



INSTITUTIONAL SHAREHOLDER SERVICES

Company Info

Ticker HD
Meeting Annual
 May 25, 2006
Record Date March 28, 2006
Incorporated Delaware
 Operates as a home improvement retailer
 (GICS:25504030)

Shareholder Returns

	1 yr%	3 yr%	5 yr%
Company	-0.73	25.86	-2.67
S&P 500	4.91	14.39	0.54
GICS peers	13.90	53.83	18.42

Annualized shareholder returns. Peer group is based on companies inside the same "Global Industry Classification Standard" code

CGQ Rating

Index Score	99.6
Industry Score	100

HD outperformed 99.6% of the companies in the S&P 500 and 100% of the companies in the Retailing group.

ISS calculate governance rankings for more than 8,000 companies worldwide based on up to 63 corporate governance variables.

Report Contents

- Proposals and recommendations
- Performance Summary
- Equity Capital
- Audit Summary
- Director Profiles
- Executive Compensation
- Proposals

The Home Depot, Inc.

Recommendations - US Standard Policy

Item Code*	Proposal	Mgt. Rec.	ISS Rec.
1.1 M0201	Elect Director Gregory D. Brenneman	FOR	WITHHOLD
1.2 M0201	Elect Director John L. Clendenin	FOR	WITHHOLD
1.3 M0201	Elect Director Claudio X. Gonzalez	FOR	WITHHOLD
1.4 M0201	Elect Director Milledge A. Hart, III	FOR	WITHHOLD
1.5 M0201	Elect Director Bonnie G. Hill	FOR	WITHHOLD
1.6 M0201	Elect Director Laban P. Jackson, Jr.	FOR	WITHHOLD
1.7 M0201	Elect Director Lawrence R. Johnston	FOR	WITHHOLD
1.8 M0201	Elect Director Kenneth G. Langone	FOR	WITHHOLD
1.9 M0201	Elect Director Angelo R. Mozilo	FOR	FOR
1.10 M0201	Elect Director Robert L. Nardelli	FOR	WITHHOLD
1.11 M0201	Elect Director Thomas J. Ridge	FOR	WITHHOLD
2 M0101	Ratify Auditors	FOR	FOR
3 S0503	Increase Disclosure of Executive Compensation	AGAINST	FOR
4 S0812	Report on EEOC-Related Activities	AGAINST	FOR
5 S0107	Separate Chairman and CEO Positions	AGAINST	FOR
6 S0212	Require a Majority Vote for the Election of Directors	AGAINST	FOR
7 S0506	Submit Supplemental Executive Retirement Plans to Shareholder vote	AGAINST	FOR
8 S0807	Report on Political Contributions	AGAINST	FOR
9 S0503	Increase Disclosure of Executive Compensation	AGAINST	FOR
10 S0807	Affirm Political Non-partisanship	AGAINST	AGAINST

*S indicates shareholder proposal

This issuer may have purchased self-assessment tools and publications from ISS' Corporate Services division or the Corporate Services division may have provided advisory or analytical services to the issuer in connection with the proxies described in this report. No employee of ISS' Corporate Services division played a role in the preparation of this report. To inquire about any issuer's use of products and services from ISS' Corporate Services division, please email disclosure@issproxy.com. If you have questions about this analysis call: 301-556-0576 or email to USResearch@issproxy.com

Corporate Governance Profile

Governance Provisions:

- The full board of directors is elected annually
- Shareholders do not have cumulative voting rights in director elections
- The positions of chairman and CEO are combined
- The company does not have a poison pill in place
- A simple majority vote of shareholders is required to amend the charter or bylaws
- A simple majority vote of shareholders is required to approve a merger
- Shareholders may not act by written consent
- Shareholders may not call special meetings
- The board may amend the bylaws without shareholder approval
- There is not a dual class capital structure in place
- Executives are subject to stock ownership guidelines
- Directors are subject to stock ownership guidelines
- The company expenses stock option grants on its income statement

Non-Shareholder Approved Incentive Plans:

- All stock-based incentive plans have been approved by shareholders

State Statutes:

- The company is incorporated in a state with anti-takeover provisions
- The company is incorporated in a state without a control share acquisition statute
- The company is incorporated in a state without a cash out statute
- The company has opted out of the state freeze out provision
- The company is incorporated in a state without a fair price provision
- The company is incorporated in a state without stakeholder laws
- The state of incorporation does not endorse poison pills

ISS Corporate Governance Rating

Governance Factor	Positive	Negative
The audit committee is comprised solely of independent outside directors	x	
The average annual burn rate over the past three fiscal years is 2% or less, or is within one standard deviation of the industry mean	x	
Directors are subject to stock ownership guidelines	x	
Executives are subject to stock ownership guidelines	x	
There is no disclosure of a policy that directors are required to submit a letter of resignation upon a job change		x
There are directors on the board with more than one year of service that do not own stock		x
The company does not conduct performance reviews of individual directors		x
The board is authorized to increase or decrease the size of the board without shareholder approval		x

Performance Summary

	1 year	3 year	5 year
Annualized Shareholder Returns - Company	-0.73%	25.86%	-2.67%
Annualized Shareholder Returns - S&P 500 Index	4.91%	14.39%	0.54%
Annualized Shareholder Returns - Company GICS peer group	13.90%	53.83%	18.42%

Equity Capital

Type	Votes per share	Issued
Common Stock	1.00	2,117,846,411

Ownership - Common Stock	Number of Shares	Percent of Class
Officers & Directors	30,842,591	1.46
Institutions	1,402,226,109	66.21

Audit Summary

Accountants	KPMG LLP
Auditor Tenure	N.A.
Audit Fees	
Audit Fees :	\$ 3,671,000.00
Audit-Related Fees:	\$1,164,000.00
Tax Compliance/Preparation*:	\$0.00
Other Fees:	\$43,400.00
Percentage of total fees attributable to non-audit ("other") fees:	0.89%

* Note: Only includes tax compliance/tax return preparation fees. If the proxy disclosure does not indicate the nature of the tax services, those fees will appear in the "other" column.

Director Profiles

	Classification			Committee (C = chair, F= financial expert)							
Nominees											
Name	Company	ISS	Affiliation	Term Ends	Tenure	Age	Audit	Comp	Nom	Outside Boards	Outside CEO
Thomas J. Ridge	Independent	Independent Outsider		2007	1	60			<input checked="" type="checkbox"/>	1	
Robert L. Nardelli	Not Independent	Insider	CEO/Chair	2007	6	57				0	
Angelo R. Mozilo	Independent	Independent Outsider		2007	NEW	67				1	<input checked="" type="checkbox"/>
Kenneth G. Langone ¹	Independent	Independent Outsider		2007	28	70	<input checked="" type="checkbox"/>		C	3	
Lawrence R. Johnston	Independent	Independent Outsider		2007	2	57		<input checked="" type="checkbox"/>		1	<input checked="" type="checkbox"/>
Laban P. Jackson, Jr.	Independent	Independent Outsider		2007	2	63	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	2	
Bonnie G. Hill	Independent	Independent Outsider		2007	7	64			C	5	
Milledge A. Hart, III ²	Not Independent	Affiliated Outsider	Other	2007	28	72				1	
Claudio X. Gonzalez	Independent	Independent Outsider		2007	5	71	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		4	<input checked="" type="checkbox"/>
John L. Clendenin	Independent	Independent Outsider		2007	10	71	C	<input checked="" type="checkbox"/>		4	
Gregory D. Brenneman	Independent	Independent Outsider		2007	6	44	F		<input checked="" type="checkbox"/>	1	

Notes

- 1 . Kenneth G. Langone serves as the lead director for the executive sessions of the board. Source: The Home Depot, Inc., most recent Proxy Statement, p. 9.
- 2 . The board has determined that Milledge A. Hart, III is not an independent director according to NYSE listing standards. Source: The Home Depot, Inc., most recent Proxy Statement, p. 4.

