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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

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.
 - 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.
 - 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.
 - 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/>.

³ <https://www.un.org/en/universal-declaration-human-rights/>