Harvard University

Corporation Committee on Shareholder Responsibility

Annual Report 2015-2016

CCSR Members (2015-2016)

William Lee, Chair
Nannerl Keohane
Paul Finnegan
Jessica Mathews

Secretaries to the Committee:

Owen Andrews, Jeffrey Caldwell

Corporation Committee on Shareholder Responsibility

Annual Report, 2015-2016

Introduction

In 1972 Harvard established two committees to assist the University in addressing its ethical responsibilities in voting corporate proxies on issues of social responsibility: 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]

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

[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.

analyses of issues of social concern and corporate responsibility raised through the proxy process.

2016 Proxy Season

During the 2016 proxy season (the period between March and June when many publicly traded corporations hold annual meetings), the committees considered seventy-seven proposals dealing with issues of social responsibility that were addressed to corporations whose securities were owned directly by Harvard.[2] Issues raised through the proxy process this year included corporate political contributions and lobbying; executive compensation; labor standards; health-care product safety; human rights; equal employment; animal welfare; defense and security issues; internet policies on privacy and neutrality; and corporate environmental reporting and practices on a wide range of issues, including global warming, hydraulic fracturing, board-level environmental expertise, and deforestation and the palm oil supply chain. New topics addressed in 2016 included government service "golden parachutes" for financial services executives, safe drug disposal policy, and military sales to Israel.

Number of Social Issues Proposals considered by both committees since 2007

Year	Total Voted
2007	130
2008	111
2009	19*
2010	26*
2011	38
2012	41
2013	56
2014	56
2015	54
2016	77

*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.

[2] Thirty-four additional shareholder proposals were received after the ACSR meetings ended. Votes on eighteen proposals followed both ACSR and CCSR precedent. In the remaining sixteen instances there was no clear precedent and an abstention was submitted.

I. Corporate Political Spending

The number of shareholder proposals addressing concerns about corporate political spending has increased greatly since 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. Proponents of resolutions requesting disclosure of indirect political spending, including contributions to trade associations and other business organizations, are also concerned about industry-funded organizations such as the American Legislative Exchange Council (ALEC), which engage in the drafting of "model legislation" which they then seek to include in the legislative drafting process in state legislatures and the U.S. Congress. In 2016, nearly one-third 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 Sustainable Investments Institute (Si2), ninety percent 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 legislators. In 2016, 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.

The ACSR voted in favor of proposals to Citigroup (12 in favor-0 opposed-0 abstaining), Wells Fargo (12-0-0), Honeywell (12-0-0), AT&T (9-0-0), Pfizer (9-0-0), Johnson & Johnson (9-0-0), General Electric (9-0-0), Boeing (11-0-0), American Express (11-0-0), Verizon (11-0-0), United Parcel Service (11-0-0), Abbvie (11-0-0), Comcast (11-0-0), and Chevron (4-0-0). Committee members noted their support for and agreement with the ACSR and CCSR's strong past precedent in support of identical and very similar proposals. They agreed 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 affirmed 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 most firms engage in some disclosure of spending on political contributions and lobbying, many 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 on such issues. Given that none of the companies receiving these resolutions have been willing to share details about their lobbying practices, the ACSR 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 two substantially similar proposals, to IBM and ConocoPhillips, requesting that the Board:

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. Description of the decision making process and oversight by management and the Board for making payments described in section 2 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 lobbying at the local, state and federal levels.
>
> The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on the company's website.

These two proposals differ from the larger set of lobbying proposals above only in the omission of the request for information about contributions to organizations that prepare model legislation. The ACSR voted 12-0-0 to recommend a vote in favor of the proposal to IBM and 9-0-0 to recommend a vote in favor of the proposal to ConocoPhillips. As with the larger set of similar lobbying proposals, members cited strong precedent of both committees and concerns with transparency about political contributions in recommending support. The CCSR voted in favor of the proposals following the ACSR's recommendations and precedent of both committees.

A proposal on lobbying to Occidental Petroleum focused on indirect support for lobbying through membership in organizations such as trade associations. The proposal requested that:

> the Board of Directors initiate a review and assessment of organizations in which Occidental Petroleum 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 voted 9-0-0 to recommend a vote in favor of the proposal, citing past precedent on this proposal and others that seek greater disclosure on political spending. Members noted that the company spends heavily on political matters when compared with industry peers – more than six times as much, normalized by revenue, as the industry average, according to Si2. Members observed as well that the requirements of the proposal are relatively modest, since the company already tracks the requested information. They agreed with the view of past committees that such disclosure serves shareholder interests by shedding light on company use of funds on matters not directly related to core business activities. The CCSR voted in favor of the proposal, following the ACSR's recommendation and strong precedent of both committees.

B. Review/report on political spending

The committees considered four proposals asking companies to report on direct and indirect expenditures aimed at supporting or opposing candidates for public office or influencing the public in an election. One, to Allstate, requested 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 and posted on the Company's website.

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal. The committee based its recommendation on strong past precedent supporting proposals of this type and on a review of Allstate's current disclosure policies and practices in the realm of political spending. ACSR members noted the committee's support for proposals with identical wording to Allstate and three other companies in 2013 and 2014. The CCSR voted in favor of the proposal, following the ACSR's recommendation and strong precedent of both committees.

Related proposals to AT&T and Verizon focused only on indirect political contributions, requesting:

> a report, updated semi-annually, disclosing the Company's:
>
> 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 9-0-0 to recommend a vote in favor of the proposal to AT&T and 11-0-0 to recommend a vote in favor of the proposal to Verizon. Members cited strong past precedent on this type of proposal and the companies' lack of disclosure about several aspects of their political spending, including membership in lobbying organizations. As in 2015, members pointed to AT&T's high level of direct and indirect political contributions; according to Si2, the company, which spent $84 million on lobbying from 2011 through 2015, had the thirteenth highest rate of spending on federal lobbying in 2015, the 18th highest in 2014, and the 11th highest in 2013. Members also noted the lack of SEC action on this front and the value to investors of having information on company political spending. The CCSR voted in favor of both proposals, following the ACSR's recommendation and strong precedent of both committees.

A proposal to Amazon.com on indirect political contributions requested

> that Amazon.com, Inc. ("Amazon" or "Company") provide a report, updated semiannually, that discloses the Company's:
>
> (a) Policies and procedures for making political contributions and expenditures with corporate funds (both direct and indirect), including the Board's role (if any) in that process, and
>
> (b) Monetary and non-monetary political contributions or expenditures that cannot be deducted as an "ordinary and necessary" business expense under section 162(e) of the Internal Revenue Code ("IRC").
>
> This would include (but not be limited to) contributions to or expenditures on behalf of political candidates, parties, or committees, and other entities organized and operating under IRC section 501(c)(4); as well as the portion of any dues or payments that are made to any tax-exempt organization (such as a trade association) that are used in a way that, if made directly by the Company, would not be deductible under IRC section 162(e).
>
> The report shall be made available within 12 months of the annual meeting and should identify all recipients, as well as the amount(s) paid to each recipient from Company funds.

The ACSR voted 9-0-0 to recommend support for the proposal. Members noted strong precedent in support of similar proposals to Amazon in 2012, 2013, and 2014. They remarked upon information from Si2 regarding the relatively low amounts of Amazon's political contributions and the company's focus on state elections in Washington state and California. Members remarked that while the company's current political expenditures appear to be low, Amazon could choose to spend more at any time. Observing that its disclosure practices on political contributions are similar to other firms, members expressed continued support for the concept of greater transparency in this area. The CCSR voted in favor of the proposal, following the ACSR's recommendation and precedent of both committees.

C. Report on direct and indirect contributions and corporate values

In recent years, an increasing number of proposals have sought 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 2016, the ACSR considered three related proposals on political contributions and corporate values. The first, to Coca-Cola, requested that

> the Board of Directors report to shareholders annually at reasonable expense, excluding any proprietary information, a congruency analysis between corporate values as defined by Coca Cola's stated policies (such as those listed in the "Public Policy: U.S. Focus" section of the Company website) and Company (and its affiliated PACs) electioneering contributions and policy activities. The report should contain a list of any such contributions or actions occurring during the prior year that raise an issue of misalignment with corporate values, and stating the justification for such exceptions.

The ACSR voted 0-11-1 to recommend a vote opposing the resolution, voicing agreement with recent precedent. In recent years, the ACSR and CCSR have considered and opposed three very similar proposals addressing the congruency between companies' stated corporate values and their spending in support of policy and political aims. Reviewing the Coca-Cola proposal, members argued that the congruency analysis creates a reporting burden. They noted that Coca-Cola appears to contribute even-handedly to both major political parties and questioned whether it is practicable for organizations to seek perfect alignment between their views and those of candidates or organizations they support. The member recommending abstention expressed support for the broad concept of transparency about political contributions is worthy of support, but questioned whether approaching this goal through an open-ended "congruency" analysis is appropriate. The CCSR voted to oppose the proposal, following the ACSR's recommendation and precedent of both committees.

A resubmission of a 2015 proposal to CVS 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 CVS's stated policies (including our Environmental Commitment Statement and our employment policy

> on Equal Opportunity) and Company and CVS EPAC 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.

The ACSR voted 1-8-2 to recommend a vote against the proposal. Members who opposed the resolution expressed strong support for past precedent, noting in particular the reporting burden of a congruency analysis. The member recommending support found the request reasonable in light of the committees' support for transparency and disclosure. Those recommending abstention agreed that from the standpoint of reputational risk, companies should be aware of the alignment between their corporate values and those of organizations they support, but viewed the proposal as flawed. The CCSR voted against the proposal, following the ACSR's recommendation and precedent of both committees.

A similar proposal to McDonald's requested that

> the Board of Directors report to shareholders annually at reasonable expense, excluding any proprietary information, a congruency analysis between corporate values as defined by McDonald's stated policies (including the Company's annual reports) and the Company's policy activities, including a list of any such actions occurring during the prior year which raise an issue of misalignment with corporate values, and stating the justification for such exceptions.

