Harvard University

Corporation Committee on Shareholder Responsibility

Annual Report, 2012-2013

CCSR Members:

Nannerl Keohane, Chair
Lawrence Bacow
William Lee
Robert Reischauer

Secretary to the Committee:

Elizabeth A. Gray

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Corporation Committee on Shareholder Responsibility

2013 Annual Report

Introduction

In 1972 Harvard established two committees to assist the University in addressing its ethical responsibilities as a large institutional investor: the Corporation Committee on Shareholder Responsibility (CCSR) and the Advisory Committee on Shareholder Responsibility (ACSR). The current CCSR consists of four 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 the 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.

During the 2013 spring proxy voting season (the period between March and June when most publicly-traded corporations hold annual meetings), the Committees considered fifty-six proposals dealing with issues of social responsibility that were addressed to corporations whose securities were owned directly by Harvard. Issues raised through the proxy process this year included corporate environmental practices on a wide range of issues, from company efforts to address global warming to adoption of policies for recycling; consumer product safety; human rights; equal employment and diversity; corporate political contributions and lobbying; corporate charitable contributions; executive compensation; and mortgage lending practices. A new topic addressed in 2013 included company efforts to promote women's economic rights in developing countries. (For a list of both Committees' votes by company, see Appendix A.)

This report provides a detailed description of the ACSR's recommendations and the CCSR's votes on shareholder proposals that came to vote during the 2013 proxy season. The report also provides a description of the University's policies with regard to oil companies doing business in Sudan (see Appendix B) and to firms involved in the sale and manufacture of tobacco products (see Appendix E).

I. 2013 Proxy Season

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

Number of Social Issues Proposals Considered by both Committees Since 2004

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

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

While the two Committees occasionally disagree on the appropriate response to a shareholder proposal, the voting pattern over a period of years shows a high degree of agreement. Of the fifty-six proposals considered by the Committees during the 2013 proxy season, the ACSR and the CCSR were in complete agreement on forty-nine proposals (87%).

In one instance (2%), one Committee abstained while the other voted in favor of the proposal. In another instance (2%), one Committee abstained while the other voted against the proposal. Of five proposals (9%) on which the ACSR vote was split, the CCSR voted to abstain on four and oppose on one. (For a list of both Committees' votes by company, see Appendix A.)

This year, nine additional shareholder proposals came to vote after the ACSR meetings had ended. The CCSR's votes on three proposals followed both ACSR and CCSR precedent. In six cases, however, there was no clear precedent available and the CCSR abstained.

A. Environment

This year, the Committees considered twelve proposals that raised concerns about the environment. Below is a detailed account of the ACSR's recommendations and the CCSR's vote on each of the proposals.

1. Climate Change

a. Adopt Goals to Cut GHG Emissions

Berkshire Hathaway, a holding company with a number of subsidiaries engaged in energy production, includes coal-burning electricity generating plants among its subsidiaries. A group of shareholders put forward the following proposal:

> "RESOLVED: That Berkshire Hathaway establish reasonable, quantitative goals for reduction of greenhouse gas and other air emissions at its energy-generating holdings; and that Berkshire publish a report to shareholders by September 30, 2013 (at reasonable cost and omitting proprietary information) on how it will achieve these goals—including plans to retrofit or retire existing coal-burning plants at Berkshire held companies."

The ACSR unanimously voted (9-0-0) to recommend support, citing precedent of both Committees. Members believe that it is important for companies to integrate environmental goals into their overall policies, and view the proposal as an opportunity to encourage management to reduce GHG emissions. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees. Later in the season, the ACSR considered similar proposals calling on ExxonMobil and ConocoPhillips to

> "adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the Company's products and operations; and that the Company report

> (omitting proprietary information and prepared at reasonable cost) to shareholders by September 30, 2013, on its plan to achieve these goals." [Note: the proposal to ExxonMobil asked for a report by November 30, 2013.]

The ACSR voted 0-1-10 to recommend abstention on the proposal to ConocoPhillips, and the vote was 6-0-2 in favor of the request to ExxonMobil. For ConocoPhillips, ACSR members thought it was significant that the company already has GHG emissions reduction targets at the operational level, and has recently implemented a company-wide climate action plan that covers the first phase (from 2008-2013) of its long-term effort to manage GHG emissions. They saw no reason at this time to press for a company-wide plan over the company's current product line targets. At the same time, they would like to signal support for the underlying goal of reducing GHG emissions. The CCSR abstained on the proposal following ACSR recommendation.

With regard to ExxonMobil, ACSR members pointed out that while the company currently reports and sets quantitative goals for reduction of emissions in general, it has not set goals specifically for reducing GHG emissions. ACSR members called attention to the fact that atmospheric CO2 has recently reached its highest level in two million years—a significant milestone. They believe that ExxonMobil, the largest oil and gas producing company in the world, should address climate change and possible impacts on its lines of business in a more urgent manner. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees.

b. Report on Risks Associated with Climate Change

The proponents of a resubmitted proposal to Chevron are concerned about the company's exposure and vulnerability to the negative impacts of climate change. They point to a range of possible impacts over the next 25 years, including rising sea levels and increased severity of storms that could affect the company's shoreline and offshore drilling facilities; melting permafrost that could affect the company's arctic drilling and transportation operations; and changing rain patterns that could lead to drought and political unrest in areas where Chevron operates. The following proposal was presented:

> "RESOLVED: Chevron shareholders request that a committee of independent members of the Board of Directors review the exposure and vulnerability of our company's facilities and operations to climate risk and issue a report to shareholders (at a reasonable cost and omitting proprietary information) that reviews and estimates the costs of the

> disaster risk management and adaptation steps the company is taking, and plans to take, to reduce exposure and vulnerability to climate change and to increase resilience to the potential adverse impacts of climate extremes."

The ACSR voted 0-7-1 to recommend opposition to the proposal. According to Si2, Chevron provides information about regulatory and financial risk in its 10K report and issues a Corporate Responsibility Report that includes principles for addressing climate change and emissions. Chevron is a member of the Carbon Disclosure Project (and has recently been named to the CDPs leadership index), and appears to be ahead of its industry peers with regard to disclosure. While they agree that the company should report on exposure to risk associated with climate change, opposing members believe the proposal is redundant in light of the level of information already reported by Chevron. The abstaining member was concerned that a vote against would indicate a lack of concern about this issue. The CCSR voted against the resolution following ACSR recommendation and CCSR precedent on a similar proposal to the company in 2011.

2. Hydraulic Fracturing

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

> "report to shareholders by October 30, 2013, via quantitative indicators, the results of company policies, procedures and practices above and beyond regulatory requirements, to minimize the adverse environmental and community impacts from the company's shale energy operations. Such a report would be prepared at a reasonable cost and omitting confidential information such as proprietary or legally prejudicial data."

The request to ExxonMobil was substantially similar, asking the company to "report to shareholders by October 30, 2013, and annually thereafter, using multiple quantitative indicators, the results of company procedures and practices, above and beyond regulatory requirements, to minimize any adverse environmental and community impacts from the company's natural gas extraction operations associated with shale formations. Such reports should be prepared at reasonable cost and omit confidential information."

The ACSR unanimously voted (7-0-0) to recommend support of both proposals, citing 2011 precedent. The Committee noted that both companies continue to lobby against legislation that would require greater disclosure about drilling and hydraulic fracturing operations. Given that these operations have the potential to cause serious environmental damage and negatively affect surrounding communities, they believe a vote in favor is appropriate. The CCSR voted in favor of the proposals following ACSR recommendation and precedent of both Committees on similar proposals to the companies in 2011.

3. Report on Risks Related to Oil Well Drilling

The proponents of a resubmitted proposal to Chevron are concerned about the impact of offshore drilling accidents on the company's stock value, reputation, and financial liability. Given Chevron's significant deepwater drilling operations, they would like the company to prepare and deliver to all shareholders,

"a report that includes,

a) The numbers of all offshore oil wells (exploratory, production and out-of-production) that Chevron Corporation owns or has partnership in
b) Current and projected expenditures for remedial maintenance and inspection of out-of-production wells
c) Cost of research to find effective containment and reclamation following marine oil spills."

The ACSR voted 0-7-1 to recommend opposition, referring to precedent on an identical proposal to the company in 2011. According to the Si2 background report, Chevron already reports on two of the three items identified by the proponents. The only additional information requested relates to current and projected expenditures for remedial maintenance of out-of-production wells. Opposing members contend that the value of an additional report that focuses on the costs of maintaining old wells, rather than on the effectiveness of maintenance efforts in preventing future spills, would be of limited value to shareholders. The CCSR abstained, following 2011 CCSR precedent, based on concerns about the risk and potential costs (both environmental and financial) associated with offshore drilling. The CCSR wrote to the company to explain the vote and to share the ACSR view that the company should not only maintain the safety of older oil wells, but should also develop strategies for preventing future oil spills.

