reputational risks are being viewed as financial concerns in their own right by mainstream investors.

Table 2: Top 2006 Social Proposal Votes by Company

Company	Issue	2006 vote
Amgen Inc.	Political Donations	75.5%
Micron Technology, Inc.	Sexual Orientation Discrimination	55.5%
Lear Corp.	Labor Standards — ILO	49.8%
Terex Corp.	Sustainability Report	48.4%
Standard Pacific Corp.	Energy Efficiency	39.3%
Wendy’s International	Sustainability Report	38.2%
Home Depot	Equal Employment Opportunity	35.9%
ExxonMobil	Sexual Orientation Discrimination	34.6%
Home Depot	Political Donations	34.0%
Dean Foods	Sustainability Report	33.9%
Expeditors International of Washington, Inc.	Sexual Orientation Discrimination	33.6%
Verizon Communications	Political Donations	33.4%
Marsh & McLennan Co., Inc.	Political Donations	33.2%
C. R. Bard	Labor Standards — ILO	32.9%
Gilead Sciences	HIV/AIDS	32.3%
Computer Sciences Corp.	Board Diversity	31.7%

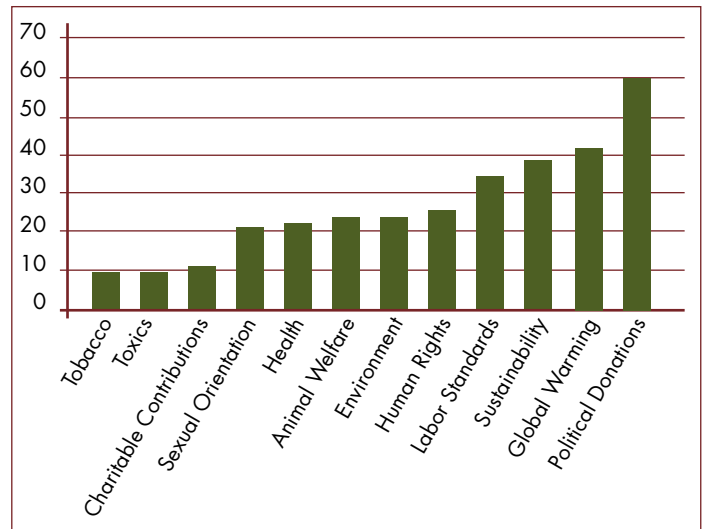
## PREVIEW OF 2007

Political donation proposals accounted for the largest number of proposals filed on a single issue last year with 40, and this year they increased to 60 proposals filed (19% of all social proposals). Meanwhile, environmental issues continue their decade long run of being the largest category of issues representing 32% of social proposals filed. The main issue here is global warming with 42 proposals (13%) covering climate science data, emissions reduction and energy efficiency; while a wide variety of other issues such as forestry, fisheries, genetically engineered plants, nuclear waste, protected lands and recycling make up the rest of this category. Sustainability (12%) encompasses environmental, labor and human rights issues and in this case focuses on how a company can quantify and report on its impacts in these areas.

Labor rights are another major category with sexual orientation discrimination being the main issue here with 21 proposals (7%). Other issues include equal employment opportunity, working conditions and global labor standards for 33 proposals (17%). Another widely represented category is health related proposals such as tobacco, toxics, food labeling, product safety, prescription drug policies and healthcare challenges (13%). Animal welfare is a category unto itself, representing 23 proposals (7%) of the total filings.

It should be noted that the total number of filings for global warming and sexual orientation discrimination include a small number of proposals filed on the same issue but representing opposing viewpoints. And throughout this preview we talk about proposals *pending* and proposals *filed*. Pending means the proposal is still to be voted on — and upcoming votes are of course the main focus of this preview. Yet we will sometimes discuss the number of proposals filed as a means of highlighting the scope or impact of the proposal. For instance a proposal may be filed but later withdrawn for a company dialogue, which might indicate company action or behind the scenes negotiations. The number of filed proposals is often a good way to gauge growing or slowing shareholder campaigns, or an indication of a hot issue. In this way we hope to add some insight beyond just listing the number of pending proposals to be voted on.

Graph 2: Top 2007 Social Issues by Filings



## HOT ISSUES

### Political Donations

Political donation disclosure has hit its stride this proxy season with the filing of proposals at more than 60 companies making it the largest single issue this year (this campaign started with only five proposals filed in 2003). In early 2007, 16 companies have already opted to avoid this proxy battle by agreeing to adopt disclosure and board oversight of some or all of their political spending. That makes a total of 31 companies agreeing to disclose political contributions since this campaign began. Political donation proposals achieved a significant breakthrough in 2006. Not only did the average vote for the proposals jump to 20% from 9% in the two preceding proxy seasons but the proposals received more than 20% of the vote at 15 companies and over 30% at five in 2006. These votes are even more impressive when one takes into account that social proposals often generate single digit votes (see table 1, pg. 3). [www.politicalaccountability.org](http://www.politicalaccountability.org)

### Global Warming

The first global warming proposal was filed 16 years ago with little support. But in 2007 shareholders have filed more than 40 proposals on global warming related issues such as greenhouse gas emissions, carbon disclosure, and renewable energy - and are actively involved in nearly 50 company dialogues. This large scale effort is coordinated by ICCR and CERES who have been instrumental in developing the Investor Network on Climate Risk (INCR), which educates and recruits institutional investors, state pension funds and foundations to take a leadership role on climate change proxy efforts.

Thanks to pressure from this work and the business-based Carbon Disclosure Project, scores of companies worldwide have agreed to chart their carbon footprint and to plan emissions reductions. This coalition has strategically targeted the utility, auto, oil & gas, building and finance sectors. These efforts have been instrumental in bringing this issue directly into corporate boardrooms. INCR has launched a Climate Watch list of 10 companies that lag behind their company peers. [www.incr.com](http://www.incr.com)

### Trojan Horse Proposals

Conservative NGOs have begun to file proposals over the last few years, many of which imitate proposals originally filed by progressive investors. The global warming issue has a number of so-called Trojan Horse proposals that sound similar to ICCR, NYC Funds and SRI proposals but unlike those proposals, these are aimed to pressure the company to abandon efforts to address climate change. The Free Enterprise Institute's Action Fund (FEAF) doubts the impact of humans on climate change and sees the corporate responsibility movement as a barrier to free enterprise. FEAF has filed several proposals on data sources (see Climate Science, pg. 7) and one each on greenhouse gas emissions, the Equator Principles and sustainability. Concerned that shareholders will be confused by similar language but vastly opposing intentions, ICCR, CERES and David Gardiner & Associates issued an alert to shareholders recommending a vote against these proposals. [www.iccr.org/news/press\\_releases/2007/MemoOnMilloy3-20-07.pdf](http://www.iccr.org/news/press_releases/2007/MemoOnMilloy3-20-07.pdf)

Both this year and last year a similar tactic has been used in the filing of Equal Employment Opportunity proposals which sound like they could support, but actually oppose, sexual orientation discrimination proposals. Those proposals resulted in some of the lowest votes of 2006.

