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Proxy Voting Guidelines for External Managers

Topic: Human Rights
Subtopic: Living Wage Disclosure
Approved: April 3, 2025

Description:

Resolutions on this topic may request companies adopt policies that ensure workers receive wages sufficient to meet basic living standards or request transparency into wage practices, including the number of employees and/or contracted workers earning below a living wage.

Topic background:

A “living wage” is the minimum income necessary for an individual or a household to meet their basic needs and maintain a decent standard of living. Unlike the “minimum wage”, which is a legally mandated baseline for hourly pay, a living wage is calculated based on the actual cost of living in a specific location and typically exceeds the minimum wage.¹ Actual cost of living calculations include essential needs such as housing, food, healthcare, transportation, and childcare. In many countries, minimum wages fail to keep up with the cost of living, leading to poverty and inequality.²

Investors engaging on this topic³ argue that a living wage is economically beneficial because it enhances long-term value and mitigates systemic risk. Proponents state that a living wage:

- Supports economic stability by ensuring workers can afford necessities without relying on government assistance.
- Reduces income inequality and thereby reduces systemic risk.
- Benefits businesses by attracting and retaining talent and improving worker productivity.

Shareholder resolutions that seek to address living wage disclosures may focus on ensuring companies are transparent about their wage practices. Some proposals have called for companies to disclose the number of employees, contracted workers, or outsourced labor earning below a living wage, the extent of wage shortfalls, and the methodologies used to determine living wage benchmarks. Others have requested transparency into wage practices extending into a company’s supply chain. Recent shareholder resolutions have gone farther to request companies establish

¹ MIT created a [Living Wage Calculator](#), to help estimate the local wage rate that a full-time worker requires to cover the costs of an individual or family’s basic needs, where they live.

² In the US, federal minimum wage has remained unchanged since 2009 at \$7.25/hr. State and city level action to address minimum wage thresholds varies. State Minimum Wage Laws can be found at the U.S. Department of Labor’s [Wage and Hour Division](#)

³ In November 2023, investors representing \$4.5 trillion in AUM signed a [Statement of Support for a Living Wage for U.S. Workers](#).

wage policies that are designed to provide workers with the minimum earnings necessary to meet a household's basic needs.

Considerations for voting:

- Investors should consider the materiality of the issue to the industry or industries in which a company is active. The risks identified above are more pervasive in labor-intensive industries such as retail, agriculture, food service, and childcare.
- In considering such proxies, we recommend careful attention to each company's current compensation practices and its record of performance regarding issues related to its employees' and workers' rights.
 - For example, some companies have set targets to achieve living wages over a period.⁴
- Proposals which appear to prescribe specific wage rates or procedural steps management might take to address employee-related concerns may be viewed as overly intrusive. However, we have not observed such proposals on company proxy ballots.

Illustrative examples of votes:

1. Vote in support of shareholder resolutions that ask that the board and management exercise their discretion to establish wage policies that are reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs, such policies to include reference to established living wage frameworks and timeframes for adoption and to comply with relevant legal obligations.
2. Vote in support of shareholder resolutions that request a third-party assessment that produces recommendations for achieving living wages within a company and its supply chain.
3. Vote against shareholder resolutions that are overly prescriptive or specific in directing a company's approach to managing employee wages.

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. Any reporting should be issued at reasonable cost and omit proprietary information.

⁴ In 2023, L'Oréal was awarded the Living Wage Employer accreditation by Fair Wage Network. They have committed to achieving a living wage for the employees of strategic suppliers by 2030. For more information see [here](#).