



Interfaith Center on  
Corporate Responsibility

*Inspired by faith, committed to action*

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## **Investing for the Long Term: Faith-Based Investors Engagement with Wal-Mart, 1993-2006**

### **About the Interfaith Center on Corporate Responsibility**

The Interfaith Center on Corporate Responsibility (ICCR) is a coalition of 275 faith-based institutional investors with over \$110 billion in combined assets. Founded in 1971, ICCR is a major force in bringing advances in corporate social responsibility, corporate governance, and economic justice through organized share-owner advocacy.

ICCR Members combine social values with investment decisions, believing they must achieve more than an acceptable financial return. ICCR Members include mainline Protestant denominations, Jewish organizations, faith-based foundations, Catholic religious orders, faith-based healthcare systems and faith-based pension funds. In addition to religious institutional members, ICCR also has associate members and affiliate members who join in company actions to promote corporate social responsibility. These institutions include socially responsible investment firms, public pension funds, union pension funds, foundations and universities.

Together, ICCR Members own over two million shares of Wal-Mart, and have used negotiations with corporate management and shareholder resolutions to advocate for increased corporate social responsibility at Wal-Mart on a wide range of issues.

### **Looking Forward to a Better Wal-Mart**

In 2006 and beyond, ICCR Members will continue their work, focusing on the inherent dignity of each Wal-Mart employee and each worker in Wal-Mart's global supply chain. From providing quality, affordable health care to implementing world-class global labor standards, ICCR Members know from their faith and experience that companies are only as successful as their human capital.

At Wal-Mart's June 2, 2006 annual meeting shareholders will consider resolutions filed by ICCR Members that address these issues and more, including:

- ❖ Compensation Disparity between Executives and Low-wage Workers
- ❖ Sustainability Reporting
- ❖ Equal Employment Opportunity
- ❖ Safety of Products -- Safer Chemicals Policy

ICCR Members attempted a shareholder resolution on the impact Wal-Mart has on public health programs such as Medicaid, but Wal-Mart successfully challenged that resolution at the Securities and Exchange Commission. Shareholders will not be permitted to vote on it.

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This paper will review the long history of ICCR engagement with Wal-Mart since 1993, on a wide range of issues, and point the way forward for faith-based investors. We've had many successes in bringing increased corporate accountability to the company. But much remains to be done.

### *ICCR's Wal-Mart Working Group*

Adrian Dominican Sisters	American Baptist Home Mission Society
As You Sow Foundation	Basilian Fathers of Toronto
Benedictine Sisters of Mount St. Scholastica	Benedictine Sisters of Mt. Angel
Benedictine Sisters of the Monastery of St. Gertrude	Benedictine Sisters, Boerne TX
Bon Secours Health System Inc.	Boston Common Asset Management
Camilla Madden Charitable Trust	Catholic Equity Fund
Catholic Healthcare West	Christian Brothers Investment Services
Christus Health	Church of the Brethren Benefit Trust
Congregation of the Holy Cross, Southern Province	Congregation of the Passion-East
Congregation of the Passion-West	Congregation of the Sisters of Charity of the Incarnate Word, Houston
Congregation Sisters of St. Agnes	Dominican Sisters of Columbus, OH
Dominican Sisters of Great Bend, KS	Dominican Sisters of Springfield Illinois
Ethical Funds Company	Evangelical Lutheran Church in America
Franciscan Sisters of Mary, St. Louis, MO	Glenmary Home Missioners (Home Missioners of America)
Grand Rapids Dominicans	Green Century Funds
Harrington Investments	Jolt Coalition
Libra Fund	Marianist Province of the United States
Maryknoll Fathers and Brothers	Missionary Oblates of Mary Immaculate
MMA (Mennonite Mutual Aid)	New York City Employees Retirement System (NYC Pension Funds)
Rochester Minnesota Franciscans	Presbyterian Church (USA)
School Sisters of Notre Dame of St. Louis	School Sisters of Notre Dame Cooperative Investment Fund
Sinsinawa Dominicans	School Sisters of Notre Dame, Milwaukee
Sisters of Charity of St. Elizabeth, NJ	Sisters of Charity of Cincinnati
Sisters of Charity of the Blessed Virgin Mary	Sisters of Charity of St. Vincent de Paul-NY
Sisters of Mercy of the Americas - St. Louis Region	Sisters of Mercy of St. Louis Region
Sisters of St. Dominic, WI (Racine Dominicans)	Sisters of St. Dominic of Caldwell, NJ
Sisters of St. Joseph of Carondelet, MO	Sisters of St. Francis of Philadelphia
Sisters of St. Joseph of Springfield	Sisters of St. Francis of Philadelphia
Sisters of St. Joseph, Philadelphia	Sisters of St. Joseph of La Grange, Illinois
Sisters of the Holy Cross of Notre Dame, Indiana	Sisters of St. Joseph, Nazareth
Socially Responsible Investment Coalition, Texas	Sisters of the Blessed Sacrament
State of Connecticut Treasurer's Office	Sisters of the Holy Names of Jesus and Mary, Washington Province
Trinity Health	Society of St. Ursula, Rhinebeck, NY
Unitarian Universalist Service Committee	Trillium Asset Management
United Church Foundation	United Methodist Church - General Board of Pension & Health Benefits
United Church Board For Pension Asset Mgt. (United Church of Christ)	
United Methodist Church –Women's Division	
Walden Asset Management	

