

PRESIDENT AND FELLOWS OF HARVARD COLLEGE
CORPORATION COMMITTEE ON SHAREHOLDER RESPONSIBILITY

OFFICE OF THE GOVERNING BOARDS
(617) 495-1534

LOEB HOUSE, 17 QUINCY STREET
CAMBRIDGE, MA 02138

Proxy Voting Guidelines for External Managers

Topic: Environmental Issues
Subtopic: Report on Renewable Energy Goals
Approved: March 1, 2021

Description:

Resolutions on this topic ask companies to help inform shareholders about their climate change mitigation strategies by reporting on their plans for, and measurable progress against, quantitative, company-wide goals for increasing a company's use of renewable energy.

Topic background:

To achieve reductions in greenhouse gas (GHG) emissions and mitigate the onset of intensive climate change, organizations of all types must consider ways to reduce (and eventually end) their use of carbon-intensive energy sources. Renewable energy sources with minimal or no such emissions are essential to any such transition. Proponents of resolutions regarding the adoption of renewable energy use goals seek to encourage companies to assess and report on the place of renewable energy in reducing their carbon footprint. The number of companies that have set renewable energy goals has increased both globally and across many different industries.¹ For many companies, electricity usage is a major emissions source and, consequently, a prime area in which to decrease the carbon footprint. Proponents of shareholder resolutions on renewable energy argue that by accelerating renewable energy adoption companies are acting to protect longer-term shareholder value, given the likelihood that climate-related factors will impose growing financial costs and risks for a company's supply chain, physical assets, and shareholders.

Considerations for voting:

- We generally recommend support for well-constructed proposals requesting timely disclosure on company plans for, and measurable progress toward, achieving renewable energy goals. In keeping with our support of resolutions encouraging companies to report on strategies and plans to meet the GHG emissions limits of the Paris Agreement, we favor encouraging limits on emissions, while leaving companies to determine for themselves how best to meet them, rather than specifying technologies, such as renewable energy sources, in a piecemeal way.
- We generally recommend caution regarding proposals that either prescribe specific goals for the company's use of renewable energy or urge the use of specific renewable energy technologies. While distinctive circumstances at a particular company might warrant support of a specific proposal of this type, in general such proposals might be seen as intruding upon management's prerogative to conduct the company's business.

- In considering shareholder proposals on renewable energy at the company level, we recommend carefully assessing each company’s current efforts and announced goals to reduce consumption of fossil fuels in its operations. It is also helpful to consider where a company sits among its industry peers in renewable energy usage or commitments to transition to less carbon-intensive energy sources.
- In keeping with our general guidelines on proxy voting, we recommend reviewing whether proposals intrude upon the conduct of a company’s business or poses an undue burden. Any reporting should be issued at reasonable cost and omit proprietary information.
- Recognizing the critical importance of confronting climate change, Harvard has committed to emissions-related goals in its Climate Action Plan.²

Illustrative examples of votes:

1. Vote in support of resolutions that ask companies to report to shareholders on their climate change mitigation strategies and plans for, measurable progress toward, and processes for achieving quantitative, company-wide goals for increasing use of renewable energy.
 - The report may also evaluate any other measures senior management deems prudent to substantially reduce GHG emissions and mitigate climate change risks associated with the use of fossil fuel-based energy.
2. Vote against resolutions that set overly prescriptive or burdensome terms for companies to adopt specific renewable energy technologies or engage in specific actions with respect to the management of energy resources.

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.

¹ A list of companies who have made renewable energy commitments can be found the RE100 website: <http://there100.org/companies>.

² As part of Harvard’s Climate Action Plan, the University has committed to be fossil fuel-neutral by 2026, and fossil fuel-free by 2050. For more information please see <https://green.harvard.edu/campaign/harvards-climate-action-plan>. The Harvard endowment is also a signatory to the Climate Action 100+ and supports the goals of the initiative, including that companies take action to reduce GHG emissions across the value chain. Harvard joined as a supporter in September 2019 and will be engaging with companies on the goals of CA100+ through Harvard Management Company, for more information see [Harvard joins Climate Action 100+](#), *The Harvard Gazette*, September 17, 2019.