

**DARTMOUTH COLLEGE
ADVISORY COMMITTEE ON SOCIAL RESPONSIBILITY**

**ANNUAL REPORT TO THE DARTMOUTH COMMUNITY FOR
2004**

I. EXECUTIVE SUMMARY

In 2002, President James Wright convened an advisory committee to formulate recommendations concerning how Dartmouth College might address the issue of socially responsible investing. The committee was chaired by Professor Kent Womack of the Tuck School of Business and included faculty members, administrators, students, and an alumnus. In particular, President Wright asked the advisory committee to address the following matters:

- The appropriate process for providing information and advice to the President and Board on issues of socially responsible investing, specifically as it relates to proxy voting;
- The desirability of disclosing information regarding the College's investment portfolio to its constituencies, and the manner in which information deemed appropriate for release might be made available;
- The process by which the College determines its position with respect to proxy questions and the practices the College employs to express its positions;
- The possibilities for education of students and other interested parties regarding the goals and constraints of the College's investment portfolio.

The Womack committee formulated recommendations on each of these subjects. Among other things, the committee stated that it was important for Dartmouth to have a forum "to promote responsible and informed ownership of the College's investments, including advocacy on issues of corporate governance and responsible global citizenship" and that this function should be "accomplished mainly by exercising the College's shareholder (proxy) voting rights." To this end, the Womack committee recommended that the College create a permanent advisory committee to carry on the Womack committee's work, particularly with regard to proxy voting.

In November, 2002, after consulting with the Board of Trustees, President Wright decided to proceed with the establishment of a permanent "Advisory Committee on Investor Responsibility" ("ACIR"). The committee was constituted in the spring of 2003 and included faculty members, administrators, and undergraduate and graduate students. (Provision was also made for appointment of an alumni/ae member.) Professor Ronald M. Green, Professor and Chair of the Religion Department, Eunice and Julian Cohen Professor for the Study of Ethics, and Director of the Dartmouth College Ethics Institute, was appointed to chair ACIR.

Because the 2003 proxy voting season was already underway, ACIR devoted the balance of the 2002-2003 academic year to studying other colleges' and universities' investor responsibility committees, refining the scope of its

activities, arranging to obtain proxy research materials through the Investor Responsibility Research Center (“IRRC”), securing staffing, developing a work plan, and related activities. Having accomplished these tasks, ACIR was prepared to begin considering, and making recommendations on, specific proxy issues for the 2004 corporate annual meeting cycle. (The vast majority of publicly held companies hold their annual meetings between March 15 and May 30.)

For the 2004 year, Professor Green continued as chair. Other members included: Adam Keller, Executive Vice President, Finance and Administration; Robert B. Donin, General Counsel; Mary Gorman, Executive Officer to the Provost; Ellen Brownell, Associate Investment Officer, Dartmouth College Office of Investments; Lori Alvord, Assistant Professor of Surgery and Psychiatry and Associate Dean of Student And Multicultural Affairs, Dartmouth Medical School; Emmanuel R. Sturman, Director of Career Services; Sally Newman, Dartmouth '05; Sean Parker, Tuck School of Business Administration '04; and Frederick Senuta, M.A.L.S. '05. Allegra Lubrano served as ACIR’s Executive Administrator in 2004.

As stated above, the mission of ACIR is to make recommendations to the College regarding socially responsible investment and attendant proxy voting. ACIR does so by reviewing extensive materials relating to publicly traded securities owned by the College at the time proxy statements are delivered. ACIR subscribes to the services of the IRRC, which provides Background Reports on social issues and pertinent proxy language for and company information on publicly traded securities owned by the College. In addition, ACIR members engaged in independent research and examined the College’s practices, policies and its mission when faced with many issues.

For the year 2004, ACIR met on a weekly basis during April and May. During that time, ACIR made recommendations to the Office of Investments on how the College should vote on 77 different proxy resolutions that raised important social issues. In addition, because ACIR agreed on certain principles during its first year of operation, it was able to make recommendations on how the College should vote on an additional 17 proxy resolutions through the end of 2004. ACIR made recommendations on a total of 94 proxy resolutions during its first year of work. The College Investment Office accepted all of the recommendations of ACIR for the 2004 year and voted those proxy resolutions accordingly. A summary table is provided below.¹

Issues	Proxy Resolutions Voted	Proxy Resolutions Voted		
		Support	Oppose	Abstain
Global Labor Standards	15	7	1	7
Prior Government Service	2		2	
Charitable Contributions	6		5	1
Political Issues	24	24		
Animal Welfare	4	3	1	
Environmental Issues	22	15	2	5

¹ The summary table lists 95 resolutions because one resolution raised issues in two separate areas.

Sustainability Issues	1	1		
Tobacco Issues	5	2	2	1
Military Contracting	2	1		1
Executive Compensation	5	4	1	
Diversity and Equity Issues	7	7		
Banking Issues	1	1		
HIV/AIDS Issues	1			1

In addition to making recommendations on proxy resolution votes, ACIR sponsored a Public Forum on May 12, 2004, to which it invited the Dartmouth community to come and learn about ACIR's work and provide input to ACIR with regard to specific issues relating to socially responsible investment. ACIR intends to hold at least one such Public Forum every year. ACIR's mission explicitly requires it to seek out educational opportunities that may be created through ACIR's work. Consistent with its mission, ACIR invites the Dartmouth community to provide input and to learn more about ACIR's work and accomplishments.

ACIR has also arranged for the Dartmouth community to have access to the list of the College's portfolio of publicly traded securities to be updated on a quarterly basis. Any member of the Dartmouth community who wishes to review this list may do so by visiting the Office of Investments during normal business hours. Finally, ACIR anticipates that there will be two computer terminals located at Dartmouth libraries which can be used by the Dartmouth community to access information from the IRRC. It is ACIR's hope that the community will take advantage of this resource to become more involved in ACIR's work and to conduct independent research in investment areas that interest Dartmouth community members.

To the best of ACIR's knowledge, only 11 other colleges and universities have mechanisms in place to review proxy resolutions or make recommendations regarding the voting of those resolutions, as well as to disclose endowment holding information to the public. These institutions include Barnard College, Brown University, Columbia University, Duke University, Harvard University, Smith College, Stanford University, Swarthmore College, Vassar College, Williams College, and Yale University. The mechanisms used by the above educational institutions differ markedly, as do their endowment holdings disclosure policies.

Although the number of colleges and universities currently engaging in studied socially responsible proxy voting is still extremely small, there appears to be a groundswell of interest in this area that has been generated by students, alumni, faculty and staff at colleges and universities across the country. For example, on April 22, 2004, students and alumni from 22 colleges and universities joined together to create The Responsible Endowments Coalition. Among the goals of this new organization are facilitating communication and advancing effective investment policies and practices. As of October 1, 2004, The Responsible Endowment Coalition boasted members from 30 different educational institutions. ACIR anticipated that interest in the area of socially responsible investment will continue to increase in the immediate future.

There are numerous, extremely complex social issues raised by the shareholder resolutions that ACIR reviewed and made recommendations upon during the 2004 year. What follows is a summary of the social issues ACIR discussed and a brief explanation for ACIR's recommendation with respect to each such resolution.

II. 2004 PROXY SEASON

ACIR made recommendations to the College for voting on 94 shareholder-initiated proxy resolutions dealing with issues of social responsibility during the 2004 year. (Appendix A includes the language of each proxy resolution voted upon, sorted by subject area.) There were fifteen different social issues subject areas that ACIR discussed and made voting recommendations on during the first year of its operation.