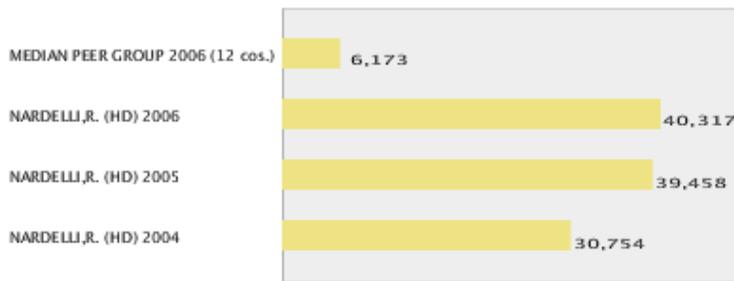
Summary Information

Average age	63
Average tenure	9
Average outside boards per director	2.1
Percent of directors who have attended an ISS Accredited Program	18%
Percent of directors who are outside CEOs	27%
Directors with less than 75% attendance	
Directors who do not own company stock	Thomas J. Ridge

Independence

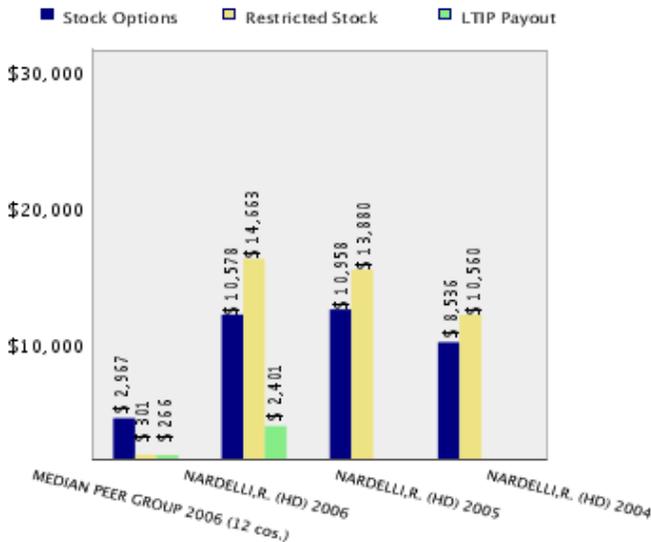
	Number of Directors	Number of Insiders	Number of Affiliated	Percent Independent
Board	11	1	1	82%
Audit	5	0	0	100%
Compensation	4	0	0	100%
Nominating	4	0	0	100%

Executive Compensation



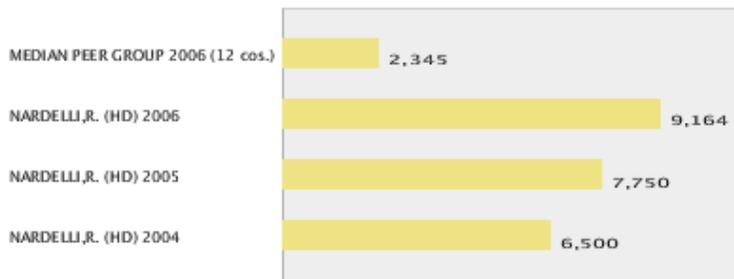
Total direct compensation (TDC)

This chart shows the comparison of total direct compensation for the company's CEO and the median of a peer group¹. Year over year comparison is shown for the company, if available. If the CEO is a new hire, year over year comparison will not be available. Total direct compensation is the sum of cash and equity compensation as disclosed in the most recent available proxy statement.



Total Long-term Incentives (\$'000s)

This chart shows the breakout of the types of long-term incentives received (stock options, restricted stock and long-term incentive plan (LTIP) payouts) by the CEO for the company and the median of a peer group¹. Year over year comparison is shown for the company, if available.



Cash Compensation (Base + Bonus) (\$'000s)

This chart shows the comparison of total cash compensation for the company's CEO and the median of a peer group¹. Year over year comparison is shown for the company, if available. Total cash compensation is the sum of base salary and bonus as disclosed in the most recent proxy statement.

Change in Total Direct Compensation vs. Fiscal Year Shareholder Returns

	% change in TDC(2006-2005)	1-yr TSR (%)	3-yr TSR (%)
NARDELLI,R. (HD)	2.18	-.75	25.73
Peer Group (Average)	-.95	12.47	17.10

Notes:

Footnote 1- ISS's methodology for selecting the peer group of 12 companies is based on the six-digit Global Industry Classification Standard (GICS) and the fiscal year revenue closest to the company. The peer group does not represent the financial or compensation peer groups that may be disclosed in the company's proxy statement. References made to the peer group of 12 companies are only relevant to this page. GICS represents the global industry classification standard indices developed by Standard & Poor's and Morgan Stanley Capital International.

Source:Equilar

A substantial majority of the board members are independent outsiders.

The key board committees include no insiders or affiliated outsiders.

Claudio X. Gonzalez sits on more than three boards, and serves as CEO of Kimberly-Clark de Mexico, S.A. de C.V. While CEOs benefit from their exposure to other company boards, the time demands of their full-time jobs limit the number of outside commitments they can manage without compromising their effectiveness as CEOs and as outside directors. Considering the increased oversight and regulatory demands facing board members, ISS believes that directors who are overextended may be jeopardizing their ability to serve as effective representatives of shareholders. ISS recommends that shareholders WITHHOLD votes from Claudio X. Gonzalez.

Tally Sheet Disclosure

Current disclosure requirements for executive compensation have not been updated since 1992. In light of the complexity of and variations in executive pay programs, companies have circumvented the spirit of disclosure and omitted material information to which shareholders are entitled. In January 2006, the SEC issued proposed rules that would support transparency and completeness of numerical information through a revised tabular disclosure and request for material qualitative information regarding the rationale and context in which pay is awarded and earned. While the proposed rules will not be finalized until the latter part of the year, ISS encourages companies to be early adopters of the proposal. Particularly, ISS urges companies to adopt and disclose tally sheets to promote greater transparency. All pay components, base salary, bonus, equity, benefits and perquisites should be totaled into one figure.

Majority Supported Shareholder Proposal

According to data compiled by ISS, at the company's past two annual meetings a majority of shares cast voted in favor of a shareholder proposal requesting that the board seek shareholder approval of future severance agreements with senior executives that provide benefits in an amount exceeding 2.99 times the sum of the executives' base salary plus bonus. The company has yet to implement or take the necessary actions to implement the proposal. Robert L. Nardelli, Kenneth G. Langone, Bonnie G. Hill, Milledge A. Hart, III, Claudio X. Gonzalez, John L. Clendenin, Lawrence R. Johnston, Laban P. Jackson, and Gregory D. Brenneman were directors during the past two years, and Thomas J. Ridge was a director last year. Effective corporate governance depends upon the board being accountable to shareholders. Although this shareholder proposal received majority support from the company's shareholders for two consecutive years, the board has yet to implement the proposal in accordance with the desires of shareholders. Such failure or unwillingness to respond to the desires of shareholders warrants withholding votes from directors.

Executive Compensation

Robert L. Nardelli, chairman and CEO of Home Depot since December 2000, has catapulted into the ranks of the highest paid CEOs in corporate America. He received a pay package valued at \$40 million in fiscal 2005, and has earned approximately \$200 million over the past five years while serving as CEO. Additionally, Mr. Nardelli's employment agreement contains egregious guarantees such as minimum annual cash bonuses and multi-million dollar retirement benefits for life. As such, we recommend shareholders withhold votes from Compensation Committee members as a signal that a redesign of Home Depot's executive compensation philosophy and practices is needed.

Pay-for-Performance Disconnect and Egregious Compensation

ISS believes that there is a disconnect between CEO Nardelli's pay and Home Depot's performance. Based on data compiled by ISS, over the past five fiscal years during which Mr. Nardelli's has served as CEO of Home Depot, he has received approximately \$200 million in cash and equity-based compensation while shareholders have experienced cumulative total shareholder returns of approximately -13 percent. Moreover, poor compensation design, a lucrative employment agreement, and arguably egregious compensation practices call into question the fitness of the company's Compensation Committee members to serve as

directors.