## **Executive Summary**

ICCR member investors have been engaged with Wal-Mart, the world's largest retailer, for over fifteen years. Wal-Mart has a tremendous influence on its workforce, suppliers and the communities in which it does business. The company should incorporate responsible business practices throughout all decision-making processes—allocating appropriate resources and systems to manage these issues.

As people of faith, we are invested morally and ethically in the actions of Wal-Mart and the dignity of all who work for the company. As institutional investors, we are financially invested in Wal-Mart's long-term financial performance. Both perspectives keep us engaged with Wal-Mart and call on the company to be a positive agent of change in the lives of its workers, in its supply chain and the communities where it operates.

This moral and financial investment in Wal-Mart gives ICCR Members a unique role in the public debate surrounding Wal-Mart, because we have a clear self-interest in both Wal-Mart's financial and social performance. Our sustained, long-term engagement with Wal-Mart has brought modest reforms. By bearing witness to the immense power of the company and by calling for specific changes in key social and environmental areas, we hope to transform Wal-Mart into a company worthy of moral and financial investment.

Over the years, ICCR Members have highlighted a number of important issues through shareholder resolutions and meetings with senior management, including equal employment opportunity (EEO), working conditions within all elements of the company's supply chain, access to healthcare for company employees, the sale of violent video games, and environmental standards.

Since 1995, ICCR Members have pressed Wal-Mart to strengthen its Standards for Suppliers. We have pressed for inclusion of the International Labor Organization's (ILO) core labor standards, monitoring of its suppliers by incorporating independent monitoring groups in assessing labor conditions, training suppliers on how to implement the standards, training workers on their rights; and reporting publicly on violations of its standards.

In 1996, ICCR was instrumental in getting Wal-Mart to take responsibility for labor conditions in its supplier factories by monitoring its direct suppliers, not simply including labor standards language in supplier contracts. Previously it was Wal-Mart's position that labor conditions were solely the responsibility of suppliers. Two years ago, ICCR Members convinced Wal-Mart that its Standards for Suppliers must address the right of workers to organize a union and to bargain collectively, two core labor rights of the International Labor Organization. Beginning last year, Wal-Mart added freedom of association and collective bargaining to its standards and now expects its suppliers to respect workers' right to form a union and to not restrict or interfere with any legitimate activities.

We have also seen success in issues beyond our core concerns about the dignity of workers. Last year, Wal-Mart worked with shareholders to issue a policy on the sale of violent video games to minors. This followed a report by the New York City Council that advocated for retailers to make a real commitment to keep video games with graphic violence or strong sexual content ("Mature" rated games) out of the hands of children.

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While Wal-Mart has progressed on these issues, ICCR Members continue to call on the company to protect the health and dignity of all workers—both store Associates and those in the supply chain.

These resolutions continue the dialogue between Wal-Mart's management, Wal-Mart's board, and religious investors. ICCR Members, who remain invested in the financial success of the company, will continue to shepherd these and other key business reforms through. As this process continues, we can state proudly that our investments have already yielded dividends beyond our worldly portfolio.

