

**DARTMOUTH COLLEGE
ADVISORY COMMITTEE ON INVESTOR RESPONSIBILITY
ANNUAL REPORT TO THE DARTMOUTH COMMUNITY
2005**

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I. EXECUTIVE SUMMARY

1. Overview

The Advisory Committee on Investor Responsibility (“ACIR”) has completed its second full year of operation since it was convened by President Wright. Highlights for ACIR during 2004-2005 included its review and recommendations on the voting of 118 proxy resolutions, its receipt and responses to various requests from the Dartmouth community for divestment by the College of its holdings in companies doing business in Sudan, and the hosting of its second public forum in May, 2005. This Executive Summary provides a brief overview of ACIR’s accomplishments in 2004-2005.

The principal mission of ACIR is to study proxy resolutions relating to important social issues and to make recommendations to the College on how it should vote specific proxy resolutions for companies in which the College holds publicly traded shares. In addition, ACIR is charged with making recommendations to the College regarding: the desirability of disclosing information regarding the College’s investment portfolio to its constituencies; the process by which the College determines its position with respect to proxy resolutions and the practices the College employs to express its positions; the guidance, if any, that the College’s investment advisors should be given to avoid selection of investment positions that could be deemed inconsistent with Dartmouth’s mission; and the possibilities for education of students and other interested parties regarding the goals and constraints of the College’s investment portfolio.

2. ACIR Recommendations on the Voting of Proxy Resolutions

ACIR met several times between late 2004 and the first few months of 2005 to prepare for the ensuing so-called “proxy season”.¹ Beginning in March and ending the first week of June 2005, ACIR met weekly to review proxy resolutions and address other mission-related issues. ACIR made a total of 118 recommendations as to how the College should vote its proxy resolutions.

¹ Most companies with shares trading on U.S. exchanges hold their annual meetings between March and May.

In order to increase its efficiency and remain true to its mission of advising the College on the responsible exercise of its shareholder rights, ACIR adopted a policy to recommend to the College that it vote to abstain on all social issue proxy resolutions for companies in which the College directly held shares if ACIR was unable to review and make recommendations upon such resolutions.² In addition, on March 31, 2005, after extensive discussion, ACIR adopted a policy to recommend to the College that it vote in favor of all proxy resolutions requesting company transparency regarding political contributions. As per those policies, ACIR recommended that the College vote to abstain on or vote in favor of 31 proxy resolutions.

Throughout the 2005 proxy season, ACIR made recommendations to the College regarding a total of 118 proxy resolutions (including the 31 noted above). These resolutions dealt with the following social issues areas: animal welfare, banking issues such as predatory lending, defense contracting, bio-engineering, global climate change, employment issues, various environmental issues, equal employment opportunity, fair employment in Northern Ireland, global labor standards, human rights, linking executive pay to social criteria, nuclear plant safety, pharmaceutical company practices and policies, political contributions and non-partisanship, prior government service disclosure, sustainability reporting, and various tobacco industry issues. The Investment Office, on behalf of the College, accepted all of ACIR's recommendations and voted its proxies accordingly.

Issues	Proxy Resolutions Voted	Proxy Resolutions Voted		
		Support	Oppose	Abstain
Global Labor Standards and Human Rights Issues	16	9	2	5
Prior Government Service	1		1	
Political Issues	23	23		
HIV/AIDS and Pharmaceutical Company Issues	9	9		
Animal Welfare	12	10		2
Environmental Issues	21	18	3	
Sustainability Issues	5	4		1

² In most cases, if a shareholder declines to vote its shares, those shares will be counted as voting in favor of management. Thus, a vote to abstain serves to remove the shares from the actual tally and provides to the shareholder neutral status.

Tobacco Issues	6	4	1	1
Military Contracting	5	2		3
Executive Compensation	8	7		1
Diversity, Discrimination and EEO Issues	8	7		1
Banking Issues	1	1		
Miscellaneous	3	1		2

Section IV of this Annual Report contains a narrative summarizing the rationale behind ACIR’s recommendations. Appendices I-III contain specific information about the proxy resolutions addressed by ACIR, including excerpts from most resolutions and the actual results of shareholder voting on the resolutions.

3. Requests for College’s Divestment from Companies Doing Business in Sudan

During 2005, ACIR was presented with various petitions and resolutions from the Dartmouth community, including the Darfur Action Group (“DAG”), relating to the College’s holdings in companies doing business in Sudan. Specifically, these groups asked ACIR and the Board of Trustees to consider divesting its holdings in companies with operations that support the Sudanese government’s military operations against civilians in the Darfur region. After a great deal of discussion and research, ACIR voted on June 2, 2005 to support a Statement and Resolution expressing ACIR deep concerns regarding the mass murder of civilians carried out by the Khartoum regime and the Janjaweed militia in the Darfur region of Sudan. ACIR further recommended that Dartmouth take steps as a shareholder to influence corporations doing business in Sudan to use all available means to pressure the Sudanese government to discontinue the genocide in Darfur and to take immediate action to support the people harmed by these activities. Finally, ACIR recommended that Dartmouth neither acquire nor retain ownership in publicly traded companies that are directly complicit in the genocidal activities in Darfur or whose involvement in Sudan directly and substantially supports the ability to conduct those activities. ACIR affirmed its intent to work with DAG and others in preparing a factual report for the Board of Trustees concerning the situation in Darfur and the nature of the activities of companies doing business in Sudan.

After working through the summer, an ACIR subcommittee completed a Report of the Advisory Committee on Investor Responsibility Regarding the

Darfur Conflict and Investment in Companies Doing Business in Sudan on August 29, 2005. The Report was delivered to the Investment Committee of the Dartmouth College Board of Trustees during the first week of September, 2005.

On November 14, 2005, the Board of Trustees acted on the recommendations contained in the Report. Based on those recommendations, the Board announced that it would bar College ownership of shares in six publicly traded petroleum companies.

4. Public Forum

On May 26, 2005, ACIR hosted its second public forum. Members of the Dartmouth community were invited to join ACIR to discuss ACIR's work regarding proxy resolution recommendations and the pending requests relating to divestment in companies operating in Sudan. More than 50 members of the community attended.³ At the public forum, ACIR discussed its review of and recommendations regarding specific proxy resolutions relating to global labor standards, bio-engineering, animal welfare, human rights, global climate change, and drug development and marketing. ACIR members answered questions regarding the various requests for divestment from companies doing business in Sudan. ACIR continues to believe that interaction with and input from the Dartmouth community is essential to its mission. Consistent with that belief, ACIR agreed to continue to work with members of the community with regard to all of these areas if concern.

5. Community Resources

ACIR continues to make available to the Dartmouth community a listing of the College's holdings in publicly traded equities, which is updated quarterly. This listing is located at the College's Office of Investments and is available during normal business hours. ACIR also provides two computer terminals in the College's libraries which provide direct access to the resources of the Investor Responsibility Research Center, a company which provides on-line information on publicly held companies, their annual reports, and the issues raised by shareholder initiated proxy resolutions. ACIR encourages members of the

³ A reporter from New Hampshire Public Radio also attended the public forum. An interview of ACIR Chair Ronald M. Green regarding ACIR's work was subsequently broadcast on New Hampshire Public Radio on May 27, 2005.

Dartmouth community to utilize these resources and to engage in dialogue with ACIR regarding its work, as well as to conduct independent research relating to the particular academic and personal interests of community members.

6. Executive Summary Conclusion

ACIR enjoyed another extremely productive year. Scrutiny of socially responsible investment (“SRI”) issues continues to generate interest and, in some cases, lead to significant activity at educational institutions across the United States.⁴ The issue of divestment from companies operating in Sudan has further fueled the interest of many students and educational institutions in SRI. We believe that in 2005 ACIR performed an especially important function in acting as the channel for student involvement in this issue and in reinforcing the educational purposes of student and community involvement with that issue. ACIR anticipates that interest in SRI will continue to grow, and it looks forward to the coming year.

II. MEMBERSHIP 2005

There were twelve voting members of ACIR for the 2005 year. All ACIR members were appointed by President James E. Wright and represented faculty, administration, students from the undergraduate and graduate schools, and alumni.

In 2005, Ronald E. Green, Eunice and Julian Cohen Professor for the Study of Ethics, Director of the Ethics Institute at Dartmouth College, and Professor of the Religion Department, continued to serve as Chair of ACIR. ACIR’s other members included: Lori A. Alvord, Associate Dean for Students and Multicultural Affairs and Dartmouth Medical School Assistant Professor of Surgery and Psychiatry; Erin C. Arnold, Undergraduate ’06; Ellen M. Brownell, Director of Marketable Securities, Investment Office; Robert B. Donin, General Counsel; Luke E. Gilroy, Undergraduate ’05; Adam M. Keller, Executive Vice President for Finance and Administration; Philip J. Moss, Tuck M.B.A. Candidate ’06; Sally C. Newman, Undergraduate ’05; Frederick Senuta, M.A.L.S. Candidate ’05; Emmanuel R. Sturman, Director of Career Services, and the Reverend Nancy A. Vogele, Dartmouth Alumnus, Class of 1985. Allegra B. Lubrano continued to serve as ACIR’s Executive Administrator.

⁴ For example, the Responsible Endowments Coalition, formed in April 2004 by students and alumni from 22 colleges and universities, now boasts members from 35 institutions.

