Harvard University

Corporation Committee on Shareholder Responsibility

Annual Report, 2014-2015

CCSR Members (2014-2015)

William Lee, Chair
Nannerl Keohane
Paul Finnegan

Secretaries to the Committee:

Owen Andrews, Jeffrey Caldwell

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INTRODUCTION

In 1972 Harvard established two committees to assist the University in addressing its ethical responsibilities as a large institutional investor: the Corporation Committee on Shareholder Responsibility (CCSR) and the Advisory Committee on Shareholder Responsibility (ACSR). The CCSR consists of members of the Harvard Corporation. Acting on behalf of the President and Fellows, it decides how Harvard's shares should be voted on issues of social responsibility and oversees the consistent application of University policy with respect to investments in certain sectors and precedent, actively considering new circumstances or information that may suggest changes in policy or practice. The ACSR, a twelve-member committee made up of Harvard faculty, students and alumni, is responsible for analyzing proxy issues and making recommendations on how Harvard should vote its shares. The investigation of issues and communication of analysis is the central function of the ACSR, which provides the CCSR with the reasons underlying each recommendation, including the rationale for divergent views on how the University should vote. The purview of these two committees encompasses the range of issues of social responsibility that are put before corporate shareholders. Shareholder proposals regarding corporate governance matters are addressed by Harvard Management Company. From time to time, at the request of the CCSR, the ACSR has also suggested new policy approaches to assist the University in carrying out its ethical responsibilities as a large institutional investor.[1]

During the 2015 spring proxy voting season (the period between March and June when many publicly traded corporations hold annual meetings), the committees considered fifty-four proposals dealing with issues of social responsibility that were addressed to corporations whose securities were owned directly by Harvard. Issues raised through the proxy process this year included corporate political contributions and lobbying; corporate charitable contributions; executive compensation; equal employment; Internet policies regarding privacy and neutrality; and corporate environmental practices on a wide range of issues, from company efforts to

[1] Examples of University policy statements for which the CCSR has sought input from the ACSR can be found on the University's shareholder responsibility website at http://www.harvard.edu/shareholder-responsibility-committees.

address global warming to risks from hydraulic fracturing and from board-level environmental expertise to deforestation and the palm oil supply chain. New topics addressed in 2015 included pesticide risks, stranded fossil fuel assets, and fair employment rights in Israel and Palestine. (For a list of both committees' votes by company, see Appendix A.)

This report provides a detailed description of the ACSR's recommendations and the CCSR's votes on shareholder proposals that came to a vote during the 2015 proxy season.

2015 Proxy Season

The University's approach to proxy voting is to consider each proposal on a case-by-case basis in light of the ACSR's discussions and CCSR precedent on comparable issues. The ACSR's analysis of proxy issues is supported by background material provided by Sustainable Investments Institute (Si2), a not-for-profit organization that provides institutional investors with analyses of issues of social concern and corporate responsibility raised through the proxy process. Because the CCSR's role emphasizes consistency in applying precedent, and the ACSR is responsible for keeping abreast of new information or circumstances which may suggest taking a different position, the ACSR is often a leading indicator for change on shareholder issues.

Number of Social Issues Proposals Considered by both committees Since 2004

Year	Total Voted
2004	157
2005	126
2006	130
2007	130
2008	111
2009	19*
2010	26*
2011	38
2012	41
2013	56
2014	56
2015	54

* Due to changes in asset allocation in regard to directly held domestic equities, the ACSR considered significantly fewer proposals than usual in 2009 and 2010.

While the two committees occasionally differ on the appropriate response to a shareholder proposal, the voting pattern over a period of years shows a high degree of agreement. Of the fifty-four proposals considered by the committees during the 2015 proxy season, the ACSR and the CCSR were in complete agreement on forty-nine proposals (91%). In one instance (<2%), the CCSR abstained while the ACSR recommended a vote against the proposal. In one instance (<2%), the CCSR voted against the proposal while the ACSR recommendation was split between abstaining and opposing. In two instances (<4%), the CCSR abstained on the proposal while the ACSR recommendation was split between supporting and abstaining. In one instance (<2%), the CCSR abstained while the ACSR recommendation was split between supporting and opposing.

This year, thirty additional shareholder proposals came to vote after the ACSR meetings had ended. Votes on fifteen proposals followed both ACSR and CCSR precedent. In the remaining fifteen cases there was no clear precedent and an abstention was submitted.

I. Corporate Political Spending

In recent years, the number of shareholder proposals addressing concerns about corporate political spending has increased dramatically, in large part because of the 2010 U.S. Supreme Court decision (Citizens United vs. Federal Elections Commission), which ruled that limitations on independent corporate political contributions—contributions that do not go directly to candidates' campaigns—were unconstitutional. In 2015, almost half of the shareholder proposals considered by the ACSR and the CCSR were related to corporate political contributions and lobbying expenditures.

A. Report on Lobbying

According to Si2, 90% of corporate political spending occurs after elections to advocate the company's point of view to elected officials. For this reason, shareholders are asking companies for information about how companies spend their money after elections to influence newly elected legislators. In 2015, the committees considered fourteen proposals calling on companies to

"authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by [Company] used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.

3. [Company]'s membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision making process and oversight for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which [Company] is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees and posted on [Company]'s website."

Note A: the proposals to JP Morgan Chase and ConocoPhillips did not include request #3.

The ACSR recommended a vote in favor of proposals to Boeing (11 in favor-0 opposed-0 abstaining); Honeywell (11-0-0), Citigroup (10-0-0), IBM (11-0-0), Wells Fargo (11-0-0), Bank of America (11-0-0), United Parcel Service (11-0-0, DuPont (7-0-0), American Express (7-0-0), ConocoPhillips (7-0-0), JP Morgan Chase (10-0-0), Comcast (10-0-0), Morgan Stanley (10-0-0), and Chevron (12-0-0). It was noted that shareholder support for this type of request has been growing, suggesting an evolving perception that detailed disclosure about lobbying expenditures is becoming best practice. Committee members noted their support for and agreement with the ACSR and CCSR's strong past precedent for support of identical and very similar proposals and expressed agreement as well with the reasons put forth by proponents on the need for greater disclosure, especially in light of the increase in corporate political expenditure since the Citizens United decision. Members also commented on the value of disclosure to help shareholders determine whether a corporation's use of assets on political contributions is in shareholders' best interests. They observed that while these firms engage in some disclosure of spending on political contributions and lobbying, they continue to withhold information on trade association memberships and contributions. Members also noted that companies may financially support trade organizations whose public positions on issues (climate change action, for example) are at odds with the company's public stance. Given that none of the companies have been willing to share details about their lobbying practices, they recommended a vote in favor in each case. The CCSR voted in favor of the proposals following the ACSR's recommendations and precedent of both committees.

The ACSR also considered three substantially similar proposals to AT&T, Lockheed Martin, and Raytheon. These proposals featured minor variants in the four requests, requested semiannual rather than annual reports, and amplified the definitions of lobbying and grassroots lobbying communications:

> "Resolved, the shareholders of [Company] request that the Board authorize the preparation of a report, updated semiannually, disclosing:
> 1. Policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
> 2. A listing of payments used for (a) direct or indirect lobbying; or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
> 3. [Company's] membership in and payments to any tax-exempt organization that writes and endorses model legislation.
> 4. The decision making process and oversight by management and the Board for making payments described in sections 2 and 3 above.
> For purposes of this proposal, a 'grassroots lobbying communication' is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient to take action with respect to the legislation or regulation. 'Indirect lobbying' is lobbying engaged in by a trade association or other organization of which [Company] is a member.
> 'Direct and indirect lobbying' and 'grassroots lobbying communications' include efforts at the local, state and federal levels. Neither 'lobbying' nor 'grassroots lobbying communications' include efforts to participate or intervene in any political campaign or to influence the general public or any segment thereof with respect to an election or referendum.
> The report shall be presented to the Audit Committee or other relevant Board oversight committees and posted on [Company's] website."

