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GENDER PAY SCORECARD (GPS)

NAVIGATING CORPORATE GENDER PAY DISCLOSURES

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EXECUTIVE SUMMARY

The world's largest corporations have come under intense pressure to ensure that men and women receive equal pay for equal work. This Equal Pay Day, we have compiled a quantitative accounting of current gender pay disclosures, performance, and commitments among corporate leaders and laggards in 3 industries finance, information technology, and retail. GPS offers a template through which to view corporate best practice, ranking companies on quantitative disclosures (not qualitative assurances), commitments to report annually, coverage, and goals. ¹

The GPS is divided into three main sections.

Background: The GPS provides background on shareholder engagement, regulatory pressure, and the business case for pay equity, all of which have helped to fundamentally change the landscape for women over the last few years. It also describes company-reported adjusted wage gaps and disclosures regulated by the United Kingdom to help make the equal pay landscape seem less chaotic.

Findings: The GPS has compiled data on 33 companies regarding their equal pay disclosure and breaks down this data into a simple rubric to more fully understand company performance and commitments. GPS grades companies across 5 categories:

1. Equal Pay Gap
2. Median Pay Gap
3. Racial Pay Gap
4. Coverage
5. Commitment

The GPS also looks at company performance within industry sectors. We see leadership from companies like Apple, JPMorgan, and Nike. While others like Goldman Sachs, Facebook, and Walmart remain guarded in their disclosures and lag behind peers.

Recommendations: The GPS identifies key criteria and commitments critical for gender pay disclosure. Companies must first analyze their current pay structures and determine if there is a gender pay gap. The GPS provides recommendations for best practice disclosure and goals. Transparent gender pay disclosures are essential to address gender pay inequity in corporate America. Investors have effectively used shareholder dialogues and resolutions to move this process forward. The continued growth of the gender pay gap shareholder campaign, combined with an annual scorecard identifying industry leaders and laggards, will help improve corporate disclosure and practices, advancing the goal of equal pay for equal work.

ARJUNA CAPITAL / PROXY IMPACT GENDER PAY SCORECARD	
COMPANY	GRADE
Apple	A-
Bank of New York Mellon	A-
JP Morgan	A-
Nike	A-
Starbucks	A-
Wells Fargo	A-
Adobe	B
Alphabet	B
Bank of America	B
eBay	B
Expedia	B
Intel	B
Mastercard	B
Microsoft	B
Texas Instruments	B
Amazon	C
American Express	C
Citigroup	C
Costco	C
Reinsurance Group	C
Marriot	D
McDonald's	D
Colgate	F
Discover Financial Services	F
Facebook	F
Goldman Sachs	F
Hewlett Packard	F
Key Corp	F
Metlife	F
Oracle	F
Progressive Insurance	F
TJX Companies	F
Walmart	F

¹ Data compiled is from public disclosures and investor/company agreements

INTRODUCTION

The gender pay gap at some of the world's largest corporations has been an area of increased concern and focus. Gender pay discrepancies have raised reputational, regulatory, financial and legal risks for companies. Consequently, an increasing number of shareholders have asked companies to report on their analyses, policies, and goals to reduce any gender pay gap. Over the last four years, at least 10 different investor groups have engaged with at least 47 companies through shareholder dialogues and resolutions.

The Gender Pay Scorecard (GPS) analyzes and ranks the performance and disclosure practices of these companies, identifies industry leaders and laggards, and provides recommendations to aid companies in disclosing their equal pay policies and practices.

GPS is based on a quantitative accounting of current gender pay disclosures and commitments among corporations engaged by shareholders within three industry sectors: technology, finance, and retail. And while this is not a complete list of all corporations that have disclosed or been asked to disclose their gender pay gaps, it is a template through which to view corporate best practice. Importantly, this scorecard ranks companies based on quantitative disclosures (not qualitative assurances), commitments to report annually, coverage, and goals.

