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RACIAL AND GENDER PAY

SCORECARD



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RACIAL AND GENDER PAY SCORECARD

NAVIGATING CORPORATE RACIAL AND GENDER PAY DISCLOSURES

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EXECUTIVE SUMMARY

The world's largest corporations are under intense pressure to close their racial and gender pay gaps in response to investor pressure, the Black Lives Matter and #MeToo movements, and increasing public policy and regulation. The global coronavirus pandemic has only exacerbated racial and gender pay gaps and underlined the need for action. This Equal Pay Day, we have compiled our fifth quantitative accounting of current pay disclosures, performance, and commitments among corporate leaders and laggards in four sectors of the economy: finance, technology/communications, consumer, and healthcare. The Racial & Gender Pay Scorecard (Scorecard) offers a template through which to view corporate best practice, ranking companies on quantitative disclosures (not qualitative assurances), commitments to report numbers annually, global coverage, and goals to close racial and gender pay gaps. The companies in the ranking have all been engaged by investors through the shareholder proposal process and asked to improve their public pay equity disclosures.

The 2022 Scorecard looks at 57 major U.S. companies, only seven of which—Mastercard, Starbucks, Pfizer, Citigroup, Bank of New York Mellon, Adobe and American Express—receive an “A” grade. A failing grade of “F” is awarded to slightly less than half—24—of the total group of companies, including Goldman Sachs, Meta Platforms, Disney, Oracle, Walmart, and Biogen. Only nine companies (in order of rank)—Wells Fargo, Bank of America, Microsoft, Apple, Intel, Verizon, Target, Nike, and McDonald’s—garnered a “B” grade for their efforts to disclose and act on their racial and gender pay gaps.

The Scorecard is divided into three main sections.

Background: The Scorecard 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 and minorities over the last few years. It also describes the difference between company-reported adjusted pay gaps and the unadjusted median pay gap disclosures mandated by the United Kingdom, and now requested by U.S. investors. The report seeks to educate companies, investors, and the public to improve understanding of the racial and gender pay equity landscape.

Findings: The Scorecard has compiled quantitative data on 57 companies regarding their pay equity disclosures. It breaks down this data in a simple and transparent rubric so readers can more fully understand company performance and commitments. The Scorecard grades companies across five categories:

1. Racial Pay Gap
2. Gender Pay Gap
3. UK Pay Gap
4. Coverage
5. Commitment

The Scorecard also looks at company performance within industry sectors. We see leadership from companies like Mastercard, Adobe, Starbucks, and Pfizer. While others like Goldman Sachs, Meta Platforms, Disney, Lowe’s, and Biogen remain guarded in their disclosures and lag peers. And some companies who previously reported their quantitative pay gaps have not done so for the last 2+ years, causing their scores to fall, including Meta Platforms, Google, Texas Instruments, and HP.

Recommendations: The Scorecard identifies key criteria and commitments critical for racial and gender pay disclosure. Companies must first analyze their current pay structures and determine if there is a racial and/or gender pay gap. The Scorecard provides recommendations for best practice quantitative disclosure and goals. Transparent pay disclosures are essential to address racial and gender pay inequity across corporate America. Investors have effectively used shareholder dialogues and proposals to move this process forward. The continued growth of the racial and 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 pay equity.

ARJUNA CAPITAL / PROXY IMPACT RACIAL AND GENDER PAY SCORECARD	
FINANCIALS	GRADE
Pfizer	A
Mastercard	A
Bank of New York Mellon	A
Starbucks	A
Adobe	A
American Express	A
Citigroup	A
Microsoft	B
Nike	B
Target	B
Apple	B
Wells Fargo	B
McDonald’s	B
Bank of America	B
Intel	B
Verizon Communications	B
Cigna	C
Qualcomm	C
JP Morgan	C
Home Depot	C
Chipotle	C
eBay	C
Progressive Insurance	C
Citizens Financial Group	C
Key Corp	C
Amazon	C
Expedia	C
Reinsurance Group	D
Discover Financial Services	D
Analog Devices	D
Marsh and McLennan	D
Cincinnati Financial	D
Google	D
Colgate	F
Marriott	F
Wyndham Hotels & Resorts	F
Walmart	F
Biogen	F
Metlife	F
Texas Instruments	F
Hartford Financial Services	F
TJX Companies	F
HP	F
AT&T	F
IDEXX Laboratories	F
Meta Platforms	F
Goldman Sachs	F
Costco	F
Walt Disney Company	F
Oracle	F
Lincoln National	F
Best Buy	F
Quest Diagnostics	F
Intuitive Surgical	F
DaVita	F
Arthur J. Gallagher	F
Lowe’s	F