4. Nuclear Power Risk

Entergy owns and operates nuclear plants in several states throughout the U.S. The 2011 tsunami and subsequent reactor meltdown at the Fukushima Daiichi nuclear plant in Japan has heightened public concerns about nuclear plant safety, and in particular, the methods used for storing spent nuclear fuel. Although the traditional storage method keeps spent fuel rods in pools, reports by the National Academy of Sciences and the Union of Concerned Scientists recommend transferring spent fuel to dry cask storage as a safer storage option. A group of shareholders put forward the following proposal to Entergy:

> "THEREFORE, be it resolved that shareholders request that a committee of independent directors be appointed to conduct a special review of the company's nuclear safety policies and practices in light of the extraordinary developments and findings described above, including potential risks associated with seismic events in and around the company's nuclear power plants, and that that committee report to shareholders on its finding at reasonable expense and excluding proprietary or confidential information."

The ACSR voted 1-6-2 to recommend opposition. Opposing members point out that the nuclear power industry is the most highly regulated industry in the country. Entergy has a good record in regard to safety issues, and has already been expanding dry cask storage at a number of its nuclear plants as necessary to accommodate waste. Although they acknowledge nuclear waste storage is now a serious issue for the industry, these members did not see the value of the requested review, which they believe is excessive given current regulatory requirements governing nuclear plant safety. Supporting and abstaining members agree that the proposal may be excessive, but argue that the proposal raises valid questions about the safety of nuclear waste storage in the U.S., and think that the proposal might encourage management to give additional attention to this issue. The CCSR voted against the proposal following the ACSR recommendation.

5. Establish Stormwater Management Policy

Home Depot, the world's largest home improvement retailer, maintains over two thousand stores throughout the U.S., Canada, China and Mexico. Stormwater runoff is a significant issue for Home Depot, given the amount of impervious surface area created by the company's stores and parking lots. Since Home Depot stores are located primarily in suburban areas, the company operates largely outside the scope of stormwater runoff regulations, which tend to focus on urban areas. The proponents would like Home Depot to adopt a company-wide policy to address stormwater runoff. The resolution would require the company to

> "establish a written Stormwater Management Policy, applicable to all locations, including warehouses, which will:
>
> - Identify all sources of operations for which Home Depot may generate contaminated stormwater, including trucking operations, lawn and garden chemicals, tool rental and other storage of all vulnerable chemical products, and,
> - Prepare and publish, at reasonable cost, excluding proprietary information, a stormwater management status report by September 2013, from all Home Depot locations, addressing all chemical product storage, transportation, rental and other potential sources of contaminated stormwater runoff which are presently and/or could be exposed to precipitations events or discharge, and then,
> - Implement Best Management Practices or comparable prevention practices for all potential materials and operational sources of contaminated stormwater which either prevents such runoff, by eliminating the storage of contaminating products where they are subject to precipitation or runoff or minimizes the potential for such contaminated runoff."

The ACSR voted 0-1-9 to recommend abstention. ACSR members recognize that Home Depot has taken steps to address environmental issues, as is evidenced by its annual sustainability reporting structure. The company recently received an award from the EPA's WaterSense program, which recognizes efforts to decrease water use and reduce strain on water resources and infrastructure. At the same time, Home Depot is lagging behind some of its peers in regard to stormwater control measures. Although ACSR members acknowledged their support for the same proposal last year, members were swayed by the argument that the level of information requested by proponents seems excessive. Abstention is meant to reflect concern about the wording of the proposal, while acknowledging that the company may be able to improve its stormwater management. The CCSR abstained on the proposal following ACSR recommendation and CCSR precedent on an identical proposal to the company in 2012.

6. Elect Environmental Expert to Board of Directors

A resolution to Chevron asks that the company specifically include an environmental expert on its board of directors. The proponents believe that having a board member with environmental expertise is critical to Chevron, given the potential for environmental damage stemming from its operations. They point to numerous lawsuits alleging substantial negative impact on the environment, including ongoing litigation regarding the company's former oil exploration and development projects in Equador. The following proposal was presented:

> "Shareholders request that, as elected board directors' terms of office expire, at least one candidate be 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 under the standards applicable to the company as an NYSE listed company, in order that the board includes at least one director satisfying the foregoing criteria, which director shall have designated responsibility on the board for environmental matters."

The ACSR voted 0-6-1 to recommend opposition. ACSR members referred to arguments against an identical proposal to the company in 2011—in particular, the fact that Chevron's Corporate Governance Guidelines already identify environmental expertise as a valuable attribute for board membership. Some members suggested that the board is more likely to rely on environmental consultants, rather than on board members, for this type of advice when faced with significant environmental decisions. The CCSR voted against the proposal following ACSR recommendation and CCSR precedent on an identical proposal to the company in 2011.

7. Genetically Engineered Products

In the U.S., over eighty percent of all corn and ninety-three percent of all soybeans are grown from genetically engineered seed. DuPont is a leading supplier of GE seeds, and has indicated that its strategy is to continue to grow this part of its business. According to Si2, there is ongoing debate over the long-term safety of GE foods on people and the environment. While GE products have traits that are beneficial to farmers, such as increased crop yields and resistance to insects or herbicides, there are also concerns about negative impacts, including cross-pollination with non-GE plants, allergic reactions to proteins in GE plants, and the level of control GE seed companies have over the seed supply. Given these concerns, a group of shareholders would like DuPont to

> "review and report to shareholders by November 2013 on the company's internal controls related to potential adverse impacts associated with genetically engineered organisms, including:
> - adequacy of current post-marketing monitoring systems;
> - adequacy of plans for removing GE seed from the ecosystem should circumstances so require;
> - possible impact on all DuPont seed product integrity;
> - effectiveness of established risk management processes for different environments and agricultural systems."

The ACSR unanimously voted (10-0-0) to recommend support for the proposal, based on the view that there is limited health and safety information available regarding GE products. They believe it is particularly important for companies to provide information to shareholders (and the public) in this early stage of product development. The CCSR voted in favor following ACSR recommendation and precedent of both Committees.

8. Report on Recycling Policy

A resubmitted proposal to Mondelez (formerly Kraft) called on the company to consider stronger environmental policies regarding its beverage containers. The proponents describe an Extended Producer Responsibility policy, which shifts the accountability for collecting and recycling waste from consumers and governments to producers. Coca-Cola, PepsiCo and Nestle have adopted such policies, which are the norm in some European countries. The proposal called on the company to

> "issue a report at reasonable cost, omitting confidential information, by Sept. 1, 2013 assessing the feasibility of adopting a policy of Extended Producer Responsibility for post-consumer product packaging as a means of increasing rates of packaging recycling, and reducing carbon emissions and air and water pollution resulting from the company's business practices."

The ACSR unanimously voted (10-0-0) to recommend support. Members noted that Mondelez already has policies in place to address recycling. The company has been successful in efforts to reduce energy and water use, and has removed millions of road miles from its distribution network. At the same time, according to Si2 background information, the company is lagging behind competitors with regard to addressing its use of packaging, a major source of GHG emissions. Given that both Committees supported the same request last year, and the fact that the proposal simply requests the company to prepare a feasibility study, they believe a vote in favor is appropriate. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees on a similar proposal to the company in 2012.

B. Consumer Safety

1. Report on Possible Link Between Fast Food Consumption and Diet-Related Diseases

A resolution to McDonald's addresses concerns about the possible connections among fast food consumption, childhood obesity, and diet-related diseases. According to a 2007 report by the National Institutes of Health, over twenty-five million children in the U.S. are overweight or obese. The number of children consuming food at restaurants rather than at home has increased dramatically in the past few decades, and as a result, children are eating more fat and sugar. In 2012, the American Journal of Preventative Medicine underscored the link between high calorie intake and obesity rates, and linked marketing to obesity. Also in 2012, the Federal Trade Commission proposed the development of new guidelines for marketing food to children. In response, the fast food industry developed its own voluntary code, which many view as inferior and not requiring significant changes on the part of fast food companies in regard to their marketing practices. McDonald's, the world's largest fast food company, serves over sixty-nine million customers per day. The proponents do not think the company has done enough to anticipate and respond to public concerns about the potential link between fast food and childhood obesity, and would like the company to assess whether its nutritional initiatives are sufficient to prevent a material impact on the company's finances and operations due to these concerns. The proposal called on the company to

> "issue a report, including a risk evaluation, at reasonable expense and excluding proprietary information, by November 1, 2013, assessing whether the scope, scale and pace of the company's nutritional initiatives are sufficient to prevent material impacts on the company's finances and operations due to public concerns about childhood obesity and public and private initiatives to eliminate or restrict the fast food environment."

