

Harvard University

Corporation Committee on Shareholder Responsibility

Annual Report 2017-2018

CCSR Members (2017-2018)

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INTRODUCTION

In 1972 Harvard established two committees to assist the University in addressing its ethical responsibilities in voting corporate proxies on issues of social responsibility: the Corporation Committee on Shareholder Responsibility (CCSR) and the Advisory Committee on Shareholder Responsibility (ACSR). The CCSR consists of members of the Harvard Corporation. Acting on behalf of the President and Fellows, it decides how Harvard's shares should be voted on issues of social responsibility and oversees the consistent application of University policy with respect to investments in certain sectors and precedent, actively considering new circumstances or information that may suggest changes in policy or practice. The ACSR, a twelve-member committee made up of Harvard faculty, students, and alumni, is responsible for analyzing proxy issues and making recommendations on how Harvard should vote its shares. The investigation of issues and communication of analysis is the central function of the ACSR, which provides the CCSR with the reasons underlying each recommendation, including the rationale for divergent views on how the University should vote. The purview of these two committees encompasses the range of issues of social responsibility that are put before corporate shareholders. Shareholder proposals regarding corporate governance matters are addressed by Harvard Management Company. From time to time, at the request of the CCSR, the ACSR has also suggested new policy approaches to assist the University in carrying out its ethical responsibilities as a large institutional investor.¹

The University's approach to proxy voting is to consider each proposal on a case-by-case basis in light of the ACSR's discussions and CCSR precedent on comparable issues. The ACSR's analysis of proxy issues is supported by background material from Sustainable Investments Institute (Si2), a not-for-profit organization that provides institutional investors with

¹ Examples of University policy statements for which the CCSR has sought input from the ACSR can be found on the University's shareholder responsibility website at <http://www.harvard.edu/shareholder-responsibility-committees>.

analyses of issues of social concern and corporate responsibility raised through the proxy process.

2018 PROXY SEASON

During the 2018 proxy season (the period between March and June when many publicly traded corporations hold annual meetings), the committees considered thirty-eight proposals dealing with issues of social responsibility that were addressed to corporations whose securities were owned directly by Harvard.² Issues raised through the proxy process this year included corporate political contributions and lobbying; executive compensation; labor standards; human rights; equal employment; and corporate environmental reporting and practices on issues including greenhouse gas emissions and sustainability reporting. New topics addressed in 2018 included digital media content management and fair tax policy.

Number of Social Issues Proposals considered by both committees since 2008

<u>Year</u>	<u>Total Voted</u>
2008	111
2009	19
2010	26
2011	38
2012	41
2013	56
2014	56
2015	54
2016	77
2017	44
2018	38

I. Corporate Political Spending

The number of shareholder proposals addressing concerns about corporate political spending grew sharply after the 2010 U.S. Supreme Court decision (*Citizens United vs. Federal Elections Commission*), which ruled that limits on independent corporate political contributions – contributions that do not go directly to candidates' campaigns – were unconstitutional. Proponents of resolutions requesting disclosure of indirect political spending, including

² Eight shareholder proposals were received after the ACSR meetings ended. Votes on three proposals followed both ACSR and CCSR precedent. In the remaining five instances there was no clear precedent and an abstention was submitted.

contributions to trade associations and other business organizations, are also concerned about industry-funded organizations such as the American Legislative Exchange Council (ALEC), which engage in the drafting of “model legislation” which they then seek to include in the legislative process in state legislatures and the U.S. Congress. In 2018, nearly a third of the shareholder proposals considered by the ACSR and the CCSR were related to corporate political contributions and lobbying expenditures.

A. Report on lobbying

According to Sustainable Investments Institute (Si2), ninety percent of corporate political spending occurs after elections to advocate the company’s point of view to elected officials. For this reason, shareholders are asking companies for information about how companies spend their money after elections to influence legislators. In 2018, the committees considered nine proposals calling on companies to

Authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by [Company] 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. [Company]’s membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management’s and the Board’s decision making process and oversight for making payments described in sections 2 and 3 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 association or other organization of which [Company] 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 Committee or other relevant oversight committees and posted on [Company]’s website.

The ACSR recommended a vote in favor of proposals to Honeywell International (12 in favor, 0 against, and 0 recommending abstention), AT&T (12-0-0), Pfizer (12-0-0), Boeing (12-0-0), Goldman Sachs (10-0-0), Verizon (10-0-0), AbbVie (10-0-0), and Chevron (9-0-0).

Committee members noted that while interested shareholders can research corporate political contributions for direct and indirect lobbying, the information is fragmented across many sources

and gathering it can be time-consuming and laborious. Committee members commented that it is in shareholders' best interests to understand companies' political spending, in part because of potential reputational risks. For example, lobbying organizations such as the American Legislative Exchange Council (ALEC), which draft and promote model legislation, have come under increasing scrutiny. There has been increased scrutiny as well of the alignment between companies' publicly stated corporate positions on matters such as climate change and positions taken by lobbying organizations they fund. Committee members also affirmed the value of increased disclosure of corporate political contributions in the wake of the Supreme Court's Citizens United decision in 2012, calling attention to a passage in the Court's majority opinion in that case: "prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters. Shareholders can determine whether their corporation's political speech advances the corporation's interest in making profits, and citizens can see whether elected officials are 'in the pocket' of so-called moneyed interests." In light of the Court's decision in Citizens United, committee members continue to support the value of ready access to information on corporate political expenditures. The CCSR voted in favor of the proposals, following the recommendation of the ACSR and extensive precedent of both committees.

The ACSR also considered a substantially similar proposal at Citigroup, General Electric, and International Business Machines, requesting that

the Board authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by [Company] 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 the decision making process and oversight by management and the Board 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 association or other organization of which [Company] is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include lobbying at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees of the Board and posted on the company's website.

This proposal differs from the previous proposal in the omission of the request for information about contributions to organizations that prepare model legislation. The ACSR recommended votes in favor of the proposal at Citigroup (12-0-0), General Electric (12-0-0), and IBM (12-0-0). As with similar lobbying proposals, members cited strong precedent of both committees and concerns about the transparency of political contributions in recommending support. The CCSR voted in favor of the three proposals following the ACSR's recommendations and precedent of both committees.

B. Review/report on political spending

The committees considered a proposal to Home Depot for a report on direct and indirect political expenditures. The proposal requested that

the Company provide a report, updated semiannually, disclosing the Company's:

1. Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.
2. Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:
 - a. The identity of the recipient as well as the amount paid to each; and
 - b. The title(s) of the person(s) in the Company responsible for decision-making.

The report shall be presented to the board of directors or relevant board committee and posted on the Company's website within 12 months from the date of the annual meeting. This proposal does not encompass lobbying spending.

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal. In recent years, the committees have considered numerous proposals, in a variety of specific forms, requesting this type of review and report on direct and indirect political spending, including this identical proposal at six companies since 2013. Reviewing Home Depot's reporting practices with regard to political contributions, committee members noted that, according to Si2, Home Depot ranks in the middle of the field in the extent of its disclosure. The company's political expenditures, compared to companies such as AT&T and Verizon, which spend heavily, are relatively modest. In the absence of factors that might differentiate Home Depot's disclosure practices from those of other companies, committee members expressed continued support for past committee reasoning and precedent on proposals requesting increased disclosure on political contributions.

The CCSR voted in favor of the proposal, following the recommendation of the ACSR and past precedent of both committees.

