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December 12, 2006

H. Lee Scott, Jr.  
CEO  
Wal-Mart Stores, Inc.  
702 Southwest Eighth Street  
Bentonville, AR 72716-0215

Dear Mr. Scott:

As the group of shareholders who sent you a letter on March 20, 2006 regarding our concerns about numerous violations of federal labor law by our company, we write to follow up on a response we received from Ms. Harriet Hentges.

The company has been plagued by allegations that Wal-Mart employees, expressing an interest in organizing, are subject to intimidation by store managers, executive labor teams, and paid consultants specifically hired to oppose efforts to unionize stores. Hundreds of charges of unfair labor practices have been lodged against the company. As Wal-Mart leadership is well aware, this issue is widely discussed in the media and is part of the reputational challenges Wal-Mart faces with consumers, investors and the public.

We want to make clear that as shareowners we are not pro-union or anti-union. However, as socially responsible shareholders, we acknowledge freedom of association and collective bargaining as human rights to be accepted and protected by all organs of society including business. Thus as shareholders we are deeply concerned about the impact of repeated labor law violations on our company's reputation.

After such a long delay in answering our March 20, 2006 letter, we were disappointed by the Oct. 2, 2006 response from Ms. Hentges. It was disheartening to receive little more than a recitation of corporate policy rather than a genuine effort to seriously respond to the important issues we raised.

We are concerned about the perception of inconsistency that arises when Wal-Mart explicitly recognizes freedom of association and the right to collective bargaining in its supplier code of conduct but not in any public company policy statements regarding its own stores in North America.

We would like the company to explicitly acknowledge these domestic rights in a policy statement, along with a statement that it will not tolerate harassment and intimidation by management of employees seeking to use their rights to freely associate.

We propose that Wal-Mart management frankly describe what happens when management learns that employees are seeking to unionize. It is extremely important to clarify Wal-Mart's practices and policies. There have been numerous media stories about heavy-handed intimidation of employees who seek to organize. According to *Fortune* magazine, "Wal-Mart does everything from asking store managers to call a 24-hour hotline at the slightest sign of union activity to flying a ten-person labor team into stores to talk to employees."<sup>1</sup>

We ask that you describe actions typically taken when management becomes aware of organizing efforts at a store and the rationale behind them. How do you monitor the performance of company officials who engage associates on labor rights, freedom of association and the company's viewpoint in regard to unions? How do you ensure their behavior does not cross the line of intimidation? What systems are in place to prevent violations of federal labor law from occurring?

When management becomes aware of organizing efforts at a store, does Wal-Mart indeed dispatch a team of consultants or labor specialists from Bentonville who intervene in management of labor relations at the store? How does this approach, which has been cited as a source of worker intimidation, square with your "Basic Belief" to "Respect the Individual"?

We ask the company to discuss when and how labor consultants are used. One of your former consultants, Martin Levitt, who says he helped the company develop anti-union tactics, has stated "in my 35 years in labor relations, I've never seen a company that will go to the lengths that Wal-Mart goes to, to avoid a union...they have zero tolerance."<sup>2</sup> While the practices you employ may be technically legal, the question remains -- are they ethical? We ask that you carefully consider and comment on whether you believe your documented labor practices are consistent with the Universal Declaration of Human Rights, core International Labor Organization conventions, and the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises.

We would also appreciate a self-assessment of the core root of management misbehavior in the cases that led to federal prosecution of unfair labor practices, which resulted in 11 rulings against the company and 12 settlements.

Ms Hentges' letter alleges that some of the statistics we cite are inaccurate or misleading. The sole example she provided itself seems disingenuous. She states that "not one of the 41 unfair labor practice charges filed against the company alleging unlawful termination

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<sup>1</sup> "Up Against the Wal-Mart, Think your job is tough? Meet the people whose task it is to unionize the world's biggest company," Cora Daniels, *Fortune*, May 17, 2004

<sup>2</sup> "Up Against Wal-Mart," Karen Olsson, *Mother Jones*, March/April 2003.

to which you refer has resulted to date in a final determination by the NLRB that Wal-Mart unlawfully fired anyone.” To the contrary, several National Labor Relations Board administrative law judges have indeed determined that Wal-Mart unlawfully fired workers for engaging in union activity. There have also been similar decisions by the full five-member board.

