

WORKPLACE EQUITY SCORECARD

LARGE-CAP 3000



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AS YOU SOW

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INTRODUCTION TO AS YOU SOW'S WORKPLACE EQUITY INITIATIVE

The Workplace Equity Initiative is based on the need for material disclosure from companies on the effectiveness of their workplace equity programs. When we began this program in 2019, corporate disclosures of workplace diversity, equity, and inclusion (DEI) programs were primarily anecdotal and qualitative. Corporate reporting provided selective data that was challenging to use and focused only on casting the company in the best possible light – equivalent to offering revenues without expenses.

Investors, however, require consistent and full data sets. Without data, external stakeholders are unable to know how effective popular diversity and inclusion programs are, if at all. Without corporate disclosure of key diversity and inclusion metrics, investors are unable to identify which companies are “walking the talk” and which companies are primarily using diversity as a marketing tool.

PROMOTING DIVERSITY, EQUITY, AND INCLUSION THROUGH EDUCATIONAL SCORECARDS

As You Sow's workplace equity shareholder engagements are informed by the data within the Workplace Equity Disclosure Scorecard. When we speak with companies, they are asked to release hiring, promotion, and retention rates for diverse employees, as well as two, or more, years of EEO-1 forms.

To allow companies to effectively gather this data and present it in an accurate and meaningful way, we acknowledge the need for some time to publicly release these metrics. The release of the data is important from a transparency perspective; from a communications perspective we also recommend that companies place it within a tailored narrative context specific to their organization. Tracking the data, reconciling the numbers, and crafting communications can take some time.

With this in mind, in our shareholder resolution withdrawal conversations with companies, we generally ask that they release their hiring, retention and promotion rates (gender globally, race and ethnicity within the United States) within the next two years. The workplace equity data visualization tool tracks both released data and data that companies have committed to release.



INVESTOR CONCERN RELATED TO DIVERSITY, EQUITY, AND INCLUSION

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Research indicates that companies that are more diverse and inclusive are better positioned to out-perform their peers. Below is a small sampling of the many studies which have identified a positive association:

- Research by *As You Sow* released in November 2023, reviewed the EEO-1 reports, which detail a company's workforce composition, of 1,641 companies in the 2016-2022 timeframe. Research found a positive association between diversity in management and cash flow, net profit, revenue, return on equity, income after tax, and return on invested capital.¹
- A study by Drucker Institute of Claremont Graduate University analyzing 902 large, publicly traded US corporations shows that companies committed to diversity, equity, and inclusion (DEI) efforts outperform in five areas, including customer satisfaction, employee engagement and development, innovation, social responsibility, and overall effectiveness.²
- A McKinsey study found that companies in the top quartile for gender diversity in corporate leadership had a 21% likelihood of outperforming bottom-quartile industry peers on profitability. Similarly, leaders in racial and ethnic diversity were 33% more likely to outperform peers on profitability.³
- Stanford Graduate School of Business researchers found that share prices increased when companies reported better than anticipated gender diversity. This was particularly true when the company had better diversity than the industry leader.⁴
- A Harvard Business Review found that companies with greater diversity are 70% more likely to capture a new market. This is due to the benefit of broader perspectives and understanding of a growing diverse consumer base.⁵

The identified benefits associated with diverse teams include: access to top talent, better understanding of consumer preferences, a stronger mix of leadership skills, informed strategy discussions, and improved risk management. Diversity, and the different perspectives it encourages, has also been shown to encourage more creative and innovative workplace environments.

However, discrimination in the workplace is pervasive. Despite Title VII of the Civil Rights Act of 1964⁶ making it unlawful to harass or discriminate in the workplace, 48% of African Americans and 36% of Hispanics have experienced race-based workplace discrimination.⁷ In addition, 55% of senior-level women say that they have been sexually harassed during their careers.⁸

The consultancy McKinsey found that, in 2022, White women made up 29% of entry level employees, but only 21% of the executive suite. Most egregiously, Women of Color made up 19% of entry level employees but only 5% of the executive suite.⁹

CONCLUSION

America is becoming a more diverse country; census data shows that by 2045, non-Caucasian individuals will make up the majority of the population. This change will affect the labor market as well as the customer base. Companies will need to be in tune with these changing demographics in order to remain competitive. In recognition of this growing diversity, it is important for corporate America to adapt to and be prepared for this change to ensure they can continue to attract and retain the talent they need to serve their customer base. Companies need to be reflective of their communities to remain relevant and viable. An appreciation of the value of diversity and a clear understanding of current barriers to workplace equity will prepare companies to grow as the world around them changes.