The ACSR voted 6-0-4 to recommend support of the proposal. ACSR members recommending a vote in favor acknowledged that the company has recently released a report assessing its progress regarding efforts to improve nutritional choices on its menus. The report outlines a number of steps the company has taken, including the addition of fruit and fat-free chocolate milk to Happy Meals, and the availability of nutritional information about menu choices. On the other hand, some of the company's "healthier" options have been criticized by both food critics and consumer advocates as inadequately addressing nutritional concerns. ACSR members also note that McDonald's continues to use cartoon characters and toys as part of its marketing effort to children and adolescents. They agree with the proponents that the company could be exposed to risk given the public perception of a possible link between child-oriented marketing strategies and childhood obesity, and think a report on this issue would be of interest to shareholders. Abstaining members share these concerns, but believe that the proposal focuses primarily on issues of financial risk management, a matter of "ordinary business" for the company.

The CCSR voted in favor of the proposal following ACSR recommendation. As supporting members point out, recent steps the company has taken to address concerns about nutrition and child-oriented marketing have fallen short in both areas.

2. Toxic Chemicals in Cosmetics

A resolution to Avon addressed concerns about the presence of potentially harmful chemicals in the company's health and beauty products. According to Si2, the company dedicates $75 million a year to address product safety issues, and has already taken steps to remove two controversial chemicals from its product line—parabens and phthalates. Avon continues to use a third chemical, Triclosan, that has recently come under scrutiny by the FDA because its overuse could increase bacterial resistance. Triclosan has also been shown to alter endocrine function and has been linked to breast cancer and early puberty. Although Avon has not attempted to remove the chemical from its product line, it does label all products that contain Triclosan. The proponents are asking that the company

> "prepare a report articulating Avon's policy, above and beyond regulatory requirements, on using safer substitutes as they become available for chemicals that are known or suspected to cause cancer or mutations, harm the reproductive system, affect the endocrine system, accumulate in the body, or persist in the environment. The report, prepared at reasonable cost and omitting proprietary information, should be made available to shareholders by September 2013."

The ACSR vote was split 1-5-4 on the proposal. ACSR members recommending a vote against argue that Avon has been proactive in taking steps to remove harmful chemicals from its product line, and has been exceptional in its willingness to provide consumers with information about the ingredients in its products, both in product labeling and on the company website. They do not see the benefit of a report to shareholders on this issue. Abstaining and supporting members agree that the company has an exceptional record with regard to sharing information, but are concerned that a vote against the proposal might indicate a lack of concern about the serious health issues raised. The CCSR opposed the resolution following the arguments of ACSR members recommending a vote against.

C. Human Rights

1. Avoid Investment in Companies that Support Genocide

A group of shareholders is concerned about JPMorgan Chase's investments in PetroChina, a company that has connections to oil production projects in the Darfur region of Sudan through its parent company, the China National Petroleum Corporation. According to the Si2 background report, JPMorgan says that the majority of its holdings in PetroChina are on behalf of clients, and that it adheres to universally-recognized human rights principles for its own investments and project financing. The resolution called on the company to

> "institute transparent procedures to avoid holding or recommending investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights. Such procedures may include time-limited engagement with problem companies if management believes that their behavior can be changed. In the rare case that the company's duties as an advisor require holding these investments, the procedures should provide for prominent disclosure to help shareholders avoid unintentionally holding such investments."

Although the Committee had recommended opposition to a similar proposal last year, this year's ACSR voted 7-2-1 to recommend a vote in favor. Supporting members argue that JPMorgan has more exposure to PetroChina than any of its peer institutions, and that the company's clients are often unaware that they have invested in companies that support genocide. (They pointed to a recent survey by KRC Research, which reports that 88% of respondents would prefer that their mutual funds be genocide-free.) Although ACSR members acknowledge that JPMorgan does not have control over the investment decisions of its clients, they believe the company could take additional steps to insure that its own direct investments do not include companies that contribute to genocide. In addition, they agree with proponents that JPMorgan could be more explicitly transparent regarding “procedures to avoid holding or commending investments in companies that, in management’s judgment, substantially contribute to genocide or crimes against humanity.” Some supporting members stressed that Harvard’s own policy prohibits investment in PetroChina. Opposing and abstaining members continue to emphasize that JPMorgan operates as an asset manager for large institutional shareholders and does not have control over the investment decisions of these clients.

The CCSR abstained on the proposal in light of the ACSR’s shift from opposition last year to support of the current proposal. Abstention, rather than a vote against, acknowledges that the company might take additional steps to inform its clients of options to avoid investments in companies that “contribute to genocide or crimes against humanity.” The CCSR wrote to management to explain the vote, and to inform the company about Harvard’s own policy in relation to holdings in PetroChina.

2. Review/Report on Human Rights Policy

General Dynamics has a code outlining standards related to business ethics and conduct, but does not have a policy that specifically addresses international human rights. The company has a direct presence in China, Afghanistan and Iraq, and has been criticized for prior ties to the Gaddafi regime in Libya. A group of shareholders would like the company to

> “review policies related to human rights to assess areas where General Dynamics needs to adopt and implement additional policies and to report its findings by December 2013, omitting proprietary information and prepared at reasonable expense.”

The ACSR voted 8-1-1 to recommend support for the proposal. Supporting members are concerned that as a defense contractor, it is highly likely that the company will continue to operate in high-risk areas where human rights violations may be an issue. They believe it is particularly important that General Dynamics review its policies regarding human rights. The CCSR voted in favor following ACSR recommendation and long standing precedent of both Committees on this type of request.

Related proposals to McDonald’s and Halliburton called on the companies to

> “report to shareholders, at reasonable cost and omitting proprietary information, on [Company’s] process for identifying and analyzing potential and actual human rights

risks of [Company's] operations and supply chain (referred to herein as a "human rights risk assessment") addressing the following:

- Human rights principles used to frame the assessment
- Frequency of assessment
- Methodology used to track and measure performance
- Nature and extent of consultation with relevant stakeholders in connection with the assessment
- How the results of the assessment are incorporated into company policies and decision making

The report should be made available to shareholders on [Company's] website no later than October 31, 2013."

The ACSR unanimously voted (10-0-0) to recommend support of the proposals. With regard to Halliburton, the company operates in 80 countries, including some areas where human rights violations are a concern. Although Halliburton says that human rights are clearly addressed in its code of conduct, ACSR members note that the code focuses primarily on workplace issues. They believe there is a large gap between Halliburton's code and the UN Guiding Principles on Human Rights, which have been supported by major international business associations and have become guiding principles for both nations and businesses in regard to human rights. In particular, they note that Halliburton's code does not include a mechanism to assess the company's handling of human rights issues, while the UN Principles lay out a series of steps whereby businesses can demonstrate that they are respecting human rights.

McDonald's addresses human rights principles in its Standard of Business Conduct, which also applies to the company's suppliers. Although the policy appears to be comprehensive, ACSR members note that there is no independent review process in place to ensure that the policy is being implemented. Given recent claims of labor violations at McDonald's facilities both in the U.S. and in Brazil, noted in Si2 reporting, they believe it is reasonable to ask the company to adopt a process to ensure that its policies regarding human rights are being properly implemented.

The CCSR voted in favor of the resolutions following ACSR recommendation and precedent of both Committees on similar proposals calling for the adoption of human rights policies.

3. Report on Human Rights Policies for Operating in High Risk Areas

A proposal to Chevron addressed concerns about the company's operations in Burma. According to Si2, Chevron holds an equity interest in the Yadana pipeline project, which has been linked to forced relocation of villages and use of forced labor. The proponents are asking for a report on the criteria used by the company for investing in and withdrawing from high-risk countries. Chevron argues that it already has rigorous policies in place to identify and manage human rights issues and risks. Management also points out that its projects require long-term and sustained capital-intensive commitments, and that it would not be practical for the company to start and stop operations each time a country's government or political conditions change. The proposal called on the company to

> "make available by the 2014 annual meeting a report, omitting proprietary information and at reasonable cost, on Chevron's criteria for (i) investment in; (ii) continued operations in; and, (iii) withdrawal from specific high-risk countries."

The ACSR voted 0-6-2 to recommend opposition. ACSR members agree that the company operates in many high-risk areas, but believe that some amount of risk necessarily goes along with oil and gas exploration and development. They agree with management that the company has little flexibility in starting and stopping operations given the long term commitments it must make for each project. They also note that oil reserves are often located in developing countries where political strife is not uncommon. Opposing members believe that the company has policies in place for addressing human rights issues, and that these policies have been articulated publicly in several documents. Abstaining members think the proposal raises serious questions, and are concerned a vote against might indicate a lack of concern about human rights violations in areas where the company operates. The CCSR voted against the proposal following ACSR recommendation and precedent of both Committees.