BACKGROUND

The gender pay gap is present across our society and no industries or geographies are immune. The median income for women working full-time in the United States is reported to be 80% of that of their male counterparts, or about \$10,470 a year.² This disparity can add up to nearly half a million dollars over the course of a career. Disturbingly, the gap for African American and Latina women gaps wider at 62% and 55% respectively.³ And at the current rate of change, women will not reach pay parity until 2059.⁴ This is not only bad for women, it is bad for the economy, and it's bad for investors. PwC's 2018 Women in Work Index estimates the gender pay gap costs the economies of the Organization for Economic Cooperation and Development (OECD) countries \$2 trillion annually.⁵

² <https://iwpr.org/publications/gender-wage-gap-2017-race-ethnicity/>

³ <https://iwpr.org/publications/gender-wage-gap-2016-earnings-differences-gender-race-ethnicity/>

⁴ <https://iwpr.org/publications/gender-wage-gap-2016-earnings-differences-gender-race-ethnicity/>

⁵ <https://www.pwc.co.uk/services/economics-policy/insights/women-in-work-index.html>

INVESTOR ACTION

In 2014, Arjuna Capital launched a shareholder campaign to close the gender pay gap when it filed a proposal with technology firm, eBay. Arjuna asserted that managing pay parity is essential to corporate performance. Based on research from leading management consulting firms, Arjuna made the business case that if companies can successfully attract and retain female talent through a commitment to equal pay, companies can move more women into positions of leadership and realize the performance benefits such diverse leadership affords. In 2015, the eBay proposal went to a vote of shareholders for the first time. The proposal asked the company to “report the percentage pay gap between male and female employees, policies to improve performance, and quantitative reduction targets.” And while the 2015 vote garnered a modest 8% of shareholder support as an “emerging” investor issue, the following year, in 2016, investor support grew 6-fold, to 51%, and eBay’s CEO committed to pay parity the day of the vote.

Growing legislative initiatives and media coverage helped make 2016 a watershed year for investor and corporate action regarding gender pay equity. Out of nine shareholder proposals put before major tech firms, six were withdrawn for corporate commitments to disclose and close the gender pay gap. The momentum generated from the shareholder campaign led top proxy advisory firms like Institutional Shareholder Services (ISS) and Glass Lewis to recommend voting in favor of these proposals, leading to majority vote at eBay. By year end, seven out of nine technology firms took substantial action to address Equal Pay. And gender pay equity moved from the category of “emerging” issue to “competitive” issue, as investors judged progress on the issue as critical to companies’ ability to attract and retain top talent. 2016 also saw the gender pay gap narrow for the first time since the Great Recession, illustrating incremental progress in the U.S. ⁶

By 2017, the shareholder campaign more than tripled with 30 resolutions filed. Shareholders moved beyond the tech industry and began filing resolutions at multiple companies in financial services, retail, and healthcare.

The campaign has continued to grow with 33 resolutions filed so far in 2018 (proponents have filed, but are not publically disclosing ten of these at this time). Ten different investor groups have engaged with at least 47 companies, resulting in almost 70 resolutions since the first resolution vote at eBay in 2015. The shareholder campaign has further expanded its outreach through productive dialogues with companies without the need for shareholder resolutions.

⁶ <https://blogs.wsj.com/economics/2017/09/12/gender-pay-gap-narrows-significantly-for-the-first-time-since-recession/>

REGULATION

Gender pay equity legislation picked up steam across the United States in 2016 as California, New York, Nebraska, Maryland, and Massachusetts strengthened equal pay laws far beyond federal regulations. State-level legislative changes have focused on four key areas: (1) permissible factors to consider in hiring; (2) transparency of wages; (3) retentions of records; (4) and strengthened enforcement. In 2018, 23 states introduced strengthened pay equity legislation, joining 12 that did so in 2017.

While there is a compelling business case to manage gender pay equity, addressing related public policy risk is of particular importance to U.S. companies. The Pay Equity for All Act, introduced into the House in September 2016, seeks to redress the differential in wages by “prohibiting employers from seeking or requiring previous wage information or salary history.” The Paycheck Fairness Act, introduced to the Senate in April 2017, “punishes employers for retaliating against workers who share wage information, puts the justification burden on employers as to why someone is paid less and allows workers to sue for punitive damages of wage discrimination.” The Act also proposes to (1) establish and carry out a grant program for negotiation skills training for girls and women, (2) conduct studies to eliminate pay disparities between men and women, and (3) make available information on wage discrimination to assist the public in understanding and addressing such discrimination. The Congressional Joint Economic Committee reports 40% of the wage gap may be attributed to discrimination.

On April 4th, 2018, the United Kingdom mandate for companies to disclose their median and mean gender pay gaps across hourly and bonus pay took effect as of a “snapshot” date of April, 5th, 2017. This regulation not only affects U.K.-based corporations, but U.S. multi-nationals with more than 250 employees operating out of the U.K. The average median pay gap across reporting companies is approximately 14.4%, reflecting large structural deficits at most companies, where few women hold higher-paying senior leadership positions. More severe examples include women at major investment banks who are paid around half of that of their male colleagues.