Lucrative Employment Agreement

Examination of Mr. Nardelli's employment agreement reveals some unsettling features worth mentioning. First, the agreement has an automatic renewal provision such that its term is always three years. Second, regardless of the company's performance, the agreement provides for an annual base salary of not less than \$1.5 million and a guaranteed annual cash bonus of not less than \$3 million. Yet despite the company's poor stock price performance, in each of the past three fiscal years, the compensation committee thought it prudent to pay Mr. Nardelli not less than \$6.5 million in base salary plus bonus, and, in fiscal 2005, an all-time high of \$9.2 million in base salary and bonus. In addition, Mr. Nardelli is guaranteed an annual stock option grant covering not less than 450,000 shares of stock, with an estimated Black-Scholes value of approximately \$6.8 million. Accordingly, Mr. Nardelli will receive a minimum of \$11 million in "not at risk" cash and equity-based compensation per year, in addition to other discretionary pay and perquisites. Third, beginning on the later of his 62nd birthday or termination of employment, he will be entitled to receive an annual cash benefit in an amount equal to 50 percent of his then current base salary plus bonus. Due to the salary and bonus guarantees in his employment agreement, he is entitled to a minimum annual cash benefit of \$2.25 million for life, and based on his fiscal 2005 base salary plus bonus of \$9.2 million, he would be entitled to receive \$4.6 million annually for life. Furthermore, if his employment is terminated before age 62 other than for cause, for any reason within 12 months after a change in control, he will receive certain benefits, including a payment totaling \$20 million.

Poor Compensation Practices

Also noteworthy is the company's forgiveness of a \$10 million loan received by Mr. Nardelli upon the commencement of his employment as CEO in 2000. As a "long-term employment incentive," the obligation to repay the loan, together with accrued interest, was forgiven at 20 percent per year. In addition, over the past three years, Mr. Nardelli received millions of dollars in tax gross-up payments as reimbursement for tax payments associated with this loan forgiveness, which was taxed as compensation by the IRS.

In addition, the compensation committee has followed a practice that ISS believes is particularly egregious – changing performance metrics under the company's long-term incentive plan (LTIP) midstream. Prior to fiscal 2004, payouts were contingent on three-year total shareholder return relative to a peer group, a metric against which the company has historically performed poorly. Currently, however, payouts are contingent upon achievement of average diluted earnings per share growth over a three-year period. No justification is given for this switch in metrics, however ISS notes that the company performs very well with respect to this metric. ISS also notes that, although payouts under this LTIP are entirely performance-contingent, only a marginal portion (less than 6 percent in fiscal 2005) of Mr. Nardelli's total annual compensation is derived from payouts under this plan.

Based on additional information furnished by Home Depot, the company contends that Mr. Nardelli has provided exemplary leadership and delivered stellar results, including: (i) cumulative earnings per share growth of 147 percent compared to a –6 percent for the rest of the other current DJIA members; (2) return on invested capital has improved by 280 basis points; (3) operating margins have improved by 230 basis points; and (4) since 2000, the company returned approximately 59 percent of its cumulative earnings to shareholders in the form of dividends and share repurchases. The company also provided additional information concerning the change from relative total shareholder return to earnings per share growth as the key performance metric in its LTIP. According to the company, relative total shareholder return is very volatile and is therefore not an efficacious metric for compensation design. The company believes that earnings per share growth, a strong indicator of a stock's potential value, is a better metric, and, unlike total shareholder return, is within the control of executives.

ISS recognizes that Home Depot has performed well with respect to certain key metrics, but questions why such performance has not translated into positive returns for shareholders. Therefore, based on the factors outlined above, ISS believes that withholding votes from Compensation Committee members is warranted at this time.

We recommend a vote to WITHHOLD from all directors with the exception of new nominee Angelo R. Mozilo. We recommend that shareholders WITHHOLD votes from Thomas J. Ridge, Robert L. Nardelli, Kenneth G. Langone, Lawrence R. Johnson, Laban P. Jackson, Jr., Bonnie G. Hill, Milledge A. Hart, III, Claudio X. Gonzalez, John L. Clendenin, and Gregory D. Brenneman for failure to implement a majority supported shareholder proposal, Compensation Committee members Lawrence R. Johnston, Bonnie G. Hill, Claudio X.

Gonzalez, and John L. Clendenin for the company's poor compensation practices, and Claudio X. Gonzalez for sitting on more than three boards while serving as CEO.

Vote FOR Item 1.9.

WITHHOLD a vote on Items 1.1-1.8, 1.10, and 1.11.

US Standard Policy

Item 2: Ratify Auditors

FOR

The board recommends that KPMG LLP be approved as the company's independent accounting firm for the coming year. Note that the auditor's report contained in the annual report is unqualified, meaning that in the opinion of the auditor, the company's financial statements are fairly presented in accordance with generally accepted accounting principles.

Vote FOR Item 2.

US Standard Policy

A shareholder has submitted this proposal urging the board to adopt a policy that shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by management, to approve the report of the Leadership Development and Compensation Committee set forth in the proxy statement. The policy should provide that appropriate disclosures will be made to ensure that shareholders fully understand that the vote is advisory; will not affect any person's compensation; and will not affect the approval of any compensation-related proposal submitted for a vote of shareholders at the same or any other meeting of shareholders.

Proponent's Supporting Statement

Senior executive compensation at Home Depot has been excessive in recent years. In each of the last three years, CEO Robert Nardelli has been paid a base salary of more than \$1,800,000, well in excess of the IRS cap for deductibility of non-performance-based compensation. His bonus in each of those years has been at least \$4,000,000, and he was awarded restricted stock valued at over \$8,000,000 in 2002, 2003 and 2004. Mr. Nardelli has also received a disturbingly large amount of compensation in form of "loan forgiveness" and tax gross-ups related to that forgiveness, which totaled over \$3,000,000 in each of the past three years.

Current rules governing senior executive compensation do not give stockholders enough influence over pay practices. In the United Kingdom, public companies allow stockholders to cast an advisory vote on the "directors remuneration report." Such a vote isn't binding, but allows stockholders a clear voice which could help reduce excessive pay. U.S. stock exchange listing standards do require shareholder approval of equity-based compensation plans; those plans, however, set general parameters and accord the compensation committee substantial discretion in making awards and establishing performance thresholds for a particular year. Stockholders do not have any mechanism for providing ongoing input on the application of those general standards to individual pay packages. Similarly, performance criteria submitted for stockholder approval to allow a company to deduct compensation in excess of \$1 million are also broad and do not constrain compensation committees in setting performance targets for particular executives. Withholding votes from compensation committee members who are standing for reelection is a blunt instrument for registering dissatisfaction with the way in which the committee has administered compensation plans and policies in the previous year.

Home Depot's board should allow stockholders to express their opinion about senior executive compensation practices by establishing an annual referendum process. The results of such a vote would provide Home Depot with useful information about whether stockholders view the company's compensation practices, as reported each year in the Leadership Development and Compensation Committee Report, to be in stockholders' best interests.

Company's Opposing Statement

The Leadership Development and Compensation Committee, a committee of the board comprised entirely of independent directors, is responsible for maintaining an executive compensation program designed to attract, motivate and retain the most highly talented and experienced leadership. The program is designed around various components of compensation, including base salaries, incentive bonuses, and various equity awards, and the committee reviews and approves annually the compensation for all executive officers. The company provides detailed and complete disclosure of compensation for executive officers in its proxy statement each year, in full compliance with the regulations of the SEC. These regulations require the reporting of all compensation arrangements for the chairman, president, and CEO, as well as the four other highest paid executive officers. Also, as required by the SEC, the committee publishes a detailed report each year in the proxy statement, setting forth its approach and philosophy with respect to executive compensation. The committee's report, along with the other information provided in the proxy statement, fully and fairly describes the compensation structure for executive officers, as well as furnishes an informed basis for shareholders to evaluate the use of compensation to motivate and retain key personnel.

An advisory resolution would not change the contents of the committee's report nor have any legal consequence on any compensation arrangement. Most importantly, an advisory vote would not provide the committee with any meaningful insight into specific shareholder concerns regarding executive compensation that it could address when considering remuneration policies. Finally, an advisory vote is impractical when more effective means of communicating concerns to the committee are available to shareholders.

