Harvard University

Corporation Committee on Shareholder Responsibility

Annual Report, 2013-2014

CCSR Members:

Nannerl Keohane, Chair
Lawrence Bacow
William Lee
Robert Reischauer

Secretary to the Committee:

Elizabeth A. Gray

December 18, 2014

Corporation Committee on Shareholder Responsibility

2014 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 2014 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; human rights; equal employment; corporate political contributions and lobbying; corporate charitable contributions; executive compensation; mortgage lending practices; and internet policies regarding advertising, privacy and neutrality. New topics addressed in 2014 included fast food marketing practices and their possible connection to childhood obesity; corporate exposure to climate change risk through lending, investing, and financing activities; and the development of principles to assess the impact of corporate tax strategies. (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 2014 proxy season. The report also provides a description of the University's policies with regard to oil companies doing business in Sudan (see Appendices B, C, and D) and to firms involved in the sale and manufacture of tobacco products (see Appendix E).

I. 2014 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
2014	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 2014 proxy season, the ACSR and the CCSR were in complete agreement on fifty-one proposals (91%). In one instance (<2%), the CCSR abstained while the ACSR voted in favor of the proposal. In two instances (<4%), the CCSR abstained while the ACSR voted against the proposals. Of the two proposals (<4%) on which the ACSR vote was split, the CCSR voted to abstain in each case. (For a list of both Committees' votes by company, see Appendix A.)

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

A. Environment

This year, the Committees considered thirteen 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

Two companies were asked to report on goals for reducing greenhouse gas emissions. The first, to ConocoPhillips, requested that the Board of Directors

> "adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the Company's operations; and that the Company report (omitting proprietary information and prepared at reasonable cost) to shareholders by September 30, 2014, on its plan to achieve these goals."

The ACSR unanimously voted (9-0-0) to recommend support. According to Si2 background information, ConocoPhillips has an articulated policy on climate change, including measures to ensure that it is aware of risks and opportunities related to climate change that have an might impact on the company's business plan. Although ConocoPhillips does not have a company-wide emissions reduction plan, it is in the process of developing climate-related action plans for each of its business units. ACSR members noted that last year's abstention on an identical proposal to the company was based on the view that ConocoPhillips was in the process implementing the first phase (from 2008 to 2013) of its long term plan for GHG emissions reductions, and they did not think the timing was right then to press for creation of a plan. Since ConocoPhillips is now planning for the next phase (2014 to 2018) of its plan, ACSR members believe the proposal offers shareholders a good opportunity to stress to management the importance of continuing its efforts to reduce GHG emissions. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees on this type of request.

A similar proposal was presented to Berkshire Hathaway, a holding company with subsidiaries involved in a range of business activities, including energy distribution and generation. The proponents are particularly concerned about the company's MidAmerican Energy Holdings division, which has several coal-burning electricity generating plants. The proponents would like Berkshire Hathaway to establish goals for reducing GHG emissions at these facilities. The proposal asked that management

> "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 January 31, 2015 (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 (10-0-0) to recommend support for the proposal. In recommending support, ACSR members noted that Berkshire Hathaway, unlike many of its industry peers, does not disclose information about GHG emissions for its holdings and has not responded to the CDP's annual questionnaire. They share the proponents' view that it would be in Berkshire Hathaway's best interest to develop emissions reduction targets in advance of anticipated new emissions regulations under the Clean Air Act. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees on an identical proposal to the company last year.

b. Report on Methane Emissions

According to the Si2 report, methane is the 2nd most prevalent greenhouse gas and accounts for approximately 9% of all GHG emissions. Although there are natural sources of methane, 39% of emissions come from natural gas production processes, including leaks along natural gas supply lines. The proponents of a resolution to Occidental Petroleum argue that unless companies voluntarily control releases of methane, governmental emissions regulations are likely to be imposed. They would like Occidental to

> "issue a report (by October 2014, at reasonable cost, and omitting proprietary information) for investors that reviews the Company's policies, actions, and plans to measure, disclose, mitigate, and set quantitative reduction targets for methane emissions and flaring resulting from all operations under the company's financial or operational control."

The ACSR unanimously voted (10-0-0) to recommend support, noting that the resolution is a narrow request for information that is of great interest to shareholders. They noted that Occidental has not responded to the Carbon Disclosure Project's annual questionnaire regarding CO2 emissions, and does not provide information about methane emissions in its annual social responsibility report. Although Occidental is required to disclose information to the EPA about methane emissions in the U.S., many of its operations are offshore or in other countries and are not subject to federal reporting requirements. ACSR members do not believe the proposal would impose an administrative burden on Occidental. The CCSR voted in favor of the proposal following the ACSR recommendation.

c. Report on Plans to Address Climate Change

The proponents of a proposal to Anadarko are concerned about the company's exposure and vulnerability to the negative impacts of climate change. They argue that the company's oil and gas reserves contain more than three times the total amount of carbon that scientists believe can be released without climate catastrophe, and point out that new regulations to reduce GHG emissions could reduce the value of the company's reserves. They would like to know how Anadarko is preparing for this scenario. The following proposal was presented:

> "RESOLVED: Shareholders request Anadarko to prepare a report by September 2014, omitting proprietary information and prepared at reasonable cost, on the company's goals and plans to address global concerns regarding fossil fuels and their contribution to climate change, including analysis of long and short term financial and operational risks to the company."