### Toxic Products

Another large shareholder coalition that is gaining momentum is the Investor Environmental Health Network (IEHN) which engages companies on toxics used in common consumer products. IEHN has filed 11 toxic related proposals calling for safer chemical policies or the removal of toxic ingredients including polyvinyl chloride (PVC) and perfluorooctanoic acid (PFOA). Three have already been withdrawn in return for dialogue. Previous withdrawals and dialogues have led to company action such as: several cosmetics companies agreed to product reformulation to meet the European Union's higher safety standards; Whole Foods Market removed baby bottles and other products containing certain toxics from its shelf;

and Wal-Mart developed a "preferred substances policy" incorporating a precautionary principle based approach to chemical management. IEHN and the Rose Foundation published the *Fiduciary Guide to Toxic Chemical Risk* which quantifies risks related to use of toxic chemicals and *Beneath the Skin: Hidden Liabilities, Market Risk and Drivers of Change in the Cosmetics and Personal Care Products Industry*. Those reports, combined with another recent publication by Innovest Strategic Advisors entitled *Cross-Cutting Effects of Chemical Liability from Products* have all helped build the business rationale for companies to adopt safer chemicals policies (see News & Reports, pg. 12). [www.iehn.org](http://www.iehn.org)

## NEW ISSUES

### 'Say On Pay' — Executive Compensation

The major new initiative of the 2007 proxy season is a union and socially responsible investor led effort to encourage curbs on excessive executive pay. Soaring executive pay, which can be 700 to 1000 times an average worker's pay has sparked outrage for years but few investors seemed willing to do much about it. Large institutional investors generally do not support proposals calling for specific caps on compensation. But this new effort, called "say on pay," approaches the issue in a way that may get results without seeking to impose pay limits. The proposals, submitted to more than 60 companies in 2007, seek to allow shareholders an annual nonbinding vote on executive pay. Shareholders in the United Kingdom have been allowed to cast advisory votes on executive compensation for several years. Such a vote is not binding, but gives shareholders a clear voice that provides available feedback on how shareholders view management performance. Major proxy advisory services like Institutional Shareholder Services (ISS) and Glass Lewis are recommending votes in favor of these proposals. ISS, the nation's largest proxy analyst, said an advisory vote "would allow shareholders a voice in executive compensation practices of a company...would be a confidence vote on the work of the compensation committee...and another step forward in enhancing board accountability." Considered by many as a traditional governance issue, 'Say on Pay' was initiated by the American Federation of State County and Municipal Employees and SRIs partly as a way to address pay discrepancy between executives and average workers.

### Internet Censorship / Freedom of Expression

Censorship of online content and sharing of information with repressive governments leading to the jailing of

democracy activists has raised serious questions about free expression and the use of advanced technology in the digital age. A 2006 Congressional hearing explored alleged complicity in human rights violations by internet providers. Examples were given of how China, Saudi Arabia and other countries censored on-line political content. NYC Funds has filed proposals at Cisco, Google and Yahoo calling for the companies to assess the steps they could take to reduce likelihood of their business practices to be used in violation of human rights, including freedom of expression and privacy. Visual Artists Guild LA also filed at Yahoo asking for a report on how the company promotes freedom of speech, which countries restrict content, what user data is available to governmental agencies and which have conducted surveillances. In January 2007, a diverse group of companies, academics, investors, technology leaders and human rights organizations joined together to seek solutions to these free expression and privacy challenges. They aim to produce a set of principles guiding company behavior when faced with laws, regulations and policies that interfere with the adherence to human rights.

### Privacy

AT&T and Verizon allegedly provided customer phone records, emails and communications data to the National Security Agency without requiring a warrant or a court order. This resulted in extensive media coverage and generated dozens of lawsuits against the companies seeking billions of dollars in damages. As You Sow filed proposals at both companies calling for policies, procedures or technologies to ensure the confidentiality of customer information, and that customer information only be released when required by law. In a strong show of consumer concern, the CEOs of Verizon and AT&T each received more than 5000 emails, faxes and calls in support of the proposal. The companies made elaborate arguments to the SEC suggesting that responding to questions about "state secrets" would by itself violate state secrets. The SEC allowed the companies to omit the proposals using an "ordinary business" exclusion.

### Cloning

Although only appearing on a few proposals this year, it will be interesting to note if the first ever cloning proposals increase over time as cloning becomes more prominent in the food and pet industries. Especially in light of two large shareholder campaigns on genetically engineered food and animal welfare which have reached more than 80 companies over the years. It will also be interesting to see if this is one issue that garners support from both progressive and conservative shareholders.

## SOCIAL PROPOSALS

In the past 30 years thousands of social proposals filed with companies by shareholder activists have broken new ground in fostering more progressive corporate practices. These include nondiscrimination in employment, increased disclosure of environmental liabilities and health risks, stopping environmentally damaging projects, redesigning toxic products, persuading companies to leave countries with human rights abuses, and improving the wages, benefits and conditions of workers.

Proposals have been grouped together in broad categories to make it easier to find common areas of interest.

### ANIMAL WELFARE

Once again, the animal rights group People for the Ethical Treatment of Animals (PETA) is one of the most active grassroots groups involved in shareholder advocacy. PETA started with three proposals in 2003 and has steadily increased its outreach, filing 24 proposals this year. PETA believes that these proposals have been instrumental in getting companies to enter into a dialogue and take proactive steps toward more humane slaughter methods and improving the living conditions of animals used in laboratory testing. Not only is PETA stepping up the use of this strategy but support from shareholders is also increasing. In 2006, PETA received 25% of the vote from shareholders supporting its Wyeth proposal and 15% of the vote in support of its Brinker proposal. These are unusually high percentages for proposals on this issue.

PETA's proposals focus primarily on two areas — the use of animals in factory farming and in laboratory experiments. Nine of the 18 pending proposals focus on a new, more humane type of slaughter technology, and six involve publishing an animal welfare policy and implementing social and behavioral enrichment measures for the animals used by pharmaceutical companies. There are also two proposals concerning the increased outsourcing of animal testing to countries with few, if any, animal welfare laws and one proposal concerning the needless testing of Taser products on animals.



## CONTRIBUTIONS

### Charitable Giving

The conservative groups National Legal and Policy Center (NLPC) and Human Life International (HLI) filed 11 proposals asking for a listing of all charitable contributions to be posted on the company web site, and another proposal asks for reports on all charitable giving, their business rationale and decision makers. While this information is useful for investors and in general follows similar reporting requirements of the political donation proposals (below), NLPC makes it clear on their website that this is part of their campaign to cut off corporate funding for Jesse Jackson and the Rainbow coalition. Another stated target of NLPC is the Mexican American Legal Defense and Action Fund. One proposal at Goldman Sachs focused on the company's land donations to the Wildlife Conservation Society. That resolution received a vote of 00.01% in 2006. HLI claims to be the world's largest pro-life organization and their proposal efforts have focused on their opposition to Planned Parenthood. Proposals are pending at Anheuser-Busch, Boeing, General Electric, Pepsi, Verizon, and Wal-Mart.

### Political Donations

More than 60 proposals have already been filed in 2007 making this the largest single social issue to be voted on. The Center for Political Accountability runs this well organized campaign and has coordinated a large cross section of investors including unions, religious institutions, NGOs, foundations, pension funds, SRIs and individuals. Two similar proposals address soft money contributions - one of which also addresses trade association dues. The proposals ask for reports explaining the business purpose of the contributions, the company's policies and procedures for political contributions, the monetary value of soft money and in-kind contributions, and public disclosure of the recipients and those making the decision.

As the Center for Political Accountability pointed out in its *Hidden Rivers* report released last year, trade associations provide companies with a conduit to hide their political spending. Company payments to trade associations and trade association political spending are undisclosed and unaccounted for. While it is significant that a growing number of companies are agreeing to disclose their payments to trade associations that are used for political purposes, the big challenge will be to assure that companies receive the requested information from their trade associations and that trade associations accurately report their political spending. Trade associations have a poor record of accurately reporting

their political activity to the Internal Revenue Service and are not likely to do much better when providing that information to their members. Political contribution disclosure proponents recognize the challenge and will use the new agreements — and their new leverage — to push companies and their associations to provide the broader disclosure and accountability that is critical to protect shareholders.

An individual shareholder filed her own political disclosure proposals at two companies asking them to publish their political contributions in a newspaper ad, and at two others asking to affirm political nonpartisanship.

## ENVIRONMENT

Environmental issues account for the widest variety of issues and filers. Global warming concerns comprise the majority of environmental proposals and foundations seeking to address this issue will find proposals on greenhouse gas emissions, climate science, carbon disclosure, and renewable energy.

### Climate Science

Despite scientific consensus that climate change is happening, some investors believe that greenhouse gas emissions from human activity have little or no impact on climate change. The Free Enterprise Institute's Action Fund leads this effort. Proposals were filed asking DuPont, Ford, General Electric, and Occidental Petroleum to report on research data relevant to their stated positions on the science of climate change.

### Energy Efficiency

ICCR, SRIs and foundations filed nine proposals (three pending) asking homebuilders, real estate companies and big-box stores for a report on how companies assess their response to rising regulatory, competitive, and public pressure to increase energy efficiency. Proponents cite EPA estimates that residential and commercial buildings account for 40% of energy and 70% of electricity consumed in the US; and company, analyst and media reports identifying consumer demand and competitive advantages of "green building".