⁷ http://www.seyfarth.com/dir_docs/publications/PayEquityBrochure.pdf

⁸ <https://www.littler.com>

⁹ The New U.S. Pay Equity Laws: Answering the Biggest Questions, Seyfarth Shaw, 2016, pg 4.

¹⁰ https://www.jec.senate.gov/public/_cache/files/0779dc2f-4a4e-4386-b847-9ae919735acc/gender-pay-inequality---us-congress-joint-economic-committee.pdf

¹¹ <http://www.wsj.com/graphics/uk-pay-gap/>

¹² <https://www.wsj.com/articles/credit-suisse-reveals-u-k-gender-pay-gap-1522137793>

ADJUSTED VS MEDIAN PAY GAPS

To date, U.S. companies have approached the issue of equal pay through measuring adjusted pay gaps. That is, measuring pay through the lens that men and women holding like jobs, with like seniority, like performance, and/or like geography should be paid equally for their work. The adjusted numbers reported by U.S. corporations have been less extreme than the raw median pay gap numbers reported for the U.S., globally, and across each sector of the economy. Adjusted pay gap analyses and reporting allows companies to measure pay equity across multiple factors, and make corresponding wage adjustments—the logic being that women are paid equitably for their current roles. Through this lens, companies can enhance their ability to attract and retain female talent with competitive pay. The larger goal, however, is to translate competitive pay practices into a more robust talent and leadership pipeline, in service of placing more women in higher paying senior roles.

Many of the companies in the GPS report both adjusted and median UK gaps. However, no companies report both adjusted and median global pay gap numbers. The future of best practice disclosure should blend the approaches taken in the U.K. and the U.S. and apply it to 100% of global operations. More complete reporting will not only reflect whether women are paid equitably for the work they do today, but whether companies are closing median gender pay gaps over time by moving women into higher paying leadership positions. Only through comprehensive reporting will corporations be accountable to investors and employees alike, and able to fully manage gender inequity.

THE BUSINESS CASE

A host of research illustrates the business case for Equal Pay, including greater diversity. Diverse leadership is correlated with multiple performance benefits from more innovation to “radical innovation,” better risk management, higher profit margins, stronger Return on Equity (ROE), and better stock price performance.

Mercer finds managing pay equity “is associated with higher current female representation at the professional through executive levels and a faster trajectory to improved representation.”

McKinsey states, “the business case for the advancement and promotion of women is compelling.” In fact, when three or more women are represented in executive leadership, companies have been shown to perform better on return on equity (+10.7%), profits (+91.4%), and stock price growth (+36%). McKinsey identifies best practices for increased female representation including “tracking and eliminating gender pay gaps.”^{14 15} MSCI has found gender diverse leadership teams led to a 36.4% improvement in return on equity.¹⁶

Research from Catalyst and McKinsey indicates that men and women think, lead, and solve problems differently and that a diversity of approaches leads to more innovation and better financial results.^{17 18} The Journal of Innovation-Management Policy & Practice found that “gender diversity within research teams fosters novel solutions leading to radical innovation in the company and in the market.”¹⁹

“Pay equity is no longer a defensive conversation, but a badge of honor that companies see as critical to attracting and retaining top talent.”

– Natasha Lamb

¹⁴ http://www.mckinsey.com/insights/organization/promoting_gender_parity_in_the_global_workplace

¹⁵ http://www.mckinsey.com/features/women_matter

¹⁶ <https://www.msci.com/www/research-paper/research-insight-women-on/0263428390>

¹⁷ http://www.catalyst.org/system/files/why_diversity_matters_catalyst_0.pdf

¹⁸ <http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>

¹⁹ García, C.(2012) Gender diversity within R&D teams: Its impact on radicalness of innovation. Innovation-Management Policy & Practice, Junio 2013. 15 (2), 149