1. GLOBAL LABOR STANDARDS AND HUMAN RIGHTS

ACIR reviewed and made recommendations on 15 shareholder-initiated proxy resolutions that related to Global Labor Standards and Human Rights. A majority of these resolutions requested that the corporation subject to the resolution commit to implementing codes of conduct that conformed to International Labor Organization human rights standards and United Nations' Norms on the Responsibilities of Transnational Corporations with Regard to Human Rights, by its international suppliers and in its own international production facilities. Some of these resolutions actually spelled out a specific code of conduct that the proponent requested the subject company adopt. Others requested that the company report to shareholders on what provisions its code of conduct contained. ACIR reviewed two proxy resolutions requesting that a company adopt the Macbride principles, a code of conduct for fair employment in Northern Ireland, to ensure nondiscrimination and independent oversight of workplace equality in a region that remains rife with sectarianism despite some recent political progress. Finally, ACIR reviewed one proxy resolution specifically requesting code of conduct action on the subject company's operations in China. A majority of these code of conduct resolutions requested that the companies commit to a program of outside, independent monitoring of compliance with code of conduct standards.

ACIR reviewed proxy resolutions containing code of conduct resolutions for the following companies: Dillard's Incorporated, Hasbro Incorporated, Time Warner Incorporated, Crown Castle International, TJX Companies Incorporated (2 resolutions), Kellwood Company, 99 Cents Only Stores, American Eagle Outfitters Incorporated, Claire's Stores Incorporated, Men's Wearhouse Incorporated, and Cintas Corporation. Proponents included labor unions, pension funds, investment firms, religious organizations, and individuals.

These code of conduct resolutions were all aimed at companies with operations overseas and in developing nations with high poverty levels. The background materials reviewed by ACIR, as well as independent research by ACIR members confirmed that there is very little enforcement of labor safety or health standards for employment in most of the countries where these companies have operations. ACIR noted that many of the subject companies did indeed

have existing codes of conduct for overseas employees, their work conditions and compensation levels. However, ACIR felt that these resolutions for the most part would only improve the companies' records with regard to overseas employment. ACIR also recognized that the College was a founding member of the Fair Labor Association, a non-profit organization combining the efforts of industry, non-governmental organizations, and colleges and universities to promote adherence to international labor standards and improve working conditions worldwide.

For all of these reasons, ACIR recommended that the College vote in favor of a majority of the resolutions requesting more stringent code of conduct implementation, monitoring, and reporting. In one of the resolutions requesting implementation of the Macbride Principles, ACIR recommended that the College support the resolution because it simply requested prohibition against religious discrimination. In a few instances, ACIR recommended that the College vote to abstain on resolutions when it did not have enough information² or when the proponent was requesting a third party seller to adopt a particular code of conduct that would apply to the vendors from whom it obtained its merchandise. With regard to the latter, ACIR did not feel that such proxy resolutions were reasonable.³ Finally, in one instance where the subject company was requested to adopt the Macbride Principles, ACIR recommended that the College vote to abstain on the resolution because ACIR had not adopted a policy on voting code of conduct resolutions and the recommendation was made subsequent to ACIR's final meeting.

The code of conduct resolutions received varying support from shareholders. The resolutions requesting more stringent codes of conduct, monitoring, and/or reporting garnered shareholder support of between 7.4% and 19%.⁴ And the two resolutions requesting implementation of the Macbride Principles only received shareholder support of .8% and 3.4%.

In addition to resolutions dealing with Global Labor Standards, ACIR reviewed and made recommendations on two resolutions dealing with Human Rights.

The first resolution was presented in ExxonMobil Corporation's proxy statement and was initiated by an individual shareholder, Kay Bandell. This resolution requested that ExxonMobil make "universally available" an addendum to its annual report regarding the company's operations in Equatorial Guinea. The report is to include the company's answers to questions posed to it by CBS News's *60 Minutes* in the fall of 2003, an accounting of the national origins, job categories and salaries of its employees in Equatorial Guinea, a discussion of "concerns about sheltering the cynically cavalier plundering" of the nation by its president, a reaction to Human Rights Watch's statements that

² An example of such a case was when the exact proxy language was not yet available.

³ A resolution for TJX Companies Incorporated provides a good example. TJX Companies generally aims to offer a rapidly changing assortment of brand name merchandise at prices that are 20 to 60 percent less than department and specialty store regular prices. TJX Companies does not manufacture the merchandise itself, but rather purchases it from manufacturers and wholesalers.

⁴ Results from the voting on code of conduct resolutions for Cintas Corporation and Oracle Corporation are not yet available.

ExxonMobil is passively acquiescing to abuses and a discussion of “plans to address a widely disseminated suggestion that EMC functions in Equatorial Guinea as if a twenty-first century variation on a nineteenth century robber baron.”

ACIR recognized that CBS News’ *60 Minutes* in the fall of 2003 did raise some troubling questions about ExxonMobil Corporation’s operations in Equatorial Guinea. ACIR noted, however, that ExxonMobil had already responded to many of the questions posed by the resolution. The majority of ACIR members were uncomfortable with the language of the proxy resolution, feeling that it was too strident. Therefore, ACIR recommended that the College vote to oppose the resolution. (1-4-1 In Favor / Opposed / Abstained)

This resolution received shareholder support of 7.6%.

The second resolution ACIR reviewed in 2004 that addressed Human Rights issues was initiated by Calvert Asset Management Company and requested that Calpine Corporation “develop, implement, and publish a formal written policy on the rights of indigenous peoples by September 1, 2004.” ACIR review of this resolution is discussed at length below in the Environmental Issues section, where ACIR feels the resolution is more appropriately grouped.⁵ ACIR unanimously recommended that the College vote in favor of this resolution.

The resolution received support from 4.4% of Calpine Corporation’s shareholders.

2. PRIOR GOVERNMENT SERVICE

ACIR reviewed 2 shareholder-initiated proxy resolutions relating to issues of prior government service. The shareholder bringing the resolution in each case requested that the companies, Lockheed Martin Corporation and Du Pont (E.I.) Nemours, provide their shareholders with an annual report listing the names of employees with the rank of vice president and above, who were being paid for other services (such as consultant or attorney), who in the previous five years had served in any governmental capacity. Further, the resolutions requested that the companies include in their annual reports information detailing whether any such employee had, while a government employee, engaged in any matter which had a direct bearing on the companies’ operations. Evelyn Davis, an individual shareholder, initiated both of these proxy resolutions.

ACIR recognized that executives, lawyers and other highly skilled professionals often move between government and industry. IRRRC research indicated that those supporting this practice view such movement as benefiting both the public and private sectors by furnishing government with valuable expertise while providing industry and its allied professions with an equally necessary understanding of how government works. IRRRC research further indicated that such advocates support such migration of experienced people back and forth because it expedites the flow of information and ideas in what is

⁵ See footnote 7 below.

an intrinsically adversarial relationship, thereby advancing the cause of effective regulation. Arguably, the movement of professionals into and out of government service is inevitable as a by-product of the disparity in compensation that exists between the public and private sectors. Because government salaries are generally lower than those offered by industry, particularly for lawyers and those employed in highly specialized fields, some argue that making it difficult for federal employees to move on to more lucrative private sector jobs will make it more difficult to attract highly qualified workers to government service, and thereby render the federal regulatory agencies less effective.