The ACSR unanimously voted (9-0-0) to recommend support. ACSR members acknowledged that Anadarko is involved in a number of initiatives to address climate change, including the establishment of a Climate Change Committee in 2003 and participation in the Carbon Disclosure Project (CDP). At the same time, Anadarko does not publish a sustainability report, and only provides a one page summary in a Business Roundtable report that very briefly discusses risks associated with climate change. The company has not adopted a quantitative emissions reduction target, and received poor grades from the CDP for its performance. The company has taken the position that the future is too uncertain and that the requested report would be "an unnecessary and unproductive use of the Company's time and resources." Given the growing concerns among investors and the public about corporate responses to risks associated with climate change, and impending regulations about GHG emissions, ACSR members strongly supported the proposal. The CCSR voted in favor of the proposal following ACSR recommendation.

d. Report on GHG Emissions Resulting From Financial Portfolio

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

> "RESOLVED: Given the broader societal implications of climate change, shareowners request that the Board of Directors report to shareholders by September 2014, at reasonable cost and omitting proprietary information, Bank of America's assessment of the greenhouse gas emissions resulting from its financing portfolio and its exposure to climate change risk in its lending, investing, and financing activities."

The ACSR voted 0-1-8 to recommend abstention. ACSR members point out that Bank of America has been recognized as an industry leader in addressing climate change, has consistently received the highest scores on the CDP's annual disclosure questionnaire, and has developed Climate Change Policy Principles that include a twenty billion dollar commitment to provide support for customers who are developing energy efficient technologies. On the other hand, the company has the highest exposure to coal among the ten largest banks, and in 2012, was the top financer of coal-fired plants. Bank of America is also one of the top two financers of mountain top removal mining. Although they generally support requests for information about GHG emissions, ACSR members argue that the proposal casts too wide a net by asking for a report on GHG emissions from all lending, investing and financing activities, which could be interpreted as including student loans and mortgages. At the same time, they do not want to oppose the resolution because they believe it raises important questions about risks associated with the company's exposure to carbon-intensive industries. The CCSR abstained on the proposal following ACSR recommendation.

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 Occidental Petroleum 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 via quantitative indicators by September 30, 2014, and annually thereafter, the results of company policies and practices, above and beyond regulatory requirements, to minimize the adverse water resource and community impacts from the company's hydraulic fracturing operations associated with shale formations. Such reports should be prepared at reasonable cost, omitting confidential information."

The ACSR unanimously voted (9-0-0) to recommend support. Although Chevron has developed an overarching set of guiding principles that are in line with internationally-recognized environment and safety standards, ACSR members noted that the company discloses very little information about its hydraulic fracturing operations, does not provide information about the chemicals used in these operations, and is heavily involved in lobbying against regulations related to fracturing operations. Given that the regulatory environment is expected to change in the near term, especially with regard to reporting requirements, ACSR members think it would be in the company's best interest to be more transparent about its shale gas operations. The CCSR voted in favor following ACSR recommendation and precedent of both Committees.

A substantially similar proposal to Occidental Petroleum called on the company to

> "report to shareholders by October 30, 2014, and annually thereafter, using 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 hydraulic fracturing operations associated with shale formations. Such reports should be prepared at reasonable cost and omit confidential information."

The ACSR unanimously voted (9-0-0) to recommend support. It was noted that while Occidental provides shareholders with some information about its hydraulic fracturing operations, information about chemical additives that have been identified by the company as confidential business information is not disclosed. ACSR members agree that hydraulic fracturing is a highly visible area of shareholder concern, and that federal regulations regarding hydraulic fracturing operations are currently under debate, while regulations vary widely at the state level. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees on identical proposals to ExxonMobil and Chevron in 2013.

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 Ecuador. The following proposal was presented:

> "Therefore, Be It Resolved: Shareholders request that, as elected board directors' terms of office expire, at least one candidate is recommended who:
> - has a high level of expertise and experience in environmental matters relevant to hydrocarbon exploration and production and is widely recognized in the business and environmental communities as an authority in such field, as reasonably determined by the company's board, and
> - will qualify, subject to exceptions in extraordinary circumstances explicitly specified by the board, as an independent director.*

For these purposes, a director shall not be considered 'independent' if, during the last three years, he or she

- was, or is affiliated with a company that was an advisor or consultant to the Company;
- was employed by or had a personal service contract(s) with the Company or its senior management;
- was affiliated with a company or non-profit entity that received the greater of $2 million or 2% of its gross annual revenues from the Company;
- had a business relationship with the Company worth at least $100,000 annually;
- has been employed by a public company at which an executive officer of the Company serves as a director;
- had a relationship of the sorts described herein with any affiliate of the Company; and
- was a spouse, parent, child, sibling or in-law of any person described above."

The ACSR voted 0-5-3 to recommend a vote against the proposal. ACSR members agree that environmental expertise at the highest levels of management is important, but point out that some of the Chevron's high level managers have such expertise. They also note that the company includes environmental expertise as a criterion for choosing board members, unlike many of its industry peers. Opposing members do not see the value of pressing the company further on this issue. In addition, they are concerned about the proponents' request that the company re-write the definition of an independent director, a role already defined by the SEC. Abstaining members agree the proposal is poorly worded in suggesting a new definition for independent directors. At the same time, they stress that the potential for environmental damage poses a significant challenge for oil companies, and they are concerned a vote against might suggest a lack of concern about this issue. The CCSR voted against the resolution following ACSR recommendation and precedent of both Committees on a substantially similar proposal to the company last year.