FINDINGS

GENDER PAY SCORECARD FINDINGS

GENDER PAY SCORECARD FINDINGS											
FINANCIALS	EQUAL PAY GAP		MEDIAN PAY GAP			RACIAL PAY GAP	COMMITMENT	COVERAGE		SCORE	RATING
	% gap adj	base/ bonus/ equity/	median UK	median bonus	median global	% gap	annual disclosure	% coverage	global goal		
Wells Fargo	0.990	1	NA	NA	0	0.99	1	0.93	1	0.84	A-
Bank of New York Mellon	0.990	1	0.820	0.700	0	0.99	1	1.0	1	0.83	A-
JP Morgan	0.990	1	0.740	0.590	0	0.99	1	1	1	0.81	A-
Bank of America	0.990	1	0.592	0.454	0	0.99	1	0.8	1	0.76	B
Mastercard	0.991	1	0.859	0.534	0	0	1	1.0	1	0.71	B
Citigroup	0.990	1	0.640	0.281	0	0.99	0	0.35	1	0.58	C
American Express	0.75*	1	0.809	0.599	0	0	0.75*	0.36	1	0.42	C
Reinsurance Group	0.75*	1	NA	NA	0	0	0.75*	0.83	0	0.26	C
Metlife	0.000	0	0.684	0.421	0	0	0	0	0	0.12	F
Goldman Sachs	0.000	0	0.621	0.362	0	0	0	0	0	0.11	F
Key Corp	0.995	0	NA	NA	0	0	0	0	0	0.11	F
Progressive Insurance	0.000	0	NA	NA	0	0	0	0	0	0.00	F
Discover Financial Services	0.000	0	NA	NA	0	0	0	0	0	0.00	F
TECHNOLOGY	EQUAL PAY GAP		MEDIAN PAY GAP			RACIAL PAY GAP	COMMITMENT	COVERAGE		SCORE	RATING
	% gap adj	base/ bonus/ equity/	median UK	median bonus	median global	% gap	annual disclosure	% coverage	global goal		
Apple	1.000	1	0.857	0.640	0	1	1	1.00	1	0.83	A-
eBay	0.998	1	NA	NA	0	0.75	1	0.80	1	0.79	B
Expedia	0.990	1	0.814	0.701	0	0	1	1.00	1	0.72	B
Microsoft	1.000	0.33	0.916	0.886	0	1.005	1	0.59	0	0.64	B
Alphabet	1.000	1	0.894	0.766	0	0	1	0.89	0	0.62	B
Adobe	0.990	0.33	0.797	0.580	0	1	0	0.80	1	0.61	B
Texas Instruments	0.75*	1	0.640	0.550	0	0	1	0.70	1	0.61	B
Intel	1.000	0.66	0.675	0.548	0	1	1	0.50	0	0.60	B
Facebook	0.000	0	0.901	0.585	0	0	0	0.00	0	0.17	F
Oracle	0.000	0	0.822	0.533	0	0	0	0.00	0	0.15	F
Hewlett Packard	0.000	0	0.683	0.597	0	0	0	0.00	0	0.14	F
CONSUMER	EQUAL PAY GAP		MEDIAN PAY GAP			RACIAL PAY GAP	COMMITMENT	COVERAGE		SCORE	RATING
	% gap adj	base/ bonus/ equity/	median UK	median bonus	median global	% gap	annual disclosure	% coverage	global goal		
Nike	0.999	1	0.945	0.650	0	1	1	1.00	1	0.84	A-
Starbucks	1.000	1	1.000	0.670	0	1	1	0.67	1	0.82	A-
Amazon	0.997	0.66	1.070	1.000	0	0.997	0	0.5*	0	0.52	C
Costco	0.75*	1	0.986	0.863	0	0	0	0.68	0	0.39	C
Marriot	0.000	0	0.975	1.077	0	0	0	0	0	0.23	D
McDonald's	0.000	0	1.000	0.930	0	0	0	0	0	0.21	D
Walmart	0.000	0	0.911	0.785	0	0	0	0	0	0.19	F
TJX Companies	0.000	0	0.903	0.643	0	0	0	0	0	0.17	F
Colgate	0.000	0	NA	NA	0	0	0	0	0	0.00	F

*.75 score for commitment to disclose by end of 2018 (American Express, Reinsurance Group, Texas Instruments, Costco)

*.75 score for ongoing rather than annual disclosure (American Express, Reinsurance Group)

*.5 score for no disclosure of employee coverage (Amazon)

The UK scores for multiple divisions were averaged in the absence of company reported integrated reporting (Hewlett Packard, Amazon)

FINDINGS BY SCORECARD CATEGORY:

While significant improvements in gender pay analysis and reporting have been made over the last several years, there remains a great deal of inconsistency across disclosures. The GPS ranks companies on five different types of disclosure crucial for evaluating if companies are achieving pay equity. These are:

1. Equal Pay Gap:

a. Adjusted Pay Gap %: The pay gaps reported by many U.S. companies are adjusted for factors such as job category, seniority, and geography. 13 companies report gender pay gap percentages in the vicinity of 99% to 99.9%. Five companies report they have achieved 100% equal pay, including Apple, Intel, Microsoft, Alphabet, and Starbucks. Four companies have committed to publish their pay gap numbers by the end of 2018, and receive a lower score in the interim.

b. Components of Compensation: Full gender pay gap analysis should not be limited to base salary alone. In fact, more bias can be reflected in bonus and equity incentive pay. For many industries, like tech, equity awards can represent an outsized portion of a pay package. The same is true for senior management pay, which is heavily influenced by bonus pay and equity awards. Of the 33 companies covered by the GPS, 16 report all components of compensation, including base salary, bonus, and equity. Intel and Amazon restrict their reporting to cash compensation, including base and bonus, while Microsoft and Adobe report base salary alone.