ISS' Position

Executive compensation is one of the top concerns of shareholders. Golden goodbye packages, lucrative sign-on contracts, poor alignment of pay and performance, and stealth compensation arrangements have led to shareholders' dissatisfaction. Current disclosure requirements, which have been stagnant during the past decade, are out of line with the growing complexities in executive pay packages. The mounting concern is evidenced by the growing number of pay related shareholder proposals and the litigation on executive pay practices. ISS believes that the current system does not allow shareholders to voice its dissatisfaction on executive pay in an appropriate manner. Stock exchange listing standards require shareholders to approve equity-based compensation plans and performance-based compensation under Section 162(m). These programs often are designed to provide the administrator substantial latitude in implementation. Once the plans have been approved, shareholders do not have a voice in providing ongoing input into the application of the plan, and decisions concerning executive pay packages.

Opponents of an advisory vote on compensation committee reports argue that compensation committee members are already accountable to shareholders through the director election process. Although annual elections do promote accountability, the effect of casting "withhold" votes for compensation committee members is greatly diminished in cases where companies have a classified board structure and/or plurality vote standard in place.

In the U.K. where shareholders have the right to cast a non-binding advisory vote on a company's "directors remuneration report", ISS' recent analysis shows that unfavorable votes occur to a small percentage of companies and that shareholders exercise their votes judiciously. ISS believes that an advisory vote would allow shareholders to have a voice in the executive compensation practices of a company. An advisory vote would be a confidence vote on the work of the compensation committee. ISS encourages companies to allow shareholders to express their opinions on executive compensation practices by establishing an annual referendum process. ISS believes that such a process will provide companies with useful information concerning shareholders' views on compensation practices and executive pay packages.

Vote FOR Item 3.

US Standard Policy

Certain Home Depot shareholders have submitted a resolution requesting that the company prepare a report identifying employees according to their sex and race in each of the nine EEOC-defined job categories over the last three years, a description of affirmative action policies and programs, and a description of policies and programs aimed at increasing the number of women and minority managers. The report should be prepared by September 2006, at a reasonable cost and omitting proprietary information.

The proponents argue that workplace discrimination has created a burden for shareholders due to the high costs of litigation and damage to corporate image. According to the proponents, numerous corporations from virtually every industry disclose their EEO-1 reports to shareholders including companies that have experienced large racial and gender discrimination lawsuits. The proponents cite a Glass Ceiling Commission report which links a positive diversity record can impact on a company's bottom line. Moreover, the proponents note that the company agreed to disclose diversity data to shareholders upon request, but since that time has decided to reverse this policy. Finally, the proponents note that the company has commendable records of sound performance on several social and environmental issues, however believes that it should be more active on issues of diversity in order to protect shareholder value and honor previous commitments made to shareholders.

The company opposes this resolution stating that it is committed to respecting all people as evidenced by its formal EEO statement and outreach programs to numerous diverse organizations. The company further notes that its involvement in diversity initiatives successfully addressed the requirements of one consent decree from a class action claim in 1998. Additionally, the company states that it has appointed a Vice President of Diversity and Inclusion to oversee a council that will address key initiatives and concerns related to diversity. Management finally states that it believes disclosure of its EEO information to the public could lead to misinterpretation and would not enhance the current diversity programs at the company.

The Equal Employment Opportunity Commission (EEOC) requires every company with more than 100 employees to file a standardized report by Sept. 30 of each year detailing the breakdown of its work force by race, sex, national origin, and position. The report requires employers to identify representation of these groups in each of nine job categories. While these reports are generally not made available to the public, a limited number of companies have chosen to disclose the contents of their EEOC reports to shareholders or members of the public. In recent years, there have been modest increases in diversity at U.S. corporations. Recent studies show that women and minorities have achieved better representation at the highest levels of companies. Studies also show that ethnic minorities have also achieved better representation throughout the U.S. workforce. The Department of Labor's 2001 Report on the American Workforce concluded that from 1992 to 2000, jobless rates have declined dramatically for the major race and ethnic groups and unemployment among minorities have fallen to their lowest levels ever.

According to ISS ESG Analytics Group:

* Home Depot has a formal Non Discrimination Policy on its website. Home Depot has National Hiring Partnerships that provide a broad range of qualified candidates with diverse backgrounds. The company provides a comprehensive list of diversity-oriented organizations it supports, in addition to support of various diversity events. The company's Diversity Initiatives includes the following programs:

Diversity Through Culture, an initiative designed to educate, enlighten and encourage associates to share cultural experiences in our Store Support Centers. This initiative supports the company's overall diversity and inclusion initiatives and helps to create a more positive work environment.

The Home Depot Inclusion Council (Corporate Council) helps shape policy, determines key initiatives, and examines current company practices and processes. The council focuses on six key areas: recruitment, training, networking, professional development, external community relationships and general business advice.

CEO Diversity and Inclusion Exchanges Chairman, President & CEO Bob Nardelli hosts a small group of high-potential associates once a quarter to spend a day discussing diversity and inclusion and general business issues. Participants engage in diversity awareness activities and hear from other leaders in the business on key initiatives happening in his/her respective area.

The Key Relationships Initiative is designed to raise the external profile of the company by identifying and

creating relationships with key external diversity organizations, who either support diversity or who represent our diverse communities and associates.

Networks Initiative support and develop high performing diverse associates. These networks will assist in providing career development, mentoring, and counseling to help develop the next generation of Home Depot leaders.

Supplier Diversity Program's mission is to form mutually beneficial partnerships with diverse businesses that allow us to deliver superior products and services and superb customer service, which ultimately increase shareholder value.

* Home Depot Inc. was named as a defendant in three Equal Employment Opportunity Commission (EEOC) lawsuits alleging employer discrimination in race and gender basis. The cases were resolved during fiscal years 2002 and/or 2003 resulting in penalties of \$256,000.

* In August of 2004, The Home Depot agreed to pay \$5.5 million to settle a discrimination and retaliation claim brought by the U.S. Equal Employment Opportunity Commission on behalf of dozens of Colorado employees. The company denied any workplace misconduct, and stated it agreed to the payout "to avoid protracted and costly litigation."

ISS generally supports proposals that seek greater disclosure of matters of importance to shareholders. However, the benefits of additional disclosure must be weighed against any resulting costs or negative implications for the company and its shareholders. Specifically regarding requests for disclosure of EEO information, ISS considers the existing equal opportunity policies and amount of disclosure currently in place at the company relative to diversity issues, the existence of any recent, significant EEO violations or litigation, and the structure of the proposal itself; does it request disclosure on the company's programs or does it seek information on the application of diversity initiatives to contractors, vendors, and suppliers.

In this case, the proponents are asking the company to disclose information about the company's equal employment policies and programs, the minority composition of the workforce, and policies aimed at increasing women and minority managers. ISS notes that Home Depot has been subject of one or more EEOC lawsuits alleging employer discrimination as well as past and pending settlements involving significant expense. While the company does disclose some information regarding its diversity initiatives on its website, it does not disclose detailed information on current levels of gender or racial inclusion. As employment diversity issues and subsequent litigation can affect the company's bottom line and reputation, we believe, in this case, that increased disclosure of the type requested by this proposal could be of value to shareholders without causing undue cost or burden to the company.

As such we recommend that shareholders vote for this resolution.

Vote FOR Item 4.

US Standard Policy

A shareholder has submitted this proposal requesting that the board change the company's governing documents to require that the chairman of the board serve in that capacity only and have no management duties, titles, or responsibilities. This proposal gives the company an opportunity to cure the chairman's loss of independence should it exist or occur once this proposal is adopted.

Proponent's Supporting Statement

The primary purpose of the chairman is to protect shareholders' interests by providing independent oversight of management, including the CEO. Separating the roles of chairman and CEO can promote greater management accountability to shareholders and lead to a more objective evaluation of the CEO.