While ACIR recognized merits to both sides of the argument, its members felt that overall such migration between public and private sector was not inherently harmful or wrong. Moreover, ACIR agreed that public disclosure of prior employment of employees or contractors amounted to a violation of the privacy of such individuals. Therefore, ACIR recommended that the College vote to oppose the proxy resolutions requesting disclosure of prior government service by employees or other independent contractors.

Ultimately, the proxy resolution for Lockheed Martin Corporation garnered shareholder support of 2.8%. The proxy resolution for Du Pont (E.I.) Nemours received shareholder support of 9.1%.

3. CHARITABLE CONTRIBUTIONS

ACIR reviewed 6 shareholder-initiated proxy resolutions relating to charitable contributions by publicly owned corporations. These resolutions requested that the corporations either (1) cease all charitable contributions, (2) cease all charitable contributions or, as an alternative, pay a dividend and send a note to shareholders suggesting they contribute it to their favorite charity, or (3) provide and explanation for previous charitable contributions and plans for future such contributions. The proxy statements of Johnson & Johnson, Loews Corporation, J.P. Morgan Chase & Company, Bank of America Corporation, Prudential Financial Incorporated, and Sara Lee Corporation contained such resolutions. Proponents of these proxy resolutions included individual shareholders and a pro-life advocacy group, Pro Vita Advisors.

ACIR recommended unanimously that the College vote to oppose 5 of these 6 resolutions. ACIR felt that it would be inappropriate for a non-profit organization such as Dartmouth College to recommend against charitable contributions, upon which it relies for a significant portion of its expenses and operations, including scholarship support. In addition, ACIR felt that corporations can demonstrate their good citizenship by contributing to local, national and international non-profit organizations, to community events, and to other meritorious entities. While ACIR recognized that in making charitable contributions public companies are necessarily spending shareholder funds, ACIR agreed that such contributions are worthwhile, supportable, and consistent with the goal of maximizing long-term shareholder wealth. Finally, ACIR felt that supporting these resolutions would be inconsistent with the College's practices and mission.

ACIR voted to abstain on the proxy resolution submitted in the Sara Lee Corporation Annual report because that resolution requested that the company provide a rationale for its charitable contributions and to describe its plans for future such contributions. Because ACIR did not have an opportunity to discuss the merits of this resolution, it recommended that the College vote to abstain on the resolution.

The proxy resolution tallies for these companies reflected shareholder support ranging from .9% to 4.6%. Votes regarding The Sara Lee Corporation proxy resolution have yet to be tallied.

4. CEASE POLITICAL CONTRIBUTIONS

ACIR reviewed two shareholder-initiated proxy resolutions in which the corporations were asked to cease making any and all political contributions. These resolutions were submitted in the proxy statements of Pfizer Incorporated and Bristol-Myers Squibb. Both resolutions were initiated by an individual shareholder, Jerry Gorman.

ACIR voted unanimously to recommend that the College vote in favor of these resolutions. ACIR recognized that there are important distinctions between charitable and political contributions. ACIR noted that donations by companies to specific political candidates or parties are usually intended to influence legislation or regulation of the interests of the donating companies. ACIR agreed that attempts to obtain such legislative effects are, in its collective opinion, generally inappropriate and, thus, unsupportable. In addition, ACIR recognized the ineffectiveness of recent campaign reform laws and felt that the resolutions requesting cessation of all political contributions by the two companies in question were positive developments in this area.

Although ACIR made its recommendations to Dartmouth College regarding these resolutions, ACIR learned later that neither resolution was actually presented for voting at the respective company's annual meeting.

5. REPORTING ON POLITICAL CONTRIBUTIONS

An enormous number of resolutions were submitted by shareholders that requested that public companies report either annually or by publication all of the political contributions these companies had made during the past calendar year. By way of comparison, in 2003 only 5 proxy resolutions were included in proxy statements for publicly traded U.S. corporations by shareholders that requested this disclosure. In 2004, there were over 40.

ACIR reviewed proxy resolutions contained in the annual reports for the following corporations requesting disclosure of political contributions: Pfizer Incorporated, American Express, BellSouth Corporation, International Business Machines Corporation, Chubb Corporation, Wells Fargo & Company, Merck & Company, General Electric Company, Verizon Communications, ChevronTexaco

Corporation, Altria Group Incorporated, SBC Communications Incorporated,⁶ Berkshire Hathaway, Bristol-Myers Squibb, PepsiCo Incorporated, FirstEnergy Corporation, American International Group, Safeway Incorporated, J.P. Morgan Chase and Company (2 separate resolutions), ExxonMobil Corporation, and Comcast Corporation. Proponents of these resolutions included individuals, foundations, pension funds, religious organizations, unions, and environmental groups.

ACIR made recommendations to the College regarding 21 proxy resolutions requesting companies to disclose in some form the political contributions they had made during the past calendar year. (Some resolutions requested disclosure by means of an annual report to all shareholders; others requested disclosure to shareholders and the public through publication in national newspapers.)

ACIR was unanimous in recommending that the College vote in favor of each of the resolutions it reviewed. ACIR agreed that the transparency of political support by public companies is desirable and should be encouraged. ACIR did not think the terms of the resolutions, if adopted by the companies they were submitted to, would provide significant expense or hardship to the companies.

Shareholder support ranged from a low of 2.5% (Berkshire Hathaway) to a high of 16% (Verizon Communications).

6. AFFIRM POLITICAL NON-PARTISANSHIP

ACIR reviewed one shareholder-initiated proxy resolution in which the corporation, ExxonMobil Corporation, was asked to affirm its political non-partisanship and to “avoid” five practices that might be construed as partisan: the handing of contribution cards of a single political party to an employee by a supervisor; requesting an employee to send a political contribution to an individual in the corporation for a subsequent delivery as part of a group of contributions; requesting an employee to issue personal checks with the payee line blank for forwarding to a political party, committee or candidate; the use of supervisory meetings to announce that contribution cards of one party are available and that anyone desiring cards of a different party will be supplied one on request to his or her supervisor and the placement of a preponderance of contribution cards of one party at mail station locations. The resolution also required that if ExxonMobil Corporation was not currently engaging in any of these prohibited activities, that it inform shareholders of this fact on a quarterly basis. Evelyn Davis, an individual shareholder, initiated this proxy resolution.

Although ACIR was generally supportive of the notion that publicly traded companies should not expend their resources on overtly partisan actions, it was not comfortable with the language of the resolution. Specifically, a number of members were unconvinced that the practices alleged were actually

⁶ The SBC Communications resolution was not presented at the company’s annual meeting.

occurring. Nevertheless, most members felt that supporting the resolution would not damage ExxonMobil Corporation, nor impose any unreasonable demands upon it. Therefore, ACIR recommended that the College vote in favor of the above resolution. (6-0-1 In Favor / Opposed / Abstained)

This resolution was supported by 7.3% of voting shareholders.

7. ANIMAL WELFARE

ACIR reviewed and made recommendations on four shareholder-initiated proxy resolutions dealing with animal welfare.

The first three resolutions considered by ACIR were submitted by People for the Ethical Treatment of Animals (PETA) in the proxy statements for Pfizer Incorporated, Wyeth, and General Electric Company. The resolutions for Pfizer Incorporated and Wyeth requested that companies 1) issue a policy statement committing the company to use non-animal tests “for assessing skin corrosion, skin absorption, skin irritation, phototoxicity and pyrogenicity endpoints,” and 2) petition governmental regulators to allow the company to use “validated in vitro tests as replacements to animal tests.” The resolution PETA submitted to the General Electric Company proxy statement requested that, in addition to the two measures above, the company set up a shareholders advisory committee to monitor the company’s actions regarding animal testing.