### **The 2006 Wal-Mart Proxy: ICCR's Priority Issues**

#### Compensation Disparity: lead filers, the Sisters of the Holy Names of Jesus and Mary, Washington Province and the Benedictine Sisters of Boerne, Texas

ICCR Members have been calling attention to excessive levels of executive compensation at Wal-Mart since a resolution by the Missionary Oblates of Mary Immaculate in 1993. Today, we've estimated the ratio of Wal-Mart's CEO Lee Scott's compensation to the wages of the average Wal-Mart employee to be about 1000 to 1. This concerns shareholders trying to hold the line on executive compensation. It also concerns people of faith working to alleviate poverty.

Excessive compensation packages for top corporate executives increase the compensation gap between highest and lowest paid employees and weaken the connection between corporate performance and executive compensation. Over the past decade, we've requested that the Board institute an Executive Compensation Review, covering pay, benefits, perks, stock options and special arrangements in the compensation packages for all the company's top officers and prepare a report with the results of the Review and recommend changes in practice. Wal-Mart has not done so.

Like most investors, we believe that executive compensation systems should provide incentives to build a successful, sustainable company. But as both investors and people of faith, we feel prosperity should be fairly shared within the company. On both of these counts, Wal-Mart falls short.

Our resolution requests the Wal-Mart Board undertake a study, and make available a report of the total compensation packages provided to company top executives in comparison to the lowest paid worker and to justify this disparity.

Shortly after we filed this resolution, Wal-Mart went to the Securities and Exchange Commission and sought to "...to omit the Proposal...on the grounds that the proposal relates to the ordinary business operations of the Company...in that it focuses on compensation practices and seeks to micro-manage the company."

However, the Securities and Exchange Commission agreed with our argument that overseeing executive compensation is one of the core rights of shareholders. The resolution will appear in the company's proxy and will be voted on at the annual general meeting.

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### Public Health Impact: lead filer, Basilian Fathers of Toronto

Several recent studies by governments and academics point out Wal-Mart employees use more public health services such as Medicaid than other companies. This puts a burden on public health programs that were never intended to subsidize large corporations. The working poor need good health care for their families, and Wal-Mart has been accused of failing to fulfill that obligation. Even Wal-Mart's internal research, a confidential memo to the Board leaked to the media in October, found almost half of Wal-Mart Associates' [employees'] children are on public assistance or uninsured.

However, despite the plethora of academic, union, and government reports, the company has never done a public, comprehensive analysis of the situation. This puts shareholders at risk: the use of public health programs by employees of the nation's largest company is a hot political issue. Dozens of states are considering a variety of legislative remedies. So we requested the Wal-Mart Board report on the public health services (Medicaid and State Child Health Insurance Programs) used by Wal-Mart in its domestic operations.

Wal-Mart challenged this resolution at the Securities and Exchange Commission, claiming the proposal dealt with "the ordinary business operations of the Company." They were successful, and shareholders are deprived of a chance to make their views known on this key public policy issue before the company. However, ICCR Members will continue to bring health care issues before Wal-Mart's management and Board. This will be one of our priority areas moving forward.

### Sustainability Reporting: lead filer, United Methodist Church - General Board of Pension & Health Benefits

A comprehensive sustainability report would give shareholders data on a wide variety of social issues facing the company, including environmental pressures, global supply chain issues, and related social and economic issues. This information is material in making well-informed investment decisions, as it speaks to the vision and stewardship of management. Moreover, as one of the largest companies in the world, Wal-Mart should be the leader in responsible policies concerning its workforce, suppliers, the environment, and the communities in which it does business. Today, that is not the case.

Because of our efforts, Wal-Mart recently pledged to report to shareholders on its progress towards an initial set of environmental and social related goals. But the company has not committed to developing a public sustainability report that addresses its strategies concerning economic, social, and environmental issues and developments.

ICCR member investors have engaged in dialogue with Wal-Mart on sustainability reporting since 2003. In February 2005, Wal-Mart CEO Lee Scott met with us at our office in New York City and told ICCR Members that the company is committed to developing a sustainability report but declined to provide a timeline. Since then, the company has set out an April 2007 deadline.

