Harvard University

Corporation Committee on Shareholder Responsibility

Annual Report 2021-2022

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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. The ACSR has the responsibility to advise the CCSR on how Harvard should fulfill its fiduciary duty as a shareholder. This advice primarily takes two forms: first, the ACSR develops guidelines on topics relevant to investors when addressing shareholder resolutions (proxies), to be shared both with Harvard's external investment managers and the investing public; and second, the ACSR offers advice on specific shareholder resolutions directed at companies held directly in Harvard's portfolio.

While the University and HMC recognize that its 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 the kind of informed voting decisions on shareholder resolutions that Harvard seeks to achieve through the guidelines approved by the CCSR. 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. Developing publicly 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.

The ACSR is also responsible for reviewing individual shareholder resolutions raising issues of corporate social responsibility at the relatively few public companies in which Harvard directly owns shares, and to make recommendations to the CCSR, which is responsible for final decisions about how the University should vote on those resolutions. 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.

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 similar issues, and relevant proxy voting guidelines. The ACSR's analysis of proxy issues is supported by background material from Sustainable Investments Institute (Si2), a non-profit organization that provides institutional investors with impartial analyses of environmental and social issues and corporate responsibility concerns raised through the proxy process.

This report includes a description of the work of the ACSR and the CCSR during the past academic year regarding both the adoption of subject-specific proxy guidelines and the voting of proxies in public companies in which the University directly held shares. It also touches on HMC's investor engagement activities.

Overview of Key Developments in 2021-2022

The ACSR devoted the bulk of its discussions during the 2021-2022 academic year to developing and updating subject-specific proxy voting guidelines in six different subject-matter areas.

The ACSR undertook to develop and to complete four new proposed proxy guidelines:

- Climate Commitments
- Civil Rights or Racial Equity Audit/Analysis
- Biodiversity
- Cybersecurity and Data Protection

The ACSR deliberated on updates to two prior guidelines:

- Reporting on Climate Change
- Lobbying and Political Spending

All four drafts for new guidelines and one of the two updated drafts (Reporting on Climate Change) developed by the ACSR during the 2021-22 academic year were then forwarded to the CCSR for review and approval. The proposed updates to the Lobbying and Political Spending guideline will carry forward into next year's ACSR committee work to be undertaken during the

2022-23 academic year and later forwarded to the CCSR for their review. The five guidelines approved by the CCSR were published on the University's shareholder responsibility website (see https://www.harvard.edu/shareholder-responsibility-committees). In addition, they were made available to HMC's external managers, along with general guidance on how HMC intends 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 full text of the four new proxy guidelines and one updated proxy guideline proposed by the ACSR and approved by the CCSR during the one-year period covered by the report.

The ACSR also considered 19 individual shareholder resolutions and provided voting recommendations to the CCSR. The text of these resolutions, and more detail on the reasoning supporting the ACSR's recommendations, as well as the CCSR's votes, appear in Appendix B of this report. The resolutions were presented to shareholders of Apple, Walt Disney, Intel, and Meta Platforms, Inc.

Background and the Harvard Management Company

In recent years, the ACSR has discussed HMC's current and prospective engagement activities as an institutional investor with Kathryn Murtagh, Chief Compliance Officer and Managing Director of Sustainable Investing at HMC, Michael Cappucci, Managing Director for Compliance and Sustainable Investing at HMC, and Samantha McCafferty, Associate Director of 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 and to further its sustainable investing efforts. These initiatives include those organized by the PRI (Principles for Responsible Investment), CDP (formerly the Climate Disclosure Project), Ceres Investor Network, IFRS (the successor to the Sustainability Accounting Standards Board), TCFD (Task Force on Climate-Related Financial Disclosures), and Climate Action 100+.

In April 2020,[1] following a recommendation from 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 U.S. university endowments and a decision that adheres to the timeline set by the Paris Agreement. Since the announcement, HMC has issued

[1] April 21, 2020, message from President Lawrence Bacow's on climate change, https://www.harvard.edu/president/news/2020/message-from-president-bacow-on-climate-change/.

two Climate Reports. HMC's inaugural Climate Report was released in February 2021 and described initial progress toward meeting this goal. The following fall, on September 9, 2021, President Bacow released an update on Harvard's action on climate change, which included HMC's pledge to render its own operations greenhouse gas neutral by June 30, 2022.[2] A few months later, following President Bacow's update, HMC's second annual Climate Report, was released in February 2022, which provided an update on active and urgent progress on several initiatives, including achieving carbon neutral operations, investing in climate transition, collaborative engagements, fossil fuel exposures, improving data access, and developing appropriate methodologies. Further information on HMC's approach to sustainable investing for the long-term appears on the HMC website.

Conclusion

The CCSR thanks the members of the ACSR for their substantial work, thoughtful deliberations, and generous time commitment during the 2021-2022 academic year. The CCSR extends particular gratitude to the ACSR Chair, Guhan Subramanian, Joseph Flom Professor of Law and Business at the Harvard Law School and the Douglas Weaver Professor of Business Law at the Harvard Business School, for his leadership and dedication as ACSR chair. The CCSR relies heavily upon the ACSR for its careful and insightful 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 close attention to the issues raised by shareholder resolutions strengthens the quality of Harvard's exercise of its responsibilities as an investor.

[2] September 9, 2021, message from President Lawrence Bacow, Climate Change: Update on Harvard Action, https://www.harvard.edu/president/news/2021/climate-change-update-on-harvard-action/.

Appendix A

Proxy Voting Guidelines for External Managers

Topic: **Environmental Issues**
Subtopic: **Climate Commitments**
Approved: **January 28, 2022**

Description:

Resolutions on this topic ask companies to address climate transition associated with net-zero or other emissions-related commitments through variety of methods. Requests may include reporting on interim targets, allowing shareholder voting on company climate action plans, or requesting third-party verification of transition plans.

Topic background:

Climate change is the most consequential threat facing humanity and as the latest IPCC report suggests, without concerted action, the dire situation is only going to worsen.[1] Given the need to decarbonize the economy, the number of companies with net zero greenhouse gas (GHG) commitments has increased in recent years.[2] Pledges to report on GHG emissions and meet net-zero targets span across sectors and regions. Many shareholders and other stakeholders are turning their attention toward strategies to achieve these commitments. In order to assess the adequacy of programs and hold leadership accountable for results, investors seek to understand a company's pathway to decarbonization, including interim targets, capital allocation alignment, Task Force on Climate-related Financial Disclosures (TCFD) reporting, governance, and approach to just transition.[3] Companies with robust Paris-aligned transition plans will be more resilient in response to regulatory changes and environmental factors, reducing climate-related risk.