### Environmental Justice

NYC Funds, Amnesty International, SRIs and ICCR filed eight proposals relating to health impacts on communities from environmental degradation and pollution. Proposals at Chevron, Conoco Phillips, and ExxonMobil ask for reports on impacts from refinery operations in the Niger Delta and at US based operations particularly in low income neighborhoods. Proposals at Newton Mining and

Freeport McMoRan focus on the impacts of mining operations in Indonesia. Two proposals were filed at Dow, one asks for a report summarizing the remediation efforts for dioxin spills from Dow's Midlands plant; the other asks how the company is responding to unresolved impacts from the Bhopal chemical disaster which killed 7000 people in 1984 and at least 15,000 more since then. A proposal filed at Coca Cola asks for a report on the impacts of its plants and proposed ventures that extract water from areas of water scarcity in India. And Weyerhaeuser is being asked to conduct a risk analysis of developing on tribal land.

### **Fisheries**

An increasing number of scientific studies warn of the destruction of critical ocean habitats, loss of marine biodiversity and dangerous depletion of global fish stocks. This led to a new proposal asking Yum Brands, owner of the seafood chain Long John Silver's, to report on the company's procurement practices that ensure their fish and seafood are caught in an environmentally sound and sustainable manner.

### **Forestry**

For more than a decade SRIs and foundations have been among the shareholder leaders of the sustainable forestry issue. A proposal at Kimberly Clark asks the company to phase out non-Forest Stewardship Council (FSC) certified products. There are a number of competing certified wood providers including some that are considered logging industry front groups. FSC is based on international standards for responsible forest management and is generally recognized by the environmental community as the best certification standard. Another proposal at Lowe's focuses on the forest protection policy that the company adopted in 2000. Several companies including Home Depot, IKEA and Staples adopted timber purchasing policies around the same time — all stating they would get wood from well managed, non-endangered forests. Lowes is being asked to report on its progress in implementing this seven year old policy.

### **Genetically Engineered (GE) Seed**

As You Sow and ICCR filed proposals at Dow and DuPont asking the companies to report on the environmental impacts of GE crops, the scope of their GE products, long term safety testing and contingency plans for removing GE products in case of contamination. This is part of a multi-year campaign led by ICCR. The health impacts of genetically engineered food are also being addressed at several other companies (see Health, pg. 9).

### **Greenhouse Gas Emissions Reduction / Renewable Energy**

ICCR, NYC Funds, SRIs and foundations filed proposals at nearly 20 oil, gas, coal, automotive and electric power companies. Half the proposals ask companies to adopt quantitative goals based on current and emerging technologies for reducing total greenhouse gas emissions from the company's products and operations. The other half asks for a report on how the company is responding to rising regulatory, competitive and public pressure to significantly reduce carbon dioxide and other greenhouse gas emissions. Two proposals ask oil companies for a similar report on how they are responding to regulatory, competitive and public pressure to develop renewable energy.

Two Trojan Horse proposals were submitted at Hewlett-Packard (greenhouse gas emissions) and Citigroup (Equator principles).

### **Protected Lands**

SRIs and NYC Funds have filed four proposals regarding impacts on protected lands. One proposal asks Conoco Phillips about environmental impacts of oil drilling in Alaska's national petroleum reserve and surrounding areas. Proposals at Allegheny Energy and Dominion Resources ask about the environmental, health and cultural impacts on protected, historic and scenic lands by the development of an electrical power transmission line corridor from Pennsylvania to Virginia. A proposal at the Bank of Montreal focuses on the bank's financing of resource extraction companies operating in areas with unsettled native land claims. The proposal asks the Bank to benchmark its policies against industry best practices for protecting biodiversity, supporting sustainable management practices and respecting indigenous peoples rights.

### **Nuclear Waste**

ICCR proposals at Lockheed Martin and Alliant Techsystems address health and safety issues regarding the production, transportation and storage of depleted uranium. They call for a report on such items as safety precautions and safety record, and lobbying and liability expenses. A proposal filed at Ameren (Union Electric) asks for a report on the company's efforts to reduce the release of radioactive materials to the air and water during routine plant operations.

### **Recycling**

As You Sow and SRIs have led in filing proposals and engaging in dialogues on recycled content and recycling of paper, plastic and electronics. In recent years Coke

and Pepsi agreed to use recycled plastic in their beverage bottles and Dell and Hewlett Packard agreed to computer take back goals. Apple continues to be the industry laggard on electronic waste policies so for the second year in a row a proposal from As You Sow calls for a company report on product responsibility and recycling goals.

## HEALTH & SAFETY

### Beverage Contamination

An NGO has filed at Coca Cola after seven states in India reported widespread pesticide contamination of Coke products. The proposal asks for public disclosure of biological and chemical testing data and how these levels measure against applicable national laws.

### Health Care

ICCR and foundations filed a new proposal asking seven companies to report on the implications of rising health care expenses, in particular how the company is positioning itself to address the universal health care policy issue without compromising the health of its workers. Proposals are pending at Ford and Wal-Mart.

### Label Genetically Engineered (GE) / Cloned Food

For eight years ICCR has engaged more than 40 food companies over the issue of genetically engineered food. This effort has been successful in convincing companies to remove or reduce the amount of GE ingredients in their food and continues to be one of the best sources of educating corporate management and shareholders about the economic, ecological and social implications of GE food. Labeling proposals are pending at General Mills and Pepsi. Other proposals at McDonalds, Safeway and Wendy's also call for the labeling of cloned food.

### Prescription Drugs

A proposal at Wyeth from the Minnesota State Board of Investment asks for a policy that does not constrain the re-importation of prescription drugs into the US from foreign markets.

### Tobacco

ICCR members have coordinated the filing of antismoking proposals for many years. Current proposals ask Altria to fund youth anti-smoking efforts, provide warnings on secondhand smoke, and to phase out sales of tobacco (also filed at Loews and Reynolds American).

### Toxics

Grantmakers concerned about toxics and environmental health issues will find several proposals to support this spring. SRIs, ICCR and foundations have filed 11 proposals asking for reports on toxics phase out plans, cost of PCB cleanup delay, PFOA and PVC removal, reduction of asthma triggers in pesticides, company opposition to local environmental health policies, toxic emissions, prevention of catastrophic releases, and cosmetic product formulation. This effort is led by IEHN (see Hot Issues, pg. 4) which has developed benchmarks for product detoxification and financial risk reports.

### Violent Video Sales

Citing parental and health community concerns over the higher tendency for aggressive behavior by children exposed to violent videos at a young age, ICCR is asking retail giant Blockbuster for a report on company policies regarding the sale of mature rated video games to children and teens, and asking video game developer Electronic Arts what steps they are taking to ensure kids do not have access to Mature rated video games.

## HUMAN RIGHTS

### Censorship

NYC Funds filed a new proposal this year at internet giants Cisco, Yahoo and Google regarding how their technology is used for censorship and surveillance by China and other countries (see New Issues, pg. 5). Proposals are pending at Google and Yahoo.

### Human Rights

ICCR members continue their three decade leadership on the issue of human rights. In 2007, seven proposals call for the adoption, development and/or review of human rights policies. One proposal, filed by Harrington Investments at Yahoo actually calls for a change in company by-laws making this a rare binding proposal. Several other human rights related proposals regarding ethics policies, sales to Israel, security arrangements in Indonesia, use of negative ethnic images, child sex trade and reimbursement for expropriated property were all either withdrawn or omitted.

### Military Sales

ICCR also leads the effort to ensure that sales by military contractors do not violate human rights laws or policies. Five proposals ask companies to report on processes and criteria used to determine and promote foreign sales, choosing business partners as well as codes of conduct for international operators.

## Slave Reparations

The conservative National Legal and Policy Center, which publishes *The Case Against Slave Reparations*, has a pending proposal on this issue at JP Morgan. In 2005, JP Morgan made a public apology to the African American community for any links to slavery and pledged to establish a \$5 million scholarship fund for African Americans. NLPC opposes the company's apology and reparations policy and has previously criticized Lehman Brothers, Wachovia and decried Bank of America's "cowardly conduct" for apologizing for alleged ties to slavery.

## LABOR

### Equal Employment Opportunity (EEO)

The basic values inherent to equal employment opportunities are still being raised at some companies. These proposals always gain strong support and recent proposals averaged over 20%. This spring there is only one pending proposal, a second year effort at Home Depot calling for an EEO report regarding race and gender diversity, and a description of any affirmative action or management training programs geared for women or minorities. This proposal has 30 co-filers including ICCR, SRIs, foundations and NGOs.

