Harvard University

Corporation Committee on Shareholder Responsibility

Report for 2019-2020
and 2020-2021

CCSR Members (2019-2020 and 2020-2021)

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Corporation Committee on Shareholder Responsibility

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Introduction

Since 1972, Harvard University has maintained a pair of committees that together play a central role in the University’s consideration of matters of shareholder responsibility related to Harvard’s investments in publicly traded companies: the Corporation Committee on Shareholder Responsibility (CCSR) and the Advisory Committee on Shareholder Responsibility (ACSR).

The CCSR consists of several members of the Harvard Corporation. Acting on behalf of the President and Fellows, it oversees the consistent application of University policy with respect to shareholder responsibility, actively considering new circumstances or information that may suggest changes in policy or practice.

The ACSR is a twelve-member committee made up of Harvard faculty, students, and alumni. Historically, the chief responsibility of the ACSR has been to review individual shareholder resolutions raising issues of corporate social responsibility at publicly traded companies in which Harvard owns shares, and to make recommendations to the CCSR, which is responsible for final decisions about how the University should vote on those resolutions.

In recent years, Harvard Management Company (HMC) has come to rely increasingly on pooled investments and commingled funds typically managed by outside investment firms, rather than directly owning stock in individual companies, as the means to achieve wide exposure to public equity markets. This shift in HMC’s investment approach led to a review and reorientation of the ACSR’s role (for more information, see “Taking Corporate Social Responsibility Seriously,” Harvard Gazette, September 18, 2019). Accordingly, the ACSR has now turned its principal focus to developing a set of guidelines that can help inform Harvard’s external investment managers, and other interested investors, as they vote on a broad array of shareholder resolutions. While the University and HMC recognize that external managers may not necessarily share Harvard’s view on every issue, HMC expects its external managers to have a robust approach to stewardship and to make informed voting decisions. Indeed, as one of a number of relevant considerations in assessing overall performance, HMC considers an external
manager’s stewardship practices in light of these guidelines. The University also makes the guidelines publicly available on its website (see https://www.harvard.edu/shareholder-responsibility-committees) and through reports such as this one, so that other interested investors can make use of them as they see fit.

The ACSR continues to make recommendations on how Harvard should vote on shareholder resolutions raising issues of corporate social responsibility when such resolutions are presented to the relatively few public companies in which Harvard directly owns shares. The University’s approach to proxy voting is to consider each resolution on a case-by-case basis in light of the ACSR’s discussions, CCSR precedent on comparable issues, and relevant proxy voting guidelines. The ACSR’s analysis of proxy issues is supported by background material from Sustainable Investments Institute (Si2), a not-for-profit organization that provides institutional investors with analyses of environmental and social issues and corporate responsibility concerns raised through the proxy process.

This move toward developing broadly available proxy guidelines is part of a larger set of activities intended to intensify Harvard’s engagement with its external investment managers, with companies, and with other investors on issues of corporate social responsibility. These activities are described more extensively below.

This report includes a description of the work of the ACSR and the CCSR during the past two academic years in regard to both the adoption of subject-specific proxy guidelines and the voting of proxies in companies in which the University directly holds shares. It also touches on HMC’s investor engagement activities.

Overview of Key Developments in 2019-20 and 2020-21

The ACSR devoted the bulk of its discussions during the 2019-20 and 2020-21 academic years to developing proposed subject-specific proxy voting guidelines in nine different subject-matter areas. It initially focused attention, during 2019-20, on three areas:

- Reporting on Greenhouse Gas (GHG) Emissions Goals
- Reporting on Renewable Energy Goals
- Reporting on Social Media Content policies and Strategies
The extraordinary circumstances and attendant disruption posed by the COVID-19 pandemic led the ACSR to defer the completion of its deliberations on those draft guidelines until 2020-21. Upon resuming its deliberations in 2020-21, the ACSR also undertook to develop and complete proposed proxy guidelines in six additional subject areas:

- Board Oversight of Environmental, Social, And Governance (ESG) Issues and Risk
- Board Diversity
- Deforestation Risk in Operations and Supply Chains
- Human Rights Policy and Supply Chain Due Diligence
- Reporting on Diversity, Equity, and Inclusion
- Water Risk in Operations and Supply Chains

All nine draft guidelines developed by the ACSR during the 2019-20 and 2020-21 academic years were then forwarded to the CCSR for review and approval. Once approved by the CCSR, the guidelines were published on the University’s shareholder responsibility website (see https://www.harvard.edu/shareholder-responsibility-committees). In addition, they were distributed to HMC’s external managers, along with general guidance on how HMC intends for such managers to take the guidelines into account while voting on relevant proxies. As mentioned above, Harvard not only issues the guidelines to its external managers but also releases them publicly, so that other institutional investors may, if interested, be informed by Harvard’s approach to these issues.

Appendix A of this report sets forth the text of the nine proxy guidelines proposed by the ACSR and approved by the CCSR during the two-year period covered by the report. The nine guidelines are in addition to the seven guidelines previously approved by the CCSR in 2019, which also remain available on the web page noted above.

In view of the extraordinary circumstances posed by the pandemic, along with the timing of the relevant companies’ annual meetings, the ACSR did not have the opportunity as part of its work in 2019-20 to conduct its usual review of social responsibility proxies facing companies in which Harvard directly owned shares (namely, resolutions at PepsiCo, Facebook, and Alphabet in 2020). Following long-standing practice with proxies not considered by the ACSR, the CCSR voted on two such proposals in 2020 for which prior ACSR recommendations and CCSR
votes provided controlling precedent, and it abstained on other resolutions presented to those companies.

During 2020-21, the ACSR considered all three shareholder resolutions presented to companies in which Harvard directly held shares, and it provided voting recommendations to the CCSR. Each of the three resolutions related to Facebook, one of the few publicly traded companies in which HMC directly held voting shares as of the relevant date in 2021.