This report would include the environmental and social direction that the company is moving towards and will disclose metrics, goals and progress toward those goals. The company agreed to engage stakeholders in the process of developing metrics to guide progress.

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We're encouraged by all of this: it is some progress. But our members remain concerned that the company has not agreed to use the Global Reporting Initiative (GRI) Guidelines, which address a number of key environmental, social and economic issues and indicators. We also do not know the scope and scale of the report, or the system for engaging all stakeholders in the process. To date, over 700 companies have used the GRI Guidelines to shape their sustainability reports.

Accordingly, our resolution reiterates the request that the Wal-Mart Board prepare a Sustainability Report and make a summary available to shareholders by December 2006. The resolution recommends that Wal-Mart use the Global Reporting Initiative's Sustainability Reporting Guidelines to prepare its report.

Year	2004	2005
Shareholder Vote	14%	16%

In the last two years shareholder voter support for this resolution has been significant, with support increasing from 14% in 2004 to 16% in 2005. Approximately 40% of Wal-Mart shares are owned by insiders or by the Walton family, and presumably did not support the resolution. Therefore, about 27% of independent shareholders in 2005 voted in favor of sustainability reporting, a very high level of support.

The resolution will appear again on the company's proxy in 2006 and will be voted on at the annual general meeting.

### Equal Employment Opportunity Report: lead filer, Sisters of Charity of St. Elizabeth, NJ

The ability of all workers to succeed at Wal-Mart, regardless of their gender, race, religion, or national origin, is an essential precondition to maintaining respect and dignity for all workers. ICCR Members have focused our efforts in two related areas: increasing the level of diversity on the Board of Directors, and encouraging Wal-Mart to release their EEO-1 report, a confidential report filed annually with the federal government. Disclosure is voluntary but an increasing number of companies do so. According to the bipartisan Glass Ceiling Commission report, a positive diversity record makes a positive impact on the bottom line. The Commission recognized that "public disclosure of diversity data—specifically data on the most senior positions—is an effective incentive to develop and maintain innovative, effective programs to break the glass ceiling barriers."

Our Members have filed resolutions specifically requesting the Board respond to the Glass Ceiling Commission's business recommendations. The company has not done so, but because of legal pressure and very high votes for resolutions on these topics, Wal-Mart has responded to some equal employment opportunity concerns. The company ties executive compensation to EEO/diversity goals; created a new diversity office and programs geared to women and minorities in manager area only, and has started mentoring initiatives. In addition, the company has programs to increase women and minority vendors.

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On the Board of Directors issue, Wal-Mart fulfilled a request for a report, which addresses determination of candidates, criteria, selection process, selection of board committees, and diverse nominating. They produced an updated "Corporate Governance Guidelines and the Compensation, Nominating and Governance Committee Charter."<sup>1</sup> A general statement is included in the Corporate Governance Guidelines Director Qualifications, which states, "The Board is committed to diversified membership. The Board will not discriminate on the basis of race, color, national origin, gender, religion or disability in selecting nominees." These actions are not enough, but represent positive movement.

We remain focused on encouraging a diverse workforce and an end to workplace discrimination, and we continue to be concerned about allegations of misconduct by Wal-Mart. Accordingly our 2006 resolution repeats a request that the company prepare a report including "...a chart identifying employees according to their sex and race in each of the major EEOC defined job categories, a summary of any affirmative action policies and programs, and programs oriented toward increasing the number of managers who are females or minorities."

Year	1993	1994	1995	2002	2003	2004	2005
Shareholder Vote	7.00%	7.30%	5.50%	11.29%	12.95%	16.10%	18.77%

For the last four years, the EEO disclosure resolution has seen growing voter support. Because approximately 40% of Wal-Mart shares are owned by insiders, the level of support we saw in 2005 corresponds to 31% of independent shareholders. This is an extraordinarily high vote on a resolution of this nature.

In February, ICCR Members met with Wal-Mart's Vice President of Diversity. We are cautiously optimistic that the company will finally agree to our request for EEO-1 disclosure. If they do so, this resolution may be withdrawn by the proponents.