An independent chairman would be better able to address the company's excessive CEO pay problem. Excessive CEO pay could be a sign of a more serious problem – that the board has weak oversight of the CEO's performance. The Corporate Library said CEO/chairman Mr. Nardelli has one of the world's most excessive compensation packages and "golden hello" payments, with very little reason given to support such actions. The pay-for-failure, pay-for-success, pay-for-anything-at-all attitude displayed by the board calls into serious question its effectiveness. Additionally if Mr. Nardelli is terminated under certain circumstances he would receive severance that includes a flat \$20 million, immediate forgiveness of any remaining amount of a \$10 million loan (and related interest and taxes), immediate and full vesting of all unvested equity awards and deferred compensation, and, for each year prior to 2006, a fully vested grant of 450,000 stock options. All excise and income taxes would be paid by the company, as would any taxes on those payments.

Company's Opposing Statement

Substantially the same proposal was presented at the 2003 shareholder meeting. At that meeting, a majority of shareholders rejected the proposal.

Since the company was formed in 1978, the company has primarily used the governance model of having one person serve as chairman and CEO. This model has been widely adopted by public companies as good corporate governance, with a leading executive search firm finding that in 2005, 71 percent of the companies comprising the S&P 500 have one person serving as chairman and CEO. The stability and consistency in leadership that this good practice provides was a key part of the company's growth into the world's largest home improvement specialty retailer and the second largest retailer in the United States. At this time, the company is best served by continuing to have the CEO also serve as chairman. In his position as chairman and CEO, Mr. Nardelli is able to promote communication, synchronize activities, and provide consistent leadership to both the board and the company by acting as a conduit between the board and the operating organization and coordinating the strategic objectives of both groups.

The lead director's role is different than the chairman's role and that the company and its shareholders are best served by having different directors fill each position. Unlike the chairman's role, which is to set the strategic priorities for the board, preside over its meetings, and communicate the Board's findings and guidance to management, the lead director serves as the liaison between the non-management directors and the senior management team. In such role, the lead director helps maintain the board's independence and ability to fulfill its management oversight responsibilities. In addition, the lead director consults with the chairman on agendas for board meetings and other matters pertinent to the company. This structure provides the appropriate balance between the need for consistent strategic direction and the need for objectivity and independence of non-management directors.

The chairman is not the sole source of information for the board. As provided in the company's corporate governance guidelines, directors have full access to management and to information about the company's operations. In addition, the non-management members of the board, led by the lead director, regularly meet without management present to consider company matters, including the performance of the CEO.

It is in the best interests of shareholders for the board to have the flexibility to identify the director to serve as chairman. The company's twelve member board, which is elected annually by shareholders and includes ten independent directors, is best situated to determine which director should serve as chairman. Amending the company's certificate of incorporation or bylaws to restrict the board's discretion would deprive the board of the flexibility to select the most qualified and appropriate individual to lead the board as chairman.

ISS' Position

Although we recognize that many large companies maintain the combined posts of chairman and CEO and perform well with this arrangement, it is often in shareholders' best interest to separate these positions. One of the board's primary responsibilities is to represent the interests of shareholders. In addition, the board is responsible for overseeing management and instilling accountability. Conflicts of interest arise when one person holds both the chairman and CEO positions.

Some companies have governance structures in place that can satisfactorily counterbalance a combined chairman and CEO post. Such a structure should include all of the following:

- Designated lead director, elected by and from the ranks of the independent board members with clearly delineated duties. At a minimum these should include:

(1) Presides at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors

(2) Serves as liaison between the chairman and the independent directors

(3) Approves information sent to the board

(4) Approves meeting agendas for the board

(5) Approves meetings schedules to assure that there is sufficient time for discussion of all agenda items

(6) Has the authority to call meetings of the independent directors

(7) If requested by major shareholders, ensures that he is available for consultation and direct communication

- 2/3 independent board

- All-independent key committees

- Established governance guidelines

- The company should not have underperformed its GICS group peers and index on a one-year and three-year total shareholder returns basis, unless there has been a change in the chairman/CEO position within that time.

In this case, the board is at least two-thirds independent, all key committees are comprised entirely of independent directors, and the company has established governance guidelines. In addition, the company has a designated lead director with clearly delineated duties, although it is unclear whether the lead director is elected by and from the ranks of the independent board members. As for the duties of the lead director, they do not include all seven of the duties listed above. According to the company, the lead director: (1) acts as a liaison between non-management directors and company management; (2) chairs the executive sessions of non-management directors; and (3) consults with the chairman on the agenda for board meetings and other matters pertinent to the company and the board.

Absent an offsetting governance structure, we believe that a company of this size should be able to find two qualified people willing to serve in the separate positions of chairman and CEO.

Vote FOR Item 5.

US Standard Policy

A shareholder has submitted this proposal requesting that the board initiate the appropriate process to amend the company's governance documents to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders. Home Depot is incorporated in Delaware. Delaware law provides that a company's certificate of incorporation or bylaws may specify the number of votes that shall be necessary for the transaction of any business, including the election of directors. The law provides that if the level of voting support necessary for a specific action is not specified in the corporation's certificate or bylaws, directors "shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors." Home Depot presently uses the plurality vote standard to elect directors.

Proponent's Supporting Statement

A majority vote standard in director elections would give shareholders a meaningful role in the director election process. Under the company's current standard, a nominee in a director election can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are "withheld" from that nominee. The majority vote standard would require that a director receive a majority of the vote cast in order to be elected to the board.

Some companies have adopted board governance policies requiring director nominees that fail to receive majority support from shareholders to tender their resignations to the board. These policies are inadequate for they are based on continued use of the plurality standard and would allow director nominees to be elected despite only minimal shareholder support. Changing the legal standard to a majority vote is a superior solution that merits shareholder support.

This proposal is not intended to limit the judgment of the board in crafting the requested governance change. For instance, the board should address the status of incumbent director nominees who fail to receive a majority vote under a majority vote standard and whether a plurality vote standard may be appropriate in director elections when the number of director nominees exceeds the available board seats.

Company's Opposing Statement

This is the third time this proposal has been submitted. Substantially the same proposal was presented at the 2004 and 2005 shareholder meetings. At each of these meetings, a majority of shareholders rejected this proposal.

The company's directors are currently elected under a standard consistent with Delaware law for the election of members to the board and in accordance with the American Bar Association's recommendations. A vast majority of Fortune 500 companies use the plurality voting standard for electing directors. Adopting this proposal would be a significant shift away from this widely accepted standard that has proven to be an effective process for electing strong, independent boards to a standard that creates uncertainties and unpredictability. Given the possible results of applying the proposal to the election of directors, adopting such proposal has the potential to reduce shareholders' ability to choose who will serve as a director, and unnecessarily complicates the election of directors.

Current Election System Debate

Under most state corporate laws, including New York's statutes, a plurality vote is the default standard in the election of the board of directors. While these laws typically provide shareholders with the ability to set a different threshold, only a handful of companies set a majority (of the shares cast or outstanding) as the vote requirement in board elections.

Under a plurality system, a board-backed nominee in an uncontested election needs to receive only a single affirmative vote to claim his or her seat in the boardroom. Even if holders of a substantial majority of the votes cast "withhold" support, the director nominee "wins" the seat.

Under the majority vote standard advocated in this proposal, a director nominee must receive support from holders of a majority of the votes cast in order to be elected (or re-elected) to the board. The failure of a nominee to receive majority support would necessitate action by the board, and what action the board is

compelled to take is the subject of debate.

Benefits and Challenges of Reform

The basic premise of majority voting is simple and direct. The current (plurality) board election system is undemocratic in uncontested elections. Directors who run unopposed keep their board seats even when they fail to win majority support.

The idea of a majority vote standard is not untested. In the U.S., a handful of corporate issuers use a majority threshold in boardroom elections. Some non-US markets require shareholders to ratify director nominees by a majority vote.

Changing to a majority election system raises numerous issues. The current voting mechanics of FOR/WITHHOLD/ABSTAIN would need to be reevaluated. The role of broker votes becomes more pronounced. Requirements in contested elections, where plurality voting is more intuitive, would need to be considered carefully. Boards might be less likely to move from a classified structure back to annual elections of the entire board. Majority voting might have the unintended effects of deterring director candidates or narrowing the talent pool.