Appendix B of this report sets forth text of these three resolutions, information on the ACSR’s recommendations and related reasoning, and the CCSR’s votes.

In recent years, the ACSR has from time to time discussed HMC’s current and prospective engagement activities as an institutional investor with Kathryn Murtagh, Managing Director for Sustainable Investing and Chief Compliance Office at HMC, and Michael Cappucci, Senior Vice President for Compliance and Sustainable Investing at HMC. For example, in consultation with the CCSR, HMC participates in collaborative engagements that supplement its work with peers and investors to advance shared goals. These initiatives include those organized by the PRI (Principles for Responsible Investment), Ceres Investor Network, Climate Action 100+, and CDP (formerly the Climate Disclosure Project).

In April 2020, following deliberation by the CCSR, the Harvard Corporation instructed HMC to set the Harvard endowment on a path to achieve net-zero greenhouse gas emissions across the portfolio by 2050 – a first among higher education endowments. In February 2021, HMC issued its first Climate Report which described initial progress toward meeting this goal.¹

Further information on HMC’s approach to sustainable investing appears on the HMC website.

Conclusion

The CCSR thanks the members of the ACSR for their hard work and generous time commitment during the 2019-2020 and 2020-2021 academic years. The CCSR extends particular gratitude to the ACSR Chair, Professor Guhan Subramanian of Harvard Business

¹ Also relevant is President Bacow’s statement on climate change, issued on September 9, 2021, after the period covered by this report.
School and Harvard Law School, for his commitment and dedication as ACSR chair. The CCSR relies heavily upon the ACSR for its careful and thoughtful deliberations on proposed proxy voting guidelines, as well as its continuing recommendations on how Harvard should cast its votes on individual shareholder resolutions facing companies whose shares are directly owned by HMC. The ACSR’s continuing close attention to the issues raised by shareholder resolutions greatly strengthens the quality of Harvard's exercise of its responsibilities as an investor.
Appendix A
Proxy Voting Guidelines for External Managers

Topic: Environmental Issues
Subtopic: Report on Greenhouse Gas (GHG) Emissions Goals
Approved: March 1, 2021

Description:

Resolutions on this topic ask companies to report on goals for greenhouse gas (GHG) reduction and steps the company is taking to align its business practices with a 1.5°C or 2°C scenario and the goals of the Paris Agreement.

Topic background:

Shareholders in recent years have taken note of the scientific consensus that greenhouse gas emissions from human activity are driving an increase in average global temperatures and an associated increase in severe and damaging weather events. Shareholder proposals on GHG emissions that drive climate change reflect not only grave concern about the threat climate change poses to society, but also an understanding, from an investor perspective, that the effects of climate change, and of policies to address climate change, pose material financial risks for unprepared companies. Conversely, shareholders may view companies with robust climate change mitigation or adaptation strategies as positioned for longer-term competitive advantage.

The goal of the Paris Agreement is to limit global average temperature change to less than 2°C above pre-industrial levels, with the aim of limiting temperature rise to 1.5°C. A recent UN Intergovernmental Panel on Climate Change (IPCC) report further supports limiting average temperature rise to 1.5°C to lower the risk of triggering catastrophic consequences such as ecosystem loss, compromised water supply and food security, and sea-level rise. These risks could have material financial impact on companies’ operations and long-term value.

In moving towards a low-carbon economy, a growing number of companies are adopting GHG emissions reduction targets. The Task Force on Climate-related Financial Disclosures (TCFD), supported by both investors and industry leaders, recommends that companies adopt emissions reduction targets to manage climate-related risks and disclosure related strategies. According to the Science Based Target Initiative (SBTi) 672 companies are taking climate action and 276 have approved targets.1 Lowering GHG emissions can also drive innovation, reduce costs, improve operational efficiency, better position a company for regulatory changes, and maintain a company’s reputation.

Considerations for voting:

- As a signatory to Climate Action 100+2, the Harvard University endowment supports the goals of the initiative, including that companies take action to reduce GHG emissions across the value chain. We are generally supportive of any well-
constructed resolutions targeting GHG reductions for systematically important emitters as identified by Climate Action 100+. The scope of the request should be reviewed, including whether GHG reduction targets are measured by absolute emissions or emissions intensity, whether the targets cover all business units (i.e., are company-wide), and whether the targets are science-based and quantitative. Additionally, we recommend considering:
  o whether the company is lagging its industry peers in setting GHG reduction goals, or in any of the factors outlined above, and
  o whether the company has been forthcoming regarding GHG emissions goals.
• At the same time, we have tended to oppose or abstain on proposals that encroach upon management’s discretion to conduct ordinary business by imposing highly prescriptive requirements for policies or plans to address climate change. An example of this would be a proposal that directs a utility company to substantially alter its energy mix.
• We have typically considered whether a company’s progress on emissions reduction would depend in part upon the availability of energy from renewable and nuclear sources.
• Recognizing the critical importance of confronting climate change, Harvard has committed to emissions-related goals in its Climate Action Plan.³

Illustrative examples of votes:

1. Vote in support of resolutions that request a company to adopt time-bound, quantitative, company-wide, science-based targets for reducing total GHG emissions, taking into account the goals of the Paris Agreement, and report, at reasonable cost and omitting proprietary information, on its plans to achieve these goals.
2. Vote in support of resolutions that ask a company to prepare a report on plans and processes for achieving greenhouse gas emissions reductions in line with the goals of the Paris Agreement for those parts of the business directly owned and operated by the company.
3. Vote in support of resolutions that ask a company to report on the business risks of climate change to their business and steps the company is considering, including greenhouse gas emissions reduction, to mitigate such risks.
4. Vote against resolutions that prescribe specific pathways to decarbonization or that are not aligned with science-based targets.