C. Cost/benefit analysis of election spending

In recent years, proponents of shareholder resolutions on corporate political spending have shown increasing interest in encouraging transparency about the alignment between companies' stated values and the policy positions of political candidates and lobbying organizations they support with contributions. A new proposal to Intel approached the question of alignment from a novel angle by asking the company to report

to shareholders (at reasonable expense, excluding confidential information) a cost-benefit analysis of the most recent election cycle's political and electioneering contributions by Intel and IPAC, examining the effectiveness, benefits, and risks to shareholder value associated with those contributions.

The ACSR voted 0-11-0 to recommend a vote opposing the proposal. Reviewing Intel's policies and practices with regard to political contributions, committee members took note both of the company's relatively even levels of contributions to progressive and conservative candidates and organizations and of its disclosure practices, which, compared with other companies, evince a reasonable degree of transparency. In light of these considerations, committee members questioned the utility of further pressuring Intel. Considering the proposal's mention of IPAC ("Intel Political Action Committee"), committee members remarked that this PAC, as a vehicle for employee contributions, reflects employees' views rather than the company's. Expressing concern about the expense of producing a cost-benefit analysis, as well as about how such a report would calculate costs and benefits in the absence of standard guidance on such matters, committee members questioned whether the resulting report would be of value to shareholders. The CCSR voted against the proposal, following the recommendation of the ACSR.

II. Executive compensation

Proposals that link an issue of concern to executive compensation metrics are viewed by proponents as a means to elevate the visibility of that issue in company thinking. In 2018, the

ACSR and CCSR reviewed proposals linking executive pay to drug pricing, risky business practices, sustainability, and cyber security. The committees also revisited a proposal regarding vesting policies for executives moving from financial services firms to government posts.

A. Executive pay and drug pricing

A new proposal to Bristol-Myers Squibb, Amgen, and AbbVie addresses the proponent's view that these companies' drug pricing strategies expose shareholders to excessive risk. According to Si2, Bristol-Myers Squibb and AbbVie have considerable exposure to risk from drug pricing. Bristol-Myers Squibb, for example, is reported to derive three-quarters of its revenue from six drugs, two of which contribute two-thirds of that subtotal, and AbbVie is reported to derive two-thirds of its revenue from Humira, a drug treatment for rheumatoid arthritis. The proponent contends that shareholders would benefit from a clearer understanding of whether and how pricing strategies figure in executive compensation. The proposal requests

that shareholders of [Company] urge the Compensation Committee (the "Committee") to report annually to shareholders on the extent to which risks related to public concern over drug pricing strategies are integrated into [Company's] incentive compensation policies, plans and programs (together, "arrangements") for senior executives. The report should include, but need not be limited to, discussion of whether incentive compensation arrangements reward, or not penalize, senior executives for (i) adopting pricing strategies, or making and honoring commitments about pricing, that incorporate public concern regarding the level or rate of increase in prescription drug prices; and (ii) considering risks related to drug pricing when allocating capital.

In votes that reflect a split recommendation, the ACSR voted 4-3-3 on the proposals to Bristol-Myers Squibb and AbbVie and 5-5-1 on the proposal to Amgen. Committee members reviewed the dominant contribution of a small number of "blockbuster" drugs to pharmaceutical company profits and shareholder value at these three companies. Members remarked that the proposal also reflects the proponent's concerns about the reputational risk pharmaceutical companies may face from publicity when drug prices increase sharply, as well as concerns about the social impact of those sharp increases. They noted both sustained media coverage of drug prices and increasing political attention to the issue, including signals from the Department of Health and Human Services about reducing drug prices. Reviewing the proposal's merits, committee members saw a legitimate shareholder interest in understanding risks from reputational or regulatory factors. They questioned, however, whether the proposal's approach – through senior executive compensation – is a suitable or effective means for focusing the

company's attention on drug pricing risks. A committee member remarked that to the extent that higher drug prices drive share price, they can be seen as serving a core shareholder interest. Committee members also noted that drug pricing strategies reflect the massive research investment pharmaceutical companies make in many potential products, the small number that come to market and succeed, the complex regulatory landscape through which they come to market, and the finite period in which a successful drug is covered by its patents. Committee members who voted for the proposal expressed support for directing company attention to drug pricing risks and on the social impact of high drug prices. In the case of AbbVie, they noted the company's pledge, in January 2017, to hold price increases to 10 percent a year and its efforts later that year to abandon that pledge, which it then reaffirmed. Those who opposed the proposal regarded it as ineffective and somewhat at odds with the market dynamics of the pharmaceuticals industry. Those who recommended abstention viewed the proponent's concerns as worthy of attention, but saw the proposal as ineffective in protecting shareholders' interests or focusing company attention on the issue. The CCSR abstained on the proposals, in light of the split recommendation of the ACSR.

B. Vesting equity for government service

A proposal submitted for the third year to Citigroup and JP Morgan Chase asked these companies to end the practice of ensuring the vesting of equity for senior executives who leave a firm for service in a government post. The proposal reflects the proponent's belief that the practice may lead to conflicts of interest and biased judgments on industry issues. The proposal requested that

the Board of Directors adopt a policy prohibiting the vesting of equity-based awards for senior executives due to a voluntary resignation to enter government service (a "Government Service Golden Parachute").

For purposes of this resolution, "equity-based awards" include stock options, restricted stock and other stock awards granted under an equity incentive plan. "Government service" includes employment with any U.S. federal, state or local government, any supranational or international organization, any self-regulatory organization, or any agency or instrumentality of any such government or organization, or any electoral campaign for public office.

This policy shall be implemented so as not to violate existing contractual obligations or the terms of any compensation or benefit plan currently in existence on the date this proposal is adopted, and it shall apply only to equity awards or plan amendments that shareholders approve after the date of the 2016 annual meeting.

The ACSR recommended a vote opposing the resolutions at Citigroup (0-12-0) and JP Morgan Chase (0-11-0). Committee members expressed agreement with the reasoning behind ACSR recommendations opposing this proposal at Citigroup and JP Morgan Chase in 2017, and at these two firms and two others in 2016 and 2017. Considering the proposal at Citigroup in 2018, committee members took note of Citigroup's argument that the provision applies to a small number of employees and that senior executives – whose transitions from the private sector to government service appears to particularly concern the proponent – are entitled to vesting under other company provisions. Expressing support for the previous reasoning of the ACSR, committee members observed that the “golden parachute” provision encourages public service in a technically complex area by ensuring some degree of vesting parity between employees who move to a competitor and those who enter government service. Committee members remarked upon the proponent's broader concern about a “revolving door” between industry and government in the current political environment. In the absence of new evidence from the proponent indicating bias or conflicts of interest, committee members voiced continued support for committee precedent on this proposal. The CCSR voted against the proposals, following the recommendation of the ACSR and past precedent of both committees.

C. Compensation incentives and risk exposure

A new proposal to Wells Fargo reflects continuing efforts, in the wake of the widely publicized ethical lapses by that company's management, to apply pressure to ensure the adoption of policies and practices that minimize the likelihood of further such lapses. The proponent appears to seek a greater degree of transparency from Wells Fargo about senior executive compensation metrics that may encourage risky business practices. The proposal requests

that the Board prepare a report, at reasonable cost, disclosing to the extent permitted under applicable law and Wells Fargo's contractual, fiduciary or other obligations (1) whether the Company has identified employees or positions, individually or as part of a group, who are eligible to receive incentive-based compensation that is tied to metrics that could have the ability to expose Wells Fargo to possible material losses, as determined in accordance with generally accepted accounting principles; (2) if the Company has not made such an identification, an explanation of why it has not done so; and (3) if the Company has made such an identification, the:

(a) methodology and criteria used to make such identification;

- (b) number of those employees/positions, broken down by division;
- (c) aggregate percentage of compensation, broken down by division, paid to those employees/positions that constitutes incentive-based compensation; and
- (d) aggregate percentage of such incentive-based compensation that is dependent on (i) short-term, and (ii) long-term performance metrics, in each case as may be defined by Wells Fargo and with an explanation of such metrics.