The ACSR voted 0-4-0 to recommend opposition to the proposal, affirming precedent and committee views expressed in discussions of similar proposals at Coca-Cola and McDonald's. The CCSR voted against the proposal, following the ACSR's recommendation and past precedent of both committees.

A resubmission of a longer 2015 proposal to McDonald's requested 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 0-3-1 to recommend opposition to the proposal, taking note of precedent in 2016 and 2015 on similar proposals. The member recommending abstention thought that supporting the proposal's intent would be consistent with the committees' strong precedent on disclosure, but that it is overly prescriptive in its current form. The CCSR voted against the proposal, following the ACSR's recommendation.

II. Environmental Issues

The committees considered eighteen proposals that sought to encourage company reporting or action on issues related to the environment. Reflecting a leading concern among shareholder activists, fifteen of these proposals addressed the issue of climate change; of those, four were at Chevron, three at other oil and gas companies, and four at energy utilities.

A. Climate Change

1. Report on plans to address climate change

Five proposals sought reports from companies about the effect climate change-related policies might have upon their business. Three of the proposals sought to connect company reporting with the outcome of the Paris Agreement, and referenced aims articulated by the International Energy Agency (IEA) to limit atmospheric carbon dioxide to 450 parts per million and a possible increase in global temperature to 2 degrees Celsius. A proposal submitted to Occident Petroleum and Chevron requested that:

> [the company], with board oversight, publishes an annual assessment of long-term portfolio impacts of public climate change policies, at reasonable cost and omitting proprietary information. The report should explain how current capital planning processes and business strategies incorporate analyses of the short- and long-term financial risks of a lower carbon economy. Specifically, the report should outline how the company is evaluating the impacts of fluctuating demand and price scenarios on the company's existing reserves and resource portfolio - including the International Energy Agency's "450 Scenario," which sets out an energy pathway consistent with the internationally recognized goal of limiting the global increase in temperature to 2 degrees Celsius.

The ACSR voted 9-0-0 to recommend a vote in favor of the proposal to Occidental Petroleum. ACSR members expressed the view that the proposal's provisions are in the company's and shareholders' best interests, and that it would be prudent for the company to share information on its capital planning and strategic processes for adapting to a lower carbon economy. They remarked as well that peer companies, such as Shell, BP, Statoil, BHP Billiton, ConocoPhillips, and Total, "endorsed requests for stress-testing portfolios for resistance to a 2-

degree scenario," according to Si2. Members also noted that a proposal on this matter to ConocoPhillips was withdrawn after that company agreed to prepare the scenarios. The ACSR voted 3-0-1 to recommend supporting the proposal at Chevron. Members viewed this proposal as a reasonable request for information that is relevant to shareholder interests, given the possibility that regulatory action on climate change will reflect the goal of limiting the global increase in temperature to 2 degrees Celsius. The abstaining member viewed the proposal as problematic, given continuing uncertainty about climate change policy developments. The CCSR voted in favor of both proposals following the ACSR's recommendation.

A new proposal to Southern Company requesting a report on climate change strategy also cited the IEA's goal of limiting warming to 2 degrees Celsius:

> Resolved: Shareholders request that Southern Company issue a report by November 30, 2016, at reasonable cost and omitting proprietary information, on Southern's strategy for aligning business operations with the IEA 2 degrees C scenario, while maintaining the provision of safe, affordable energy.

The ACSR voted 3-0-1 to recommend supporting the proposal. ACSR members noted an emerging precedent of supporting generally worded, non-prescriptive proposals asking for reports and evaluations on strategy related to a transition to a lower-carbon economy. Members also commented that while the "2 degrees Celsius" framework is imperfect, it has gained a measure of acceptance and provides a workable reference point. The abstaining member supported the intent of the proposal, but regarded the final phrase, "while maintaining the provision of safe, clean, affordable energy" as unrealistic, given the strong likelihood that energy costs will rise in a transition away from carbon-based energy. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

A new proposal to Kinder Morgan seeks a report on the company's climate change risk assessment and capital spending strategies:

> RESOLVED: Shareholders request that KMI prepare a report analyzing the consistency of company capital expenditure strategies with policymakers' goals to limit climate change, including analysis of long- and short- term financial risks to the company associated with transporting high production-cost fossil fuels in low-demand scenarios, as well as analysis of options to mitigate related risk and harm to society. The report should be overseen by a committee of independent directors, omit proprietary information, and be prepared at reasonable cost by December, 2016.

The ACSR voted 3-0-6 to recommend abstaining on the proposal. Members expressed some support for the proposal's intent, but expressed reservations about its wording, noting, in particular, the generality of the reference to "policymakers' goals." In light of uncertainty about climate change policy developments, members found the proposal's request that the company analyze the consistency of capital expenditures with policymakers' goals to be unreasonable. Members who supported the proposal acknowledged its flaws but believe it is in shareholders' best interest for the company to report on possible responses to greenhouse-gas-related policy developments. Those recommending abstention agreed that the proposal's intent has merit but found the wording too flawed to support. The CCSR abstained on the proposal, following the ACSR's recommendation.

A new proposal to Berkshire Hathaway reflects proponents' concerns about how the company's insurance division is assessing the impact of risk associated with climate change on its business:

> BE IT RESOLVED: Shareholders request the BH insurance division, within a reasonable period of time, issue a report describing the division's responses to the risks posed by climate change. The report should include specific initiatives and goals relating to each risk issue identified; be prepared at a reasonable cost; and omit proprietary information.

The ACSR voted 7-0-2 to recommend a vote in favor of the proposal. They noted a 2014 report by Ceres, cited by Si2, that found levels of climate risk disclosure among insurers to be low and explored the possible financial consequences for insurance companies that fail to estimate the cost of extreme weather events. They noted as well that, according to Si2, BH Insurance's parent group, Berkshire Hathaway, is making minimal efforts to assess climate risk, but that the insurance group has begun to develop disclosure in climate risk-related areas. Members argued that climate risk information is highly relevant to the company's shareholders and that the requested report will not impose an undue burden. Those recommending abstention argued that the proposal seems politically motivated – an effort to prompt Berkshire to acknowledge climate risk – and found the language requiring goals and initiatives overly prescriptive. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

2. Report on greenhouse gas emissions reduction targets

A proposal on greenhouse gas emissions to Chevron, first submitted in 2015, addresses not only the company's operations – a request seen in many greenhouse gas emissions proposal – but also its products:

> RESOLVED: Shareholders request 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 Cancun Agreement) to limit warming to 2 degrees C and issue a report by November 30, 2016, at reasonable cost and omitting proprietary information, on its plans to achieve these targets.

The ACSR voted 0-1-3 to recommend abstaining on the proposal. Last year, the ACSR voted 5-2-5 on an identical proposal to Chevron, in a split vote. The CCSR abstained on the 2015 proposal, in light of the ACSR's split vote. ACSR members noted that this is one of six climate-change-related proposals before Chevron this spring. In arguing for an opposing vote or an abstention, members remarked that by urging the company to adopt targets to reduce emissions from its products as well as its operations, the proposal, in effect, asks Chevron to reduce the scope of its business – an objective that could be seen as contradicting shareholder interests. At the same time, members who recommended abstention considered the proponent's concerns about climate change well-founded and recognize the need for non-renewable energy companies such as Chevron to consider climate change and plan for a future in which energy is produced with fewer carbon emissions. The CCSR voted to abstain on the proposal, following the ACSR's recommendation.

3. Report on methane emissions and reduction

According to an Si2 report, methane is the second most prevalent greenhouse gas and accounts for approximately nine percent of all GHG emissions. Although there are natural sources of methane, thirty-nine percent of emissions come from natural gas production processes, including leaks along gas supply lines. According to Si2, recent satellite data shows that total emissions may exceed EPA estimates by forty percent. Fugitive leaks in pipeline infrastructure are a major part of these emissions. The proponents of a resolution to Kinder Morgan

> request that the Board of Directors issue a report describing how the company is monitoring and managing the level of methane emissions from its operations. The requested report should include a company-wide review of the policies, practices, and metrics related to Kinder Morgan Inc.'s methane emissions risk management strategy. The report should be prepared at reasonable cost, omitting proprietary information, and made available to shareholders by December 31, 2016.

The ACSR voted 9-0-0 to recommend support of the proposal. The proposal is new and has no specific precedent. Members took note of the proponent's view that a report from Kinder Morgan on its monitoring and management of methane emissions is important both because of impending methane emissions regulations and because capturing fugitive emissions has demonstrated business benefits. Members agreed that it is in the company's and shareholders' best interests to report on its methane emissions reduction plans. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

For the third year in a row, the ACSR reviewed a proposal to Occidental Petroleum for a report on methane emissions and reduction targets:

> RESOLVED: Shareholders request Occidental Petroleum issue a report (by September 2016, at reasonable cost, omitting proprietary information) reviewing 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 7-0-2 to recommend a vote in favor of the proposal, following precedent. The committee's discussion of the proposal focused, as in past years, on Occidental's poor standing among industry peers regarding reporting on, and mitigation of, greenhouse gases. Members noted that with additional EPA action on methane emissions underway in the United States, a case could be made for voting against the proposal. However, in many other countries where Occidental operates, regulations are minimal or non-existent. Given the intensive effect of methane on climate change, members believe the company should address methane emissions reduction wherever it operates. Members noted as well the known business benefits of methane emissions recapture. Those abstaining on the proposal expressed concern about the cost of methane emissions recapture to the company and remarked that action in this area should be driven by regulators, not shareholders. The CCSR voted in favor of the proposal, following the ACSR's recommendation and precedent of both committees.

4. Report on climate change policy and stranded assets risk

A number of proposals in recent years have sought to prompt companies in fossil-fuel related industries to acknowledge the business risk of climate change through the concept of "stranded assets" – fossil fuel reserves whose values may decrease if the global economy lessens its dependence on fossil fuels. In 2016, the ACSR and CCSR reviewed four proposals requesting reporting or other actions on stranded assets.