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 The Science Based Targets Initiative is a collaboration between CDP, The United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). The initiative promotes best practices in setting targets and developing a pathway for target adoption. For more information please see https://sciencebasedtargets.org/companies-taking-action/.
2 Harvard joined the Climate Action 100+ 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.

3 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.
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.
Proxy Voting Guidelines for External Managers

Topic: Corporate Sustainability
Subtopic: Board Oversight of Environmental, Social, And Governance (ESG) Issues and Risk
Approved: March 1, 2021

Description:

Resolutions on this topic ask companies to report on board oversight of ESG issues, challenges, and risk associated with their business, including board assessments of progress, policies, and trends toward reducing any related material risk.

Topic background:

As fiduciaries to investors and stewards for long-term corporate value, corporate boards have a responsibility to oversee material risk as part of their responsibility to protect investor interests. A decision in the Delaware Supreme Court, *Marchand v. Barnhill*, No. 533, 2018 (Del. June 19, 2019), confirmed that directors may be liable for failure to ensure that reasonable board-level monitoring and reporting systems exist for material risk. Increasingly, shareholders view board oversight of ESG issues, challenges, and material risk as part of a board’s responsibility to oversee long-term financial and sustainability risk. For example, State Street Global Advisors developed guidance on how boards of companies in their portfolios can improve oversight of climate change-related risk. The large institutional investors CalPERS and CalSTRS amended their corporate governance principles to call for climate competence on such boards.

The particular ESG issues, challenges, and material risk relevant to any company vary depending on the company’s industry and geography, as well as other factors. However, certain common ESG factors cut across many industries and geographies, and, in our view, should therefore be considered by most company boards. These include, but are not limited to, the issues posed by:

- Climate change.
- Diversity, equity, and inclusion.
- Employee and customer health, safety, and wellbeing, including:
  - the board’s assessment of any progress, policies, and trends toward reducing the presence of unsafe working conditions for employees or unsafe products for sale to customers.
- Board composition along multiple dimensions of diversity and inclusion.

Some of these long-term issues, such as board composition and executive compensation, routinely attract the board’s attention. Oversight on others varies from company to company. Boards with a prudent, robust sustainability oversight stance follow a variety of models, including board committees dedicated to sustainability, as at Prudential Financial and Ford
Motor Company, or the inclusion of climate change experts on their boards, as at Apple and Exxon.

In the past, board oversight of ESG issues, challenges, and material risk was hampered by a lack of understanding of and familiarity with such issues at the board level. The emergence of organizations such as the United Nations-supported Principles for Responsible Investment (PRI) and the Sustainability Accounting Standards Board (SASB), both of which Harvard Management Company supports, has addressed that challenge. SASB, for example, has established sector-specific standards and metrics for identifying material ESG risk and supporting decision-making. Businesses use SASB standards to better identify and manage ESG/sustainability information that is consistent and financially material, thereby enabling better corporate decision-making and long-term risk management. The emergence of such standards can also support board oversight of ESG issues, challenges, and material risk.

Considerations for voting:

- We generally recommend supporting well-constructed proposals encouraging boards to carefully address and report upon oversight of ESG issues, challenges, and risk within the broader context of their oversight responsibility for material financial risk. We recommend that such reports clearly articulate how boards structure their oversight of ESG issues and how companies define such issues, with regard to both material risk and broader corporate responsibility in society and civic life.
- We generally recommend supporting proposals designed to encourage improvement in board oversight of ESG issues, challenges, and material risk and, by extension, improvement in mitigating material risk and other impacts from ESG-related developments.
- As a signatory to the PRI, and as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), which identifies corporate governance as essential context within which to understand a company’s financial results, Harvard fully recognizes the value of oversight, a core mechanism that preserves a company’s bottom line, for addressing ESG risk. As part of its institutional response to these risks, the University maintains and updates a set of sustainability goals. Similarly, Harvard Management Company incorporates assessment of ESG factors – both risk factors and opportunity sets – in its investment processes.
- We generally do not support proposals on board oversight that specify in excessive detail the means by which a board will exercise its oversight function – for example, through requiring the establishment of specific committees or the appointment of board members with overly specific topic area expertise.

Illustrative examples of votes:

1. Vote in support of resolutions that request a company to ensure effective board oversight of the company’s ESG policies and programs addressing the risks posed by climate change and/or report to shareholders (at reasonable cost, omitting proprietary and confidential information) on steps taken or planned.
2. Vote in support of resolutions that ask a company to report on the process and effectiveness of board oversight of ESG issues, challenges, and material risk associated with the company’s operations.

3. Vote in support of resolutions that incorporate expectations that company reporting on board oversight of ESG issues, challenges, and material risk include a clear articulation of how the company defines these factors as well as expectations for plans and metrics to encourage improvement in managing them.

4. Vote against resolutions that prescribe particular pathways to mitigate specific risk or that are not related to the company’s long-term financial sustainability.

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.
Proxy Voting Guidelines for External Managers

Topic: Environmental Issues
Subtopic: Water Risk in Operations and Supply Chains
Approved: March 1, 2021

Description:

Resolutions on this topic ask companies to address water risk in their direct operations or in their supply chains. Such resolutions may request that a company report on water risk management, implement a policy to reduce their climate-related water risk, or reduce water pollution through their supply chains.

Topic background:

Water is an essential component in agricultural and industrial operations and production. Agriculture is the largest commercial water user. Climate change is altering the reliable replenishment of water resources; at the same time, population growth, rising incomes and standards of living, and ongoing economic competition are increasing the demand on water supplies. As a result, many companies are beginning to identify material financial risks associated with water, and the World Economic Forum lists “Water Crisis” as a top-10 risk for companies in terms of both likelihood and impact.1

Companies may face a wide variety of water risks, including physical water risk (droughts and floods), declining water supply, water supply pollution, and conflict with other stakeholders. Companies must also consider the material effect of changes in regulation aimed at managing such risks and the reputational risks of their water management choices. According to Ceres, groundwater resources are being overexploited in economically important regions around the globe.2 As an example, in China, the majority of the country relies on polluted groundwater and water shortages are common.3 Companies that manage water sustainably will be better positioned in the long run for preserving operational continuity during water-stressed periods4, for example, by reducing costs through water conservation and recycling.

