



Interfaith Center on
Corporate Responsibility

Inspired by faith, committed to action

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Dear CEO:

We are members and associates of the Interfaith Center on Corporate Responsibility (ICCR), which coordinates corporate governance and corporate social responsibility work for religious and other socially concerned investors. We have joined together in signing this letter to companies in our collective portfolios regarding accountability to shareholders on executive compensation.

One of our priorities as investors is encouraging good corporate governance. Increasingly large institutional investors, business leaders and the SEC are affirming the position that good corporate governance and accountability to shareholders are marks of a responsive corporation and good management. Governance rating agencies and independent researchers also make the case that good governance contributes to shareholder value over the long term.

Today, executive compensation is one of the most hotly discussed and widely covered governance issues. The SEC's July passage of new disclosure rules, which will expand "plain English" reporting on executive compensation practices and metrics in the proxy, will be helpful and informative for investors. Chairman Cox, in discussing the new regulation, stated that it was not the SEC's role to put limits on compensation but simply to provide information, leaving it to investors and the market to act on that information.

We believe that there are real and significant concerns about excessive executive compensation practices that call for investors to become actively involved. In some cases, escalating executive compensation appears to bear little relationship to company financial performance. Additionally, consultant-driven compensation recommendations that advocate for top tier pay packages create a spiraling up effect. These concerns are amplified against a backdrop of stagnant wage growth for the average employee.

Given these concerns, in recent years investors have raised questions about executive compensation in different ways, including debates on:

- Expensing and dating stock options
- Recalibrating performance awards if earnings are restated
- Aligning pay to performance
- Shareholder approval of golden parachutes
- Linking executive pay to social, environmental and financial performance

- Issues related to SERPS

All of these are attempts by investors to “wrap their arms around” an important yet complex issue. We expect that with the SEC’s new disclosure requirement, investor focus on executive compensation will increase and investors will be better informed. Still, investors have very few tools at their disposal to hold companies accountable beyond writing the compensation committee or withholding their votes for directors who serve on compensation committees. Hence, we urge the business community to take additional steps beyond the new disclosure required by the SEC.

Specifically, we are writing today to present an additional concept and to ask for your comments - *giving investors the opportunity to have an advisory vote on the Compensation Committee’s executive compensation report*. The vote, placed as a management recommendation on the proxy, would have no binding effect, but would provide a helpful barometer of investor views on compensation packages. This practice has been implemented successfully in the United Kingdom and has been recently put in place in Australia. Our expectation is that this approach will rapidly gain favor among investors, much as support for majority vote for directors has exploded over the last two years.

We believe this proposed change in practice is simply good governance and is as applicable to a company with reasonable standards of executive pay as it is to companies with controversial pay packages. There are two primary reasons we advocate this approach:

- Executive compensation is one of the most important corporate governance actions of a board, yet investors have no vehicle for providing feedback on the package. Voting on the Compensation Committee report would provide a clear route for investors to express their views.
- Conversely, Board Compensation Committees would benefit from a new ability to assess investor reaction to the compensation package created for the executive team.

We would appreciate your response to this concept and also ask that it be considered by the Corporate Governance Committee of the Board for discussion. Thank you in advance for considering this matter. We have included a list of the following investor representatives who have signed this letter and are listed below. On behalf of all the signatories, please address your reply to Gary Brouse at the Interfaith Center on Corporate Responsibility.

Sincerely,

Gary Brouse
Program Director, Corporate Governance

cc: Chair, Board Governance Committee

SIGNATORIES

Barbara Aires, Sisters of Charity of Saint Elizabeth
Constance Brookes, Friends Fiduciary Corporation
Judy Byron, OP, Northwest Coalition for Responsible Investment