ACIR recognized that Dartmouth College operates programs that use animals in testing under certain conditions and subject to strict supervision by its federally mandated Institutional Animal Use and Care Committee. ACIR also noted that the federal government regulates the use of animals for testing. In addition, ACIR noted that the language of the resolutions was essentially requesting that the companies in question commit to using non-animal methods of testing whenever possible. ACIR felt that this objective was worthwhile and supportable. ACIR was unanimous in recommending that the College vote in favor of all 3 resolutions.

The proxy resolutions for Pfizer Incorporated, Wyeth, and General Electric Company garnered shareholder support of, respectively, 2.2%, 2.5%, and 3.9%.

The fourth proxy resolution dealing with animal rights was also initiated by PETA. In this resolution, PETA requested that Petco Animal Supplies Incorporated issue a report reviewing all operational costs and liabilities associated with Petco’s sale of animals to determine the viability of a policy ending the sale of animals, allowing Petco to concentrate on its core business of providing animal supplies and services and expanding adoptions.

ACIR noted that it previously voted in favor of the immediately preceding three proxy resolutions brought by PETA in connection with animal welfare issues. However, those resolutions asked the relevant companies to commit to using as few animals as possible in certain product testing. ACIR discussed Petco Animal Supplies Incorporated’s sales. ACIR observed that its animal sales account for approximately less than 5 percent of the company’s sales, according to a statement from the company’s Chief Executive Officer in December 2002.

However, ACIR reviewed materials suggesting that the elimination of sales of animals would significantly reduce revenue because that would dramatically reduce foot traffic through the company's stores, and such foot traffic leads to a great percentage of the company's sales. In addition, the majority of ACIR was not convinced that animal sales are inherently bad or in need of elimination. Indeed, ACIR members discussed a host of ill effects that eliminating sales of pets would create. Finally, ACIR members questioned whether the resolution was worded too broadly. Ultimately, most ACIR members felt that the resolution was either too broadly worded or asked too much of Petco Animal Supplies Incorporated or of its shareholders. Therefore, ACIR recommended that the College vote to oppose the resolution. (0-9-1 In Favor/Opposed to/Abstained)

The PETA-sponsored proxy resolution for Petco garnered shareholder support of approximately 2%.

8. ENVIRONMENTAL ISSUES

ACIR reviewed a multitude of proxy resolutions dealing with various environmental issues. For purposes of this Report, ACIR's review of these environmental issues is grouped into four subsections: Specific Sites, Fines and Toxic Chemicals; Nuclear Waste and Safety Issues; Global Climate Change; and Bio-Engineering.

A. Specific Sites, Fines and Toxic Chemicals

ACIR reviewed and made recommendations on 7 shareholder-initiated proxy resolutions that addressed concerns regarding clean up of toxic waste sites, payment of regulatory fines and the use of specific toxic chemicals in operations.

ChevronTexaco Corporation

In a resolution brought by Trillium Asset Management, an investment management firm dedicated solely to socially responsible investing, ChevronTexaco Corporation was asked to report on new initiatives to address health and environmental concerns of villagers living near waste pits and other sources of oil-related contamination in areas where the former Texaco had operated in Ecuador.

ACIR discussed at length the basis for this particular proxy resolution. It noted that information suggested strongly that TexPet, a ChevronTexaco subsidiary, did not adequately clean up sites covered by a 1998 agreement between Texaco regarding cleanup of these contaminated sites and that ChevronTexaco arguably has an obligation to continue the cleanup, lest it risk its "credibility as an environmentally responsible corporate citizen" and its ability to compete in the global marketplace. In addition, ACIR noted that ChevronTexaco Corporation has been named as a defendant in a class-action lawsuit representing 30,000 people that has arisen from Texaco's prior operations. This lawsuit marks the first time that a U.S. court has pledged to

uphold a settlement imposed against a U.S. company by a foreign court. ACIR voted to recommend that the College vote in favor of this resolution.

This resolution received shareholder support of 9.5%.

General Electric Company

In a proxy resolution brought by the Sisters of Saint Dominic, Caldwell, New Jersey and the Sisters of Saint Ursula, General Electric Company was asked to report on its annual expenditures relating to its use and disposal of PCBs, including attorneys' fees, expert fees and actual remediation costs.

ACIR agreed that this information was important to shareholders and to the public. ACIR voted unanimously to recommend that the College support this resolution.

This proxy resolution for General Electric Company received shareholder support of 12.7%

Louisiana-Pacific Corporation

In a resolution brought by Sierra Club, Louisiana-Pacific Corporation was asked to annually report to its shareholders all fines and penalties it had paid under state or federal environmental laws or regulations.⁷ Despite some uneasiness with the scope of the resolution, ACIR voted to recommend that the College support this resolution. (5-0-2 In Favor / Opposed / Abstained)

The proxy resolution for Louisiana-Pacific Corporation ultimately received shareholder support of 9.1%.

Eastman Kodak Company

In a proxy resolution brought by Citizens Environmental Coalition, a locally-based non-profit group, Eastman Kodak Company was asked to adopt various measures to reduce its emission and use of chlorine, dioxin and other bioaccumulative pollutants at its Kodak Park plant in upstate New York.

This resolution raised some interesting issues for ACIR. Eastman Kodak has developed a relatively favorable reputation as a corporate citizen, particularly in the geographic area immediately surrounding Kodak Park. In

⁷ This proxy resolution also requested that Louisiana-Pacific Corporation disclose the amount of greenhouse gases emitted by Louisiana-Pacific Corp and to report on the feasibility of conforming its timber operations to meet the standards of the Forest Stewardship Council before January 1, 2005. Some ACIR members were uncomfortable with this resolution because they felt that the resolution should have been submitted as three separate resolutions dealing with the three separate issues. However, ACIR was generally supportive of all three components of the resolution and, thus, recommended that Dartmouth vote in favor of it. ACIR did, however, contact the Sierra Club to note its discomfort. The Sierra Club responded by explaining that it could only submit one resolution per year and further asked if Dartmouth's ACIR might be willing to put forth a resolution dealing with one of the components for the 2005 year. ACIR will take up the Sierra Club's request during the 2005 year.

addition, there was evidence suggesting that Eastman Kodak was already doing as much as possible to control the emissions and uses of chlorine, dioxin and other bioaccumulative chemicals. Further, Eastman Kodak attained seven of eight previously set environmental goals in early 2004 and exceeded its targets in most cases. Eastman Kodak Company recently announced its next set of eight goals to be accomplished between 2004 and 2008. These goals call for further reductions in emissions and conservation of natural resources and include new targets for employee safety performance and product stewardship. While there was some disagreement, ACIR voted to recommend that the College vote opposed to this resolution. (1-5-0 In Favor/Opposed/ Abstained)

This resolution ultimately received shareholder support of 5.5%.

ConocoPhillips

ConocoPhillips was asked in a proxy resolution brought by Green Century, a non-profit environmental group, and two religious organizations, to report on the potential environmental damage that would result from drilling for oil and gas in the Arctic National Wildlife Refuge, as well as on possible impacts to the company's value resulting from such action. ACIR noted that ConocoPhillips and other companies involved in exploration argue that the controversy surrounding development in the Arctic National Wildlife Refuge is a matter for U.S. policymakers, not shareholders, to decide. The proponents maintained that there is no economically recoverable oil in the Arctic National Wildlife Refuge, based on the price at which the company evaluates its drilling projects relative to its desired return on investment.