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2 For more information, including case studies see the Ceres Investor Water Toolkit, https://www.ceres.org/resources/toolkits/investor-water-toolkit/details#water-risk-drivers
4 As part of the Harvard Sustainability Plan, the University committed to the goal of reducing water use by 30% by 2020 from a 2006 base line. For more information see, https://green.harvard.edu/topics/water
Companies in the agriculture and semiconductor production sectors face direct exposure to water risk in their operations. Companies in many sectors, including biofuels, steel production, packaged foods, and textiles, face indirect exposure to water risk in their commodity supply chains. Investors consider a number of factors in evaluating a company’s exposure to water risk, such as which commodities they are reliant on, how water-dependent their operations may be, and whether their operational or supply chain footprint includes water-stressed regions. To understand the steps a company has taken to mitigate its water risk, investors may consider how the company engages on water issues with its supply chain and other stakeholders. Investors may also look for water efficiency target setting, monitoring of water resources, and any water governance mechanisms. Depending on a company’s water risk exposure, investors may also seek to determine whether a company has developed a water scarcity plan or performed third-party water risk assessments.

Considerations for voting:

- In general, we support well-constructed proposals on the reporting of policies and programs to prevent and mitigate water risk at companies for which direct financial and reputational risks can be clearly identified. In addition, we might favor supporting such proposals at companies facing indirect water risk, in, for example, the supply chain.
  - Harvard Management Company explicitly includes assessment of material ESG risks, including water risk, in its portfolio risk assessment, and its board includes consideration of ESG risks in its oversight of material risk. For this reason, we generally support proposals that constructively direct a company’s attention to material water risks.
- In reviewing requests for companies to report or take action on water risks, it is helpful to consider whether a company’s current practices or targets are robust, and whether the company may be lagging other industry participants or peers.
- We generally recommend opposing proposals that encroach upon management’s discretion to conduct ordinary business by imposing highly prescriptive requirements or mandates or recommending actions in conflict with the company’s core business.
- All reports should be prepared at reasonable cost and omit proprietary information.

Illustrative examples of votes:

1. Vote in support of resolutions that ask companies to report, using quantitative indicators where appropriate, their policies and practices to reduce climate-related water risk and prepare for water supply uncertainties associated with climate change.
2. Vote in support of resolutions that ask a company to report to shareholders on quantitative metrics, such as those identified by the Carbon Disclosure Project (CDP), the Sustainability Accounting Standards Board (SASB) or Global Reporting Initiative (GRI),
to allow tracking of water stress trends and impacts that are expected to be exacerbated by climate change.

3. Vote in support of resolutions that ask a company to provide a report assessing plans to increase the scale, pace, and rigor of its efforts to reduce water pollution from its supply chain.

4. Vote against resolutions that prescribe particular pathways to mitigate specific risks that are not related to the company’s long-term financial sustainability.

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.
Proxy Voting Guidelines for External Managers

Topic: Environmental Issues
Subtopic: Deforestation Risk in Operations and Supply Chains
Approved: March 1, 2021

Description:

Resolutions on this topic ask companies to address deforestation directly in their operations or indirectly through their supply chain. Such resolutions may request that a company implement a policy to prevent or mitigate deforestation, provide quantitative metrics on supply chain impacts, set quantitative goals, or report on progress on existing commitments.

Topic background:

Protecting the world’s forests and supporting careful reforestation are essential to combating climate change. The clearing of forests for commodities creates large amounts of greenhouse gas (GHG) emissions. Once a forest has been cleared the potential for future carbon sequestration from the forest has been lost, and, if the area is then converted to agricultural use for crops or livestock, a new source of human-activity-driven GHG emissions replaces the carbon-absorbing forest. Agriculture, forestry, and other land use constitute the second-largest source of GHG emissions after the energy sector, emitting 23% of total net emissions from human activity. Forests shape local climate, and their removal can significantly alter temperature and precipitation for a region. Preventing deforestation is seen as a key element in limiting the average global temperature rise to less than 2 degrees Celsius, a goal of the 2015 Paris Agreement. For these reasons, deforestation is an important factor in the efforts of companies and investors to help achieve the goals of the Paris Agreement and limit portfolio climate risk.

Involvement in deforestation, whether through direct operations or a supply chain, can pose material financial risks for companies. Most directly, for companies involved in agricultural production, alterations to climate and environment that result from deforestation can compromise the capacity of land holdings to sustain agricultural activity, and can create reputational risks. More indirectly, deforestation can pose a material risk to the food supply chain underlying many sectors, including

- Food and beverage companies that purchase agricultural commodities such as soybeans, corn, or beef in which production may involve the clearing of forests.
- Consumer goods companies that use leather, paper and pulp, or rubber, for which forests may be cleared and replaced with pasture or plantations of specific trees.
- Household and personal care product manufacturers of soaps, cleaning products, and beauty products that rely on palm oil – the production of which is a major driver of tropical deforestation – as an essential ingredient.
Policies that support traceability and monitoring in a company’s supply chain are essential to understand its exposure to deforestation. In addition, companies whose activities are seen as abetting deforestation can incur reputational and legal risks. As examples, both JBS (a beef company and exporter) and IOI Corporation Behand (a palm oil producer), have faced financial consequences from being implicated in deforestation. For JBS this has led to investor engagement, loss of contracts, and action from environmental regulators including fines. IOI was once suspended from the Roundtable on Sustainable Palm Oil. This suspension limited market access for the company and affected crude palm oil buyers’ supply chains.\(^4\)

Investors consider a number of elements in evaluating a company’s financial risk exposure with regard to deforestation, such as supply chain management and the impact of land use change on carbon emissions. In addition, for companies and investors who are trying to understand their carbon footprint, deforestation is a key component in calculating Scope 1 GHG emissions for direct operations and Scope 3 emissions for exposure through supply chains.