III. POLICIES ADOPTED

ACIR meets weekly from approximately the last week of March through the end of May, the period of time during the year when the vast majority of U.S. public corporations hold their annual meetings. Before and after this period, ACIR meets periodically. ACIR adopted two policies in 2005 as a result of its recognition that it has limited resources while it aspires to accomplish as much as possible throughout the entire year.

The first policy ACIR adopted was to recommend that the College vote to abstain on social issues area proxy resolutions in cases when ACIR is unable to review the resolutions in questions and, therefore, unable to make recommendations to the College. If a shareholder fails to vote its shares, those shares are counted as having voted in support of management. Since all of the social issues proxy resolutions ACIR reviews are brought by shareholders and, in all but the rarest of cases, opposed by management, ACIR was uncomfortable allowing its shares to automatically go with management. ACIR believes that its existence signifies that the College wishes to take a position on proxy issues and that ACIR's inability to provide specific advice with regard to a proxy resolution should not be construed as a vote in favor or against the resolution. Therefore, on February 1, 2005, ACIR voted to adopt a policy to recommend that the College vote to abstain on any social issues proxy resolutions that ACIR did not have the time or resources to make recommendations upon. Pursuant to that policy, ACIR recommended to the College that it vote to abstain on eleven proxy resolutions. ACIR's Abstention Policy is posted on ACIR's web site.

The second policy ACIR adopted related to its recommendations on proxy resolutions which requested disclosure of political contributions. ACIR reviewed 21 resolutions requesting such transparency during the 2004 year. These resolutions either requested that the company in question issue an annual report to shareholders disclosing all political contributions made by the company and the rationale for those contributions or to publish in certain national newspapers a listing of all political contributions made by the company on an annual basis. In 2004, ACIR had unanimously voted to recommend that the College support 21 such resolutions. In 2005, ACIR continued to believe that transparency of political contributions by public companies is desirable. ACIR agreed that such transparency should be encouraged, particularly in light of resistance to such disclosure by many public companies. Finally, ACIR agreed that the requested

disclosure was not terribly onerous, nor would it require significant expense or hardship. Therefore, on March 31, 2005 ACIR adopted a policy that it would recommend that the College vote in favor of all 2005 proxy resolutions requesting disclosure of political contributions in whatever form. Pursuant to this policy, ACIR recommended that the College vote in favor of 20 proxy resolutions.⁵

IV. 2005 PROXY SEASON

During the 2005 year, ACIR made recommendations to the College for voting on a total of 118 proxy resolutions dealing with social issues subject areas. Appendix III includes the excerpts from and descriptions of each proxy resolution and is sorted by subject area. There were 17 discrete social issues subject areas that ACIR discussed and made voting recommendations on in 2005. ACIR also reviewed three proxy resolutions included under the heading of Miscellaneous.

1. GLOBAL LABOR STANDARDS

a. ILO Standards and Third Party Monitoring

ACIR reviewed and made recommendations upon on eleven proxy resolutions relating to global labor standards. Seven of these resolutions asked companies to adopt or align their workplace codes of conduct for overseas operations with the conventions of the International Labor Organization (“ILO”) and to implement third-party monitoring of such operations. Resolutions requesting these specific actions were proposed by New York City Funds, an individual, SRI screened asset managers or organizations, and public interest groups to shareholders of Cooper Industries Limited, Costco Wholesale Corporation, Delphi Corporation, E.I. Du Pont de Nemours & Company, Hasbro Corporation, Maytag Corporation, and TJX Companies Incorporated.

ACIR recommended that the College vote in favor of the resolutions for Cooper Industries Limited, Disney Company, E.I. Du Pont de Nemours & Company, Hasbro Corporation, and Maytag Corporation. ACIR members noted

⁵ Before adopting this policy, ACIR had already recommended that the College vote in favor of a proxy resolution proposed to shareholders of Lucent Technologies Incorporated requesting that the company publish in major newspapers a 5-year history of political contributions made by the company.

that many of these companies already had codes of conduct in place, but noted that compliance was irregular and that third-party monitoring either was not occurring or could be dramatically improved. ACIR members agreed that the actions requested by the resolutions were appropriate and could increase the profitability and reputations of the subject companies in the long run. In addition, ACIR noted that it has supported similar resolutions in the past.

ACIR recommended that the College vote to oppose the resolution contained in the TJX Companies Incorporated proxy report requesting the company to implement ILO Standards and third-party monitoring. ACIR noted that it had recommended opposition to this resolution in 2004 in large part due to the nature of the operations of TJX Companies Incorporated. Specifically, ACIR members were reluctant to support the resolution in 2004 because TJX Companies Incorporated purchases a great deal of merchandise from manufacturers and wholesalers rather than operating its own facilities. ACIR did not feel that any new information had been presented to persuade it to change its 2004 recommendation on this resolution.

ACIR recommended that the College vote to abstain on the resolutions for Costco Wholesale Corporation and Delphi Corporation pursuant to its Abstention Policy.

These resolutions received shareholder support as follows:

<u>Company</u>	<u>Shareholder Support</u>
Cooper Industries Ltd.	8.6%
Costco Wholesale Corp.	5.3%
Disney (Walt) Company	8.9%
Du Pont (E.I.) de Nemours & Co.	7.9%
Hasbro Corporation	10.2%
TJX Companies Inc.	8.6%

The global labor standards resolution for Maytag Corporation was not presented at the annual meeting and, therefore, did come up for vote. As of the time of writing this report, the resolution for Delphi Corporation resolution had not been voted upon because the company's annual meeting was cancelled.

b. Vendor Compliance

For the second year in a row, ACIR reviewed a proxy resolution proposed by investment management groups and a religious organization to TJX Companies Incorporated requesting that it conduct a review and assessment of its Vendor Compliance Program and the implementation of its Vendor Code of Conduct and prepare a report detailing its findings. In 2004, ACIR recommended that the College vote in favor of this resolution because the action requested required the company to review and report on its own compliance program and did not appear to be burdensome or unreasonable. In 2005, ACIR again recommended that the College support the resolution. The resolution ultimately garnered shareholder support of 9.3%.

c. Labor Standards in China

ACIR reviewed two resolutions requesting the review of or adoption of workplace codes of conduct for companies with operations in China for Walt Disney Company and Illinois Tool Works. The proponent of the Walt Disney Company resolution was New York City Pension Funds. The proponent of the Illinois Tool Works resolution was Harrington Investments, a socially screened asset management fund.

In reviewing the Disney resolution addressing labor standards in China, ACIR noted its prior support of similar resolutions and the subject company's less than stellar track record in the enforcement of labor standards with respect to its China operations. ACIR also noted that the same Disney Company proxy resolution in 2004 had garnered shareholder support of 29%, a remarkably high percent. ACIR recommended that the College vote in favor of the Walt Disney Company resolution. The resolution received 8.9% shareholder support.

On the other hand, ACIR recommended that the College vote to oppose the Illinois Tool Works resolution. Some members of ACIR questioned by the proponents had not requested that the company adopt ILO Standards and why the proponents only targeted the company's operations in China. While recognizing the importance of the relationship between the U.S. and China and the implication of human rights abuses in Chinese factories, ACIR was unable to reach a consensus and, thus, recommended abstention. Ultimately, as a result of productive negotiations between the proponent and Illinois Tool Works, the proponent withdrew the resolution.

With regard to the proxy resolution for Costco Wholesale Corporation and Delphi Corporation, ACIR recommended that the College vote to abstain consistent with its Abstention Policy. The resolution received shareholder support of 5.3%.

d. Fair Trade Coffee

ACIR reviewed a proxy resolution proposed to shareholders of Starbucks Corporation by an individual who requested that the company “establish[] policy and goals to have all, or substantially all, of Starbucks coffee Fair Trade certified by 2010.” The proponent noted that less than 15 percent of Starbucks Corporation’s coffee is grown sustainably by the company’s own definitions. The proponent also noted that less than 2 percent of the coffee Starbucks Corporation purchased in 2003 was certified as fair trade. Given its broad endorsement of corporate social responsibility and its goal of sustainability, the proponent suggested that the company risks the appearance of “green washing” if it does not improve its practices.

ACIR discussed the Investor Responsibility Research Center materials relating to this proposal and noted the unusual concurrence by the subject company’s management with the proponent’s concerns. ACIR noted the company’s point that the Fair Trade Labeling Organization and its partners probably do not certify enough high-quality coffee to meet Starbucks Corporation’s needs. Farmers on the Fair Trade Labeling Organization’s registry produce less than 3 percent of the world’s coffee, some of which would not meet Starbucks’ standards. ACIR agreed that the Fair Trade certified standards may be overly restrictive given the coffee market and the types of vendors operating therein. ACIR recognized that the company has made great progress in implementing and policing its own standards and that Starbucks Corporation is performing much more favorably than its competitors with respect to work codes and prices paid per pound of coffee. For all of these reasons, ACIR recommended that the College vote to oppose the resolution. Ultimately, the proxy resolution was not presented at the Starbucks Corporation’s annual meeting and was, thus, not voted upon.⁶

⁶ ACIR contacted the proponent, Garth Shaneyfelt, who stated that the resolution was not presented to Starbucks Corporation shareholders because he was unable to attend the annual meeting.