### Safety of Products -- Safer Chemicals Policy: lead filer, Green Century Capital Management

In addition to our core issues on worker dignity, ICCR Members also pursue a wide range of important corporate responsibility issues. Foremost among these are concerns about environmental health and safety. Recent studies show that even very low levels of certain chemicals found in consumer products may contribute to a host of human health disorders, including cancers and neurological problems.

According to a recent report<sup>2</sup> safer chemicals policies have been adopted by leading consumer products manufacturers and retailers. Wal-Mart is uniquely positioned to dramatically shift global supply chains towards use of safer chemicals in common consumer products. Doing so would require innovative practices such as inventorying chemicals in products; establishing goals

<sup>1</sup> "Compensation, Nominating and Governance Committee Charter," Wal-Mart Stores, Inc.  
<[http://media.corporate-ir.net/media\\_files/IROL/11/112761/corpgov/compensation2.pdf](http://media.corporate-ir.net/media_files/IROL/11/112761/corpgov/compensation2.pdf)>

<sup>2</sup> "Protecting Public Health, Increasing Profits And Promoting Innovation By Benchmarking Corporate Governance of Chemicals in Products," Richard Liroff, released 2/10/2005. <<http://rosefdn.org/liroffreport.pdf>>

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and milestones even in the face of scientific uncertainty; providing inducements to suppliers to provide safer products; and publicly disclosing information to consumers and shareholders.

Companies have adopted such practices to build public trust, protect brand reputation, and safeguard and grow market share by anticipating regulation. Such actions by Wal-Mart would significantly and positively raise the company's environmental profile, enhancing its reputation and competitive position worldwide. As Lee Scott said in October 2005, "being a good steward of the environment and in our communities, and being an efficient and profitable business, are not mutually exclusive. In fact they are one in the same."

The resolution requests "the Board publish a report evaluating Company policies and procedures for systematically minimizing customers' exposure to toxic substances in products, including, at a minimum, hormone disrupting chemicals, persistent bioaccumulative toxicants, carcinogens, mutagens, and reproductive toxicants. The report should summarize the criteria used to evaluate such chemicals, and include options for systematically identifying toxic chemicals in stocked products, encouraging suppliers to reduce or eliminate such chemicals and develop safer alternatives, and routinely reporting on progress."

This proposal, like the ones concerning compensation disparity and public health impact, has been challenged by Wal-Mart before the Securities and Exchange Commission. As of publication, we do not yet have an SEC ruling.

### **Our History of Engagement with Wal-Mart: 1993-2006**

#### 1995-2006: "Labor Standards for Factories in Wal-Mart's Supply Chain," lead filer United Methodist Church - General Board of Pension & Health Benefits

For the past eleven years, a group of over forty religious and socially responsible investors have filed resolutions and held meetings with Wal-Mart management on vendor standard issues, advocating for actions to ensure the company does not purchase from suppliers who manufacture items using forced labor, convict labor, or child labor, or who fail to comply with laws protecting their employees' wages, benefits, working conditions, freedom of association and other workplace human rights.

ICCR Members have consistently raised key supply chain issues with Wal-Mart including the need for Wal-Mart to take responsibility for the workplace conditions in the factories where its products are made; adopt and implement a code of supplier conduct that incorporates the core ILO labor standards, including freedom of association and collective bargaining; pay a sustainable living wage; monitor supplier factories with internal staff and independent organizations; train suppliers to implement respect for worker rights; and report publicly on the company's process of monitoring, violations found and how they are fixed.

From 2002-2004 Wal-Mart published reports on how it is seeking to implement its supplier standards program. Overall, Wal-Mart's public reporting continues to lag behind other multinational supplier standards reports (Gap, Nike and Reebok) for comprehensive measurable data on audit violations, remediation, training, collaborative stakeholder model on report development and identification of systemic issues and how to address them. ICCR Members



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have also identified the impact of the company's purchasing practices, including pricing, on the ability of supplier factories to comply with labor standards. This is a critical issue for the company to address.

The company has a great deal of room for improvement in this area. Nonetheless, Wal-Mart management has held ongoing conversations with ICCR Members, solicited feedback and allowed input on supplier standards report content.