2. Median Pay Gap: Both Adjusted Equal Pay gaps and Median Pay reporting is essential to understanding the gender pay gap in a comprehensive manner. To date, U.S. disclosures have been limited to adjusted equal pay gap numbers, which take into account factors such as job category, seniority, and geography. At the same time, U.K. median disclosures are limited to U.K. operations. Of critical note, zero companies have disclosed their global median gender pay gaps. Reporting both adjusted equal pay gaps and global median gender pay gaps is essential to fully understand the state of gender pay at companies.

3. Racial Pay Gap: The gender pay gap is deeper for women of minority racial and ethnic backgrounds. In fact, the U.S. gap for African American and Latina women gapes to 62% and 55% respectively. 13 companies in the GPS report/or commit to report (eBay), their racial/ethnic/minority pay gaps. Apple, Intel, Microsoft, and Adobe report 100% equal pay for this category.

4. Commitment: Gender pay gap analysis and disclosure is not a one-off event. Salaries and personnel are ever-changing and annual compensation reviews are a critical time to measure for gender bias. 14 companies in the GPS have committed to annual disclosure, while 2 more, American Express and Reinsurance Group of America, have committed to “ongoing,” versus annual, disclosure, for which they receive a lower rating.

5. Coverage:

a. The gender pay gap is not limited to the U.S., and many companies have multi-national operations. 19 companies report the percentage of operations covered by their pay analyses, the exception being Amazon, who receives a lower score for lack of transparency in this sub-category. Bank of New York Mellon, Mastercard, JPMorgan, Apple, Expedia, and Nike all report on 100% of their global operations. Citigroup and American Express report on only 35% and 36% of their operations, respectively.

b. 100% coverage is essential to fully understand global gender equity across all geographies and operations. 14 companies have a goal to report globally.

FINDINGS BY INDUSTRY:

Shareholders have primarily engaged companies in three industry sectors: information technology, financial services, and retail. Each sector has its own corporate leaders and laggards.

1. FINANCE

Representation: Wall Street has been rife with gender imbalance, sexual discrimination, and few women in the top ranks. Women represent over 50% of employees in the finance sector, but a minority of executive and board positions. In fact, Oliver Wyman finds it will take until 2048 to reach 30% executive committee representation.²⁰ Female executives are also 20 to 30% more likely to leave financial services careers than other careers.²¹ It's clear that attracting, retaining, and moving more women into high paying positions is critical to gender equity on Wall Street.

Pay Gaps: Glassdoor finds an unexplained 6.5% gender pay gap in the financial industry after statistical controls, among the highest of industries examined.²² Robeco Sam finds a 12% pay gap for financial company managers.²³ The Bureau of Labor Statistics reports female financial advisors faced a 61.3% pay gap in 2014, the widest of occupations reviewed.²⁴

Pass: JP Morgan, Bank of New York Mellon, and Wells Fargo top the 2018 GPS list with grades of A-, illustrating strong performance with 99% equal and racial adjusted pay equity including base, bonus and equity components, annual disclosure, and 100% global coverage at JPMorgan and Bank of New York Mellon. Median U.K. numbers are all above the average compared to the peer group for hourly and bonus pay, yet continue to reflect a structural deficit in the ranks, where men hold more of the higher paying leadership roles. Of note, Wells Fargo has no U.K. operations that are reportable. All companies receive a sub-category score of 0 for lack of a global median pay gap disclosure.

Fail: Of the 13 peer companies, 5 receive a failing grade—Goldman Sachs, Progressive Insurance, Discover Financial Services, KeyCorp, and Metlife—for lack of quantitative reporting, commitments, and global coverage. Only Goldman Sachs and Metlife report U.K. median gaps, but come in below average on U.K. hourly and bonus pay.