Investors are approaching companies for transparency and engagement on different aspects of their decarbonization commitments. Engagement has resulted in several types of shareholder resolutions, including those related to the "Say on Climate" initiative, science-based targets, and third-party verification of alignment with leading standards.

- "Say on Climate" – This movement targets annual disclosure of company GHG emissions, plans to manage GHG emissions, and–its defining request–allowing a shareholder vote on a company's climate plan. These proposals may directly request shareholder approval of the company's transition plan, or request a company develop a framework for the adoption of an annual vote on climate disclosure or strategy by shareholders. A goal of this initiative is to put climate, and engagement on climate issues between companies and investors, firmly on the company's agenda. These proposals also seek to increase transparency on a topic material to long-term performance.

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[1] In September 2021 Harvard University President Lawrence Bacow provided an update on the University's approach to climate concerns, including investment strategy.
[2] A list of 201 companies that have signed on to the Climate Pledge can be found here. Amazon was the first company to become a signatory to the pledge in September 2019.
[3] The concept of just transition is included in the Paris Agreement. The Agreement includes "taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities".

- Science-based targets (SBT) – Targets are considered "science-based" if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.[4] Organizations such as the Science-Based Targets Initiative (SBTi) provide sector-specific guidance for developing targets. HMC supports the adoption of science-based targets by collaboratively engaging with companies through CDP's SBT campaign.
- Investors may also seek third-party verification of a company's targets and pathway alignment with International Energy Agency (IEA) net zero goals, the latest IPCC data, or the Paris Agreement. Third-party verification is useful to demonstrate that a company is lagging behind industry peers, or if there are concerns about the quality of its decarbonization program.

Considerations for voting:

- In considering "Say on Climate" proposals, it is important to evaluate whether the company presents a strategy sufficient for achieving its commitment. In the absence of a strong program, a request for third party verification or SBTs may be beneficial to a company and its stakeholders.
- Proposals that request companies report on transition plans or net-zero strategy, through means such as reporting on actual emissions and on goals to reduce them, provide shareholders with valuable information, not only about a potential material risk factor, but also about potential business benefits.
- Well-constructed proposals should seek to request reporting across all operations and across all geographies.
- The broader aim of measuring, managing, and reducing GHG emissions aligns with Harvard University's institutional efforts and the Harvard endowment's net-zero pledge.
    - HMC is engaging with the world's largest corporate GHG emitters through Climate Action 100+.[5]
    - Harvard and HMC cannot achieve a net-zero portfolio in isolation. Success will require governments to follow through on their own commitments and structural change in both the economy and consumer behavior, including decarbonization of portfolio companies held by external managers.

For companies concerned about reporting standards or burdens, recognized guidance for reporting on climate strategy is available from organizations such as the TCFD whose standards for reporting material information on emissions and risk reflect substantial input from investors, NGOs, and industry experts.

Illustrative examples of votes:

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[4] The Paris Agreement sets a global warming limit to well-below 2°C above pre-industrial levels, while pursuing efforts to limit warming to 1.5°C.

[5] Climate Action 100+ has developed a Net-Zero Company Benchmark, which assess the world's largest corporate GHG emitters on their progress in the transition to a net zero future.

1. Vote in support of shareholder resolutions that request an audited report on whether and how a significant reduction in fossil fuel demand, envisioned in the IEA Net Zero 2050 scenario, would affect its financial position and underlying assumptions.
2. Vote in support of shareholder resolutions that ask Board of Directors to oversee a third-party audit which assesses whether its current climate-related goals align with the Paris Agreement.
3. Vote in support of shareholder resolutions that ask a company to adopt short-, medium-, and long-term GHG gas reduction targets aligned with the Paris Agreement's goal of maintaining global temperature rise at 1.5 degrees Celsius, and progress made in achieving them. Reporting should cover the company's full range of operational and product related emissions.
4. Vote against shareholder resolutions that prescribe specific pathways to meet company climate commitments.
5. Vote against shareholder resolutions that are not science-based.

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: Human Rights
Subtopic: Civil Rights or Racial Equity Audit/Analysis
Approved: June 8, 2022

Description:

Resolutions on this topic ask companies to assess the ways in which their products, services, and overall corporate practices may be discriminatory, racist, or contributing to increasing inequalities. This topic also includes concerns on issues of environmental inequality and companies' impact on environmental justice.

Topic background:

Recent activism has emphasized the need for rapid and sustained individual and collective action to address issues of inequality and achieve a just society. Investors are engaging with companies to understand how their products and services may be contributing to inequality, for example through lending discrimination, a lack of branches, stores, or services in minority communities, disparate healthcare, environmental racism, or algorithmic bias in artificial intelligence (AI).

Racial equity audits and civil rights audits have been used to identify and reduce sources of systematic bias and discrimination in online platforms and retail stores. For example, after discrimination experienced by its customers made headlines and resulted in legal action, Airbnb conducted a civil rights audit and made changes to how their platform operates by removing profile photos, increasing instant bookings, and collecting demographic data for analysis.[1] In another example, following allegations of customer discrimination, Starbucks undertook a civil rights audit and put in place new practices to reduce implicit bias in its stores.

Environmental justice is a distinct, but related, issue. It is the concept that all people have a right to be protected from environmental hazards and to live in and enjoy a clean and healthful environment. Companies must consider if their actions have disparate environmental impacts on minority, indigenous, and low-income communities. Environmental justice principles are increasingly being incorporated into legislation in the form of support for monitoring pollution and drinking water sources in these communities, as well as strengthening legal protections. While some companies have made commitments to support environmental justice, others continue to operate in ways that harm the environmental health of majority-minority communities and face potential reputational and legal risk.

An additional area of concern is algorithmic bias in artificial intelligence (AI). Software and AI are susceptible to the implicit biases of developers and testing models. Studies have shown that facial recognition and analysis software does not perform as well with darker skinned and female faces, likely

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[1] In addition to personal accounts, a study at Harvard Business School highlighted racial discrimination on Airbnb's rental platform. For more information on the study please see Edelman, Benjamin, Michael Luca, and Dan Svirsky. 2017. "Racial Discrimination in the Sharing Economy: Evidence from a Field Experiment." *American Economic Journal: Applied Economics*, 9 (2): 1-22.

because training data sets for machine learning are not sufficiently diverse.[2] As a result, several companies have halted distribution of facial recognition software to law enforcement over concerns of algorithmic biases and lack of regulation.[3] Algorithms and risk prediction models used in health care have also been shown to be racially biased in a way that disadvantages underrepresented minorities. Analysis of how companies in healthcare, retail, and other industries are using machine learning and the potential impacts on diverse groups can help a business better identify bias in their processes and improve performance.