7. Genetically Engineered Products

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

> "RESOLVED: Shareholders request a comprehensive report by a committee of independent directors of the board on how the company is monitoring herbicide utilization with its seed products: volumes, toxicity equivalents, studies and analysis on the impact to health and environment. Shareholders request the report, at reasonable expense and omitting proprietary information, to be complete within one year of the shareholder meeting."

The ACSR unanimously voted (10-0-0) to recommend support for the proposal. ACSR members are concerned that Du Pont's current level of disclosure regarding gene-engineered crop seed is inadequate. The company's Sustainability Report does not discuss the issue of herbicide or pesticide use, nor does it provide any indication that the company's product review process includes an audit or assurance policy in regard to herbicide or pesticide use. ACSR members agree with proponents that it is in Du Pont's best interest to devote management attention to this issue. Some members added that several major food companies, including Applebee's and Wendy's, are now demanding lower use of herbicides by their suppliers, raising concern about a possible consumer backlash that could have direct financial implications for the company. The CCSR voted in favor of the proposal following ACSR recommendation.

The following related proposal was submitted to Abbott Laboratories. The proponents are concerned about possible negative health impacts of genetically-engineered (GE) ingredients used in the company's nutritional products, which include infant formulas.

> "Shareholders request that unless long-term safety testing demonstrates that genetically engineered crops, organisms or products thereof are not harmful to humans, animals and the environment, the company's board of directors adopt a policy to identify and label, where feasible, all food products manufactured or sold under the company's brand names or private labels that may contain genetically engineered ingredients and report to shareholders, at reasonable cost and excluding proprietary information, on such policy and its implementation by October 31, 2014."

The ACSR narrowly voted (0-5-4) to recommend opposition. Members recommending opposition note that Abbott is in compliance with all applicable laws regarding product safety, and that it is a member of trade associations that support federal labeling standards. They are concerned that asking Abbott to label GE ingredients in its product line in advance of supportive legislation could put the company at a competitive disadvantage. Abstaining members are concerned about possible negative health impacts of GE ingredients, especially since long-term use has not been carefully studied. They support labeling of all products that contain GE ingredients, and note that there is strong consumer support for such labeling. At the same time, they shared the concerns of opposing members that requiring Abbott unilaterally to label its products may put the company at a competitive disadvantage, and for that reason chose to abstain rather than support the proposal. The CCSR abstained following the reasoning of ACSR members recommending abstention.

8. Report on Recycling Policy

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

> "issue a report at reasonable cost, omitting confidential information, by October 1, 2014 assessing the environmental impacts of continuing to use non-recyclable brand packaging."

The ACSR unanimously voted (9-0-0) to recommend support. ACSR members believe the requested report would be both of interest to shareholders and fairly easy for the company to produce. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees on a similar proposal to the company in 2013.

9. Sustainability Reporting

The proponent of a resolution to Facebook is concerned that the company does not provide sufficient information for shareholders to ascertain whether the company is appropriately managing its exposure to risk associated with environment, social and governance

(ESG) issues. They would like the company to

> "issue an annual sustainability report describing the company's short- and long-term responses to ESG-related issues. The report should be prepared at a reasonable cost, omit proprietary information, and be made available to shareholders by October 2014."

The ACSR unanimously voted (8-0-0, with one member recused) to recommend support. ACSR members believe that the social media industry as a whole, although it is a heavy consumer of energy, has not adequately addressed sustainability issues. Given that ESG reporting is becoming best practice for S&P 500 companies, they believe the request for a report is reasonable. ACSR members also note that a vote in favor is in keeping with Harvard's own commitment to sustainability. The CCSR voted in favor of the proposal following the ACSR recommendation and precedent of both Committees on similar proposals to C.R. Bard (in 2012) and Google (in 2010).

A proposal to Lowe's related to sustainability policy reporting called on the company to

> "authorize the preparation of a report to be published by December 2014, updated annually, at a reasonable cost and excluding any proprietary information, disclosing:
> 1. The specific scientific data and studies management relied upon to determine the need for policies and expenditures with environmental goals.
> 2. An estimate of the costs and benefits to Lowe's of its sustainability policy.
>
> The report should be presented to all relevant oversight committees of the Board and posted on the Company's website."

The ACSR unanimously voted (0-9-0) to recommend opposition. In this case the proponents are concerned that the company is spending more money than necessary addressing environmental issues, and would like a report on the scientific data and studies that have informed the company's sustainability policies. ACSR members believe that Lowe's annual sustainability report clearly defines how its practices have led to reduced environmental impacts, have helped it to become more efficient, and have ultimately saved the company money. They also note that the report provides a fair amount of quantitative data, which enables investors to assess the company's performance on a range of sustainability issues. The CCSR voted against the resolution following ACSR recommendation.