In a proposal submitted to Anadarko,

> Shareholders request Anadarko to prepare and publish a scenario analysis report by September 2015, omitting proprietary information, describing how the Company will 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 voted 8-0-1 to recommend support for the proposal, which the committees first saw in 2015. The committee considered the possible impact of future carbon regulation on Anadarko's businesses. It was noted that, according to Si2, eighty-four percent of the company's revenues come from natural gas, which the industry views as the "bridge" from the current energy economy to one with much lower carbon emissions. Focusing on the proposal's use of the term "stranded assets," members discussed the uncertainty surrounding the timing of a shift away from fossil fuels toward other energy sources. The committee discussed as well whether the term "stranded assets" presupposes that the company's proven reserves (a significant measure of the company's value) are threatened in a time frame that would be concerning to today's shareholders. Despite these concerns, in supporting the proposal members expressed the view that it sends a useful signal to management that shareholders take the prospect of reduced demand for carbon-emitting energy sources seriously and that it is reasonable to ask management to report on such scenarios. The abstaining member questioned the value of such a report to shareholders. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

A proposal to Southern Company requested:

> a report by September 2016, omitting proprietary information and at reasonable cost, quantifying potential financial losses to the company associated with stranding of its coal assets under a range of scenarios for climate change driven regulations that mandate greenhouse gas reductions beyond those required by the Clean Power Plan. Such report should include possible financial losses if coal gasification and/or CCS is rejected by policymakers as a technical climate mitigation strategy, or if they cannot be cost effectively implemented. Shareholders also request that Southern disclose, in the report, its total investments in CCS and coal gasification technologies.

The proposal is new and has no precedent. The ACSR voted 3-0-1 to recommend supporting the proposal. ACSR members noted that while Southern's operations include a significant amount of power generation from coal, the company appears to be taking steps to diversify its energy sources. They noted as well that the company appears to be preparing for increased regulation of CO_2 emissions by investing in coal gasification and CO_2 sequestration technologies. As these are strategic investments, and therefore of interest to shareholders, members view request for a report on these investments and Southern's view of the attendant business risks as reasonable. The abstaining member commented that the complexity of the issue and uncertainty surrounding forthcoming policy steps undercut the report's possible benefits. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

A new proposal to Chevron on reserve replacement ratio reflects activists' efforts to compel oil and gas companies to be more forthcoming in their public assessments of climate change and its impact on their business. The proposal requested

> that, by February 2017 and annually thereafter in a publication such as the annual or CSR report, Chevron quantify and report to shareholders its reserve replacements in BTUs, by resource category, to assist the Company in responding appropriately to climate- change induced market changes. Such reporting shall be in addition to reserve reporting required by the Securities and Exchange Commission, and should encompass all energy resources produced by the company.

The ACSR voted 2-0-2 in a split vote. Members described the proposal as an indirect way to pressure the company on the allocation of its investments between non-renewable and renewable energy sources. They noted that Chevron already provides such information, using different energy metrics to characterize each source. While members viewed the request as easy to meet, they questioned its effectiveness and utility. ACSR members who voted in favor of the proposal viewed it as useful disclosure. Those abstaining viewed the proposal's recommendation of a specific business metric as a form of overreach. The CCSR voted to abstain on the proposal, in light of the split vote by the ACSR.

Another proposal to Chevron, brought forward for the second year, approached the question of stranded assets more directly in terms of share value:

> RESOLVED: Shareholders hereby approve, on an advisory basis, Arjuna Capital/Baldwin Brothers' proposal that Chevron commit to increasing the total amount authorized for capital distributions (summing dividends and share buybacks) to shareholders as a prudent use of investor capital in light of the climate change related risks of stranded carbon assets.

The ACSR voted 0-3-1 to recommend opposition to the proposal. The ACSR's review of a slightly different version of the proposal in 2015 led to a 4-6-2 split vote. In light of the split vote, the CCSR voted to abstain on that proposal. Reviewing the 2016 proposal, the ACSR expressed continued support for the argument made in 2015 that the proposal represents overreach, encroaching on management discretion regarding capital distributions and conveying skepticism about the value of the company's core business. The member recommending abstention affirmed the importance of conveying shareholder concern to Chevron about the risk of asset stranding, but viewed the proposal as inappropriate. The CCSR voted against the resolution, following the ACSR's recommendation.

5. Report on renewable energy targets

Identical new proposals on renewable energy submitted to Verizon and PepsiCo reflect proponents' interest in encouraging corporations to accelerate a transition away from reliance on fossil fuels. The proposal asks that

> senior management, with oversight from the Board of Directors, set company-wide quantitative targets by [date] to increase renewable energy sourcing and/or production.
>
> *(The proposal to Verizon sets a September 2016 deadline for targets; the one to PepsiCo set a November 2016 deadline.)*

The ACSR voted 3-1-7 to recommend abstaining on both proposals. Discussing the Verizon proposal, members noted that, as Si2 reports, massive data loads in networks drive energy use at telecommunications companies. Verizon currently aims to reduce the "emissions carbon intensity" of its operations by 50 percent by 2020, measured against a 2009 baseline. "Emissions carbon intensity" is a measure that divides total carbon emissions by total terabytes transmitted; the metric does not address possible increases in total emissions if operations expand. Members noted that a similar proposal to AT&T was withdrawn after AT&T agreed to set absolute emissions limits as well as intensity goals. Discussing the proposal to PepsiCo, members pointed to reductions the company has already achieved in the energy intensity and carbon emissions of its operations. In recommending abstentions on both proposals, members saw merit in the proposal's intent, but held that both companies are taking significant steps to reduce their carbon emissions and use renewable energy and that the proposal's request is already embodied in regulations in thirty states. Members also cited arguments that carbon emissions reduction goals are best met by setting emission limits and inviting companies to choose how best to meet them, rather than specifying technologies such as renewable energy sources in a piecemeal way. Members supporting the proposals believe that it sends a signal on an important subject while not imposing a burden. The member recommending opposition contended that the proposal addresses an important issue but is not effectively framed. The CCSR voted to abstain on both proposals, following the ACSR's recommendation.

B. Environment and agriculture/forestry

The committees considered proposals on three subjects related to forestry and agriculture. A proposal to PepsiCo, submitted for the second year in a row, reflects the proponent's concern that neonicotinoids, a compound found in certain widely used insecticides, may be contributing to the widespread collapse of bee colonies. The proposal requested

> that within six months of the 2016 annual meeting, the Board publish a report, at reasonable expense and omitting proprietary information on the Company's options to minimize impacts on pollinators of neonics in its supply chain.

The ACSR voted 0-1-10 to recommend abstaining on the proposal. The vote represents a shift since 2015, when the committee recommended a vote against the proposal (the CCSR voted to abstain). Members agreed that the proposal raises an important concern and is not unduly burdensome. They considered whether scientific research on the impact of "neonics" on bees can usefully inform a recommendation at this point. It was noted that while neonics appear to be harmful to wild pollinators, research has not as yet confirmed that they harm the agricultural bees in the bee-growing industry. Members observed as well that PepsiCo appears to be taking concerns about neonics seriously, citing information, provided by Si2, from the company's 2014 sustainability report, on efforts to "implement policies and procedures" in the supply chain to reduce the unintended impacts of pesticides and encourage sustainable farming practices. The opposing member viewed the proposal as well-intentioned but flawed in that it asks for options to reduce the impacts of neonics at a point when those impacts are still uncertain. The CCSR voted to abstain on the proposal, following the ACSR's recommendation.

A proposal to DuPont on supply chain deforestation arises from the proponent's concern about links between deforestation, desertification, and climate change. The rapidly expanding cultivation of palm oil is seen as a major contributor to tropical deforestation. The proposal requested that

> the Board to prepare a public report, at reasonable cost and omitting proprietary information, by November 1, 2016, describing how DuPont is assessing the company's supply chain impact on deforestation and the company's plans to mitigate these risks.

The ACSR voted 9-0-3 in favor of the proposal. Members agreed that deforestation is an important issue, in light of its impact on climate change, and reflected upon the possible extent of DuPont's exposure in its lines of business to practices that contribute to deforestation. According to Si2, the company has committed to source palm oil (derivatives of which are used in its cosmetics and health products) from suppliers who meet sustainability criteria. Members took note of gaps, as reported by Si2, in DuPont's participation in forest protection and climate initiatives that peer companies support, such as the Forest Management Certification program of the Forest Stewardship Council and the Carbon Disclosure Project. Those supporting the proposal believe that the resolution's request for information is not unduly burdensome and that the report would focus board attention on the effect of the company's supply chain on deforestation. Abstaining members believe that while the proponents' concerns have merit, they have failed to make a strong case for why DuPont should undertake this report. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

A new proposal to McDonald's arises from concerns that the heavy use of antibiotics in animals in the meat industry is accelerating the increase of resistance in humans to antibiotics that treat life-threatening infections. Si2 reports that the Centers for Disease Control regard the increasing resistance to antibiotics that are critical to the treatment of infections in humans as a health crisis. The proposal requested:

> that the Board update the 2015 McDonald's Global Vision for Antimicrobial Stewardship in Food Animals by adopting the following policy regarding use of antibiotics by its meat suppliers:
>
> - Prohibit the use of antibiotics important to human medicine globally in the meat supply chain (including for chicken, beef, and pork), for purposes other than disease treatment or non-routine control of veterinarian-diagnosed illness (e.g. prohibit use for growth promotion and routine disease prevention also known as prophylaxis).
> - Identify timelines for global implementation of vision including for meats currently not supplied by dedicated suppliers.