Investors and other stakeholders have called for racial equity audits at U.S. institutions to better understand and address systematic racism in the banking and housing industries.[4] They see racial inequalities, underpinned by company practices, as risks not only to companies, but to the broader economy and society.

Considerations for voting:

- Given the risk of implicit bias across all sectors and regions, we broadly recommend support for civil rights or racial equity audits or analysis.
    - In assessing a company's proxy proposal, we recommend reviewing whether a company's business practices appear to diverge from its public statements regarding social or environmental justice.
- We strongly recommend proposals request a third-party conduct, or help inform, a company's audit or analysis. The third-party should have appropriate expertise in civil rights or racial justice.
- Careful attention should be paid to the full shareholder proposal, as some proposals appear to promote non-discrimination, but have the intent, as expressed in the supporting statements, of seeking to weaken company diversity and anti-racism efforts. A public report on the audit should be prepared at reasonable cost and omit confidential or proprietary information.

Illustrative examples of votes:

1. Vote for resolutions that request a company commission a civil rights or racial equity audit analyzing its impacts on civil rights, equity, diversity, and inclusion, and make recommendations to correct any harmful practices.
2. Vote for resolutions that request disclosure or oversight of the potential impacts of technology or surveillance on human rights, including disproportionate impacts on communities of color, human rights defenders, or other vulnerable groups.
3. Vote for resolutions that request reports on the disparate environmental impacts on minority, indigenous, and low-income communities.
4. Vote against resolutions that seek to request a report or audit to frustrate company actions to promote diversity, racial awareness, or nondiscrimination.

[2] For more information see the Gender Shades project which studies algorithmic bias, or The National Institute of Standards and Technology (NIST) 2019 study Facial Recognition Vendor Test.
[3] On June 8, 2020, IBM sent a letter to Congress addressing use of facial recognition and analysis software.
[4] Following pressure from shareholders, Citigroup became the first large bank to agree to conduct a third-party racial equity audit of its consumer-facing practices with the goal of expanding access to banking and credit for minorities and investing in Black entrepreneurs.

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Proxy Voting Guidelines for External Managers

Topic: **Environmental Issues**
Subtopic: **Biodiversity**
Approved: **June 8, 2022**

Description:

Resolutions on this topic ask companies to address biodiversity risk directly in their operations or indirectly through their supply chains. Such resolutions may request that a company report on biodiversity risk management, implement a policy to reduce negative impacts on biodiversity, or address biodiversity impacts through their supply chains.

Topic background:

Biodiversity is the variety of life on earth and an important component of economic activity. Research from PwC suggests that $44 trillion of economic value generation is moderately or highly dependent on nature.[1] In analyzing dependency and impact on biodiversity, experts consider a company's connection to ecosystem services and natural capital and resources. The concept of Ecosystem Services (ES) has been widely understood as any positive benefit that humans receive from the natural functioning of healthy ecosystems.[2] Examples of these benefits include habitat provision for biodiversity, provision of food, climate regulation, flood and storm protection, disease control, pollination, soil quality, fibers, and other materials.[3] Natural capital are the assets that underpin ecosystem services, for example, natural resource stocks, water, and soil. Stakeholders concerned about biodiversity risk look to understand (1) how business activities, directly and indirectly, depend on ecosystem services and (2) at what level some operations, dependent on biodiversity, are also contributing to its decline. Business operations may negatively impact biodiversity through land-use change, direct exploitation (e.g., overfishing), or waste and pollution. The World Economic Forum's 2022 Global Risks Report ranks biodiversity loss as one of the top three threats humanity will face in the next ten years. [4]

While investors have historically paid attention to biodiversity impacts due to events or illegal activity, biodiversity loss through normal business operations is a growing material risk to companies because substantial economic activity and communities directly or indirectly depend on ecosystems services. Biodiversity loss can impact companies by reducing operational productivity, creating supply chain disruption, limiting access to land and resources, and depleting natural resources stocks. In addition to creating challenges to normal business operations, a company's negative impacts on biodiversity can result in customer loss, regulatory or legal action, and reputational damage.[5]

There is growing momentum to address biodiversity loss. A longstanding working group convened by

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[1] For more information, please see a 2020 Press Release by PwC regarding their work with the World Economic Forum.
[2] Jeffers et al., 2015. E.S. Jeffers, S. Nogué, K.J. Willis. **The role of palaeoecological records in assessing ecosystem services**. Quat. Sci. Rev., 112 (2015), pp. 17-32.
[3] A broader approach to ecosystem services is related to ecosystem health and resilience to change, commonly assessed through metrics on species richness and abundance (IPCC, Assessment Report 6, 2022).
[4] The World Economic Forum's Global Risks Report can be found here.
[5] For more information related to impacts on historically disadvantaged communities, please see related guideline, Human Rights Policy and Supply Chain Due Diligence.

the United Nations Environmental Programme (UNEP), now known as the Convention on Biological Diversity (CBD) is working on a framework to implement broad-based action to address biodiversity with the goal of halting loss by 2030 and recovery by 2050. Some companies are addressing biodiversity risk by setting targets to become circular or to have a net-positive impact on biodiversity. Others have made issue-specific commitments such as securing deforestation-free supply chains for select commodities, or to protect and regenerate a critical ecosystem. On the investor side, some managers are addressing biodiversity risk through topic specific policies or commitments not to operate, or fund operations, in ecologically sensitive areas.[6]

Considerations for voting:

- Even in cases where scientists and NGOs are able to measure threatened biodiversity and depletion of natural capital, investors' main challenge in addressing biodiversity risk is capturing data related to specific companies or business activities.[7]
    - The prevailing methods some investors use for managing biodiversity risk are identifying and avoiding operations in certain ecological areas, engaging directly with companies, or review controversies through negative screening. Shareholder resolutions considering biodiversity have focused on specific issues.
- More comprehensive data would support investors in proactively addressing biodiversity risk, developing portfolio metrics, as well as understanding opportunities that arise from positive impacts on biodiversity.
- Established reporting frameworks such as the Value Reporting Foundation and CDP[8] address ecological-related disclosures. An emerging disclosure framework specific to biodiversity, the Taskforce on Nature-related Financial Disclosures (TNFD), seeks to create standards for risk management and disclosure around nature-related risks. Like the Task Force on Climate-related Financial Disclosures (TCFD), TNFD members include financial institutions, corporations, and data providers. There are also a variety of data tools such as Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) that aim to help economic participants understand links between business activity and natural capital.
- Harvard University's support for well-constructed proposals to mitigate biodiversity loss reflects its institutional commitment to sustainability.