Having accurate statistical data on diversity and inclusion targets and accomplishments can serve as guidance for measuring progress toward gender and racial equity and economic justice. As *You Sow's* Workplace Diversity Equity Initiative seeks to highlight best practices to guide the conversation within each sector, track corporate progress toward that goal, and identify diversity factors that may lead to a company's outperformance relative to its peers and the market overall.

Our preliminary findings indicate that corporate release of gender and racial diversity data is still needed. However, we are also seeing that leading companies are making significant efforts to move toward more transparent communications and honest conversations. This past year we've seen leadership from a number of companies as well as a rising tide in transparency, as some companies strengthen their internal HR systems, buckle down on their diverse hiring efforts, and seek out best practice examples. This signals a chance for change. Tracking progress will be vital to the continuing move toward strong diversity, equity, and inclusion practices across corporate America.

WORKPLACE EQUITY METHODOLOGY, SCORING, AND KEY PERFORMANCE INDICATORS

As You Sow, in collaboration with Whistle Stop Capital, has examined the websites and sustainability reports for each company in the Large-Cap 3000 to determine their current levels of transparency. Corporate disclosures of the aforementioned data contributed to companies' scores, all of which were identified on a binary yes/no. That is, if a company releases the data set identified, it receives all of the possible points for that set. The weighting of each data set is a reflection of how important the information is from a transparency perspective, relative to an investors' ability to understand the effectiveness of a corporate DEI program.

Our researchers visited corporate websites, looking through company reporting, blogs, sustainability/ corporate responsibility/ DEI/ annual reports, and career pages as well as the companies' social media sites. It is possible that they missed some reporting, or that the company has increased its reporting since our review. To inform us of corporate reporting not captured here, please send a note to info@asyousow.org.

Our findings are presented on *As You Sow's* website using a data visualization tool that enables dynamic analysis and sorting. The data is updated each quarter, with a major update annually.



KEY PERFORMANCE INDICATORS

PILLAR 1: WORKFORCE COMPOSITION DATA (25% of total score)

- Has the company released any workforce composition data? (5%)
- Has the company released its Equal Employment Opportunity (EEO-1) form? (20%) Depending on the number of employees and federal contract activities, companies are required to submit workforce composition data on an EEO-1 form to the Equal Employment Opportunity Commission on an annual basis. This non-public document tracks gender, race, and ethnicity of employees across different career categories. The data is standardized across companies and industries.

Public release of EEO-1 data is a good first step. However, for investors it is insufficient as it only provides a snapshot of the company's current employees, but does not show how the company is progressing over time, nor the inclusivity of the company's practices. For example, a company might have a strong hiring program, but have trouble retaining diverse employees. The EEO-1 data would indicate high levels of diversity, but would not flag that a far more pernicious problem exists. As such, key inclusion data – promotion, hiring, and retention is also being requested.

PILLAR 2: PAY EQUITY DATA: (5% of total score)

- Does the company release U.S. specific mean pay gap data by gender? (1.25%)
- Does the company release U.S. specific median pay gap by gender? (1.25%)
- Does the company release U.S. specific mean pay gap by race/ethnicity? (1.25%)
- Does the company release U.S. specific median pay gap by race/ethnicity? (1.25%)

PILLARS 3, 4, 5: KEY INCLUSION DATA: (59.4% of total score)

- Has the company released the promotion rates of Male, Female, White, Black, Hispanic, Asian, Native American, Pacific Islander, or Two or more races Employee Category? (each 2.2%)
- Has the company released the recruitment or hiring rates of Male, Female, White, Black, Hispanic, Asian, Native American, Pacific Islander, or Two or more races Employee Category? (each 2.2%)
- Has the company released the retention or turnover rates of Male, Female, White, Black, Hispanic, Asian, Native American, Pacific Islander, or Two or more races Employee Category? (each 2.2%)

PILLAR 6: EXPLICIT AND QUANTIFIABLE DIVERSITY, EQUITY, OR INCLUSION GOALS. (10% of total score)

Has the company released a diversity, equity, and inclusion goal that can be quantified and tracked by external stakeholders?

Companies, particularly those that have recently begun to actively manage their workplace equity programs, may not be proud of, or wish to disclose, their current workforce statistics. They may be concerned that releasing their data will lead to condemnation in the media or disappoint valued employees. Given this, we encourage companies to help stakeholders understand their intentions for their programs going forward.