A majority vote standard would likely change the impact of withhold campaigns. Instead of just sending a strong message to the board, a majority "vote-no" campaign could create vacancies on a company's board.

ISS' Position

ISS believes that proposals seeking majority vote requirements in boardroom elections generally warrant support. Director accountability is the hallmark of good governance. The board election process must ensure that shareholders' expressions of dissatisfaction with the performance of directors have meaningful consequences. A majority vote standard transforms the director election process from a symbolic gesture to a meaningful voice for shareholders.

ISS views the current debate over the director election system in the U.S. as useful and timely and believes a variety of reform measures should be considered. On balance, we support adoption of the majority vote principle for electing directors but we believe that boards should have some latitude in designing a workable standard at this stage in the debate. If this proposal were presented as a binding agenda item, we would carefully consider the ramifications of implementation at the company. Moreover, if a company were to receive majority shareholder support on this proposal, we would look to the board to present a meaningful response to shareholders by creating a workable model for its own election system that is practical yet provides real accountability for shareholders. In response to this debate, several companies like Intel and Dell have adopted standards that give shareholders greater input in the process of director election, providing for a legal standard that keeps a newly appointed director off the board and requiring resignation in case of incumbent directors. Also, numerous companies have, as an alternative, adopted plurality system based director resignation policies.

In a December 2005 document entitled "Majority Elections: Questions and Answers on ISS 2006 Voting Policy", ISS noted that many companies have adopted director resignation policies which are intended to mitigate shareholder concerns about plurality voting standards. However, these resignation policies leave the power in the hands of the board to make a determination on the status of the director who fails to win shareholders' support. ISS' policy provides that three factors be considered when evaluating a majority voting proposal: (1) what measures the company has taken to address the director election issue; (2) why such measures provide a meaningful alternative to the majority voting standard (the burden of proof is on the board to articulate to shareholders why the alternative to a full majority-voting standard is the best structure at this time for boosting directors' accountability to shareholders); and (3) the company's governance features and history of accountability to shareholders. Note that the specific factors cited above are meant as a starting-point for formulating a policy on this issue. These elements are meant to provide boards with some broad guidance as to the "bare minimum requirements" that directors must meet in order for ISS to even consider whether their proposed "alternative" is equal to or better than a majority voting proposal.

In this case, the company has not taken any measures to address the issue of the election of directors who fail to receive majority support from shareholders. Moreover, with regard to the company's governance features and accountability to shareholders, we note that the company does have certain negative governance provisions in place. More specifically, the positions of chairman and CEO are held by the same person, shareholders may not act by written consent, shareholders may not call special meetings, and the

board may amend the bylaws without shareholder approval.

ISS advocates that the director election system give full effect to the shareholder franchise. ISS views director election reform as a multi-year, multi-step process. ISS' approach to the issue will likely evolve over time as the marketplace advances the debate. ISS feels that support for this proposal, coupled with continued debate on election reforms, will allow the director election system to evolve to the next level.

Vote FOR Item 6.

US Standard Policy

A shareholder has submitted this proposal urging the board to seek shareholder approval of any future extraordinary retirement benefits for senior executives. The board shall implement this policy in a manner that does not violate any existing employment agreement or vested pension benefit. For the purposes of this resolution, "extraordinary retirement benefits" means receipt of additional years of service credit not actually worked, preferential benefit formulas not provided under the company's tax-qualified retirement plans, accelerated vesting of retirement benefits, and retirement prerequisites and fringe benefits that are not generally offered to other company employees.

Proponent's Supporting Statement

Supplemental executive retirement plans ("SERPs") provide deferred compensation for a select group of management or highly compensated employees whose compensation exceeds limits set by Federal tax law. Because SERPs are unfunded plans and payable out of the company's general assets, the associated pension liabilities can be significant.

The company's proxy statement discloses that it maintains the Home Depot FutureBuilder Restoration Plan for certain key senior executives. The proxy statement states that the primary purpose of the restoration plan is to provide additional retirement income to certain key executive employees to reduce the impact of certain provisions of the Internal Revenue Code that limit the maximum benefits that may accrue under the company's qualified retirement plans.

In an article entitled "Executive Pay; the New Executive Bonanza: Retirement," New York Times (April 3, 2005) it was reported that chairman, CEO and president Robert Nardelli will be eligible for estimated annual retirement benefits of \$3.9 million. Home Depot already provides Mr. Nardelli very generous compensation. According to the proxy statement, in 2004 he received a salary of \$2,000,000; a bonus of \$5,750,000; other annual compensation of \$6,335,146 (related to forgiveness of a loan); \$13,880,000 in restricted stock awards; and grants of 600,000 stock options with an estimated potential value of more than \$13,000,000 if the stock appreciates at a rate of 5 percent per year for the option term.

To help ensure that the use of extraordinary pension benefits for senior executives is in the best interests of shareholders, such benefits should be submitted for shareholder approval. Because it may not always be practical to obtain prior shareholder approval, the company would have the option of seeking approval after the material terms were agreed upon.

Company's Opposing Statement

Retirement benefits are a critical component of a senior executive's overall compensation program and are essential to attracting, motivating and retaining the most highly talented executives with a demonstrated history of leadership and operating performance. Also, retirement benefits are an important factor in an executive's decision to accept or reject a new position. Removing the flexibility to oversee this important aspect of executive compensation would place the company at a significant competitive disadvantage. In many instances, the best leaders must forfeit accumulated retirement and pension benefits with their current employer in order to accept a new position. Most highly experienced executives would not accept a new position that resulted in loss of accumulated retirement benefits. As the company continues to implement its growth strategy both within and beyond its traditional store formats, it will be imperative to the company's success to have the compensation tools necessary to competitively attract and maintain the very best leadership in these industries. Because the company will need to continue to recruit experienced executives from other companies, it must have flexibility to replace benefits, including retirement benefits, that a senior executive relinquishes when leaving his or her current employer to join the company.

The company's corporate governance requirements provide that the Leadership Development and Compensation Committee, a committee of the board comprised entirely of independent directors, approve all retirement benefits for executive officers of the company. In addition, all of the independent members of the board must approve the retirement arrangements of the company's chairman, president and CEO. In determining these retirement arrangements, the committee and the independent members of the board undertake a formal comprehensive review process, including the significance of the leadership position being evaluated, past and current performance, consultation with nationally recognized compensation advisors, benchmarking against other companies of similar size and complexity of operation and, generally, the

competitive economic environment.

Adoption of this proposal would have a significant adverse impact on the company's ability to recruit and retain the best leadership talent available. The executive compensation process needs to be sufficiently flexible to allow the company's board to privately recruit and make binding offers and commitments on a timely basis. Requiring shareholders' approval of retirement benefits would prevent this and is unrealistic for several reasons. First, it is unrealistic that the best leaders would agree to be recruited under these circumstances because the shareholder pre-approval process would make such negotiations public and would jeopardize the executive's current employment arrangements. Second, even if shareholder approval followed an offer or commitment of employment, the offer would have to become public long in advance of a shareholders' meeting, again jeopardizing the executive's current employment. Further, since the company, like most other public companies, conducts its shareholders' meeting annually, this process would prevent the company from hiring or retaining leadership talent at the time these challenges and opportunities arise. The company would be limited to making binding offers once a year. Such process would deter highly qualified executives from considering employment with the company and significantly hinder the company's ability to compete for these executives in any meaningful way. For all of these reasons, the day-to-day decisions of hiring and compensating senior leaders should continue to be managed by the board that is elected annually by the company's shareholders.

ISS' Position

ISS generally votes FOR shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote unless the company's executive pension plans contain no excessive benefits beyond what is offered under employee-wide plans. ISS believes that shareholders should ratify certain types of extraordinary pension benefits beyond those offered under employee-wide plans, such as credit for years of service not actually worked, preferential benefit formulas, and accelerated vesting of pension benefits. Lucrative pension enhancements can represent a sizable liability to shareholders. Moreover, generous pension benefits, without regard to company performance during the executive's tenure, undermine the goal of linking pay to performance.