Illustrative examples of votes:

1. Vote in support of resolutions that ask companies to report on their policies and practices, using quantitative indicators where appropriate, to reduce negative impacts to biodiversity and to prepare for biodiversity loss associated with climate change.
2. Vote in support of resolutions that ask companies to provide a report assessing plans to increase the scale, pace, and rigor of their efforts to reduce biodiversity loss from supply chains.
3. Vote against resolutions that prescribe particular pathways to mitigate specific risks.

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[6] Among others, Bank of America, Barclays, BNP Paribas, Citigroup, Goldman Sachs, Morgan Stanley, and Wells Fargo have prohibited financing in the Artic National Wildlife Refuge. For a more comprehensive list see The Gwich'in Steering Committee's list of Corporate Commitments.
[7] Unearthing Investor Action on Biodiversity | Responsible Investor Research (esg-data.com), January 2021
[8] More information about these organizations and their disclosure standards can be found on the CDP and Value Reporting Foundation's websites.

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: **Technology and Media**
Subtopic: **Cybersecurity and data protection**
Approved: **June 8, 2022**

Description:

Resolutions on this topic ask companies to address cybersecurity and data protection by, for example, requesting a report explaining how a board oversees cybersecurity and data protection risks.

Topic background:

In certain sectors, cybersecurity and data protection are top enterprise risks for companies. The cost of failure can be significant. These risks will continue to present challenges for companies as malware and other tactics to breach company networks evolve.[1] The Value Reporting Foundation's SASB Standards highlight data security as material for companies in the consumer goods, financial services, food and beverage, technology and communications, healthcare, and aerospace and defense sectors. According to a report by IBM, the average cost of a data breach reached $4.24 million in 2021.[2] In addition to the direct costs, cybersecurity and data protection issues have resulted in reputational damage, affecting a company's relationship with employees and customers.

Companies should have a comprehensive understanding and appropriate board oversight of cybersecurity readiness including regular assessment of data loss prevention, vulnerability management, and anti-malware systems. Best practices may consist of maintaining and reporting KPIs such as number of attacks, cost per incident, or time to resolve. Data protection requires securing data or information against unauthorized access or use. Although we do not address data privacy, a separate but related issue, in this guideline it is important to note that data protection is a key factor in ensuring data privacy. Stakeholders look for evidence of strong data governance. Management should be able to explain where data resides and how access is controlled, including data provided by third parties. Beyond management, employee training is also an important component to managing cybersecurity risk and data protection. Investor engagement on the topic of cybersecurity has resulted in improved company disclosure in proxy documents and other transparency reporting.[3]

Considerations for voting:

- In reviewing company-specific proposals, we consider (1) the risk of data breaches (2) how companies are responding to cybersecurity risk, data protection, and data privacy, and (3) how companies maintain oversight of this issue.

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[1] The Cybersecurity & Infrastructure Security Agency (CISA) leads the national effort to understand, manage, and reduce risk to United States cyber and physical infrastructure. Updates on cybersecurity matters are provided through its Shields Up initiative.
[2] The full IBM Report can be found here.
[3] The Harvard endowment is a signatory to the UN PRI. More information on the PRI's work regarding cybersecurity and data protection, and investor engagement on the topic, can be found here.

- In reviewing requests for companies to report or take action on cybersecurity risks, we seek to determine whether a company's current policies and practices are robust and whether the company may be lagging other industry participants or peers.
- Any shareholder requests for information on cybersecurity or data protection should be subject to existing laws and regulation and be provided at reasonable cost, not be overly burdensome, and omit proprietary information.

Illustrative examples of votes:

1. Vote in support of a report explaining how the Board oversees cybersecurity and data protection risks.
2. Vote against requests for an overly prescriptive report or one that may result in undermining cybersecurity and data protection efforts by releasing sensitive data or highlighting specific areas of vulnerability.

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: Reporting on Climate Change
Approved: July 19, 2019
Updated: June 8, 2022

Description:

Resolutions that ask companies to report on business risks associated with climate change and the potential impacts of these risks upon their business activities, as well as plans to address such risks. Such resolutions may reference the goal (expressed in the Paris Agreement) of limiting global temperature rise to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit temperature rise to 1.5 degrees Celsius.

Topic background:

Recent Intergovernmental Panel on Climate Change (IPCC) reports make it clear that anthropogenic greenhouse gas emissions are driving an increase in average global temperatures and an associated increase in severe and damaging weather events.[1] Additionally, resulting permafrost thaw, loss of seasonal snow cover, and melting glaciers will only amplify the problem. Shareholder proposals on climate change reporting 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. Shareholder proposals regarding the business impacts and risks of climate change describe these risks in two keys ways. "Transition risk" refers to the business impact of policies and commercial technologies that will move the world economy toward reduced carbon fuel use and greenhouse gas emissions. As implemented by individual nations, policy-based goals such as those set forth in the Paris Agreement would affect supply and demand for carbon-based energy. Commercial advances include increasingly competitive renewable energy and energy efficient technologies with the potential to win broad acceptance in the market. "Physical climate risk" includes the potential for increased frequency or scope of severe weather events, such as droughts, wildfires, storms, and flooding, or ecosystem loss, and the effect on a company's operations, infrastructure, or supply chain.

Considerations for voting:

- While uncertainties surround the timing and impact of climate change on business activity, as well as the likely form of relevant policies and regulations, the scientific consensus about the progress of climate change makes it clear that it is in shareholders' best interests to understand how companies view – and are planning for – the risks a changing climate poses for their business.
- Energy companies in particular face uncertainty surrounding the timing of any shift away from fossil fuels towards other energy sources and the impact such shifts may have on their businesses. Shareholders have reason to take seriously the prospect of reducing demand for carbon-emitting energy sources, to believe that it is prudent for companies to share information on their plans to adapt to an economy with decreasing reliance on fossil fuels, and to better understand how companies are anticipating the physical risks of an altered climate and associated extreme weather events and other disruptions.