The ACSR recommended a vote in favor of the proposals to AT&T (11-0-0), Lockheed Martin (11-0-0), and Raytheon (10-0-0). The CCSR voted in favor of the proposals, following the ACSR's recommendations and precedent of both committees.

The ACSR considered two additional, shorter resolutions on lobbying at Pfizer and Occidental:

> "Resolved: Shareholders request the Board initiate a review and assessment of organizations in which [the company] is a member or otherwise supports financially for lobbying on legislation at federal, state, or local levels. A summary report of this review, prepared at reasonable cost and omitting proprietary information, should be reviewed by the Board Governance Committee and provided to shareholders."

The ACSR recommended a vote in favor of the proposals to Pfizer (10-0-1) and Occidental (11-0-0). While ACSR members found the proposals lacking in specificity about the details of the review and assessment it calls for, the committee supported the proposals because of both companies' high levels of contributions to lobbying organizations, the apparent variance between their disclosure practices and their stated policies, and their apparent lagging behind best practice among industry peers. The abstaining vote on the Pfizer proposal reflected a committee member's view that the committee should lend its support to proposals on disclosure that articulate their requirements in a more specific and detailed way than these ones do. The CCSR voted in favor of the proposals following the ASCR's recommendations and precedent of both committees.

B. Report on Indirect Political Contributions

A related but differently worded set of proposals on indirect political contributions embody proponents' concerns about industry-funded organizations such as the American Legislative Exchange Council (ALEC), which proponents believe exert an undue and somewhat hidden influence on the legislative process. A proposal to AT&T requested

> "that the Company provide a report, updated semi-annually, disclosing the Company's:
> 1. Policies and procedures for expenditures made with corporate funds to trade associations and other tax-exempt entities that are used for political purposes ('indirect' political contributions or expenditures).
> 2. Indirect monetary and non-monetary expenditures used for political purposes, i.e., to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections.
> The report shall include:
> a. An accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the Company's funds that are used for political contributions or expenditures as described above; and
> b. The title(s) of the person(s) in the Company who participated in making the decisions to make the political contribution or expenditure.
> This proposal does not encompass payments used for lobbying.
> The report shall be presented to the board of directors' audit committee or other relevant oversight committee and posted on the Company's website."

The ACSR voted 11-0-0 to recommend supporting the proposal. ACSR members took note of AT&T's high level of direct and indirect political contributions (eighteenth among corporations in the U.S. in 2014) and of the company's relative lack of disclosure in some areas related to its indirect political contributions. For example, AT&T does not disclose a full list of trade association memberships or the amount of dues paid, nor does it disclose amounts paid to trade associations for political campaigns or lobbying. Committee members also commented on AT&T's membership in both ALEC (which is neither a trade association nor a registered lobbying group) and, until recently, the Heartland Institute (which has denied tobacco health risks and climate change science). Membership in these organizations has increasingly been seen as posing a reputational risk for corporations. The CCSR voted in favor of the proposal, following the ACSR's recommendation and past precedent of both committees.

A similar proposal, with a less detailed request for information about recipients of contributions and excluding any mention of lobbying payments, was submitted to Raytheon's shareholders:

> "Resolved, that the shareholders of Raytheon Company, ('Company') hereby request that the Company provide a report, updated semiannually, disclosing the Company's:
> 1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
> 2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
> a. The identity of the recipient as well as the amount paid to each; and
> b. The title(s) of the person(s) in the Company responsible for decision-making.
> The report shall be presented to the board of directors or relevant board committee and posted on the Company's website."

The ACSR voted 12-0-0 to recommend support for the proposal. Discussing the 2015 proposal, members noted that Raytheon resembles many companies which have received this proposal in providing little insight into its indirect political spending. The CCSR voted in favor of the proposal, following the ACSR's recommendation and past precedent of both committees.

The ACSR considered a third proposal on indirect political spending at Verizon, which was very similar in its overall intent, but varied at numerous points in specific wording:

> "RESOLVED, that the shareholders of Verizon Communications Inc. ('Company') hereby request that the Company provide a report, updated semi-annually, disclosing:
>
> 1. Policies and procedures for monetary and non-monetary expenditures made with corporate funds to trade associations and other tax-exempt entities that are used for political purposes ('indirect' political spending).
>
> 2. An itemized accounting of all indirect monetary and non-monetary expenditures used for non tax-deductible political purposes, e.g., to support or oppose candidates for public office or to influence the outcome of elections, including ballot initiatives, or used in any attempt to influence the general public, or segments thereof, with respect to elections or specific pieces of legislation or regulation. The report shall include the identity of the recipient as well as the amount of the Company's funds that each recipient used for non-deductible political spending.
>
> 3. The title(s) of the person(s) in the Company who participated in making the decisions to make the political contribution or expenditure.
>
> The report shall be presented to the board of directors' audit committee or other relevant oversight committee and posted on the Company's website."

The ACSR voted 11-0-0 to recommend support. Committee members commented that Verizon currently discloses very little about indirect political spending, and neither does the rest of the telecommunications industry. In accordance with precedent on similar proposals to AT&T and other companies, and in view of Verizon's lack of disclosure on indirect spending, the committee recommendation was unanimous. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

C. Report on Direct and Indirect Contributions and Corporate Values

In recent years, a new front has opened among groups pressuring companies to disclose more information about their political spending, through proposals that seek information related to the alignment of companies' political contributions with their publicly articulated corporate values. Proponents argue that a lack of alignment between espoused values and political contributions could damage shareholder value by exposing a company to undue reputational risk.

In a proposal to Johnson & Johnson on this topic, using new wording, proponents requested

> "that the Board of Directors report to shareholders annually at reasonable expense, excluding confidential information, a congruency analysis between corporate values as defined by J&J's stated policies (including our Climate Friendly Energy Policy, Equal Employment Opportunity Policy, and Statement on Human Right to Water) and Company and JJPAC political and electioneering contributions, including a list of any such contributions occurring during the prior year which raise an issue of misalignment with corporate values, and stating the justification for such exceptions."

CVS Health received a proposal that was identically worded except for specific policies named in the parenthetical clause.

The ACSR voted 0-11-0 to recommend opposing the proposal to Johnson & Johnson, and 0-10-1 to recommend opposition on the proposal to CVS Health, following a precedent to oppose or abstain on proposals for companies to report on congruency between corporate values and political contributions. In reaching these votes, the ACSR considered the companies' existing practices for disclosure on political contributions, the burden that additional polices and reporting could impose, and the level of the company's political expenditures. According to reports by Si2, the practices of Johnson & Johnson's and CVS Health in the area of disclosure on political contributions and lobbying are above average for the S&P 500 and represent good practice. The committee also noted Johnson & Johnson's stated policy of supporting policy related to its business goals in health care and the broad goal of affordable access to quality health care, regardless of party affiliation or positions on other issues. The CCSR voted to oppose both proposals, following the ACSR's recommendation and precedent.

McDonald's also received a proposal, new this year, asking the company to report on the "congruency" between its corporate values and its political contributions:

> "Resolved: Shareholders request that the Board of Directors report to shareholders annually at reasonable expense and excluding confidential information, a congruency analysis between corporate values as defined by McDonald's stated policies, and political contributions or trade association fees paid by the Company occurring during the prior year which raise an issue of misalignment with corporate values, and stating the justification for such exceptions. The report should:
>
> 1. Identify recipient individuals and organizations, as well as the amount paid to each;
> 2. Identify the intersection and areas of conflict between a recipient's policy stances and McDonald's corporate values and mission;
> 3. Include management's analysis of risks to our corporation's brand, reputation, or shareholder value;
> 4. Include coherent criteria for determining congruency, such as identifying policy issues or legislative initiatives considered most germane to corporate values; and
> 5. Based on the above, evaluate the identified incongruent contributions."

