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Proxy Voting Guidelines for External Managers

Topic: **Social Issues**
Subtopic: **Respect for Freedom of Association and Collective Bargaining**
Approved: ***April 3, 2025***

Description:

Resolutions for this topic may request a company adopt a policy not to interfere with the right to freedom of association and collective bargaining in its operations. Other resolutions may request an independent third-party audit of company practices in this area. Lastly, some resolutions more broadly request a company adopt a human rights policy that refers to widely accepted international labor standards.

Topic background:

Freedom of association implies respect for the right of all employers and all workers to establish and join groups for the promotion of their occupational interests freely and voluntarily. Collective bargaining is a voluntary process through which employers and workers discuss and negotiate their relations, in particular terms and conditions of work and the relations between employers, workers, and their organizations.[1] Filers of these resolutions may be concerned that a company is not respecting workers' rights or is engaged in union busting. Although labor union membership in the United States peaked in the 1950s, as of 2022, approximately 11 percent of U.S. workers are in a union.[2]

In recent years there has been an increase in shareholder resolutions at companies accused of aggressive opposition campaigns, firing organizers, and closing unionized stores or restaurants. Proponents of these resolutions argue that retaliation creates material reputational and legal risks for companies while collective bargaining can improve health and safety, skills development, and productivity. Some companies have taken proactive steps in their approach to unions.

Considerations for voting:

- Given the operational and reputational consequences for entities accused of union busting, it is helpful to consider whether the company had any complaints brought by the National Labor Relations Board (NLRB).
- In considering such proxies, we also recommend shareholders review a company's stated alignment with recognized global standards.

[1] Definitions and more information can be found in Principle Three: Labour, of the UN Global Compact
[2] Union Members – 2022, Bureau of Labor Statistics, U.S. Department of Labor

- Since a resolution may request the company create a policy, careful attention should be paid to what policies a company may already have in place, such as relevant language included in a Human Rights Policy.

Illustrative examples of votes:

1. Vote in support of resolutions that request the Board of Directors commission and oversee an independent, third-party assessment of the company's adherence to its stated commitment to workers' freedom of association and collective bargaining rights.
2. Vote in support of resolutions that request a company adopt and disclose a Non-interference Policy ("Policy") upholding the rights to freedom of association and collective bargaining in its operations.
3. Vote in support of resolutions that request the Board of Directors adopt a comprehensive Human Rights Policy which states the Company's commitment to collective bargaining with respect to human rights of workers throughout its operations and value chain, and describes steps to identify, assess, prevent, mitigate, and, where appropriate, remedy adverse human rights impacts connected to the business.

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.