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[1] For more information, please see the IPCC's Sixth Assessment Report - Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change

- We understand that shareholder interest should extend beyond the energy industry to many other industries, given the likely impacts of climate change on energy, infrastructure, and supply chains. For example:
    - Shareholders in insurance companies may seek information on planning regarding the cost of increased extreme weather events.
    - Shareholders in food and beverage companies may seek information on planning regarding agricultural supply chain disruptions.
    - Shareholders in companies with plants and equipment in areas vulnerable to flooding and wildfires may welcome information on plans to adapt or relocate such assets.
- Given the broadly recognized frameworks for reporting sustainability related disclosures such as CDP (formerly the Carbon Disclosure Project) and the Task Force on Climate-related Financial Disclosures (TCFD), which have been shaped with input from industry experts and investors, reasonably constructed shareholder requests on climate change risk reporting should not pose an undue burden. In addition, reports based on such frameworks offer shareholders the opportunity to compare reporting among companies.
- Generally, we recommend supporting proposals that ask companies to report on climate-change-related business risks and upon plans to address those risks, and particularly encourage support of well-crafted proposals to companies that appear to be lagging behind their peers on climate change issues. Such proposals seem prudent and relevant to a valid shareholder interest in fully understanding the climate risks a company faces and its perspectives on managing them.
- 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.
- Similarly, we counsel caution with proposals that direct companies to take actions contrary to their core business focus and strategy, such as demanding that an energy company provide a capital distribution to compensate shareholders for assets such as oil reserves that may, in future, become "stranded" (lose their book value).
- Understanding and considering climate-related impacts aligns with Harvard University's institutional efforts and the Harvard endowment's net-zero pledge.[2]

Illustrative examples of votes:

1. Vote <u>in support</u> of well-constructed resolutions requesting that a company report on risks posed by climate change. Examples of such resolutions might include those that request a company to:
    - Report risks and opportunities for business operations that could be materially impacted by, or a significant contribution to, climate change.
    - Provide an explanation of how the board oversees and manages climate-related risks and opportunities.
    - Report on its understanding of the implications of aligning business operations with either a well below 2 degree or 1.5 degree Celsius scenario[3] as outlined in the Paris Agreement.
2. Vote <u>against</u> resolutions that direct companies to take actions contrary to their core business focus and strategy.

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[2] In April 2020, the Harvard Corporation directed HMC to set the endowment on a path to achieve net-zero greenhouse gas (GHG) emissions by 2050. The pledge can be viewed here.

[3] Requests for company scenario analysis have often aligned with the goal of limiting global temperate rise to well below two degree Celsius (2°C) above pre-industrial levels, as outlined in the Paris Agreement. There are publically available resources on climate change scenarios, for example, from the International Energy Agency (IEA), the World Resource Institute (WRI), the Food and Agricultural Organization of the U.N.'s Modelling System for Agricultural Impacts of Climate Change (MOSAICC) and the Intergovernmental Panel on Climate Change (IPCC).

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.

Appendix B

Shareholder Resolutions Considered by the ACSR in 2021-2022

The 19 shareholder resolutions considered by the ACSR during the 2021-2022 academic year were presented at four companies:

- Apple, Inc., for a shareholder vote at its annual meeting on March 4, 2022,
- Walt Disney for a shareholder vote at its annual meeting on March 9, 2022,
- Intel for a shareholder vote at its annual meeting on May 12, 2022, and
- Meta Platforms, Inc., for a shareholder vote at its annual meeting on May 25, 2022.

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.

A. Environmental and Social Systems

For many years, corporate policies and practices related to the environment and social issues have been of particular interest to shareholders. In 2022, Harvard voted on one proposal related to the reporting on business practices and financial returns, which the proponent asserts take priority over environmental and social systems. Below is a detailed account of the ACSR's recommendations and the CCSR's vote on the proposal.

Business practices and societal impacts

In 2022, a proposal presented to Meta Platforms, Inc., asked the company board to

> "commission and disclose a report on (1) risks created by Company business practices that prioritize internal financial return over healthy social and environmental systems and (2) the manner in which such risks threaten the returns of its diversified shareholders who rely on a productive economy to support their investment portfolios."

The proposal is new in 2022 and is concerned with the broad impacts of disinformation, particularly as to how users' perceptions are impacted. The proposal asserts that the company is aware of the disinformation aspect of its content and the proponent is concerned about this prioritization of company profits over social and environmental systems. The resolution asks for a report that would identify and analyze areas where company practices are contrary to the interests of diversified shareholders.

Meta opposed the proposal due to the company's existing, regular reports, actions, and robust efforts already in place, and asserts that the request itself is too vague in scope and definition. ACSR committee members discussed the proponent's straightforward argument that the company needs to do more to deal with the problem of disinformation. And, while reporting on this issue might be beneficial, some members agreed that the proposal's language is too vague and, therefore, might not lead to a useful (or even executable) report. Members choosing to abstain made note that while the underlying idea of the proposal is beneficial, the proposal itself is not well-written. Members voting against the proposal concurred about the points raised and noted the lack of clarity and attention to the problem of disinformation itself within the proposal. The ACSR voted 0-5-5, resulting in a split vote. The CCSR abstained on the resolution at Meta.

B. Reports on Lobbying and Charitable Contributions

According to Sustainable Investments Institute (Si2), the number of shareholder proposals addressing corporate political spending notably increased following the U.S. Supreme Court's 2010 decision in Citizens United. Shareholders continue asking for information about how companies spend their money and, in 2022, the committees considered three proposals calling on companies to report on their lobbying and charitable contributions.

Lobbying

Nearly identical resolutions were presented to Walt Disney and Meta Platforms, Inc. Each resolution similarly asked the companies to prepare and update annually a report disclosing

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by [Disney and Meta] used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Description of management's decision-making process and the Board's oversight for making payments described [in section 2] above. For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade organization of which [Disney and Meta] is a member. Both

> "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state, and federal levels.
> The report shall be presented to the [Audit or Governance and Nominating] Committee and posted on [Disney's and Meta's] website.

Regarding Walt Disney, the proponent asserts that while the company does disclose lobbying and donations to trade organizations for government political parties, the data is fragmented, broadly dispersed, and is not easily collated in one central resource. Additionally, the proponent is concerned that lack of disclosure is detrimental to transparency that might show whether donations are in direct opposition to statements Walt Disney has made publicly on any given political topic or candidate. Lobbying proposals have extensive precedent and the ACSR voted 11-0-0 to recommend a vote in favor of the proposal. The CCSR voted in favor of the proposal in accordance with the ACSR recommendation and precedent.

Turning to Meta, the company opposed the proposal because the company asserts that they already track and report on their lobbying activities. The ACSR again discussed the significant past precedent and voted 10-0-0 in favor of related proposals. The CCSR voted in favor of the proposal in accordance with the ACSR recommendation and precedent.