**Considerations for voting:**

- Deforestation is a problem with, on the one hand, significant global climate consequences and, on the other, differing relevance for individual companies. In general, we support well-constructed proposals on the reporting of policies and programs to prevent and mitigate deforestation at companies for which direct financial and reputational risks can be clearly identified. In addition, we favor supporting such proposals at companies for whom the indirect risks of deforestation – in the supply chain, for example – are clear.
- Given the importance of quantitative metrics for assessing deforestation impacts and of quantitative goals for eliminating deforestation, we generally favor well-constructed proposals that incorporate expectations about quantitative metrics and goals for progress against deforestation.
- We note that shareholder proposals may address either “net-zero deforestation,” in which mitigation and replacement are intended to offset deforestation activities, or “no-deforestation,” which seek to prevent the loss of existing forests. Care should be taken to understand the extent to which the former proposals consider all material financial risks.
- Harvard Management Company explicitly includes assessment of material ESG risk, including deforestation risk, in its portfolio risk assessment, and its board includes consideration of ESG risk in its oversight of material risk. For this reason, we are generally supportive of proposals that constructively direct a company’s attention to the material ESG risk of deforestation. Such proposals, to be supported, should be directed at companies that clearly face such material risks and do not appear to adequately assess them currently.
- Harvard University’s support for well-constructed proposals to mitigate deforestation reflects its institutional commitment to sustainability\(^5\).

**Illustrative examples of votes:**

1. Vote in support of resolutions that request a company to issue a report on its global supply chain or other impacts on deforestation, including quantitative data on such impacts and
assessing how the company might increase the scale, pace, and rigor of its efforts to eliminate deforestation from its supply chain.

2. Vote in support of resolutions that request a company to set quantitative goals for reducing its supply chain impacts on deforestation, and report annually against key performance indicators and metrics that demonstrate progress against these goals.

3. Vote against resolutions that prescribe particular pathways to mitigate specific risks or that are not related to the company’s long-term financial sustainability.

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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2 For the timeframe 2007-2016 AFOLUs accounted for 13% of CO₂, 44% of methane, and 81% of nitrous oxide. For this and more information see the IPCC, Special Report on Climate Change and Land https://www.ipcc.ch/srccl/chapter/summary-for-policymakers/
4 For more detail on these examples and other case studies see Ceres’s Business Risks from Deforestation, https://engagethechain.org/case-studies-business-risks. There are also calls from NGOs and other stakeholders for specific companies to halt deforestation, https://amazonwatch.org/news/2019/0830-dirty-dozen-companies-driving-deforestation-must-act-now-to-stop-the-burning
5 For information on Harvard’s sustainability plan, see https://green.harvard.edu/campaign/our-plan. For information on current Harvard sustainability efforts, see https://green.harvard.edu/.
Proxy Voting Guidelines for External Managers

Topic: Social Issues
Subtopic: Report on Diversity, Equity, and Inclusion
Approved: March 1, 2021

Description:

Resolutions on this topic ask companies to report on strategies and policies that seek to promote diversity, equity, and inclusion in their workforces.

Topic background:

Progress on diversifying the workforces of American companies and fostering equitable and inclusive work environments, while steady, has also been slow, and significant barriers to career progress remain for female employees, employees from underrepresented minorities, and others. Concerned by the slow progress, and concerned as well by specific business risks to companies whose diversity, equity, and inclusion efforts are lagging, proponents of shareholder resolutions have consistently focused on issues related to diversity, equity, and inclusion in recent years. To date, a majority of such proposals have focused on workforce diversity and on gender-, race-, and/or ethnicity-based pay disparities1 – reflecting, in the first instance, persistent pay disparities between college-educated men and women in the U.S. workforce, with men consistently out-earning women, and, in the second, the continuing preponderance of white men in company leadership ranks.2 More broadly, the challenge of achieving diversity, equity, and inclusion in the workplace encompasses many elements of personal identity, including (following EEOC language) disability, gender, sexual orientation, race, religion, and age. Forms of inequitable and/or discriminatory treatment include:

- Pay disparities along lines of gender, race, or other elements of personal identity outlined above.
- Abuse, harassment, and the fostering of a hostile work environment along lines of gender, race, and other elements of personal identity outlined above.
- Inequity and discrimination in recruitment, hiring, promotion, and mentoring in workforce policies, practices, and outcomes.

Companies that make significant progress on workforce diversity, equity, and inclusion may reap business benefits. Along these lines, companies have a broader role in society, related to the well-being of stakeholders including employees, customers, and communities. A commitment to diversity, equity, and inclusion efforts can benefit not only such stakeholders, but also companies themselves, through means such as enhanced reputation, increased attractiveness to talented employees, heightened positive brand recognition, and increased attractiveness to potential host communities. In contrast, publicized instances of workplace discrimination can damage a company’s reputation and present costly legal and financial risks that impact share value.
JPMorgan Chase, for instance, settled three discrimination suits totaling over $80 million between 2017 and 2019, and Home Depot has paid out over $100 million in similar suits since the late 1990s. Financial and tech companies have also faced increased shareholder pressure regarding pay equity along lines of gender, race, and/or and ethnicity.¹

Improving workforce diversity, equity, and inclusion requires proactive policies and programs. Publishing workforce composition data is a key step, as it helps companies and investors track progress as companies seek to increase diversity in hiring, promotion, retention, and mentorship. Progress is further accelerated by measuring the effectiveness and outcomes of workplace practices for achieving diversity, equity, and inclusion across multiple dimensions of the workplace experience. For example, a number of major companies, including Intel, Symantec, and Citigroup, have set goals for raising the percentage of women and underrepresented minorities in their workforces.