The ACSR voted 0-5-5 in a vote split between opposing and abstaining on the resolution. Committee members noted that although political spending by McDonald's is modest compared to the spending of other companies facing resolutions on disclosure, the company also discloses relatively little about its political spending compared to industry peers. Some committee members found the proposal far too detailed in regard to the information it seeks in five specific areas. Those recommending abstention on the proposal explained their position as in favor of disclosure in general and in support of proposals that ask directly for disclosure, rather than by means such as a congruency analysis. Those recommending opposition rejected the proposal as intrusive, difficult to accomplish, and unproductive for the company or shareholders. The CCSR voted to oppose the proposal.

D. End Political Contributions

Proponents of a measure asking Chevron to cease all political contributions appear to believe that the company's reputational risk could be reduced if it did so. The proposal requested

> "that the Board of Directors adopt a policy to refrain from using corporate funds to influence any political election."

The ACSR voted 0-12-0 to recommend opposition to the proposal, following a precedent of opposition to identically worded proposals to Chevron in 2013 and DuPont in

2014. Committee members noted that the proposal would put Chevron at a competitive disadvantage by requiring it to refrain from political spending when its industry peers do not. The CCSR voted to oppose the proposal, following the ACSR's recommendation and precedent of both committees.

II. Environment

The committees considered eighteen proposals that sought to encourage company reporting or action on issues related to the environment.

A. Greenhouse Gas Emissions and Climate Change

1. Adopt Goals to Cut GHG Emissions

Two companies were asked to report on goals for reducing greenhouse gas emissions. The first proposal, presented for the first time to the Southern Company, called for the adoption of goals to reduce the company's greenhouse gas emissions. The proposal requested that the company:

> "adopt absolute, quantitative time-bound goals for reducing total greenhouse gas (GHG) emissions from operations and report to shareholders by November 1, 2015 on its plans to achieve these goals (omitting proprietary information and prepared at reasonable cost.)"

The ACSR voted 12-0-0 to recommend support of the proposal. Since 2009, the ACSR has reviewed and supported eight similar but less specific proposals at other companies. In these recommendations, the committee has considered whether companies have been forthcoming with stated GHG emissions reduction goals and noted the likelihood of federal regulations and further international action on GHG emissions in coming years. Committee members noted that Southern appears to be lagging behind its peers in setting measurable CO2 reduction goals, citing information from Si2 that, in a Ceres assessment of the power generation industry, Southern ranks 26th out of 32 companies for its efforts to generate "cleaner" energy; that Southern has yet to respond to surveys from the Carbon Disclosure Project (to which Harvard Management Company is a signatory), unlike most utilities; and that the company has spent the most among public utilities for lobbying against the EPA's regulations for limiting CO2 emissions. The CCSR voted in favor of the proposal following the ACSR's recommendation.

A proposal to Chevron requested that the Board of Directors

> "adopt long-term, quantitative, company-wide targets for reducing greenhouse gas emissions in products and operations that take into consideration the global commitment (as embodied in the Copenhagen Accord) to limit warming to 2 degrees C and issue a report by November 30, 2015, at reasonable cost and omitting proprietary information, on its plans to achieve these targets."

The ACSR voted 5-2-5 on the proposal, in a split vote. Committee members supported encouraging companies such as Chevron to reduce the carbon footprint of their operations—a goal that Harvard University has also committed to. They noted that Chevron already appears to be strongly committed to reporting on and reducing the greenhouse gases emitted by its operations. As reported by Si2, independent analysts give Chevron a score of 95/100 for its emissions reporting efforts and view its emission reductions policies favorably. As relates to operations, Chevron already appears to be meeting the proposal's requirements. However, the proposal also asks Chevron to estimate and set targets for limiting the greenhouse gas emissions of its products, with the larger aim of limiting global warming to the U.N.-endorsed goal of an increase of 2 degrees Celsius. A number of committee members expressed some support for this aspect of the proposal as a way of sending a message to Chevron about the relationship between the end use of its products and the threat of global warming. However, members who voted to oppose the proposal or abstain on it stated that while they understand that the end use of Chevron's fossil fuel products has a far greater impact on greenhouse gas emissions than Chevron's production operations, they view shareholder resolutions as an ineffective and inappropriate way to address the emissions impact of these products. Based on the ACSR's split vote, the CCSR voted to abstain on the proposal.

2. Report on Methane Emissions

According to an Si2 report, methane is the second most prevalent greenhouse gas and accounts for approximately 9% of all GHG emissions. Although there are natural sources of methane, 39% of emissions come from natural gas production processes, including leaks along natural gas supply lines. The proponents of a resolution to Occidental Petroleum argue that unless companies voluntarily control releases of methane, governmental emissions regulations are likely to be imposed. They requested Occidental to

> “issue a report (by September 2015, at reasonable cost, and omitting proprietary information) for investors that reviews the Company's policies, actions, and plans to measure, disclose, mitigate, and set quantitative reduction targets for methane emissions and flaring resulting from all operations under the company's financial or operational control.”

The ACSR voted (11-0-0) to recommend support, noting the committee’s unanimous support for an identical proposal to Occidental in 2014. Committee members took note of Occidental’s lagging performance, relative to industry peers, in reporting on and mitigating greenhouse gases. For example, the company has received an “E” (on a scale from A to F) for its practices in these areas from the Carbon Disclosure Project. Members noted that measuring methane emissions and mitigating their release has been shown to provide a prompt return relative to the costs. From a business perspective, committee members observed, the proposal’s requirements are more likely to benefit Occidental than to burden it. The CCSR voted in favor of the proposal following the ACSR’s recommendation and precedent of both committees.

3. Report on Plans to Address Climate Change

The proponents of a proposal to Anadarko are concerned about the company’s exposure to the negative impacts of climate change. Proponents maintain that the company’s oil and gas reserves may prove to be unburnable, because of the threat of climate change and changes in how the world’s economies produce energy, and thus become “stranded assets.” They would like to know how Anadarko is preparing for this scenario. The following proposal, which recasts the essence of a related proposal to the company in 2014 in terms of “stranded assets,” was presented:

> “RESOLVED: Shareholders request Anadarko to prepare a scenario analysis report by September 2015, omitting proprietary information, on the company's strategy to address the risk of stranded assets presented by global climate change and associated demand reductions for oil and gas, including analysis of long and short term financial and operational risks to the company.”

The ACSR split on the proposal, voting 4-1-4. The committee voiced continued agreement with the 2014 vote to support a similar but more broadly worded resolution to Anadarko. However, rather than asking for specific information on stranded assets, the 2014 resolution asked the company more generally to “report on company goals and plans to address global concerns regarding fossil fuels and their contribution to climate change, including analysis of long and short term financial and operational risks to the company.” Committee concerns with this year's proposal focused on the request for information about "strategy" and "stranded assets." Members asked whether it is appropriate to request a company to disclose information at this level of detail about its strategies. Those voting in favor wished to support last year's precedent. They viewed the requested report as in keeping with shareholders' legitimate interest in understanding material risks. Those voting to recommend abstention supported the broad aims of the resolution but not the specificity of its wording. It was noted that comparable resolutions at peer companies have not included that wording. The vote recommending opposition was based on an objection to the use of the term "stranded assets," which, in the member's view, could be seen as raising a misleading question about the company's accounting methods in relation to legal requirements for disclosing anticipated material risks. The CCSR voted to abstain on the proposal, in light of the ACSR's split vote.