B. Human Rights

1. Report on Process for Addressing Human Rights Risks

Halliburton operates in 80 countries, many of which are at risk for human rights abuses. The company has a human rights statement, but a group of shareholders believes that the company must "also assess the risks to shareholder value posed by human rights practices in their operations and supply chain in order to effectively translate principles into protective practices." They would like Halliburton to adopt practices that are in line with the United Nations Guiding Principles on Business and Human Rights (known as the "Ruggie Principles"), which have received wide support from states, organizations and corporations. The proposal called on the company to

> "report to shareholders, at reasonable cost and omitting proprietary information, on Halliburton's process for identifying and analyzing potential and actual human rights risks of Halliburton'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 Halliburton's website no later than October 31, 2014."

The ACSR unanimously voted (9-0-0) to recommend support of the proposal, following precedent of both Committees on an identical proposal to the company in 2013. Members noted that since that time, Halliburton has not taken any steps to adopt a more robust approach to human rights. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees.

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

A proposal to Chevron addressed concerns about the company's operations in several countries that have been linked to human rights abuses. In particular, they point to Chevron's ownership interest in the Yadana pipeline project in Burma, where there have been allegations that forced labor was used on portions of the pipeline. The proposal called on the company to

> "make available by the 2015 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 unanimously voted (8-0-0) to recommend support. Members noted that in 2009, after several years of shareholder proposals, Chevron adopted a human rights policy and announced that it would begin implementation in 2010. The policy was to be fully integrated by 2013. In the past year, however, Chevron has not provided an update on implementation, and did not address human rights in its most recent sustainability report. According to Si2, this is the fifth year the proposal has been brought before Chevron and shareholder support has steadily increased. Given the company's failure to report on progress in implementing the policy adopted in 2009, ACSR members believe a vote in favor is appropriate. The CCSR voted in favor of the proposal following ACSR recommendation.

C. Equal Employment

1. Adopt Policy to Report on EEO Practices

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

> "adopt and enforce a policy requiring American Express Company (the "Company") to disclose annually its EEO-1 data—a comprehensive breakdown of its workforce by race and gender according to 10 employment categories—in its corporate responsibility report, beginning in 2014."

The ACSR unanimously voted (10-0-0) to recommend a vote in favor. ACSR members strongly support transparency with regard to EEO practices, and note that the requested information is already compiled by the company for government reporting. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees.

A related proposal to Home Depot has been presented to the company for thirteen consecutive years, consistently receiving over 20% of the shareholder vote. The resolution called on the company to

> "prepare a diversity report, at reasonable cost and omitting confidential information, available to investors by September 2014, including the following:
> 1. A chart identifying employees according to their gender and race in each of the nine major EEOC-defined job categories for the last three years, listing numbers or percentages in each category;
> 2. A summary description of any affirmative action policies and programs to improve performance, including job categories where women and minorities are underutilized;
> 3. A description of policies/programs oriented toward increasing diversity in the workplace."

The ACSR unanimously voted (9-0-0) to recommend a vote in favor. Home Depot is the largest consumer retail store in the world, selling over 300,000 products and employing over 365,000 people, most of them hourly workers. ACSR members acknowledge that the company has a non-discrimination policy, has developed systems to prevent workplace harassment and discrimination, and provides an employee hotline to report concerns regarding conduct that is in violation of the company's Code of Conduct and Ethics. At the same time, Home Depot has been reluctant to provide diversity data on the demographics of its workforce. Given that Home Depot has paid out more than $100 million to settle discrimination lawsuits in little over a decade and, as recently as 2012, settled a suit alleging workplace discrimination, ACSR members think shareholders have good reason to be interested in details regarding the company's EEO practices. The CCSR voted in favor of the proposal following ACSR recommendation and precedent of both Committees.

D. Plant Closings

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

> "consider the following nonbinding proposal: That it create a committee, with members drawn from the employee work force of Dupont, the union leadership of Dupont, the management of Dupont, and any necessary independent consultants, to report to the Board of Directors regarding:

1) the impact to communities as a result of Dupont's action in laying off mass numbers of employees, selling its plants to other employers, and closing its plants and
2) alternatives that can be developed to help mitigate the impact of such actions in the future."

The ACSR voted 0-7-3 to recommend a vote against the proposal. Opposing members believe that questions about plant closings and spinoffs are business decisions that should be made by company management and the Board of Directors. They note that DuPont appears to be diligent in both reporting when layoffs are likely to occur and in considering the impact of layoffs on employees and local communities. In addition, they note that plant closings are already regulated by state and federal law. Abstaining members support the company's efforts to engage the community and stakeholders on issues involving plant closings and layoffs. They are concerned a vote against would indicate a lack of concern about the issue. The CCSR abstained on the proposal.

E. Corporate Political Spending

In recent years, the number of shareholder proposals addressing concerns about corporate political spending has increased dramatically, in large part because of the 2010 U.S. Supreme Court 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 2014, over half of the shareholder proposals considered by the ACSR and the CCSR were related to corporate political contributions and lobbying expenditures.

1. Disclose Political Contributions

In an effort to shed more light on corporate contributions made at the state level or to trade organizations that may be politically active, a group of shareholders asked several companies to

"provide a report, updated semiannually, disclosing the Company's:
1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to
   (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or
   (b) influence the general public, or any segment thereof, with respect to an election or referendum.

2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
    a. The identity of the recipient as well as the amount paid to each; and
    b. The title(s) of the person(s) in the Company responsible decision-making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website."