4. Establish a Human Rights Committee

According to Si2, Goldman Sachs has a multi-faceted approach for addressing human rights issues. The company has a Statement on Human Rights that recognizes the company's responsibility to promote human rights in its worldwide operations. The Statement informs and guides the company's business and is applied to employees, clients and vendors. Goldman Sachs prepares an annual sustainability report that includes reporting on human rights issues. One of the company's four board committees, the Corporate Governance, Nominating and Public Responsibilities Committee, has oversight responsibility for environmental, social and governance issues, including its sustainability reporting. A new proposal calls on Goldman Sachs to add a human rights committee to its board. The lead proponent, a Chinese dissident, is particularly concerned about the company's increasing ties to the Chinese economy. The resolution called on the company to

> "establish a Human Rights Committee to review, assess, disclose, and make recommendations to enhance the company's corporate policy and practice on human rights. The board of directors is recommended, by resolution, in its discretion and consistent with applicable laws to:
> (1) adopt Goldman Sachs Human Rights Principles,
> (2) designate the members of the committee, including outside relevant human rights experts,
> (3) provide the committee with sufficient funds for operating expenses,
> (4) adopt a charter to specify the powers of the committee,
> (5) empower the committee to solicit public input and to issue periodic reports to shareholders and the public, on the committee's activities, findings and recommendations, and
> (6) adopt any other measures."

The ACSR voted 0-4-6 to recommend abstention. ACSR members recommending opposition view the request as duplicative of what the company is already doing. They note that Goldman Sachs appears to be a leader among its peers in the industry with regard to its policies for addressing human rights issues. Abstaining members are concerned that a vote against might indicate a lack of concern about human rights issues. Some suggested that they would have supported the proposal had it asked for a review of human rights practices rather than that the company adopt another committee at the board level to address human rights issues. The CCSR abstained on the proposal following ACSR recommendation.

D. Equal Employment

1. Report on Efforts to Promote Women's Economic Rights

A new proposal to Mondelez (formerly Kraft) addresses concerns about gender inequality across the company's extensive supply chain (Mondelez operates in 165 countries with over 110,000 employees). The proponents point out that women continue to be the lowest paid workers in developing countries, with limited opportunities for advancement. They think that big brand companies such as Mondelez should use their significant leverage to address this issue, and would like the company to report on its efforts to promote women's economic rights. Specifically, the resolution called on the company to

> **"**publish by November 1, 2013, and on and [sic] annual basis thereafter, a sustainability report focused on matters of gender equality across the Company's supply chain. Among other important disclosures, the report should include an objective assessment and measurement of the approximate number of women in the agricultural labor force of the Company's suppliers and the Company's performance in promoting and advancing gender equality among its suppliers, using internationally recognized standards, indicators and measurement protocols where available. The report should be prepared at reasonable cost, omitting proprietary information, and using a phased, tiered or other approach that the Company deems reasonable and practical."

The ACSR voted 2-7-1 to recommend a vote against the proposal. Opposing members think that the problems raised are significant, but note that Mondelez has developed a number of strategies to support rural farmers, and has recently announced the establishment of the Cocoa Life program, which the company says is intended to help one million people in cocoa farming communities over the next ten years. The program, which is described on the company's website, specifically addresses gender equality issues. Given these efforts, and the fact that the proponents themselves have praised the Cocoa Life program, some members think the request is inappropriately timed. In addition, they suggest that the November 1st deadline for a report is unreasonable. Some members recommended abstention or support rather than opposition to signal support for resolution's underlying goal to improve gender equality throughout the company's supply chain. The CCSR voted against the proposal following ACSR recommendation.

2. **Adopt Policy Regarding Discrimination**

Federal legislation to protect lesbian, gay, bisexual, and transgender/transsexual workers from discrimination in the workplace is currently under review in Congress. Until federal protections are enacted, however, it remains legal in many states to fire or hire someone because of their sexual orientation. A repeat proposal to ConocoPhillips called on the company to

> "amend its written equal employment opportunity policy to explicitly prohibit discrimination based [on] gender identity or expression and substantially implement the policy."

The ACSR unanimously voted (11-0-0) to recommend support for the proposal. ConocoPhillips has a non-discrimination policy that exceeds federal requirements in some areas, but does not specifically address gender identity. The company says that it prohibits all discrimination "prohibited by applicable law." Since gender identity discrimination is not illegal in some states, the company's policy does not protect employees' rights in all states. ACSR members strongly support the proposal, noting that Harvard's own anti-discrimination policy includes such language, as do the policies of the majority of Fortune 500 companies,. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees.

Similarly, ExxonMobil was asked to

> "amend its written equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and gender identity and to substantially implement the policy."

The ACSR unanimously voted (8-0-0) to recommend support for the proposal. Members noted that Exxon has a formal policy that supports a workplace free from harassment, but the policy does not specifically protect employees from discrimination based on gender identity or sexual orientation. The company has received the identical proposal for fourteen years—the longest running proposal on record. Given that shareholders have expressed concern about this issue before the company for many years, and the fact that Harvard's own policy prohibits this type of discrimination, they unanimously recommend a vote in favor. The CCSR voted in favor of the proposal following ACSR recommendation and long-standing precedent of both Committees.

A related proposal to Home Depot addressed the issue of corporate reporting of Equal Employment Opportunity information. The resolution called on the company to

> "prepare a diversity report, at reasonable cost and omitting confidential information, available to investors by September 2013, 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 and programs oriented toward increasing diversity in the workplace."

The ACSR voted 8-0-2 to recommend a vote in favor. Supporting members argue that the requested information has already been compiled for government reporting, and therefore the report would not be difficult or expensive for the company to prepare. Although Home Depot's current record on EEO issues does not appear to be problematic, they contend that shareholders have a right to information about corporate EEO practices. Some members chose to abstain in light of the fact that Home Depot has recently increased the number of women and minorities in its employ, and has received a high rating from employees regarding its conduct on EEO issues. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees.

E. Political Contributions

In recent years, the number of shareholder proposals addressing concerns about corporate political contributions has increased dramatically, in large part because of the 2010 U.S. Supreme Court ruling (Citizens United vs. Federal Elections Commission) that corporations and unions have the same political speech rights as individuals under the First Amendment. This ruling allows corporations and unions to spend unlimited money on political campaigns. In 2013, almost one half of all shareholder proposals considered by the ACSR and the CCSR were related to corporate political spending.

1. Disclose Political Contributions

Although companies must provide shareholders with certain information about political contributions, less information is generally available about corporate contributions made at the state level or to trade organizations that may be politically active. This year several companies were asked to

"provide a report, updated semi-annually, disclosing its:

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 decisionmaking.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website.
Payments used for lobbying are not encompassed by this proposal."

The ACSR voted to recommend support for the proposal to CVS (11-0-0), Amazon (10-0-0), and Raytheon (7-0-1). For CVS and Raytheon, the ACSR believes that the information currently provided by these companies lacks sufficient detail to provide a comprehensive view of their political activity. With regard to Amazon, the company has not made political contributions in recent election cycles, but ACSR members note that it does not have a policy prohibiting political spending, nor does it have a process in place for reporting contributions going forward. They believe a vote in favor is in keeping with precedent, and felt that the report would not be difficult to prepare. The CCSR voted in favor of the proposals following ACSR recommendation and precedent of both Committees.

2. Adopt Policy Regarding Political Contributions

The proponent of a resolution to EMC Corporation is concerned that the company's contributions (through its PAC) are not always consistent with EMC's stated policies or goals. The proposal called on the company to

> "create and implement a policy requiring consistent incorporation of corporate values as defined by EMC's stated policies and affirmations (including our Commitment to Diversity, our Equal Opportunity Plan, our Environmental Strategy, and our Climate Change and Energy Strategy) into Company and EMCPAC political and electioneering contribution decisions, and to report to shareholders at reasonable expense and excluding confidential information on a quarterly basis listing any electioneering or political contribution expenditures occurring during the prior quarter, identifying any contributions that raised an issue of incongruency with corporate values, and stating the justification for any such exceptions."

The ACSR unanimously voted (0-10-0) to recommend opposition. ACSR members noted that the EMC PAC is a separate entity from EMC and that PAC contributions do not involve shareholder money, and do not come under the purview of shareholders. Members also stressed that EMC's policies regarding political contributions are considered to be best practice, and the company has provided shareholders with significant information about political contributions.

They do not believe the requested report is appropriate in this case. The CCSR voted against following ACSR recommendation.

3. Adopt Policy Prohibiting Political Contributions

A group of shareholders would like Chevron to stop all political spending. The resolution called on the company to

> "adopt a policy to refrain from using corporate funds to influence any political election."

The ACSR unanimously voted (0-8-0) to recommend opposition. While they are concerned about the lack of transparency in regard to corporate political spending, ACSR members believe it is inappropriate for shareholders to request companies unilaterally to end all political spending. They suggest that the proposal raises an issue that is better addressed through public policy. The CCSR voted against the proposal following ACSR recommendation and precedent of both Committees.

Similar proposals to ExxonMobil, 3M and Bank of America asked the companies to

> "study the feasibility of adopting a policy prohibiting the use of treasury funds for any direct or indirect political contributions intended to influence the outcome of an election or referendum, and report to shareholders on its findings by October 2013."

