

Monsanto Shareholder Proposal 2006

Ethics Oversight Committee

Whereas:

- In January 2005, Monsanto was fined \$1 million by the U.S. Department of Justice for paying an Indonesian official \$50,000 to repeal a requirement for an environmental impact study before the company could cultivate genetically modified cotton crops in the country. This bribe was a direct violation of the Foreign Corrupt Practices Act;
- Monsanto was also fined \$500,000 by the Securities and Exchange Commission (SEC) for the \$50,000 bribe and related violations which included more than \$700,000 of illegal or questionable payments made to at least 140 current or former Indonesian government officials and their family members from 1997 to 2002;
- A senior Monsanto manager instructed a consulting firm in Indonesia to submit false invoices to conceal the \$50,000 bribe. According to the SEC complaint, “Despite obvious irregularities in the invoices, the Senior Monsanto Manager approved the false invoices and convinced other Monsanto managers to approve the false invoices for payment.” The other improper payments were concealed by Monsanto’s Indonesian affiliates using false registration fees and inflated sales of pesticide products;
- These incidents are direct violations of the guidelines established by the Monsanto Code of Conduct and the values expressed by the Monsanto Pledge;
- According to the SEC complaint, the repeated violations of Monsanto’s accounting policies, controls and procedures by its Indonesian subsidiary were undetected due to inadequate internal controls. From 1996 to 2001, Monsanto failed to conduct audits of its Indonesian subsidiary as required by Indonesian law. When Monsanto did conduct an internal investigation in 2001, uncovering the illicit payments and disclosing them to the SEC, it did not uncover the \$50,000 bribe.

Be it Resolved: Shareholders request that the board of directors create an ethics oversight committee of independent directors for the purpose of monitoring the company’s domestic and international business practices to insure compliance with the Monsanto Code of Conduct, the Monsanto Pledge, and applicable laws, rules and regulations of federal, state, provincial and local governments, including the Foreign Corrupt Practices Act.

Supporting Statement: All past actions described in this resolution may substantially increase overall legal and financial risk, damaging our company’s name brand and corporate reputation.

Monsanto’s Code of Ethics for Chief Executive and Senior Financial Officers states that these officers “bear a special responsibility for promoting integrity throughout the organization,” including compliance with applicable laws, rules and regulations of federal, state, provincial and local governments; responsible use of and control over all assets and resources; and prompt reporting to the General Counsel or Director of Business Conduct any conduct believed to be a violation of law or business

ethics. However, clearly the oversight of a large multinational company such as Monsanto requires the involvement of fiduciaries without any direct financial interest in the company. An oversight committee comprised of independent directors would provide the additional protection and guidance so necessary to maintaining Monsanto as a responsible and profitable company.