Trojan Horse proposals at Ford and Microsoft call to drop sexual orientation from EEO policies claiming that sexual orientation is a matter of personal and not corporate choice. Yet the proposals cite religious positions and state laws against homosexuality to support their argument thus indicating that they are primarily proposals opposing gay rights. (see Sexual Orientation Discrimination below)

### International Labor Organization (ILO) Standards / Vendor Standards

Reports of worker rights violations at suppliers of US based companies led NYC Funds, ICCR, Walden Asset Management and As You Sow to file more than a dozen proposals asking companies to develop, adopt or amend codes of conduct for their vendor suppliers. These proposals recommend that codes be developed based on ILO standards that oppose discrimination, forced labor, provide overtime pay and workers rights to form unions.

### MacBride Principles

NYC Funds leads the effort on asking nine companies to implement the MacBride Principles regarding religious employment bias in Ireland. Employment discrimination was cited as a major source of sectarian violence in

Northern Ireland. Dr. Sean MacBride, a founder of Amnesty International and Nobel Peace Prize winner, proposed several equal employment opportunity principles to serve as guidelines for corporations operating in Northern Ireland.

### Sexual Orientation Discrimination

For the third year in a row, shareholders will file a number of proposals that represent opposing views about sexual orientation policies. SRIs, NYC Funds and foundations led the effort to get companies to adopt policies that prohibit discrimination based on sexual orientation. Many companies appear particularly eager to avoid having proxy fights over this issue. More than 60 companies have faced these proposals over the last three years, 2/3 of which were withdrawn as companies have or are adopting this policy. Those that remained on the proxy were among the highest vote getters in 2005 and 2006. This year only eight proposals were filed with half withdrawn and four pending.

Two Trojan Horse proposals from investors opposing gay rights are pending at Ford and Microsoft (see EEO above).

## SUSTAINABILITY

### Global Reporting Initiative / Sustainability Reporting

Investors increasingly seek disclosure of a company's social and environmental practices in the belief that they impact shareholder value. Sustainability proposals are always among the highest vote getters of social issues. It also continues to be an expanding issue with about 20 proposals filed each of the last three years and nearly 40 filed this year (one being a Trojan Horse proposal at Goldman Sachs). The proposals ask for the company's definition of sustainability (the seminal UN report *Our Common Future* defined it as the ability to meet present needs without impairing the ability of future generations to meet their needs) and for a report on economic, social and environmental impacts of its operations. Many recommend that the company follow the Global Reporting Initiative (GRI). The GRI is a multi-stakeholder process that has developed globally applicable sustainability reporting guidelines. Guidelines have been developed for voluntary use by companies for reporting on the economic, environmental and social dimensions of their activities, products and services. More than 2000 companies worldwide publish such reports. This year's effort is lead by NYC Funds, ICCR and SRIs.

# GOVERNANCE PROPOSALS

Several hundred corporate governance proposals are filed every year and thus deserve a separate preview of their own. This section focuses on those governance proposals most associated with social issues likely related to a foundation's mission. The Say on Pay proposal is a new governance proposal that was initiated by social investors.

## Board Diversity

SRI and ICCR lead this year's effort to ensure that women and minority candidates are recruited for corporate boards. Seven proposals were filed with four pending. At least three of these are directed at some of the few remaining S&P 500 companies with all white male boards — Bed Bath & Beyond, Lincare Holdings and Torchmark.

## Executive Compensation — Link to Social Criteria

These proposals are similar to traditional governance proposals that seek to set criteria or to limit excessive compensation packages. However ICCR and SRI proposals ask for the additional step of linking executive compensation plans to include social responsibility as well as financial criteria. Shareholders point to cases in which compensation is awarded for meeting financial goals even as the companies continue to perpetuate unlawful discrimination or where environmental damage has resulted in costly fines, protracted litigation and reputational damage. Normally at least a dozen of these proposals are filed each year but this spring only two are pending at ExxonMobil and Bemis.

## Executive Compensation — Advisory Vote (Say on Pay)

The "Say on Pay" proposal calls for a shareholder referendum on executive pay. At each annual meeting the board would ask for a non-binding vote to ratify proposed compensation terms for executive managers. This approach has been successfully used in the UK to allow shareholders to voice their opinion over what they consider fair or excessive compensation. Early 2007 shareholder votes have been high garnering nearly 47% at Bank of New York and 37% at Morgan Stanley. Companies are already starting to react — insurance company Aflac Inc. recently agreed to an annual vote and several companies including Pfizer and Schering-Plough are considering adopting it. Congress may also

address this issue as Rep. Barney Frank (D-Mass), chairman of the House Committee on Financial Services, has introduced legislation that would give shareholders at all public companies advisory votes on executive pay. The effort was initiated by the American Federation of State County and Municipal Employees (AFSCME). Co-filers include more than two dozen SRIs and ICCR members; California, Connecticut and New York City pension funds, several unions and at least four foundations — As You Sow, Christopher Reynolds Foundation, Needmor Fund and Tides Foundation.

## Pay Disparity

An ICCR proposal asks Wal-Mart for a comparison of the salary, benefits, bonuses and all other forms of compensation of top executives and the company's lowest paid workers as well as an analysis of the gap between the two groups and the rationale justifying this trend. A "glass ceiling" proposal at Wal-Mart asks for a report documenting the distribution of stock options by race and gender.

## Separate CEO and Chairman of the Board

This traditional governance proposal generally receives strong support from mainstream investors. Its premise is that the primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of the CEO. Proposals at Abbott Laboratories, Caterpillar, ExxonMobil, Monsanto and Time Warner identify significant social and environmental problems that proponents believe would be better served by separating these roles thus allowing for more accountability of the CEO by the board.

# ALIGNING MISSION WITH INVESTMENT

As You Sow, Rockefeller Philanthropy Advisors and the Jessie Smith Noyes Foundation are committed to encouraging the foundation community to use its investment leverage for positive social change. A basic first step is developing proxy voting policies. Foundations are also urged to consider using other investment related tools such as social issues screening, shareholder advocacy, program and mission related investing among others. These practices can provide a complementary method of achieving program goals. Below are summaries of two major media stories that advanced this debate in the last 12 months, and four recently published foundation reports that explore the business and ethical case of aligning mission with investing.

## NEWS & REPORTS

### Media Stories Stir Debate On Aligning Mission And Investment

A provocative set of stories that ran in the *Los Angeles Times* on January 7 and 8, 2007, entitled *Dark Clouds Over Good Works of Gates Foundation* raised questions about the investment practices of the Bill & Melinda Gates Foundation and stirred a lively debate this spring about the extent to which foundations should use their investment clout to advance their mission.

The articles cited examples of significant profits made from investments in companies that appeared to conflict with the foundation's funding programs. For example, the foundation has given \$200 million for polio and measles immunization and research, including in the Niger Delta. The *Times* stories documented how Gates is invested in oil companies like Royal Dutch Shell, ExxonMobil, and Chevron, which it said are responsible for flaring of gases that cover the area with pollution, exacerbating health problems.

Two days after publication of the articles, the foundation announced it was planning a systematic review of its investments to determine whether it should pull its money out of companies that are doing harm to society. Then just a day later, the foundation backed away from its commitment to review investments.

Several months earlier, the *Chronicle of Philanthropy* ran a series of stories entitled "Meshing Proxy with Mission" on foundations and proxy voting. The newspaper polled the top 50 private foundations in the US about whether they consider the issues raised in proxy proposals of companies they own as investments. The survey found that 30 of the 50 foundations delegate proxy voting decisions to their money managers (nine of the foundations refused to comment).

Only two foundations in the survey — the Ford Foundation and Rockefeller Foundation — had developed policies specifically designed to ensure such consistency between investment and program goals. The William Penn Foundation said it seeks to vote its shares in a socially responsible manner. The Annie E. Casey Foundation said it was considering developing proxy voting policies. "In the vast majority of cases, private money managers cast the proxies in support of whatever position a company's management supports — and that almost always is the opposite of what a shareholder resolution seeks," the article noted.