INTRODUCTION

Racial and gender pay gaps at some of the world's largest corporations are an area of increased concern and focus. 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 racial/gender pay gaps. Over the last eight years, shareholders have filed at least 143 shareholder proposals at more than 80 companies, and many more have been engaged through shareholder dialogues.

The Racial & Gender Pay Scorecard 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 pay equity policies and practices.

The Scorecard is based on a quantitative accounting of current racial and gender pay disclosures and commitments among corporations engaged by shareholders within four sectors of the economy: finance, technology/communications, consumer, and healthcare.¹ And while this is not a complete list of all corporations that have disclosed or have been asked to disclose their racial and 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

Pay inequity persists across race and gender and no industries or geographies are immune. In the United States, Black workers' median earnings represent 64% of white wages.² In 2020, women working full time earned 83% the wages of their male peers, a \$10,435 per year gap,³ which can add up to nearly half a million dollars over the course of a career. When examining these inequities, it is critical to look at the intersection of gender, race and ethnicity. For Black and Latina women, the career earnings gap is close to \$1 million dollars, with Black women earning 64% and Latina women earning 57% of that of white, non-Hispanic males.⁴ Indigenous American and Alaska Native women earn 69% of white men's wages.⁵ At the current rate of change in the U.S., women will not reach pay parity until 2059, while Black women will have to wait until 2133, and Latina women until 2206.⁶ Globally, the World Economic Forum estimates that the average income for women is only 56% the income of men, and that it will take 268 years to close that \$10,000 per year gap.⁷

Pay inequity is not only bad for minorities and women, it's bad for the economy, and it's bad for investors. Citigroup estimates closing minority and gender wage gaps 20 years ago could have generated 12 trillion dollars in additional income and contributed 0.15 percent to United States GDP per year—representing a significant lost opportunity.⁸ Looking forward, McKinsey projects closing the racial wealth gap could increase GDP by 4-6% by 2028, netting the U.S. economy \$1.1 to \$1.5 trillion.⁹ And PwC's 2021 Women in Work Index estimates the gender pay gap could boost the economies of the Organization for Economic Cooperation and Development (OECD) countries by \$2 trillion annually—an opportunity we should embrace.¹⁰

Unfortunately, the pandemic has impacted women and minorities disproportionately. While the U.S. gender wage gap decreased slightly from 2019 to 2020 (from 82 cents to 83 cents per dollar men earn), this statistic is misleading, as it does not take into consideration the millions of women that

¹ Data compiled is from public disclosures, survey data, and investor/company agreements.

² US CENSUS 2020

³ Ibid

⁴ https://www.aauw.org/app/uploads/2021/09/AAUW_SimpleTruth_2021_-fall_update.pdf

⁵ <https://www.payscale.com/content/infographics/2021-Gender-and-Racial-Pay-Gap-Infographic.pdf>

⁶ <https://iwpr.org/iwpr-publications/quick-figure/the-gender-pay-gap-1985-to-2020-with-forecast-for-achieving-pay-equity-by-race-and-ethnicity/>

⁷ <https://www.weforum.org/agenda/2022/02/gender-pay-gap-headstrong-women/?emailType=Agenda%20Weekly>

⁸ https://ir.citi.com/NvIUkHPilz14Hwd3oxqZBLMn1_XPqo5FrxsZD0x6hhil84ZxaxEuJUWmak51UHvYk75VKeHcMI%3D

⁹ <https://www.pwc.com/gx/en/news-room/press-releases/2020/women-in-work-index-2020.html>