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. As noted on a 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.”³ Given these principles, we believe that it is in an organization’s best interests to embrace a commitment to workforce diversity, equity, and inclusion, and to ground that commitment in strategies and tactics that yield measurable progress in these areas.

- Given the emerging business benefits of fostering diversity, equity, and inclusion in the workplace, as well as the material risks of lagging on these issues, we recommend support for reasonable, well-constructed proposals requesting reporting on company employee diversity and a company’s policies and goals for improving diversity, equity, and inclusion along multiple dimensions of the workplace and work experience.
- Reporting on workforce composition may usefully contribute to transparency and risk assessment in areas that are central to a company’s business.
  - We believe that the long-term benefits of measurable, reported attention to workforce diversity, equity, and inclusion, including reputational benefits and attractiveness to new employees, outweigh the potential for near-term reputational or competitive risks from reporting on shortcomings and challenges.
- Reasonable, well-constructed proposals requesting reports on diversity, equity, and inclusion practices, policies and goals, and board oversight over such matters, are unlikely to impose an undue burden, given that companies are already required to track such data.
- 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, at reasonable expense and excluding proprietary information, to publish an annual report on the composition of its workforce by race and gender, preferably in accordance with the Equal Employment Opportunity Commission (EEOC) defined categories.

2. Vote **in support** of resolutions that request a company, at reasonable expense and excluding proprietary information, to report on the effectiveness of diversity, equity, and inclusion efforts, as reflected in any goals, metrics, and trends related to the promotion, recruitment, and retention of protected classes of employees and/or on the board’s assessment of the company’s diversity, equity, and inclusion efforts, including the process that the board follows for assessing the effectiveness of any such programs.

3. Vote **against** resolutions that seek to set quotas or prescribe particular pathways to improve workplace diversity, equity, and inclusion or that are not related to the company’s long-term financial sustainability.

*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](https://1gyhoq479ud3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/Women_ES_Web.pdf) 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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1. Harvard University’s proxy voting guidelines include one on gender-, race-, and/or ethnicity-based pay disparities, can be downloaded [at this link](https://college.harvard.edu/life-at-harvard/diversity-inclusion).


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.1

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).2 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,3 the Board Diversity Action Alliance,4 and the 30% Coalition.5 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.”\textsuperscript{6} 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.*

\textsuperscript{2} Spencer Stuart, 2019 U.S. Spencer Stuart Board Index, October 2019.
\textsuperscript{3} https://comptroller.nyc.gov/services/financial-matters/boardroom-accountability-project/overview/
\textsuperscript{4} https://boarddiversityactionalliance.com/
\textsuperscript{5} https://www.30percentcoalition.org/. There is also a 30% Club in Canada. https://30percentclub.org/
\textsuperscript{6} https://college.harvard.edu/life-at-harvard/diversity-inclusion
Proxy Voting Guidelines for External Managers

Topic: Human Rights
Subtopic: Human Rights Policy and Supply Chain Due Diligence
Approved: March 1, 2021

Description:

Resolutions on this topic may ask companies to adopt a human rights policy or report on the alignment of business activities with an existing human rights policy.

Topic background:

The topic of human rights in business operations has long been central in considerations of investor responsibility and has been addressed in many shareholder resolutions over the years. The United Nations offers the following brief definition of human rights: “Human rights are rights inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion, or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more. Everyone is entitled to these rights, without discrimination.”¹ As the understanding of human rights evolves, the definition of status has expanded to include, in addition, categories such as sexual orientation and gender identity. In recent years, human rights topics addressed in shareholder resolutions include:

- Applying international labor standards.
- Developing, reviewing, and reporting on corporate human rights policies and compliance, often with specific attention to labor and the supply chain.
  - Some recent resolutions have also sought information on the use of prison labor and diversion program labor in supply chains.
- Developing human rights codes of conduct and/or reporting on operations and risk with regard to conflict zones or specific countries.
- Reviewing, reporting on, and/or terminating investments or operations related to regimes that perpetrate genocide.

A major human rights concern – one which has attracted significant shareholder attention in recent years – is the ethical sourcing of products, a well-established issue among consumers. The concern arises from the extensively documented persistence of human trafficking, forced labor, and other forms of modern slavery.² Current estimates indicate that some 40 million humans are enduring forms of modern slavery. Many victims of modern slavery work within extended private-sector supply chains.

Efforts to combat the problem include regulations in many OECD countries requiring companies to conduct human rights due diligence regarding potential human trafficking and slavery in their

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operations and supply chains. While such efforts have yielded some progress, inadequate disclosure inhibits effective implementation of and compliance with human rights commitments throughout some companies’ operations and supply chains. Additionally, there is insufficient information regarding many companies’ procedures for identifying and remediating adverse human rights impacts in their operations and supply chains. A publicly disclosed human rights policy that articulates a company’s commitment to respecting human rights and its efforts to avoid contributing to adverse human rights impacts can assure shareholders that the company recognizes the importance, on ethical grounds, of preventing the use of modern slavery in its supply chain. Human rights policies and related reports also indicate to shareholders that the company is addressing related business risks, including significant reputational, financial, legal, and regulatory risks (as was seen in the apparel industry in the first decade of this century).