Now that the issue of aligning mission and investment is being publicly debated, a key question facing foundations is whether they are using all the tools available to them to achieve their mission. The David & Lucille Packard Foundation and the William & Flora Hewlett Foundation, both among the 10 largest in the US, said they were re-evaluating their investments to assess social and environmental effects. Rockefeller Brothers Fund publicly released its proxy voting policy, and nearly twenty foundations have filed shareholder proposals in 2007. Others (see Foundation Involvement,

"The board has for many years felt that if we were going to be long-term investors, then we must be responsible for the long-term effects of our investments on our mission. If we can influence behavior for the positive, we try to do that."

*Linda Strumpf, Chief Investment Officer,  
Ford Foundation*

*Chronicle of Philanthropy: "Meshing Proxy with Mission"*

pg. 14) are engaged in research, micro lending, and program related investments. While many foundations still shy away from this issue, others are finding stimulating and creative ways to use their investments to add value to their grant making and better fulfill their mission.

## **New Foundation Reports on Mission and Investment Options**

### **Mission Related Investing by US Foundations**

A new study of the program-related investments (PRI) of 92 US foundations documents \$2.3 billion of such investments made over the last 40 years. The report *Compounding Impact: Mission Investing by US Foundations*, estimates mission investments' annual growth rate averaged 16.2% over the last five years, up sharply from the preceding 30 year period. The report says most investments consist of either market-rate investments or below market-rate investments. The PRI program of four large foundations account for most mission investment activity: Ford Foundation, David and Lucile Packard Foundation, John D. and Catherine T. McArthur Foundation, and an anonymous foundation. However, that may be changing. Smaller foundations accounted for 44% of all new mission investment dollars in 2005. The report was written by Sarah Cooch and Mark Kramer of FSG Social Impact Advisors and funded by the David and Lucile Packard Foundation. It is available at [www.fsg-impact.org](http://www.fsg-impact.org)

### **Social Responsible Investing and Foundation Endowments**

A new report from the Social Investment Forum discusses the many ways foundations can become involved in mission-related social investing. The *Mission in the Marketplace: How Socially Responsible Investing Can Strengthen Fiduciary Oversight of Foundation Endowments and Enhance Philanthropic Missions*, provides detailed discussions of four strategies that help foundations further leverage their assets and enhance mission: social screening, shareholder advocacy, community investing and social venture capital. Opportunities are discussed for foundations whose missions include protecting human health, human rights and the environment; alleviating poverty; globalization; enhancing diversity efforts; and addressing food agriculture and rural development. The 24-page report was written by Joshua Humphreys, with assistance from several social investment experts and foundations. It will be available soon at [www.socialinvest.org](http://www.socialinvest.org)

### **Market and Environmental Health Risks in Your Portfolio**

A new study jointly released by the Investor Environmental Health Network and the Rose Foundation forecasts that things could get ugly for investors who ignore glaring health risks in the cosmetics industry. A powerful convergence of forces — including shareholder resolutions, improved health risk information, European and US regulatory changes and growing consumer pressure — could drive sweeping changes in the US personal care and cosmetics industry, with significant implications for investors. Entitled *Beneath the Skin: Hidden Liabilities, Market Risk and Drivers of Change in the Cosmetics and Personal Care Products Industry*, the new report describes a ticking time bomb scenario of a largely self-policed industry in which regulatory action by the US Food and Drug Administration is typically triggered only by reporting from the companies themselves. The report is co-authored by Tim Little, Sanford Lewis and Pamela Lundquist. It is available at [www.rosefdn.org/beneathskin.pdf](http://www.rosefdn.org/beneathskin.pdf)

### **Environmental Risks — How Can a Prudent Fiduciary Protect Their Portfolio?**

In the wake of costly litigation, product sales bans and reputational damage arising from asbestos, toxic materials in cosmetics and toys, and Teflon-related chemicals, US investors are becoming increasingly wary of toxic chemical risks — in products, in supply chains, and in their own portfolios. A guide for institutional investors entitled the *Fiduciary Guide to Toxic Chemical Risk* examines the financial dimensions of toxic chemical risk. The report looks at how to quantify such risk, the danger to shareholder value, and a comprehensive set of action steps that can be taken by investors to translate the long-term threats and opportunities associated with toxic chemical issues into prudent portfolio stewardship. The report is co-authored by Jane Ambachtsheer, Mercer Investment Consulting; Jonas Kron, Attorney at Law; Richard Liroff, Investor Environmental Health Network; Tim Little, Rose Foundation for Communities and the Environment; and Rachel Massey, Global Development and Environment Institute. It is available at [www.iehn.org](http://www.iehn.org)

## FOUNDATION INVOLVEMENT

As the above articles and reports show, more foundations are exploring the range of options for aligning mission and investments. The list below recognizes those foundations that have filed proposals featured in this preview as well as other foundations that do not file proposals but are involved in other aspects of aligning mission and investment such as education and research, social screens, program and mission related investing.

\* = proposal was withdrawn for dialogue

\*\* = proposal omitted by the company

**As You Sow Foundation** is the lead filer with Activision (Say on Pay), Apple Computers (Electronic Waste), AT&T\*\* (Consumer Privacy), Bed Bath & Beyond (Toxics Policy), Caterpillar (Separate CEO and Chair), Clear Channel (Political Contributions), ExxonMobil (Political Contributions), Flextronics (Say on Pay), Symantec (Say on Pay), Time Warner\* (Vendor Standards) and Verizon\*\* (Consumer Privacy). As You Sow has co-filed with Coca-Cola\* (Recycling Goals), DuPont (Genetically Engineered Crops), Home Depot\* and Monsanto\* (Political Contributions), PepsiCo\* (Recycling Goals), Viacom (Smoking in Movies), Wal-Mart (Pay Disparity), and Xerox (Sustainability Report). As You Sow is also engaged in dialogues with Target (Toxics) and Disney, Time Warner, Viacom, & General Electric (Smoking in Movies). As You Sow provides management services to the non-profit, socially responsible investor and foundation communities supporting shareholder proposals, corporate dialogues, and resolution solicitations. [www.asyousow.org](http://www.asyousow.org)

**Boston Foundation** was the first community foundation to undertake proxy voting and has developed one of the most extensive proxy voting policies among foundations. They were also among the first foundations to make voting guidelines available on their website. [www.bostonfoundation.org](http://www.bostonfoundation.org)

*PROXY VOTING GUIDELINES available at:*  
[www.bostonfoundation.org/uploadedFiles/ProxyVoteGuidelines2003.pdf](http://www.bostonfoundation.org/uploadedFiles/ProxyVoteGuidelines2003.pdf)

**Brainerd Foundation** co-filed ExxonMobil (Emissions Reduction) and PepsiCo\* (Recycling Goals). [www.brainerd.org](http://www.brainerd.org)

**Bullitt Foundation** sends out proxy season email alerts regarding Global Warming proposals. [www.bullitt.org](http://www.bullitt.org)

**Christopher Reynolds Foundation** is the lead filer with ExxonMobil (Emissions Reduction), Pfizer\* and co-filer for Procter & Gamble (Executive Compensation). [www.creynolds.org](http://www.creynolds.org)

**Colin Higgins Foundation** co-filed with Home Depot (EEO). [www.colinhiggins.org](http://www.colinhiggins.org)

**Conservation Land Trust (Foundation for Deep Ecology)** co-filed with Home Depot (EEO) and PepsiCo\* (Recycling Goals). [www.theconservationlandtrust.org](http://www.theconservationlandtrust.org)

**David and Lucile Packard Foundation** has been a leader in making program-related investments (PRIs) for several years. It is now in the process of examining the use of social screens, proxy voting, and mission-related investments. Packard sponsored the report *Compounding Impact: Mission Investing by US Foundations* (see News & Reports, pg. 12) a comprehensive study of US foundation mission investing activity over the past four decades. [www.packard.org](http://www.packard.org)

**Educational Foundation of America** is the lead filer for Apple (Electronic Waste), Clear Channel (Political Contributions), and Coca-Cola\* (Recycling Goals). It has consciously voted its proxies for more than 20 years and is a pioneer in screened investing and supporting shareholder advocacy. Working in partnership with As You Sow, it is a leader in environmentally sustainable and corporate governance dialogues and proposals. EFA has also filed numerous proposals with ICCR members over the last 11 years. [www.efaw.org](http://www.efaw.org)