Charitable contributions

The proponent is concerned that risk to Meta increases if the company makes contributions to controversial groups—reporting on contributions may help mitigate this risk. The resolution asks the company to

> "provide a report, published on the company's website and updated semi-annually "and omitting proprietary information and at reasonable cost" that discloses, itemizes and quantifies all Company charitable donations, aggregated by recipient name & address each year for contributions that exceed $999 annually. This report shall include:
> 1. Monetary and non-monetary contributions made to non-profit organizations operating under Section 501©(3) and 501©(4) of the Internal Revenue Code, and any other public or private charitable organization;
> 2. Policies and procedures for charitable contributions (both direct and indirect) made with corporate assets;
> 3. Rationale for each of the charitable contributions."

This proposal asks Meta to regularly report on the company's charitable contributions since Meta currently does not publicly disclose information on governance and oversight of its charitable activities. Meta opposes the proposal because the company asserts that they periodically publish information on their significant charitable giving initiatives on their website. ACSR committee members discussed the similarities between this proposal and others regarding lobbying. Members agreed that disclosing the company's charitable contributions, regardless of political affiliation, would be beneficial. The committee also acknowledged that charitable organizations themselves are already required to disclose their received donations and donor lists (just not in aggregate as the proposal is requesting). The ACSR voted 10-0-0 in favor of the proposal. The CCSR voted in favor of the proposal following the ACSR recommendation.

C. Labor Standards, Equal Employment, Racial Equity Audits, and Diversity

The committees reviewed eight proposals on aspects of equitable employment this year. These proposals arise from concerns about achieving workplace diversity, pay parity, and affirmative action.

Gender and minority pay disparity

The committees considered similar proposals to Walt Disney and Apple. The proposals request that the companies

> "report on both median [and adjusted] pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information. Racial/gender pay gaps are defined as the difference between non-minority and minority/male and female median earnings expressed as a percentage of non-minority/male earnings (Wikipedia/OECD, respectively."

ACSR members noted the extensive precedent in support of proposals asking companies to report on pay disparity, and the applicable proxy guideline, Labor Standards and Employment Policies – Reporting on Gender-, Race-, and/or Ethnicity-Based Pay Disparities. The ACSR voted 11-0-0 in favor of both proposals. The CCSR voted in favor of the proposals following ACSR recommendation.

Employee training curriculum

The ACSR reviewed a proposal to Walt Disney on the company's Diversity, Inclusion, and Belonging training programs.

The proposal requested that Walt Disney's Board of Directors

> "commission a workplace non-discrimination audit analyzing Disney's impacts, including the impacts arising from Disney-sponsored or -promoted employee training, on civil rights and non-discrimination in the workplace, and the impacts of those issues on Disney's

> business. A report on the audit, prepared at reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on Disney's website."

The committee discussed both the issue as presented in the resolution, and the proponent's arguments to vote in favor. While members of the committee expressed the view that—on its face—there appears to be nothing objectionable in the resolution itself, the proponent makes clear in supporting statements that the proposal is motivated by the view that current diversity training is a form of "reverse-racism" and that it is itself racist and discriminatory against white employees. Members noted the proponent's objections to the content of the company's Diversity, Inclusion, and Belonging training programs, and disparagement of the company's approach to issues of diversity in general. Committee members expressed concern that they did not wish to support such views, but felt that the resolution itself was largely unobjectionable.

In deciding to vote against the proposal, one member stated that a vote in favor of the proposal would express support for the company to conduct an analysis in an unbiased and open way, in spite of the proponent's apparent intent. Members voting against the proposal largely expressed the view that they would not want Harvard associated with the views expressed by the proponent in the statements supporting the resolution. Members voting to abstain felt that while they found the supporting statements objectionable, they did not feel a vote against the proposal was appropriate since the resolution itself did not contain the objectionable language. The ACSR voted 0-9-2 against the proposal. The CCSR voted against the proposal following ACSR recommendation.

Racism in the workplace

A proposal to Intel focused on workplace diversity and equal employment opportunity. The proposal requested that Intel's Board of Directors

> "oversee an independent third-party audit analyzing whether written policies or unwritten norms at Intel reinforce racism in company culture, and report to shareholders on planned remedies the Board intends to take in response."

The committees have considered—and supported—non-prescriptive proposals that ask for diversity report that describe affirmative action policies and programs. The proponent is concerned about systemic racism and asserts that while Intel has set goals and acted on diversity and inclusion issues, the company's workforce and senior leadership diversity trail behind national averages and Intel has yet to report if or how the company indents to address issues that may be the root of the problem. Intel opposed the proposal because the company asserted that it already has a robust approach given its actions, initiatives, commitment, goals, and regular reporting on issues of diversity and inclusion.

Committee members discussed the importance of a third-party audit and report and expressed general support for the spirit of the proposal and addressing systemic racism at the company. Committee members expressed that greater disclosure and collecting and reporting on data more broadly and in a different way would be helpful for shareholders to have a better understanding of the company's progress in very concrete, objective ways. One member, in voting against the proposal, stated that while there is a need for these kinds of reports and audits, the proposal is poorly defined, and auditing "unwritten norms" is too open ended from a process perspective. The ACSR voted 9-1-0 in favor of the proposal. The CCSR voted in favor of the proposal following ACSR recommendation.

Sexual harassment policy and concealment clauses

The committee considered two nearly identical proposals on the topic of sexual harassment policy and concealment clauses, and the risk that results from concealment clauses as it relates to forced or mandatory arbitration in the workplace.

The proposals to Apple and Meta Platforms, Inc., asked the Board of Directors to

> "prepare a public report assessing the potential risks to the company associated with its use of concealment clauses in the context of harassment, discrimination and other unlawful acts. The report should be prepared at reasonable cost and omit proprietary and personal information.

When the ACSR considered the proposals at Apple and Meta Platforms, Inc., they voted unanimously in favor of the proposals. Members noted the March 3, 2022, new legislation H.R. 4445 "Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act of 2021," which prohibits companies from putting into place forced arbitration agreements relating to sexual harassment and assault (and not including race-based issues). As a result of this new legislation, members speculated that the proposals might still be relevant for disputes prior to March 3, 2022, and, therefore, were in support of the proposal due to the close timing of the legislation and the proposal.

Report on racial justice impacts/plan

Although a similar version of this proposal has been presented and gained support at leading financial firms in 2021 according to Si2, a new proposal was presented to Apple in 2022.

The proponent asserts that a third-party civil rights report and audit is needed because of Apple's persistent gender and racial equity issues. The proponent further asserts that Apple has not set forth a clear plan on how to address its gender and racial equity audits. The proposal requests that Apple's Board of Directors

> "oversee a third-party audit analyzing the adverse impact of Apple's policies and practices on the civil rights of company stakeholders, above and beyond legal and regulatory matters, and to provide recommendations for improving the company's civil rights impact. Input from civil rights organizations, employees, and customers should be considered in determining the specific matters to be analyzed. A report on the audit, prepared at reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on Apple's website."