4. Report on GHG Emissions Resulting From Financial Portfolio

A proposal first submitted to Bank of America in 2014 focused on the company's financing of greenhouse-gas-emissions-intensive industries. The proponents note that while Bank of America provides information about overall exposure to carbon emissions from financing relationships with electric utilities, it does not adequately address emissions from other carbon-intensive industries, such as coal mining, oil and gas production, and fossil fuel-based electric power. Therefore, they do not believe the company gives an accurate assessment of its exposure to climate change risk. The following proposal was presented:

> "RESOLVED: Given the broader societal implications of climate change, shareowners request that the Board of Directors report to shareholders by September 2015, at reasonable cost and omitting proprietary information, Bank of America's assessment of the greenhouse gas emissions resulting from its financing portfolio and its exposure to climate change risk in its lending, investing, and financing activities."

The ACSR voted 0-2-9 to recommend abstention. Members remarked that Bank of America receives good marks for its performance on sustainability reporting. They took note of the committee's 2014 discussion, which cited Bank of America's high score on the Carbon Disclosure Project's annual disclosure questionnaire, its $20 billion commitment to providing support for companies who are developing energy-efficient technologies, and its announced phase-out of financing support for mountain-top-removal coal mining. They commented on the apparent lack of an agreed-upon industry-wide template for reporting on a financing portfolio that is connected with greenhouse gas emissions and risks. Were Bank of America to report on this area, doing so might put the company at a competitive risk relative to its industry peers, in the view of some committee members. While committee members favor the principle of disclosure on company operations related to greenhouse gas emissions, they recommend abstention in this case on the grounds that Bank of America should not be asked to meet a unique reporting requirement for its lending activities, but, rather, should be expected to follow sound industry-wide practices as they evolve. Following the ACSR's recommendation, the CCSR voted to abstain on the proposal.

5. Dividends and Climate Risk

Proponents of a new shareholder resolution linking dividend policy and climate risk, proposed for the first time at Chevron's 2015 meeting, are concerned that climate change, coupled with increasing regulatory efforts to limit greenhouse gas emissions, creates a risk of asset stranding for fossil fuel companies. The resolution requested that Chevron's Board of Directors

> "adopt and issue a dividend policy increasing the amount authorized for capital distribution to shareholders in light of the growing potential for stranded assets and decreasing profitability associated with capital expenditures on high cost, unconventional projects."

The ACSR voted 4-6-2 in a split vote. In discussing this unprecedented proposal, committee members focused on three issues: the state of Chevron's balance sheet; the company's management of the future of its principal asset, fossil fuels; and the appropriateness of the proposal. Members who supported the proposal commented that Chevron's continued heavy investment in what may prove over time to be a dying industry does justify a shareholder demand for a capital distribution and sends a message to the company that it should begin to redirect its capital to investments with a more attractive return in the future than fossil fuels. The committee noted that many observers have come to view major oil companies' investments in alternative energy as token efforts, raising the question, for some committee members, of whether Chevron and its peers in the oil industry have the capacity to change core elements of their business model for a future that may yield less profit from fossil fuels. Among members opposing the proposal, linking assets deemed "stranded" to increased capital distributions to shareholders seemed both intrusive and inappropriate, given that shareholders fully intend to invest in fossil fuels when they invest in Chevron and that the company is likely to remain profitable within any reasonable investment time frame. Those abstaining regarded the concept of shareholders sending a message to the company about the risk of asset stranding as generally appropriate but regarded the proposal's request for a capital distribution to shareholders as an inappropriate remedy. In light of the ACSR's split vote, the CCSR voted to abstain on the proposal.

B. Environment and Agriculture/Forestry

The proponents of a resolution to DuPont are concerned that the company's production of genetically engineered herbicide-resistant crop seed has led to the spread of herbicide-resistant weeds (so-called "monster weeds") and the increased use of herbicides by farmers. According to recent industry reports, approximately sixty million acres of farmland are infested with herbicide-resistant weeds. The proponents would like the company to prepare a comprehensive report on how it monitors herbicide utilization with its seed products. The following proposal was presented:

> "RESOLVED: Shareholders request a comprehensive report by a committee of independent directors of the Board on how DuPont is monitoring herbicide utilization and grower compliance with best practices and adherence to 'technology use agreements' (TUAs**)** with its seed products. Shareholders request the report, at reasonable expense and omitting proprietary information, be completed within one year of the shareholder meeting."

The ACSR voted (6-0-1) to recommend support for the proposal. Committee members took note of the committee's unanimous vote supporting a similar proposal in 2014, and the concern that DuPont's current level of disclosure regarding weed management systems combining herbicides and genetically engineered crops is inadequate. Committee members noted that, facing a similar proposal, Dow agreed to publicly disclose information on its website about grower compliance with its herbicide program, leading to the proposal's withdrawal. Committee members supporting the proposal commented that they did not see the report as posing an undue burden to DuPont, as the company already collects this information. The vote to abstain was based on the view that DuPont already maintains a good system for overseeing customer use of its integrated seed and pesticide systems and that the report would add little to those efforts. The CCSR voted in support of the proposal, following the ACSR's recommendation.

The proponents of a new proposal to PepsiCo are concerned about the effects of neonicotinoids (a class of pesticides which is much more toxic to insects than to mammals or plant life) on bees and other pollinators, and in particular, about the possible relationship of this class of pesticides to the well-documented and widespread "bee colony collapse" phenomenon. In the proposal, proponents asked

> "That by September 1, 2015, the Board publish a report, at reasonable expense and omitting proprietary information that discusses the Company's options for policies, above and beyond legal compliance, to minimize impacts of neonics in its supply chain."

The ACSR voted 0-8-2 (one recusal) to recommend opposition. Committee members noted that the proposal is narrowly focused on neonicotinoids. They also noted the concern that "neonics" may be implicated in bee colony collapse, but observed that, in their view, the research on this serious problem remains inconclusive. Given PepsiCo's generally good record on environmental issues, committee members suggested that the purpose of the proposal is to spur action by a leading company in advance of regulatory action. Those opposing the measure stated that it seems both narrow and ineffective, and that this is more properly a matter for regulatory action. Those abstaining wished to signal that the issue of bee colony collapse is important, that research continues to emerge that implicates neonicotinoids in bee colony collapse, and that the resolution places little burden on the company beyond formally recognizing the concern. The CCSR voted to abstain on the proposal, noting evolving research in this area and the importance of pollinators to agriculture.

Proponents of a new proposal to McDonald's regarding the palm oil supply chain are concerned about tropical deforestation and poor labor standards as palm oil plantations expand to meet rising demand. The resolution requested

> "that the Board prepare an annual public report, by November 31, 2015, at reasonable cost and omitting proprietary information, providing metrics and key performance indicators demonstrating the extent to which the company is curtailing the actual impact of its palm oil supply chain on deforestation and related human rights."

The ACSR voted 10-0-0 to recommend support. Si2 reports that McDonald's is a member of several industry organizations that purport to manage palm oil production responsibly, minimizing deforestation and maintaining acceptable labor standards. The Si2 report also mentions that critics have questioned the depth of the company's commitment to sustainable forestry and fair labor practices in its sourcing of palm oil. The committee noted that on April 21, 2015, McDonald's made a global commitment to end deforestation, effective immediately. The commitment requires an annual report and specifically addresses issues with palm oil production. Committee members voiced support for the proposal on the grounds that it is important to maintain pressure on McDonald's to manage its supply chain in ways that avoid deforestation and that action in this area protects the company against reputational risks. The CCSR voted for the proposal, following the ACSR's recommendation.

C. Genetically Engineered Products

As a result of concerns about the possible negative health impacts of genetically engineered ingredients used in nutritional products, proponents have submitted a variety of resolutions seeking greater disclosure about the presence of these ingredients in those products. In 2015, Abbott Laboratories received a new variant on this type of proposal, requesting not only reporting on genetically engineered ingredients, but information on plans to remove these ingredients from its products:

> "RESOLVED: Shareholders request the Board of Directors to publish within six months, at reasonable cost and excluding proprietary information, a report on genetically engineered ingredients contained in nutritional products sold by Abbott. This report should list Abbott product categories that contain GMOs and estimated portions of products in each category that contain GMOs, and discuss any actions management is taking to reduce or eliminate GMOs from its products, until and unless long-term studies show that the genetically engineered crops and associated farming practices are not harmful to the environment, the agriculture industry, or human or animal health."