Vote FOR Item 7.

US Standard Policy

Certain Home Depot shareholders have requested that the company provide a semi-annual report on its political contributions. This report should disclose detailed information on the amount of each contribution or expenditure, identification of the person or persons in the company who participated in making the decision to contribute or donate, and internal policies and guidelines that govern political contributions. The report should be submitted to a relevant oversight committee of the company's board and disclosed to shareholders on the company website.

The proponents state that the existing lack of accountability for political contributions leaves corporate executives free to use company assets for political objectives that may not be shared by, or in the best interest of the company and its shareholders. Moreover, the supporters of this resolution believe that full disclosure of political contributions would be consistent with public policy regarding disclosure at public firms and beneficial as an instrument for the company's board and shareholders to evaluate the political use of corporate assets.

The company is opposed to this resolution and states that its involvement in the political process is an important facet of enhancing shareholder value and promoting good corporate citizenship. Management also notes that current legislation limits the company's contributions and that it is committed to complying with all applicable laws including those requiring public disclosure of the company's contributions. Finally, the company states that its corporate contributions are minimal and suggests that additional reporting would be duplicative and unnecessary because such contributions are available to the public from a number of websites.

With recent changes in legislation and renewed interest in campaign funding reform, increased interest in corporate contributions to political parties and action committees has become a topic of shareholder action. Continuing from the 2004 election year, shareholders have requested insight into company donations and the ability to provide input regarding how much (if any) money is appropriate to give to political organizations based on what political, ethical, and legal platforms are being endorsed by such funds. While some information is publicly available on Internet sites sponsored by political watchdog groups and campaign finance sites, this data may not be entirely current or all-inclusive. Proponents of these requests feel that it is the corporations' responsibility to consolidate information regarding political contributions and present it in a report to the shareholders. Corporations have consistently responded to requests for the disclosure of political contributions by stating that federal and state laws require disclosure from the recipients and that the amounts contributed are not significant enough to warrant the expense of a report.

While ISS generally supports proposals that call for increased transparency on topics that impact shareholder value, the utility and benefits of such disclosure must be weighed against the cost and burden of producing such a report. When reviewing requests for proposals on political contributions, ISS takes into account the scope and nature of the request, the company's adherence to laws and regulations governing political contributions, any recent, significant controversy related to the company's political contributions or public policy actions, and the existence and disclosure of a formal policy regarding political contributions.

In the case of Home Depot, ISS notes that the company states its commitment to obey applicable laws regarding its corporate contributions and briefly discusses the right of employees to be involved in the political process as private citizens in its code of conduct; however, there is no detailed information available about the company's policies regarding oversight or accountability for corporate contributions, the general business rationale for the company's contributions, or the administration of Home Depot's PACs. Therefore, while ISS believes that some aspects of this resolution may be overly restrictive or burdensome, we also agree with the proponents that shareholders should have access to information that allows them to evaluate the general rationale and criteria behind the company's political contributions, as well as the level of oversight and accountability in place to ensure compliance with company policy and applicable legislation.

As such, we recommend that shareholders vote FOR this resolution.

Vote FOR Item 8.

US Standard Policy

A shareholder has submitted this proposal that calls for an amendment of the company's bylaws to add a new Section 11 to Article III of the bylaws, as follows:

SECTION 11. To the extent permitted under federal and state law, in any proxy statement in which the Board discloses to stockholders information about the compensation of the Chief Executive Officer and other "named executive officers" as that term is defined in Item 402 of SEC Regulation S-K during a preceding period (the "reported period"), the Board will disclose to stockholders the estimated monetary value of the benefits to which each such named executive officer had any vested rights as of the last day of the reported period under any pension, retirement or deferred compensation plan, including any supplemental executive retirement plan, established by the Corporation.

This bylaw shall be effective immediately and automatically as of the date it is approved by the vote of stockholders in accordance with Article XII of the corporation's bylaws.

Proponent's Supporting Statement

Decisions by the board and its compensation committee regarding the compensation of the corporation's senior executives are important and could have a significant effect on shareholder interests. In order for shareholders to be accurately informed regarding such decisions and to have a good picture of the board's performance and the corporation's governance, it is essential that information about the total amount and makeup of the compensation of top executives be comprehensive and transparent. Therefore, it is desirable for the board to provide shareholders with information about the monetary value of benefits from pension, retirement, or deferred compensation plans that provide benefits to senior executives. By making the compensation accorded to top executives more transparent, the proposed bylaw could enable shareholders to better assess the compensation decisions made by the board. As a result, the proposed bylaw could make the board more accountable and improve the way in which compensation arrangements are set and the corporation is governed.

Company's Opposing Statement

The company discloses in its annual proxy statement all compensation and benefits provided to its named executive officers in compliance with the rules and regulations of the SEC. In addition, throughout the year, the company keeps shareholders informed of all material changes in compensation of named executive officers by publicly disclosing such changes through filings with the SEC.

The SEC has recently voted to propose new rules to overhaul the disclosure rules governing executive compensation and the company anticipate that such rules will become effective in the near future. If such rules become effective, the company would be required to disclose some of the information required by the proposal, thus rendering the proposal unnecessary. Moreover, some of the disclosures requested by the proposal are covered by the proposed SEC rules. If the SEC adopts final rules which are substantially the same as the proposed rules, retirement plan and post-employment disclosure would include a Retirement Plan Potential Annual Payments and Benefits Table, which would disclose annual benefits payable to each named executive officer. Disclosure under the new rules also would include a Nonqualified Defined Contribution and Other Deferred Compensation Plans Table, disclosing year-end balances, contributions, earnings and withdrawals for the year. The proposed rules also would provide for disclosure of payments and benefits payable on employment termination or change in control.

Consequently, if the SEC adopts final rules in substantially the same form as the proposed rules, these new rules would require some of the disclosures sought by the proposal. Accordingly, this proposal is unnecessary as a result of the contemplated changes to the disclosure rules.

Disclosure of executive compensation is governed by the SEC, and the company complies fully with its rules and regulations. Consequently, the SEC is the appropriate agency to establish compensation disclosure rules so that all such disclosure is uniform and consistent among public companies. Such uniformity and consistency better allows shareholders to compare the company's compensation practices with peer companies so they can determine whether such practices are appropriate. Requiring the company to amend its bylaws in accordance with the proposal would render the company's disclosure less comparable to that of peer companies and less consistent with disclosure standards and principles supported by the SEC. Most important, however, if the SEC adopts final rules in substantially the same form as the proposed rules, some

of the bylaw disclosures requested by the proposal may duplicate SEC rules.

ISS' Position

In general, executive compensation is one of the top concerns of shareholders. Golden goodbye packages, fixed compensation arrangements in the form of supplemental executive retirement plans (SERPs), deferred compensation with guaranteed minimum interest rates and pension plans with additional years of service have led to shareholders' dissatisfaction. Current disclosure requirements, which have been stagnant during the past decade have largely underestimated total executive pay and distorted the magnitude of pay for performance. Earlier this year, the Securities & Exchange Commission (SEC) has proposed to update the disclosure requirements for executive and director compensation. As acknowledged by the SEC, current disclosure frequently does not provide investors useful information regarding specific potential pension benefits. From the current pension table, shareholders are unable to discern which amounts relate to a specific executive. The current rules elicit disclosure of SERPs and deferred compensation when earned and only the above-market earnings on these compensation. A full value of those earnings on which they are payable are not subject to disclosures. Further, shareholders are not informed of the interest rates at which these amounts and the corresponding cost to the company are accumulating. As such, the SEC is proposing several new tables. The proposed retirement plan table will disclose estimated annual retirement payments under different defined benefit plans for each named executive officer, followed by narrative disclosure. The proposed SERPs/deferred compensation table will require disclosure on all deferred earnings that is not tax-qualified as well as any contributions provided by the company, such as interest rates.

