



RESEARCH & ADVOCACY BRIEF

Walden Asset Management • Investing for Social Change Since 1975

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Walden concluded 2005 with a flurry of public policy activity and company specific advocacy to promote corporate accountability.

Working for smarter public policies

Walden was the primary author of [A Call to Action: For Greater Corporate Transparency 10 Years after the Glass Ceiling Commission Recommendations](#), a report released in December by the Social Investment Research Analyst Network (SIRAN). Based on SIRAN analysts' research indicating a low level of voluntary disclosure, the report asks companies to voluntarily disclose equal employment opportunity (EEO) data and for U.S. legislators to study the feasibility of mandating disclosure. Walden's involvement in the SIRAN report was featured in a December press event that included Robert Reich, former Secretary of Labor and Chair of the Glass Ceiling Commission, and David Stangis, Director of Corporate Responsibility at Intel, a company providing best-in-class EEO disclosure. A full copy of the report is available at www.waldenassetmgmt.com.

Work on this report continued Walden's long standing focus on EEO disclosure, exemplified in part by the testimony we presented to the Federal Glass Ceiling Commission over ten years ago. We were the only investment manager to testify to the Commission, and argued that greater EEO transparency helps analysts to assess investment risks and opportunities related to workplace equality.

In November, Walden submitted comments on EPA's proposed rule changes to the Toxics Release Inventory (TRI). The TRI tracks information on toxic chemical releases and other waste management activities by certain industries and federal facilities. It was established under the Emergency Planning and Community Right-to-Know Act of 1986 and expanded under the Pollution Prevention Act of 1990. EPA's proposal recommends reducing TRI reporting frequency from annually to bi-annually and decreasing the thresholds that trigger detailed toxin and facility reporting. We wrote to the EPA that our investment analysis of environmental impact and performance made regular use of TRI data, and that the positive benefits of the program, such as emissions release reductions, far outweigh any modest cost savings associated with the proposed changes. Walden encouraged other investors and citizens to weigh in before the mid-January deadline of the comment period. For the full text of our submission, visit the Walden web site.

On a more local front, Walden wrote to the Massachusetts Governor to express our disappointment with his decision to back away from the Regional Greenhouse Gas Initiative, a seven-state coalition to cap emissions from power plants. In asking the Governor to reconsider, we noted our belief that taking serious action now to decrease greenhouse gas emissions will strengthen the Massachusetts economy, its companies, cities and citizens.

Also last quarter, Walden participated in a Joint Investor Statement on Freedom of Expression and the Internet, led by Boston Common Asset Management and Domini Social Investments. The Statement calls upon internet-focused technology companies to reaffirm and uphold freedom of expression, a core principle in the United Nations Universal Declaration of Human Rights. This initiative responded to media reports suggesting that some U.S. companies have been complicit in, or complacent about, allegations of foreign governments using internet technology to support censorship, surveillance and retribution in violation of basic human rights.

Promoting corporate political contribution transparency

Corporations legitimately advocate for government policies that are in their business interests. As an investor, and in collaboration with the Center for Political Accountability, Walden has asked selected companies to:

- adopt policies and guidelines on political spending that include board-level oversight; and
- disclose the policies and guidelines on their website, along with the political contributions made with corporate funds (popularly known as soft money), as well as other spending on political activities including dues to trade associations and payments to other lobby organizations.

Coca-Cola Co. and **PepsiCo** have recently joined the small but growing list of companies agreeing to comprehensive political contributions disclosure. Walden also pursued the topic through letters and conversations with **Bank of America**, **Oracle** and **Wells Fargo**.

Continues on Reverse

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Business coalition takes action on HIV/AIDS

At the end of November, the 200 companies that constitute the Global Business Coalition on HIV/AIDS (GBC) announced the development of their “Best Practice AIDS Standard” – a quantitative tool to help companies analyze their policies and programs relative to industry peers and other companies. A significant step forward, the measurement tool encompasses 10 areas of assessment, including prevention, treatment and reporting components. While the standard remains a work-in-progress, it represents an important mechanism for companies and investors to benchmark corporate performance on their response to the global AIDS crisis.

Walden, with the Interfaith Center on Corporate Responsibility, recently initiated a new HIV/AIDS dialogue with **Intel**. The company is receptive, and is exploring expanded web site disclosure of internal policies and programs, as well as evaluating membership in the GBC.

Encouraging accountability in the global supply chain

Building on several years of dialogue and shareholder resolutions on vendor standards at the company, **TJX** continues to make steady strides to address Walden’s concerns. TJX expanded discussion of its vendor compliance program on its website, and agreed to continued discussions with investors on best practices in public reporting. As a result, Walden decided not to file a resolution for 2006. In its web-based report, TJX acknowledges the help and support given by social investors in developing their program.

Walden began similar discussions with **Ross Stores**. Ross does not sell any private label brands, in contrast to TJX which has roughly 10 percent of sales in private label merchandise. Nonetheless, Ross agreed that its board of directors would review its Code of Ethics in early 2006, specifically considering how to augment global labor standards in a manner consistent with the company’s business model.

Other company news

BP announced the creation of BP Alternative Energy, calling it “an investment programme in solar, wind, hydrogen and combined-cycle-gas-turbine power generation, which could amount to \$8 billion over the next ten years.” Already the world’s leader in solar energy, this investment represents a significant acceleration in alternative and renewable forms of power generation. According to BP, the unit, which builds upon the successful experience of BP Solar, was created to address climate changing greenhouse gas emissions in a cost-effective manner.

Responding to shareholders, including the International

Brotherhood of Teamsters, **Coca-Cola** adopted a new policy to solicit stockholder approval for an executive’s severance if the proposed compensation exceeds 2.99 times the individual’s salary plus bonus. The Teamsters had proposed a similar approach in a shareholder resolution in 2005 that garnered 41 percent of the vote. Walden expects that more companies will similarly seek shareholder approval, a step that will help to curb excessive executive compensation practices.

We end this brief highlighting a company that took an unusually positive public stand in support of non-discrimination. A vocal activist group recently severed its relationship with Wells Fargo for its financial support of an organization dedicated to ending discrimination based on sexual orientation. The controversy became fodder for the media and a platform for this vocal group to challenge corporate policies generally. Not swayed by public attention, a company spokesperson commented, “Wells Fargo firmly believes it is our responsibility to serve every segment of our community and we view our support for the gay, lesbian, bi-sexual and transgender community as part of our broader commitment to diversity.”

Walden’s 2006 Resolutions

Equal Employment Opportunity Disclosure

Donaldson, Wal-Mart*, Home Depot

Inclusive Non-discrimination Policies

AmSouth, ExxonMobil*, Leggett & Platt, Strayer Education

Recycling Policies and Programs

Coca-Cola Co., PepsiCo

Climate Change

ExxonMobil*

Sustainability Reporting

AT&T, Chubb, Illinois Tool Works*

Fair Lending

Wells Fargo*

Political Contributions

BellSouth*

* For asterisked resolutions, Walden is an active participant in, but not the lead proponent of, these company engagements. Other lead filers were: Christian Brothers Investment Service, Domini Social Investments, F&C, New York City pension funds, NorthStar Asset Management, Sisters of Charity (NJ).

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