¹⁰ <https://www.pwc.com/hu/en/kiadvanyok/assets/pdf/women-in-work-2021-executive-summary.pdf>

were forced to leave the labor market during the pandemic. In fact, although median earnings rose in 2020 for working men and women, the U.S. median household income fell by 2.9% as millions of people left the workforce due to job losses and family obligations. Eighty percent of the 2020 job losses were among the lowest quarter of wage earners, who are disproportionately comprised of women and people of color. Black and Latina women experienced a 13% and 17% workforce decline respectively, while the white male workforce saw only a 9% drop. Women lost nearly 40 years of progress during the beginning months of the pandemic, as women's labor participation dropped to levels not seen since the 1980s.¹¹ As the COVID-19 job recovery begins, women are not realizing the same gains as men, with 1.5 million mothers yet to return to the workforce.¹²

While the pandemic has exacerbated disparities among women and people of color and the Black Lives Matter protests have amplified pervasive structural racism, companies have increased their focus on diversity, equity, and inclusion initiatives. Payscale's 2022 Compensation report found that 66% of organizations surveyed stated that a pay equity analysis was a planned initiative for 2022, a 20% increase from last year. While this is progress, there is still substantial work to be done. Only 36% of the company respondents to Payscale's survey knew their gender pay data and only 29% knew their racial pay data.¹³ Even fewer of these companies have publicly disclosed the kind of quantitative racial and gender pay gap reporting sought by investors.

UNADJUSTED VS ADJUSTED PAY GAPS

Concerned shareholders in major U.S. companies want to make sure the full scope of the pay gap difference is understood—and acted upon. To date, most U.S. companies addressing the issue of pay equity have done so through measuring statistically adjusted pay gaps. Adjusted pay gap analyses and reporting allows companies to measure pay equity across multiple factors such as job category, seniority, and geography, and make corresponding wage adjustments—the logic being that women and minorities are paid equitably for their current roles compared to their direct peers. Through this lens, companies can enhance their ability to attract and retain female and minority talent with competitive pay. Statistically adjusted pay gap reporting is an important first step, but it's not the end of the story.

Median pay data shows us, quite literally, how companies assign value to their employees through the roles they inhabit and the pay they receive.

– NATASHA LAMB

The more critical measure is median pay gaps, as they provide a wholistic view into whether minorities and women are holding as many high-paying jobs as non-minorities and men. Median pay data shows us, quite literally, how companies assign value to their employees through the roles they inhabit and the pay they receive. In fact, pay gaps are *literally* defined as the median pay of minorities and women compared to the median pay of non-minorities and men. Median pay is considered the valid way of measuring gender pay inequity by the United States Census Bureau, Department of Labor, OECD, and International Labor Organization. Women in the U.S. make 83 cents on the dollar versus men on this basis. Intersecting race, Black women make 64 cents and Latina women 57 cents on the dollar versus white, non-Hispanic men. Black workers make 64 cents on the dollar versus white workers. Black men make 71.5 cents on the dollar versus white men, while Hispanic men make 74.8 cents.¹⁴

In practice, many companies have shied away from publishing unadjusted “median pay” gaps, as they can reflect an unflattering structural bias in their corporate ranks. These gaps are often larger than statistically adjusted pay gaps and unless companies are mandated to do so, as they are in the United Kingdom, they are often loath to admit they have a problem. And while closing statistically adjusted pay gaps can be done relatively quickly by making a handful of pay adjustments within certain employment categories, closing median pay gaps

¹¹ <https://www.wsj.com/articles/nearly-1-5-million-mothers-are-still-missing-from-the-workforce-11619472229>

¹² https://www.aauw.org/app/uploads/2021/09/AAUW_SimpleTruth_2021_fall_update.pdf

¹³ <https://www.msn.com/en-us/money/careersandeducation/66-25-of-employers-plan-to-address-pay-equity-this-year-survey-finds/ar-AAUdu31?ocid=BingNewsSearch>

¹⁴ <https://www.bls.gov/news.release/pdf/wkyeng.pdf>

UNADJUSTED VS ADJUSTED PAY GAPS

requires a more wholistic approach. It requires companies to evaluate their hiring, development, and promotion practices. Without full transparency and action taken to narrow these median pay gaps, progress is unlikely.

