



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

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CONNECTICUT PENSION FUND TO PURSUE SHAREHOLDER VOTES ON KEY CORPORATE GOVERNANCE ISSUES AT ANNUAL MEETINGS

*Issues Include Lack of Women, Minorities on Boards,
Executive Compensation and Board Independence*

When shareholders of EMC Corporation meet in suburban Boston next Wednesday (May 8), they will be considering a resolution proposed by the Connecticut pension fund that asks the company to make a **greater commitment to locate qualified women and minorities as candidates for nomination to the board**. That resolution, which also would require a report to shareholders describing those efforts, will be considered despite strenuous opposition from the company, whose current seven-member Board includes no women or minorities.

Earlier this year, the Securities and Exchange Commission (SEC) denied EMC's formal request to prevent the resolution from being considered by shareholders, and directed the company to put the issue to a vote.

Connecticut Treasurer Denise L. Nappier, the first woman to be elected State Treasurer in Connecticut history and the nation's first African American woman elected Treasurer said "the dream of equality remains elusive in this corporate boardroom. While EMC has cultivated diversity in its workplace, incredibly, EMC's Board has turned its back on women and minorities, and steadfastly denied them entrance. The inconsistency is both striking and unfortunate -- reminding us that even in a new century when technology and innovation dominate, the struggle for equal opportunity must continue."

The resolution at EMC is one of a number of corporate governance proposals that the \$20 billion Connecticut Retirement Plans and Trust Funds (CRPTF) will be sponsoring at corporate annual meetings in the coming weeks. Proposals will be considered at the annual meetings of **Reebok, Loews Corporation, American Power Conversion Corporation, Bed, Bath and Beyond** and **Great Lakes Chemical Corporation**. Among the other issues raised are annual elections of all board members, having a majority of board members independent of management, and workplace protections for overseas employees.

At the EMC meeting, the CRPTF will also be supporting another shareholder resolution calling on EMC to increase the number of independent board members. Currently only 3 of the 7 board members are independent of management. EMC, which designs, manufactures, markets and supports a wide range of hardware and software products worldwide, also tried to block a shareholder vote on this issue.

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"It is ludicrous that a company – especially one on the cutting edge of technology - could say in the 21st century that considering women and minorities as candidates for their board of directors could violate our nation's anti-discrimination law," Nappier said.

Nappier said that businesses nationwide have learned first-hand that there is tremendous value in a diverse leadership, both in the boardroom and in the corporate leadership team. Board room diversity, Nappier asserts, is essential to the long-term financial health of any corporation. "Regrettably, EMC is not alone," the Treasurer said, "however, they are out-of-step with the vast majority of their peers."

The Investor Responsibility Research Center has reported that among the S&P 1500 companies, the proportion of female directors continues to rise – from 8.9% in 1998 to 9.8% in 2001 and the number of minority directorships rose from 7.0% to 8.1% during the same period.

Treasurer Nappier has been a leading advocate in corporate governance issues to enhance shareholder value, and under her leadership the Connecticut pension fund, along with the state's Investment Advisory Council, adopted comprehensive domestic and global proxy voting policies in 2000. Earlier this year, Nappier spoke at the Walt Disney Company annual meeting advocating a proposal, ultimately agreed to by the company, to separate audit and consulting services which previously had been handled by the same accounting firm. Since that time, a number of companies have taken similar action.

The shareholder votes, which begin today with Great Lakes Chemical Corporation, meeting in Indianapolis, also follow Nappier's withdrawal of shareholder resolutions at six other companies in recent weeks after the companies agreed to either revise corporate governance policies or begin substantive discussions regarding revisions. The companies at which shareholder resolutions were withdrawn include Office Depot, McDermott International, Mattel, American Electric Power, Nextel and Siebel Systems.

Treasurer Nappier, principal fiduciary of the Connecticut pension fund, which invests retirement funds for state and municipal employees and teachers, said: "We are moving forward with shareholder resolutions on each of these issues, at each of these companies, because of the lack of progress in addressing these important governance reforms. In our view, corporate governance issues have a direct and significant impact shareholder value, and, as long-term investors, we share the companies' interest in the bottom line."