The ACSR voted 1-3-6 to recommend abstention. Supporting and abstaining members generally agreed with the proponents' aims and, in particular, the need to set a higher standard for safety in foods for infants. They believed that the requested report would not impose an unreasonable burden on the company, since the European Union, a major market for Abbott Laboratories, already requires labeling of GMO ingredients (and therefore, internal tracking of the presence of these ingredients). In addition, they noted that Abbott's top competitors in the infant formula market already market "GMO-free" formula in the United States. The majority chose to abstain on the proposal, however, based on concern that the second sentence of the proposal, with its emphasis on plans to remove GMOs from products "until and unless long-term studies" indicate that GMOs are not harmful, appears to presume that GMOs are harmful. Those recommending opposition were concerned about the potential to create an undue reporting burden. The CCSR voted to abstain on the proposal, following the ACSR's recommendation.

Proponents of an entirely new proposal on genetically modified crops to McDonald's seek, in contrast to most proposals in this area, to increase awareness of what they regard as the benefits of genetically modified ingredients in food supplies. The proposal

> "urges the Board of Directors to initiate efforts to have McDonald's be more pro-active in educating the American people about the health and environmental benefits of GM ingredients, as well as the potential of GM crops to alleviate worldwide hunger. The proponent also requests that the Board authorize the preparation of a report, at a reasonable cost and excluding proprietary information, within six months of the annual shareholder meeting, detailing the Company's plans to increase its educational activities concerning GMOs."

The ACSR voted 0-9-1 to recommend opposition to the proposal. Committee members noted that the proposal is unusual among resolutions on genetically modified products for its strong support of these products. Committee members who recommended opposing the resolution questioned whether it is in the interests of McDonald's or its shareholders for the company to be an "evangelist" for genetically modified products. The committee member recommending abstention noted reservations about the purpose of the resolution and what it is intended to accomplish and signal. Agreeing with the ACSR's recommendation, the CCSR voted against the proposal.

D. Boards of Directors and the Environment

In presenting proposals asking companies to include environmental experts on boards of directors or establish board-level environmental committees, proponents have taken the view that the environmental challenges facing these companies necessitate board-level involvement and expertise on these matters. A resolution to Chevron, which Si2 describes as "long running," asks that the company specifically include an environmental expert on its board of directors. The proponents believe that having a board member with environmental expertise is critical to Chevron, given the potential for environmental damage stemming from its operations. They point to numerous lawsuits alleging substantial negative impact on the environment, including ongoing litigation regarding the company's former oil exploration and development projects in Ecuador. The following proposal was presented:

> "Therefore, be it resolved: Shareholders request that, as elected board directors' terms of office expire, at least one candidate is recommended who:
> - has a high level of expertise and experience in environmental matters relevant to hydrocarbon exploration and production and is widely recognized in the business and environmental communities as an authority in such field, as reasonably determined by the company's board, and

> - will qualify, subject to exceptions in extraordinary circumstances explicitly specified by the board, as an independent director.
> For these purposes, a director shall not be considered independent if, during the last three years, he or she:
> was, or is affiliated with a company that was an advisor or consultant to the Company;
> - was employed by or had a personal service contracts) with the Company or its senior management;
> - was affiliated with a company or non-profit entity that received the greater of 2 million or 2% of its gross annual revenues from the Company;
> - had a business relationship with the Company worth at least 100,000 annually;
> - has been employed by a public company at which an executive officer of the Company serves as a director;
> - had a relationship of the sorts described herein with any affiliate of the Company; and
> - was a spouse, parent, child, sibling or in-law of any person described above."

The ACSR voted 0-10-2 to recommend a vote against the proposal. In voicing opposition to the proposal, opposing members concurred with the view of the ACSR in 2014 that Chevron already includes environmental expertise as a criterion for choosing board members and that high-level managers in the company have environmental expertise. Members also objected to the proposal's apparent redefinition of the independent director and expressed concerns about creating restrictive requirements for independent directors, given the small share of seats they typically hold on boards. Several members noted that while they support the goal of ensuring high-level expertise and an outside perspective on critical strategic issues at Chevron, the proposal seems roundabout in its pursuit of that goal. Abstaining members noted that while they supported the broad aim of independent environmental expertise at Chevron, they questioned the proposal's approach. Agreeing with the ACSR's recommendation, the CCSR voted against the proposal.

In a related effort to elevate board-level attention to sustainability, PepsiCo received a proposal, under consideration by the ACSR for the first time, requesting the board of directors to:

> "establish a new Committee on Sustainability to more appropriately oversee our company's vision and responses to important matters of public policy and sustainability. Such committee could engage in ongoing review of corporate policies, above and beyond matters of legal compliance, to assess the Corporation's response to changing conditions and knowledge of the natural environment, including but not limited to, waste creation and disposal, natural resource limitations, energy use, waste usage, and climate change."

The ACSR voted 0-10-0 (one recusal) to recommend opposition. This recommendation aligns with the committtee's general precedent of very rarely supporting the creation of board-level committees; for example, the ACSR opposed more detailed proposals before Kimberly-Clark and Intel to create board-level sustainability committees. In these and other recommendations, consideration was given to the degree of company oversight already demonstrably in place. In the case of Pepsico, committee members noted Si2's observation that PepsiCo is regarded as a leader on sustainability issues in its industry and among major global companies. Members also noted the long-standing precedent cited above, and they commented that a sustainability committee seems especially unnecessary for a company which already has best-practice policies and practices and demonstrable board oversight on sustainability matters. The CCSR voted to oppose the proposal, following the ACSR's recommendation.

E. Environment and Compensation

Proponents of resolutions linking executive pay to sustainability metrics or other social-issue measures hope by these means to encourage senior management attention to social issues. A new proposal at ConocoPhillips includes very specific language excluding the use of calculations of oil reserves in executive compensation. The proposal requested

> "that shareholders of ConocoPhillips ('ConocoPhillips') urge the Human Resources and Compensation Committee to adopt a policy that it will not use 'reserve additions,' 'reserve replacement ratio' ('RRR') or any other metric based on reserves to determine the amount of any senior executive's incentive compensation without adjusting reserves to exclude barrels of oil equivalent that are not economically producible under a Demand Reduction Scenario in which the price of a barrel of Brent crude oil decreases to $65 (the price used by Standard & Poor's) by 2020 and remains flat thereafter."

The ACSR voted 0-9-0 to recommend a vote against the resolution. The ACSR has considered over two dozen resolutions linking executive pay to a variety of metrics, typically in the social realm, since 2001, with votes reflecting close attention to each proposal's wording and the company's specific situation rather than setting a precedent for supporting or opposing such proposals. In this case, the committee noted that ConocoPhillips has a broad, diverse, and robust set of metrics in place to determine executive compensation and that this particular measure contributes minimally to the overall calculation. Given the many factors that contribute to ConocoPhillips' executive compensation plans, the committee questioned whether adjusting the calculation of this specific measure would have much impact on what appears to be the proponents' larger goal of promoting sustainable practices at ConocoPhillips. Some committee members also took the view that the resolution intrudes upon the executive compensation system at a level of detail that is not appropriately addressed by shareholder action. The CCSR voted to oppose the proposal, following the ACSR's recommendation.