Committee members acknowledged that while the request for a report seems reasonable and the impetus driving the request is important, the proponent is prescriptive in exactly how the report should be composed. Specifically, the scope is poorly defined and lacks specificity, and the proponent's request to include input from a wide array of stakeholders could be unduly complicated in preparing a report. The members expressed concern about the prescriptive nature of the request which seemingly prejudges the conclusion about Apple's policies and felt that a more balanced proposal would be more appropriate. The members discussed the possible motivation behind the proposal as having to do with protecting children from sexual abuse that is perpetuated by people who leverage certain technologies, e.g., online pornography. The members felt that this important concern deserves a more targeted and better-defined proposal. The ACSR voted 1-6-4 to narrowly recommend a vote against the proposal. In light of the ACSR's split vote, the CCSR abstained on the resolution.

Report on risks of racial justice efforts

A proposal at Meta Platforms, Inc., asks the company to commission an audit that looks at the company's impact on civil rights and discrimination. While the proponent uses the language of civil rights advocates, it argues that anti-racism efforts discriminate against white people. The proposal asks Facebook/Meta platforms, Inc.,

> "commission an audit analyzing the Company's impacts on civil rights and non-discrimination, and the impacts of those issues on the Company's business. The audit may, in the Board's discretion, be conducted by an independent and unbiased third party with input from civil rights organizations, public-interest litigation groups, employees and other stakeholders – of a wide spectrum of viewpoints and perspectives. A report on the audit, prepared at reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on the Company's website."

The ACSR voted 0-10-0 against the proposal. Committee members discussed both the issue as presented in the resolution, as well as the proponent's specific arguments for the proposal. While members of the committee expressed the view that on its face there appears to be nothing objectionable in the resolution itself, the proponent makes clear in supporting statements that the proposal is motivated by the view that "anti-racist" programs are themselves deeply racist and discriminatory. Committee members expressed concern that they did not wish to support such views, but felt that the resolution itself was largely unobjectionable. Members voting "no" expressed the view that they would not want Harvard associated with views expressed by the proponent in the statements supporting the Resolution. Following ACSR recommendation, the CCSR voted against the proposal.

D. Human Rights Impact Assessments and Disclosures

The committees considered three proposals addressing human rights impact that called for greater transparency and reporting.

Report on supply chain human rights risks

A proposal at Apple, Inc., addresses the proponent's concern that the company does not provide sufficient information on their policies (and reporting) on human rights violations, specifically forced labor, that may be present within Apple's supply chain. According to Si2, in 2020 a similar proposal garnered about 40% support. In 2021, however, that proposal was omitted because the SEC responded that Apple already met the expectations outlined in the proposal. At the time that the committee members reviewed the proposal, the SEC granted the proponents the right to present in 2022 and to raise explicit concern regarding forced labor. Background information provided by Si2 notes that the proposal's proponents are largely concerned with forced labor that impacts ethnic and religious minorities in China, specifically the Uyghur and Turkish Muslim populations. The proposal asks Apple, Inc., to

> "oversee the preparation of a report, at reasonable cost and omitting confidential and proprietary information, on the extent to which Apple's policies and procedures effectively protect workers in its supply chain from forced labor, including the extent to which Apple has identified suppliers and sub-suppliers that are at significant risk for forced labor violations, the number of suppliers against which Apple has taken corrective action due to such violations, and the availability and use of grievance mechanisms to compensate affected workers. The report should be posted to Apple's website."

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal. In their discussion, committee members referred to possible data gaps in Apple's reporting, including the percentage of its supplier base that might contribute to human rights violations. The members acknowledged that reporting would be dependent on how Apple defines "forced labor," which may not align with the proponent's intent. Regardless of possible definition differences, committee members expressed that greater disclosure around forced labor and human rights would be beneficial and does not seem unduly burdensome on the company. Following ACSR recommendation, the CCSR voted in favor of the proposal.

Report on human rights impact assessment

Two proposals at Disney and Meta call on the companies to address their disclosures regarding human rights impacts. The proposal at Disney asks that

> "beginning in 2022, Disney report on the process of due diligence, if any, that he Company undertakes in evaluating the human rights impacts of its business and associations with foreign entities, including foreign governments, their agencies, and private sector intermediaries."

The ACSR voted 8-0-3 in favor of the proposal. The proponent asserts that reporting is needed in light of circumstances surrounding Disney's recent film *Mulan* and the company's interactions with the Chinese government. Committee members who voted in support of the proposal agreed that there should be a defined process by which Disney assesses these issues and that doing so does not seem onerous. These members agreed that there is a need for reporting on Disney's current due diligence, and if results are found to be lacking, then the company has that insight and can take further corrective steps; the proposal seems to be a first step in the assessment process. Members abstaining expressed concern that the scope of human rights is vast, and the proposal's wording is vague, and determining exactly what should be included in the report could be complicated. Following the guidance of the ACSR, the CCSR voted in favor of the proposal.

A proposal at Meta addresses the proponent's concern that the company continues to mislead users about its targeted advertising methods and a report enable the company to better identify, address, mitigate, and prevent types of adverse human rights impacts that the proponent raises concerns about. The proposal asks meta to

> "publish an independent third-party Human Rights Impact Assessment (HRIA), examining the actual and potential human rights impacts of Facebook's targeted advertising policies and practices throughout its business operations. This HRIA should be conducted at reasonable cost; omit proprietary and confidential information, as well as information relevant to litigation or enforcement actions; and be published on the company's website by June 1, 2023."

Committee members discussed past precedent and prior support for similar proposals. They noted, however, that the difference is that this proposal focuses on the impacts of targeted advertising, which is particularly relevant to Meta. The ACSR voted 10-0-0 in favor of the proposal. Following ACSR guidance, the CCSR voted in favor of the proposal.

E. Government Censorship and Policing Agencies

Report on government censorship

A resolution at Apple asks the company to provide greater transparency regarding government requests to remove particular apps from the company's online app store. The proponent asserts that Apple allows governments to request the removal of apps within certain countries, thereby suppressing citizens' freedom of expression, particularly in China. According to Si2, China has made the most requests of Apple, and the company has largely complied with requests but has not provided an explanation. While Apple does publish some quantitative statistics, it does not provide historical data on app removals or qualitative details. This resolution asks for a clear explanation and a breakdown of the categories of removals from the app store. The proponent is concerned about civil rights and would like transparency into why Apple might approve a request or deny it. The proposal requests that the Board of Directors

> "revise the Company's Transparency Reports to provide clear explanations of the number and categories of app removals from the app store, in response to or in anticipation of government requests, that may be reasonably be expected to limit freedom of expression or access to information. Such revision may exclude proprietary or legally privileged information."