The requested report would provide shareholders with important information concerning incentive-based compensation that could lead employees to take inappropriate risks that could result in material financial loss to our company.

The ACSR voted 0-0-12 to recommend abstention on the proposal. Committee members considered Wells Fargo's history of management ethical lapses, which led to the unauthorized creation of multiple accounts without customers' consent or knowledge and brought heavy penalties and reputational damage to the company. They asked whether the proposal duplicates provisions in the Dodd-Frank Act, while acknowledging the slow pace of rule-making related to this act. A committee member advised that the Dodd-Frank Act principally focuses on financial institutions' investment practices rather than retail banking, the business area that this proposal appears to address. In recommending abstention, committee members said that while the proposal seems ineffective and overly prescriptive, they see value in the proponent's aim of sustaining pressure on Wells Fargo to reform its business practices, and, in particular, to guard against compensation incentives that might appear to reward unethical practices. The CCSR abstained on the proposal, following the recommendation of the ACSR.

D. Executive pay and social responsibility

A new proposal to Wells Fargo, like the proposal above on executive compensation and incentives that may increase business risk, stems from the company's history of ethical management lapses. The proposal seeks to bring outside expertise to bear on the company's assessment of its responsibilities to society, asking that

Wells Fargo & Company engage multiple outside independent experts or resources from the general public to reform its executive compensation policy with social responsibility.

The ACSR voted 0-9-3 to recommend a vote opposing the proposal. Considering the proponent's possible intent, committee members suggested that the proposal's reference to "social responsibility" pertains specifically to Wells Fargo's ethical lapses in its retail banking

business. Committee members noted as well that in supporting statements for the resolution, the proponent references the issue of income inequality. Members considered the relationship of “social responsibility” to sustainability activities more broadly, which typically address the social, environmental, and governance dimensions of company operations. They noted information from Si2 indicating that about forty-three percent of S&P 500 companies report on some degree of linkage between compensation and ethical factors. They expressed the view that the proposal’s intent is diffuse and poorly focused; Wells Fargo might find it difficult to relate “social responsibility,” broadly speaking, to specific ethical concerns or to executive compensation. Committee members also questioned the proposal’s reference to “multiple outside independent experts” as both vague and, to some extent, intrusive. Those recommending opposition to the proposal said that while the goal of promoting social responsibility is laudable, the proposal’s wording is too flawed to contribute to that aim. Those recommending abstention agreed on the proposal’s flaws, but expressed support for continuing to draw Wells Fargo’s attention to the social impact of its business practices. The CCSR voted to oppose the proposal, following the ACSR's recommendation.

E. Compensation and cyber security

A new proposal to Verizon stems from increasing public concern about whether internet service providers and digital media companies are effectively managing the security of their platforms and services and safeguarding the privacy of consumer data. The proponent aims to integrate the consideration of these concerns into executive compensation. The proposal states:

Verizon shareholders request the appropriate board committee(s) publish a report (at reasonable expense, within a reasonable time, and omitting confidential or propriety information) assessing the feasibility of integrating cyber security and data privacy metrics into the performance measures of senior executives under the company's compensation incentive plans.

The ACSR voted 1-9-0 to recommend a vote opposing the proposal. Committee members took note of the proponent’s concern about a recent data breach of three million customers’ information at Yahoo, a company acquired by Verizon. They considered as well the dimensions of the cybersecurity threat to companies such as Verizon, as described in a recent report by PricewaterhouseCoopers and the Investor Responsibility Research Center Institute on what investors should know about cybersecurity risks. Committee members agreed that cybersecurity risks constitute a very significant business issue and that it is reasonable for

shareholders to be concerned and to expect that senior management is properly focused on the challenge. They noted that the cost of such breaches seldom reaches the threshold for material risk. They questioned whether the proposal, with its focus on a report on the possibility of integrating cybersecurity and data metrics into executive compensation, usefully contributes to already wide-ranging efforts by the company to address cybersecurity risks. A committee member wondered as well about the focus of any such metrics, given the episodic, unpredictable nature of security breaches. Committee members asked whether support for the proposal would open the door to an ever-wider range of proposals seeking to link executive compensation to a variety of risks. Members recommending a vote against the proposal viewed it as an ineffective way to direct the company's attention to a risk it is already addressing. The member supporting the proposal viewed it as reasonable in scope and helpful in conveying shareholder concerns about the business risks of cybersecurity threats. The CCSR voted against the proposal, following the recommendation of the ACSR.

III. Environmental Issues

The committees considered five proposals that sought to encourage company reporting or action on issues related to the environment in areas including methane emissions, sustainability reporting, and policies on reducing packaging waste. This year's proposals reflect long-standing efforts by proponents to encourage corporate transparency in areas such as these, as well as an interest in maintaining pressure on companies to reduce the environmental impacts of their business activities.

A. Climate change

1. Report on methane emissions and reduction

The ACSR reviewed a proposal to Berkshire Hathaway, submitted for the second year, on methane emissions and reduction targets. The proposal reflected concerns about the sources of methane emissions and about their outsized contribution to global warming, relative to their volume. According to Si2, thirty-nine percent of emissions come from natural gas production

processes, including leaks along gas supply lines. Furthermore, recent satellite data shows that total methane emissions may exceed EPA estimates by forty percent. Fugitive leaks in pipeline infrastructure are a major part of these emissions.

The proposal requested that

Berkshire Hathaway issue a report (by October 2018, at reasonable cost, omitting proprietary information) reviewing the Company's policies to measure, monitor, mitigate, disclose, to meet quantitative reduction targets and safety standards for methane assets and required upgrade costs to facilities resulting from all operations, including storage and transportation, to meet such targets under the Company's financial or operational control.

The ACSR voted 10-0-0 to recommend a vote in favor of the proposal. The committees have considered three similar, although not identical, proposals since 2014 at Occidental. The ACSR recommended a vote in favor of all three proposals, and the CCSR followed the ACSR's recommendations. Committee members expressed continued agreement with the committee's reasoning when the proposal came before Berkshire Hathaway in 2017. They commented on Berkshire Hathaway's continued lack of disclosure on its methane emissions or plans to manage it. It was noted as well that Harvard Management Company has been a lead participant in the engagement of a working group, under the auspices of the Principles for Responsible Investment (PRI) with ExxonMobil and Occidental on methane emissions reduction and that ExxonMobil has issued a detailed report on its methane emissions. The CCSR voted in favor of the proposal, following the recommendation of the ACSR and precedent.

The committees also considered a differently worded proposal on methane emissions to Chevron, focused specifically on the issue of methane leakage in hydraulic fracturing operations. The proposal requested that:

Chevron provide a report (at reasonable cost, omitting proprietary information) using quantitative indicators, on the company's actions beyond regulatory requirements to minimize methane emissions, particularly leakage, from the company's hydraulic fracturing operations.