A proposal before Walgreens Boots Alliance requested in much more general terms that sustainability be used as one of the ways in which the company assesses the performance of senior executives:

> “RESOLVED: That the shareholders of Walgreens Co. request the Board's Compensation Committee, when setting senior executive compensation, include sustainability as one of the performance measures for senior executives under the Company's incentive plans. Sustainability is defined as how environmental and social considerations, and related financial impacts, are integrated into corporate strategy over the long term.”

The ACSR voted 9-0-3 to recommend support of the proposal. According to Si2, 42% of companies in the S&P 500 use social and environmental criteria in compensation plans for senior executives, and 70% of Walgreens’ peer companies do so. Committee members noted that Boots Alliance, which recently merged with Walgreens, has established a better reputation than Walgreens for its management of social and environmental issues and was generally viewed as progressive in the social responsibility realm. Members who recommended support observed that the proposal is carefully worded to give the board’s compensation committee broad discretion about how to incorporate sustainability factors as performance measures for senior executive compensation. Members voting to recommend abstention favor the proposal’s aim of encouraging increased attention to sustainability at Walgreens Boots Alliance, but see the proposal as ineffective in achieving that aim. The CCSR voted in favor of the proposal, following the ACSR’s recommendation.

F. Hydraulic Fracturing

Demand for natural gas has led to an increase in extraction of gas from unconventional sources and by complicated extraction techniques, including hydraulic fracturing. The proponents of a resolution to Chevron are concerned about the potential environmental, health, and social impacts of hydraulic fracturing operations. In particular, they are concerned about contamination of ground and surface water from chemicals used in the fracturing process, the emission of toxins into the air, including methane (a potent greenhouse gas), and the disruption of large tracts of land, which can dramatically change the character of rural and residential areas.

The proposal requested that the Board of Directors

> "report to shareholders via quantitative indicators on all shale plays where it is operating, by September 30, 2015, and annually thereafter, the results of company policies and practices, above and beyond regulatory requirements, to minimize the adverse water resource and community impacts from the company's hydraulic fracturing operations associated with shale formations. Such reports should be prepared at reasonable cost, omitting confidential information."

The ACSR voted (11-0-1) to recommend support. The ACSR has voted unanimously to support six similar proposals to Chevron, ExxonMobil, and Occidental since 2011, after a split vote in 2010 on its first fracking proposal. In considering these proposals, the committees considered factors such as company lobbying activity against disclosure about fracking, current company disclosure on its fracking operations, and the lack of company information about chemical additives used in the injection process which are receiving health and regulatory scrutiny. Discussing this proposal, committee members noted that, according to Si2, observers place the company in the middle of the pack among oil majors in the realm of fracking disclosure. Committee members observed that while Chevron has not been a specific target of opposition to fracking, this extraction approach could invite increased scrutiny and possible long-term regulatory and litigation risks for companies. Committee members voiced support for pursuing shareholder engagement to press for environmental responsibility and for encouraging Chevron to approach fracking with a strong emphasis on safety and the avoidance of reputational, environmental, and litigation risks. The CCSR voted in favor of the proposal following the ACSR's recommendation.

G. Report on Recycling Policy

The proponents of a proposal to Mondelēz International (formerly Kraft) would like the company to consider stronger environmental policies regarding its beverage containers. In recent years, according to Si2, Mondelēz has been successful in eliminating millions of pounds of packaging material from its supply chain, and employs "lifecycle principles" to use less material and more recycled content to help reduce energy use and greenhouse gas emissions. The proponents point out, however, that a significant amount of the company's packaging is not recyclable, and that the company has actually increased non-recyclable packaging for some of its snack products. The proposal specifically requested that the company

> "issue a report at reasonable cost, omitting confidential information, by October 1, 2015, assessing the environmental impacts of continuing to use non-recyclable brand packaging."

The ACSR unanimously voted (10-0-0) to recommend support. The committee favored supporting the proposal because of past precedent and because the proposal's requirements are relatively easy for Mondelēz to meet, while potentially yielding information of value to managing environmental impacts and reputational risks. Committee members noted the proponents' concerns about harms caused by non-degradable packaging waste in the ocean. The CCSR voted in favor of the proposal following the ACSR's recommendation and precedent of both committees on similar proposals to the company in 2013 and 2014.

H. Sustainability Reporting

The proponents of a proposal to Gilead Sciences believe that there is a strong link between how companies manage sustainability issues and the value they generate for stakeholders. Using language similar to many proposals considered by the ACSR since 2003, the proposal requested Gilead to

> "issue an annual sustainability report. The report should be prepared at a reasonable cost, omit proprietary information, and be made available to shareholders by June 2015."

The ACSR voted 11-0-0 to recommend support. Committee members expressed support for the proposal because sustainability reports have become best practice among Gilead's peer companies and because there appears to be no detriment to the company in preparing such a report. It was noted that with the onset of shared reporting frameworks such as those developed by the Sustainability Accounting Standards Board and the Global Reporting Initiative, companies are able to provide investors and other interested parties with information that is comparable across an industry, increasing such reports' usefulness and reducing aspects of possible reporting burdens and risks. Following the recommendation of the ACSR, the CCSR voted in favor of the proposal.

III. Equal Employment

A. Adopt policy to report on EEO practices

The proponent of a resolution to American Express is concerned that minorities and women have consistently been underrepresented in management jobs in the financial services industry, particularly in senior positions. Although acknowledging that American Express appears to have a good record with regard to diversity issues, the proponent believes that the company does not adequately disclose data about the makeup of its workforce. The resolution requested that the company

> "adopt and enforce a policy requiring American Express Company (the 'Company') to disclose annually its EEO-1 data—a comprehensive breakdown of its workforce by race and gender according to 10 employment categories—in its corporate responsibility report, beginning in 2015."

The ACSR voted (6-1-0) to recommend a vote in favor. ACSR members strongly support transparency with regard to EEO practices, and note that the requested information is already compiled by the company for government reporting. The vote recommending opposition was based on the view that the company already exemplifies best practices in diversity and inclusion in its industry. The CCSR voted in favor of the proposal following the ACSR's recommendation and precedent of both committees.

B. Adopt fair employment principles

The proponent of the "Holy Land Principles" resolution, brought before General Electric and Intel, is concerned that labor practices discriminate against Palestinians in Israel. The proposal, the first of its kind, is seen by Si2 as an outgrowth of over a decade of shareholder activism based on concerns about U.S. business dealings with Israel. The Holy Land Principles advanced in the proposal are fair employment guidelines modeled on the Sullivan Principles, issued in 1977 to apply economic pressure on South Africa to end apartheid, and the MacBride Principles, fair employment principles launched in 1984 to apply pressure on companies operating in Northern Ireland to combat workplace discrimination against Catholics. Si2 indicates that the Israeli constitution bans discrimination and that the U.S. State Department cites strong affirmative action policies in the civil service as an example of active efforts in Israel to work against discrimination. At the same time, according to Si2, among the country's large Arab Israeli minority, unemployment is high and 22% of employers report discrimination against Arab Israelis. The proposal requested

> "the Board of Directors to: Make all possible lawful efforts to implement and/or increase activity on each of the eight Holy Land Principles."

The ACSR voted 0-8-2 to recommend opposition. ACSR members noted Si2's finding that since 2007 General Electric has adopted and updated global human rights and employment principles and practices, aligning its human rights and employment policies with the UN's Universal Declaration on Human Rights, and took note of an American Friends Service report that finds the Holy Land Principles to be weaker in many respects than General Electric's policies. They noted that although General Electric has implemented tailored employment policies in the United Arab Emirates, China, and Myanmar, the company's footprint in each of these countries is much larger than in Israel, where the company has only 400 employees. Committee members recommending abstention appreciated the proponent's concerns, but do not believe that adoption of the proposal by General Electric offers an effective approach for addressing human rights and equal employment issues in Israel and Palestine. Following the ACSR's recommendation, the CCSR voted against the proposal.