**Edward W. Hazen Foundation** co-filed with Home Depot (EEO) and Medtronic (Sustainability). [www.hazenfoundation.org](http://www.hazenfoundation.org)

**Ford Foundation** has developed proxy guidelines on a wide variety of social and governance issues. The proxy committee consults members of the grant-making staff before casting proxy votes on resolutions that relate to social issues. [www.fordfound.org](http://www.fordfound.org)

**Funding Exchange** has co-filed with ExxonMobil Corporation (Sexual Orientation Discrimination), Home Depot (EEO), Medtronic (Sustainability), PepsiCo\* (Recycling Goals), and Procter & Gamble (Executive Compensation). [www.fex.org](http://www.fex.org)



**Haymarket People's Fund** co-filed with 3M\* (Political Contributions), Applied Materials\* (Vendor Standards), Home Depot (EEO), Medtronic (Sustainability) and PepsiCo\* (Recycling Goals). [www.haymarket.org](http://www.haymarket.org)

**Jennifer Altman Foundation** applies its own proxy voting guidelines to its portfolio holdings. A description of their process and guidelines can be found in the Case Study section of the 2006 Proxy Season Preview. [www.asyousow.org/csr/proxyvoting.shtml#2006\\_proxy](http://www.asyousow.org/csr/proxyvoting.shtml#2006_proxy); [www.jaf.org](http://www.jaf.org)

**Jessie Smith Noyes Foundation** is another pioneer in harmonizing investments and mission. Noyes incorporates the full range of shareholder activity including setting social screens, filing resolutions, dialoging with companies and establishing proxy voting guidelines (currently applied to over 200 holdings). Noyes is a founding member of the Foundation Partnership for Corporate Responsibility. [www.noyes.org](http://www.noyes.org) PROXY VOTING GUIDELINES available at: [www.noyes.org/investpol.html](http://www.noyes.org/investpol.html)

**Jewish Funds for Justice** (which merged with the **Shefa Fund**) operates the Jewish Shareholder Engagement Network. This network represents more than \$1.5 billion in assets and distributes annual proxy voting recommendations. Begun in 2003, this is the first-ever organized Jewish effort to use stock ownership to promote corporate responsibility. [www.jewishjustice.org](http://www.jewishjustice.org)

**Lemmon Foundation** co-filed with Home Depot (EEO) and PepsiCo\* (Recycling Goals).

**Max and Anna Levinson Foundation** co-filed with Home Depot (EEO), Hershey\* (Vendor Standards) and PepsiCo\* (Recycling Goals). [www.levinsonfoundation.org](http://www.levinsonfoundation.org)

**Nathan Cummings Foundation** is the lead filer for 3M (Energy Efficiency), Centex Corp (Energy Efficiency), Conoco Phillips (Political Contributions), D.R. Horton\* (Energy Efficiency), Kohl's\*\* (Healthcare), Kroger (Energy Efficiency), Smithfield Foods (Sustainability Reporting), Standard Pacific\*\* (Energy Efficiency), and Ultra Petroleum (GHG Emissions). It is a co-filer for Bed Bath & Beyond (Energy Efficiency). NCF is a leader in promoting proxy voting among foundations. [www.nathancummings.org](http://www.nathancummings.org) PROXY VOTING GUIDELINES available at: [www.foundationpartnership.org/nathancummings.html](http://www.foundationpartnership.org/nathancummings.html)

**Needmor Fund** is the lead filer with ExxonMobil, JPMorgan Chase, Occidental, and co-filer with Citibank and Procter & Gamble (Executive Compensation). It is also the co-filer with Applied Materials\* (Vendor Standards), Dean Foods\* (Organic Dairy Production), Home Depot (EEO), Leggett & Platt (Sexual Orientation Discrimination), Medtronic (Sustainability) and PepsiCo\* (Recycling Goals). [www.fdncenter.org/grantmaker/needmor/](http://www.fdncenter.org/grantmaker/needmor/) PROXY VOTING GUIDELINES available at: [www.needmorfund.org/InvPol.pdf](http://www.needmorfund.org/InvPol.pdf)

**Pride Foundation** is the co-filer with Expeditors International (Sexual Orientation Discrimination), Exxon Mobil (Sexual Orientation Discrimination), Home Depot (EEO), Precision Castparts (Sexual Orientation Discrimination) and Washington Group\* (Sexual Orientation Discrimination). [www.pridefoundation.org](http://www.pridefoundation.org)

**Rockefeller Brothers Fund** has implemented investment policies which enable it to achieve its long-term financial objectives and support its mission. RBF has developed extensive proxy voting guidelines which address issues of corporate governance and social responsibility. [www.rbf.org](http://www.rbf.org) PROXY VOTING GUIDELINES available at: [www.rbf.org/about/proxy\\_voting.htm](http://www.rbf.org/about/proxy_voting.htm)

**Rockefeller Foundation** engages in program related investing through its Program Venture Experiment fund with investments in for-profit companies, non-profit agencies and community development venture capital funds across several mission areas. [www.rockfound.org](http://www.rockfound.org)

**Rockefeller Philanthropy Advisors** is a nonprofit philanthropy service dedicated to helping donors create thoughtful, effective philanthropy throughout the world. RPA is a leader in promoting awareness of how active foundation proxy voting can protect endowments and boost philanthropic mission. Among other projects, it serves as the home for The Carbon Disclosure Project, an innovative effort that is the world's largest institutional investor collaborative on the business implications of climate change. [www.rockpa.org](http://www.rockpa.org), [www.cdproject.net](http://www.cdproject.net)

**The Rose Foundation for Communities and the Environment** was an early foundation leader in shareholder solicitations and marshaled a unique shareholder collaboration between state pension funds, labor unions, NGOs and foundations that helped save the old-growth redwood Headwaters Forest in Northern California. In 2001 it launched the Environmental Fiduciary Project and spearheaded a broadly supported

citizen petition to the SEC seeking increased corporate environmental liability disclosure. Rose has released a series of publications related to fiduciary responsibility, environmental accounting fraud and market risks from toxic products (see News & Reports, pg 12). [www.rosefdn.org](http://www.rosefdn.org)

**Rudolf Steiner Foundation** partners with philanthropists to provide debt financing for social entities that are mission driven and promote sustainability. [www.rfsocialfinance.org](http://www.rfsocialfinance.org)

**Tides Foundation** co-filed with 3M\* (Political Contributions), Applied Materials\* (Vendor Standards), Caremark\* and Federal Express (Political Contributions), Hershey\* (Vendor Standards), Home Depot (EEO), Medtronic (Sustainability), PepsiCo\* (Recycling Goals) and Procter & Gamble (Executive Compensation). [www.tides.org](http://www.tides.org)

**Universal Health Care Foundation of Connecticut** co-filed with 3M\*\* (Healthcare), Caremark\* (Political Contributions), Home Depot (EEO) and Leggett & Platt (Sexual Orientation Discrimination). [www.universalhealthct.org](http://www.universalhealthct.org)

**William Bingham Foundation** applies its own social investing screens related to the environment, labor, human rights and harmful products. It utilizes the Foundation Partnership on Corporate Responsibility to monitor shareholder proposals. [www.wbinghamfoundation.org](http://www.wbinghamfoundation.org)

## RESOURCES

### A How-To Guide Book

#### “Unlocking the Power of the Proxy: How Active Foundation Proxy Voting Can Protect Endowments and Boost Philanthropic Mission”

This book makes the case for proxy voting and shows how developing and implementing a proxy voting policy can be done simply and efficiently. With more than 10,000 copies distributed, *Unlocking the Power of the Proxy* has helped move foundations to consider the impacts of their investments and to vote their proxies. Please contact us for free copies or view online at [www.asyousow.org](http://www.asyousow.org) or [www.rockpa.org](http://www.rockpa.org)

## Related Web Sites

**Bellagio Forum for Sustainable Development** provides a 60 page tool kit to help foundation trustees understand and integrate responsible investment practices into endowment management. [www.bfsd.org](http://www.bfsd.org)

**CERES** provides a 14 page fact sheet *Questions and Answers for Foundations on Proxy Voting* answering common questions foundations ask about proxy voting, as well as some less common and more complicated issues such as voting commingled funds, delegating voting authority and providing voting guidance to investment managers. [www.ceres.org](http://www.ceres.org)