ACIR agreed with the proponents of the proxy resolution. ACIR voted unanimously to recommend that the College support this resolution.

The ConocoPhillips proxy resolution received shareholder support of 9.2%.

Dow Chemical

In a proxy resolution brought by the Sisters of Mercy, a religious organization, Dow Chemical was asked to report to its shareholders on new initiatives being implemented to address the health, environmental and social concerns of the survivors of the Bhopal, India chemical tragedy in which 14,000 people were killed and 500,000 people were exposed to extremely dangerous quantities of pesticides. That facility was then operated by Union Carbide Corporation, which Dow Chemical purchased in 2001. ACIR voted unanimously to recommend that the College support this resolution.

This resolution received shareholder support of 6.1%.

Calpine Corporation

Finally, in a proxy resolution initiated by Calvert Asset Management Company, Calpine Corporation was asked to cease and desist all development in the Medicine Lake Highlands of California and to develop, implement and publish a formal written policy on the rights of indigenous people by September 1, 2004. Materials reviewed by ACIR indicated that Calpine Corporation had

invested over \$18 million in preparation to conduct geothermal drilling operations in the Medicine Lake Highlands area.

ACIR discussed the environmental track record of Calpine Corporation, which was relatively impressive in that Calpine has received numerous awards for its production of efficient and clean forms of energy, including geothermal energy. ACIR also discussed the changes in laws regarding usage of the Medicine Lake area by the Clinton and Bush administrations. The Clinton Administration had banned drilling in this area and the Bush Administration promptly reversed that ban. In addition, ACIR discussed the importance of the Medicine Lake area to various indigenous tribes and the immediate and irreversible damage that would be caused to the waters of Medicine Lake by geothermal drilling. ACIR noted the commitment of Dartmouth to Native Americans rights and interests. Some members of ACIR noted that this resolution raised the most difficult issues to date. In fact, ACIR discussed this resolution over the course of two separate meetings before it felt it could vote its recommendation. Ultimately, ACIR unanimously recommended that the College vote in support of this resolution.

The Calpine Corporation proxy resolution garnered overall shareholder support of only 4.4%.

B. Nuclear Waste and Safety Issues

ACIR reviewed and made recommendations on 2 proxy resolutions dealing with nuclear waste and safety issues. The language of these proxy resolutions was virtually identical. Each requested that both General Electric Company and Ameren Corporation prepare reports outlining the vulnerability and risks associated with interim storage of irradiated fuel rods and proposing measures to reduce those risks. Proponents of these resolutions were a religious organization and an individual shareholder.

ACIR discussed whether the companies who designed the plants storing the irradiated fuel rods, General Electric Company and Ameren Corporation, should be responsible or liable for fuel storage at facilities those companies did not own or operate. Some members felt that these companies should be responsible; others did not. ACIR noted that the federal government heavily regulates the storage and disposal of irradiated fuel rods and was currently reviewing standards associated with such storage and disposal. ACIR voted to recommend that the College vote to oppose both of these resolutions. (2-6-0 In Favor/ Opposed/ Abstained).

The General Electric Company resolution eventually received shareholder support of 7.1%. The Ameren Corporation resolution received shareholder support of 9.1%.

C. Global Climate Change

ACIR reviewed and made recommendations on 9 proxy resolutions relating to Global Climate Change. The majority of these shareholder-initiated resolutions requested that the subject companies assess how the company is responding to rising regulatory, competitive, and public pressure to significantly

reduce carbon dioxide and other greenhouse gas emissions and report to shareholders on those issues. The resolutions that did not limit their scope to greenhouse gas emissions requested companies, such as Ford Motor Company and General Motors Corporation, to report on how those companies intended to alter the design and manufacture of their fleets to meet future emissions regulations, reduce greenhouse gas emissions, and improve mileage efficiency. Finally, a proxy resolution contained in one annual report requested that the company report on the environmental sustainability of its operations as a whole.

Proponents of these resolutions included foundations, religious organizations, pension funds, and investment firms.

ACIR reviewed proxy resolutions requesting action on Global Climate Change and related sustainability issues for the following companies: Valero Energy Corporation, Marathon Oil, Louisiana-Pacific Corporation,⁸ Apache Corporation, Ford Motor Company, Unocal Corporation, ExxonMobil Corporation, General Motors Corporation, and Smithfield Foods Corporation.

ACIR discussed the fact that Global Climate Change is currently one of the most difficult challenges facing the business community. ACIR recognized that projected increases in global temperatures could have devastating economic and environmental consequences for many regions of the globe. While ACIR agreed that there is no consensus that human activity is the sole cause of recent warming, a scientific consensus has emerged that industrial emissions are the prime factor. ACIR agreed that growth in greenhouse gas emissions must be slowed as soon as possible—and hopefully reduced—in order to prevent irreversible long-term damage to the environment. ACIR noted that accomplishing this goal will require major changes in manufacturing processes and energy use, presenting a formidable series of risks and opportunities for business. ACIR noted, however, that the lion's share of the resolutions were requesting reports on greenhouse gas emissions, on how companies intended to deal with the reduction of greenhouse gas emissions, and how the companies intended to respond to rising regulatory, competitive and public pressure to significantly reduce carbon dioxide and other greenhouse gas emissions.

With the exception of the proxy resolution for Louisiana-Pacific Corporation, ACIR voted unanimously to recommend that the College support the resolutions. A majority of ACIR recommended that the College vote to support the Louisiana-Pacific Corporation, with two members abstaining because they felt the proxy resolution was poorly drafted.

Shareholder support for the Global Climate Change proxy resolutions was quite high. It ranged from a low of 6.1% (Ford Motor Company) to a high of 37.1% (Apache Corporation). The Marathon Oil resolution received support from 27% of shareholders. The Louisiana-Pacific resolution received 9.1% shareholder support.

Finally, ACIR submitted a recommendation to the Office of Investments regarding a proxy resolution that touched on Global Climate Change issues but did not specifically address greenhouse gas emissions. This proxy resolution was

⁸ Please see footnote 7 above.

brought in the proxy statement for Smithfield Foods Corporation by the Nathan Cummings Foundation and the Amalgamated Bank LongView Collective Investment Fund. It requested that Smithfield Foods Corporation prepare a sustainability report examining the environmental impacts of both company-owned and contract farms.

Because ACIR was unable to review the exact language of the proxy resolution contained in the Smithfield Foods Corporation's proxy statement before it adjourned in late May, it recommended that the College vote to abstain on the resolution requesting a sustainability report. Ultimately, the Smithfield Foods Corporation proxy resolution garnered 20.9% shareholder approval. The language of that resolution can be found in Appendix A to this Report.

D. Bio-Engineering

ACIR reviewed 4 proxy resolutions dealing with issues of bio-engineered food products. These resolutions were contained in the proxy statements of Wal-Mart stores, Sysco Corporation, Archer-Daniels Midland, and International Multifoods Corporation. Proponents for these resolutions were all religious organizations.

In the proxy resolution for Wal-Mart Stores, the company was requested to review its policies for food products containing genetically engineered (GE) ingredients and report to shareholders within six months of the annual meeting. This report, developed at reasonable cost and omitting proprietary information, would identify: the scope of the Company's food products manufactured / sold by the Company under the Company's brand names or private labels, derived from or containing GE ingredients; [and] outline a contingency plan for sourcing non-GE ingredients should circumstances so require." The resolution also encouraged the company to address in the report issues of competitive advantage and brand name loyalty in the marketplace."