2. HUMAN RIGHTS

ACIR reviewed and made recommendations upon four resolutions dealing with human rights issues, and ACIR recommended that the College abstain on one proxy resolution dealing with human rights issues pursuant to its Abstention Policy.

The first human rights proxy resolution ACIR reviewed in 2005 was proposed by New York City Pension Funds to shareholders of Coca-Cola Company. The proxy resolution requested that the company send an independent delegation to Colombia in order to examine charges of collusion by company employees in anti-union violence against employees at Coca-Cola's Colombian bottling plants. ACIR reviewed extensive materials provided by the Investor Responsibility Research Center and from other sources regarding this proxy resolution. ACIR noted the seriousness of the allegations and the credibility of the sources for the allegations. ACIR agreed that a report from an independent delegation would clear up any confusion as to whether the company was complicit or otherwise aware of the violence alleged to be occurring against its union workers in Latin America by paramilitary units or other criminal elements. Finally, ACIR noted that the AFL-CIO designated this resolution as one of 2005's most important. ACIR recommended that the College vote in favor of the resolution. The resolution garnered 5.4% shareholder support.

ACIR reviewed a proxy resolution proposed by a religious order and a health organization to the shareholders of Boeing Corporation requesting that the company develop and adopt a comprehensive human rights policy committed to supporting and upholding the principles and values contained in the Universal Declaration of Human Rights. The proponents were particularly concerned about the company's lack of a comprehensive human rights policy in its China operations. While ACIR noted that Boeing Corporation does have a code of conduct, that code omits a number of the areas that are covered by the Universal Declaration of Human Rights, including the core ILO conventions. ACIR recommended that the College vote in favor of the resolution. The resolution received shareholder support of 21.2%, up from 17.4% in 2004.

ACIR reviewed two proxy resolutions submitted by New York City Pension Funds to shareholders of Freeport McMoRan Cooper & Gold and ExxonMobil Corporation. These resolutions requested that management of the companies review their policies concerning payments to Indonesian military and

security forces and report back to shareholders on its findings and potential financial and reputational risks.

With respect to the Freeport McMoRan Copper & Gold resolution, ACIR noted that the company derives the vast majority of its income from its Indonesian operations, which consist of the Grasberg mine, located in Papua, Indonesia. Papua has been the site of conflict between separatists and the Indonesian military for more than 30 years. To protect its operations, Freeport McMoRan relies on the military and police, to whom the company has provided support. ACIR discussed this resolution and the Investor Responsibility Research Center background materials at great length. Some ACIR members were concerned that the language of the resolution was too vague. Others questioned the true motive of the resolution and what its effects would be if adopted, e.g. whether it was to have the company abandon its Indonesian operations (its most valuable asset) and whether it would be feasible for the company to operate without the support of the Indonesian Military. Although there was some discomfort with the resolution among ACIR members, a majority of ACIR members voted to recommend that the College support it. The resolution received shareholder support of 7.1%.

Many of the issues and concerns discussed immediately above were raised by ACIR members with regard to the proxy resolution to ExxonMobil Corporation shareholders. Due to a variety of factors, including the concern that ExxonMobil was not behaving in a manner consistent with the Voluntary Principles for Security and Human Rights to which it is a signatory, ACIR members voted unanimously to recommend that the College vote in favor of this resolution. The resolution garnered 7.6% shareholder support.

Finally, ACIR recommended that the College vote to abstain on a human rights proxy resolution proposed by the Jesuit Conference USA and four other religious investors to the shareholders of Monsanto Company. This resolution requested that the company review and amend its Code of Business Conduct to include a comprehensive human rights policy and to prepare a report for shareholders detailing the results of the actions taken. Because ACIR was unable to discuss the resolution prior to Monsanto Company's annual meeting, ACIR recommended that the College vote to abstain pursuant to ACIR's Abstention Policy. The resolution garnered 8.4% shareholder support.

3. PRIOR GOVERNMENT SERVICE

ACIR reviewed one proxy resolution addressing prior government service. This resolution was proposed by Evelyn Y. Davis, an individual shareholder, in the proxy statement for E.I. Du Pont de Nemours & Company. The resolution requested that the company disclose the identity of certain employees who had within the previous 5 years worked for any governmental entities and to further disclose whether the work those people had performed for the various governmental agencies had any bearing on the company's business. For the same reasons ACIR recommended that the College vote to oppose two identical resolutions in 2004, one of which appeared before Du Pont shareholders, ACIR again recommended that the College vote to oppose this resolution. These reasons include the existence of federal laws to guard against conflicts of interest, the importance of encouraging individuals to work both in the public and private sectors, and potential invasion of privacy issues. The 2005 resolution received shareholder support of 3.1%.⁷

4. POLITICAL ISSUES

a. Disclosure of Political Contributions

As noted in Section III above, ACIR adopted a policy on March 31, 2005 that it would vote in favor of all proxy resolutions requesting disclosure by annual report or by publication of all political contributions made by the companies in question. Pursuant to that policy, ACIR recommended that the College vote in favor of such pending proxy resolutions for American Express, Bank of America Group, BellSouth Corporation, Boeing Corporation, Bristol-Myers Squibb Company, Citigroup Incorporated, Comcast Corporation, General Electric Company, Eli Lilly & Company, Loews Corporation, Merck & Company, Microsoft Corporation, OfficeMax Incorporated, PepsiCo Incorporated, Pfizer Incorporated, SBC Communications, Schering-Plough, Verizon Communications, Wal-Mart Stores, Waste Management Incorporated. Before adopting this policy, ACIR had recommended that the College vote in favor of a political contribution transparency resolution for Lucent Technologies Incorporated. These resolutions received shareholder support as follows:

⁷ The identical resolution had received 9.1% shareholder support in 2004.

<u>Company</u>	<u>Shareholder Support</u>
American Express	6.8%
Bank of America Company	5.8%
BellSouth Corporation	12.2%
Boeing Corporation	10.7%
Bristol-Myers Squibb Company	4.8%
Citigroup Incorporated	9.6%
Comcast Corporation	3.8%
General Electric Company	10.5%
Lilly (Eli) & Company	6.5%
Loews Corporation	3.4%
Lucent Technologies Incorporated	23.4%
Merck & Company	8.8%
PepsiCo Incorporated	8.1%
Pfizer Incorporated	13.6%
SBC Communications	12.5%
Verizon Communications	15.0%
Wal-Mart Stores	9.2%
Waste Management Incorporated	6.2%

After productive discussions between the proponents and management, the proxy resolutions to shareholders of Microsoft Corporation, OfficeMax Incorporated and Schering-Plough were withdrawn.

b. Affirm Political Non-Partisanship

ACIR reviewed two proxy resolutions in which companies were asked to publicly affirm their political non-partisanship. Both resolutions were put forth by Evelyn Davis, an individual shareholder. The recipient companies were Exxon Mobil Corporation and Home Depot Incorporated. The resolutions were identical and requested that the shareholders of each company recommend that the companies affirm their political nonpartisanship by ending various practice such as handing out contribution cards of a single political party to an employee by a supervisor, using 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 supervisor, placing a preponderance of contribution cards of one party at mail station locations, etc.

ACIR agreed that it was generally supportive of the notion that publicly traded companies should not expend their resources – owned by shareholders – on overtly partisan activities. ACIR noted that it had recommended support for the identical resolution contained in the Exxon Mobil Corporation 2004 proxy report. However, some ACIR members were uncomfortable with the suggestion implicit in the resolutions that the companies had or were engaging in illegal and/or unethical activities described by the resolutions. In addition, ACIR members felt that the materials prepared by the Investor Responsibility Research Center did not contain any demonstrable evidence of wrong-doing. Nonetheless, a majority of ACIR members agreed that the action requested was neither harmful nor unduly burdensome on the companies. Thus, ACIR recommended that the College vote in favor of both resolutions. The Exxon Mobil Corporation resolution received shareholder support of 7.2%; the Home Depot Corporation resolution received shareholder support of 9.5%.

5. PHARMACEUTICAL COMPANIES

ACIR reviewed and made recommendations on several proxy resolutions involving issues relating to the pharmaceutical industry.

a. The Global Pandemic

ACIR addressed three proxy resolutions dealing with the manner in which the pharmaceutical industry has responded to the global pandemic of diseases. The resolutions were identical and were initiated by religious organizations and pension funds. The resolutions specifically asked that Bristol-Myers Squibb Corporation, Caterpillar Incorporated and Merck & Company review the economic effects of the HIV/AIDS, tuberculosis and malaria pandemics on the companies' business strategies and their initiatives in response to the pandemics, and report to shareholders on their findings.

ACIR discussed the growing consensus that HIV/AIDS, tuberculosis and malaria pose a serious threat to world stability and security and that this threat should impose obligations upon the private sector. Investor Responsibility Research Center materials further informed ACIR that in recent years increasing pressure on the pharmaceutical industry has drastically lowered the prices of lifesaving drugs through private-public partnerships, pricing agreements and competition of generic drugs. Nevertheless, ACIR acknowledged that great challenges remain to ensure broad access to and affordability of these drugs in

developing countries. ACIR agreed that the question presented by these resolutions was really whether the companies should be doing more for susceptible populations and, in the case of Caterpillar Incorporated, also for its employees. The literature and anecdotal evidence reviewed by ACIR suggest that by taking proactive measures a company will ultimately save money and lives. Finally, ACIR noted that the resolutions simply asked the companies to look at how the global pandemic was affecting them; the next logical step would be to take action. ACIR agreed that this first step was positive. Therefore, ACIR recommended that the College vote in favor of all three resolutions.