Great Lakes Chemical Corporation

The annual meeting of **Great Lakes Chemical Corporation** today, a resolution co-sponsored by AFSCME and the CRPTF will be considered which calls on the company **to annually elect all members of the Board of Directors**. A similar resolution received the support of over 50% of Great Lake Chemical's shareholders when it was considered in 1998, 2000 and 2001.

Because the Board has consistently disregarded the will of shareholders the CRPTF and many other institutional investors will "vote NO" for the re-election of the members of the board of directors. Institutional Shareholder Services (ISS), a leading investor proxy voting service, has recommend that investors withhold their support from the board members for this reason.

In February, representatives of the CRPTF and a number of other institutional investors attended a meeting with Great Lakes Chemical CEO Mark Burlis to discuss corporate governance issues. Others funds represented included NYC, NY State, AFL-CIO, CalPERS, and AFSCME. Subsequent to the meeting, it became clear that the company had not changed its position.

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Reebok

On May 7, the CRPTF will introduce a shareholder resolution at the **Reebok** annual meeting in Canton, Massachusetts urging the company to **elect all of the members of the board of directors annually**. Currently one-third of the members are elected each year to a 3-year term.

“Staggered” boards diminish director accountability to shareholders, since directors do not stand for re-election each year. Annual elections enable shareholders to evaluate the performance of each board member every year, rather than waiting several years to hold a board member accountable for his or her action.

Loews Corporation

The CRPTF will introduce a shareholder resolution at the **Loews Corporation** annual meeting on May 12 in New York City calling on the company to **increase the number of independent members on its board of directors**. Currently of the 13 members of the board, 5 are employee members of the Tisch family, two are former employees, one has a business affiliation with the company, and only 5 are fully independent.¹

The CRPTF proxy voting policies call for at least a majority of the members of any board of directors be independent of management, and that all members of key committees be independent. Board members with financial or other ties a company may not be able to exercise independent judgment in monitoring management. These potential conflicts of interest should not automatically disqualify individuals from serving on the board – but it is essential that at least a majority of directors not have ties to the company or management in order to ensure that shareholder interests are adequately represented.

American Power Conversion Corporation (APCC)

The CRPTF also filed a resolution calling for **board diversity** with **American Power Conversion Corporation (APCC)**. The resolution will be presented at the shareholder annual meeting on June 12. Currently APCC’s five member Board of Directors does not include any women or minorities.

The CRPTF will also be supporting resolutions at APCC asking for more independent members on the Board, and to restrict auditors from also doing consulting work for the company. American Power Conversion Corp. designs, develops, manufactures, and markets power protection and management solutions for computer, communications, and electronic applications worldwide – particularly uninterruptible power supply equipment.

Bed, Bath and Beyond

In June, a resolution will be considered at **Bed, Bath and Beyond** requesting a report on **workplace diversity**. The CRPTF has co-sponsored this resolution with the General Board of Pension and Health Benefits of the United Methodist Church. The resolution cites the 1991 Glass Ceiling Initiative Report, mandated by Congressional legislation and completed by a bi-partisan commission, which addressed artificial barriers blocking women and minorities for advancing up the corporate ladder to management and executive positions.

¹ Under the CRPTF proxy voting guidelines, the former employees left the company over 5 years ago, and could be considered independent directors.

The shareholder resolution requests that the company report to shareholders on its progress in addressing leadership development, employee mentoring, workforce diversity initiatives, and family friendly programs. During the past year, Bed Bath and Beyond added a woman to its previously all white male board of directors.

Resolutions on Global Labor Standards

The CRPTF has also co-sponsored resolutions in proxy season 2002 on global labor standards at **Colgate Palmolive, Home Depot, Sears Roebuck, and Kmart**. These resolutions ask the companies to adopt a code of corporate conduct based on the International Labor Organization (ILO) human rights and work place standards for its international suppliers and in its own international production facilities, as well as commit to a program of outside, independent monitoring of compliance with these standards.

More information on the Connecticut Retirement Plans and Trust Funds proxy voting policies is available at www.state.ct.us/ott