The ACSR voted 9-0-0 to recommend a vote in favor of the proposal. Although the specific wording of the proposal to Chevron is new to the shareholder committees, they have reviewed and supported a number of more broadly worded proposals regarding methane emissions since 2014 (as noted above). In recommending support for this proposal to Chevron, committee members took note of that past precedent, and of Harvard's engagement, through the PRI, with ExxonMobil and Occidental on reducing methane emissions. They pointed out that

while Chevron appears to be participating in industry groups that focus on methane emissions management, the company has to date offered no targets for reducing methane emissions or other greenhouse gases. Committee members expressed the view that the proposal's requirements are not burdensome and would be helpful in aligning Chevron's management of methane emissions with the efforts of peer companies. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

2. Carbon asset mix

A new proposal to Chevron reflects proponents' view that in pursuing fossil fuel extraction and refining when concerns are rapidly mounting about climate change driven by fossil fuel use, the company may be failing to address the risk that climate change may pose not only to the environment, but to its own business model. The proposal asked that Chevron

issue a report (at reasonable cost, omitting proprietary information) describing how the Company could adapt its business model to align with a decarbonizing economy by altering its energy mix to substantially reduce dependence on fossil fuels, including options such as buying, or merging with, companies with assets or technologies in renewable energy, and/or internally expanding its own renewable energy portfolio, as a means to reduce societal greenhouse gas emissions and protect shareholder value.

The ACSR voted 0-0-9 to abstain on the proposal. Committee members offered the recommendation to abstain on, rather than oppose, the proposal as a way to register agreement in principle with the concept that decarbonization is a necessary component of mitigating climate change, and a trend that oil and gas companies need to factor into business planning. They pointed to the example of tobacco companies that have greatly diversified their businesses, and noted that Chevron might be wise to plan a similar strategy in the coming years. Nevertheless, in recommending abstention for the proposal, committee members affirmed that such a shift in strategy is properly a business decision for the company rather than a matter for shareholder input. They reasoned that when considering company strategy on a core question of this kind, shareholders might prefer to invest in companies pursuing a strategy they favor (such as pursuing renewable energy opportunities), rather than pressuring one to move away from a core business in which it has long been involved. The CCSR abstained on the proposal, following the recommendation of the ACSR.

B. Sustainability reporting

A proposal that is new at Berkshire Hathaway seeks to increase the adoption of sustainability reporting among the company's numerous subsidiaries. The proposal requested that

Berkshire Hathaway adopt a policy to encourage more Berkshire subsidiary companies to issue annual sustainability reports. The disclosure should be prepared at reasonable cost and omit proprietary information.

The ACSR voted 10-0-0 to recommend a vote in favor of the proposal. The committees have considered approximately thirty similarly worded proposals since 2003 requesting annual sustainability reports. Prior to 2010, citing factors such as a lack of widely accepted sustainability reporting standards, the committees largely favored opposing or abstaining on such proposals. Since then, with the increasingly widespread adoption of such standards, the committees supported two such proposals. Reviewing this year's proposal at Berkshire Hathaway, committee members noted that the company is a highly diversified and decentralized enterprise, comprising twenty-two business. They remarked upon the company's strategy of giving the businesses within the portfolio considerable management independence. They remarked as well that while Berkshire Hathaway CEO and Chairman Warren Buffett has publicly affirmed the reality – and the risk – of climate change, he also indicated in a 2016 letter to investors that he did not see a risk to Berkshire Hathaway's businesses from climate change. According to Si2, six of Berkshire Hathaway's companies already issue sustainability reports and others disclose at least some sustainability information on their websites. Subsidiary companies also participate in an annual Berkshire Hathaway sustainability summit. In supporting the proposal, committee members noted its relatively modest aim of encouraging more of the subsidiary companies to report. They called attention as well to the increasing prevalence of sustainability reporting among S&P 500 companies – eighty-five percent in 2017, according to a research partner of the Global Reporting Initiative. In light of this trend, committee members view the proposal's aims as reasonable and in the best interests of Berkshire Hathaway and its subsidiaries. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

C. Waste reduction

A new proposal to McDonald's focused on the use of plastic straws in the company's restaurants. The proposal reflects mounting attention to the harmful impact on the environment – and, in particular, on oceans and marine life – of the enormous quantities of discarded plastic waste.

RESOLVED: Shareholders request that McDonald's Corporation ("McDonald's") issue a report to shareholders, to be prepared at reasonable cost and omitting confidential and proprietary information, regarding the business risks associated with its continued use of plastic straws, and the company's efforts to develop and implement substitutes for plastic straws in its restaurants.

The ACSR voted 9-0-0 to recommend a vote in favor of the proposal. The proposal has no specific precedent. Committee members expressed support for concern about the grave threats to marine life and ocean terrestrial environments posed by plastic waste. They noted as well the support of both committees for a proposal to McDonald's in 2017 requesting a report on the feasibility of phasing out the use of Styrofoam cups. Given Harvard's efforts to reduced food service waste, including a shift to compostable straws, committee members reasoned that support for the proposal is aligned with the University's efforts on plastic waste. In recommending support for the proposal, committee members indicated that its provisions seem reasonable and aligned with the company's own publicly stated goal to provide one hundred percent recyclable containers by 2025. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

IV. Board Oversight

A. Risk oversight committee

A new proposal to Facebook asks the company to consider the establishment of a board committee for risk oversight. The proposal reflects the proponent's concern that Facebook's governance process does not provide for a sufficiently robust examination of risks the company may face from internal practices and external threats. The proposal asks that

Facebook's Board issue a report discussing the merits of establishing a Risk Oversight Board Committee (at reasonable cost, within a reasonable time, and omit confidential and proprietary information).

The ACSR voted 0-9-0 to recommend a vote opposing the proposal. Committee members took note of past precedent opposing resolutions that call for new board committees. According to Si2, Facebook, like many other companies, addresses risk at the board level in several ways, assigning enterprise risk to the full board and other specific aspects to existing committees in areas such as audit and compensation. Members noted that, given the small size and composition of Facebook's board (nine people), such a risk committee might, in essence, encompass the entire board, thus duplicating the company's current approach. Acknowledging that the proposal requests only a report on "the merits" of adding a risk committee to board governance structure, members expressed skepticism about the utility of such a report. The CCSR voted against the proposal, following the recommendation of the ACSR and past precedent.

B. Board environmental expertise

The ACSR and CCSR revisited a proposal to Chevron which reflects the proponent's view that a company whose business entails substantial environmental risks and impacts would greatly benefit from the guidance of an acknowledged environmental expert on its board. The committees previously considered the proposal in the same form in 2014, 2015, and 2016, and in a substantially similar proposal in 2013, recommending opposition in all instances. The proposal requests

that, as elected board terms of office expire, at least one candidate is recommended who:

- has a high level of expertise and experience in environmental matters relevant to hydrocarbon exploration and production and is widely recognized in the business and environmental communities as an authority in such field, as reasonably determined by the company's board, and
- will qualify, subject to exceptions in extraordinary circumstances explicitly specified by the board, as an independent director.*

*For these purposes, a director shall not be considered independent if, during the last three years, he or she:

- was, or is affiliated with a company that was an advisor or consultant to the Company;
- was employed by or had a personal service contract(s) with the Company or its senior management;
- was affiliated with a company or non-profit entity that received the greater of \$2 million or 2% of its gross annual revenues from the Company;

- had a business relationship with the Company worth at least \$100,000 annually;
- has been employed by a public company at which an executive officer of the Company serves as a director;
- had a relationship of the sorts described herein with any affiliate of the Company; and
- was a spouse, parent, child, sibling or inlaw of any person described above.