These resolutions received shareholder support as follows:

<u>Company</u>	<u>Shareholder Support</u>
Bristol-Myers Squibb	7.4%
Caterpillar Incorporated	7.4%
Merck & Company	9.0%

b. Pharmaceutical Development and Marketing

In addition to the global pandemic resolutions that ACIR made recommendations upon, ACIR reviewed six proxy resolutions dealing with drug reimportation and pricing restraint issues.

The first resolutions ACIR reviewed were two proposed to shareholders of Eli Lilly Corporation by the American Federation of State County and Municipal Employees (“AFSCME”) and the Minnesota State Board of Investment (“MSBI”). The AFSCME proxy resolution asked the Board to adopt a policy that does not limit the reimportation of prescription drugs into the U.S. using supply control methods. The MSBI proxy resolution requested that Lilly’s Board of Directors “prepare a report on the effects on the long-term economic stability of the company and on the risks of liability to legal claims that arise from the company’s policy of limiting the availability of the company’s products to Canadian wholesalers or pharmacies that allow purchase of its products by U.S. residents.”

ACIR recognized that these resolutions were linked and in some ways duplicative. The AFSCME resolution requested the company to adopt a policy to not oppose reimportation of drugs and to report back on the effects of such a

policy. The MSBI resolution requested that Lilly report on the effects of reimportation on the company. ACIR discussed the various pros and cons of reimportation limits, including harm to Canadian citizens if supplies of drugs were limited by Lilly, concerns of counterfeiting, the U.S. healthcare crisis, and the efficacy of supply and demand in the marketplace for drugs. ACIR also noted activity by several States to allow for reimportation of drugs. A majority of ACIR members supported the resolution requesting Lilly to adopt a policy that does not constrain reimportation of drugs to the U.S. ACIR was unanimous in supporting the MSBI resolution requesting a report on the effects of reimportation on Lilly. Thus, ACIR recommended that the College support both resolutions. The resolutions received shareholder support of 3.8% (don't oppose reimportation) and 13.9% (report on effects of reimportation).

MSBI proposed the identical resolution as that above requesting a report on the effects of reimportation to shareholders of Merck & Company and Pfizer Incorporated. For the reasons set forth above, as well as concerns about pending litigation against large pharmaceuticals in connection with pricing restraints, ACIR recommended that the College vote in favor of these resolutions. The Merck & Company resolution received shareholder support of 24.5%; the Pfizer resolution received 28.5% support.

AFSCME, joined by the Maine State Treasurer, Ohio Public Employees' Retirement System, Vermont State Employees' Retirement System and Vermont State Teachers' Retirement System, also proposed the resolution (discussed above) to shareholders of Pfizer Incorporated requesting that Pfizer adopt a policy of not opposing reimportation and reporting on the effects of that policy. ACIR recommended that the College vote in favor of that resolution. It garnered 11.0% shareholder support.

Finally, ACIR reviewed a proxy resolution proposed by Trinity Health and Mercy Investment to shareholders of Pfizer requesting a report on measures the company was taking to contain drug price increases to levels equal to or below the annual inflation rate. ACIR was unanimous in recommending that the College vote in favor of this resolution. The resolution ultimately received shareholder support of 11.1%.

6. ANIMAL WELFARE

In 2005, ACIR reviewed and made recommendations upon twelve proxy resolutions dealing with animal welfare issues, compared to only four in 2004. The resolutions were all proposed by the People for the Ethical Treatment of Animals (“PETA”), a well known animal rights group. Ten of the resolutions were identical in asking companies to take three specific steps, one asked a tobacco company to commit to stop all animal testing, and one requested a large fast food parent company police and enforce certain humanitarian standards on its suppliers.

ACIR reviewed nine proxy resolutions proposed by PETA⁸ that requested the subject companies to (1) commit to ending the use of animals for assessing skin corrosion, irritation, absorption, phototoxicity and pyrogenicity; (2) “confirm that it is in the company’s best interest to commit to replacing animal-based tests with non-animal methods”; and 3) “[p]etition the relevant regulatory agencies requiring safety testing for the company’s products to accept as total replacements for animal-based methods, those approved non-animal methods described above, along with any others currently used and accepted by the Organization for Economic Cooperation and Development (OECD) and other developed countries.”⁹ ACIR reviewed this resolution with respect to Amgen Incorporated, Bristol-Myers Squibb, Chevron Corporation, E.I. Du Pont de Nemours & Company, General Electric Company, Eli Lilly & Company, Merck & Company, Monsanto Company, and Schering-Plough.

ACIR recognized that Dartmouth College occasionally sponsors clinical trials employing animal testing subject to strict supervision by its federally mandated Institutional Animal Use and Care Committee and noted that animal testing is regulated by the federal government. To further understand the actions requested by the resolutions, ACIR contacted representatives from PETA to clarify that the resolutions were not asking the companies to take actions that would violate federal law, which PETA indeed confirmed. ACIR agreed that the resolutions were not overbroad nor unreasonable. ACIR also noted that it had unanimously supported four identical resolutions in 2004. ACIR was unanimous

⁸ In one case, the lead filer was identified as an individual affiliated with PETA.

⁹ PETA filed identical resolutions with a total of 18 companies in 2005.

in recommending that the College vote in favor of the resolutions. The resolutions received shareholder support ranging from 1.2% to 3.4%.¹⁰

ACIR also reviewed a PETA resolution to shareholders of Altria Group requesting that the company eliminate using animals in the testing of all tobacco products. A majority of ACIR members agreed that the resolution was reasonable. ACIR thus recommended that the College vote in favor of the resolution. It received shareholder support of 2.5%.

ACIR reviewed a resolution proposed by PETA to shareholders of Yum Brands Incorporated requesting the company to report on steps it has taken and plans to take to ensure that its publicly stated goals (e.g., to only deal with suppliers who provide [an] environment that is free from cruelty, abuse and neglect) conform with actual animal welfare practices. ACIR noted that Yum Brands is the parent company for the KFC, Pizza Hut, Taco Bell, and other fast food restaurant chains. The company is the world's largest quick service chain in terms of restaurants and the world's second-largest chain in terms of sales. ACIR agreed that requesting Yum Brands to report on the consistency of its policies to the actual practices of its suppliers was reasonable. ACIR was unanimous in recommending that the College vote in favor of this resolution. The resolution garnered 8.8% shareholder support.

Finally, ACIR was unable to review a resolution proposed by PETA to shareholders of Kroger Corporation that requested the company to issue a report to shareholders on the feasibility of requiring its chicken suppliers to phase in controlled-atmosphere killing within a reasonable timeframe. However, based on direction from ACIR members before it adjourned in June 2005, ACIR recommended that the College vote to in favor of the resolution. The resolution received shareholder support of 10.7%.

7. ENVIRONMENT: BIO-ENGINEERING

ACIR reviewed and made recommendations upon six proxy resolutions dealing with bio-engineering issues. ACIR also made a recommendation on a

¹⁰ PETA withdrew the resolution from the Schering-Plough proxy statement after discussions with management persuaded PETA that Schering-Plough was taking positive steps in this area.

seventh proxy resolution dealing with bio-engineering issues pursuant to its Abstention policy. In 2004, ACIR only reviewed four resolutions in this subject area.

These resolutions requested a variety of actions from the recipient companies, including: labeling their foodstuffs or products as genetically engineered (“GE”); reviewing and reporting on procedures for monitoring GE products; reviewing internal controls relating to adverse impacts associated with GE organisms; reporting on contingency plans for removing GE products from the market; and reviewing and reporting on long-term safety testing of GE crops, organisms and products.

With regard to all bio-engineering resolutions reviewed by ACIR in 2005, ACIR noted its concern with the irregular and inconsistent regulation of GE crops and organisms by the U.S. Food and Drug Administration (“FDA”) and the various difficulties presented to companies attempting to deal with a lack of FDA guidance or enforcement. While ACIR recognized that certain benefits might accrue to companies that labeled their products as GE or non-GE foodstuffs, there was consensus among ACIR members that many of the resolutions asked for a great deal in an area made hazy by lack of FDA oversight and potential legal and other complications posed by, among many other things, cross-pollination and public opinion. Nevertheless, ACIR agreed that none of these resolutions asked for unreasonable or overly burdensome actions. Moreover, ACIR discussed the potential for immense damage to patronage, good will and, ultimately, share value in the event that negative GE food issues were to confront the subject companies. After lengthy discussions, ACIR recommended that the College vote in favor of each of the six bio-engineering resolutions it reviewed. ACIR recommended abstention on one bio-engineering proxy resolution pursuant to its Abstention Policy.

