

Supplier Sustainability Reporting

RESOLVED: Shareholders request that the Board of Directors take the steps necessary to require the Company's significant suppliers to each publish an annual, independently verifiable sustainability report that the Company makes available to its shareholders. Among other disclosures, reports should include the suppliers' objective assessments and measurements of performance on workplace safety, human and worker rights, and environmental compliance using internationally recognized standards, indicators and measurement protocols. In addition, reports should include incidents of non-compliance, actions taken to remedy those incidents, and measures taken to contribute to long-term prevention and mitigation.

Significant suppliers are those from which the Company reasonably expects to purchase at least \$1 million in goods and services annually.

SUPPORTING STATEMENT

Increasingly, global companies recognize that their suppliers' impacts and sustainability are inextricably intertwined with their own success. According to "A New Era of Sustainability, UN Global Compact-Accenture CEO Study 2010," 93% of CEOs agree that integrating sustainability issues is critical to the future success of their business and 88% believe they should integrate sustainability through their supply chains. The CEOs identified the difficulty of implementing across supply chains as the top barrier to the full integration of sustainability.

This is a significant concern for shareholders given that egregious human and worker rights abuses can occur in a company's supply chain, creating legal, reputational and operational risks.

Leading companies require suppliers to adhere to international labor and human rights protocols, including the core conventions of the International Labor Organization and the United Nations Guiding Principles on Business and Human Rights. However, a Harvard Law School study by Aaron Bernstein and Christopher Greenwald, "Benchmarking Corporate Policies on Labor and Human Rights in Global Supply Chains," (Nov. 2009), found a significant gap between general policies against labor and human rights abuse and more detailed standards and enforcement mechanisms required to carry them out.

Independent supplier audits are essential, but insufficient. By requiring suppliers to prepare annual sustainability reports using the Global Reporting Initiative (GRI) guidelines that the Company itself uses for sustainability reporting, the Company would strengthen its ability to assess its suppliers' performance and hold its suppliers accountable; enable shareholders to better understand and assess potential reputational and/or operational risks; and, consistent with the principle that "what gets measured gets managed," prompt more responsible business practices by suppliers.

As Microsoft stated in announcing its plan in October 2011 to require sustainability reporting from key hardware vendors, “The new reporting mechanism complements and strengthens Microsoft’s existing auditing and assurance programs, which include third-party monitoring of its contract hardware manufacturers. The reporting requirement will also drive sustainability improvements in Microsoft’s supply chain.”

Other leading corporations taking steps to require or encourage suppliers to prepare GRI-based sustainability reports include Apple, Cisco, Dell, Hewlett Packard, Intel, Oracle and PUMA. In some cases, the companies provide guidance to suppliers who need assistance, show preference to suppliers who meet or exceed expectations, and/or include web links to their suppliers’ sustainability reports.

We urge shareholders to vote for this proposal.