The ACSR unanimously voted to recommend opposition, noting precedent against resolutions calling for an end to political spending. ACSR members stress that it is unreasonable to ask the companies to prepare feasibility reports for adopting a policy that the Committee does not support. The CCSR voted against all three proposals following ACSR recommendation and precedent of both Committees.

4. Report on Lobbying

According to 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 newly-elected legislators. In 2013, the Committees considered sixteen 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 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 efforts 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."

The ACSR voted in favor of proposals to Du Pont (10-0-0), Verizon (10-0-0); Union Pacific (10-0-1); ConocoPhillips (10-0-1); CVS Caremark (7-3-1); Time Warner Cable (9-0-2); JPMorgan Chase (6-1-2); Goldman Sachs (6-1-2); Allstate (6-1-2); ExxonMobil (8-0-0) and Chevron (8-0-0), and recommended abstention on proposals to Entergy (2-1-7); IBM (4-0-6); and United Parcel Service (2-2-6). The vote was split on proposals to Citigroup (2-5-3) and General Dynamics (5-2-3). Members noted that at the federal level, there are strict regulations that require public disclosure of lobbying activity and funding. State-level disclosure requirements vary widely, and shareholder activists have become particularly concerned about corporate involvement in trade associations and in organizations that help draft model legislation, such as the American Legislative Exchange Council (ALEC). While ALEC is not a lobbying group or a trade association, it has helped to formulate and advance conservative legislation on a range of issues. ACSR members expressed support for greater transparency with regard to corporate lobbying practices, and do not think the requested information would be difficult for the companies to provide. They stressed that greater transparency is an important counter-balance to the Citizens United ruling, which removed limits to corporate involvement in the political process. The ACSR's votes on individual proposals depended on the company's practices (e.g., the amount companies have spent on lobbying, how much information they provide regarding involvement in trade associations, and whether or not they are involved in ALEC).

The CCSR voted in favor of the proposals to DuPont, Verizon, Union Pacific, ConocoPhillips, CVS Caremark, Time Warner Cable, JPMorgan Chase, Allstate, Goldman Sachs, ExxonMobil and Chevron, and to abstain on the proposals to Entergy, IBM and United Parcel Service following ACSR recommendation. Abstention on the proposals to Citigroup and General Dynamics was based on the ACSR's split vote.

A related new proposal to Bank of America requested the company to

> "prepare and periodically update a report, to be presented to the pertinent board of directors committee and posted on the Company's website, that discloses monetary and non-monetary expenditures that the Company could not deduct as an "ordinary and necessary" business expense under section 162(e) of the Internal Revenue Code (the "Code") because they are incurred in connection with:
>
> - influencing legislation;
> - participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for public office; and
> - attempting to influence the general public, or segments thereof, with respect to elections, legislative matters, or referenda.
>
> The requested disclosure would include (but not be limited to)-
>
> - contributions to or expenditures in support of or opposition to political candidates, political parties, political committees;
> - dues, contributions or other payments made to tax-exempt "social welfare" organizations and "political committees" operating under sections 501(c)(4) and 527 of the Code, respectively, and to tax-exempt entities that write model legislation and operate under section 501(c)(3) of the Code; and
> - the portion of dues or other payments made to a tax-exempt entity such as a trade association that are used for an expenditure or contribution and that would not be deductible under section 162(e) of the Code if made directly by the Company.
>
> The report shall identify all recipients and the amount paid to each recipient from Company funds."

The ACSR voted 10-0-1 to recommend support for the proposal. Members noted that Bank of America participates in both direct and indirect lobbying, but does not have a policy that specifically addresses these expenditures. In the past year, the company has removed information about political spending from its website, and is now reporting less than previously. One member reported that the company's website simply links to the Federal Election

Commission (FEC) website for political contributions and lobbying information. Finding information about corporate political contributions on the FEC website is a particularly time intensive process. Given that Bank of America provides very little information about contributions in a form that is easy to find, and has recently reduced the amount of information the company will disclose, the ACSR recommended a vote in favor of the proposal. The CCSR voted in favor following ACSR recommendation and precedent of both Committees on similar proposals requesting details about corporate political contributions.

5. Report on Public Policy Advocating

According to a report from Si2, Merck provides a comprehensive annual report on its corporate and PAC contributions. The report separates corporate and PAC contributions, discloses contributions by state and provides individual recipients, political affiliations and amounts received. In general, Merck's policies appear to be above average compared to its industry peers. At the same time, Merck's lobbying efforts are extensive, and a group of shareholders would like the company to

> "prepare a report describing the policies, procedures, costs and outcomes of the Company's legislative and regulatory public policy advocacy activities. The report, prepared at a reasonable cost and omitting proprietary information, should be published by December 2013. The report should:
> 1. Disclose the policies and procedures by which the Company identifies, evaluates and prioritizes public policy issues of interest to the Company;
> 2. Disclose the outcome and cost of the Company's lobbying activities (both direct and indirect lobbying. including through trade associations and non-profit organizations);
> 3. Describe how the outcomes affect the Company's business, including the impact on its reputation."

The ACSR vote was split 1-3-4 on the proposal. Opposing members believe the company already discloses more than is required by law, and think the request for information is excessive. They are concerned that part 3 of the proposal is unclear in its intent. Abstaining members agree that the proposal is poorly written, but are generally in favor of greater disclosure and are concerned a vote against the proposal could be misinterpreted by management. The CCSR abstained on the proposal in light of the ACSR's split vote, and given the fact that there may be opportunities in the next proxy season for the ACSR to give additional consideration to this type of proposal.

F. Charitable Contributions

A resubmitted proposal to Merck addresses concerns about the company's charitable and political contributions in relation to the company's overall corporate policy. The proposal asked that

> "the independent members of the Board of Directors institute a comprehensive review of Merck's charitable contributions and political contributions and issue a report addressing the interrelation of both and how will they serve overall corporate policy."

The ACSR vote was split 0-4-4. As noted previously, Si2 reports indicate that Merck's policies on corporate giving rank highly in terms of inclusion of elements that are considered to be best practices. Details about the company's charitable giving, including its policies governing contributions, are available on the company's website. ACSR members recommending opposition agree with last year's ACSR that the company already provides substantial information about charitable and political contributions, and do not see the value of an additional report on this issue. Abstaining members cited recent media reports highlighting the overlap between charitable and political contributions through corporate donations to organizations which may support political causes. While abstaining members do not feel the proposal is appropriately placed before Merck, given the company's current level of reporting, they wished to register the importance of the issues for management's ongoing attention. The CCSR abstained recognizing the arguments made by ACSR members recommending abstention.

G. Mortgage Lending Policies

Proposals to Bank of America and Wells Fargo focused on concerns about the companies' internal controls and oversight of mortgage related activity in light of the financial crisis of 2008. Both companies remain heavily invested in the home mortgage market, and are currently the target of a large number of lawsuits related to mortgage backed security transactions. In 2012, Bank of America agreed to pay nearly $12 billion and Wells Fargo agreed to pay over $5 billion in a settlement with the Department of Justice regarding unfair foreclosure practices. Specifically, the resolution asked the companies to

> "conduct an independent review of the Company's internal controls to ensure that its mortgage servicing and foreclosure practices do not violate fair housing and fair lending laws, and report its findings and recommendations, at reasonable cost and omitting proprietary information, to shareholders by September 30, 2013."

The ACSR voted to 1-1-9 to recommend abstention on the proposal to Bank of America, and the vote was 2-2-6 to abstain for Wells Fargo. ACSR members agree that the proposal raises complex issues surrounding the mortgage foreclosure crisis. While they generally support disclosure resolutions, abstaining and opposing members are concerned that such disclosure could be inappropriate in the context of ongoing litigation involving the companies' fair housing and lending practices. They also thought the September 2013 deadline for the report was unreasonable. The supporting members believe that greater transparency about the companies' practices would be of interest to shareholders. The CCSR abstained on the proposals following ACSR recommendation and precedent of both Committees on a similar proposal to Bank of America in 2012.

H. Net Neutrality

A resolution to Verizon addresses the concept of net neutrality, where all content providers are treated equally by internet service providers. The proponents are concerned that Verizon will face litigation, as well as financial and reputational risk, if it veers away from net neutrality. They would like the company to commit to net neutrality principles in order to "ensure equal access and non-discriminatory treatment for all content." Verizon argues that it already has a policy that specifically addresses net neutrality and that it guarantees equal access to internet material. The proposal called on the company to

> "report by October 2013 (at reasonable cost; omitting proprietary and confidential information; and not conceding or forfeiting any issue in litigation) how Verizon is responding to regulatory, competitive, legislative and public pressure to ensure that its network management policies and practice support network neutrality, an Open Internet and the social values described above."