The ACSR voted 1-0-3 to recommend abstaining on the proposal. According to Si2, McDonald's has moved sooner on this issue than many competitors, issuing, for example, a document entitled "Guiding Principles for Judicious Use of Antibiotic Drugs." The member voting to recommend support for the proposal argued that the risk of resistance to antibiotics warrants a strong message to companies involved in meat production. Members recommending abstention on the proposal agreed that antibiotics resistance is a significant problem but believe that McDonald's should continue developing its current approach. They also held that this is an area more appropriately addressed by government. The CCSR voted in favor of the proposal, agreeing with the reasoning that the risk of resistance to antibiotics merits a strong message from shareholders.

C. Boards of Directors and the Environment

In proposals that ask companies to include environmental experts on boards of directors or establish board-level environmental committees, proponents have held that the environmental challenges facing these companies necessitate board-level involvement and expertise. A proposal, submitted for the third year in a row to Chevron, requested that:

> as elected board 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 0-3-1 to recommend opposition to the proposal, as it had in 2014 and 2015. Members affirmed past precedent opposing this proposal, and, more generally, to proposals that lay out specific new requisites for board membership. Acknowledging the benefit to companies of board expertise in key areas, members noted that Chevron's current board includes people with environmental expertise. The member recommending abstention suggested that Chevron could benefit from additional board-level environmental expertise, but saw merit as well in committee precedent on board membership proposals. The CCSR voted against the proposal, following the ACSR's recommendation and past precedent of both committees.

A proposal to PepsiCo seeking the creation of a new board-level committee on sustainability requests that:

> the Board of Directors 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 0-12-0 to recommend a vote against the resolution. Members took note of an identical proposal to PepsiCo in 2015, in which the ACSR voted 0-10-0 (one recusal) to recommend opposition. Members agreed, as they had in 2015, that PepsiCo appears fully engaged with integrating sustainability in its operations, including a sizable effort on renewable energy. Addressing the proponent's concern that the company currently divides responsibility for sustainability matters across several committees, members pointed out that PepsiCo's board has three committees, Audit, Governance, and Compensation, and questioned the wisdom of requesting a thirty-three percent increase in the number of board committees as a way of increasing attention to an issue which all evidence suggests is closely managed by the CEO and overseen by the board under the current structure. The committee noted as well the ACSR's and CCSR's strong presumption in past instances against supporting proposals that add to the number of board committees. The CCSR voted against the proposal, following the ACSR's recommendation and precedent of both committees.

D. Report on 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 ("fracking"). Proponents of resolutions seeking reports on the risks of hydraulic fracturing are concerned about contaminated water supplies and other effects of this method of extracting natural gas deposits from shale. A proposal that was previously submitted to Chevron in 2015 requested that

> the Board of Directors to report to shareholders via quantitative indicators on all shale plays where it is operating, by September 30, 2016, 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 4-0-0 to recommend supporting the proposal. In 2015, the ACSR voted 11-0-1 to recommend support, and the CCSR voted in favor of the proposal. Members expressed strong support for precedent in favor of this proposal. They noted, as did last year's committee, that the possible relationship between fracking and groundwater contamination poses a significant litigation risk for companies and voiced the view that it is in the best interests of companies such as Chevron to anticipate such risks. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

E. Report on Recycling Policy

A resubmission of a proposal to Mondelēz International (formerly Kraft) seeks information on the company's use of non-recyclable packaging for numerous lines of snack foods:

> RESOLVED: Shareowners of Mondelēz International request the Board to issue a report at reasonable cost, omitting confidential information, by October 1, 2016 assessing the environmental impacts of continuing to use non-recyclable brand packaging.

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal, following the committees' precedent on an identical proposal in 2014 and 2015. Members reviewed the proposal in light of global concerns about solid waste disposal. They noted commitments by Colgate-Palmolive and Procter and Gamble to use recyclable material in most or all of their product lines by 2020. In contrast, Mondelēz aims to reduce its packaging output by 65,000 tons and contends that lighter, though non-recyclable, packaging offers environmental benefits that are equivalent to those of recyclable materials. Members believe that Mondelēz appears to be lagging behind other companies on packaging and that the requested report provides information of value to shareholders without creating an undue burden. The CCSR voted in favor of the proposal, following the ACSR's recommendation and precedent of both committees.

III. Sustainability Reporting

The proponents of proposals on sustainability reporting to Amazon.com, Kinder Morgan, and Lowe's believe that there is a strong link between how companies manage sustainability issues and the value they generate for stakeholders. A proposal to Amazon.com called particular attention to the issue of greenhouse gases:

> RESOLVED: Shareholders request that Amazon.com issue a sustainability report describing the company's environmental, social and governance (ESG) performance and goals, including greenhouse gas (GHG) reduction goals. The report should be available on the company website by September 2016, prepared at reasonable cost, omitting proprietary information.

The ACSR voted 9-0-0 to recommend supporting the proposal. Members took particular note of the fact that many of Amazon's peers in digital commerce and social media issue sustainability reports. The advent of standards for sustainability reports has increased the value of these reports to investors by allowing for clear and comparable metrics. Members remarked that Amazon has made a public commitment to sustainability practices and noted that disappointment with a report produced by the company in 2013 led to the reintroduction of this proposal in 2015, when it gained twenty-six percent support from shareholders. Members thought that the report would not be burdensome for Amazon to produce, given the company's commitment to sustainability practices, and that it would provide information of value to shareholders. The CCSR voted in favor of the proposal, following the ACSR's recommendation and precedent of both committees.

A proposal to Lowe's focused on the sustainability impact of the home improvement and retail appliance chain's supply chain:

> RESOLVED: Shareholders request the Board of Directors issue an annual independently verified stand-alone Sustainability Report describing Lowe's short- and long-term responses to ESG-related issues. The report should include, where feasible, objective statistical indicators and goals relating to each issue, identify who in Lowe's supply chain performs sustainability reporting, be prepared at a reasonable cost, omit proprietary information and be made available to shareholders by June 1, 2016.

The ACSR voted 0-1-3 to recommend abstaining on the proposal. The specific wording of the proposal is new, but similar in many respects to proposals on sustainability reporting the committees have considered and supported since 2010, on the grounds that these requests for reports are reasonable, given that ESG reporting is becoming best practice for S&P 500 companies. Past committees also noted that support for such proposals is in keeping with Harvard's own commitment to sustainability. Observing that Lowe's appears to greatly lag its closest competitor, Home Depot, in its measurement of and reporting on ESG matters, members expressed support for the proposal's intent and for past precedent on sustainability reporting. However, the proposal's request for a report to be completed by June 1, 2016 – four days after the annual meeting – is unfeasible. ACSR members recommended abstention to signal agreement with the committees' precedent of supporting sustainability reporting and concern about the unfeasible deadline. The member opposing the proposal was concerned about the specificity of the request about suppliers' sustainability reports. The CCSR voted to abstain on the proposal, following the ACSR's recommendation.

A new proposal to Kinder Morgan requested

> that Kinder Morgan issue an annual sustainability report describing the company's short- and long-term responses to ESG-related issues, including issues related to human rights and the rights of indigenous communities. The report should be prepared at reasonable cost, omit proprietary information, and be available to shareholders by October, 2016.

The ACSR voted 9-0-0 to recommend support for the proposal. Members cited as reasons for support the emergence of widely accepted standards for sustainability reporting, the value of such reports to investors, and the reported correlation between performance on sustainability issues and financial performance. Members also noted that, according to Si2, Kinder Morgan does not currently publish a sustainability report, although peer companies do. They commented as well upon controversies around Kinder Morgan's plan for a pipeline from the Alberta tar sands to a port in British Columbia and around certain public statements by the company that suggest that it lags behind its peers in its understanding of the importance of sustainability to shareholders and the general public. The CCSR voted in favor of the proposal following the ACSR's recommendation.

IV. Health Care – Product Safety

A. Report on safe drug disposal policy

A new proposal to Johnson & Johnson, Abbvie, and Merck asking for a report about company policies on safe consumer disposal of prescription drugs reflects increasing public concern about the opioid drug epidemic and about the contamination of public water supplies by discarded drugs. These concerns have prompted efforts at the federal level to increase public awareness of the importance of safe drug disposal and increase public access to ways to dispose of drugs safely. The proposal requested

> that the board of directors issue a report, at reasonable expense and excluding proprietary information, reviewing the company's existing policies for safe disposition by users of prescription drugs to prevent water pollution, and setting forth policy options for a proactive response, including determining whether the company should endorse partial or full industry responsibility for take back programs by providing funding or resources for such programs.

The ACSR voted to recommend abstentions on all three proposals (Johnson & Johnson 3-0-6, Abbvie 4-0-7, Merck 2-0-9). Members argued that the primary responsibility for developing policy in this area should remain with government. They raised questions about imposing life-cycle product responsibility principally on pharmaceuticals manufacturers. They commented that most prescription drugs reach the market through intermediaries rather than directly from pharmaceutical companies and suggested that other participants in the drug supply chain, including wholesalers and retail pharmacy chains, should participate in the development of solutions. A member also pointed out that the proposals' emphasis on water pollution deflects attention away from the most pressing public health crisis – opioid abuse – and toward an area where potential negative impacts require further study. Members supporting the proposals argued that they address an important health and social issue and rightly encourage companies to prepare for regulatory developments and guard against reputational risks. They also commented that the proposal does not appear to place an undue reporting burden on companies, in that the request is for communication about existing policies and perspectives on take-back programs. The CCSR voted to abstain on the three proposals, following the ACSR's recommendation.

V. Human Rights

A. Report on country selection/risk assessment

In past years, proposals asking companies to report on country selection criteria have largely reflected proponents' concerns about business operations in countries that tolerate human rights abuses or lack globally accepted labor standards. The committees considered a proposal of this kind at Chevron in 2011, 2013, and 2014, voting to oppose it in 2011 and 2013 in light of company efforts then underway in this area, and to support it in 2014, due to the company's failure to provide an update on the implementation of a human rights policy or to address human rights in that year's sustainability report. In 2016, a similar proposal was presented to General Electric, Eli Lilly, and Wal-Mart:

> Resolved: The proponent requests the Board review the Company's guidelines for selecting countries / regions for its operations and issue a report, at reasonable expense excluding any proprietary information, to shareholders by December 2016. The report should identify [Company's] criteria for investing in, operating in and withdrawing from high-risk regions.