The ACSR unanimously voted to recommend support of the proposal to Anadarko (9-0-0, with one member recused from voting); Amazon (9-0-0); Allstate (9-0-0); and Raytheon (8-0-0). After a review of Si2 background reports, ACSR members noted that although the companies provide shareholders and the public with some information about their political spending, none report fully on lobbying expenditures or membership in trade associations. In recommending support, ACSR members stressed the importance of transparency regarding corporate political activity, and cited strong precedent of both Committees in favor of this type of request.

For these reasons, the ACSR unanimously recommended support for a substantially similar proposal to AT&T, which asked the company to

"provide a report, updated semi-annually, disclosing the Company's:

1. Policies and procedures for expenditures made with corporate funds to trade associations and other tax-exempt entities that are used for political purposes ('indirect' political contributions or expenditures).
2. Indirect monetary and non-monetary expenditures used for political purposes, i.e., to participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, and used in any attempt to influence the general public, or segments thereof, with respect to elections. The report shall include:
    a. An accounting through an itemized report that includes the identity of the recipient as well as the amount paid to each recipient of the Company's funds that are used for political contributions or expenditures as described above; and
    b. The title(s) of the person(s) in the Company who participated in making the decisions to make the political contribution or expenditure.

This proposal does not encompass payments used for lobbying.
The report shall be presented to the board of directors' audit committee or other relevant oversight committee and posted on [the company website]."

The ACSR noted that AT&T's political contributions are significantly higher than those of its industry peers, and that AT&T does not disclose a full list of trade association memberships, the amount of dues paid, nor amounts paid to trade associations for political campaigns or lobbying.

The CCSR voted in favor of all five proposals following ACSR recommendation and precedent of both Committees on substantially similar proposals asking for reports on political contribution policies and practices.

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 with 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 report to shareholders, at reasonable expense and excluding confidential information, any electioneering or political contribution expenditures which raise an issue of congruency with corporate values, and stating the justification for these exceptions."

The ACSR unanimously voted (0-9-0) to recommend opposition, following arguments against an identical proposal to the company in 2013. EMC appears to be ahead of most firms in terms of disclosure, its policies are considered by many to be best practice, and its political contributions are minimal. According to the Si2 report, EMC's "disclosures of corporate contributions and trade association activity go above and beyond those of the majority of S&P 500 companies." ACSR members see no value in asking the company to adopt an additional policy governing political contributions. The CCSR voted against the proposal following ACSR recommendation and precedent of both Committees.

A similar proposal to Facebook called on the company to

> "create and implement a policy with consistent incorporation of corporate values as defined by Facebook's policies and public affirmations into Company and FB PAC political and electioneering contribution decisions, and requiring reporting 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 congruency with corporate values, and stating the justification for any such exceptions."

The ACSR unanimously voted (0-0-8) to recommend abstention. ACSR members believe the proposal seeks excessive detail by asking for a report on inconsistencies between the company's stated policies and its PAC contributions. The recommendation to abstain is based on concern that the company does not have a policy governing political contributions, has been unwilling to provide information about contributions, and has been increasing its political spending in the past few years. The CCSR abstained on the proposal following ACSR recommendation.

3. Adopt Policy Prohibiting Political Contributions

A group of shareholders would like DuPont 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 voted 0-10-0 to recommend opposition to the proposal. The Committee agreed that it is inappropriate to request companies unilaterally to end political contributions, since such a move could put them at a competitive disadvantage. ACSR members also noted that DuPont meets a majority of the best practice standards identified by the Center for Political Accountability.

Similarly, the ACSR unanimously voted against related proposals to Pfizer and PepsiCo, which called on the companies to

> "have a policy pertaining to making political contributions (to individual candidates; organizations supporting candidates, directly or indirectly; leadership groups; or political action committees) only if such a policy is approved by at least 75% of its shares outstanding. No funds, or in kind support, shall be provided by the corporation to any of the entities listed above unless the contribution complies with the corporate policy."

The ACSR noted that the requirement that all political contributions must be approved by 75% of outstanding shares will effectively prohibit all political giving.

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 2014, the Committees considered nineteen proposals calling on companies to

> "authorize the preparation of a report, updated annually, disclosing:
>
> **1.** Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
> **2.** Payments by [Company] used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
> **3.** [Company]'s membership in and payments to any tax-exempt organization that writes and endorses model legislation.
> **4.** Description of management's and the Board's decision making process and oversight for making payments described in sections 2 and 3 above.
>
> For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which [Company] is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.
>
> The report shall be presented to the Audit Committee or other relevant oversight committees and posted on [Company]'s website."

Note: the proposal to ConocoPhillips did not include request #3 above regarding membership in tax-exempt organizations.

The ACSR recommended a vote in favor of proposals to Citigroup (9-0-1); Abbott Laboratories (9-0-0); AT&T (9-0-0); Verizon (9-0-0); Honeywell (9-0-0); Boeing (9-0-0); IBM (9-0-0); General Dynamics (8-0-0, with one member recused from voting); United Parcel Service (9-0-0); Bank of America (9-0-0); Google (9-0-0, with one member recused from voting); Morgan Stanley (10-0-0); ConocoPhillips (10-0-0); Allstate (9-0-0); Facebook (9-0-0); JPMorgan Chase (9-0-0); Comcast (9-0-0); Chevron (8-0-0); and Raytheon (8-0-0). It was noted that shareholder support for this type of request has been growing, suggesting an evolving perception that detailed disclosure about lobbying expenditures is becoming best practice. Over the course of the proxy season, the ACSR developed criteria for voting the proposals that included how the companies' lobbying practices compared with those of its industry peers and how much information companies provided about lobbying expenditures, including amounts paid for indirect lobbying and to trade associations. They also considered whether the companies were members of trade associations, particularly organizations that help to formulate and advance legislation on a wide range of issues.