The proxy resolutions dealing with bio-engineering received the following support:

<u>Company</u>	<u>Shareholder Support</u>
Du Pont (E.I.) de Nemours & Co.	6.1%
Kellogg Corporation	4.8%
Kraft Foods Incorporated	0.1%
McDonalds Corporation	7.6%
Monsanto Company	7.6%

Whole Foods Market ¹¹	6.8%
Yum Brands	7.6%

8. ENVIRONMENT: GLOBAL CLIMATE CHANGE

ACIR reviewed and made recommendations on six resolutions addressing global climate change in the proxy statements of Dominion Resources, Exxon Mobil Corporation (2 resolutions), Ford Motor Company, General Motors Corporation and Simon Property Group. The resolutions were proposed by various types of proponents, including socially screened asset management firms, religious organizations and public interest groups. Most of these resolutions requested that the subject companies assess their responses to rising regulatory, competitive and public pressure to reduce carbon dioxide and other greenhouse gas emissions and report to shareholders on those issues. Resolutions proposed to automobile manufacturers also asked that the companies assess and report on steps taken to alter the design and manufacture of their fleets to meet federal and international emissions standards or treaties. Finally, a resolution proposed by Christian Brothers Investment Services and 21 co-filers to shareholders of Exxon Mobil Corporation requested that the company report to shareholders on the basis for its position on the science of climate change.

In reviewing these proxy resolutions, ACIR noted that global climate change continues to be one of the most significant challenges confronting the business community and that a record number of resolutions relating to global climate change were filed in 2005. Proponents included managers of socially screened mutual funds, religious investors, foundations, a labor pension fund and an environmental group. Recipient companies were primarily those with large carbon-emissions, such as petroleum, electric power and automobile manufacturing. In addition, real estate conglomerates, manufacturing companies, and banks received global warming resolutions in 2005.

With respect to the automobile manufacturing companies facing global climate change resolutions, ACIR noted that the credit ratings of both Ford Motor Company and General Motors Company had been reduced to junk status

¹¹ At its April 4, 2005 annual meeting, Whole Foods Market's management agreed to adopt the measures requested by the resolution, including labeling its private label food line with non-Genetically Modified Organism ("GMO") designation.

as a result of their poor performance. ACIR also noted that energy has become a staggering cost issue for all companies and that most would do well to examine their practices and policies regarding conservation and alternative energy sources. Finally, ACIR recognized that these resolutions raised issues similar to those found in resolutions it had supported in 2004.

For all of the foregoing reasons, ACIR unanimously recommended that the College vote in favor of every global climate change resolution. The global climate change proxy resolutions received shareholder support ranging from a low of 5.6% (General Motors Corporation) to a high of 28.4% (Exxon Mobil Corporation).¹²

9. ENVIRONMENT: NUCLEAR PLANT SAFETY

ACIR reviewed one proxy resolution dealing with nuclear plant safety. The resolution was proposed by Sierra Club to shareholders of General Electric Corporation. The resolution requested that General Electric prepare a report outlining “the current vulnerability and substantial risks of the interim storage of irradiated fuel rods at all General Electric-designed reactor sites” and that the report include strategies to reduce such risks.

ACIR noted that General Electric has designed approximately 100 nuclear plants yet actually manages just over 30 of those plants, according to Investor Responsibility Research Center materials. There was discussion as to whether General Electric should be responsible for managing risks at plants it merely designed versus those that it manages. ACIR also noted that the storage of nuclear by-products is a heavily regulated area, although one ACIR member questioned the competency of the Nuclear Regulatory Commission, and its historical allegiance with the nuclear power industry. ACIR also discussed the implications of greater use of nuclear power in the future. Finally, ACIR noted that it had voted to oppose the identical resolution in the 2004 General Electric Proxy Statement. Despite ACIR’s previous position, ACIR voted unanimously to recommend that the College vote in favor of the resolution. ACIR agreed that the resolution was useful in sending a message to General Electric that it should examine its responsibility for reactors it has designed as well as those it manages. This resolution received 7.7% shareholder support.

¹² Appendices I and II contain the complete voting tallies for all of these resolutions.

10. ENVIRONMENT: MISCELLANEOUS

ACIR made recommendations upon seven proxy resolutions dealing with miscellaneous environmental issues.

a. Waste Sites in Ecuador

ACIR reviewed a resolution proposed by Trillium Asset Management and Amnesty International USA to shareholders of Chevron Corporation requesting the shareholders to adopt a resolution asking the Board prepare a report on new initiatives to address the specific health and environmental concerns of communities affected by unremediated waste and other sources of oil-related contamination in the area where Texaco operated in Ecuador.

ACIR noted that it had reviewed the identical resolution in 2004 and recommended that the College vote to support the resolution. ACIR unanimously agreed that the action requested – preparing a report – was neither unreasonable nor unduly burdensome. ACIR recommended that the College vote in favor of the resolution. The resolution garnered 9.2% shareholder support.

b. Potential Environmental Damage

ACIR reviewed two resolutions requesting companies to prepare reports detailing potential environmental damage from the company drilling for oil and gas in protected areas, including IUCN Management Categories I-IV and Marine Management Categories I-V; World Heritage Sites; and national parks, monuments, and wildlife refuges. One resolution was proposed by Sierra Club to shareholders of Chevron Corporation. The other resolution was proposed by several managers of socially screened mutual funds to Exxon Mobil Corporation shareholders.

ACIR discussed the specific language of the resolution and noted that the resolutions asked the companies to include voluminous amounts of information in the requested reports. There was consensus, however, that preparing such reports would be relatively uncomplicated because Chevron and Exxon Mobil likely had the information on hand. In addition, ACIR was supportive of the resolutions both for business and ethical reasons. ACIR recommended that the

College vote in favor of both resolutions. The Chevron resolution received shareholder support of 8.6%; the Exxon Mobil resolution received 8.1% shareholder support.

c. Land Procurement

Two socially screened asset management firms proposed a resolution to Costco Wholesale Corporation requesting that the company develop a policy for land procurement and use that incorporates social and environmental factors, and to report on the policy and its implementation. Because ACIR was unable to review the resolution, ACIR recommended that the College vote to abstain on the resolution. The resolution received 4.0% shareholder support.

d. Teflon Liability

ACIR reviewed a resolution proposed by an individual to shareholders of E.I. Du Pont de Nemours & Company requesting the company to prepare a report detailing all expenses associated with perfluorooctanoic (“PFOA”) exposures between the 1981 and 2004. Such expenses were to include attorneys’ fees, expert fees, lobbying fees, public relations and media expenses, and litigation fees in general. Du Pont is the only U.S. company that manufactures PFOA, a chemical used to make Teflon and other products. In support of the resolution, the proponent stated that PFOA “does not break down in the environment and is detectable in the blood of more than 90 percent of American [and] has been shown to cause cancer, liver damage and other problems in animals.”

ACIR discussed the cost of the actions requested by the resolution as well as the impact of related pending litigation against Du Pont. ACIR noted its previous review and support of similar resolutions in connection with General Electric Company and Louisiana-Pacific Corporation (2004), which ACIR had recommended that the College support. ACIR unanimously recommended that the College vote in favor of the resolution. The resolution received shareholder support of 8.7%.

e. Remediation of PCB Sites

ACIR reviewed a resolution proposed by Sisters of St. Dominic, Caldwell, New Jersey and Mercy Investment Program to shareholders of General Electric Company requesting the company to prepare a report detailing its annual expenditures from 1990-2003 on all fees relating to the health and environmental consequences of PCB exposures, General Electric's remediation of sites contaminated by PCBs, and hazardous substance laws and regulations, as well as its expenditures on actual remediation of PCB contaminated sites.

ACIR noted its consistent support of resolutions requesting reports on legal and remediation costs associated with environmental contamination. ACIR members did not feel that the requested action would pose a real hardship or significant expense to General Electric. ACIR was unanimous in recommending that the College vote in favor of the resolution. The resolution garnered shareholder support of 27.5%, a remarkably high level of support.¹³

f. Pesticide Use

ACIR reviewed a resolution proposed by Harrington Investments to Monsanto Company shareholders requesting the company to report on its global use of pesticides banned in the United States. Specifically, the resolution requested that Monsanto report on pesticides identified by the EPA as "probable" or "likely" human carcinogens and on the countries to which these pesticides are currently exported, as well as to report on the company's policies and procedures for handling and exporting unregistered pesticides and pesticides that are "probable" or "likely" human carcinogens, including training and educational use for end-users of the pesticides, as well as the location of the company's obsolete stocks of pesticides.

Because Monsanto Company's annual meeting was held prior to the commencement of ACIR's regular weekly meetings, ACIR recommended that the College vote to abstain on this resolution pursuant to its Abstention Policy. The resolution garnered 13.3% shareholder support.

¹³ In early October 2005, General Electric Company entered into a binding agreement to dredge 43 miles of the Hudson River to remove PCBs.

11. SUSTAINABILITY

ACIR reviewed and made recommendations on five proxy resolutions requesting sustainability reporting for Cooper Tire & Rubber, General Electric Company, Safeway Incorporated, Terex Corporation, and Yum Brands Incorporated. These resolutions were brought by New York City Pension Funds, religious organizations, and socially screened mutual funds. While the language of the resolutions differed, the resolutions essentially requested the subject companies to report to shareholders on their long-term sustainability planning, and the effects that such planning would have on the companies' value.