The ACSR voted 0-9-1 to recommend a vote against the proposal. ACSR members stressed that the SEC is already looking at this issue carefully, and there are likely to be future regulations addressing net neutrality. Since there is no evidence of discrimination on the part of Verizon, they see no reason to preempt legislation on this issue. Some members pointed out that the resolution may raise an anti-trust issue rather than a shareholder issue. The CCSR voted against the resolution following ACSR recommendation.

I. Executive Compensation

Proponents of a resolution to E.I. DuPont de Nemours believe that executive compensation is excessive at Du Pont (Si2 calculates that the CEO's hourly rate is over $7,500 per hour), and that highly-paid Board members are unlikely to take steps to rein in compensation levels. They would like the Board of Directors to

> "prepare a report, to be made available to shareholders four months after the 2013 Annual meeting, that shall review the compensation packages provided to senior executives of the Company and address the following.
> 1) Comparison of compensation packages for senior executives with that provided to the lowest paid Company employees.
> 2) Whether there should be a ceiling on compensation provided to senior executives so as to prevent the possibility of excessive compensation.
> 3) Whether compensation of senior executives should be adjusted in a situation where there is a stated need for employees to be laid off from work."

The ACSR unanimously voted (0-10-0) to recommend a vote against the proposal. Although ACSR members appreciate the proponents' concerns about excessive pay and pay disparity, they point out that the Dodd-Frank reforms related to executive compensation would already require significant disclosure of information and allow shareholders the opportunity to vote on executive pay. In addition, they do not believe a comparison of wages of the highest and lowest paid employees would provide useful information to shareholders, and are concerned that capping executive pay may make it difficult for the company to attract talented managers. The CCSR voted against the resolution following ACSR recommendation and precedent of both Committees.

A related new proposal to McDonald's called on the company's compensation committee to

> "report annually to shareholders (omitting confidential information and at a reasonable cost) on the ratio between (a) the total compensation of the Chief Executive Officer for the last fiscal year (as reported in McDonald's most recent proxy statement) and (b) the total compensation (including value of benefits) of the lowest paid full-time worker employed by the Company in the United States for the entirety of that fiscal year. (This ratio is referred to herein as the "Ratio.") If at any time the Securities and Exchange Commission adopts rules implementing section 953(b) of Dodd-Frank, which requires disclosure of the ratio between a company's CEO and the median annual compensation of the company's other employees (the "SEC Pay Ratio"), compliance with this proposal shall be excused."

The ACSR voted 0-4-6 to recommend abstention on the proposal. Opposing members argue that compensation is already well outlined in public documents and they see no benefit in asking the company to calculate the ratio between CEO pay and other employee pay. They also point out that pay comparisons for the last fiscal year would be skewed, since the departing CEO's compensation package included severance pay. Abstaining members agree that the requested report is duplicative of information already available about CEO pay. At the same time, they are concerned that a vote against would indicate a lack of concern about executive compensation, which they believe is excessive. The CCSR abstained on the proposal following ACSR recommendation.

II. Conclusion

The CCSR would like to extend its thanks to members of the Advisory Committee for their contributions to the analysis of the issues presented by the 2013 proxy season, and looks forward to working with new and continuing members of the ACSR in the coming year. The ACSR's role in providing analysis of proxy issues and recommendations for voting has proved invaluable to the CCSR in voting the University's shares and developing investment policy over the years. The CCSR would also like to extend special thanks to retiring members of the ACSR, and to express particular gratitude for the leadership of Professor Allen Ferrell, who in 2013 completed his two-year term as Chairman.

Appendix A
2013 Proxy Season Summary

	COMPANY	RESOLUTION	Meeting Date	ACSR Recommendation	CCSR Vote
1.	Wells Fargo	Review home mortgage policies	04/23/13	2-2-6 Abstain	Abstain
2.	Citigroup	Report on lobbying	04/24/13	2-5-3 Split	Abstain
3.	Du Pont	Report on lobbying	04/24/13	10-0-0 In favor	In favor
4.	Du Pont	Report on pay disparity	04/24/13	0-10-0 Oppose	Oppose
5.	Du Pont	Report on GMO risks	04/24/13	10-0-0 In favor	In favor
6.	IBM	Report on lobbying	04/30/13	4-0-6 Abstain	Abstain
7.	General Dynamics	Adopt/expand human rights policy	05/01/13	8-1-1 In favor	In favor
8.	General Dynamics	Report on lobbying	05/01/13	5-2-3 Split	Abstain
9.	EMC	Adopt policy on values, political spending	05/01/13	0-10-0 Oppose	Oppose
10.	Avon Products	Report on safer product chemistry	05/02/13	1-5-4 Split	Oppose
11.	Verizon	Report on net neutrality	05/02/13	0-9-1 Oppose	Oppose
12.	Verizon	Report on lobbying	05/02/13	10-0-0 In favor	In favor
13.	United Parcel Service	Report on lobbying	05/02/13	2-2-6 Abstain	Abstain
14.	Entergy	Report on lobbying	05/03/13	2-1-7 Abstain	Abstain
15.	Entergy	Report on nuclear plant safety	05/03/13	1-6-2 Oppose	Oppose
16.	Berkshire Hathaway	Adopt GHG reduction targets	05/04/13	9-0-0 In favor	In favor
17.	Bank of America	Review home mortgage policies	05/08/13	1-1-9 Abstain	Abstain
18.	Bank of America	End political spending	05/08/13	0-11-0 Oppose	Oppose
19.	Bank of America	Report on political spending and lobbying	05/08/13	10-0-1 In favor	In favor
20.	CVS Caremark	Report on lobbying	05/09/13	7-3-1 In favor	In favor
21.	CVS Caremark	Review/report on political spending	05/09/13	11-0-0 In favor	In favor
22.	3M Co	End political spending	05/14/13	0-11-0 Oppose	Oppose
23.	ConocoPhillips	Report on lobbying	05/14/13	10-0-1 In favor	In favor
24.	ConocoPhillips	Adopt gender identity anti-bias policy	05/14/13	11-0-0 In favor	In favor
25.	ConocoPhillips	Adopt GHG reduction targets	05/14/13	0-1-10 Abstain	Abstain
26.	Halliburton	Report on human rights policy	05/15/13	10-0-0 In favor	In favor
27.	Union Pacific	Report on lobbying	05/16/13	10-0-1 In favor	In favor
28.	Time Warner Cable	Report on lobbying	05/16/13	9-0-2 In favor	In favor
29.	Allstate	Report on lobbying	05/21/13	6-1-2 In favor	In favor
30.	JPMorgan Chase	End investments in genocide-connected cos.	05/21/13	7-2-1 In favor	Abstain

31.	JPMorgan Chase	Report on lobbying	05/21/13	6-1-2 In favor	In favor
32.	Mondelez Int'l	Adopt Extended Producer Responsibility policy	05/21/13	10-0-0 In favor	In favor
33.	Mondelez Int'l	Publish sustainability report re gender equality	05/21/13	2-7-1 Oppose	Oppose
34.	Amazon.com	Review/report on political spending	05/23/13	10-0-0 In favor	In favor
35.	Goldman Sachs	Report on lobbying	05/23/13	6-1-2 In favor	In favor
36.	Goldman Sachs	Establish board committee on human rights	05/23/13	0-4-6 Abstain	Abstain
37.	Home Depot	Adopt stormwater management policy	05/23/13	0-1-9 Abstain	Abstain
38.	Home Depot	Report on EEO and affirmative action	05/23/13	8-0-2 In favor	In favor
39.	McDonald's	Report on fast food and childhood obesity	05/23/13	6-0-4 In favor	In favor
40.	McDonald's	Report on pay disparity	05/23/13	0-4-6 Abstain	Abstain
41.	McDonald's	Report on human rights policy	05/23/13	10-0-0 In favor	In favor
42.	Merck	Report on public policy advocacy	05/28/13	1-3-4 Split	Abstain
43.	Merck	Report on charitable/political contributions	05/28/13	0-4-4 Split	Abstain
44.	Chevron	Report on hydraulic fracturing/shale gas risks	05/29/13	7-0-0 In favor	In favor
45.	ExxonMobil	Report on hydraulic fracturing/shale gas risks	05/29/13	7-0-0 In favor	In favor
46.	ExxonMobil	Adopt GHG reduction targets	05/29/13	6-0-2 In favor	In favor
47.	Chevron	Report on climate change	05/29/13	0-7-1 Oppose	Oppose
48.	Chevron	Nominate environmental expert to board	05/29/13	0-6-1 Oppose	Oppose
49.	Chevron	Report on offshore oil well risks	05/29/13	0-7-1 Oppose	Abstain
50.	Chevron	Report on country selection/assessment	05/29/13	0-6-2 Oppose	Oppose
51.	ExxonMobil	Adopt sexual orientation anti-bias policy	05/29/13	8-0-0 In favor	In favor
52.	Chevron	Report on lobbying	05/29/13	8-0-0 In favor	In favor
53.	ExxonMobil	Report on lobbying	05/29/13	8-0-0 In favor	In favor
54.	Chevron	End political spending	05/29/13	0-8-0 Oppose	Oppose
55.	ExxonMobil	End political spending	05/29/13	0-8-0 Oppose	Oppose
56.	Raytheon	Review/report on political spending	05/30/13	7-0-1 In favor	In favor

Appendix B

Harvard's Investment Policy with Regard to Oil Companies Operating in Sudan

In 2005, the CCSR recommended to the Harvard Corporation that the University divest itself of stock held in PetroChina Company Limited (PetroChina), a Chinese oil company with major interests in Sudanese oil production. This decision was made in light of the analysis presented in the spring of 2005 by a subcommittee of the ACSR. In 2006, the CCSR further recommended that the University divest itself of stock held in China Petroleum and Chemical Corporation (Sinopec Corporation). The Corporation's decision to divest these companies reflected deep concerns about the grievous crisis that persists in the Darfur region of Sudan and about the role of these companies in the production of oil in Sudan. The CCSR concluded that the considerations that led the University to divest its PetroChina holdings in April 2005 militated in favor of divestment of holdings in Sinopec Corporation. (See Appendices C and D for the full text of the CCSR Statements on PetroChina and Sinopec.)