The ACSR voted 5-0-4 in a split recommendation. In the previous discussions noted above, ACSR members agreed that environmental expertise at the highest levels of management is important, but pointed out that some of Chevron's high level managers have such expertise. They also noted that the company includes environmental expertise as a criterion for choosing board members, unlike many of its industry peers. Past committees also voiced concerns about whether the proposal's expanded definition of what constitutes an independent director is appropriate, given that the SEC puts forth requirements regarding director independence. In the 2018 discussion, committee members closely considered whether Chevron's board currently includes members with direct (rather than supervisory or inferred) engagement with and expertise in environmental matters, noting the presence of a member with expertise in chemistry and another with an administrative role in higher education that includes supervision of an environmental research program. Committee members noted that a previous committee appeared to view the presence of personnel with environmental expertise on Chevron's leadership team as sufficiently helpful in guiding the board on these matters. They called attention, however, to information in Si2 that peer companies, including ExxonMobil and ConocoPhillips, have added individuals with environmental expertise to their boards in recent years. In a departure from last year's discussion, some committee members indicated that they did not see a problem overall with proposing requirements for independent members of the board that go beyond what the SEC requires – if doing so makes business sense and offers the potential to protect or enhance value to shareholders. Committee members recommending support expressed the view that in a business such as Chevron's, environmental expertise at the board level seems essential and will only become more so in the coming years. Committee members recommending abstention expressed support for the proponent's concerns, but agreed with previous committees in questioning the inclusion of requirements for board membership that

exceed those promulgated by the SEC. The CCSR abstained on the proposal, in light of the split recommendation from the ACSR.

C. Board diversity policy

A proposal brought to Amazon for the first time arises from long-standing concerns in the shareholder community that, despite suggestions that they support the notion of diverse membership on their boards, companies are failing to make progress on achieving such diversity.

The proposal asks

that the Board of Directors of Amazon.com, Inc. adopt a policy for improving board diversity (the “Policy”) requiring that the initial list of candidates from which new management-supported director nominees are chosen (the “Initial List”) by the Nominating and Corporate Governance Committee should include (but need not be limited to) qualified women and minority candidates. The Policy should provide that any third-party consultant asked to furnish an Initial List will be requested to include such candidates.

The ACSR voted 9-0-0 to recommend a vote in favor of the proposal. Although the proposal has no specific precedent, the committees have considered fifteen proposals, in six different forms, since 2001 urging companies to adopt a variety of measures to increase board diversity. In each instance the ACSR has recommended a vote in favor of the proposal. In recommending support for these proposals, ACSR committee members noted the lack of progress companies have made in the past fifteen years on diversifying the composition of their boards and expressed agreement about the value of increasing board diversity. In recommending support for this proposal to Amazon in 2018, committee members took note of the precedent of support for similar proposals in recent years. They remarked that the proposal’s requirements are relatively easy to address and reflect an appropriate practice – the explicit expectation of diversity among candidates to consider – in achieving diverse board membership. They remarked upon what appears to be the lack of diversity on Amazon’s board now. Committee members noted that a vote in support aligns as well with Harvard’s commitment to diversity among faculty, staff, and students. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

V. Human Rights

A. Anti-genocide policies

A new proposal to Chevron appears to reflect the proponent's concerns about human rights abuses in countries where Chevron operates, including Burma, Nigeria, and the Democratic Republic of Congo. The proposal requests that:

the Board to publish a report six months following the 2018 annual general meeting, omitting proprietary information and prepared at reasonable cost, evaluating the feasibility of adopting a policy of not doing business with governments that are complicit in genocide and/or crimes against humanity as defined by the U.S. Department of State or the appropriate international body.

The ACSR voted 9-0-0 to recommend a vote in favor of the proposal. Committee members reviewed Chevron's human rights policies, which appear to align with international standards such as the U.N.'s Universal Declaration on Human Rights and the Voluntary Principles on Security and Human Rights, promulgated in 2000, according to Si2, to "help countries navigate security and human rights risks in countries with poor track records in this area." Si2 reports that while Chevron does not operate directly in Burma, it owns a twenty-eight percent stake in two different natural gas production operations, both acquired through the company's 2005 purchase of Unocal. In addition, in 2015, the company acquired a 99.5 percent stake in a new area for natural gas exploration in Burma's coastal waters. The proponent also voiced concerns about Chevron's operations in Nigeria and the Democratic Republic of Congo, countries which are widely viewed as fostering crimes against humanity. In recommending support for the proposal, committee members remarked that given its general policies on human rights and its operations and investments in countries where significant human rights violations are known to occur with the government's support or complicity, Chevron should be strongly encouraged to give close consideration to its business operations in countries implicated in genocide. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

A new proposal to JP Morgan Chase seeks greater transparency from that company on how its corporate values are reflected, or not, in investment policies and practices. According to Si2, the proponent is concerned about investments linked to PetroChina, which operates in South

Sudan, where the government has been universally condemned for its genocidal policies and human rights abuses. The proposal asks

that the Board of Directors report to shareholders, at reasonable expense and excluding confidential information, an analysis of how JPMorgan's published corporate values align with its policies regarding investments in companies tied to genocide or crimes against humanity, and specifically explain how its investments in CNPC/PetroChina are consistent with its published corporate values.

The ACSR voted 8-0-3 to recommend a vote in favor of the proposal. Committee members took note of previous committee discussions of proposals addressing financial institutions' investments in companies, such as PetroChina, with links to regimes implicated in genocide, from which no clear precedent emerges. They remarked that the proposal asks JP Morgan Chase for a report, not a policy change. Reviewing the relationship between JP Morgan Chase's published corporate values and the proponent's concerns, committee members noted that, according to Si2, the company indicates, in general terms, that it supports fundamental human rights wherever it operates and is guided by the United Nations Universal Declaration on Human Rights. JP Morgan Chase also states that governments have primary responsibility "to protect the human rights, including the safety and security, of its citizens" but that the company "can play a constructive role in helping to promote respect for human rights by our own actions and by seeking to engage with the governments of the countries with and in which we operate." Turning to the question of the company's investments, committee members recognized that PetroChina is a subsidiary of China National Petroleum Company (CNPC), created by the parent firm as a vehicle for raising investment funds on global capital markets, and took note of JP Morgan Chase's stake, reported to be seven percent. However, the proportions of these funds in custodial accounts, for which JP Morgan Chase does not make investment decisions, versus its asset management business, in which it acts as a financial advisor, is not known. Committee members took note of the decision by the Harvard Corporation in 2005 to direct HMC to divest itself of stock in PetroChina. Committee members who recommended support for the proposal reasoned that while the extent of JP Morgan Chase's latitude to direct funds towards or away from PetroChina is unclear, given its management of custodial accounts, there is value in directing the company's attention to the extent and nature of such holdings under its care, given the catastrophic human rights situation in Sudan and the evidence that revenues from oil help support the governments implicated in genocide. According to Si2, JP Morgan Chase does not

deny the existence of direct holdings in PetroChina. Committee members saw value as well in encouraging JP Morgan Chase to better articulate its specific policies regarding investments tied to human rights abuses such as genocide. It was noted that, according to Si2, firms such as T. Rowe Price and TIAA CREF have policies to avoid investments tied to genocide. Committee members recommending abstention expressed support for the proponent's concerns but questioned the effectiveness of the proposal. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

B. Indigenous peoples' rights

A new proposal to Citigroup asks the company to articulate its policies for safeguarding the rights of indigenous peoples as it participates in the financing of construction and other projects that affect indigenous peoples. The proposal appears to reflect the proponent's concern about Citigroup's involvement in financing for the Dakota Access Pipeline project (DAPL), which Sioux and other Native American peoples opposed in light of the project's likely local environmental impact and contributions to climate change. The proposal asks

the Citigroup Board of Directors to establish a Human and Indigenous Peoples' Rights Policy to ensure that safe-guarding such rights is considered whenever relevant to general corporate and commercial financing.