The ACSR voted 0-8-1 to recommend a vote against the proposal at General Electric. Members questioned whether the proposal would add value to GE's substantial existing review and reporting structure on country risk or increase the board's attention to a topic already likely to receive consistent review. They noted as well that the proponent does not offer evidence that GE's country risk assessment and reporting is deficient or a threat to shareholder value, and does not make clear the purpose of the proposed report. The member recommending abstention voiced the view that board-level country risk assessment is potentially of value to shareholders, given that GE operates in high-risk regions, but that the proposal inadequately articulates the specific purpose or value of the action it requests. The CCSR voted to oppose the proposal, following the ACSR's recommendation.

The ACSR voted 0-11-0 to recommend a vote against the proposal at Eli Lilly. Members took particular note of Si2's reporting on the proponent's apparent motive. The company has attracted the proponent's notice because of the company's public opposition to a recent Indiana law, the Religious Freedom Restoration Act, which is widely viewed as discriminatory toward LGBTQ individuals. The proponent seeks to embarrass the company by drawing attention to its business activities in Iran supplying medicines for patient use. While members view the proposal's requirements as relatively easy for Eli Lilly to meet, they cited a long-standing presumption against supporting proposals which do not clearly address the proponent's true intent. They noted as well that Eli Lilly, like General Electric, already has substantial review and reporting mechanisms in place for assessing country risk, including human rights risks. The CCSR voted to oppose the proposal, following the ACSR's recommendation.

The ACSR voted 0-4-0 to recommend opposition to the proposal at Wal-Mart. ACSR members took note of the global scale of Wal-Mart's retail operations and supply chain and observed that Wal-Mart appears to meet a reasonable standard of care with suppliers in areas such as prohibiting forced labor and child labor, setting forth expectations on hours, wages, and hiring practices, and managing worker safety and health. As Si2 reports, the company "has come a long way…over many years of public controversy" in these areas. The company's huge scope of operations and well-known past controversies could warrant support for a proposal on this theme at Wal-Mart. However, in this instance, the proponent's stated motive for advancing the proposal is to object to Wal-Mart's strong stand against a "religious freedom" measure in Arkansas viewed as discriminatory to LGBTQ people. In recommending opposition to the proposal, members affirmed a long-standing presumption against support for proposals which do not clearly address the proponent's true intent. The CCSR voted against the proposal, following the ACSR's recommendation.

B. Report on human rights risk assessment

A new proposal to Amazon.com addresses proponents' concerns about the potential for human rights violations within the company's globe-spanning network of suppliers:

> RESOLVED, that shareholders of Amazon.com Inc. ("Amazon") urge the Board of Directors to report to shareholders, at reasonable cost and omitting proprietary information, on Amazon's process for comprehensively identifying and analyzing potential and actual human rights risks of Amazon's entire operations and supply chain (a "human rights risk assessment") addressing the following:
>
> - Human rights principles used to frame the assessment;
> - Methodology used to track and measure performance;
> - Nature and extent of consultation with relevant stakeholders in connection with the assessment; and
> - Actual and/or potential human rights risks identified in the course of the human rights risk assessment related to Amazon's use of labor contractors/subcontractors, temporary staffing agencies or similar employment arrangements (or a statement that no such risks have been identified).
>
> The report should be made available to shareholders on Amazon's website no later than May 31, 2017.

The ACSR voted 9-0-0 to recommend support for the proposal. Members took particular note of information provided by Si2 on the company's code of conduct and oversight mechanisms for suppliers. Members expressed the view that Amazon appears to have better policies and programs in place than Halliburton or McDonald's. At the same time, members saw merit in the proponent's concern that the company could face reputational risks, given its limited current disclosure in this area, the enormous scale of its operations, and recent negative publicity about work culture and conditions within the company. Members commented that the proposal is not overly prescriptive and does not appear to presume wrong-doing on Amazon's part. They thought that greater disclosure on this front, as well as increased measurement and mitigation of business risks related to human rights matters, would likely benefit the company and its shareholders. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

C. Participate in OECD human rights mediation

A new proposal to Mondelēz International requests

> the Company to participate in mediation of any specific instances of alleged human rights violations involving the Company's operations if mediation is offered by a governmental National Contact Point for the Organisation for Economic Cooperation and Development (the "OECD") Guidelines for Multinational Enterprises.
>
> For the purposes of this policy, the human rights subject to mediation shall include, at a minimum, those expressed in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work:
>
> (a) freedom of association and the effective recognition of the right to collective bargaining;
> (b) the elimination of all forms of forced or compulsory labor;
> (c) the effective abolition of child labor; and
> (d) the elimination of discrimination in respect of employment and occupation.

The ACSR voted 0-9-2 to recommend a vote against the proposal. According to Si2, the proponent, the AFL-CIO, appears to have specific concerns about a Mondelēz facility in Pakistan with 700 contract employees and 53 full-time (and union) employees, and a situation in Egypt in which five Mondelēz employees were suspended for pursuing collective action. The "national contact point" for mediation would be a representative of the U.S. State Department, which, as a signatory to the OECD Guidelines for Multinational Organizations, publicly lists such a "national contact point" (and has offered mediation in the Pakistan case if both parties are willing). Members recommending abstention expressed overall support for the concept that U.S. companies should be receptive to workers' rights and apply international (or U.S.) standards to the greatest extent possible through their supply chain. Members recommending opposition viewed the proposal as overly prescriptive and ineffective. The CCSR voted against the proposal, following the ACSR's recommendation.

VI. Labor Standards and Employment Policies and Practices

A. Fair employment principles

The committees considered the "Holy Land Principles" proposal for the second year – as a resubmission at Intel and General Electric, and for the first time at Coca-Cola, PepsiCo, United Parcel Service, and McDonald's. The proponent is concerned that labor practices discriminate against Palestinians in Israel. The proposal is described by Si2 as an outgrowth of over a decade of shareholder activism on U.S. business dealings with Israel. The Holy Land Principles cited 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, launched in 1984 to combat workplace discrimination against Catholics in companies operating in Northern Ireland. 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 to recommend opposition to the proposal at all six companies, following a precedent established in 2015, and with the following vote tallies: Coca-Cola, 0-12-0; General Electric, 0-8-1; PepsiCo, 0-11-0; United Parcel Service, 0-11-0; Intel, 0-11-0; McDonald's, 0-3-1. In discussing the proposal, members considered the labor policies and programs in place at each company. These policies and programs appear to be well aligned with global standards such as the Universal Declaration of Human Rights, the United Nations Global Compact, and the "Ruggie Principles" (the United Nations Guiding Principles on Business and Human Rights. They noted that in the case of United Parcel Service, its human rights policies and programs may not be as leading-edge as at other companies for which the committee has discussed this resolution. Members questioned whether it is effective or appropriate for companies with robust global human rights and employment policies and practices to adopt country-specific policies in these areas – especially when such policies do not appear to enhance the company's existing efforts in any way. The member recommending abstention at General Electric and McDonald's viewed the proposal's intent as generally worthy but its applicability to the circumstances unclear. The CCSR voted against the resolution in each instance, following the ACSR's recommendation and precedent of both committees.

B. Equal Employment and Diversity

The committees reviewed four proposals on aspects of workplace diversity this year, reflecting proponent concerns about the pace of company progress on equal employment and workforce diversity.

1. Adopt policy to report on EEO data

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 the company's good reputation on diversity issues, the proponent seeks greater disclosure about the makeup of its workforce. The resolution requested that

> The Board of Directors 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 – on its website or in its corporate responsibility report, beginning in 2016.

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal. The committees have considered identical proposals in 2014 and 2015 to American Express. In both years, the ACSR recommended a vote in favor, and the CCSR followed the ACSR's recommendation, in keeping with an extensive precedent of support for company transparency regarding EEO practices. Members took note of the company's leading posture on many aspects of diversity and inclusion when compared to American companies generally and the financial sector in particular, citing, for example, the high proportion of women in executive positions (44%) and the inclusion of diversity targets in executive bonus compensation schemes. They questioned management's rational for opposing the resolution, noting that given American Express's strong performance in this area, EEO-1 reporting will reflect well on the company. Addressing a specific concern of management about the usefulness of the EEO-1 categories, members remarked that they facilitate comparison among companies and noted that the company could augment a report with additional information it regards as useful. Members did not see the proposal as creating an undue reporting burden. The CCSR voted in favor of the proposal, following the ACSR's recommendation and precedent of both committees.

A proposal to Home Depot asks the company to

> prepare a diversity report, at reasonable cost and omitting confidential information, available to investors by September 2016, including the following:

> 1. A chart identifying employees according to their gender and race in each of the nine major EEOC-defined job categories for the last three years, listing numbers or percentages in each category;
>
> 2. A summary description of any affirmative action policies and programs to improve performance, including job categories where women and minorities are underutilized;
>
> 3. A description of policies/programs oriented toward increasing diversity in the workplace.

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal. The proposal has a strong precedent of support by both committees in 2005, 2006, 2007, 2012, 2013, and 2014. Members took note of the steps Home Depot has taken in recent years to develop systems to prevent workplace harassment and discrimination, but remarked as well on the company's payment of over $100 million to settle discrimination lawsuits over the course of the past decade. Noting the company's continued reluctance to provide diversity data on its workforce, members expressed the view that shareholders have good reason to remain interested in details of the company's equal employment policies and programs. The CCSR voted in favor of the proposal, following the ACSR's recommendation and precedent of both committees.