Appendix C

Statement by Harvard Corporation Committee on Shareholder Responsibility (CCSR) Regarding Stock in PetroChina Company Limited
April 4, 2005

We are announcing today the Harvard Corporation's decision to direct Harvard Management Company (HMC) to divest itself of stock held by HMC in PetroChina Company Limited (PetroChina).

This decision reflects deep concerns about the grievous crisis that persists in the Darfur region of Sudan and about the extensive role of PetroChina's closely affiliated parent company, China National Petroleum Corporation, as a leading partner of the Sudanese government in the production of oil in Sudan. Oil is a critical source of revenue and an asset of paramount strategic importance to the Sudanese government, which has been found to be complicit in what the U.S. Congress and U.S. State Department have termed "genocide" in Darfur and what a United Nations commission of inquiry recently characterized as "crimes against humanity and war crimes . . . [that] may be no less serious and heinous than genocide."

Although Harvard maintains a strong presumption against the divestment of stock for reasons unrelated to investment purposes, we believe that the case for divestment in this instance is persuasive, in view of the confluence of circumstances summarized below, under the heading "Recommendation to Divest from Petrochina."

The Corporation, on our recommendation, has reached this decision in light of the advice of the University's Advisory Committee on Shareholder Responsibility (ACSR) to divest from PetroChina. The ACSR is comprised of four faculty members, four students, and four alumni. We asked the ACSR to study the issue and offer its advice to us after concerns had been expressed by members of the Harvard community about PetroChina and the situation in Darfur. We are especially grateful for the efforts of an ACSR subcommittee chaired by Joseph Badaracco, Shad Professor of Business Ethics and former chair of the ACSR. The subcommittee, after hearing from representatives of the group urging divestment from companies doing business with Sudan and otherwise inquiring into the circumstances, prepared a report that thoughtfully addresses the relevant considerations, and we therefore quote from it at length below.

The Crisis in Darfur

The ACSR subcommittee report begins by describing the grave situation in Darfur:

> A grievous crisis exists in the Darfur region of Sudan. In March 2004, the United Nations humanitarian coordinator for Sudan described the situation in Darfur as an instance of "ethnic cleansing" and "the world's greatest humanitarian crisis." In July 2004, both houses of the United States Congress passed a
> resolution declaring the atrocities in Darfur to constitute genocide. In September 2004, U.S. Secretary of State Colin S. Powell similarly declared that genocide has been committed in Darfur, for which the Sudanese government and the so-called Janjaweed militia groups bear responsibility.

On January 25, 2005, a special UN commission of inquiry, while stopping short of declaring that "genocide" is underway in Sudan, concluded that "the Government of the Sudan and the Janjaweed are responsible for serious violations of international human rights and humanitarian law amounting to crimes under international law," including "killings of civilians, torture, enforced disappearances, destruction of villages, rape and other forms of sexual violence, pillaging and forced displacement, throughout Darfur." It stated that such acts have been "conducted on a widespread and systematic basis," and that "the crimes against humanity and war crimes that have been committed in Darfur may be no less serious and heinous than genocide."

Numerous other observers have condemned the Sudanese government for complicity in actions that have reportedly resulted in the deaths of more than 70,000 Sudanese civilians (some estimates are far higher) and the displacement of 1.5 million more. [See note below, regarding a more recent and much higher estimate of death toll.] There have also been reports linking oil production activities in Sudan directly to mass displacement of civilians and other human rights abuses. The grave situation in the Darfur region persists, notwithstanding the recent signing of a peace accord to end the longstanding north-south civil war in Sudan, and several rounds of negotiations concerning Darfur.

Note: On March 29, 2005, after the ACSR subcommittee had completed its report, a British parliamentary report stated that the death toll in Darfur may be as high as 300,000.

The importance of oil to the Sudanese government, and the involvement of CNPC

The ACSR report also discusses the central importance of oil to the governing regime in Sudan, as well as the extensive involvement of China National Petroleum Corporation, the parent company of PetroChina, in the production of Sudanese oil:

Oil production is widely understood to be a crucial source of revenue for the Sudanese government, essential to the government's capacity to fund military operations, and an asset of exceptional strategic importance to the regime. According to a recent report of the U.S. Department of Energy, "With the start of significant oil production (and exports) beginning in late 1999, ... Sudan's economy is changing dramatically, with oil export revenues now accounting for around 73% of Sudan's total export earnings." [Energy Information Administration, U.S. Department of Energy, Sudan Country Analysis Brief, July 2004.] As of January 2004, Sudan's estimated proven reserves of crude oil stood at 563 million barrels, more than twice the 2001 estimate. As of June 2004, crude oil production had risen to 345,000 barrels per day, up from 270,000 barrels per day just a year earlier. [*Ibid*.]

The China National Petroleum Corporation ("CNPC") is wholly-owned by the Chinese Government[. CNPC] conducts oil operations in Sudan. CNPC is the largest single shareholder of the Greater Nile Petroleum Operating Company ("GNPOC"), a consortium that "dominates Sudan's oil fields." ["China Invests Heavily in Sudan's Oil Industry," *The Washington Post*, December 23, 2004 (*Post* article).] GNPOC was created by the Sudanese government and includes, among its joint venturers, the

Sudanese state-owned oil company, Sudapet. (United States investors are prohibited by U.S. sanctions law from investing in the GNPOC joint venture.) CNPC recently reported that its production of crude oil in Sudan exceeded 16 million tons in 2004, which appears to account for a substantial fraction of its total foreign oil production.

It has also been observed that the production of Sudanese oil has been a matter of attention within the United Nations Security Council in discussions of possible international sanctions against Sudan based on the situation in Darfur, and that substantial revenue from Sudan's oil production has gone toward the purchase of weapons.

CNPC and PetroChina

The ACSR report also addresses the relationship of CNPC to PetroChina:

> In April 1999, CNPC announced its plans to sell $10 billion shares on the New York Stock Exchange. Human rights groups and others objected to the initial public offering, contending that the deal would be tantamount to U.S. support for genocide in [southern] Sudan. In response, CNPC restructured the transaction. It created a new subsidiary, PetroChina, which would operate only inside China, to be owned 90% by CNPC and 10% by private investors. On April 6, 2000, $2.9 billion dollars of shares in PetroChina were sold on the New York Stock Exchange to private investors. At that time, CNPC's investment bankers from Goldman Sachs asserted to investors that none of the money raised in the IPO would be used to fund CNPC's projects in Sudan. [*Post* article; China's Involvement in Sudan: Arms and Oil, Human Rights Watch, November 2003 (Human Rights Watch Report).]
>
> Despite CNPC's assurances, several potential investors viewed with considerable skepticism CNPC's firewall strategy. Opponents of the IPO pointed out that when PetroChina was created, it incurred $15 billion in debt from CNPC, some of which was incurred in connection with the GNPOC project. [Human Rights Watch Report.] Fund managers were skeptical that PetroChina could make independent business decisions because CNPC owned 90% of its shares. As a result of these concerns, several major institutions, including such pension funds as TIAA-CREF and Calpers, elected at the time of the IPO not to invest.
>
> Within the past few months, there have been further complaints that "[t]ransparency in the relationship between PetroChina and CNPC is so poor that investors are often in the dark about potential cross-subsidies." ["Assets Plan for PetroChina in Global Drive," *The Standard*, October 25, 2004.]
>
> In an effort to determine whether PetroChina can exercise independence from CNPC despite CNPC's 90% ownership interest in it, the subcommittee examined the management of the two companies. The results of that review were striking. The Chairman of PetroChina is the President of CNPC; PetroChina's legal counsel is CNPC's President; PetroChina's Vice Chairmen, Executive Directors, and Non-executive Directors are also CNPC's Vice Presidents; and the four subcommittees of PetroChina's Board of Directors contain substantial representation from CNPC. Indeed, the

investment and development subcommittee of the board of PetroChina is comprised solely of two Vice Presidents of CNPC.