Sustainability reporting has become a highly supported area in social issues proxy voting since the first such resolution was brought in 2002. Essentially, resolutions requesting sustainability reporting seek the target company to focus upon and manage sustainability in order to improve their long-term value. Sustainability is often described as meeting the needs of the present without compromising the ability of future generations to meet their own needs.¹⁴ Resolutions requesting sustainability reporting have received significant support in recent years and continued to do so in 2005.

ACIR was generally in agreement that sustainability reporting has become an expected norm, and that such reporting can lead to significant benefits for both short-term and long-term share value. ACIR also noted that sustainability indexes are being used by an increasing number of mutual funds and money managers of socially screened funds. ACIR recommended that the College vote in favor of each sustainability reporting resolution except that to General Electric Company shareholders.

ACIR discussed at length the resolution requesting General Electric to issue a sustainability report. Several members felt that General Electric had made substantial efforts to publicly disclose its efforts as a corporate citizen environmentally, socially and financially, and that such efforts amounted to a form of sustainability reporting. Other ACIR members were skeptical. ACIR discussed whether a company should be punished or rewarded for transparency or for exceeding efforts made by peer companies. Ultimately, unable to reach consensus, ACIR recommended that the College vote to abstain on the resolution.

¹⁴ IRRS Corporate Reporter, Social Issues, June/July 2005, page 14.

The sustainability reporting resolutions received shareholder support as follows:

<u>Company</u>	<u>Shareholder Support</u>
Cooper Tire & Rubber	23.2%
General Electric Company	7.9%
Safeway Incorporated	16.7%
Yum Brands Incorporated	39.1%

The Terex Corporation proxy resolution had not been voted upon at the writing of this report because the company's annual meeting was postponed.

12. TOBACCO ISSUES

ACIR reviewed and made recommendations on five proxy resolutions addressing tobacco issues and made one recommendation on a resolution relating to tobacco issues pursuant to its Abstention Policy. These resolutions were proposed by the Interfaith Center for Corporate Responsibility¹⁵, religious organizations, a pension fund, and a socially screened mutual fund.

ACIR reviewed three resolutions contained in the Proxy Statement of Altria Group, the parent company of Philip Morris International and Philip Morris USA. The first resolution requested that Altria Group create a program to discourage pregnant women from purchasing cigarettes from Philip Morris USA retailers. The program envisioned by the proponents suggested having retailers ask female customers of child bearing who were purchasing cigarettes if they were pregnant. ACIR generally agreed that the wording of the resolution could be improved upon. In addition, ACIR noted that it had recommended against supporting a very similar resolution in 2004, primarily due to privacy concerns; ACIR members were concerned that requiring retailers to ask women customers

¹⁵ The Interfaith Center on Corporate Responsibility coordinates the sponsorship of shareholder resolutions by 275 member groups. These member groups consist of Protestant, Jewish and Roman Catholic "orders, denominations, agencies, dioceses, health care corporations and pension funds" with combined investment portfolios of some \$100 billion. The center also coordinates the filing of social responsibility resolutions with socially responsible mutual funds, foundations and individual investors that do not have religious affiliations.

about their pregnancy status was excessive. ACIR felt that there were other measures Altria Group could take to discourage smoking by pregnant women. For those reasons, a majority of ACIR recommended that the College vote to oppose the resolution. The resolution received support from 3.0% of shareholders.

ACIR reviewed a second resolution to Altria Group shareholders proposed by Sisters of Mercy, St. Louis, Missouri, in which the company was asked to stop all advertising, marketing and sale of cigarettes using such descriptors as 'light,' 'ultralight,' and "mild" until shareholders could be assured through independent research that these descriptors actually do reduce the risk of smoking-related diseases, including cancer and heart disease. ACIR noted the existence of a National Cancer Institute declaration in 2001 that using these descriptors is a deceptive marketing practice because there is no meaningful difference in health risks to smokers using these brands compared to smokers choosing full-strength brands. ACIR discussed class action litigation in Illinois involving the use of "light"-type terminology that has already resulted in a multi-billion dollar verdict against Philip Morris USA, as well as pending class action litigation in Massachusetts, Ohio and Missouri. While recognizing Philip Morris's arguments for using the "light"-type descriptors because it assists the consumer in selecting brands, a majority of ACIR agreed that voting in favor of the resolution would send a message to Altria Group that shareholders were concerned at the prospect of the company incurring large costs. ACIR thus recommended that the College vote in favor of the resolution. The resolution garnered 4.2% shareholder support.

ACIR reviewed two tobacco-related resolutions dealing with fire safety. The first was proposed to Altria Group shareholders by the Province of St. Joseph of the Capuchin Order and the Sinsinawa Dominicans, two religious organizations. The second resolution was proposed by The Sisters of Charity of the Incarnate Word, a religious organization based in Texas, to shareholders of Loews Corporation. Both resolutions asked the companies to commit to voluntarily establish New York's cigarette fire safety regulatory criteria as the standard for all the cigarettes that are produced for sale in the United States, Puerto Rico and all U.S. protectorates. ACIR discussed the New York State safety criteria, which requires the use of banded paper that is more likely to burn out if a smoker sets down a cigarette for any length of time. ACIR noted that numerous other States are currently pondering enacting similar legislation. ACIR agreed that the companies should move toward adopting the New York State fire safety criteria. ACIR recommended that the College vote in favor of the

resolutions. The Altria Group resolution received 4.9% shareholder support; the Loews Corporation resolution received 2.0% shareholder support.

ACIR also reviewed a resolution proposed by the Sinsinawa Dominicans and Trinity Health to Loews Corporation that asked the company to publicly support legislation that would prohibit smoking in all public and private workplaces. ACIR noted the paradox presented by this resolution, which asked the company to lobby and advertise against its own products. ACIR discussed the numerous legislative efforts in various States and pending litigation over second hand smoke. ACIR also noted that the College prohibits smoking in interior workplaces. Although ACIR was unable to reach agreement on this resolution, a majority supported it. ACIR thus recommended that the College vote in favor of the resolution. The resolution received support from 2.1% of shareholders.

Finally, ACIR was unable to review a resolution proposed to Disney Company shareholders asking the company to take steps against tobacco promotion in films. Pursuant to its Abstention Policy, ACIR recommended that the College vote to abstain on the resolution. Ultimately, the Securities and Exchange Commission omitted the resolution from Disney's proxy statement on the grounds that the requested action related to the conduct of the company's ordinary business.

13. MILITARY CONTRACTING

ACIR reviewed and made recommendations on five proxy resolutions dealing with military contracting issues.

ACIR reviewed a proxy resolution proposed to shareholders of Boeing Corporation by the School Sisters of Notre Dame and 2 other religious organizations requesting that the company review and revise its code of conduct and criteria for military production-related contract bids, awards and contract execution. ACIR noted that a similar resolution in 2004 received 7.8% shareholder support. ACIR noted that while Boeing claims that federal regulation in this area is adequate, geopolitical issues such as sales of military equipment to dictatorial regimes are not covered by federal regulation. ACIR recommended that the College vote in favor of the resolution. The resolution received shareholder support of 6.8%.

ACIR reviewed a proxy resolution proposed by the Jewish Voice for Peace and several religious organizations to shareholders of Caterpillar Incorporated. This resolution requested that Caterpillar prepare a report reviewing and evaluating the criteria used to determine whether the sale (either directly or through intermediaries, including agencies of the United States government) of Caterpillar equipment to the Israel Defense Forces comports with Caterpillar's Code of Worldwide Business Conduct. ACIR discussed Caterpillar's operations in Israel and elsewhere, as well as recent events in Israel involving Caterpillar's heavy equipment. ACIR also reviewed the company's Code of Worldwide Business Conduct. Some ACIR members objected to the language of the resolution on the grounds of breadth and vagueness, and there was some concern that the requested report would also be overbroad and vague. ACIR was unable to reach agreement on a recommendation. ACIR recommended that the College vote to abstain on the resolution. The resolution garnered 4.1% shareholder support.

ACIR reviewed a proxy resolution in the General Dynamics Corporation proxy statement proposed by two religious organizations asking the company to report on General Dynamics' foreign sales of weapons-related products and services. ACIR discussed the company's business and the fact that a very small percentage of its sales accrue from foreign military sales. There was discussion of whether the resolution was actually intended to try to end all foreign military sales and whether such an end was appropriate philosophically or financially. ACIR also noted the heavy regulation of this sector by the federal government. A majority of ACIR members agreed that requesting this report was both reasonable and responsible. ACIR thus recommended that the College vote in favor of the resolution. The resolution received 6.2% shareholder support.

ACIR also reviewed a resolution proposed by the Sisters of Charity of Saint Elizabeth, a group affiliated with the Interfaith Center for Corporate Responsibility, to United Technologies Corporation shareholders. The resolution requested the company to review and if necessary amend and amplify its code of conduct and statements of ethical criteria for military production-related contract bids, awards and contract execution, and to report on that review. ACIR felt that the language of the resolution was poorly worded and ambiguous. Based on the proponents' supporting statement in the proxy materials, ACIR felt that the proponents had a more sweeping intent than that which was stated in the wording of the resolution. ACIR was unanimous in recommending that the College vote to abstain on the resolution. This resolution received shareholder support of 3.8%.