2. Report on female pay disparity

A new proposal to Citigroup seeks to address the proponent's concerns about a significant gender pay gap in the financial services industry – a concern which finds confirmation in a number of recent reports. Si2 cites, among others, a 2015 report from the Census Bureau indicating that the gender pay gap is highest in the financial services industry, as well as a 2015 report from the Federal Reserve Bank of New York that attributed the gap to the consistently lower share of incentive pay received by women. The resolution requested that Citigroup:

> prepare a report by September 2016, omitting proprietary information and prepared at reasonable cost demonstrating the company does not have a gender pay gap.

The ACSR voted 3-1-8 to recommend abstaining on the proposal. The proposal is new in 2016. According to Si2, Citigroup believes it has a diverse workforce and well-established and robust diversity programs. Members expressed agreement that the gender pay gap is an issue that companies need to address, both as a matter of principle and to protect against reputational and other risks. They questioned the wording of the proposal, which specifically invites the company to demonstrate the absence of a gender pay gap. Members remarked that a proposal on the gender pay gap might more appropriately request that the company report on the issue of compensation and gender and on company plans and policies to address the gender pay gap. Members who recommended abstaining on the proposal commented that they support the principle of equal pay for both genders but view this proposal's wording as flawed. The member recommending opposition to the proposal viewed it as counter-productive and raised questions about achieving pay parity through shareholder resolutions. Those recommending support for the proposal see value in sending a strong signal to Citigroup on the issue of the gender pay gap. The CCSR voted to abstain on the proposal, following the ACSR's recommendation.

3. Report on board diversity

The proponent of a new proposal requesting information on the steps Kinder Morgan is taking to increase the diversity of its board of directors holds the view, according to Si2, that the company "lags other firms in its representation of women." The proposal requested

> that the Board of Directors prepare a report by September 2016, at reasonable expense and omitting proprietary information, on steps Kinder Morgan is taking to foster greater diversity on the Board over time including but not limited to the following:
>
> 1. Strengthened Nominating and Corporate Governance policies which embed a commitment to developing for all Board searches a diverse candidate pool inclusive of gender, race, and ethnic diversity;
> 2. The inclusion of women and minority candidates in every pool from which Board nominees are chosen and our company's plans to advance Board diversity;
> 3. Disclosure of race, gender, and ethnic diversity of all board nominees in the proxy statement;
> 4. An annual assessment of challenges experienced and progress achieved.

The ACSR voted 7-1-1 to recommend support for the proposal. Members remarked upon the lack of progress in increasing board diversity across industry, despite efforts reaching back over a decade. Members expressed support for increasing diversity on boards, citing the value that the perspectives of a diverse group of qualified people can provide in organizational oversight. Members who voted to recommend abstention on or opposition to the proposal stated that they were sympathetic to the proposal's goal, but had concerns with the request for "disclosure of race, gender, and ethnic diversity of all board nominees" in the proxy statement. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

C. Report on accident prevention efforts

A proposal to DuPont asks that the Board of Directors

> report by the 2017 annual meeting, at reasonable cost and excluding proprietary and personal information, on the steps DuPont has taken to reduce the risk of accidents. The report should describe the Board's oversight of Process Safety Management, staffing levels, inspection and maintenance of facilities and other equipment.

The ACSR voted 12-0-0 to recommend support of the proposal. In their discussion, members observed that there appears to be room for improvement in DuPont's accident prevention efforts, citing information from Si2 about DuPont's safety record relative to its peers, including numerous citations by OSHA and the EPA for significant shortcomings in process safety management and the handling of wastes and emissions. The committee also considered whether the impending merger with Dow, to be completed later this year, undercuts the utility of this proposal. Noting Dow's better safety record, members concluded that support for the proposal sends a useful signal that in the merged entity, Dow's higher safety standard should prevail – especially in light of the plan, reported by Si2, to then divide the merged entity into three separate businesses. Noting the dangers inherent in running chemical plants, oil refineries, and related facilities, members observed that companies such as ExxonMobil have successfully changed their safety culture, improved safety, and reduced fatalities; that a zero-tolerance policy on worker fatalities is an appropriate goal for such companies; and that consistent board-level attention to safety management is in shareholders' best interests. The CCSR voted in favor of the proposal, following the ACSR's recommendation.

VII. Executive Compensation

A. Link executive pay to sustainability metrics

A new proposal to ConocoPhillips targets the way in which the company links its executive compensation program to its measurement of fossil fuel reserves. The proposal asks

> that stockholders of ConocoPhillips urge the Board of Directors to take the necessary steps (excluding any steps that must be taken by stockholders) to change the application of the Variable Cash Incentive Program ("VCIP"), or any successor annual incentive program, to senior executives, as follows:

> 1. An award under the VCIP (a "Bonus") that is based on a metric derived from any measure of ConocoPhillips' reserves (a "Reserve Metric") shall not be paid in full for a period of five years ("Deferral Period"); and
>
> 2. The Human Resources and Compensation Committee (the "Committee") shall develop a methodology for (a) determining what proportion of a Bonus should be paid immediately, taking into account the proportion of the Bonus based on the Reserve Metric; (b) adjusting the remainder of the Bonus over the Deferral Period to reflect performance on the Reserve Metric(s) during the Deferral Period, including whether ConocoPhillips wrote down the value of reserves underlying the Reserve Metric(s); and (c) paying out the remainder of the Bonus during and at the end of the Deferral Period.
>
> The changes should not violate any existing contractual obligation of ConocoPhillips or the terms of any compensation or benefit plan currently in effect and should not have the effect of reducing amounts already awarded or earned.

The ACSR voted 0-9-0 to recommend opposition to the proposal. Members discussed the proponent's apparent aim of inserting concerns about climate-related risk in a highly specific manner into a detailed level of executive compensation. They questioned whether it is appropriate, effective, or of value to shareholders to require management to incorporate such a detailed and specific sustainability metric in a compensation scheme. The CCSR voted against the proposal, following the ACSR's recommendation.

A new proposal to JP Morgan Chase reflects proponents' view that the banking industry does not sufficiently consider the social impact of its financial activities:

> Resolved: shareholders recommend that JPMorgan Chase & Co. (the Firm) adopt a balanced executive compensation philosophy with social factors to improve the Firm's ethical conduct and public reputation.

The ACSR voted 1-4-4 in a split vote on the proposal. Committee members noted that in its compensation scheme, JPMorgan uses a balanced scorecard that includes language regarding the social aspects of sustainable development. Members who opposed the proposal viewed its wording as overly vague, expressing uncertainty about how "social factors" are to be construed in shaping compensation. Members also viewed the proposal as intrusive and not in shareholders' best interests. Members who recommended abstention found the proposal's apparent focus on income inequality as worthy of consideration, but agreed that the proposal, as worded, is too deeply flawed to support. The member voting in support of the proposal believes it is important to send a message to JPMorgan about its potential impact on income inequality and the reputational risk that may create for the company. The CCSR voted to abstain on the proposal, in light of the ACSR's split recommendation.

B. Report on pay disparity

A proposal presented for the first time at CVS Health on the disparity between executive compensation and employee wages reflects increasing concern about the widening gap between ordinary wages and the salaries and bonuses of company leaders:

> RESOLVED: Shareholders request the Board's Compensation Committee initiate a review of our company's executive compensation policies and make available, upon request, a summary report of that review by October 1, 2016 (omitting confidential information and processed at a reasonable cost). We request that the report include:
>
> 1) A comparison of the total compensation package of senior executives and our employees' median wage (including benefits) in the United States in July 2006, July 2011 and July 2016;
>
> 2) an analysis of changes in the relative size of the gap and an analysis and rationale justifying this trend;
>
> 3) an evaluation of whether our senior executive compensation packages (including, but not limited to, options, benefits, perks, loans and retirement agreements) should be modified to be kept within boundaries, such as that articulated in the Excessive Pay Shareholder Approval Act; and
>
> 4) an explanation of whether sizable layoffs or the level of pay of our lowest paid workers should result in an adjustment of senior executive pay to more reasonable and justifiable levels and how the Company will monitor this comparison annually in the future.

The ACSR voted 0-6-5 to recommend a vote against the proposal. Members took note of extensive committee precedent on similar proposals on the gap between executive compensation and employee wages. The committees have tended to oppose or abstain on such proposals, with the ACSR recommending opposition to seventeen and the CCSR voting to oppose twenty-two. Members also remarked upon an impending federal requirements under the 2010 Dodd-Frank Act that, according to Si2, asks companies to disclose the ratio “between the annual compensation of the firm’s CEO and the median annual total compensation of all other employees in the company.” While supporting the concept of greater transparency regarding CEO compensation and expressing sympathy with concerns about excessive pay for senior management, members questioned the utility of a proposal whose essence is on the verge of becoming law. Those recommending abstention expressed the view that, in light of the impending regulations, they prefer to wait for the regulations to take hold rather than oppose this proposal. The CCSR voted to abstain on the proposal, in light of the ACSR's close vote.

C. Prohibit government service "golden parachutes"

A new proposal in 2016 at Citigroup, JP Morgan, Morgan Stanley, and Goldman Sachs asks these companies to end the practice of ensuring the vesting of equity for senior executives who leave a firm for service in a government post. The proponent is concerned that "golden parachutes" have the potential to bias the judgment of those who have benefited from them when they take on public service roles connected with the financial sector. The proposal requested

> that the Board of Directors adopt a policy prohibiting the vesting of equity-based awards for senior executives due to a voluntary resignation to enter government service (a "Government Service Golden Parachute").
>
> For purposes of this resolution, "equity-based awards" include stock options, restricted stock and other stock awards granted under an equity incentive plan. "Government service" includes employment with any U.S. federal, state or local government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any electoral campaign for public office.
>
> This policy shall be implemented so as not to violate existing contractual obligations or the terms of any compensation or benefit plan currently in existence on the date this proposal is adopted, and it shall apply only to equity awards or plan amendments that shareholders approve after the date of the 2016 annual meeting.