Against this background come new reports that suggest the two companies are contemplating the integration of their operations. According to *The Standard*, "Beijing plans to create an integrated oil giant capable of competing on the global stage with the likes of Exxon-Mobil and Royal Dutch Shell by restructuring PetroChina and its parent China National Petroleum Corp. (CNPC)." [*Ibid*.] As a result of this contemplated corporate restructuring, PetroChina itself may become the direct owner of substantial oil assets in Sudan now owned by CNPC, or CNPC and PetroChina may establish a joint venture through which they would jointly own such assets.

The Recommendation to Divest from PetroChina

Finally, the ACSR report recommends that Harvard divest itself of PetroChina stock, recognizing the strong presumption against divestment for reasons unrelated to investment purposes, but also pointing to the unusual combination of circumstances presented by this particular holding:

> The subcommittee understands that Harvard manages its endowment to achieve maximum returns to support the academic purposes and programs of the University, consistent with a prudent level of risk. The University maintains a strong presumption against divesting itself of securities for reasons unrelated to investment purposes, and against using divestment as a political tool or a "weapon against injustice"—not because there are not many worthy political causes or deeply troubling injustices in the world, but because the University is first and foremost an academic institution. During his tenure as president of Harvard, Derek Bok wrote thoughtfully and extensively about the reasons for that approach. His writings are a compelling reminder that the University, as an academic rather than a political institution, must take great care to avoid leveraging its endowment or prestige in ways that could embroil the institution in political and social controversies not directly related to its academic pursuits, and thus compromise the core values and independence of the academic enterprise.
>
> Nevertheless, there are exceptional cases in which the strong presumption against divestment may be overcome. As President Bok noted, "Although trustees have a legal and moral obligation to enhance and conserve the university's resources, there are rare occasions when the very nature of a company's business makes it inappropriate for a university to invest in the enterprise." Typically, in such cases, the act of divestment is not taken with the expectation that it will induce a company to cease its objectionable operations; rather, to paraphrase President Bok, the University simply does not consider it proper to make investments in the enterprise in question.
>
> We believe the unique pattern of circumstances relating PetroChina to the crisis in Sudan counsels in favor of taking the extraordinary step of divestment:
>
> - the declarations by the United States Congress and the U.S. Secretary of State describing the situation in Darfur as involving a "genocide" in which the Sudanese government is complicit;

- the judgment of a United Nations commission of inquiry that the Government of Sudan shares responsibility for "widespread and systematic acts" in Darfur amounting to "crimes against humanity and war crimes . . . [that] may be no less serious and heinous than genocide";

- the apparent persistence of the crisis in Darfur notwithstanding the recently negotiated peace agreement intended to end the north-south civil war in Sudan and several rounds of negotiations focused on Darfur;

- the salient importance of oil to the Sudanese government as a strategic asset and source of revenue, available to fund military and other operations;

- the reports that oil-related activities themselves have exacerbated the humanitarian crisis in Sudan;

- the magnitude and scope of CNPC's active involvement in Sudanese oil production activities (especially in GNPOC), the importance of its Sudanese activities in its overall range of foreign oil activities, and CNPC's status as a direct joint venture partner of Sudapet, owned by the Sudanese government;

- the express inclusion of the GNPOC joint venture on the list of entities with which persons in the United States are prohibited from doing business under U.S. sanctions law;

- CNPC's 90 percent ownership of PetroChina, and the lack of realistic opportunity for an owner of a small fraction of PetroChina's publicly traded shares to exercise "voice" in a way that could be expected to exert significant influence on the conduct of CNPC, which is wholly owned by the Chinese government;

- the fact that PetroChina's Board of Directors is dominated by CNPC's senior management;

- the recent reports that PetroChina itself may soon become the direct owner of international oil assets (including Sudanese assets) now owned by CNPC, or that CNPC and PetroChina may form a joint venture through which they would jointly own such assets, as a result of a contemplated corporate restructuring.

Conclusion

The CCSR is persuaded, and the Corporation agrees, that this particular combination of circumstances, taken together, warrants the rare step of divestment. We accordingly are directing Harvard Management Company to divest its holdings of PetroChina stock.

Appendix D

Statement by Harvard Corporation Committee on Shareholder Responsibility (CCSR) Regarding Stock in China Petroleum and Chemical Corporation (Sinopec Corporation)
March, 2006

We are announcing today the Harvard Corporation's decision to direct Harvard Management Company (HMC) to divest itself of stock held by HMC in China Petroleum and Chemical Corporation (Sinopec Corporation).

The Corporation, on our recommendation, has reached this decision in light of the analysis presented last spring by a subcommittee of the University's Advisory Committee on Shareholder Responsibility (ACSR) for divestment from PetroChina Company Limited (PetroChina), another Chinese oil company with major interests in Sudanese oil production, and developments since that decision regarding Sinopec Corporation's involvement in Sudanese oil production. The decision to divest from Sinopec reflects these new developments as well as deep concerns about the grievous crisis that persists in the Darfur region of Sudan and about the role of Sinopec Corporation and its closely affiliated parent company, China Petrochemical Corporation (Sinopec Group), in the production of oil in Sudan. Oil is a critical source of revenue and an asset of paramount strategic importance to the Sudanese government, which has been found to be complicit in what the U.S. Congress and U.S. State Department have termed "genocide" in Darfur and what a United Nations commission of inquiry has characterized as "crimes against humanity and war crimes . . . [that] may be no less serious and heinous than genocide."

Having monitored recent developments regarding Sinopec Corporation's involvement in Sudanese oil production, the CCSR has concluded that the considerations that led us to divest from PetroChina in April 2005 counsel in favor of our now divesting from Sinopec Corporation. Those considerations are set forth in the statement available at http://www.news.harvard.edu/gazette/daily/2005/04/04-sudan_statement.html. With particular regard to Sinopec, the CCSR has further noted the following:

- Sinopec Corporation is a publicly listed company in which a dominant (68%) interest is held by China Petrochemical Corporation (Sinopec Group). Sinopec Group is wholly owned by the Chinese government, and Sinopec Corporation and Sinopec Group have substantially overlapping management.

- Sinopec Corporation is a partner in Petrodar Operating Company Ltd., a consortium whose partners also include China National Petroleum Corporation (CNPC, the 90% owner of PetroChina) and Sudapet (the Sudanese state-owned oil company), among others.

- In August 2005 Petrodar commenced production of oil in blocks 3 and 7 in Southeast Sudan. In December 2005 Petrodar announced that its first shipment of crude oil would be shipped from Sudan in January 2006. Petrodar's operations represent a major increase in overall Sudanese oil production, with Petrodar's output expected to reach 250,000 barrels/day by the end of 2006 and to grow to 350,000 barrels/day in 2007.

- In November 2005, Sinopec Group announced plans to partner with CNPC to purchase an oil field in Sudan, and has reportedly indicated an interest in expanding its business in Sudan.

Conclusion

Although Harvard maintains a strong presumption against the divestment of stock for reasons unrelated to investment purposes, the CCSR is persuaded, and the Corporation agrees, that the particular combination of circumstances bearing on Sinopec Corporation’s involvement in oil production activities in Sudan warrants the unusual step of divestment. We accordingly are directing Harvard Management Company to divest its holdings of Sinopec Corporation stock.

Appendix E

Harvard's Investment Policy with Regard to Tobacco

In 1990 the University completed sales of its stock in a number of companies in the tobacco industry and adopted a policy prohibiting the future purchase of stock in companies producing significant quantities of cigarettes or other tobacco products. These actions followed extensive consideration by both of Harvard's Committees on Shareholder Responsibility of the issues associated with direct investment in the tobacco industry. In 1988 at the urging of the ACSR, the CCSR wrote to portfolio companies in the tobacco industry, asking them to address the ethical responsibilities associated with tobacco sales in developing countries and to provide information on their policies for informing consumers of tobacco-use risks in nations having minimal governmental regulations concerning smoking health risks. In some cases this information was not forthcoming; in others the firms had made considered decisions not to follow the World Health Organization code for tobacco marketing or contested the evidence linking tobacco use with disease. In September of 1989 after reviewing this correspondence, the University reached the decision to sell its holdings in the stock of several companies involved in the manufacture of cigarettes and other tobacco products. This decision was motivated by the University's belief that in this case it would be unable, as a continuing shareholder, to influence the policy of the companies in regard to the marketing practices mentioned above, and by the desire not to be associated as a shareholder with companies engaged in significant sales of products that create a substantial and unjustified risk of harm to human health. The sale of stock was completed early in 1990, and later in the year the ACSR encouraged the University to adopt a formal policy precluding any future purchase of such stock. The Corporation subsequently adopted a policy prohibiting the purchase of stock in companies producing significant quantities of cigarettes or other tobacco products.