After considering each proposal, the ACSR found that overall these companies were unwilling to provide detailed information about their lobbying expenditures, particularly with regard to dues and payments made to trade associations. They agreed with last year's ACSR that greater transparency would be an important counter-balance to the Citizens United ruling. Given that none of the companies have been willing to share details about their lobbying practices, they recommended a vote in favor in each case.

The CCSR voted in favor of the proposals following ACSR recommendation and precedent of both Committees.

Similar proposals called on Pfizer and Occidental to prepare

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

The ACSR unanimously voted to recommend support for the proposals. With regard to Pfizer, members noted that the company has comprehensive policies and guidelines in place to oversee corporate political activity, but the company's semi-annual reports on political activity do not include information about trade association memberships or lobbying expenses. According to Si2, 90% of the company's political expenditures involve lobbying. As a result, Pfizer's political contributions reports do not transparently reflect the company's expenditure related to political activity. In the case of Occidental, the Si2 report indicates that the company spends six times more on political contributions than its industry peers. Almost half of the company's spending is for lobbying purposes, including lobbying against regulations on hydraulic fracturing operations. ACSR members believe that it is reasonable for the companies to be engaged with trade associations, but also believe that shareholders have a right to know about this involvement.

The CCSR voted in favor of the proposals following ACSR recommendation.

F. Charitable Contributions

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

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

The ACSR unanimously voted (0-8-0) to recommend opposition to the proposal. According to Si2, Chevron has policies that govern corporate charitable giving and the company already provides information about charitable contributions in reports to shareholders. ACSR members see no reason to request another report regarding the company's charitable giving. The CCSR voted against the resolution following ACSR recommendation and precedent of both Committees.

G. Mortgage Lending Policies

A proposal to Wells Fargo addressed concerns about the company's exposure to financial risk associated with mortgages and foreclosures. In 2012, Wells Fargo agreed to pay over $5 billion in a settlement with the Department of Justice regarding unfair foreclosure practices. The company continues to be heavily invested in the home mortgage market, and is the target of lawsuits related to mortgage backed security transactions. The proponents would like a report on internal controls to ensure that the company is in compliance with fair lending laws. Specifically, the resolution asked the company 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, 2014.

The ACSR narrowly voted (5-4-0) to recommend support. Opposing members pointed out that Wells Fargo's lending practices are subject to frequent monitoring by federal regulators, that the company has instituted a long list of controls to ensure compliance with fair housing and fair lending laws, and that Wells Fargo is the only company to pass all of the 33 metrics required under the National Mortgage Settlement. They do not see the value of another review of the company's internal controls. Supporting members acknowledge that the company has taken numerous steps to improve its lending practices, but believe that greater transparency may prevent such problems in the future. The CCSR agrees with opposing ACSR members that the company has already instituted numerous controls to ensure that its practices do not violate fair lending laws, but chose to abstain in light of ACSR's split vote and the serious concerns raised by the proposal.

H. Internet and Social Media

1. Report on Privacy and Data Security Policies

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

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

The ACSR voted 3-0-7 to recommend abstention. ACSR members believe the proposal raises an extremely complex issue. They acknowledged that the company has a privacy policy in place and that the financial services industry is highly regulated with regard to data security. At the same time, they noted that the American Express privacy policy does not appear to address concerns about government requests for information – an issue that is of particular concern to the resolution's proponents.   Supporting members are concerned about the circumstances in which U.S. governmental agencies gain access to private customer data. They believe that greater transparency and disclosure about the occurrence of such requests, and how American Express responds to them, would be of interest to shareholders.

Abstaining members differed in their reasons for not supporting the proposal. Some thought the resolution raised an ordinary business issue; others considered that the degree of appropriate transparency with regard to U.S. government requests for information remains unclear. Given the complexity of the issues raised, and the range of ACSR views, the CCSR abstained on the proposal, acknowledging that the issue of government requests for customer information is complex and currently under debate in the public arena.

2. Social Media and Fast Food Marketing

The proponent of a new proposal to Facebook is concerned that fast food marketing practices contribute to childhood obesity, and would like Facebook to consider whether its policies are sufficient to shield children from this type of advertising. According to the Si2 report, marketing through social media venues has increased dramatically in recent years, and a large part of Facebook's revenue is derived from advertising. The proposal called on the company to

> "issue a report, including a risk evaluation, at reasonable expense and excluding proprietary information, by November 1, 2014, assessing whether the scope, scale and pace of implementation of the company's advertising and privacy policies 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 food marketing to youth."

The ACSR unanimously voted (0-9-0) to recommend opposition to the proposal. In general, ACSR members do not believe the proposal offers an effective approach to addressing the proponent's concerns about childhood obesity. The Committee also expressed concern that limiting advertisers' access to social media could be an infringement of their freedom of speech rights. The CCSR voted against the resolution following ACSR recommendation.