The ACSR recommend a vote opposing the resolutions at Citigroup (0-12-0), JP Morgan (0-9-0), Morgan Stanley (0-9-0), and Goldman Sachs (0-11-0). The committee noted that the apparent intent with the policy – which also applies to those entering the education or nonprofit sector – is to make public-service career options attractive to executives with relevant sector experience. The committee also noted that the policy provides a rough form of deferred compensation parity, for those choosing to enter public service, with peers who receive equity buyouts when moving to a different financial services firm. Remarking that the proposal seems in some ways to overreach the bounds of shareholder engagement, a member observed that the ACSR and CCSR have tended not to support proposals that are properly in the management realm, particularly in the area of compensation. Members asked whether the proponent has made a sufficiently strong case for evidence of biased conduct in public service roles to justify a restrictive proposal on deferred compensation policy. The CCSR voted to oppose the four proposals, following the ACSR's recommendation in each case.

VIII. 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. The proposal asks 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 8-0-3 to recommend support of the resolution. The committees have considered this proposal twice before at American Express. Following ACSR recommendations, the CCSR voted to abstain in 2014 and voted in favor in 2015. In 2016, ACSR members remarked upon the proponent's principal concerns: (1) the risk of data breaches; and (2) the complex issue of how companies are responding to government requests for user data. Members noted that, according to Si2, American Express appears to lag behind peer companies such as MasterCard in its reporting on privacy and data security, but that the company also has a more complex set of customer data to manage than MasterCard because of its specific business model. Addressing the question of management attention to the issue of data security, members agreed that the board is highly likely to be paying close attention to the issue and that company adherence to "cyber insurance" requirements for a set of security guidelines also likely undergirds the company's policies and practices on data security. Acknowledging the complexity of the issues and the likelihood that American Express is managing its response in alignment with best practices, members who supported the proposal thought that the proposal's request is valuable to shareholders and does not place an undue reporting burden on the company. Members recommending abstention on the proposal supported the proposal's intent but believe that the company is giving the issue sufficient attention. The CCSR voted in favor of the proposal, following the ACSR's recommendation and precedent of both committees.

IX. Defense and security issues

A. Report on military sales to Israel

A new proposal to Boeing seeks detailed information on the company's business relationship with Israel. The proponent is concerned about the impact on civilians of actions by Israeli forces in recent years in Palestinian territories, and views Boeing as implicated in these actions. The proposal requested

> that, within six months of the annual meeting, the Board of Directors provide a comprehensive report, at reasonable cost and omitting proprietary and classified information, of Boeing's sales of weapons related products and services to Israel.

The ACSR voted 0-11-0 to recommend a vote against the resolution. Noting that the proposal combines elements of broad requests for reporting on military sales with language requesting specific reporting on sales to one country, members voiced concern with the proposal's targeting of sales to Israel. Members observed that the report would not contribute meaningfully to oversight of military sales; that the activity is largely managed through the federal government as an element of U.S. diplomacy; and that adequate, although incomplete, information on such sales is available from other sources. Members underscored that while they favor a greater degree of disclosure about sales of military products to foreign countries and view that information as valuable to shareholders, their inclination is to support general resolutions on the topic seeking disclosure of all military sales – following the CCSR's precedent on ten such proposals between 2005 and 2009 – rather than resolutions which target sales to one country. 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 2016 proxy season, with special thanks to the ACSR Chair, Professor Howell Jackson, James S. Reid, Jr., Professor of Law, Harvard Law School, for his leadership this year. 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
2016 ACSR/CCSR Proxy Season Summary – By Topic

Company	Resolution	Company Meeting Date	ACSR	CCSR
Corporate Political Spending				
Report on lobbying				
1. Honeywell	Report on lobbying	April 25, 2016	12-0-0	In favor
2. Citigroup	Report on lobbying	April 26, 2016	12-0-0	In favor
3. IBM	Report on lobbying	April 26, 2016	12-0-0	In favor
4. Wells Fargo	Report on lobbying	April 26, 2016	12-0-0	In favor
5. General Electric	Report on lobbying	April 27, 2016	9-0-0	In favor
6. Johnson & Johnson	Report on lobbying	April 28, 2016	9-0-0	In favor
7. Pfizer	Report on lobbying	April 29, 2016	9-0-0	In favor
8. AT&T	Report on lobbying	April 29, 2016	9-0-0	In favor
9. Boeing	Report on lobbying	May 2, 2016	11-0-0	In favor
10. American Express	Report on lobbying	May 2, 2016	11-0-0	In favor
11. Verizon	Report on lobbying	May 5, 2016	11-0-0	In favor
12. UPS	Report on lobbying	May 5, 2016	11-0-0	In favor
13. Abbvie	Report on lobbying	May 6, 2016	11-0-0	In favor
14. ConocoPhillips	Report on lobbying	May 10, 2016	9-0-0	In favor
15. Comcast	Report on lobbying	May 19, 2016	11-0-0	In favor
16. Chevron	Report on lobbying	May 25, 2016	4-0-0	In favor
17. Occidental	Report on indirect lobbying	April 29, 2016	9-0-0	In favor
Review/report on political spending				
18. AT&T	Report on indirect political spending	April 29, 2016	9-0-0	In favor
19. Verizon	Report on indirect political spending	May 5, 2016	11-0-0	In favor
20. Amazon.com	Review/report on political spending	May 17, 2016	9-0-0	In favor
21. Allstate	Review/report on political spending	May 24, 2016	11-0-0	In favor
Report on direct and indirect contributions and political values				
22. Coca-Cola	Report on political spending and values	April 27, 2016	0-11-1	Oppose
23. McDonald's	Report on political spending and values	May 26, 2016	0-3-1	Oppose
24. McDonald's	Report on political spending and values	May 26, 2016	0-4-0	Oppose
25. CVS Health	Report on political spending and values	May 19, 2016	1-8-2	Oppose
Environmental Issues				
Climate Change				
Report on plans to address climate change				
26. Occidental	Report on climate change	April 29, 2016	9-0-0	In favor
27. Chevron	Report on climate change strategy	May 25, 2016	3-0-1	In favor
28. Southern	Report on climate change strategy	May 25, 2016	3-0-1	In favor
29. Kinder Morgan	Report on climate change	May 10, 2016	3-0-6	Abstain
30. Berkshire Hathaway	Report on climate change	April 30, 2016	7-0-2	In favor
Report on greenhouse gas emissions reduction targets				
31. Chevron	Adopt GHG reduction targets	May 25, 2016	0-1-3	Abstain
Report on methane emissions and reduction				
32. Occidental	Report on methane emissions/reduction	April 29, 2016	7-0-2	In favor
33. Kinder Morgan	Report on methane emissions/reduction targets	May 10, 2016	9-0-0	In favor
Report on climate change policy and stranded assets risk				
34. Anadarko	Report on stranded assets business risk	May 10, 2016	8-0-1	In favor

35. Southern	Report on stranded assets business risk	May 25, 2016	3-0-1	In favor
36. Chevron	Change reserve replacement accounting	May 25, 2016	2-0-2	Abstain
37. Chevron	Increase authorized dividend given stranded assets	May 25, 2016	0-3-1	Oppose
Report on renewable energy targets				
38. Verizon	Set renewable energy targets	May 5, 2016	3-1-7	Abstain
39. PepsiCo	Set renewable energy targets	May 4, 2016	3-1-7	Abstain
Environment and agriculture/forestry				
40. PepsiCo	Report on supplier pesticide use	May 4, 2016	0-1-10	Abstain
41. DuPont	Report on supply chain deforestation impacts	April 27, 2016	9-0-3	In favor
42. McDonald's	Phase out antibiotic use in animal feed	May 26, 2016	1-0-3	In favor
Boards of Directors and Environment				
43. Chevron	Nominate environmental expert to board	May 25, 2016	0-3-1	Oppose
44. PepsiCo	Establish board committee - sustainability	May 4, 2016	0-12-0	Oppose
Hydraulic Fracturing				
45. Chevron	Report on hydraulic fracturing/shale energy risk	May 25, 2016	4-0-0	In favor
Recyling Policy/Packaging				
46. Mondelēz	Report on packaging	May 18, 2016	11-0-0	In favor
Sustainability Reporting				
47. Amazon.com	Publish sustainability report	May 17, 2016	9-0-0	In favor
48. Lowe's	Publish sustainability report	May 27, 2016	0-1-3	Abstain
49. Kinder Morgan	Publish sustainability report	May 10, 2016	9-0-0	In favor
Health Care – Product Safety				
Report on safe drug disposal policy				
50. Johnson &Johnson	Report on safe drug disposal policy	April 28, 2016	3-0-6	Abstain
51. Abbvie	Report on safe drug disposal policy	May 6, 2016	4-0-7	Abstain
52. Merck	Report on safe drug disposal policy	May 24, 2016	2-0-9	Abstain
Human Rights				
Country selection/risk assessment				
53. General Electric	Report on country selection/assessment	April 27, 2016	0-8-1	Oppose
54. Eli Lilly	Report on country selection/assessment	May 2, 2016	0-11-0	Oppose
55. Wal-Mart	Report on country selection/assessment	June 3, 2016	0-4-0	Oppose
Human rights risk assessment				
56. Amazon.com	Report on human rights risk assessment	May 17, 2016	9-0-0	In favor
Human Rights Mediation				
57. Mondelēz	Participate in OECD human rights mediation	May 18, 2016	0-9-2	Oppose
Labor standards and employment policies and practices				
Fair employment principles				
58. Coca-Cola	Implement Holy Land Principles	April 27, 2016	0-12-0	Oppose
59. General Electric	Implement Holy Land Principles	April 27, 2016	0-8-1	Oppose
60. PepsiCo	Implement Holy Land Principles	May 4, 2016	0-11-0	Oppose
61. UPS	Implement Holy Land Principles	May 5, 2016	0-11-0	Oppose
62. Intel	Implement Holy Land Principles	May 19, 2016	0-11-0	Oppose
63. McDonald's	Implement Holy Land Principles	May 26, 2016	0-3-1	Oppose