2. INFORMATION TECHNOLOGY

Representation: The tech industry was the first area of investor focus regarding gender pay inequity, starting with eBay in 2014/2015. Companies in Silicon Valley had begun disclosing their demographic statistics at that time, and it was clear that they were struggling to attract and retain female talent. In fact, McKinsey & Co. reports only 36% of women hold entry level positions and female representation declines as job title advances, with only 17% in C suite positions.²⁵

Pay Gaps: In addition to low numbers of women in the ranks and leadership, Glassdoor finds an unexplained 5.9% gender pay gap in the technology industry after statistical controls, noting “many tech jobs top the list for largest gender pay gaps.”²⁶ Robeco Sam further finds a 10% pay gap for managers at software companies and a lower retention rate for female managers than male managers.²⁷

Pass: Apple tops the 2018 GPS list with a grade of A-, illustrating strong performance with 100% equal and racial adjusted pay equity including base, bonus and equity components, annual disclosure, and 100% global coverage. Median U.K. pay of 86% and 64% for hourly and bonus pay are above average and average compared to the peer list respectively, yet continue to reflect a structural deficit in the ranks, where men hold more of the higher paying leadership roles. Apple, like its peers, receives a sub-category score of 0 for lack of a global median pay gap disclosure.

Fail: Facebook, Oracle, and Hewlett Packard all receive F's, for lack of quantitative reporting, commitments, and global coverage. While Oracle has above average U.K. median hourly pay, the three companies all come in below average on the U.K. bonus metric, and Facebook and HP are below average on median hourly pay.

²⁰ <http://www.oliverwyman.com/media-center/2016/women-in-financial-services-2016-press-release.html>

²¹ <http://www.mmc.com/content/dam/mmc-web/Files/Women%20In%20Financial%20Services%202016.pdf>

²² <https://www.glassdoor.com/research/studies/gender-pay-gap/>

²³ <http://edge-cert.org/wp-content/uploads/2017/11/Does-corporate-gender-equality-lead-to-outperformance.pdf>

²⁴ <http://fortune.com/2015/03/02/jobs-biggest-gender-pay-gaps/>

²⁵ <https://womenintheworkplace.com>

²⁶ <https://www.glassdoor.com/research/studies/gender-pay-gap/>

²⁷ <http://edge-cert.org/wp-content/uploads/2017/11/Does-corporate-gender-equality-lead-to-outperformance.pdf>

3.RETAIL

Representation: As on Wall Street, women hold over half of retail industry positions, but are underrepresented in higher paying management positions and overrepresented in lower paying front line jobs. For example, at Walmart, the largest private employer in the United States, 55% of employees are women, but women account for only 30% of corporate officers.

Pay Gaps: Fortune reports the wage gap is 70.3% for retail salespersons, ranking such positions at number 8 in their top 20 jobs with the highest gender pay gaps list. ²⁸ Glassdoor finds an unexplained 5.9 % gender pay gap in the retail industry after statistical controls. ²⁹ Robeco Sam finds a 10% pay gap for retail managers.

Pass: Nike and Starbucks top the 2018 GPS list with grades of A-, illustrating strong performance with 99.9% and 100% adjusted equal pay equity respectively, and 100% racial pay equity including base, bonus and equity components, annual disclosure, and 100% global coverage at Nike. Starbucks has 100% median U.K. hourly and bonus pay, while both Starbucks and Nike have median bonus pay below the peer group average. Nike and Starbucks, like their peers, receive a sub-category score of 0 for lack of a global median pay gap disclosure.

Fail: Walmart, Colgate and TJX Companies receive a failing grade for lack of quantitative reporting, commitments, and global coverage.

²⁸ <http://fortune.com/2015/03/02/jobs-biggest-gender-pay-gaps/>

²⁹ <https://www.glassdoor.com/research/studies/gender-pay-gap/>

RECOMMENDATIONS

Shareholders and corporations can help improve gender pay equity disclosure by asking for and reporting on the following:

FULL DISCLOSURE OF:

1. Quantitative equal pay gap %
2. Global median pay gap %, not only for U.K. operations
3. Racial pay gap %
4. Pay components used to determine gap: base salary, bonus, and equity
5. % of employee base covered by analysis and disclosure
6. Methodology used in pay gap analysis
7. Policies and actions to address gap

PUBLIC COMMITMENT TO:

8. 100% pay equity
9. 100% global coverage of employee base
10. Annual disclosure

CONCLUSION

Closing the gender pay gap is not just a question of fairness, it's a question of good business. Companies face reputational, regulatory, legal and financial risk from gender pay inequity. Proving Equal Pay for Equal Work also improves companies' ability to attract, retain, and place more women in senior management roles. And companies with more diverse management teams are shown to perform better than less diverse companies.