On an identical proposal submitted to Intel, the ACSR voted 0-10-0 to recommend opposition. The committee noted Intel's strong global principles and policies on discrimination, which broadly align with the proponent's Holy Land Principles. Unlike General Electric, which faced the same proposal earlier this year, Intel has a large work force in Israel and is the largest high-tech employer of Arab Israelis in the country. Members questioned whether it would be in the best interests of shareholders or the company to impose what appears to be a redundant set of employment principles on Intel. Following the ACSR's recommendation, the CCSR voted against the proposal.

C. Gender Pay Parity

A new proposal to eBay arose out of proponents' concerns that companies in technology industries are not adequately addressing the issue of pay parity for women. The proposal asked eBay to:

> "prepare a report by September 2015, omitting proprietary information and prepared at reasonable cost, on the Company's policies and goals to reduce the gender pay gap."

The ACSR voted 8-1-2 to recommend support for the proposal. While there is no direct precedent for this proposal, the committee took note of more broadly worded proposals to MBNA, Merck, and duPont which the committee supported in 2001 and 2002, seeking reporting on executive compensation by gender and race. Considering this proposal, committee members commented that the gender pay gap is widely prevalent and well-documented and voiced support for the general principle of more equal pay. Members commented that most large companies are likely to have undertaken research on this topic as a preemptive risk management measure, and that the requirements of this proposal are not onerous or intrusive. Opposition to the resolution was based on the view that the resolution would not contribute to the reduction of the gender pay gap and that compensation matters fall within management's purview. The abstentions were based on the view that while the principle behind the resolution is worthy of support, the proposal appeared to pose more risk than benefit for the company. Following the ACSR's recommendation, the CCSR voted to support the proposal.

IV. Internet, Data Security, and Social Media

A. Report on Privacy and Data Security Policies

According to Si2, the proponents of a proposal first presented to American Express in 2014 are concerned about identity theft and reports that government agencies (both in the U.S. and abroad) collect credit card data that may include personal information. They would like a report on how the company oversees privacy and data security risks, especially with regard to sharing information with the U.S. or foreign governments. The proposal asked the company to

> "publish an annual report explaining how the Board is overseeing privacy and data security risks, providing metrics and discussion, subject to existing laws and regulation, regarding requests for customer information by U.S. and foreign governments, at reasonable cost and omitting proprietary information."

The ACSR voted 7-0-0 to recommend a vote in favor of the proposal. The recommendation is a shift from the committee's 2014 vote recommending abstention. Committee members noted that American Express follows good practice in managing data security and reporting to customers on security breaches. Additionally, according to research from Si2, company policy includes informing customers if their data is being sent overseas. However, the company's management of matters related to protecting customer data from government requests appears to lag behind other companies in related industries. Committee members also remarked that this remains a complex area to analyze or set policy in and that direct comparisons for American Express are lacking. Committee members expressed support for the proposal on the grounds that it does not ask too much of American Express and that the information is of a kind that would be useful for shareholders, and customers, to know. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

B. Net Neutrality

A resolution to Verizon addressed the concept of net neutrality, whereby all content providers are treated equally by Internet service providers. The proponents believe that Verizon's commitment to fair and equal access to the Internet preserves free speech and is critical to the company's success. They would like Verizon to report on its efforts to uphold net neutrality principles, both for its wired and wireless communication products. The proposal called on the company to

> "report by October 2015 (at reasonable cost and omitting proprietary and confidential information) how Verizon is responding to regulatory, competitive, legislative and public pressure to ensure that its network management policies and practices support network neutrality, an Open Internet and the social values [described above]."

The ACSR voted 9-1-1 to recommend support. The vote of support represents a shift from opposition to a similar proposal in 2013 and abstention on a similar proposal in 2014. In discussing this proposal, committee members took note, as previous committees have, of the technical complexity underlying the concept and practice of net neutrality, as well as the recent shift at the FCC, driven by public opinion, toward regarding content delivery over the Internet as resembling a public utility. Committee members who supported the proposal believe that net neutrality is preferable to a system which prioritizes rapid information delivery for content providers who pay carriers more. The vote to abstain on the resolution was based on the view that while net neutrality is an extremely important and desirable policy, it should be imposed by the regulator (the FCC); individual firms should not be bound to this standard when their competitors are not. The vote to oppose the resolution was based on the view that it calls upon company resources and time without contributing usefully to progress on this issue. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

V. Health Care

Proponents of a resolution to Gilead Sciences are concerned about the high prices of prescription medications, arguing that they restrict access to important drugs. The proposal, which is new, asked

> "the Board of Directors to report to shareholders by December 31, 2015, at reasonable cost and omitting confidential or proprietary information, on the risks to Gilead from rising pressure to contain U.S. specialty drug prices. Specialty drugs, as defined by the Center for Medicare and Medicaid Services, are those that cost more than $600 per month. The report should address Gilead's response, if any, to risks created by:
>
> - The relationship between Gilead's specialty drug prices and each of clinical benefit, patient access, the efficacy and price of alternative therapies, drug development costs and the proportion of those costs borne by academic institutions or the government;
> - Price disparities between the U.S. and other countries and public concern that U.S. patients and payers are shouldering an excessive proportion of the cost burden;
> - Price sensitivity of prescribers, payers and patients; and
> - The possibility that pharmacoeconomics techniques such as cost-effectiveness studies will be relied on more by payers in making specialty drug reimbursement decisions."

The ACSR voted 0-2-9 to recommend abstention. Last year, in an effort to address concerns about the high price of prescription medications, Gilead Sciences received a proposal seeking to link executive compensation and patient access to company medications. The ACSR abstained, on the grounds that while access to expensive medications is an important concern, the proposal was ineffective. This year, the committee noted that under current policy, high pharmaceutical pricing in the United States is in part a consequence of a tiered pricing system that subsidizes low-cost pricing of the same drugs in developing countries. In addition, the profits on effective "blockbuster" drugs help fund research and development—a critical need, given the relatively small number of drugs that emerge successfully from R&D and the lack of other funding for this research. While committee members favored the principle of lower drug prices and increased access in the U.S., they voiced uncertainty about approaching the matter through shareholder action rather than changes in policy. Those abstaining supported the principle behind the proposal but viewed the proposal as ineffective in addressing it; those opposing did not support shareholder action as a remedy for concerns about drug pricing. The CCSR voted to abstain on the proposal, following the ACSR's recommendation.

VI. Charitable Contributions

The proponent of a resolution to Chevron contends that the company does not provide enough information about its charitable giving to allow shareholders to evaluate "the proper use of corporate assets by outside organizations and how those assets should be used." The proposal asked that the company

> "list the recipients of corporate charitable contributions or merchandise vouchers of $5,000 or more on the Company website."

The ACSR unanimously voted (0-12-0) to recommend opposition to the proposal. According to Si2, Chevron has policies that govern corporate charitable giving and the company already provides information about charitable contributions in reports to shareholders. In voting to recommend opposition to the proposal, committee members stated that Chevron appears to be generous in its charitable contributions and well within industry norms both for the types of programs it supports and how it reports on its contributions. Members viewed the proposal as narrow and motivated by an agenda which the proponent does not adequately specify. The CCSR voted against the resolution following the ACSR's recommendation and precedent of both committees.

VII. Plant Closings

The proponents of a resolution to DuPont would like the company to adopt a more formal process for plant closings and layoffs that would include the involvement of employees and union representatives. Specifically, the proposal called on the company to

> "consider the following nonbinding proposal: That it create a committee, with members drawn from the employee work force of DuPont, the union leadership of DuPont, the management of DuPont, and any necessary independent consultants, to report to the Board of Directors regarding:
>
> **1)** The impact to communities as a result of DuPont's action in laying off mass numbers of employees, selling its plants to other employers, and closing its plants
> **2)** Alternatives that can be developed to help mitigate the impact of such actions in the future."