**The Corporate Library** provides a comprehensive web site with a focus on governance issues. Good corporate responsibility news section and financial analysis. [www.thecorporatelibrary.com](http://www.thecorporatelibrary.com)

**Council for Responsible Public Investments** works to amplify the benefits of public money for the public welfare by conducting shareholder education and advocacy of public pensions and endowment. [www.publicinvestment.org](http://www.publicinvestment.org)

**Friends of the Earth’s Green Investments Program** features an online guide to shareholder activism *Confronting Companies Using Shareholder Power* describing the basics of filing and writing proposals. [www.foe.org](http://www.foe.org)

**Foundation Partnership for Corporate Responsibility** provides information and technical assistance to foundations that want to become more active as shareholders on social and environmental issues. The list of foundations is private and there is no obligation to participate in any action. [www.foundationpartnership.org](http://www.foundationpartnership.org)

**Interfaith Center on Corporate Responsibility** is the country’s leading shareholder advocacy organization. It lists its shareholder proposals, posts articles by members and provides tips on writing and filing proposals. [www.iccr.org](http://www.iccr.org)

**Innovest Strategic Value Advisors** is an investment research firm specializing in analyzing companies’ performance on environmental, social issues such as global warming, toxics and genetically engineered products. [www.innovestgroup.com](http://www.innovestgroup.com)

**Investor Environmental Health Network** is a coalition of SRIs, ICCR and foundations that are working to ensure the companies they invest in are reducing risks associated with the toxic chemicals used in their products. [www.iehn.org](http://www.iehn.org)

**PRI Makers Network** is a special project of the Neighborhood Funders Group, an affinity group of grantmakers who are committed to the increased flow of capital, resources, and investments into low-income communities. [www.primakers.net](http://www.primakers.net)

**Proxy Information** is a web site developed to provide detailed information for investors and analysts on selected shareholder proposals and issues. [www.proxyinformation.com](http://www.proxyinformation.com)

**Responsible Endowments Coalition** is a nonprofit organization that works to foster social and environmental change through university endowments. [www.SRIendowment.org](http://www.SRIendowment.org)

**SocialFunds.com** offers a database of shareholder resolutions and news on SRI activities. [www.socialfunds.com](http://www.socialfunds.com)

**Social Investment Forum** is the SRI trade association which provides reports on industry initiatives, community investing, shareholder advocacy, divestment and screening, trends and performance. It features shareholder news and proposals, web resources, action alerts and an extensive links section. [www.sriadvocacy.org](http://www.sriadvocacy.org)

**UC Berkeley – The Moskowitz Research Program** is part of the Haas School of Business and offers a web site covering the latest academic studies exploring the link between SRI and financial performance. [www.sristudies.org](http://www.sristudies.org)

## Proxy Voting Services

### Institutional Shareholder Services

ISS is the nation's largest proxy analyst and voting service. ISS has several divisions but its Social Issue Service was developed by the not-for-profit Investor Responsibility Research Center (IRRC), founded in 1972 by a consortium of foundations and universities. ISS' Social Issues Service helps develop proxy voting policies, manages voting, publishes the monthly Corporate Social Issues Reporter and generates in-depth proxy research reports that impartially provide background on the pros and cons of each proposal.

[www.issproxy.com/pdf/socialissuesservices.pdf](http://www.issproxy.com/pdf/socialissuesservices.pdf)

### Swingvote

Swingvote offers free proxy voting technology through select banks and brokerage firms to institutional and individual investors. It provides proxy material, voting information, client voting guidelines, background news, multimedia messages from management or dissident shareholders. Swingvote has managed proxy voting and other related financial services for top-tier investors since its founding in 2003. [www.swingvote.com](http://www.swingvote.com)

# SPRING PROXY LIST

## Upcoming votes for social and selected governance proposals as of April 10, 2007.

Please note that some proposals described here may not be listed on your proxy statement. Changes occur constantly as proposals are withdrawn by the filers in exchange for company dialogues, or omitted by the company in accordance with Securities Exchange Commission rules. Additionally, not all vote deadlines were available at the time of printing.

**An updated listing of pending social proposals will be available on May 1 and June 1 at [www.asyousow.org](http://www.asyousow.org)**

*These updates are courtesy of Social Issues Service of Institutional Shareholder Services (ISS). To obtain a checklist of environmental and social proposals that is updated daily, and related research, contact ISS Social Issues Service. [www.issproxy.com](http://www.issproxy.com)*

Company	Resolution	Meeting Date
Abbot Laboratories	Executive Compensation – say on pay	27-Apr-07
AFC Enterprises, Inc.	Animal Welfare – humane slaughter	28-May-07
Allegheny Energy, Inc.	Protected Lands – transmission lines	17-May-07
	Greenhouse Gas Emissions	
Allegheny Technologies, Inc.	Sustainability Report	2-May-07
Alliant Techsystems Inc.	Nuclear Waste	TBA-Aug-07
Altria Group, Inc.	Animal Welfare – testing	26-Apr-07
	Tobacco – second hand smoke	
	Tobacco – sales	
	Tobacco – anti-smoking programs	
Ameren Corporation	Nuclear Waste	24-Apr-07
Amgen, Inc.	Animal Welfare – testing	9-May-07
	Sustainability Report	
Anheuser-Busch Companies, Inc.	Charitable Contributions	25-Apr-07
Apple, Inc.	Recycling – product responsibility	10-May-07
	Toxics – product reformulation	
	Executive Compensation – say on pay	
AT&T Inc	Political Donations	27-Apr-07
Bank of New York Company	Executive Compensation – say on pay	TBA
BE Aerospace, Inc.	Labor Standards – MacBride Principles	1-Jun-07
Bed Bath & Beyond Inc.	Board Diversity	1-Jun-07
	Energy Efficiency	
	Labor Standards – ILO	
	Toxics – product reformulation	
	Executive Compensation – say on pay	
Bemis Company, Inc.	Executive Compensation – social criteria	3-May-07
Boeing Co.	Charitable Contributions	30-Apr-07
	Human Rights – policy	
	Human Rights – military sales	
	Political Donations	
Boston Properties Inc.	Energy Efficiency	15-May-07
Caremark Rx, Inc.	Executive Compensation – say on pay	TBA
Centex Corp.	Energy Efficiency	1-Jul-07
	Sustainability Report	
Charles Schwab Corp.	Political Donations	17-May-07
Chevron Corporation	Animal Welfare – testing	25-Apr-07
	Environmental Justice – refinery operations	
	Greenhouse Gas Emissions	
	Human Rights – policy	
Chubb Corp.	Political Donations	24-Apr-07
Cisco Systems	Internet Censorship	TBA
	Executive Compensation – say on pay	
Citigroup Inc.	Charitable Contributions	17-Apr-07
	Political Donations	
	Prior Government Service	
Claire's Stores, Inc.	Labor Standards – MacBride Principles	1-Jun-07