John Celichowski, OFM Cap., Province of St. Joseph of the Capuchin Order
Marcello Colla, Ethical SCR
Lauren Compere, Boston Common Asset Management
Margaret Mary Cosgrove, BVM, Treasurer, Sisters of Charity, BVM
Michael H. Crosby, Province of St. Joseph of the Capuchin Order
Amy L. Domini, Loring, Wolcott & Coolidge
Nevin Dulabaum, Director of Socially Responsible Investing, Church of the Brethren Benefit Trust
Rev. Seamus P. Finn OMI, Justice, Peace & Integrity of Creation Office, Missionary Oblates
Gwen Farry, Sisters of Charity, BVM
Bennett Freeman, Senior Vice President, Social Research and Policy, Calvert Group, Ltd.
Stu Dalheim, Calvert Group
Marie J. Gaillac, Corporate Responsibility Coordinator, Justice Organizers, Leadership & Treasurers Coalition (JOLT)
Mary Ellen Gondeck, SSJ, Coalition on Corporate Responsibility - Indiana/Michigan (CCRIM)
John Gonzalez, Congregation of the Passion
Jim Gunning, Unitarian Universalist Association
Richard Hausman, Clean Yield Asset Management
Linda Hayes, OP, Dominican Sisters of Springfield
Steven Heim, Boston Common Asset Management
Valerie Heinonen, Mercy Investment Program, Dominican Sisters of Hope, Sisters of Mercy Regional Community of Detroit, Ursuline Sisters of Tildonk-U.S. Province
Wendy Holding, Loring, Wolcott & Coolidge
Susan Jordan, Midwest Coalition for Responsible Investment
Adam Kanzer, General Counsel, Domini Social Investments LLC
Kelly Kirby, Christian Church (Disciples of Christ)
Don R. Kuespert, Presbyterian Church
Ruth Kuhn, SC, Sisters of Charity of Cincinnati, Corporate Responsibility Committee
Rev. Joseph P. La Mar, M.M., Maryknoll Fathers and Brothers
Conrad MacKerron, As You Sow
Tom McCaney, Sisters of St. Francis of Philadelphia
Regina McKillip, OP, Sinsinawa Dominicans
Chris Meyers, Mennonite Mutual Aid
Paul Neuhauser, Episcopal Church
Julia A. Oliver, The Pension Boards – United Church of Christ
Nora M. Nash, OSF, Sisters of St. Francis of Philadelphia
Steve O'Neil, Marianist Province of the United States
Dan Nielsen, General Board of Pension and Health Benefits, United Methodist Church
Andrea Panaritis, The Christopher Reynolds Foundation
Lindsey W. Parker, Loring, Wolcott & Coolidge
Dr. Everard O. Rutledge, Community Health Bon Secours Health System, Inc.
Carol Schuster, The Catholic Funds

Annette M. Sinagra, Adrian Dominican Sisters

Timothy Smith, Walden Asset Management

Stella Storch, OP Congregation Sisters of St. Agnes

Margaret Weber, Corporate Responsibility Director Basilian Fathers of Toronto

John Wilson, Christian Brothers Investment Services

Collin Woodhouse, Shelter Rock Church, Long Island, NY

Top corporations that received the open letter on executive compensation

3M Company	Abbott Laboratories	AES Corp.
AFLAC	Alcoa	Allegheny Technologies Inc.
Allstate	Altria Group	American Electric Power
American International Group	American Express	Amgen
Anheuser-Busch	Apple Computer	Assurant
AT&T	Avon	Baker Hughes
Bank of America Corp.	Bank of New York	Baxter International
Bed Bath & Beyond	Bellsouth	Big Lots
Black & Decker Corp.	Blockbuster	Boeing
Boston Scientific	Bristol-Myers Squibb	Burlington Northern Santa Fe
CA	Campbell Soup	Capital One Financial
Caremark Rx	Caterpillar	CBS Corp.
Cendant	Chevron	ChoicePoint Inc.
CIGNA Corp.	Cisco Systems	Citigroup
Clear Channel Communications	Coca-Cola	Colgate-Palmolive
Comcast	Computer Sciences Corp.	Danaher
Dell	Dow Chemical	Dupont
Eastman Kodak	El Paso	EMC
Entergy Corp.	Exelon Corp.	Exxon Mobil
FedEx	Ford Motor	Gap
General Dynamics	General Electric	General Motors
Goldman Sachs Group	Halliburton	Harrah's Entertainment
Hartford Financial Services	HCA	Heinz (H.J)
Hewlett-Packard	Home Depot	Honeywell Interantional
Ingersoll-Rand	Intel	International Business Machines
International Paper	Johnson & Johnson	Jones Apparel Group
JP Morgan Chase	KB Home	Las Vegas Sands
Legg Mason	Lehman Brothers	Limited Brands, Inc.
Lucent Technologies	McDonald's Corp.	MedImmune, Inc.
Medtronic	Merck	Merrill Lynch
Microsoft	Morgan Stanley	Mother's Work
Nabors Industries	National Semiconductor	News Corp.
Norfolk Southern Corp.	Occidental Petroleum	OfficeMax, Inc.
Oracle Corp.	PepsiCo	Pfizer
Procter & Gamble	Qwest Communications	RadioShack Corp
Raytheon	Rockwell Automation, Inc.	Safeway
Sara Lee Corp.	Schlumberger Ltd.	Southern Co.
Sprint Nextel	Take-Two Interactive Software	Target
Texas Instruments	Time Warner	Toll Brothers
Tyco	U.S. Bancorp	United Technologies
UnitedHealth	United Parcel Service	Valero Energy
Verizon Communications (VZ)	Wachovia	Wal-Mart Stores
The Walt Disney Company	Wellpoint	Wells Fargo & Company
Weyerhaeuser	Williams Cos.	Wyeth
Xerox Corp.	YUM! Brands	