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal. Committee members felt that greater disclosure would be helpful for shareholders to have a better understanding of Apple's rationale and the additional reporting does not seem unduly burdensome on the company. Committee members pointed out that there is some vagueness in the proposal's wording, which could either be interpreted as being about freedom of expression or about sharing information. Regardless, the committee members suggested shareholders would benefit from greater transparency, and Apple should err on the side of disclosure. The CCSR voted in favor of the proposal following ACSR recommendation.

F. Human Rights and Media Management

Report on problematic media content management

A new resolution at Meta addresses the proponent's concerns regarding the lack of oversight by management and the board, which, the proponent asserts, continues to result in a failure to control nefarious activities on its platforms. Additionally, the proponent is concerned about the company's failure to warn investors about material risks on the company's sites, including hate speech, misinformation, and criminal behavior. The proposal asks the board to

> "at reasonable expense and excluding proprietary or legally privileged information, prepare a report analyzing why the enforcement of "Community Standards" as described in the "Transparency Center" has proven ineffective at controlling the dissemination of user content that contains or promotes hate speech, disinformation, or content that incites violence and/or harm to public health or personal safety."

The ACSR voted 8-1-1 to recommend a vote in favor of the proposal. Committee members discussed past precedent of voting in favor of similar proposals that request the commissioning of reports about false or divisive information. While Meta may assert that they are working to enforce community standards, some members supporting the proposal wondered if the company might be either unsuccessful in those efforts or, perhaps, if the standards themselves may be ineffective. Members not in favor of the proposal noted that the proposal preemptively—and with prejudice—asserts that existing policies and community standard efforts have already proven to be ineffective. The CCSR voted in favor of the proposal following ACSR recommendation.

Report on metaverse and allow shareholder vote

Another new proposal at Meta addresses risk assessment and mitigation regarding the metaverse project. The proposal asks Meta to

> "commission a report and seek an advisory shareholder vote on its metaverse project. The report should summarize results of a third-party assessment of:
> - potential psychological and civil and human rights harms to users that may be caused by the use and abuse of the platform,
> - whether harms can be mitigated or avoided, or are unavoidable risks inherent in the technology.
>
> After the report's publication, the Company should seek a shareholder vote, expressing non-binding advisory approval or disapproval of the metaverse project, advising the board and management whether investors consider continued implementation of the metaverse platform to be prudent or appropriate."

The ACSR voted 0-5-5 in a split vote. Some committee members suggested that the proposal seems out of scope for what shareholders should weigh in on. Additionally, some members felt the proposal presupposes likely harms and inherent risks in the new technology which reads as presumptuous and naïve. Members discussed the two distinct parts of the proposal as being a request for a report and a subsequent non-binding advisory shareholder vote. Members voting against the proposal felt that the latter part is inappropriate to ask shareholders to vote on—a non-binding advisory basis—and this would not align with past ACSR precedent. In light of the ACSR's split vote, the CCSR abstained on the proposal.

G. Data Collection and Cybersecurity

Report on child sexual exploitation and products/services online

Meta Platforms, Inc., 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, in particular, end-to-end encryption. While the proponent supports online privacy, there is concern that these privacy tools 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 resolution asked the company to

> "issue a report by February 2023 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 7-0-3 to recommend a vote in favor of the proposal. In considering the proposal, committee members referenced past precedent (at Facebook) and prior support for similar proposals. Committee members considered the risk that encryption "back doors" might inadvertently allow repressive governments, police, or security forces to have undue access to private communication, particularly in countries vulnerable to government crackdowns on protests, dissent, etc. Members voting to abstain on the proposal suggested that a better approach would focus on both the risk of allowing criminal actors to exploit end-to-end encryption and the risk of government intrusion on privacy. The CCSR voted in favor of the proposal following ACSR recommendation.

Appendix C

2021-2022 ACSR/CCSR Shareholder Resolution Recommendations and Votes

Company/topic	Resolution	Company Meeting Date	ACSR	CCSR
Apple	(#6) Report on government censorship	March 4, 2022	11-0-0	In favor
Apple	(#7) Report on supply chain human rights risks	March 4, 2022	11-0-0	In favor
Apple	(#8) Report on gender/minority pay disparity	March 4, 2022	11-0-0	In favor
Apple	(#9) Report on racial justice impacts/plan	March 4, 2022	1-6-4	Abstain
Apple	(#10) Review/report on sexual harassment policy	March 4, 2022	11-0-0	In favor
Walt Disney	(#4) Report on lobbying	March 9, 2022	11-0-0	In favor
Walt Disney	(#6) Report on human rights impact assessment	March 9, 2022	8-0-3	In favor
Walt Disney	(#7) Report on gender/minority pay disparity	March 9, 2022	11-0-0	In favor
Walt Disney	(#8) Report on employee training curriculum	March 9, 2022	0-9-2	Against
Intel	(#6) Report on racism at company	May 12, 2022	9-1-0	In favor
Meta Platforms, Inc.	(#6) Report on concealment clause risks	May 25, 2022	10-0-0	In favor
Meta Platforms, Inc.	(#7) Report on societal impacts and financial priorities (Regarding Report on External Costs of Misinformation)	May 25, 2022	0-5-5	Abstain
Meta Platforms, Inc.	(#8) Report on problematic media content management (Regarding Report on Community Standards Enforcement)	May 25, 2022	8-1-1	In favor
Meta Platforms, Inc.	(#9) Report on metaverse and allow shareholder vote (Regarding Report and Advisory Vote on Metaverse)	May 25, 2022	0-5-5	Abstain
Meta Platforms, Inc.	(#10) Request for human rights impact assessment	May 25, 2022	10-0-0	In favor
Meta Platforms, Inc.	(#11) Report on child sexual exploitation and products/services online	May 25, 2022	7-0-3	In favor
Meta Platforms, Inc.	(#12) Report on risks of racial justice efforts (Regarding Civil Rights and Non-Discrimination Audit)	May 25, 2022	0-10-0	Against
Meta Platforms, Inc.	(#13) Report on lobbying	May 25, 2022	10-0-0	In favor
Meta Platforms, Inc.	(#15) Report on charitable contributions	May 25, 2022	10-0-0	In favor