Finally, due to time constraints and pursuant to its Abstention Policy, ACIR recommended that the College vote to abstain on a military contracting resolution proposed by the Interfaith Center on Corporate Responsibility to shareholders of CACI International Incorporated. The resolution was ultimately withdrawn because the proponent had failed to hold shares in CACI International for the requisite period of time prescribed by Securities & Exchange Commission (the "SEC") regulations.

14. EXECUTIVE COMPENSATION AND LINKS TO SOCIAL CRITERIA

ACIR reviewed and made recommendations on seven proxy resolutions dealing with executive compensation, and it made one recommendation on such a resolution pursuant to its Abstention Policy. Proponents included religious organizations, socially screened investment funds and unions. ACIR reviewed such resolutions in the proxy statements of Amgen Incorporated, AT&T Corporation, E.I. Du Pont de Nemours & Company, Ford Motor Company, SBC Communications, Time Warner Incorporated and Wells Fargo & Company.

Four of the resolutions ACIR reviewed asked the subject companies to: link pay more closely to financial performance and to social corporate performance; compare pay packages for senior executives and the lowest paid employees or, in one case, domestic workers in the U.S.; and discuss whether there should be a executive compensation pay cap. Some of these resolutions requested the rationale behind the compensation packages for the companies' highest paid executives. The resolution proposed to shareholders of AT&T Corporation shareholders specifically requested that the company report on whether senior executive compensation policies actually "create an incentive to export jobs, restructure operations or make other strategic decisions that are designed to boost short-term earnings, but may have adverse consequences for long-term shareholder value." The resolution proposed to Ford Motor Company shareholders asked the company to "institute an executive compensation review with a view to linking a significant portion of senior executive compensation to progress in reducing lifetime product greenhouse gas emissions from the company's new passenger vehicles." Finally, the resolution to shareholders of Wells Fargo & Company asked the company to conduct a review and report on linking executive pay to addressing payday lending practices.

There continues to be debate over whether U.S. executive pay is too high relative to average employee pay, and whether it is sufficiently linked to performance and other criteria. While those companies linking executive compensation to social criteria still number in the minority in the U.S., an increasing number of boards are identifying social performance measures in reports to shareholders. ACIR noted that an Investor Responsibility Research Center review of the *Fortune 100* found that nearly half of the companies had identified social criteria related to pay in 2003 proxy statements.

ACIR members spent a great deal of time discussing the executive compensation proxy resolutions. While some members felt that the scope of social issues covered by ACIR's mission does not include executive pay because this issue more appropriately falls under corporate governance umbrella, others felt that the issue should be linked to long term values regarding social and environmental sustainability by connecting executive compensation to these issues. ACIR agreed that the levels of executive compensation in the U.S. were grossly inflated. In the case of Ford Motor Company, ACIR also considered recent skyrocketing fuel prices and the downgrading of the company's credit rating. And in the case of Wells Fargo, ACIR discussed payday and predatory lending at length. Although ACIR was not always unanimous, ACIR recommended that the College vote in favor of all six executive compensation resolutions it reviewed. ACIR also recommended that the College vote to abstain on one such resolution pursuant to its Abstention Policy. The resolutions received the following support:

<u>Company</u>	<u>Shareholder Support</u>
Amgen Incorporated	8.1%
AT&T Corporation	10.1%
Du Pont (E.I.) de Nemours & Co.	8.6%
Ford Motor Company	5.3%
SBC Communications	12.7%
Time Warner Incorporated	6.9%
Wells Fargo & Company	5.9%

Because ACIR was unable to review the Disney Company executive compensation resolution, it recommended that the College vote to abstain on the resolution. The Securities and Exchange Commission ultimately omitted the resolution from the proxy statement on the grounds that the subject matter fell within ordinary business operations.

15. EQUAL EMPLOYMENT OPPORTUNITY AND DISCRIMINATION

ACIR reviewed five proxy resolutions dealing with equal employment opportunity (“EEO”) and discrimination issues. Two of these resolutions asked the subject companies to adopt or implement policies of non-discrimination on the basis of sexual orientation, and one of these also requested adoption of a policy of non-discrimination on the basis of gender identity. Two other resolutions requested that the companies report to shareholders specifically on EEO, including statistical figures and affirmative action programs. Finally, one resolution requested that the company commit to board diversity and report to shareholders on steps taken towards this commitment. Proponents included pension funds and socially screened funds.

New York City Employees’ Retirement and three socially screened funds proposed a resolution to Exxon Mobil Corporation requesting that the company amend its EEO policy to explicitly prohibit discrimination based on sexual orientation and to substantially implement that policy. New York City Pension Funds proposed a resolution to shareholders of Delta Air Lines asking the company to implement EEO policies based on principles prohibiting discrimination based on sexual orientation and gender identity. As to the non-discrimination on the basis of sexual orientation, ACIR noted that the College includes sexual orientation in its Non-Discrimination Policy.¹⁶ In addition, New Hampshire law makes it unlawful to discriminate on the basis of sexual orientation.¹⁷ With regard to the failure of Exxon Mobil to bar sexual orientation discrimination, ACIR noted the company’s non-exemplary performance in the EEO arena since the merger of Exxon and Mobil; Mobil had been a fairly progressive company before the merger. Regarding discrimination on the basis of gender identity, ACIR discussed the fact that Dartmouth’s Non-Discrimination Policy does not extend protection to this class. However, several ACIR members opined that Dartmouth would likely include gender identity in its policy should such a request be made. Consistent with ACIR’s previous

¹⁶ Dartmouth College’s Non-Discrimination Policy states: “Dartmouth College is committed to the principle of equal opportunity for all its students, faculty, employees, and applicants for admission and employment. For that reason Dartmouth does not discriminate on the basis of race, color, religion, sex, age, sexual orientation, national origin, disability, or status as a disabled or Vietnam-era Veteran in its programs, organizations, and conditions of employment and admission.”

¹⁷ New Hampshire R.S.A. 354-A:7 (1998).

recommendations in the EEO subject area, ACIR unanimously recommended that the College vote in favor of both resolutions. The Exxon Mobil Corporation resolution received shareholder support of 29.5%; the Delta Air Lines resolution received support of 8.9%.

Two socially screened asset management funds proposed a resolution to shareholders of Yum Brands Incorporated requesting the company to: report on a disabilities class action lawsuit in California; provide statistical data on the company's work force by race and gender; summarize policies and programs on disability access at corporate restaurants; report on work force diversity and efforts to increase the number of managers who are qualified women or minorities. Shareholders of Home Depot Incorporated received a resolution from three socially screened asset managers asking the company to issue a report including statistical data on the company's work force by race and gender for the last three years, summarizing affirmative action policies and programs to improve performance, and describing policies and programs oriented specifically toward increasing the number of managers who are qualified females or minorities.

ACIR noted the companies' history of litigation regarding EEO issues and the importance of addressing additional potential liabilities. ACIR agreed that both companies likely possessed the information requested and that a consolidated report from each would be useful. Finally, with respect to Home Depot, ACIR recognized that the company had a somewhat checkered past in releasing data regarding the race and gender of its employees. ACIR unanimously recommended that the College vote in favor of both resolutions. The Yum Brands resolution garnered 13.2% shareholder support; the Home Depot resolution received 30.0% shareholder support.

The General Board of Pension and Health Benefits of the United Methodist Church proposed a resolution to shareholders of Rite Aid Corporation asking for management to commit to board diversity and to report to shareholders progress made toward that commitment. In light of the College's own commitment to board diversity and to diversity principles generally, ACIR recommended that the College vote in favor of this resolution. The resolution received 47.0% shareholder support, the second highest level of support tallied for any social issues subject area proxy resolution in 2005.

16. FAIR EMPLOYMENT IN NORTHERN IRELAND

ACIR made recommendations on three proxy resolutions relating to fair employment in Northern Ireland. All of these resolutions were proposed by New York City Pension Funds. The resolutions proposed to shareholders of Raytheon Company and Teletech Holdings asked the companies to make all possible lawful efforts to implement and/or increase activity on each of the nine MacBride Principles; the resolution to shareholders of Yum Brands Incorporated asked the company to urge its one Northern Ireland franchisee, the owner of 38 Kentucky Fried Chicken outlets, to do the same.

The MacBride Principles is a code of conduct for fair employment for Northern Ireland to ensure religious nondiscrimination and independent oversight of workplace equality in a region that continues to be riddled with sectarianism. The MacBride Principles include: (1) increasing the representation of individuals from underrepresented religious groups in the work force including managerial, supervisory, administrative, clerical and technical jobs, (2) providing adequate security for the protection of minority employees both at the workplace and while traveling to and from work, (3) banning provocative religious or political emblems from the workplace, (4) requiring that all job openings be publicly advertised and that special recruitment efforts should be made to attract applicants from underrepresented religious groups, (5) non-discrimination in layoffs, recalls, or termination procedures, (6) abolishing job reservations, apprenticeship restrictions, and differential employment criteria, which discriminate on the basis of religion or ethnic origin, (7) developing training programs to prepare substantial numbers of current minority employees for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade and improve the skills of minority employees, (8) establishing procedures to assess, identify and actively recruit minority employees with potential for further advancement, and (9) appointing senior management staff member to oversee the company's affirmative action efforts and the setting up of timetables to carry out affirmative action principles.

