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**Proxy Voting Guidelines for External Managers**

**Topic:** Governance  
**Subtopic:** Board Diversity  
**Approved:** March 1, 2021

**Description:**

Resolutions on this topic ask companies to adopt policies to improve the diversity of their boards of directors.

**Topic background:**

Evidence continues to mount that ethnic, racial, and gender diversity at the highest levels of leadership is important to a high-performing organization. The gains made by corporations to diversify both their boards and senior management ranks are noteworthy and investor engagement has played a valuable role in these advances. According to a PwC survey, 94% of current board members say that diversity brings unique perspectives to the boardroom. Eighty-five percent of directors agree that it improves relationships with investors and that it enhances board performance. Seventy-two percent believe that board diversity enhances company performance.<sup>1</sup>

Still, progress in increasing board diversity has been slow. In 2019, the representation of female directors on S&P 500 boards was only 26% (up from 16% a decade before).<sup>2</sup> Approximately half of directors (47%) say gender diversity is very important on their boards, but only 34% say the same about racial diversity. A number of asset owner and asset manager initiatives have sprung up to promote greater diversity in the boardroom and to encourage companies to set specific targets for gender and racial diversity on boards. They include the Boardroom Accountability Project,<sup>3</sup> the Board Diversity Action Alliance,<sup>4</sup> and the 30% Coalition.<sup>5</sup> Their perspective is that diversity and inclusion in the boardroom not only enables company leadership to reflect the diversity of the world, but increases the likelihood that company leadership and employees will embrace and foster diversity, equity, inclusion, and belonging in hiring, policies, and culture. In turn, companies recognized for their inclusive policies and culture may enjoy reputational benefits and competitive advantage in employee recruitment, brand preference, and customer retention.

**Considerations for voting:**

As a globally prominent research university engaged in educating the next generation of citizens and leaders, Harvard University is committed to diversity, equity, and inclusion along multiple dimensions, including among its leaders. As noted on the University's Harvard College website, this commitment "is rooted in a fundamental belief that engaging with unfamiliar ideas, perspectives, cultures, and people creates the conditions for dramatic and meaningful growth"

and that the University community “is strengthened by the diverse perspectives, interests, and identities of its members.”<sup>6</sup> Given these principles, we believe that it is in an organization’s best interests to embrace a commitment to diversity, equity, and inclusion – at the board level and at all organizational levels, and to ground that commitment in strategies and tactics that yield demonstrable, measurable progress in fostering diversity, equity, and inclusion.

- Given the business benefits of fostering diversity, equity, and inclusion in the workplace, as well as the material risks of lagging on measures of diversity, we recommend support for well-constructed proposals that encourage companies to adopt policies to increase board diversity.
- We believe that the long-term benefits of board-level policies regarding diversity, equity, and inclusion, including reputational benefits and attractiveness to new employees, are of potential material benefit to companies and shareholders.
- In considering such proxies, we recommend considering whether a company’s practices appear to diverge from its stated policies

### **Illustrative examples of votes:**

1. Vote in support of resolutions that request a company to adopt a policy for improving board diversity.
2. Vote in support of resolutions that request a company to report upon policies for, and progress toward, improving board diversity.
3. Vote in support of resolutions requiring that the list of candidates from which director nominees are chosen include women and minority candidates.
4. Vote in support of resolutions that propose meaningful pathways for accelerating an increase in board diversity.
5. Vote against resolutions that prescribe overly specific solutions to achieving board diversity – for example, through specified quotas or the adoption of a particular approach.

*Harvard offers broader general guidance on its recommended approach to considering shareholder resolutions in “Overview of Harvard University’s Proxy Voting Guidelines for External Managers” (follow [link](#) to download full text). When determining votes on resolutions, we consider each resolution in light of this general guidance as well as in light of a resolution’s specific request and contextual information about the relevant company and its approach to the issue.*

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<sup>1</sup> <https://www.pwc.com/us/en/services/governance-insights-center/assets/pwc-2020-annual-corporate-directors-survey.pdf>

<sup>2</sup> Spencer Stuart, 2019 U.S. Spencer Stuart Board Index, October 2019.

<sup>3</sup> <https://comptroller.nyc.gov/services/financial-matters/boardroom-accountability-project/overview/>

<sup>4</sup> <https://boarddiversityactionalliance.com/>

<sup>5</sup> <https://www.30percentcoalition.org/>. There is also a 30% Club in Canada. <https://30percentclub.org/>

<sup>6</sup> <https://college.harvard.edu/life-at-harvard/diversity-inclusion>