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Overview of Harvard University's Proxy Voting Guidelines for External Managers

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At Harvard, a pair of committees together play a central role in the University's consideration of matters of shareholder responsibility. These are the Advisory Committee on Shareholder Responsibility (ACSR), an advisory body comprising faculty, students, and alumni, and the Corporation Committee on Shareholder Responsibility (CCSR), comprising members of the Harvard Corporation. Since 1972, the two committees have worked together to fulfill the University's responsibilities, as an investor, to vote Harvard's proxies related to social and environmental issues at companies in which the University directly holds shares. The ACSR has presented recommended positions to the CCSR, which has then voted on the proxies, as part of the University's fiduciary responsibilities. Each year, the University has published a report describing and explaining its votes on these proxies.

Most of Harvard's holdings in the U.S. public equity markets are now held through pooled investments and commingled funds typically managed by outside investment firms rather than through individual stocks directly owned in the University's name. As such, Harvard does not itself vote on shareholder resolutions related to those holdings. However, the University will continue to exercise its voice on shareholder resolutions facing companies in which Harvard maintains significant, if not direct, exposure, in part through a new set of guidelines on shareholder resolutions developed by the ACSR and CCSR and based on the University's proxy voting practices over the past several decades.

Harvard Management Company (HMC) will distribute these proxy voting guidelines to its external investment firms in the hopes that these guidelines provide helpful advice, based on an extensive body of precedent and thoughtful deliberation reflecting the views of a major institutional investor. The guidelines are not intended to be prescriptive, and HMC recognizes the external managers may not necessarily share Harvard's view on every issue. Nonetheless, HMC expects its external managers to have a robust approach to stewardship and to make informed voting decisions. As one of a number of relevant considerations in assessing overall performance, HMC will consider an external manager's stewardship practices in light of these guidelines. The University will also make the guidelines publicly available, so that other interested investors can make use of them as they see fit. We anticipate that the CCSR, with advice from the ACSR, will update and supplement these guidelines on an annual basis and will oversee HMC's implementation of these guidelines.

General Guidance on Harvard's Approach to Proxy Voting

In this document, we offer first an explanation of the general considerations that have informed the work of Harvard's two committees on shareholder responsibility and the voting of Harvard's proxies, and then a set of proxy guidelines on specific topics for HMC's investment partners.

We consider the relationship between the proponent's issue of concern and the targeted corporate policies and practices.

- The resolution should aim to address a company policy or ask for information or action in an area where the company's current practices or policies appear to be inadequate or where there are reasons to be concerned that board oversight has been insufficiently attentive.
- Resolutions should address an area of importance to the company's policies or practices and an area in which existing efforts or legal requirements are not already sufficient to address the areas of concern identified in the proposal.

We consider whether the topic and intent of the resolution are clearly focused, feasible, and appropriate.

- The resolution should be clear in its intent and directly related to feasible corporate actions or goals.
- The resolution should address legitimate interests related to shareholder value or to the significant impact of a company's actions on key stakeholders (such as employees, customers, and communities).

We consider whether the resolution is reasonable in terms of the expectations it places on the corporation.

- The resolution should not be overly prescriptive nor unduly impinge upon management discretion.
- Meeting the resolution's requirements should not place an unreasonable burden on the company, relative to the resolution's prospective benefits.
- The resolution should not require the company to disclose trade secrets or other confidential information, or otherwise risk placing the company at a competitive disadvantage within its industry.

We consider the resolution's bearing upon Harvard's interests as an institution of higher education and upon specific policies Harvard has adopted.

- We have been especially supportive of reasonable, well-constructed proposals that encourage company reporting or other efforts in an area where Harvard has established a policy, such as reduction of emissions that contribute to climate change or the advancement of equal opportunity employment.

In certain instances, Harvard may choose to abstain on a proposal. These abstentions may reflect support for the proposal's underlying intent, but concerns about its construction and feasibility. Alternatively, we may abstain because we lack sufficient information to form a confident judgment about the merits of the resolution.

Harvard plans to continue developing and refining guidelines on specific proxy topics through the ongoing work of its shareholder responsibility committees. In this regard, Harvard welcomes observations and advice from its external investment managers.