ACIR discussed the science of bio-engineering in general and Wal-Mart Stores' operations and sales of genetically engineered foods. There was some consensus among ACIR members that the regulation of this area is more appropriately left to the United States Food and Drug Administration, the United States Department of Agriculture and the United States Environmental Protection Agency, although lapses in regulation by these agencies were noted. There was also some concern on the part of ACIR that it would be unfair to single out Wal-Mart Stores to undertake what the resolution requested, but some members felt that sending a message wouldn't be a negative thing to do. With substantial disagreement, ACIR recommended that the College vote to abstain on this resolution. (3-1-4 In Favor/ Opposed/ Abstained)

This resolution received shareholder support of 3.3%.

The language of the proxy resolutions relating to bio-engineering for Sysco Corporation, Archer-Daniels Midland, and International Multifoods Corporation was unavailable at the time of ACIR's adjournment in May, 2004. Therefore, and in the absence of voting guidelines in this area, ACIR recommended that the College vote to abstain on these resolutions.

9. SUSTAINABILITY ISSUES

ACIR reviewed one proxy resolution dealing with sustainability. This resolution was brought by the General Board of Pensions of the United Methodist Church and the Evangelical Lutheran Church of America in the proxy statement for Wal-Mart Stores. In this resolution, the proponents requested that Wal-Mart Stores issue a report addressing "meeting the needs of the present without compromising the ability of future generations to meet their own needs-- as a business goal prescribes that a company's profit-making venture meets the needs and expectations of various stakeholders, including consumers, employees, communities, the environment and interest groups."

ACIR discussed the notion of sustainability and how it has grown from applying at one time only to environmental issues but now also applies to community issues such as lifestyle, standards of living, outsourcing of jobs, among other issues that may affect a company's labor pool and customer base. As these are issues that can potentially have a negative effect on earnings, advocates of sustainability assert that businesses play a major role in world development, and encourage companies to be mindful of their economic, social and environmental performances and to report on them.

ACIR noted Wal-Mart Stores' poor history as a responsible employer and discussed published reports of issues dealing with Wal-Mart's poor track record of employee lock-ins, class action suits, employment of illegal aliens, and notoriously low compensation levels. Finally, ACIR observed that other companies are beginning to issue sustainability reports, and that doing so does not entail immense effort or cost. A majority of ACIR members voted to recommend that the College support this resolution. (7-0-3 In Favor/Opposed/Abstained)

This proxy resolution garnered shareholder support of 14.2%.

10. TOBACCO PRODUCTION AND MARKETING

ACIR addressed five shareholder-initiated proxy resolutions that addressed issues relating to tobacco production and marketing. The companies receiving these resolutions included Altria Group Incorporated, UST Incorporated, Delphi Financial Group, Oxford Health Plans Incorporated, and Reynolds American Incorporated. These resolutions were initiated by shareholders that included religious organizations and an owner of hospitals and healthcare facilities.

The shareholder-initiated proxy resolution contained in the Altria Group Incorporated proxy statement requested that the company prepare a report outlining the steps the company will take to more adequately inform women of childbearing age of the harm caused by tobacco use to them and their babies before and after birth. The religious organizations that submitted this resolution suggested that such a program should require merchants to ask women of child bearing age if they are pregnant and provide pregnant women with educational

materials on the harm smoking causes the fetus any time a pregnant woman purchases cigarettes, and further suggested that the company take steps to penalize merchants who fail to comply with the program.

The resolution contained in the UST Incorporated proxy statement requested that the Boards adopt policies of reducing, as rapidly as possible, TSNA levels in all of the company's oral snuff products to the lowest feasible levels.

Christus Health, the owner of numerous non-profit hospitals and healthcare facilities, submitted a proxy resolution to Delphi Financial Group in which it requested that the Board initiate a policy mandating no further purchases of tobacco equities in any of the portfolios under its direct control unless it can be proven that tobacco use does not cause the illnesses and deaths that have been attributed to it. The resolution further provided that "if the company cannot produce such proof, it shall divest itself of all tobacco stocks by January 1, 2005." Delphi Financial Group is a holding company whose subsidiaries offer integrated employee benefit services including long- and short-term disability, workers' compensation, life, travel, accident and dental insurance throughout the United States. The company's primary subsidiaries are Reliance Standard Life Insurance Co., Safety National Casualty Corp. and Matrix Absence Management. Delphi Financial Group does not offer health insurance.

The proxy resolution contained in the Oxford Health Plans proxy statement consisted of language identical to that contained in the Delphi Financial Group proxy statement set forth above.

Finally, the proxy resolution submitted by two religious organizations in the Reynolds American Incorporated proxy statement requested that the company issue warnings on second hand tobacco smoke.

These resolutions raised some interesting and complicated questions for ACIR. First, although Dartmouth's Board of Trustees examined the question of divestment of its shares in tobacco producing and marketing companies in the late 1980's, the Board never voted to divest in such endeavors. Second, the various resolutions reviewed by ACIR raised a host of issues relating to tobacco production and marketing and requested different actions from most companies receiving such resolutions. Therefore, ACIR examined each resolution in the context of both substance and nature of the company being asked to take specific action in response to the relevant proxy resolution. ACIR's recommendations to Dartmouth varied according to the substance of the resolutions and the nature of the recipient company's operations.

For example, ACIR felt that the action being requested of Altria Group – specifically, to require merchants to single out and question all women of childbearing age – was too invasive of privacy. Members felt that a better approach would be to call on tobacco companies to distribute information concerning the potential health implications of smoking for pregnant women and fetuses. ACIR unanimously recommended that the College vote to oppose this resolution.

On the other hand, ACIR was comfortable with the language in and the action being requested by the UST Incorporated resolution, which requested that the company reduce levels of a carcinogenic material in its oral snuff products as much as possible. ACIR, thus, unanimously recommended that the College vote in favor of this resolution.

The proxy resolutions for Delphi Financial Group and Oxford Health Plans raised particularly interesting issues for ACIR. While Delphi Financial Group offers insurance plans to individuals across the United States (not including health insurance plans), Oxford Health Plans is actually a healthcare provider. A majority of ACIR felt that while it was appropriate to request that Oxford Health Plans divest its tobacco holdings, requesting Delphi Financial Group to do so was not. Therefore, ACIR recommended that the College vote to oppose the Delphi Financial Group proxy resolution (2-4-1 In Favor/ Opposed/ Abstained) and vote in favor of the Oxford Health Plans resolution (6-4-0 In Favor/ Opposed/ Abstained).

With respect to the proxy resolution requesting that Reynolds American Incorporated inform customers of the dangers of second hand tobacco smoke, ACIR recommended that the College vote to abstain because the complete language of the resolution was unavailable at the time that ACIR adjourned in May, 2004.

These tobacco-related proxy resolutions received the following support from their shareholders at their annual meetings: Altria Group Holdings – 4%; UST Incorporated – 7.3%; Delphi Financial Group - .5%. ACIR has been unable to determine what percentage of shareholder support the Oxford Health Plans resolution received.⁹ The Reynolds American Incorporated annual meeting has not yet been held.

11. MILITARY CONTRACTING

ACIR reviewed and made recommendations on two resolutions involving issues of military contracting. These resolutions related to Northrop Grumman Corporation, in which case the Sinsinawa Dominicans, a Wisconsin-based group of Roman Catholic sisters, brought the resolution, and to Alliant TechSystems Incorporated, in which case the proponents was Schools Sisters of Notre Dame Investment Fund.