Apparently Wal-Mart routinely appeals NLRB decisions that rule against the company. These are either pending before the board in Washington, DC or may have been appealed to a circuit court. There may not have been a "final determination," but it is misleading to imply that every labor dispute can or should be litigated all the way to the highest applicable court. (It would be helpful if you could provide us with an accounting of legal expenses involved in litigating all of these appeals.) The point still stands that NLRB judges and the full board have made findings that the company repeatedly violated labor law.

Ms. Hentges’ letter states that the company will “foster an environment of open communication” for associates. A 2003 NLRB decision involving a Wal-Mart in Kingman, AZ, is instructive about the apparent consequences of employee openness. An NLRB administrative law judge found that, after learning of a union organizing effort, management repeatedly violated federal labor law by:

- Writing a clause into the employee benefits manual that threatened union members or anyone who supported a union with loss of company benefits;
- Engaging in unlawful surveillance of employee union activities;
- Improperly granting benefits and improved working conditions in an attempt to dissuade employees from supporting a union;
- Threatening employees with loss of merit raises;
- Not following its own non-harassment policy in regard to workers supporting a union;
- Illegally firing a worker and denying him COBRA coverage.<sup>3</sup>

Who is accountable for monitoring these actions by management or labor consultants? How do these actions help foster an environment of open communication? In this context it is easy to see how the much-touted company Open Door policy can be turned against those who speak up about their workplace concerns.

In our March letter, we mentioned NLRB General Counsel Leonard Page’s comments about the company’s behavior showing a pattern of illegal conduct. Ms Hentges’ response did not address those allegations. Instead, the letter stated that it was “ironic” that in spite of his comments, he “approved” dismissal of unfair labor practices in the Jacksonville, Texas case. That is only part of the story. The “dismissal” related only to the charge of whether phasing out meat cutting operations in the Jacksonville store constituted an illegal retaliation against the workers’ decision to form a union. Mr. Page

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<sup>3</sup> NLRB Case No. 28-CA-16832.

told the *New York Times* he found the company's behavior "outrageous" but did not have sufficient evidence to demonstrate that it was retaliation. Other allegations regarding management behavior at Jacksonville *were* upheld. For example, Sidney Smith, a union supporter who worked in the meat department, was fired after management accused him of theft. After the NLRB charged Wal-Mart with illegally retaliating against Mr. Smith for backing a union, press reports said the company paid him \$7,000. Wal-Mart also settled with three other Jacksonville union supporters who the NLRB held had been improperly fired.<sup>4</sup>

In your remarkable Oct. 24, 2005 speech on Twenty First Century Leadership, you noted how the company had spent a year listening to its critics. "In the group meetings I referenced earlier, we talked about jobs, healthcare, community involvement, product sourcing, diversity, environmental impact: all the issues that we've been dealing with historically from a defensive posture. What became clear is that in order to build a 21<sup>st</sup> century company, we need to view these same issues in a different light." We appreciate that you are listening to a range of critics. However, the open-minded approach you have pursued on environmental sustainability and other select issues does not yet seem to extend to the fundamental and defining issue of human rights and dignity—how associates who speak their mind are treated by the company. The rhetoric is to honor the individual; the record has been to suppress individual expression of thought about organizing by fostering intimidation that stays just inside weak, outdated law. There is no Twenty First Century Leadership on this issue yet.

We applaud the company's recent commitments in some environmental and social areas but caution you that no amount of environmental good deeds will offset evidence of continuing intimidation of our associates in regards to their fundamental rights as workers. In your Nov. 7 Milestone meeting speech in Bentonville, you repeatedly stated that now is the time to be courageous and that courage will be rewarded.

Once again, we write to you to ask Wal-Mart to speedily embark in a new direction on labor practices. Once again we ask you to agree to develop a good faith dialogue with investors concerned about unfair labor practices with the same candor as existing investor dialogue on supply chain labor rights and other social issue areas. We ask that this dialogue be led by senior officials responsible for proper enforcement of the company's labor policies.

We look forward to *your* response, and to stronger indications of genuine concern about the issues we raise.

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<sup>4</sup> "Trying to Overcome Embarrassment, Labor Opens a Drive to Organize Wal-Mart," Steven Greenhouse, *New York Times*, Nov. 8, 2002.

Sincerely,



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