Considerations for voting:

• Given the grave ethical and reputational consequences for entities implicated in the support of human rights violations, proposals that ask companies to adopt human rights policies, or that request information on the feasibility of instituting such policies, or that request reports on labor practices in the supply chain, are in shareholders’ best interests.
  o Reports on labor practices in the supply chain might usefully serve to inform shareholders of a company’s exposure to reputational risk without intruding upon the management of the company.
  o In addition, these reports may help inform shareholders about the alignment between a company’s stated corporate values, its adherence to the principles of any recognized human rights policies it endorses, and its business activities.
  o Finally, such reporting may help direct management’s attention to these issues.
• In considering such proxies, we recommend careful attention to each company’s current human rights policies, its alignment with recognized global human rights standards such as the UN’s Universal Declaration of Human Rights3 and Guiding Principles on Business and Human Rights (see endnote 1), and its record of performance in regard to issues surrounding activities in regions where human rights abuses exist.
• Proposals which appear to prescribe the policy and procedural steps management might take to address supply chain risks or business conduct may be viewed as overly intrusive. However, when considering more prescriptive proposals, we recommend attention to specific information about a company’s activities that might benefit lead to concern.

Illustrative examples of votes:

1. Vote in support of resolutions that request a company adopt a comprehensive human rights policy stating the company’s commitment to respect human rights throughout its operations and value chain, which includes a description of steps to identify, assess, prevent, and mitigate actual and potential adverse human rights impacts.
2. Vote in support of resolutions that request a company to perform an analysis and report on the actual and potential human rights impacts of the company’s business activities in its operations and value chain.

3. Vote in support of resolutions requesting companies to advance – and report upon – efforts to achieve and ensure compliance with laws regarding forced labor, human trafficking, and/or modern slavery.

4. Vote against resolutions that prescribe specific ethical sourcing or labor practices to achieve such compliance.

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 https://www.un.org/en/sections/issues-depth/human-rights/. See also the UN Guiding Principles on Business and Human Rights, developed by John Ruggie, Berthold Beitz Professor in Human Rights and International Affairs, Harvard Kennedy School, following his appointment in 2005 as the UN Secretary General’s Special Representative on Business and Human Rights.

2 In the words of the International Labor Organization, “‘Trafficking in persons,’ ‘human trafficking,’ and ‘modern slavery’ are used as umbrella terms to refer to both sex trafficking and compelled labor.” The ILO defines forced or compulsory labor as follows: “all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.” The U.S. Department of State offers the following definition: “Forced labor, sometimes also referred to as labor trafficking, encompasses the range of activities – recruiting, harboring, transporting, providing, or obtaining – involved when a person uses force or physical threats, psychological coercion, abuse of the legal process, deception, or other coercive means to compel someone to work. Once a person’s labor is exploited by such means, the person’s prior consent to work for an employer is legally irrelevant; the employer is a trafficker and the employee a trafficking victim.” See (a) http://ilo.org/global/topics/forced-labour/definition/lang--en/index.htm; (b) https://www.state.gov/what-is-modern-slavery/.

Proxy Voting Guidelines for External Managers

Topic: Technology and Media
Subtopic: Report on Social Media Content Strategies and Policies
Approved: March 1, 2021

Description:

Resolutions on this topic ask social media companies to evaluate and report on strategies and policies (including enforcement of terms of service) that govern content, including the extent to which content may pose reputational, regulatory, or financial risks.

Topic background:

How social media companies govern problematic content, and dissemination of that content, on their platforms is an issue of increasing concern specifically with regard to the dissemination of misinformation and fake news, hate speech, the streaming and distribution of images of extreme violence or cruelty, and the facilitation of sexual abuse and distribution of child pornography. This concern has been driven by developments such as interference with elections through the generation and dissemination of fake news and misinformation, the role of social media in instigating violence against the Rohingya ethnic group in Myanmar starting in 20171, and the livestreaming on Facebook of the mass shootings in Christchurch, New Zealand in March 2019. The underlying digital means by which companies such as Google and Facebook manage content and recommend content to viewers – through AI-powered algorithms – has also come under increasing scrutiny. Reasons for concern about how algorithms recommend and prioritize content include the automatic propagation of various social biases, the apparent steering of users toward ever-more narrowly focused (and, in many instances, extreme) content, and the interplay, on the web, between the spread of information (and misinformation) and the ad-based monetization of content from obscure, unverifiable sources. Given these concerns, shareholders are seeking information from companies about their management of problematic media content and about the business risks of ineffective approaches to managing problematic media content, including reputational risk and possibly legal liability in some jurisdictions.

In light of these concerns about the social and business risks of problematic content, social media companies have experienced pressure on a variety of fronts – from the investor community, through shareholder resolutions and investor engagements, and by states and governments, through the Christchurch Call, a New Zealand-based initiative2, and through hearings before the United States Congress, among other means. For example, following the controversy around Facebook and the dissemination of fake news during the 2016 U.S. presidential election, the German government pressured Facebook to implement a more proactive approach to content management in the run-up to elections in Germany in 2017 – pressure to which Facebook responded. Given the rapidly evolving state of norms and regulations regarding the responsibility of content platforms for the user-produced content they host, as well as the
seemingly episodic, reactive, and limited nature of some companies’ response to concerns, we believe the issue merits close and careful attention by company management and by shareholders in social media companies.

Considerations for voting:

- We believe that reporting on content governance may usefully contribute to transparency and risk assessment in areas that are central to a company’s business.
- We believe it is useful to shareholders for companies to report on their guiding principles for managing content and to elaborate upon how they operationalize those principles.
- Given concerns about social media’s role in disseminating problematic content, and in light of legal, ethical, and technical challenges and questions about the responsibility for problematic content, shareholders should reasonably expect – from the standpoints of risk management and share value – that social media companies will grapple with and devise responses to known problems.
- In considering such proxies, we recommend noting whether a company’s stated policies and practices appear to diverge. As an example, we view requests for companies to produce reports reviewing the efficacy of their enforcement of their terms of service related to content as modest and not intrusive. Understanding a company’s approach to enforcing terms of service may help shed light on alignment between stated policies and company practices.