The ACSR voted 10-0-2 to recommend a vote in favor of the proposal. Although the proposal has no exact precedent, the ACSR considered a much more detailed proposal to another financial institution, Wells Fargo, in 2017 requesting a global policy regarding the rights of indigenous people. The ACSR recommended support for that proposal, on the grounds that it directed company attention to an important issue. Members recommending opposition or abstention found that proposal's stipulations overly detailed. The CCSR voted in favor of that 2017 proposal. For this 2018 proposal to Citigroup, committee members considered whether Citigroup's existing policies adequately address the safeguarding of indigenous rights. They noted Citigroup's involvement in the financing of the DAPL, its intention to remain invested in the project while doing more to engage with and monitor indigenous rights, and its statement that more intensive engagement with the Sioux people about DAPL would, in retrospect, have been appropriate. Committee members supporting the proposal expressed the view that it further directs Citigroup's attention in modest, non-intrusive, and possibly helpful ways to indigenous

rights. Citing Harvard's 1650 charter, which includes the education of "Indian youth" among its aims, a committee member suggested that the University may have an institutional interest, where appropriate, in supporting attention to the rights of Native Americans. Those recommending abstention on the proposal remarked that Citigroup's existing policies appear to sufficiently address indigenous rights. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

VI. Labor Standards and Employment Policies and Practices

A. Equal employment and diversity

The committees reviewed three proposals on aspects of equitable employment this year. These proposals arise from concerns about the pace of company progress in areas such as achieving workplace diversity, pay parity, and affirmative action.

1. Gender/minority pay disparity

A resubmitted proposal to Facebook arises from continuing concern about the gap between compensation for men and for women in a variety of industry sectors, including tech and financial services. The proposal requests that

Facebook prepare a report by December 2018, omitting proprietary information and prepared at reasonable cost, on the Company's policies and goals to reduce the gender pay gap.

The gender pay gap is defined as the difference between male and female earnings expressed as a percentage of male earnings according to the Organization for Economic Cooperation and Development.

The ACSR voted 9-0-0 to recommend a vote in favor of the proposal. Committee members expressed continued support for past precedent supporting this proposal at financial services firms in recent years. The committees considered four identical proposals at financial institutions in 2017, and a similar but shorter proposal to eBay in 2015, consisting of the first sentence of this proposal. On the 2018 proposal at Facebook, committee members voiced the view that the proposal is not overly prescriptive or intrusive and does not impose a burden on the company. In recommending support for the proposal, committee members acknowledged that, in the short term, Facebook faces little regulatory risk regarding pay disparity, but remarked that

some reputational risk exists. They took note of Facebook’s recent statement, reported by Si2, that men and women at the company receive the same pay for the same work, but remarked as well that the company offered no data to support the claim. The CCSR voted in favor of the proposal, following the recommendation of the ACSR and past precedent of both committees.

A newly formulated proposal to Walmart asks the company to demonstrate in a report that there is no pay gap between employees from different racial or ethnic backgrounds. The proposal requests that Walmart:

prepare a report, omitting proprietary information and prepared at reasonable cost demonstrating the company does not have any racial or ethnic pay gaps. For purposes of this Proposal, a racial or ethnic pay gap exists when (i) one or more particular jobs or statuses (e.g., management, part-time work) are disproportionately occupied by persons of a particular racial or ethnic group, compared to the composition of the workforce as a whole; or (ii) persons of one racial or ethnic group are compensated differently from persons of another racial or ethnic group performing the same job under the same job description, with the same experience and level of performance.

The ACSR voted 0-0-9 to recommend abstention on the proposal. The proposal has no specific precedent. The committees considered a proposal to Citigroup in 2016 requesting the preparation of “a report...demonstrating the company does not have a gender pay gap.” In recommending abstention on that proposal, ACSR committee emphasized their support for the proponent’s underlying concern that possible bias against racial and ethnic groups may be expressed through pay levels. However, some members regarded the proposal's request for proof of the *lack* of a pay gap as fundamentally flawed, citing a long-standing ACSR preference for proposals that directly request information on policies and practices, rather than seeking to expose policies and practices by indirect means. The committee’s divided 3-1-8 vote on the 2016 Citigroup proposal reflected both support for the proponent’s concern and skepticism about the proposal’s wording. In recommending abstention on the 2018 proposal to Walmart, committee members agreed that while the proponent’s concerns merit closer attention from the company, the proposal’s formulation, asking the company to prove the negative, is inappropriate. They voiced continued support for precedent of both committees to abstain on pay parity proposals in this particular form. The CCSR abstained on the proposal, following the recommendation of the ACSR.

2. Report on EEO and affirmative action

The committees considered a proposal, submitted to Home Depot for the ninth time, requesting that the company report on diversity among its employees and on policies to improve diversity across its workforce. The proponent has sought equal employment information from Home Depot for over a decade, in light of the company's earlier history as a target for lawsuits about workplace discrimination. The proposal requested that

Home Depot prepare a diversity report, at reasonable cost and omitting confidential information, available to investors by September 2018, including the following:

1. A chart identifying employees according to their gender and race in each of the nine major EEOC-defined job categories for the last three years, listing numbers or percentages in each category;
2. A summary description of any affirmative action policies and programs to improve performance, including job categories where women and minorities are underutilized;
3. A description of policies/programs oriented toward increasing diversity in the workplace.

The ACSR voted 11-0-0 to recommend a vote in favor of the proposal. The proposal has a strong precedent of support by both committees at Home Depot in 2005, 2006, 2007, 2012, 2013, 2014, 2016, and 2017. Committee members expressed strong support for a recommendation aligned with past precedent on this proposal at Home Depot. Members voiced the view that although Home Depot asserts a corporate commitment to diversity, there is a lack of specific information about diversity at different job category levels within the company; it seems likely that the company's diversity profile looks far better at the entry level than in higher management. They noted that the proposal has garnered strong levels of support from shareholders – approximately thirty percent – for many years, that the report would cost the company little to produce, and that its publication would help demonstrate the company's commitment to inclusive employment practices following its earlier history of lawsuits for discrimination. The CCSR voted in favor of the proposal, following the recommendation of the ACSR and past precedent of both committees.