<b>Company</b>	<b>Resolution</b>	<b>Meeting Date</b>
Clear Channel	Political Donations	27-Apr-07
Citigroup	Executive Compensation – say on pay	17-Apr-07
Coca-Cola Company	Environmental Justice – India Beverage Contamination Executive Compensation – say on pay	18-Apr-07
Comcast Corp.	Political Donations Sustainability Report	23-May-07
Comerica Inc.	Sustainability Report	17-May-07
ConocoPhillips	Protected Lands – Alaska Environmental Justice – refinery operations Renewable Energy Human Rights – indigenous people Political Donations	9-May-07
Consol Energy, Inc.	Greenhouse Gas Emissions	1-May-07
Continental Airlines, Inc.	Political nonpartisanship	1-Jun-07
Cooper Industries Ltd	Labor Standards – ILO	24-Apr-07
Corrections Corporation	Political Donations	10-May-07
Countrywide Financial Corporation	Executive Compensation – say on pay	TBA
Crane Co.	Labor Standards – MacBride Principles	23-Apr-07
CVS/Caremark Corp	Sustainability Report	9-May-07
Delphi Corp.	Labor Standards – ILO	TBA
Dillard's, Inc	Sustainability Report	22-May-07
Dollar General Corp.	Labor Standards – ILO	1-Jun-07
Dollar Tree Stores, Inc.	Labor Standards – ILO	15-Jun-07
Dominion Resources, Inc.	Protected Lands – transmission lines Greenhouse Gas Emissions	27-Apr-07
Dominos Pizza Inc.	Labor Standards – MacBride Principles	24-Apr-07
Dover Corporation	Sustainability Report	17-Apr-07
Dow Chemical Company	Genetically Engineered Seeds Environment Justice – Bhopal Toxics – dioxin spills in Midlands Health – asthma triggers in pesticides	10-May-07
E.I. Du Pont De Nemours & Co.	Genetic Engineering Seeds Climate Science Labor – plant closing committee Toxics – product reformulation Toxics – safe chemical facilities Toxics – PFOA	25-Apr-07
Electronic Arts Inc.	Violent Video Sales	1-Jul-07
Eli Lilly and Co.	Animal Welfare – animal testing Animal Welfare – care standards	16-Apr-07
Entergy Corp.	Political Donations	4-May-07
Expeditors International	Sexual Orientation Discrimination	2-May-07
ExxonMobil Corp.	Environmental Justice – refinery operations Renewable Energy Executive Compensation – social criteria Renewable Energy Greenhouse Gas Emissions Political Donations	30-May-07
Ford Motor Company	Sexual Orientation Discrimination Greenhouse Gas Emissions Healthcare Climate Science EEO	10-May-07
Freeport-McMoRan	Environmental Justice – Indonesia	1-May-07
General Electric Co.	Charitable Contributions Climate Science Human Rights – military contracting	25-Apr-07
General Mills, Inc.	Label Genetically Engineered Food	TBA-Sept-07
General Motors Corp.	Greenhouse Gas Emissions	5-Jun-07

<b>Company</b>	<b>Resolution</b>	<b>Meeting Date</b>
Goldman Sachs Group, Inc.	Charitable Contributions Sustainability Report	11-Apr-07
Google Inc	Internet Censorship	14-May-07
Halliburton Co.	Human Rights – policy Political Donations	16-May-07
Hasbro, Inc.	Sustainability Report	28-May-07
HCC Insurance Holdings, Inc.	Sexual Orientation Discrimination	14-May-07
Home Depot, Inc.	Labor Standards – EEO Political Nonpartisanship	28-May-07
Ingersoll-Rand Company	Executive Compensation – say on pay	TBA
JPMorgan Chase & Co.	Political Donations Slave Reparations Executive Compensation – say on pay	15-May-07
Jones Apparel Group, Inc.	Executive Compensation – say on pay	14-Jun-07
Juniper Networks, Inc.	Labor Standards – ILO	21-May-07
Kellogg Co.	Sustainability Report	27-Apr-07
Kimberly-Clark Corp.	Forestry Labor standards – ILO	26-Apr-07
Kroger Co.	Animal Welfare – humane slaughter	1-Jun-07
Lear Corporation	Labor standards – ILO	14-May-07
Leggett & Platt, Inc.	Sexual Orientation Discrimination	9-May-07
Lehman Brothers Holdings Inc.	Political Donations	12-Apr-07
Lennar Corp.	Sustainability Report	28-Mar-07
Lincare Holdings, Inc.	Board Diversity	7-May-07
Lockheed Martin Corp.	Nuclear Waste	26-Apr-07
Loews Corp.	Tobacco	8-May-07
Lowe’s Companies, Inc.	Forestry	28-May-07
Lyondell Chemical Co.	Political Donations	3-May-07
Manpower Inc.	Labor Standards – MacBride Principles	2-May-07
Marsh & McLennan	Political Donations	17-May-07
Massey Energy Company	Greenhouse Gas Emissions Political Donations	
McDonald’s Corp.	Label Genetic Engineered / Cloned Food Labor Standards – ILO	28-May-07
McGraw-Hill Companies, Inc.	Political Donations	25-Apr-07
MDU Resources Group, Inc.	Sustainability Report	24-Apr-07
MedImmune, Inc.	Political Donations	28-May-07
Merck & Co., Inc.	Political Donations Executive Compensation – say on pay	24-Apr-07
Merrill Lynch & Co., Inc.	Executive Compensation – say on pay	27-Apr-07
Microsoft Corp.	EEO	TBA-Nov-07
Mobil Corporation	Executive Compensation – say on pay	30-May-07
Morgan Stanley	Executive Compensation – say on pay	10-Apr-07
Newmont Mining Corp.	Environment Justice – Indonesia Human Rights – review record	24-Apr-07
Northrop Grumman Corp.	Human Rights – military sales	16-May-07
Occidental Petroleum Corp.	Climate Science Executive Compensation – say on pay	4-May-07
Oracle	Executive Compensation – say on pay	TBA
OSI Restaurant Partners Inc	Animal Welfare – humane slaughter	26-Apr-07
Qwest Communications International Inc.	Executive Compensation – say on pay	23-May-07
Pentair, Inc.	Sustainability Report Sexual Orientation Discrimination	3-May-07
PepsiCo, Inc.	Charitable Contributions	2-May-07
Pfizer Inc.	Animal Welfare – animal testing Animal Welfare – standards	26-Apr-07
Plum Creek Timber Company, Inc.	Political Donations	2-May-07

Company	Resolution	Meeting Date
Safeway Inc.	Animal Welfare – humane slaughter Label Genetically Engineered / Cloned Food Sustainability Report	16-May-07
Servicemaster Company	Toxics – lawn care pesticides	8-May-07
Six Flags, Inc.	Board Diversity	28-May-07
Southern Company	Greenhouse Gas Emissions	1-May-07
Sprint Nextel	Executive Compensation – say on pay	8-May-07
SUPERVALU Inc.	Animal Welfare – humane slaughter	1-Jun-07
Target Corporation	Political Donations	18-May-07
Textron Inc.	Human Rights – military sales	25-Apr-07
Timken Co. (The)	Sexual Orientation Discrimination	1-May-07
Torchmark Corp.	Board Diversity	26-Apr-07
TXU Corp.	Greenhouse Gas Emissions Political Donations	15-Jun-07
Union Pacific Corp.	Political Donations	3-May-07
Unisys Corp.	Political Donations Sustainability Report	26-Apr-07
United Technologies Corp.	Human Rights – military sales Political Donations	11-Apr-07
Urban Outfitters, Inc.	Executive Compensation – say on pay Labor standards – ILO	24-May-07
U.S. Bancorp	Executive Compensation – say on pay	17-Apr-07
Valero Energy Corporation	Executive Compensation – say on pay	26-Apr-07
Verizon Communications	Charitable Contributions	3-May-07
Viacom Inc.	Tobacco	25-May-07
Visteon Corporation	Human Rights – policy	16-May-07
Wachovia Corp.	Political Donations Executive Compensation – say on pay	17-Apr-07
Wal-Mart Stores, Inc.	Charitable Contributions Pay Disparity Healthcare Labor Standards – ILO Political Donations	1-Jun-07
Washington Group Int.	Executive Compensation – say on pay Sexual Orientation Discrimination	22-May-07
Wells Fargo & Company	Lending Practices Executive Compensation – say on pay	24-Apr-07
Wendy's International, Inc.	Animal Welfare – humane slaughter Label Genetically Engineered / Cloned Food Sustainability Report	26-Apr-07
Weyerhaeuser Co.	Protected Land – Canadian Forests Political Donations	19-Apr-07
Whole Foods Market, Inc.	Energy Efficiency	5-Mar-07
Wyeth	Animal Welfare – standards Prescription Drugs Political Donations	26-Apr-07
Xerox Corp.	Labor Standards – ILO	1-May-07
Yahoo!, Inc.	Human Rights – board oversight Internet Censorship Internet Censorship	
Yum Brands, Inc.	Animal Welfare – humane slaughter Environment – fisheries Labor Standards – MacBride Principles Executive Compensation – say on pay	17-May-07

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To view the Proxy Preview online please visit [www.asyousow.org](http://www.asyousow.org), [www.rockpa.org](http://www.rockpa.org) or [www.noyes.org/mrinvest.html](http://www.noyes.org/mrinvest.html)

There is no such thing to my mind... as an innocent stockholder. He may be innocent in fact, but socially he cannot be held innocent. He accepts the benefits of the system. It is his business and his obligation to see that those who represent him carry out a policy which is consistent with the public welfare.

*Louis Brandeis*