Illustrative examples of votes:

1. Vote in support of resolutions that ask a company to publish a report (at reasonable cost, omitting proprietary or legally privileged information) evaluating its strategies and policies on content governance, including the extent to which they address such issues as misinformation and fake news, hate speech, the streaming and distribution of images of extreme violence, and the facilitation of sexual abuse and distribution of child pornography, and the reputational, regulatory, and financial risks posed by content governance controversies.
2. Vote against resolutions that favor overly prescriptive approaches regarding particular types of content or speech on social media platforms.

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 March 12, 2018. U.N. investigators cite Facebook role in Myanmar crisis, Reuters
Appendix B

Shareholder Resolutions Considered by the ACSR in 2020-2021

The shareholder resolutions considered by the ACSR during the 2020-2021 academic year were presented at Facebook for a shareholder vote at its annual meeting on May 26, 2021. As in previous years, the committee’s deliberations on these resolutions, and its recommendations to the CCSR, reflected close consideration of the construction of each resolution, the context of the issues raised by the resolutions, past committee precedent where available, and any relevant proxy voting guidelines. The ACSR then forwarded its recommendations to the CCSR, which determined Harvard’s votes on each resolution, as reported here.

Report on child sexual exploitation and products/services

For the second year in a row, Facebook received a shareholder resolution requesting that the company assess the risk of increased sexual exploitation of children as it develops and offers new privacy tools such as end-to-end encryption. The proponent asserted that these privacy tools – especially for Facebook’s messaging applications – could have the potential to facilitate increased sexual exploitation of children online and even make it difficult for the company to get an accurate picture of the problem. The 2021 resolution asked the company to issue a report by February 2022 assessing the risk of increased sexual exploitation of children as the Company develops and offers additional privacy tools such as end-to-end encryption. The report should address potential adverse impacts to children (18 years and younger) and to the company's reputation or social license, assess the impact of limits to detection technologies and strategies, and be prepared at reasonable expense and excluding proprietary/confidential information.

The ACSR voted 8-0-0 to recommend a vote in favor of the proposal. The proposal was new to the committee and had no specific precedent. In recommending support for the proposal, ACSR members took note of the seriousness of online child sexual exploitation for a social networking company like Facebook, as well as the incredible reach and influence of Facebook and its platforms. They contended that the proposal is not overly prescriptive and does not impose an excessive burden on the company – in fact, they suggested that Facebook has likely already devoted considerable resources to studying these issues. Members also expressed the view that Facebook has a responsibility to understand and communicate to shareholders the
potential implications of a broad shift to end-to-end encryption, especially as it relates to the company’s ability to continue detecting and addressing exploitative content and behavior. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

Nominate human/civil rights expert to the board

A resolution resubmitted from 2020 called for Facebook’s Board of Directors to nominate a candidate who is an expert on civil and/or human rights issues. The proponent asserted that such an expert is needed so the company can “assess risk and develop strategy to avoid confusing or contributing to widespread violations of human or civil rights.” It further contended that current governance of these issues “has proven ineffectual and poses risk to shareholder value.” The resolution requested that Facebook's Board of Directors nominate for the next Board election at least one candidate who:

- has a high level of human and/or civil rights expertise and experience and is widely recognized as such, as reasonably determined by Facebook's Board, and
- will qualify as an independent director within the meaning of the listing standards of the New York Stock Exchange.

The ACSR voted 3-5-0 to recommend a vote against the proposal. Opposing committee members endorsed the spirit of the resolution, but took note of past precedent against resolutions that called for board members with specific expertise. They noted that the human and civil rights concerns cited by the proponent already fall within the purview of the board’s audit/risk committee, and further pointed out that Facebook recently hired two senior managers whose work is explicitly focused on human and civil rights. Members wondered how Facebook’s board is supposed to determine whether an individual qualifies as a rights expert suitable to serve as a board member, and suggested that the scope of expertise sought by the proponent is ill-defined. They also worried that adding such a rights expert to the board might lead the other board members to feel absolved of the responsibility to engage meaningfully with these issues.

Members in favor of the resolution affirmed a general opposition to resolutions that lay out special standards for board membership, but argued that Facebook deserves a different approach, in view of its reach and influence, and its profound effects on social and political life. Members noted the board’s role in risk management, and suggested that adding a board member with expertise in human and/or civil rights might help the company better manage risks in this
domain. Members also acknowledged that the resolution’s effect would mainly be symbolic, but maintained that symbolic gestures still have value given the importance of the issues involved. The CCSR voted to abstain on the proposal, in view of the ACSR’s split recommendation.

Report on problematic media content management

A new resolution at Facebook asked the company to study the specific benefits and harms to the company and its employees of continuing actions put in place during the 2020 election cycle to limit the spread of disinformation and “divisive information.” The proponent asserted that Facebook took measures during the 2020 election cycle – such as altering algorithms – that successfully deprivitized extremist postings and emphasized mainstream news content. Now that the election cycle has passed, however, the proponent said there are concerns that the company is aiming to reduce or eliminate these measures. The resolution requested that

Shareholders request that the Board prepare a report to assess the benefits and drawbacks to our Company of maintaining or restoring the type of enhanced actions put in place during the 2020 election cycle to reduce the platform's amplification of false and divisive information.

The ACSR voted 8-0-0 to recommend a vote in favor of the proposal. Committee members took note of past ACSR and CCSR precedent supporting proposals that ask Facebook for reports evaluating strategies and policies on content governance and assessing related risks. Members acknowledged that the proposal’s formulation is less precise than it could be – for example, it does not include a clause excluding proprietary information, and the meaning of “divisive information” is unclear – but they maintained that the proposal would still be helpful in ensuring management’s focused attention to these important and timely issues. The CCSR voted in favor of the proposal, following the ACSR’s recommendation.
### 2020-2021 ACSR/CCSR Shareholder Resolution Recommendations and Votes

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<td>Report on child sexual exploitation and products/services</td>
<td>May 26</td>
<td>8-0-0</td>
<td>In favor</td>
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