VII. Charitable contributions

A proposal first submitted to McDonald's in 2017 year asked that company to report on the alignment between the company's stated corporate values and the objects of its charitable

giving. The proponent maintains that some of McDonald's charitable giving may be going to organizations which could potentially involve the company in reputational risks. The proposal requested that

the Company prepare and annually update a report to shareholders, at reasonable expense and excluding proprietary information, listing and analyzing charitable contributions during the prior year. The report should:

1. Identify organizational or individual recipients of donations, whether cash or in-kind, in excess of \$500 and aggregate of smaller contributions by categories of recipients such as community organizations, schools, dietary organizations, medical groups, environmental, churches, etc.;
2. Identify areas of alignment and potential conflict between the Company's charitable contributions and the Company's key stated ambitions, values and mission as stated in its corporate social responsibility reports and SEC filings;
3. Include management's analysis of any risks to the Company's brand, reputation, or shareholder value posed by public controversies associated with contributions or any incongruencies with corporate values;
4. Include coherent criteria for assessing congruency and brand risk, such as identifying philanthropic areas or initiatives considered most germane to corporate values and types of donations that may be contrary to company values or reputation; and
5. Based on the above, evaluate and state justification for any identified incongruent activities.

The ACSR voted 0-9-0 to recommend a vote opposing the proposal. In recommending opposition, committee members expressed strong agreement with the ACSR's reasoning on an identical proposal in 2017. They affirmed that committee's view that the \$500 contribution threshold for reporting and the demand for a "congruency analysis" would both be very burdensome to the company and provide little information of value to the company or shareholders. They took note of the proponent's specific concerns, as reported by Si2, about the company's support of McTeacher's Night, events hosted at local McDonald's restaurants to raise money for PTAs and the like, and about its contributions to organizations such as the American Pediatric Association and the California Dietetic Association, viewing these charitable activities as pathways to winning acceptance for fast food products widely regarded as unhealthy. While recognizing the merits of the proponent's concern that McDonald's seeks to win acceptance for its foods by such means, committee members questioned the effectiveness of a proposal with complex and burdensome reporting requirements for advancing this concern. The CCSR voted against the proposal, following the recommendation of the ACSR.

VIII. Internet, Data Security, and Social Media

A new proposal to Facebook arises from increasing public concern about how social media companies in general, and Facebook in particular, are managing the social and business risks of problematic content on their platforms. This concern has been driven by revelations about matters such as projects to generate and disseminate fake news related to elections and politics and the use of social media platforms to openly express forms of hate speech, as well as by concerns with companies' responses to date to these activities. The proponent asks that

Facebook issue a report to shareholders, at reasonable cost, omitting proprietary or legally privileged information, reviewing the efficacy of its enforcement of its terms of service related to content policies and assessing the risks posed by content management controversies (including election interference, fake news, hate speech, sexual harassment, and violence) to the company's finances, operations and reputation.

The ACSR voted 9-0-0 to recommend a vote in favor of the proposal. Committee members remarked upon news coverage of problematic content disseminated by means of Facebook and its content management systems, and the seemingly episodic, reactive, and limited nature of the company's response as concerns mount about this content and its distribution via Facebook. They noted as well the proponent's view that the proliferation of problematic media content should be of concern to shareholders because it poses a potential business risk to Facebook. Committee members commented on Facebook's longstanding position as a giant and trailblazer in the social media revolution, acknowledging that matters such as the policing of social content are novel and complex. They noted as well the rapidly evolving state of norms and regulations regarding the responsibility of content platforms such as Facebook for the user-produced content they host and which, to some extent, through their content management systems, they have the capacity to promote or suppress. Committee members called attention to the emerging sense that the promotion of certain content on Facebook had an impact on the 2016 U.S. presidential election and observed that Facebook was subsequently able to implement a commendably proactive approach to such content in the run-up to recent elections in Germany. Speaking in favor of the proposal, committee members reasoned that its aim – a report reviewing the efficacy of its enforcement of terms of service related to content – seem modest and unintrusive and would usefully contribute to transparency in an area that is central to Facebook's business. Members wondered as well whether a “no” vote might signal that, for shareholders, value creation preempts concerns about the negative impact of ineffective enforcement of the

content policies of social media companies. The CCSR voted in favor of the proposal, following the recommendation of the ACSR.

IX. Corporate Tax Policy

A new proposal to Facebook requests that, in the wake of news reports on companies' use of offshore strategies to limit U.S. tax liability, the company better articulate the principles driving its tax practices. The proposal requests

that shareholders of Facebook, Inc. ("Facebook") ask the Board of Directors to respond to rising public pressure to limit offshore tax avoidance strategies by adopting and disclosing to shareholders a set of principles to guide Facebook's tax practices. For purposes of this Proposal, "offshore tax avoidance strategies" are transactions or arrangements that exploit differential tax treatment of financial instruments, asset transfers or entities by taxing jurisdictions to reduce a company's effective tax rate.

The principles should state that Facebook's board will:

- Consider the impact of Facebook's global tax strategies on local economies and government services that benefit Facebook;
- Ensure that Facebook seeks to pay tax where value is created;
- Periodically assess the reputational consequences, including views of customers, shareholders and employees, of engaging in practices deemed to be "tax avoidance" by such stakeholders; and
- Annually review Facebook's tax strategies and assess the alignment between the use of such strategies and Facebook's stated values or goals regarding sustainability.

The ACSR voted 0-9-0 to recommend a vote opposing the proposal. In 2014, the ACSR considered a shorter proposal on global tax strategy to Google, requesting that the company "adopt a set of principles to address the impact of Google's tax strategies on society, with particular focus on Google's employees, customers, and suppliers" and also issue an annual report on tax strategies. The ACSR offered a split recommendation on that proposal, and the CCSR abstained. This year's proposal to Facebook reflects the proponent's concerns about how companies such as Facebook use off-shore tax strategies to reduce their tax assessment. Reflecting upon recent changes in U.S. tax policy, committee members questioned the utility of pressuring Facebook on its tax policies while the situation for corporate tax law is so fluid. They

wondered as well why Facebook, whose offshore tax strategies do not stand out as unusually aggressive (as compared to, say, Apple, where a similar proposal was withdrawn), is a target of this proposal. Committee members took particular note of the fact that, from a business perspective and a shareholder perspective, it makes little sense to expect a company to pay more taxes than current law requires. Members contended that most reasonable people would agree that pursuing all legal means to minimize the company's tax burden is in the best interests of Facebook and its shareholders. They affirmed the view of the committees in 2014 that tax policy is a government responsibility and that a company's tax responsibility, reflected in its policies, should be to comply with current law. The CCSR voted against the proposal, following the recommendation of the ACSR.

CONCLUSION

The CCSR would like to thank the members of the ACSR for their hard work and generous time commitment during the 2018 proxy season, with special thanks to the ACSR Chair, Professor Howell Jackson, James S. Reid, Jr., Professor of Law, Harvard Law School, for his leadership this year. The CCSR relies heavily upon the ACSR's analyses of issues and voting recommendations. The ACSR's careful examination of the circumstances surrounding each case greatly strengthens the quality of Harvard's voting process.