In the Northrop Grumman Corporation proxy resolution, the company was asked to “review and if necessary amend and amplify our company’s code of conduct and statements of ethical criteria for military production-related contract bids, awards and contract execution, and report the results of this process to shareholders within six months of the annual meeting.”

In the proxy resolution contained in the annual report for Alliant Techsystems Incorporated, the company was requested “to provide a comprehensive report describing the various aspects of [the] Company’s

⁹ IRRC has suggested that the resolution may not have actually been presented at the meeting because the proponent may not have appeared, as is required. In addition, the company merged with UnitedHealth Group in July, 2004

involvement in space-based weaponization and missile defense. The report would be made available to shareholders on request by January 2005 (withholding proprietary information and prepared at a reasonable cost)."

With respect to the proxy resolution for Northrop Grumman, a majority of ACIR thought that it was a poorly worded, ambiguous resolution. Based on the proponents' supporting statement in the proxy materials, a majority of ACIR felt that the proponents had a more sweeping intent than that which was stated in the wording of the resolution. Therefore, ACIR recommended that the College vote to oppose the resolution. (1-9-0 In Favor/Opposed/ Abstained)

ACIR was unable to obtain the exact language of the Alliant Techsystems Incorporated proxy resolution prior to its last meeting in May, 2004. Because ACIR had not developed voting guidelines for military contracting resolutions prior to its adjournment, ACIR recommended that the College vote to abstain on this resolution.

The Northrop Grumman Corporation proxy resolution received shareholder support of 5.4%. The Alliant TechSystems Corporation proxy resolution attained 4.2% shareholder support.

12. LINK EXECUTIVE PAY TO SOCIAL CRITERIA

ACIR reviewed and made recommendations on 5 proxy resolutions which addressed the issues relating to linking executive pay to various social criteria. The resolutions were extremely broad based. Companies receiving these resolutions in the 2004 proxy season included American International Group, AT & T Corporation, Time Warner Company, J.P. Morgan Chase & Company, and ExxonMobil Corporation. Proponents of these resolutions included non-profit organizations, investment firms, unions, and religious organizations.

American International Group

The shareholder-initiated resolution contained in the American International Group proxy statement requested that the company conduct a review and report on linking executive pay to addressing predatory lending practices. Factors the proponent wanted the company to consider in this report included: implementation of policies to prevent predatory lending; evaluation of subprime loans by outside auditors for compliance with laws and company policies; meetings with community groups; and reductions in predatory lending complaints filed with government bodies.

ACIR felt that the immediate cost to the company of preparing the requested report would be minimal. ACIR noted that the resolution effectively coupled social issues with those of executive compensation, the latter being a new area for ACIR to explore. ACIR unanimously voted to recommend that the College support this resolution.

The resolution garnered shareholder support of only 2.8%.

AT & T Corporation

The shareholder-initiated resolution submitted in the AT & T Corporation proxy statement requested that the company conduct a review and report on whether AT&T's executive compensation policies that link pay to performance measures based on corporate income or earnings "create an undue incentive to export jobs, restructure operations or make other decisions that may prove to be short-sighted."

There was some sentiment on the part of ACIR members that the proponents of this resolution had an agenda that more closely concerned global outsourcing than executive pay. In addition, some ACIR members felt that determining levels of executive compensation, particularly when measured against three years of results, was within the realm of the company's Board. Therefore, ACIR recommended that the College vote to oppose this resolution. (0-6-1 In Favor/Opposed/Abstained)

This resolution garnered shareholder support of 9%.

Time Warner Incorporated and J.P. Morgan Chase & Company

The shareholder-initiated resolutions contained in the Time Warner Incorporated and J.P. Morgan Chase Company proxy statements asked the respective boards to prepare and make available a report comparing the total pay of domestic top executives and lowest paid workers in 1994 and 2004. These resolutions requested that the reports include: an analysis of changes in the relative size of the wage gap, the rationale behind it and whether top executives' pay packages are "excessive" and should be modified. These resolutions further noted that there was particular interest in whether sizeable layoffs or pay levels for the companies' lowest paid workers should result in an adjustment of executive pay "to more reasonable and justifiable levels."

ACIR noted that Time Warner has been subject to a variety of extraordinary events in recent years that make a measurement of wages and salaries paid 10 years apart very difficult to scientifically (or even usefully) analyze. ACIR also noted, however, that this company has been subject to a great deal of criticism in recent years for its management and compensation practices. ACIR discussed at length the fact that compensation of high level executives in larger U.S. corporations has reached levels that are almost impossible to understand or justify, and that this issue is being raised over and over again in recent, ongoing, and pending trials of various former executives.

A majority of ACIR members felt that voting in favor of the resolution would send an important message that executive compensation at larger U.S. corporations is excessive. ACIR recommended that the College vote to support this resolution. (6-1-0 In Favor/Opposed/Abstained)

For many of the reasons discussed immediately above, ACIR recommended that the College vote to support the resolution contained in the J.P. Morgan Chase & Company proxy statement. (6-1-0 In Favor/Opposed/Abstained)

ExxonMobil Corporation

Finally, the proxy resolution submitted in ExxonMobil Corporation's proxy statement requested that the company prepare and make available to shareholders a report documenting the distribution of 2003 stock options and restricted stock awards by race and gender of the recipient. The report was also to discuss recent trends in equity compensation distribution to women and employees of color.

While ACIR recognized that ExxonMobil Corporation appears to have a fairly well thought out and effective diversity initiative, there was consensus that requesting such a report would not be expensive, nor difficult, for ExxonMobil to produce. Therefore, ACIR unanimously recommended that the College vote in favor of this resolution.

The foregoing proxy resolutions linking executive pay to social criteria received the following shareholder support: American International Group – 2.8%; AT & T Corporation – 9%; Time Warner Incorporated – 8.3%; J.P. Morgan Chase Company – 8.2%; and ExxonMobil Corporation – 7%.

13. BOARD DIVERSITY AND EQUAL EMPLOYMENT OPPORTUNITY ISSUES

ACIR reviewed and made recommendations on 7 shareholder-initiated resolutions dealing with the importance of diversity of company boards and the desirability of having in place policies requiring equal employment opportunity principles, including those prohibiting discrimination on the basis of sexual orientation.

The resolutions put before shareholders in this area were brought by a broad array of proponents, including pension funds, religious organizations, and investment management firms.

Amgen Incorporated

The proxy resolution for Amgen Incorporated requested that the company prepare a report and make it available to shareholders and employees that included statistical data on the company's work force by race and gender. The resolution also requested that the report include descriptions of affirmative action policies and programs, including those specifically focused on managers and job categories where women and members of minority racial groups are underutilized.

ACIR felt that this was a reasonable request, inasmuch as the compilation of such data is a standard practice for many firms, including many smaller than Amgen Incorporated. In addition, ACIR felt that the action requested by this resolution was consistent with the College's policies and goals regarding diversity and affirmative action. ACIR unanimously recommended that the College vote in favor of this resolution.

The resolution garnered shareholder support of 14.5%.

ExxonMobil Corporation

A shareholder-initiated resolution contained in the ExxonMobil Corporation proxy statement requested that the company amend its written equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and to substantially implement that policy.

ACIR unanimously recommended that the College vote in favor of this resolution as it is unequivocally consistent with College policies and practices.

The resolution received shareholder support of 28.9%.

