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**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.<sup>1</sup> 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

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<sup>1</sup> 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.

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 because training data sets for machine learning are not sufficiently diverse.<sup>2</sup> As a result, several companies have halted distribution of facial recognition software to law enforcement over concerns of algorithmic biases and lack of regulation.<sup>3</sup> 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.<sup>4</sup> 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

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<sup>2</sup> 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](#).

<sup>3</sup> On June 8, 2020 IBM sent a [letter](#) to Congress addressing use of facial recognition and analysis software.

<sup>4</sup> 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.

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.

*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.*