WORKPLACE EQUITY SCORECARD UPDATES

GENDER PAY GAP REPORTING

Previously, we have captured median and mean gender pay gap data regardless of the region the data pertains to. However, since the workplace equity scorecard is a U.S. centric dataset, we will no longer be tracking and scoring companies on their UK Gender Pay Gap reports, only those reports that cover a company's U.S. workforce.

REMOVAL AND ADDITION OF CERTAIN RACES/ETHNICITIES

To better align this scorecard with the ethnic categories required in an EEO-1 report, we've removed the "other races" ethnicity for each of the inclusion factors (promotion, hiring, and retention/turnover). We've also added the "Native Hawaiian or Pacific Islander" and "Two or more races" ethnicities. The ethnicities tracked in this scorecard now mirror the EEO-1 report, in an effort to coordinate with other established best practice reporting entities and standardize reporting expectations.

RECRUITMENT AND RETENTION

We will now be collecting and scoring data on hiring rates as well as recruitment rates, as we've noticed companies using these terms interchangeably. Credit will now be received for recruitment OR hiring data.

The same change will be made for retention rate data. We will now also be collecting turnover data. Credit will now be received for retention OR turnover data.

WEIGHTING CHANGES

Previously, the individual inclusion factors had been weighted at 2.5% each of the overall score. With the adjustments mentioned above, each individual factor will now be weighted at 2.2%, changing the overall highest possible score to 99.4% instead of an even 100%.

**Due to these minor changes, companies may see changes in their overall score. These changes took effect in Q4 of 2022.*

KEY PERFORMANCE INDICATORS AND SCORING RUBRIC

DIVERSITY, EQUITY, AND INCLUSION DISCLOSURE

PILLAR		KEY PERFORMANCE INDICATOR		SCORING RUBRIC	WEIGHTING		
1	Workforce Compensation	1	Release of workforce composition	0 or 1	5.00%		
		2	Release of EEO-1 form	0 or 1	20.00%		
2	Pay Equity Data Reporting	3	Mean pay gap data by gender	0 or 1	1.25%		
		4	Mean pay gap data by race/ethnicity	0 or 1	1.25%		
		5	Median pay gap data by gender	0 or 1	1.25%		
		6	Median pay gap data by race/ethnicity	0 or 1	1.25%		
3	Promotion	7	Male	0 or 1	2.20%		
		8	Female	0 or 1	2.20%		
		9	White	0 or 1	2.20%		
		10	Black	0 or 1	2.20%		
		11	Hispanic	0 or 1	2.20%		
		12	Asian	0 or 1	2.20%		
		13	Native American	0 or 1	2.20%		
		14	Pacific Islander	0 or 1	2.20%		
		15	Two or more races	0 or 1	2.20%		
		4	Recruitment or Hiring	16	Male	0 or 1	2.20%
				17	Female	0 or 1	2.20%
				18	White	0 or 1	2.20%
				19	Black	0 or 1	2.20%
				20	Hispanic	0 or 1	2.20%
				21	Asian	0 or 1	2.20%
22	Native American			0 or 1	2.20%		
23	Pacific Islander			0 or 1	2.20%		
24	Two or more races			0 or 1	2.20%		
5	Retention or Turnover			25	Male	0 or 1	2.20%
		26	Female	0 or 1	2.20%		
		27	White	0 or 1	2.20%		
		28	Black	0 or 1	2.20%		
		29	Hispanic	0 or 1	2.20%		
		30	Asian	0 or 1	2.20%		
		31	Native American	0 or 1	2.20%		
		32	Pacific Islander	0 or 1	2.20%		
		33	Two or more races	0 or 1	2.20%		
		6	Explicit and quantifiable DEI goals	34	Quantitative, time-bound diversity goals	0 or 1	10.00%