ACIR noted that, in essence, each of the three proxy resolutions it reviewed addressed religious discrimination in the workplace. ACIR noted Dartmouth's Non-Discrimination Policy and its prohibition of religious discrimination. ACIR discussed whether implementing the MacBride Principles would expose the companies to any liability or require unreasonable steps; ACIR agreed that it would not. ACIR also noted its prior support for resolutions

addressing fair employment in Northern Ireland. ACIR recommended that the College vote in favor of the resolutions for Raytheon Company and Yum Brands Incorporated. These resolutions garnered shareholder support of 9.8% and 14.7%, respectively.

ACIR could not reach consensus on the resolution to shareholders of Teletch Holdings. ACIR could find no evidence that the subject company had behaved in a discriminatory fashion in Northern Ireland or elsewhere. In addition, ACIR noted that there did not appear to be any underrepresentation of either Catholic or Protestant employees at Teletch's Belfast facility. Therefore, ACIR recommended that the College vote to abstain on the resolution. The resolution received shareholder support of 4.9%.

17. BANKING ISSUES

ACIR reviewed and made recommendations on one proxy resolution that dealt with banking issues. This resolution was proposed by Community Reinvestment Association of North Carolina to shareholders of Wells Fargo & Company. The resolution asked the company to adopt and implement a policy mandating that Wells Fargo will not provide credit or other banking services to lenders that are engaged in payday lending.

ACIR discussed predatory lending and its effects on consumers. ACIR recognized that predatory lending is most damaging to the most vulnerable members of society. Although ACIR acknowledged that the action requested by the resolution would likely result in significant lost income to Wells Fargo, ACIR unanimously recommended that the College vote in favor of the resolution. The resolution received 4.9% shareholder support.

18. MISCELLANEOUS

Finally, ACIR made recommendations on the voting of several resolutions that are best grouped under a miscellaneous heading.

a. Global Outsourcing

An individual shareholder put forth a proxy resolution to shareholders of IBM Corporation requesting that the company's board prepare a report to be

distributed to shareholders evaluating the risk of damage to IBM Corporation's brand name and reputation in the U. S. resulting from IBM's off-shoring initiatives. ACIR discussed the arguments for and against outsourcing employment from the U.S., and whether the resolution was intended to deter outsourcing. ACIR discussed the differences between social issues, which fall under ACIR's purview, and ordinary business considerations, which do not. There was disagreement between ACIR members as to whether globalization and outsourcing were appropriate topics for a social issues proxy resolution. Ultimately, ACIR was unable to reach consensus. ACIR recommended that the College vote to abstain on this resolution. The resolution received 9.4% shareholder support.

ACIR reviewed a resolution proposed by Trowel Trades S & P 500 Index Fund to shareholders of Maytag Corporation that was nearly identical to that above. ACIR discussed the same issues as those above. Although there continued to be disagreement amongst ACIR as to the intention of the proponent and the appropriateness of the subject matter, a majority of ACIR members voted to recommend that the College support this resolution. The Maytag resolution garnered shareholder support of 11.8%.

b. Political Programming

Matthew Perlman, an individual shareholder, proposed a resolution to shareholders of Walt Disney Company requesting that the company ensure political balance in its new programming. Because ACIR did not have an opportunity to review the resolution or Investor Responsibility Research Center background materials relating to the resolution prior to the Disney annual meeting, ACIR recommended that the College vote to abstain on the resolution. According to the proponent, the SEC agreed to omit the resolution from the proxy statement after the company objected to its inclusion. The proponent provided no specific reason for the SEC's omission of the resolution from the Disney proxy statement.

V. REQUESTS FOR DIVESTMENT FROM COMPANIES OPERATING IN SUDAN

During the Spring Term 2005, ACIR was presented with various petitions and resolutions from the Dartmouth community relating to the College's holdings in companies doing business in Sudan. Specifically, the Dartmouth

Action Group (“DAG”), a student group that has been monitoring the situation in Sudan, presented a petition sponsored by it and signed by more than 300 members of the Dartmouth community. The petition requested that ACIR and the Board of Trustees specifically examine the activities of two companies – Siemens AG and Alcatel – and take appropriate action, up to and including possible divestment from those companies. Subsequently, the Student Assembly presented a resolution urging ACIR and the Board of Trustees to ask all companies operating in Sudan to halt their operations until genocidal activities in Sudan cease. Should these companies continue their operations in Sudan, the resolution requested that the Board of Trustees divest from these companies and urge peer institutions to do the same.

In response to the above requests, ACIR requested that student members of DAG undertake further research concerning Siemens and Alcatel to determine the nature of each company’s operations in Sudan, the scope of the company’s investment and operations, and how the nature and scope of the company’s operations support the call for divestment. In addition, ACIR wrote directly to the two companies in April to request information concerning their operations in Sudan. Although neither company responded prior to the end of Spring Term, ACIR did receive a response from Siemens in July.¹⁸

After extension discussion among ACIR’s members and representatives of DAG, input from Dartmouth College Professor of Government Nelson M. Kasfir, and feedback from members of the Dartmouth community at a public forum hosted by ACIR in May, ACIR on June 2, 2005 adopted a resolution on the situation in Sudan.¹⁹ In summary, the resolution:

¹⁸ On July 27, 2005, ACIR Chair Ronald M. Green received a reply from Marcus Desimoni, Head of Investor Relations for Siemens AG. The letter referred generally to the company’s commitment to ethical business standards. With regard to Sudan, the letter stated: “[W]e through a representative office are doing very moderate business, mainly focusing on infrastructure and medical products. We strictly adhere to all export control regulations, including the extended U.S. sanctions. . . . However, we are convinced that the absence of foreign companies would not contribute to improving the situation, whereas their presence, their culture how to treat employees, the inclusion of local employees, suppliers and customers in international networks of knowledge and ideas will promote gradual change. . . . As you can see, we are very selective in what we are offering. . . . We do not invest in the country, but retain our small office with local employees, which has existed for many years.”

¹⁹ The full text of the ACIR Statement and Resolution are located at Appendix IV to this Annual Report.

1. Stated that ACIR condemns in the strongest possible terms the mass murder of civilians in Darfur, which Congress and former Secretary of State Colin Powell have described as genocide.
2. Made the following recommendations to the Board of Trustees:
 - That Dartmouth use its position as a shareholder to influence companies operating in Sudan to pressure the Sudanese government to discontinue the genocide in Darfur and take immediate action to support the people harmed by these activities.
 - That Dartmouth neither acquire nor retain ownership in publicly traded companies that are “directly complicit in the genocidal activities in Darfur or whose involvement in Sudan directly and substantially supports the government’s ability to conduct these activities.
3. Affirmed ACIR’s intent to work with DAG and other interested parties to prepare a factual report for the Board of Trustees concerning the situation in Darfur and the nature of activities of companies doing business in Sudan, in order to identify the companies that are directly complicit in the genocide. The report would also include specific recommendations concerning other initiatives that the College might take in its capacity as a shareholder.

ACIR carefully crafted the resolution to be considered in two parts. First, the resolution set forth a moral principle in opposition to genocide with a commitment not to hold stock in companies complicit in the genocide. Second, the resolution called upon Dartmouth College to conduct a study to determine which international corporations meet the criteria (complicity or direct and substantial support) requiring divestment.

ACIR members worked with representatives of DAG and the Dartmouth community over the summer of 2005 to prepare the report called for by section 3 above. The report, entitled Report of the Advisory Committee on Investor Responsibility Regarding the Darfur Conflict and Investment in Companies Doing Business in Sudan, was completed on August 29, 2005 and forwarded to the Investment Committee of the Board of Trustees.

On November 14, 2005, Dartmouth's Board of Trustees acted on the recommendations contained in the Report. Based on those recommendations, the Board announced that it would bar College ownership of shares in six petroleum companies operating in Sudan. The subject companies were ABB Ltd., Greater Nile Petroleum Operating Company Ltd., PetroChina, Sudanese White Nile Petroleum Company, Petronas and Sinopec. ACIR views the Board's action as extremely significant and positive.

ACIR anticipates that it will continue to work with DAG and other interested members of the Dartmouth community regarding the Darfur crisis during the rest of 2005 and into 2006.

VI. CONCLUSION

ACIR accomplished a great deal of work in its second year of operation. ACIR reviewed and made recommendations on 118 proxy resolutions. ACIR also spent an enormous amount of time and resources responding to various petitions and resolutions it received from members of the Dartmouth community regarding the humanitarian situation in the Darfur region of Sudan. In addition, ACIR sponsored a second public forum for the Dartmouth community in the Spring Term. ACIR was able to complete such a great deal only through the dedication and hard work of its members.

Dartmouth College continues to support the mission of ACIR by providing valuable resources and participation by some of the College's most senior administrators in the areas of law and finance. Dartmouth continues to provide all needed administrative support for ACIR's work. Moreover, Dartmouth College accepted every recommendation made by ACIR on the voting of its proxy resolutions in social issues subject areas for the second year in a row.

ACIR looks forward to the challenges that 2006 will bring. ACIR will continue to review and make recommendations on proxy resolutions for companies in which the College directly holds shares. ACIR will also continue to seek ways to engage community members in its work. As stated in ACIR's 2004 Annual Report, ACIR's most important mission is educational and includes informing members of the Dartmouth community of the responsibilities the

College bears as a result of its endowment holdings. ACIR will continue to strive to achieve that mission.