Appendix A
2018 ACSR/CCSR Proxy Season Summary – By Topic

Company/topic	Resolution	Company Meeting Date	ACSR	CCSR
Corporate Political Spending				
<i>Report on lobbying</i>				
1. Citigroup	Report on lobbying	April 24	12-0-0	In favor
2. IBM	Report on lobbying	April 24	12-0-0	In favor
3. Honeywell International	Report on lobbying	April 23	12-0-0	In favor
4. General Electric	Report on lobbying	April 25	12-0-0	In favor
5. AT&T	Report on lobbying	April 27	12-0-0	In favor
6. Pfizer	Report on lobbying	April 27	12-0-0	In favor
7. Boeing	Report on lobbying	April 30	12-0-0	In favor
8. Goldman Sachs	Report on lobbying	May 2	10-0-0	In favor
9. Verizon	Report on lobbying	May 3	10-0-0	In favor
10. AbbVie	Report on lobbying	May 4	10-0-0	In favor
11. Chevron	Report on lobbying	May 30	9-0-0	In favor
<i>Review/report on political spending</i>				
12. Home Depot	Review/report on election spending	May 17	11-0-0	In favor
13. Intel	Provide cost/benefit analysis of election spending	May 17	0-11-0	Oppose
Executive Compensation				
<i>Drug pricing</i>				
14. Bristol-Myers Squibb	Report on executive pay links to drug pricing risks	May 1	4-3-3	Abstain
15. AbbVie	Report on executive pay links to drug pricing risks	May 4	4-3-3	Abstain
16. Amgen	Report on executive pay links to drug pricing risks	May 22	5-5-1	Abstain
<i>Vesting equity for government service</i>				
17. Citigroup	Prohibit government-service golden parachutes	April 24	0-12-0	Oppose
18. JP Morgan Chase	Prohibit government-service golden parachutes	May 15	0-11-0	Oppose
<i>Executive pay and risk</i>				
Wells Fargo	Compensation incentives and risk exposure	April 24	0-0-12	Abstain
<i>Executive pay and sustainability</i>				
19. Wells Fargo	Link executive pay to social responsibility metrics	April 24	0-9-3	Oppose
<i>Cyber security and data privacy</i>				
20. Verizon	Report on executive pay links to cyber security	May 3	1-9-0	Oppose
Environmental Issues				
Climate change				
<i>Methane emissions and reduction</i>				
21. Berkshire Hathaway	Report on methane emissions/reduction targets	May 5	10-0-0	In favor
22. Chevron	Report on methane emissions/reduction targets	May 30	9-0-0	In favor
<i>Carbon asset mix</i>				

Company/topic	Resolution	Company Meeting Date	ACSR	CCSR
23. Chevron	Report on changed carbon asset mix	May 30	0-0-9	Abstain
Sustainability reporting				
24. Berkshire Hathaway	Publish sustainability report	May 5	10-0-0	In favor
Waste reduction				
25. McDonald's	Report on packaging	May 24	9-0-0	In favor
Board Oversight				
Risk management				
26. Facebook	Establish board committee on risk	May 31	0-9-0	Oppose
Environmental expertise				
27. Chevron	Nominate environmental expert to board	May 30	5-0-4	Abstain
Board diversity				
28. Amazon	Adopt board diversity policy	May 30	9-0-0	In favor
Human Rights				
Genocide				
29. JP Morgan Chase	Report on anti-genocide policy	May 15	8-0-3	In favor
30. Chevron	Report on anti-genocide policy	May 30	9-0-0	In favor
Indigenous peoples' rights				
31. Citigroup	Adopt/modify indigenous people policy	April 24	10-0-2	In favor
Labor standards and employment policies and practices				
Gender/minority pay disparity				
32. Facebook	Report on gender/minority pay disparity	May 31	9-0-0	In favor
33. Walmart	Report on gender/minority pay disparity	May 31	0-0-9	Abstain
Equal opportunity and diversity				
34. Home Depot	Report on EEO and affirmative action	May 17	11-0-0	In favor
Charitable contributions				
35. McDonald's	Report on charitable contributions	May 24	0-9-0	Oppose
Internet				
36. Facebook	Report on social media content management	May 31	9-0-0	In favor
Tax policy				
37. Facebook	Report on fair tax policy principles	May 31	0-9-0	Oppose

Appendix B
2018 ACSR/CCSR Proxy Season Summary – By Meeting

Company	Resolution	Company Meeting Date	ACSR	CCSR
ACSR Meeting, April 9				
1. Citigroup	Adopt/modify indigenous peoples policy	April 24	10-0-2	In favor
2. Citigroup	Prohibit government service golden parachutes	April 24	0-12-0	Oppose
3. Citigroup	Report on lobbying	April 24	12-0-0	In favor
4. Wells Fargo	Report on compensation links to risky practices	April 24	0-9-3	Oppose
5. Wells Fargo	Link executive pay to social responsibility	April 24	0-9-3	Oppose
6. IBM	Report on lobbying	April 25	12-0-0	In favor
7. Honeywell	Report on lobbying	April 23	12-0-0	In favor
8. General Electric	Report on lobbying	April 25	12-0-0	In favor
9. AT&T	Report on lobbying	April 27	12-0-0	In favor
10. Pfizer	Report on lobbying	April 27	12-0-0	In favor
11. Boeing	Report on lobbying	April 30	12-0-0	In favor
ACSR Meeting, April 23				
12. Bristol-Myers Squibb	Report on executive pay and drug pricing risks	May 1	4-3-3	Abstain
13. Abbvie	Report on executive pay and drug pricing risks	May 4	4-3-3	Abstain
14. Abbvie	Report on lobbying	May 4	10-0-0	In favor
15. Berkshire Hathaway	Publish sustainability report	May 5	10-0-0	In favor
16. Berkshire Hathaway	Report on methane emissions/reduction targets	May 5	10-0-0	In favor
17. Verizon	Report on executive pay and cyber security	May 3	1-9-0	Oppose
18. Verizon	Report on lobbying	May 3	10-0-0	In favor
19. Goldman Sachs	Report on lobbying	May 4	10-0-0	In favor
ACSR Meeting, April 30				
20. JP Morgan Chase	Report on anti-genocide policy	May 15	8-0-3	In favor
21. JP Morgan Chase	Prohibit government-service golden parachutes	May 15	0-11-0	Oppose
22. Amgen	Report on executive pay and drug pricing risks	May 15	5-5-1	Abstain
23. Home Depot	Report on EEO and affirmative action	May 17	11-0-0	In favor
24. Home Depot	Review/report on election spending	May 17	11-0-0	In favor
25. Intel	Cost/benefit analysis of election spending	May 17	0-11-0	Oppose
ACSR Meeting, May 14				
26. Facebook	Report on social media content management	May 31	9-0-0	In favor
27. Facebook	Report on fair tax policy principles	May 31	0-9-0	Oppose
28. Facebook	Establish board committee on risk	May 31	0-9-0	Oppose
29. Facebook	Report on gender/minority pay disparity	May 31	9-0-0	In favor
30. Chevron	Nominate environmental expert to board	May 30	5-0-4	Abstain
31. Chevron	Report on methane emissions/reduction	May 30	9-0-0	In favor
32. Chevron	Report on changed carbon asset mix	May 30	0-0-9	Abstain
33. Chevron	Report on anti-genocide policy	May 30	9-0-0	In favor
34. Chevron	Report on lobbying	May 30	9-0-0	In favor
35. McDonald's	Report on packaging	May 24	9-0-0	In favor
36. McDonald's	Report on charitable contributions	May 24	0-9-0	Oppose
37. Walmart	Report on gender/minority pay disparity	May 30	0-0-9	Abstain
38. Amazon	Adopt board diversity policy	May 30	9-0-0	In favor

Appendix C
Alignment of ACSR Recommendations and CCSR Votes

While the two committees occasionally differ on the appropriate response to a shareholder proposal, the voting pattern over a period of years shows a high degree of agreement. Of the thirty-eight proposals considered by the committees during the 2018 proxy season, the ACSR and the CCSR were in complete agreement on thirty-four proposals. In four instances, the ACSR recommendation was split between supporting, opposing, and abstaining, and the CCSR abstained. For a list of ACSR and CCSR votes by topic, see Appendix A. For a list of ACSR and CCSR votes by meeting date, see Appendix B.