3. Net Neutrality

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

> "report by October 2014 (at reasonable cost and omitting proprietary and confidential information) how Verizon is responding to regulatory,competitive, legislative and public pressure to ensure that its network management policies and practices support network neutrality, an Open Internet and the social values [described above]."

The ACSR vote was split 4-2-3 on the proposal. It was noted that existing regulation would not prevent mobile broadband Internet service providers from violating net neutrality principles. Those recommending support argue that since Verizon claims to be a leader on net neutrality issues, the company should be willing to prepare a report to shareholder to uphold these claims. They view the proposal as a reasonable request for information. Opposing and abstaining members believe the issue is complex, noting that the regulations governing wired communications may not be directly applicable to the wireless world, and pointing out that these issues are currently under consideration by the FCC. At the same time they recognize that the proposal raises serious concerns about free speech and equal access to the internet. The CCSR abstained on the proposal in light of the ACSR's split vote. Abstention recognizes that the issue of net neutrality is complex and changing, and that public debate continues regarding the development of regulations for wireless service.

I. Executive Compensation

Gilead is a pharmaceutical company that develops and markets a wide range of medicines, including treatments for HIV/AIDS and hepatitis. A group of shareholders is concerned about both the rising cost of prescription medications and the high compensation package paid to Gilead's CEO, and would like the CEO's bonus compensation to be linked to patient access to the company's medicines. A new proposal asked the Board to

> "adopt a policy that incentive compensation for the Chief Executive Officer ("CEO") should include non-financial measures based on patient access to the Company's medicines. For purposes of this resolution, "patient access" refers to the extent to which patients are unable to obtain prescribed medications manufactured by Gilead Sciences.
>
> Shareholders recommend a reduction in incentive compensation for the CEO based on -- but not limited to -- the following measures:
> - The enactment of funding cuts or other restrictions to publicly financed pharmaceutical assistance programs or prescription drug plans that prevent eligible patients from obtaining prescribed medications.
> - The inclusion of Gilead medicines by private or publicly financed prescription drug plans into formulary categories that increase the co-payment or cost sharing requirement for patients."

The ACSR unanimously voted (0-0-10) to recommend abstention. ACSR members point out that Gilead does give attention to patient access to medicine in setting executive compensation as part of its consideration of broader financial goals. They also note that the company has taken steps to address the issue of patient access to medicines through state AIDS Drug Assistance Programs (ADAPs) and through initiatives in developing countries. At the same time, they share the proponent's concerns about the high cost of drugs and the overall rate of patient access. They note that the company's current drug assistance programs will expire at the end of 2014, and believe it is important to encourage management to continue these programs. Abstention is based on the view that linking executive compensation to patient access to medicines may be an ineffective way to address this issue. The CCSR abstained on the proposal, sharing the ACSR's concern that patient access to medicine is a critical challenge facing the healthcare system.

J. Tax Policy

A new proposal to Google addresses the use of transfer pricing and overseas tax havens. The proponents claim that Google transfers intellectual property to overseas subsidiaries, thereby reducing its U.S. tax payments. By channeling revenues to Bermuda, Google is able to reduce its U.S. corporate tax obligations. While such transfers are legal, some feel they are unethical. The proponents are concerned that these transfers pose a significant reputational risk to the company. Specifically, the proposal requested that Google

> "adopt a set of principles to address the impact of Google's tax strategies on society, with particular focus on Google's employees, customers and suppliers. In addition, the board should publish annual reports to shareholders, at reasonable cost, omitting

> proprietary information, discussing implementation of these principles, beginning December 2014."

The ACSR vote was split 2-4-3 (with one member recused from voting). ACSR members recommending a vote in favor believe that the proposal raises an important ethical issue, and think it is reasonable to ask Google to adopt principles to address its tax strategy. They note that other companies have adopted such policies, including Johnson & Johnson and Vodafone, and are concerned that Google might damage its reputation and brand if it continues its present practice. Abstaining members understand that Google is operating legally under current law and think that the issue would be better addressed through governmental regulation. Abstention is meant to acknowledge that the proposal raises important questions about the company's tax strategy. Opposing members believe that it would be inadvisable to ask the company unilaterally to avoid the use of tax havens, since such move could place the company at a competitive disadvantage. They agree with management that the issue should be addressed at a systemic level by U.S. tax policy. The CCSR abstained on the proposal in light of the ACSR's split vote and the complex issues raised in this new proposal.

II. Conclusion

The CCSR would like to thank the members of the ACSR for their hard work and generous time commitment during the 2014 proxy season, with special thanks to Professor Carliss Baldwin, the ACSR Chair, for her leadership. The CCSR relies heavily upon the ACSR's analyses of issues and voting recommendations. The ACSR's careful examination of the circumstances surrounding each case greatly strengthens the quality of Harvard's voting process. We look forward to working with Professor Baldwin and other continuing members of the Committee in the coming year.