QUARTERLY KEY FINDINGS

- 95% of the S&P 100 companies release, or have committed to release, their consolidated EEO-1 forms, a good first step for sharing workplace composition. In August 2020, when this benchmarking project began, only 20% of the S&P 100 did so.
- More than 15% of Large-Cap 3000 companies release or have committed to release their EEO-1 report, whereas more than a third (34%) of Russell 1000 companies do.
- More than half (56%) of the Large-Cap 3000 companies release gender/racial demographic data on their workforce in some form, whereas 81% of Russell 1000 companies do.
- Within the Large-Cap 3000 constituent companies, the Healthcare sector has the most companies releasing promotion rate data by gender, hiring rate data by gender and race, and retention rate data by race.
- Within the Large-Cap 3000 constituent companies, the Consumer Discretionary sector has the most companies releasing promotion rate data by race.
- Within the Large-Cap 3000 constituent companies, the Information Technology sector has the most companies releasing retention rate data by gender.
- Of the inclusion factors, hiring rates are the most reported on, while promotion rates are the least.
- Companies were most likely to release hiring rates of their Black and female employees. They were least likely to share data related to their Native American and Pacific Islander employees.
- Disclosure rates of recruitment, retention, and promotion data by race and ethnicity is still catching up to gender data, likely a reflection of the #metoo movement gaining traction in 2017, while the protests in the aftermath of George Floyd's murder began in late May, 2020, far more recently.
- Companies that have made future, time-bound commitments to release at least two of the three inclusion factors are: Albertsons, Bank of America, Bank of New York Mellon, Baxter International, Biogen, Charter Communications, The Walt Disney Co., eBay, Electronic Arts, Ford Motor, General Dynamics, Philip Morris International, Raytheon Technologies, Simon Property Group, Southern Co, T-Mobile, Target, Texas Instruments, Thermo Fisher Scientific, Victoria's Secret, and Estee Lauder.

The Workplace Equity Disclosure Initiative has reviewed the Large-Cap 3000 constituent companies to identify which companies are currently releasing standardized, comparable and meaningful workplace equity data.

The intention of this initiative is to provide a public resource showing the current level of DEI disclosure from companies. Transparency and reporting, in and of itself, is an important best-practice to be celebrated. When a company releases meaningful data on its workforce composition alongside its rates of promotion, recruitment or hiring, and retention or turnover of diverse employees it illustrates a number of things to its stakeholders:

- It shows that it takes seriously that discrimination is a systemic problem in corporate America, and that it is willing to do its part in addressing it openly;
- It illustrates the depth of its commitment to be accountable to its employees;
- It acknowledges its own imperfections honestly; and
- It provides data which allows investors and other stakeholders to assess and compare the effectiveness of its programs.

LEADERS: TOP 10 (AS OF DECEMBER 31, 2023)

DIVERSITY, EQUITY & INCLUSION DISCLOSURES TOP 10	SCORE	MARKET CAP	SECTOR	REGION	EMPLOYEES
 PHILIP MORRIS INTERNATIONAL	95.7%	75B+	Consumer Staples	Northeast	60,000+
 Sempra Energy®	95.7%	35B – 75B	Utilities	West	14,000 – 30,000
 EVERSOURCE ENERGY	94.4%	15B – 25B	Utilities	Northeast	7,000 – 14,000
 UNION PACIFIC	88.1%	75B+	Industrials	Midwest	30,000 – 60,000
 PayPal	86.9%	35B – 75B	Financials	West	14,000 – 30,000
 The WALT DISNEY Company	86.9%	75B+	Communication Services	West	60,000+
 Albertsons® Companies	84%	0B – 15B	Consumer Staples	West	60,000+
 AMERICAN ELECTRIC POWER	84.4%	35B – 75B	Utilities	Midwest	14,000 – 30,000
 CVS Health®	84.4%	75B+	Health Care	Northeast	60,000+
 ebay	84.4%	15B – 25B	Consumer Discretionary	West	7,000 – 14,000

LAGGARDS: BOTTOM 10 (AS OF DECEMBER 31, 2023)

DIVERSITY, EQUITY & INCLUSION DISCLOSURES BOTTOM 10	SCORE	MARKET CAP	SECTOR	REGION	EMPLOYEES
	0%	0B – 15B	Communication Discretionary	South	0 – 7,000
WILLIAMS-SONOMA, INC.	0%	0B – 15B	Consumer Discretionary	West	7,000 – 14,000
	0%	0B – 15B	Financials	Midwest	0 – 7,000
	0%	0B – 15B	Industrials	West	0 – 7,000
URBAN OUTFITTERS	0%	0B – 15B	Consumer Discretionary	Northeast	7,000 – 14,000
	0%	0B – 15B	Communication Services	Northeast	0 – 7,000
	0%	15B – 15B	Information Technology	Northeast	0 – 7,000
	0%	0B – 15B	Financials	Midwest	7,000 – 14,000
MillerKnoll	0%	0B – 15B	Industrials	Midwest	7,000 – 14,000
	0%	0B – 15B	Financials	Northeast	0 – 7,000

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