The company also extended invitations for shareholders to visit Wal-Mart supplier factories in Southern China (2001) and Central America (2005). In November 2005 a group of ICCR investors accompanied Wal-Mart representatives to El Salvador and Honduras to observe Wal-Mart's audit process and meet with independent monitoring groups. A number of recommendations were made to the company as a result of this ICCR visit, including:

- Greater outreach to, and partnerships with, local, knowledgeable independent nongovernmental organizations.
- Development of a mechanism for evaluating all training programs for suppliers with key indicator/benchmarks for implementing Wal-Mart's Ethical Standards.
- Collaboration with other sourcing companies utilizing the same factory to ensure compliance with Ethical Standards (which investors note as a "window of opportunity" for Wal-Mart to be a leader in this effort).

*The following issues fall outside the core ICCR concerns about the dignity of workers and respect for workers rights, including in the area of living wages and health care. However, the large ICCR investor network also addresses other pressing corporate accountability issues. Under the leadership of faith-based and socially responsibility investors, we have pressed Wal-Mart on issues ranging from violence in the media to environmental stewardship.*

### 2005: "Violence in Video Games," dialogue lead by Boston Common Asset Management and Trinity Health

In 2005, shareholders requested that "the Board of Directors report on the implementation of the corporation's policies regarding the sale of Mature-rated video games to children and teens," and to make consumers as aware as possible of the violent nature of these "games."

In response, Wal-Mart has posted their policy on their web site and said it is available in their stores. They've made changes to their website, and consumers can now "shop by rating" online. Also, after the hidden content was revealed on the game "Grand Theft Auto: San Andreas" -- and the Entertainment Software Rating Board (ESRB) changed its game rating from "Mature" to "Adults Only" -- Wal-Mart was one of the first companies to stop selling the game.

### 2005: "Land Procurement Policies," dialogue lead by Christian Brothers Investment Services

In 2005, CBIS and Domini Social Investments wrote "Outside the box: Guidelines for Retail Store Siting," a report that outlines guidelines for retailers to embrace environmental stewardship; disclose store siting policies; consult in advance with affected communities; demonstrate respect for Indigenous cultures; protect cultural heritage; and adhere to "smart

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growth” practices. Supported by 20 ICCR members and associates representing \$33 billion in assets, the report strongly recommends that Wal-Mart and all major retailers have a publicly disclosed, clearly formulated, well-monitored and effective policy for assessing and mitigating social and environmental risks associated with store siting.

With 4,000 stores and an aggressive plan for new store openings, store siting is a central component of Wal-Mart’s business. While its stores are frequently welcomed into communities for the shopping convenience and job opportunities they offer, they have also faced opposition because of the social and/or environmental impact of the company’s land use practices.

While Wal-Mart created “Acres for America,” a partnership with The National Fish and Wildlife Foundation, whereby the company will contribute \$35 million to conserve habitat equal to its existing footprint and planned expansion, and its website notes that its “environmental commitment includes developing a common-sense plan for selecting sites,” the company has yet to directly address or provide guidelines to mitigate the environmental and social impacts associated with the siting of the company’s individual stores. Shareholders would welcome a substantive discussion with the company regarding its land procurement policies.

### 2003-2005: “Report on Genetically Modified Organisms,” lead filer Sinsinawa Dominicans

In shareholder resolutions in 2003 and 2004, we requested Wal-Mart’s Board “review the Company’s policies for food products manufactured or sold by the Company under the Company’s brand names or private labels containing genetically engineered (GE) ingredients and report to shareholders.”

Year	2003	2004
Shareholder Vote	3.46%	3.34%

Shareholders remain in dialogue with the company on this issue.

### 2001-2005: “Portrayals of Indigenous People” dialogue led by Sisters of the Blessed Sacrament, Sinsinawa Dominicans, and Oneida Trust Department

ICCR members are concerned about the offensive and inappropriate use of American Indigenous culture and tradition, and the impact of store siting on sacred land. We’ve raised the issue of Wal-Mart’s procurement and ownership of property considered sacred by indigenous peoples. We’ve also called attention to the company’s sale of products that are offensive to indigenous people (for example, requesting an explanation of why Wal-Mart continues to sell “Redskins” merchandise).