Appendix A
2014 Proxy Season Summary

COMPANY	RESOLUTION	Meeting Date	ACSR Recommendation	CCSR Vote
1. Citigroup	Report on lobbying	4/22/14	9-0-1 in favor	In favor
2. Du Pont	End political spending	4/23/14	0-10-0 oppose	Oppose
3. Du Pont	Report on pesticide monitoring	4/23/14	10-0-0 in favor	In favor
4. Du Pont	Report on plant closings/layoffs	4/23/14	0-7-3 oppose	Abstain
5. Pfizer	Shareholder approval of political spending	4/24/14	0-9-0 oppose	Oppose
6. Pfizer	Report on indirect lobbying	4/24/14	9-0-0 in favor	In favor
7. Abbott Laboratories	Label GMO products	4/25/14	0-5-4 oppose	Abstain
8. Abbott Laboratories	Report on lobbying	4/25/14	9-0-0 in favor	In favor
9. AT&T	Report on indirect political spending	4/25/14	9-0-0 in favor	In favor
10. AT&T	Report on lobbying	4/25/14	9-0-0 in favor	In favor
11. Honeywell Int'l	Report on lobbying	4/28/14	9-0-0 in favor	In favor
12. Boeing	Report on lobbying	4/28/14	9-0-0 in favor	In favor
13. IBM	Report on lobbying	4/29/14	9-0-0 in favor	In favor
14. Wells Fargo	Review home mortgage policies	4/29/14	5-4-0 in favor	Abstain
15. EMC	Adopt policy on values, political spending	4/30/14	0-9-0 oppose	Oppose
16. Verizon	Report on lobbying	5/1/14	9-0-0 in favor	In favor
17. Verizon	Report on net neutrality	5/1/14	4-2-3 split	Abstain
18. Berkshire Hathaway	Adopt GHG reduction targets	5/3/14	10-0-0 in favor	In favor
19. Occidental Petroleum	Report on indirect lobbying	5/2/14	9-0-0 in favor	In favor
20. Occidental Petroleum	Report on hydraulic fracturing risks	5/2/14	9-0-0 in favor	In favor
21. Occidental Petroleum	Report on methane emissions targets	5/2/14	10-0-0 in favor	In favor
22. Bank of America	Report on GHG emissions and finance	5/7/14	0-8-1 abstain	Abstain
23. Bank of America	Report on lobbying	5/7/14	9-0-0 in favor	In favor
24. PepsiCo	Shareholder approval of political spending	5/7/14	0-9-0 oppose	Oppose
25. General Dynamics	Report on lobbying	5/7/14	8-0-0 in favor	In favor
26. Gilead Sciences	Link executive pay to access to medicine	5/7/14	0-0-10 abstain	Abstain
27. United Parcel Service	Report on lobbying	5/8/14	9-0-0 in favor	In favor
28. American Express	Report on privacy and data security	5/12/14	3-0-7 abstain	Abstain
29. American Express	Disclose EEO-1 data	5/12/14	10-0-0 in favor	In favor
30. ConocoPhillips	Report on lobbying	5/13/14	10-0-0 in favor	In favor

31. ConocoPhillips	Adopt GHG reduction targets	5/13/14	9-0-0 in favor	In favor
32. Anadarko Petroleum	Review/report on political spending	5/13/14	9-0-0 in favor	In favor
33. Anadarko Petroleum	Report on climate change	5/13/14	9-0-0 in favor	In favor
34. Morgan Stanley	Report on lobbying	5/13/14	10-0-0 in favor	In favor
35. Google	Report on lobbying	5/14/14	9-0-0 in favor	In favor
36. Google	Adopt tax policy principles	5/14/14	2-4-3 split	Abstain
37. Allstate	Review/report on political spending	5/20/14	9-0-0 in favor	In favor
38. Allstate	Report on lobbying	5/20/14	9-0-0 in favor	In favor
39. JPMorgan Chase	Report on lobbying	5/20/14	9-0-0 in favor	In favor
40. Halliburton	Report on human rights policy	5/21/14	9-0-0 in favor	In favor
41. Mondelez Int'l	Report on packaging	5/21/14	9-0-0 in favor	In favor
42. Amazon.com	Review/report on political spending	5/21/14	9-0-0 in favor	In favor
43. Comcast	Report on lobbying	5/21/14	9-0-0 in favor	In favor
44. Home Depot	Report on EEO and affirmative action	5/22/14	9-0-0 in favor	In favor
45. Facebook	Adopt policy on values, political spending	5/22/14	0-0-8 abstain	Abstain
46. Facebook	Publish sustainability report	5/22/14	8-0-0 in favor	In favor
47. Facebook	Report on lobbying	5/22/14	9-0-0 in favor	In favor
48. Facebook	Report on childhood advertising/obesity	5/22/14	0-9-0 oppose	Oppose
49. Lowe's	Provide analysis of sustainability policies	5/30/14	0-9-0 oppose	Oppose
50. Raytheon	Report on lobbying	5/28/14	8-0-0 in favor	In favor
51. Raytheon	Review/report on political spending	5/28/14	8-0-0 in favor	In favor
52. Chevron	Nominate environmental expert to board	5/29/14	0-5-3 oppose	Oppose
53. Chevron	Report on hydraulic fracturing risks	5/29/14	9-0-0 in favor	In favor
54. Chevron	Report on country selection/assessment	5/29/14	8-0-0 in favor	In favor
55. Chevron	Report on charitable contributions	5/29/14	0-8-0 oppose	Oppose
56. Chevron	Report on lobbying	5/29/14	8-0-0 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

<u>Statement by Harvard Corporation Committee on Shareholder Responsibility (CCSR) Regarding Stock in PetroChina Company Limited</u>
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.

<u>Note</u>: 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.