The first step is for companies to analyze their current pay structures and determine if there is a gender pay gap. And if so, develop a plan to close it. Transparently addressing the gender pay gap is essential to achieve equal pay and move more women into positions of leadership.

Investors have effectively used shareholder dialogues and resolutions to move this process forward. The continued growth of the gender pay gap shareholder campaign, combined with an annual scorecard identifying industry leaders and laggards, will help improve corporate disclosure and practices, advancing the goal of Equal Pay for Equal Work.

APPENDIX

GRADING METHODOLOGY

The Gender Pay Scorecard (GPS) is a clear way to navigate current corporate gender and racial pay equity disclosures and commitments from some of the world's largest companies. It takes a transparent equal weighted average approach to assessment across several categories.

THE GPS IS BROKEN INTO 5 MAIN CATEGORIES:

1. Equal Pay Gap
2. Median Pay Gap
3. Racial Pay Gap
4. Coverage
5. Commitment

The 5 main categories include 9 subcategories, all scored on a scale of 0-1,³⁰ and averaged on an equal weighted basis. The companies are then awarded a correlated letter score: A, B, C, D, F.

1 Equal Pay Gap: The Equal Pay Gap category includes

- i. Adjusted Gender Pay Gap—adjusted by job category, seniority, geography, etc.
- ii. Components of Compensation Included—base salary, bonus, and equity awards

2. Median Pay Gap:

- i. United Kingdom Median Hourly Pay Gap³¹
- ii. United Kingdom Median Bonus Pay Gap³²
- iii. Global Median Pay Gap

3. Racial Pay Gap:

- i. Adjusted Pay Gap—adjusted for factors such as job category, seniority, geography

4. Coverage:

- i. Percentage of Global Operations covered by Equal Pay Gap disclosure
- ii. Goal to disclose 100% of Global Operations over time

5. Commitment:

- i. Public Commitment or Investor Agreement to disclose Equal Pay Gap annually

³⁰ Companies receive a score of 0 for lack of reporting, or absence of commitment. Company-reported gender pay gap numbers are converted from percentage to a scale of 0-1, 1 equaling 100% pay equity.

³¹ Where multiple U.K. divisions are reported, the numbers are averaged in the absence of an integrated company disclosure.

³² Where multiple U.K. divisions are reported, the numbers are averaged in the absence of an integrated company disclosure.

LIST OF SHAREHOLDER RESOLUTIONS FILED:

Adobe System
Arjuna Capital, 2016

Aetna
NYC Pension Funds, 2017

Aflac
NYC Pension Funds, 2017

Allstate
NYC Pension Funds, 2017

Alphabet / Google
Arjuna Capital / Proxy Impact, 2018

Alphabet / Google
Arjuna Capital / Proxy Impact, 2017

Alphabet / Google
Arjuna Capital / Proxy Impact / Baldwin Brothers Inc., 2016

Amazon
Arjuna Capital/Baldwin Brothers Inc., 2016

American Express
Arjuna Capital, 2018

American Express,
Arjuna Capital, 2017

American Express
Trillium Asset Management, 2016

American International Group
NYC Pension Funds, 2017

Anthem
NYC Pension Funds, 2017

Apple
Arjuna Capital, 2016

Apple
Pax World Funds, 2016

AT&T
Pax World Funds, 2017

Bank of America
Arjuna Capital, 2018

Bank of America
Arjuna Capital, 2017

Bank of New York Mellon
Arjuna Capital, 2018

Bank of New York Mellon
Pax World Funds, 2017

Citigroup
Arjuna Capital, 2018

Citigroup
Arjuna Capital, 2017

Citigroup
Trillium Asset Management, 2016

Colgate Palmolive
Zevin Asset Management, 2017

Costco Wholesale
Arjuna Capital, 2018

CVS
Zevin Asset Management, 2017

Discover Financial Services
Pax World Funds, 2018

eBay
Arjuna Capital / Baldwin Brothers Inc., 2016

eBay
Arjuna Capital / Baldwin Brothers Inc., 2015

Expedia
Arjuna Capital, 2015

Express Scripts
NYC Pension Funds, 2017

Facebook
Arjuna Capital / Baldwin Brothers Inc., 2018

Facebook
Arjuna Capital / Baldwin Brothers Inc., 2017

Facebook
Arjuna Capital / Baldwin Brothers Inc., 2016

Goldman Sachs
Pax World Funds, 2017

Hewlett-Packard
Pax World Funds, 2018

Intel
Arjuna Capital, 2015

JPMorgan Chase
Arjuna Capital, 2018

JPMorgan Chase
Arjuna Capital, 2017

KeyCorp
Pax World Funds, 2018

Marriott
Pax World Funds, 2018

Mastercard
Arjuna Capital, 2018

Mastercard
Arjuna Capital, 2017

McKesson
NYC Pension Funds, 2017

Metlife
Pax World Funds, 2018

Microsoft
Arjuna Capital / Proxy Impact, 2016

Nike
Arjuna Capital / Baldwin Brothers Inc., 2017

Oracle Systems
Pax World Funds, 2018

Oracle Systems
Pax World Funds, 2017

Progressive Insurance
Arjuna Capital, 2018

Progressive Insurance
NYC Pension Funds, 2018

Prudential Financial
NYC Pension Funds, 2017

Qualcomm Inc.
Pax World Funds, 2017

Reinsurance Corp. of America
Arjuna Capital, 2018

Starbucks
Arjuna Capital, 2017

Texas Instruments
Arjuna Capital, 2018

TJX Companies
Zevin Asset Management, 2018

TJX Companies
Zevin Asset Management, 2017

Travelers Companies
NYC Pension Funds, 2017

UnitedHealth Group
NYC Pension Funds, 2017

Verizon
Pax World Funds, 2017

Walmart
Arjuna Capital / Baldwin Brothers Inc., 2018

Walmart
Arjuna Capital / Baldwin Brothers Inc., 2017

Wells Fargo
Arjuna Capital, 2018

Wells Fargo
Arjuna Capital, 2017

Note: an additional 10 companies are being engaged in 2018 although the proponents have not yet made this information public 2018.

SHAREHOLDER RESOLUTION EXAMPLE (EXCERPT):

Resolved: Shareholders request our Company prepare a report, omitting proprietary information, above and beyond litigation strategy or legal compliance, 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 median earnings expressed as a percentage of male earnings (Organization for Economic Cooperation and Development).

Supporting Statement: A report adequate for investors to assess company strategy and performance would include the percentage pay gap between male and female employees across race and ethnicity, including base, bonus and equity compensation, methodology used, and quantitative reduction targets.

CORPORATE DISCLOSURES:

<https://gender-pay-gap.service.gov.uk/Viewing/download>
<http://citigroup.com/citi/diversity/people.html>
https://www.bnymellon.com/emea/en/who-we-are/gender-pay-gap-report.jsp?cid=CM_INT_genderpaygap
<http://www.goldmansachs.com/who-we-are/diversity-and-inclusion/uk-gender-pay-gap-report.html>
<https://www.mastercard.co.uk/en-gb/about-mastercard/who-we-are/diversity-inclusion.html>
<https://www.americanexpress.com/uk/legal/gender-pay-reporting.html>
<https://www.jpmorgan.com/global/disclosures/gender-pay-gap-uk>
<https://stories.wf.com/wells-fargo-releases-pay-equity-study-results/>
<https://www.key.com/about/community/pay-equity-report.jsp>
<https://www.apple.com/job-creation/> <https://www.sec.gov/Archives/edgar/data/320193/000032019317000070/a10-k20179302017.htm>
<https://blogs.intel.com/csr/2017/02/annual-report-2016/>
<http://www.expediagroup.com/gender-balance/>
<https://www.microsoft.com/en-us/diversity/inside-microsoft/default.aspx#epgDivFocusArea>
<https://www.ebayinc.com/stories/news/ebays-gender-pay-equity-study-finds-pay-parity-between-women-and-men/>
<https://www.images2.adobe.com/content/dam/acom/en/diversity/pdfs/Adobe-UK-Gender-Paygap-Report.pdf>
<https://rework.withgoogle.com/blog/googles-commitment-to-fair-and-equitable-pay-2018/>
<https://www.alphabet.com/files/2018-03/alphabet-gender-pay-gap-report-2017.pdf>
http://www.ti.com/corp/docs/csr/pay_and_benefits.html
<http://www8.hp.com/us/en/hp-information/about-hp/diversity/index.html>
<https://www.amazon.co.uk/p/feature/roknaywnvgr3ec>
https://www.amazon.com/b/ref=tb_surl_diversity/?node=10080092011
<https://jobs.nike.com/inclusion>
<https://news.starbucks.com/facts/starbucks-history-of-partner-benefits>
<https://www.mcdonalds.com/content/dam/uk/pdf/reports/Gender-Pay-Gap-Report-Published-2018.pdf>