In 2001, shareholders and indigenous leaders wrote letters to Wal-Mart and West Virginia state officials expressing concern at the Company’s attempts to build a store, which would have destroyed an American Indigenous burial site, in Morgantown, West Virginia. As ICCR understood, Wal-Mart’s representative was told ahead of time that this was a sacred site. As a result, Wal-Mart relocated to another site.

In 2005, in response to shareholder’s request for the removal of products which are offensive to indigenous peoples, CEO Lee Scott stated that he understood “the sensitivity, particularly as it

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relates to products bearing team name logos,” but that “Wal-Mart is not the proper focus of this debate. At this point, we do not believe that sports team apparel and equipment falls in that category or goods that should be removed or discontinued;” concluding “We understand that you might be disappointed in this decision, but we believe it is the appropriate decision for our customers.”

Shareholders, led by indigenous people, will continue to pursue these issues.

1998, 1999: “Environment--CERES reporting,” lead filer Congregation Sisters of St. Agnes

The CERES Principles are a set of commitments on global warming, which are increasingly embraced by companies. ICCR Members were some of the first to bring global warming issues to the attention of Wal-Mart through resolutions such as these.

In 1998, the proposal received 3.66%; in 1999, the proposal received 3.35% of the vote, and Wal-Mart sent representatives to dialogues with ICCR Members in May 1998 and August 1999. ICCR Members have been encouraged by Wal-Mart’s recent public statements on environmental and global warming issues. We will continue to monitor the company’s performance and work with our colleagues in the environmental community to improve it going forward.

1994: “Gun Sales,” lead filer Benedictine Sisters of Boerne, Texas

Shareholders requested that the Board of Directors of Wal-Mart adopt a policy ending the sales of handguns and their accompanying ammunition.

Wal-Mart continues to sell firearms, but except in Alaska, does not sell handguns. (This policy is disclosed on [walmartfacts.com](http://walmartfacts.com): “No handguns are sold at our stores, except Alaska, where customers who live in remote areas carry handguns to protect themselves from wildlife.”)

### **Conclusion: Staying Morally & Financially Invested**

ICCR Members are long-term investors who require competitive financial returns over an extended time horizon. They are people of faith who are motivated by their faith to bring changes to companies in which they invest, and they are socially responsible investors guided by a belief that investing can return a profit to the investor, while also promoting social and economic justice. 73 members are specifically focused on making significant changes at Wal-Mart. They’ve remained invested in Wal-Mart and actively engaged the company on a wide variety of social issues, focusing on a new business model. Thus, 2006 and beyond brings a new focus on the rights and dignity of all workers, from low-wage rural employees in the United States who need affordable health care to the factory workers in Bangladesh who need humane working conditions.

With the largest private sector workforce in the nation, and a supply chain that impacts millions of lives, Wal-Mart’s success is heavily dependent on human capital and contributions from communities where it operates, workers up and down the corporate ladder and public subsidies in a variety of forms. The efforts of ICCR Members to protect the health and dignity of these workers may mean not only a more just Wal-Mart, but also a more sustainable and profitable company. The challenges Wal-Mart faces in how it treats overseas suppliers, Associates at home,

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and women and people of color in the company cannot be addressed by spin. The only response that will meet the needs of shareowners is action.

For over a decade, we have engaged Wal-Mart on pressing social issues of the day. In 2006, we have three shareholder resolutions which speak to the challenges Wal-Mart management and shareholders face. These resolutions will be accompanied by a variety of efforts to reach out to shareholders, people of faith, and Wal-Mart management on our concerns. We know our resolutions will not 'pass' (because about 40% of the common stock is owned by insiders or Walton family members). But our resolutions are a powerful symbol of our resolve and the wide support we enjoy among Wal-Mart shareholders.

Our long track record with Wal-Mart, and our status as long-term investors, uniquely positions us to make real, concrete improvements in Wal-Mart's practices going forward. And the evidence shows we've successfully done so in the past. We recognize the company has a very long way to go. Around the country and around the world, communities and workers depend on Wal-Mart to be a true leader and responsible partner. We have a vision in which Wal-Mart is such a leader, and will continue to invest in that vision.