Equal opportunity and diversity				
Report on EEO data				
64. American Express	Disclose EEO-1 data	May 2, 2016	11-0-0	In favor
65. Home Depot	Report on EEO and affirmative action	May 19, 2016	11-0-0	In favor
Female pay disparity				
66. Citigroup	Report on female pay disparity	April 26, 2016	3-1-8	Abstain
Board Diversity				
67. Kinder Morgan	Report on board diversity	May 10, 2016	7-1-1	In favor
Plant Safety				
68. DuPont	Report on accident prevention efforts	April 27, 2016	12-0-0	In favor
Executive Compensation				
Executive pay and sustainability				
69. ConocoPhillips	Link executive pay to sustainability metrics	May 10, 2016	0-9-0	Oppose
70. JPMorgan Chase	Link executive pay to sustainability metrics	May 17, 2016	1-4-4	Abstain
Pay disparity				
71. CVS Health	Report on pay disparity	May 19, 2016	0-6-5	Abstain
Vesting equity for government service				
72. Citigroup	Prohibit government service golden parachutes	April 26, 2016	0-12-0	Oppose
73. Morgan Stanley	Prohibit government service golden parachutes	May 17. 2016	0-9-0	Oppose
74. JPMorgan Chase	Prohibit government service golden parachutes	May 17, 2016	0-9-0	Oppose
75. Goldman Sachs	Prohibit government service golden parachutes	May 20, 2016	0-11-0	Oppose
Internet, Data Security, and Social Media				
76. American Express	Report on privacy and data security	May 2, 2016	8-0-3	In favor
Defense and security issues				
77. Boeing	Report on military sales to Israel	May 2, 2016	0-11-0	Oppose

Appendix B
Proxy Season Summary – By Meeting

Company	Resolution	Company Meeting Date	ACSR	CCSR
ACSR Meeting, April 11				
1. Honeywell	Report on lobbying	April 25, 2016	12-0-0	In favor
2. Citigroup	Report on female pay disparity	April 26, 2016	3-1-8	Abstain
3. Citigroup	Report on lobbying	April 26, 2016	12-0-0	In favor
4. Citigroup	Prohibit government service golden parachutes	April 26, 2016	0-12-0	Oppose
5. IBM	Report on lobbying	April 26, 2016	12-0-0	In favor
6. Wells Fargo	Report on lobbying	April 26, 2016	12-0-0	In favor
7. DuPont	Report on supply chain deforestation impacts	April 27, 2016	9-0-3	In favor
8. DuPont	Report on accident prevention efforts	April 27, 2016	12-0-0	In favor
9. Coca-Cola	Implement Holy Land Principles	April 27, 2016	0-12-0	Oppose
10. Coca-Cola	Report on political spending and values	April 27, 2016	0-11-1	Oppose
ACSR Meeting, April 18				
11. General Electric	Report on lobbying	April 27, 2016	9-0-0	In favor
12. General Electric	Implement Holy Land Principles	April 27, 2016	0-8-1	Oppose
13. General Electric	Report on country selection/assessment	April 27, 2016	0-8-1	Oppose
14. Johnson & Johnson	Report on lobbying	April 28, 2016	9-0-0	In favor
15. Johnson &Johnson	Report on safe drug disposal policy	April 28, 2016	3-0-6	Abstain
16. Pfizer	Report on lobbying	April 29, 2016	9-0-0	In favor
17. Occidental	Report on indirect lobbying	April 29, 2016	9-0-0	In favor
18. Occidental	Report on climate change	April 29, 2016	9-0-0	In favor
19. Occidental	Report on methane emissions/reduction	April 29, 2016	7-0-2	In favor
20. AT&T	Report on indirect political spending	April 29, 2016	9-0-0	In favor
21. AT&T	Report on lobbying	April 29, 2016	9-0-0	In favor
22. Berkshire Hathaway	Report on climate change	April 30, 2016	7-0-2	In favor
ACSR Meeting, April 25				
23. Boeing	Report on lobbying	May 2, 2016	11-0-0	In favor
24. Boeing	Report on military sales to Israel	May 2, 2016	0-11-0	Oppose
25. American Express	Disclose EEO-1 data	May 2, 2016	11-0-0	In favor
26. American Express	Report on privacy and data security	May 2, 2016	8-0-3	In favor
27. American Express	Report on lobbying	May 2, 2016	11-0-0	In favor
28. Eli Lilly	Report on country selection/assessment	May 2, 2016	0-11-0	Oppose
29. PepsiCo	Establish board committee - sustainability	May 4, 2016	0-12-0	Oppose
30. PepsiCo	Report on supplier pesticide use	May 4, 2016	0-1-10	Abstain
31. PepsiCo	Implement Holy Land Principles	May 4, 2016	0-11-0	Oppose
32. PepsiCo	Set renewable energy targets	May 4, 2016	3-1-7	Abstain
33. Verizon	Set renewable energy targets	May 5, 2016	3-1-7	Abstain
34. Verizon	Report on indirect political spending	May 5, 2016	11-0-0	In favor
35. Verizon	Report on lobbying	May 5, 2016	11-0-0	In favor
36. United Parcel Service	Report on lobbying	May 5, 2016	11-0-0	In favor
37. United Parcel Service	Implement Holy Land Principles	May 5, 2016	0-11-0	Oppose
38. Abbvie	Report on safe drug disposal	May 6, 2016	4-0-7	Abstain
39. Abbvie	Report on lobbying	May 6, 2016	11-0-0	In favor

ACSR Meeting, May 2				
40. Anadarko	Report on stranded assets business risk	May 10, 2016	8-0-1	In favor
41. ConocoPhillips	Report on lobbying	May 10, 2016	9-0-0	In favor
42. ConocoPhillips	Link executive pay to sustainability metrics	May 10, 2016	0-9-0	Oppose
43. Kinder Morgan	Report on climate change	May 10, 2016	3-0-6	Abstain
44. Kinder Morgan	Report on methane emissions/reduction targets	May 10, 2016	9-0-0	In favor
45. Kinder Morgan	Publish sustainability report	May 10, 2016	9-0-0	In favor
46. Kinder Morgan	Report on board diversity	May 10, 2016	7-1-1	In favor
47. Morgan Stanley	Prohibit government service golden parachutes	May 17. 2016	0-9-0	Oppose
48. JPMorgan Chase	Prohibit government service golden parachutes	May 17, 2016	0-9-0	Oppose
49. JPMorgan Chase	Link executive pay to sustainability metrics	May 17, 2016	1-4-4	Abstain
50. Amazon.com	Publish sustainability report	May 17, 2016	9-0-0	In favor
51. Amazon.com	Report on human rights risk assessment	May 17, 2016	9-0-0	In favor
52. Amazon.com	Review/report on political spending	May 17, 2016	9-0-0	In favor
53. Mondelēz	Report on packaging	May 18, 2016	11-0-0	In favor
54. Mondelēz	Participate in OECD human rights mediation	May 18, 2016	0-9-2	Oppose
55. Intel	Implement Holy Land Principles	May 19, 2016	0-11-0	Oppose
56. Home Depot	Report on EEO and affirmative action	May 19, 2016	11-0-0	In favor
57. CVS Health	Report on political values and spending	May 19, 2016	1-8-2	Oppose
58. CVS Health	Report on pay disparity	May 19, 2016	0-6-5	Abstain
59. Comcast	Report on lobbying	May 19, 2016	11-0-0	In favor
60. Goldman Sachs	Prohibit government service golden parachutes	May 20, 2016	0-11-0	Oppose
61. Merck	Report on safe drug disposal policy	May 24, 2016	2-0-9	Abstain
62. Allstate	Review/report on political spending	May 24, 2016	11-0-0	In favor
63. Chevron	Report on lobbying	May 25, 2016	4-0-0	In favor
64. Chevron	Adopt GHG reduction targets	May 25, 2016	0-1-3	Abstain
65. Chevron	Report on climate change strategy	May 25, 2016	3-0-1	In favor
66. Chevron	Change reserve replacement accounting	May 25, 2016	2-0-2	Abstain
67. Chevron	Increase authorized dividend given stranded assets	May 25, 2016	0-3-1	Oppose
68. Chevron	Report on hydraulic fracturing/shale energy risk	May 25, 2016	4-0-0	In favor
69. Chevron	Nominate environmental expert to board	May 25, 2016	0-3-1	Oppose
70. Southern	Report on climate change strategy	May 25, 2016	3-0-1	In favor
71. Southern	Report on stranded assets business risk	May 25, 2016	3-0-1	In favor
72. McDonald’s	Implement Holy Land Principles	May 26, 2016	0-3-1	Oppose
73. McDonald’s	Phase out antibiotic use in animal feed	May 26, 2016	1-0-3	In favor
74. McDonald’s	Report on political spending and values	May 26, 2016	0-3-1	Oppose
75. McDonald’s	Report on political spending and values	May 26, 2016	0-4-0	Oppose
76. Lowe’s	Publish sustainability report	May 27, 2016	0-1-3	Abstain
77. Wal-Mart	Report on country selection/assessment	June 3, 2016	0-4-0	Oppose

Appendix C
Alignment of ACSR Recommendations and CCSR Votes

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 seventy-seven proposals considered by the committees during the 2016 proxy season, the ACSR and the CCSR were in complete agreement on seventy-three proposals. In one instance, the ACSR recommendation was split between opposing and abstaining, and the CCSR abstained. In one instance, the ACSR, in a nearly split vote, recommended opposing the proposal, and the CCSR abstained. In one instance, the ACSR recommendation was split between supporting and abstaining, and the CCSR abstained. In one instance, the ACSR recommended an abstention, and the CCSR supported the proposal. For a list of ACSR and CCSR votes by topic, see Appendix A. For a list of ACSR and CCSR votes by meeting date, see Appendix B.