ISS supports the SEC's proposed changes, particularly in the areas of retirement, deferred compensation and post-employment arrangements. The increased disclosure in these areas will ensure that corporate assets are used wisely. The elements of the shareholder proposal are consistent with the proposed SEC's disclosure requirements.

Therefore, ISS believes that this proposal warrants shareholder support.

Vote FOR Item 9.

US Standard Policy

Evelyn Davis, an Home Depot stockholder, has submitted a shareholder proposal asking that the company affirm its political non-partisanship by avoiding the following practices: (1) a supervisor handing contribution cards of a single political party to an employee; (2) requesting that an employee send a political contribution to an individual in the company for subsequent delivery as part of a group of contributions to a political party or fundraising committee; (3) requesting that an employee issue personal blank checks as to payee for subsequent forwarding to a political party, committee, or candidate; (4) using supervisory meetings to announce that contribution cards of one party are available and that anyone desiring cards of a different party will be supplied on request to his supervisor; and (5) placing a preponderance of contribution cards of one party at mail station locations.

The proponent believes that the company should maintain scrupulous political neutrality to avoid embarrassing entanglements that may be detrimental to its business. Also, the proponent requests that if the company does not engage in these practices, that it disclose this to all shareholders in each quarterly report.

Management opposes the resolution stating that it maintains a formal policy on political activities and government involvement that prohibits such actions. Furthermore, the company notes that many of the activities discussed in this resolution are also prohibited by federal law. Finally, the company states that it is important to communicate with government officials regarding policies that impact the company and supports voluntary association with the company's nonpartisan political action committee.

When considering a proposal asking the company to affirm political nonpartisanship, ISS takes into account whether the company is in compliance with laws governing corporate political activities and whether the company has procedures in place to ensure that employee contributions to company-sponsored political action committees (PACs) are strictly voluntary and not coercive.

In this case, Home Depot does appear to have policies in place to ensure that its employees' contributions to the PAC are voluntary. Further, it appears that the company is already in compliance with applicable legislation regarding partisan contributions. We agree with the proponent that it is important for companies to avoid the appearance of coercion in encouraging employees to make political contributions. In the absence of information suggesting that the company does not comply with applicable legislation or that it actively coerces employee to contribute along specific partisan lines, we do not believe that the requested report is necessary.

Since it appears that the company has already addressed this issue through its own internal policies and observance of federal law, we do not believe that support of this proposal is warranted.

Vote AGAINST Item 10.

US Standard Policy

Additional Information and Instructions

The Home Depot, Inc.
2455 PACES FERRY ROAD
ATLANTA GA 30339-4024
770-433-82

Shareholder Proposal Deadline: December 15, 2006
Solicitor: D.F. King & Co.

Security ID:2434209 (SEDOL), 2666994 (SEDOL), 437076102 (CUSIP), 7152551 (SEDOL), B02XBT2 (SEDOL), B103SH8 (SEDOL), US4370761029 (ISIN)

This proxy analysis and vote recommendation have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this analysis, we make no warranty, express or implied, regarding the accuracy, completeness, or usefulness of this information and assume no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and voting recommendations provided are not intended to constitute an offer, solicitation or advice to buy or sell securities.

This issuer may be a client of ISS or the parent of, or affiliated with, a client of ISS. Neither the issuer, nor any of its subsidiaries or affiliates, played any role in preparing this report.

One, or more, of the proponents of a shareholder proposal at the upcoming meeting may be a client of ISS or the parent of, or affiliated with, a client of ISS. None of the sponsors of the shareholder proposal(s) played a role in preparing this report.

Two of ISS' stockholders, Warburg Pincus Private Equity VIII, L.P. and Hermes USA Investors Venture, L.L.C., are institutional investors whose business activities include making equity and debt investments in public and privately-held companies. As a result, from time to time one or more of ISS' stockholders or their affiliates (or their representatives who serve on ISS' Board of Directors) may hold securities, serve on the board of directors and/or have the right to nominate representatives to the board of a company which is the subject of one of ISS' proxy analyses and vote recommendations. We have established policies and procedures to restrict the involvement of ISS' non-management stockholders, their affiliates and board members in the editorial content of our analyses and vote recommendations.

Institutional Shareholder Services Europe SA ("ISS Europe") is a wholly-owned subsidiary of ISS. Jean-Nicolas Caprasse, the managing director of ISS Europe, is a non-executive partner of Deminor International SCRL ("International"), a company which provides active engagement and other advisory services to shareholders of both listed and non-listed companies. As a result, International may be providing engagement services to shareholders of a company which is the subject of one of our analyses or recommendations or otherwise working on behalf of shareholders with respect to such a company. As a non-executive partner of International, Mr. Caprasse is not involved in the engagement and other services provided to the clients of International. International has no role in the formulation of the research policies, reports and vote recommendations prepared by ISS or ISS Europe. Mr. Caprasse will benefit financially from the success of International's business in proportion to his partnership interest.

Neither ISS' non-management stockholders, their affiliates nor ISS' non-management board members are informed of the contents of any of our analyses or recommendations prior to their publication or dissemination.

The Home Depot, Inc.

May 12, 2006

© 2006, Institutional Shareholder Services Inc. All Rights Reserved. The information contained in this ISS Proxy Analysis may not be republished, broadcast, or redistributed without the prior written consent of Institutional Shareholder Services Inc.



INSTITUTIONAL SHAREHOLDER SERVICES

Company Info

Ticker	HD
Meeting	Annual May 25, 2006
Record Date	March 28, 2006
Incorporated	Delaware
Operates as a home improvement retailer (GICS:25504030)	
Shares Held on Record Date	
Shares Voted	
Date Voted	

Shareholder Returns

	1 yr%	3 yr%	5 yr%
Company	-0.73	25.86	-2.67
S&P 500	4.91	14.39	0.54
GICS peers	13.90	53.83	18.42

Annualized shareholder returns. Peer group is based on companies inside the same "General Industry Classification System" code

CGQ Rating

Index Score	99.6
Industry Score	100

HD outperformed 99.6% of the companies in the S&P 500 and 100% of the companies in the Retailing group.

ISS calculate governance rankings for more than 8,000 companies worldwide based on up to 63 corporate governance variables.

The Home Depot, Inc.

Recommendations - US Standard Policy

Item Code*	Proposal	Mgt. Rec.	ISS Rec.	VOTED
1.1	M0201 Elect Director Gregory D. Brenneman	FOR	WITHHOLD	
1.2	M0201 Elect Director John L. Clendenin	FOR	WITHHOLD	
1.3	M0201 Elect Director Claudio X. Gonzalez	FOR	WITHHOLD	
1.4	M0201 Elect Director Milledge A. Hart, III	FOR	WITHHOLD	
1.5	M0201 Elect Director Bonnie G. Hill	FOR	WITHHOLD	
1.6	M0201 Elect Director Laban P. Jackson, Jr.	FOR	WITHHOLD	
1.7	M0201 Elect Director Lawrence R. Johnston	FOR	WITHHOLD	
1.8	M0201 Elect Director Kenneth G. Langone	FOR	WITHHOLD	
1.9	M0201 Elect Director Angelo R. Mozilo	FOR	FOR	
1.10	M0201 Elect Director Robert L. Nardelli	FOR	WITHHOLD	
1.11	M0201 Elect Director Thomas J. Ridge	FOR	WITHHOLD	
2	M0101 Ratify Auditors	FOR	FOR	
3	S0503 Increase Disclosure of Executive Compensation	AGAINST	FOR	
4	S0812 Report on EEOC-Related Activities	AGAINST	FOR	
5	S0107 Separate Chairman and CEO Positions	AGAINST	FOR	
6	S0212 Require a Majority Vote for the Election of Directors	AGAINST	FOR	
7	S0506 Submit Supplemental Executive Retirement Plans to Shareholder vote	AGAINST	FOR	
8	S0807 Report on Political Contributions	AGAINST	FOR	
9	S0503 Increase Disclosure of Executive Compensation	AGAINST	FOR	
10	S0807 Affirm Political Non-partisanship	AGAINST	AGAINST	

*S indicates shareholder proposal