Zebra Technologies Corporation

In the proxy statement for Zebra Technologies Corporation, a shareholder-initiated resolution asked the company's board or its nominating committee to "take reasonable steps to ensure that women and minority candidates are routinely sought as part of every board search the company undertakes." The resolution also asked the board to "develop Charter language on diversity embodying Calvert's Model Language on Board Diversity."

ACIR noted that a similar resolution last year garnered shareholder support of 14.5%. ACIR also noted that this resolution presented a new issue for ACIR, although the ACIR has voted in favor of resolutions supporting equal employment opportunity and diversity. ACIR noted the College's commitment to diversity and recognized that the action requested by this resolution was consistent with the College's policy on Board recruitment and hiring. ACIR unanimously recommended that the College vote in favor of this resolution.

This resolution received 6.3% of shareholder support.

Wal-Mart Stores

There were 2 shareholder-initiated proxy resolutions contained in Wal-Mart Stores' annual report that dealt with issues relating to Equal Employment Opportunity and Diversity. The first resolution requested that the company prepare a report and make it available to shareholders and employees that included statistical data on the company's work force by race and gender; descriptions of affirmative action policies and programs, including those specifically focused on managers; and how these policies and programs are publicized to merchandise suppliers and service providers.

For the same reasons that ACIR recommended support of the immediately preceding Zebra Technologies proxy resolution, ACIR unanimously recommended that the College vote in favor of this resolution.

This resolution received shareholder support of 16.3%.

The second resolution contained in Wal-Mart Stores proxy statement dealt with diversity issues. It requested that the board prepare and make available to

shareholders a report documenting the distribution of 2003 stock options and restricted stock awards by race and gender of the recipient. The report was to discuss recent trends in equity compensation distribution to women and employees of color.

ACIR noted that the language in this resolution was identical to that in an ExxonMobil resolution it had voted to support previously. ACIR also noted the existence of numerous news reports and information in IRRC materials identifying alleged compensation discrimination by Wal-Mart. ACIR also noted a pending discrimination lawsuit alleging systematic discrimination against hundreds of thousands of female workers in Wal-Mart stores and Sam's Clubs nationwide.¹⁰ ACIR unanimously recommended that the College vote in favor of this resolution.

This resolution received shareholder support of 13.6%.

Rite Aid Corporation

A proxy resolution contained in the Rite Aid Corporation proxy statement asked the company to prepare a report for shareholders that included statistical data on the company's work force by race and gender; descriptions of affirmative action policies and programs focused on managers; descriptions of policies and programs directing the purchase of goods and services to women and minority-owned businesses; and information on discrimination complaints, lawsuits and government investigations.

Because this resolution requested action previously supported by ACIR, ACIR recommended that the College vote in favor of the resolution.

This resolution garnered shareholder support of 11%.

Bed Bath & Beyond

Finally, a resolution submitted by a pension fund for religious groups requested that Bed Bath & Beyond make a report available to shareholders four months after the annual shareholder meeting on progress made in response to the Glass Ceiling Commission's business recommendations. The report was to include a review of: steps the company has taken to use the Glass Ceiling Commission Report and management's recommendations flowing from it; company-wide policies addressing leadership development, employee mentoring, work force diversity initiatives and family friendly programs; an explanation of how executive pay packages and performance evaluations include executive efforts in breaking the glass ceiling; and the top 100 or 1 percent of company wage earners broken down by gender and race.

ACIR recommended that the College vote in favor of this resolution.

This resolution received shareholder support of 12%.

¹⁰ This lawsuit was granted class action status on July 28, 2004. There are approximately 1.6 million members of the class, making it the largest sex discrimination case in U.S. history.

14. BANKING ISSUES

In 2004, ACIR reviewed just one share-holder initiated proxy resolution dealing with banking issues. This resolution appeared in the proxy statement for Bank of America Corporation, was brought by Harrington Investments, and requested that the company "report to shareholders no later than June 2004 on the company's policies and procedures for ensuring that all personal and private information pertaining to all Bank of America customers will remain confidential in all business operations 'outsourced' to India or any other offshore location. This report should also cover policies relating to those employees of contractors and subcontractors hired by the company."

ACIR recognized the importance of identity theft issues. ACIR did not feel that the resolution requested overly onerous actions on the part of Bank of America. ACIR noted that Bank of America has had some problems with keeping customer information private in the past. ACIR also noted that privacy protection laws in India and other countries where work is out-sourced may not be as stringent as U.S. law, and that requiring the company to address such differences would be prudent. ACIR unanimously recommended that the College vote in favor of this resolution.

This resolution received shareholder support of 9%.

15. AIDS PANDEMIC

In the 2004 proxy season, ACIR did not have an opportunity to review and recommend action with regard to proxy resolutions dealing with the Global Aids Pandemic. However, ACIR intends to fully examine issues surrounding company actions relative to this health crisis in its 2005 year.

In recognition of the importance of the issues raised by the Global AIDS Pandemic and the importance of the College taking a stance on these issues, ACIR recommended that the College vote to abstain on a proxy resolution brought by the Interfaith Center on Corporate Responsibility¹¹ for Proctor & Gamble Company. ACIR felt that casting a vote, even one to abstain, was better than not voting at all. This particular resolution requested that Proctor & Gamble Company review the impact of the AIDS Pandemic on the company's operations.

¹¹ The Interfaith Center in Corporate Responsibility is an organization which coordinates the sponsorship of shareholder resolutions by 275 member groups. Those members are Protestant, Jewish and Roman Catholic orders, denominations, agencies, dioceses, health care corporations and pension funds with combined investment portfolios of some \$100 billion. The Interfaith Center in Corporate Responsibility Center also coordinates the filing of social responsibility resolutions with some socially responsible mutual funds, foundations and individual investors that do not have religious affiliations."

For reasons unknown to ACIR, this resolution was removed from the proxy statement prior to its meeting and the corresponding vote thereon.

III. CONCLUSION

ACIR completed an enormous amount of work in its first year of operation. Although ACIR initially hoped to be able to make recommendations on as many as 10 proxy resolution during its first year, through the hard work of ACIR members, it managed to make recommendations on a total of 94 proxy resolutions. This remarkable record was accomplished through the hard work of all members of the committee and the excellent administrative assistance provided by its dedicated executive administrator, Allegra Lubrano.

Perhaps the most important factor contributing to the accomplishments of this first year is the very high level of commitment that Dartmouth has made to the work of this committee. ACIR is not an institutional “afterthought.” Its current membership, in addition to comprising students and faculty from all branches of the College, includes some of Dartmouth’s most senior administrators in the areas of law and finance. Dartmouth has also been willing to provide all needed administrative support for ACIR’s work.

In 2004-2005, ACIR hopes to extend and solidify its accomplishments over the past year. ACIR intends to develop a body of “common law” precedents that will help guide its work and expedite future decision making and allow ACIR members more time to focus on the most difficult and challenging issues. With an earlier start, ACIR hopes to profit from the opportunity to prepare for the issues that lie ahead.

Finally, ACIR plans to continue to examine ways of drawing still more Dartmouth students and faculty into its efforts and aspirations. ACIR’s most important purpose is educational: informing members of the Dartmouth community of the responsibilities the College bears as a result of its endowment and other holdings. ACIR has made a good start in this purpose through its recommendations to the College regarding proxy voting, its public forum, and the provision of IRRC resources to all members of the community. ACIR’s ultimate goal is to achieve an involvement of the entire community in the challenges and opportunities Dartmouth College faces as a socially responsible investor.