In a shift, the ACSR voted 1-6-1 to recommend a vote against the proposal, which the committees considered in three previous years, choosing to abstain. Committee members expressed sympathy with proponents' concerns about the ongoing impact of DuPont's restructuring on jobs and communities. However, they also noted, as did last year's ACSR, that DuPont appears to have already implemented a range of structures and processes for bringing together all parties affected by layoffs and plant closings to determine ways to mitigate the impact of these actions. Members voting against the measure questioned whether it would provide additional help to union efforts to protect communities and jobs. The committee member voting in favor asked why, if the company is already doing all the right things to mitigate the impact of restructuring, proponents have brought this measure forward. This supporting member underscored that long-term company interests are best served by minimizing harm to surrounding communities. The committee member abstaining expressed support for the aim of the resolution but was uncertain about its specific effectiveness in mitigating the impacts of restructuring. The CCSR voted to oppose the resolution, following the ACSR's recommendation.

VIII. Board Oversight of Social Issues

The proponent of a proposal asking IBM to establish a public policy committee on social issues appears to be seeking greater board oversight of human rights and free speech issues. The proposal made the following request:

> "that International Business Machines Corporation (IBM) establish a Public Policy Committee to assist the Board of Directors in overseeing IBM's policies and practice that relate to public issues including human rights, corporate social responsibility, supplier chain management, charitable giving, political activities and expenditures, government regulations and especially international relations that may affect IBM's operations, performance, reputation and shareholders' value."

The ACSR voted 0-11-0 to recommend opposition. ACSR members noted that it is a best practice, at board level, to have oversight of sustainability issues. However, they noted that IBM already has a board committee in place with responsibility for overseeing sustainability matters, and that Si2's research indicates that IBM, like the other companies that received this resolution from this proponent this year, is already at "best practice" level in this area. Some members commented on the proposal's lack of specific focus; it appears to ask for broad oversight in areas IBM already has oversight for, while also identifying human rights and supplier chain management as particular areas of concern. For these reasons, committee members found the resolution redundant and likely to impose an unnecessary additional burden on the company. The CCSR voted to oppose the proposal, following the ACSR's recommendation.

CONCLUSION

The CCSR would like to thank the members of the ACSR for their hard work and generous time commitment during the 2015 proxy season, with special thanks to the outgoing ACSR Chair, Professor Carliss Y. Baldwin, William L. White Professor of Business Administration, Harvard Business School, for her leadership over the past two years. The CCSR relies heavily upon the ACSR's analyses of issues and voting recommendations. The ACSR's careful examination of the circumstances surrounding each case greatly strengthens the quality of Harvard's voting process. We look forward to working with continuing members of the ACSR in the coming year.

Appendix A
2015 Proxy Season Summary

Company	Resolution	Company Meeting Date	ACSR Recommendation	CCSR Vote
1. Johnson & Johnson	Congruency analysis of values, political spending	April 23, 2015	0-11-0	Oppose
2. Lockheed Martin	Report on lobbying	April 23, 2015	11-0-0	In favor
3. Pfizer	Report on indirect lobbying	April 23, 2015	10-0-1	In favor
4. General Electric	Implement Holy Land Principles	April 24, 2015	0-8-2	Oppose
5. Abbott Laboratories	Report on genetically modified ingredients	April 24, 2015	1-3-6	Abstain
6. AT&T	Report on indirect political contributions	April 24, 2015	11-0-0	In favor
7. AT&T	Report on lobbying	April 24, 2015	11-0-0	In favor
8. Boeing	Report on lobbying	April 27, 2015	11-0-0	In favor
9. Honeywell	Report on lobbying	April 27, 2015	11-0-0	In favor
10. IBM	Establish public policy committee	April 28, 2015	0-11-0	Oppose
11. IBM	Report on lobbying	April 28, 2015	11-0-0	In favor
12. Citigroup	Report on lobbying	April 28, 2015	10-0-0	In favor
13. Wells Fargo	Report on lobbying	April 28, 2015	11-0-0	In favor
14. Occidental	Report on methane emissions	May 1, 2015	11-0-0	In favor
15. Occidental	Report on indirect lobbying	May 1, 2015	11-0-0	In favor
16. eBay	Report on female pay disparity	May 1, 2015	8-1-2	In favor
17. Gilead Sciences	Report on pharmaceutical pricing	May 6, 2015	0-2-9	Abstain
18. Gilead Sciences	Publish sustainability report	May 6, 2015	11-0-0	In favor
19. PepsiCo	Board committee on sustainability	May 6, 2015	0-10-0	Oppose
20. PepsiCo	Report on supplier pesticide use	May 6, 2015	0-8-2	Abstain
21. Bank of America	Report on GHG emissions and finance	May 6, 2015	0-2-9	Abstain
22. Bank of America	Report on lobbying	May 6, 2015	11-0-0	In favor
23. Verizon	Report on net neutrality	May 7, 2015	9-1-1	In favor
24. Verizon	Report on indirect political spending	May 7, 2015	11-0-0	In favor
25. CVS Health	Adopt policy on values, political spending	May 7, 2015	0-10-1	Oppose
26. United Parcel Service	Report on lobbying	May 7, 2015	11-0-0	In favor
27. American Express	Disclose EEO-1 data	May 11, 2015	6-1-0	In favor
28. American Express	Report on privacy and data security	May 11, 2015	7-0-0	In favor
29. American Express	Report on lobbying	May 11, 2015	7-0-0	In favor
30. Anadarko	Report on carbon risk	May 12, 2015	4-1-4	Abstain
31. ConocoPhillips	Report on lobbying	May 12, 2015	7-0-0	In favor
32. ConocoPhillips	Link executive pay to reserve metrics	May 12, 2015	0-9-0	Oppose
33. DuPont	Report on lobbying	May 13, 2015	7-0-0	In favor
34. DuPont	Report on grower compliance(pesticide monitoring)	May 13, 2015	6-0-1	In favor
35. DuPont	Report on plant closures	May 13, 2015	1-6-1	Oppose

36.	JP Morgan Chase	Report on lobbying	May 19. 2015	10-0-0	In favor
37.	Morgan Stanley	Report on lobbying	May 19, 2015	10-0-0	In favor
38.	Mondelēz International	Report on packaging	May 20, 2015	10-0-0	In favor
39.	Comcast	Report on lobbying	May 21, 2015	10-0-0	In favor
40.	Intel	Implement Holy Land Principles	May 21, 2015	0-10-0	Oppose
41.	McDonald’s	Congruency analysis on values, political spending	May 21, 2015	0-5-5	Oppose
42.	McDonald’s	Proactive GMO education project	May 21, 2015	0-9-1	Oppose
43.	McDonald’s	Report of metrics and KPIs for palm oil	May 21, 2015	10-0-0	In favor
44.	Chevron	Disclosure of charitable contributions	May 27, 2015	0-12-0	Oppose
45.	Chevron	Report on lobbying	May 27, 2015	12-0-0	In favor
46.	Chevron	Cessation of political contributions	May 27, 2015	0-12-0	Oppose
47.	Chevron	Dividend policy, stranded assets	May 27, 2015	4-6-2	Abstain
48.	Chevron	Targets for reducing GHG emissions	May 27, 2015	5-2-5	Abstain
49.	Chevron	Report on shale energy operations	May 27, 2015	11-0-1	In favor
50.	Chevron	Designate independent chairman	May 27, 2015	0-10-2	Oppose
51.	Southern Company	GHG emissions reduction goals	May 27, 2015	12-0-0	In favor
52.	Walgreens Boots Alliance	Link pay to sustainability goals	May 28, 2015	9-0-3	In favor
53.	Raytheon	Report on lobbying	May 28, 2015	10-0-0	In favor
54.	Raytheon	Report on direct and indirect political spending	May 28, 2015	12-0-0	In favor