Unadjusted median pay gap: Pay gaps are *literally* defined as the median pay of minorities compared to non-minorities and the median pay of women compared to men. Median gaps assess how jobs are distributed by race and gender, and which groups hold high-paying versus low-paying jobs. Median pay is considered *the* valid way of measuring gender pay inequity by the United States Census Bureau, Department of Labor, OECD, and International Labor Organization.

- Black workers in the U.S. earn 64 cents on the dollar versus white workers.
- Women in the U.S. earn 83 cents on the dollar versus men on this basis.
- United Kingdom and Ireland-based companies are mandated to report median pay.

Adjusted pay gap: The difference between what minorities and women are paid versus their direct peers, statistically adjusted for factors such as job, seniority, and geography

- Glassdoor reports there is a 4.9% adjusted pay gap in the United States.¹⁵
- U.S. companies prefer to report on this basis as the gaps are smaller/easier to remedy.
- Statistically adjusted pay gap data alone is not a replacement or stand in for median pay gap disclosures, but one piece of a complete disclosure.

In short, statistically adjusted gaps measure whether minorities and women are being paid commensurate with their peers for the work they are doing in the context of their current jobs. But “median pay” gaps measure whether these groups are holding, and have the opportunity to hold, as many high-paying jobs as their white male majority peers.

In January 2019, Citigroup became the first company in the world to report its global median pay gap for women, and its median U.S. minority pay gap. On a statistically adjusted basis, minorities and women at Citi are paid 99% and 100%, respectively, of what white workers and men are paid, adjusting for job function, level, and geography. But the median pay gap paints a different picture. In this year’s Scorecard survey, Citigroup reported that women earned 74% on the median versus men, and minorities earned 96% that of their majority peers. As expected, based on the data we have seen from Citi and its peers operating out of the UK, the gaps are significant. But the good news is that Citi has been willing to be transparent and improve. Over the last

3 years, Citigroup has shrunk its median gender pay gap from 29% to 26%, and its U.S. minority pay gap from 7% to 4%—a significant improvement.¹⁶ Citigroup provides the kind of benchmarking and progress investors are looking for and is a leading example of how companies that provide an honest accounting of the problem can work to remedy it over time.

Best Practice Disclosures

Many of the companies in the Scorecard report both adjusted and unadjusted gaps, but only for UK operations. In fact, the only companies to report both adjusted and unadjusted median global/U.S. racial and gender pay gap numbers are Citigroup, Starbucks, Mastercard, Pfizer, Adobe, Bank of New York Mellon, and American Express. Chipotle, Home Depot, Microsoft, and Target have agreed to do so in 2022 and are awarded partial credit in this year’s Scorecard for that commitment.

Best practice disclosure is to blend the approaches taken in the UK and the U.S. and apply it to 100% of global and/or U.S. operations. More complete reporting will not only reflect whether women and minorities are paid equitably for the work they do today, but whether companies are closing median pay gaps over time by moving minorities and women into higher paying jobs and leadership positions.

Only through comprehensive, quantitative reporting will corporations be accountable to investors and employees alike and create a benchmark through which to fully manage pay inequity.

– MICHAEL PASSOFF

Additionally, it is best practice for companies to provide quantitative statistics versus qualitative assurances for both adjusted and unadjusted median pay gaps. Many companies have become comfortable providing qualitative assurances that they “are committed to pay equity” or “have found no statistical significance in pay between men and women, non-minorities and minorities.” Quantitative metrics assure investors that companies have thoroughly reviewed, assessed, and measured their pay gaps. Only through comprehensive, quantitative reporting will corporations be accountable to investors and employees alike and create a benchmark through which to fully manage pay inequity. This Scorecard does not award credit for qualitative assurances.

¹⁵ <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

¹⁶ https://www.citigroup.com/citi/about/esg/download/2020/diversity_2020_english.pdf

Racial and gender pay equity legislation has continued to pick up steam in the U.S. and internationally. Much of that regulation is focused on wage transparency for gender pay gaps, but is expanding to include race and ethnicity. The U.S. Equal Employment and Opportunity Commission (EEOC) now mandates pay data reporting, across race and gender, as workforce diversity data alone is insufficient to assess pay inequity. The United Kingdom mandates disclosure of median gender pay gaps and is considering mandating race and ethnicity reporting.

Wage Transparency

The simple act of reporting wage gaps can be a critical first step to remedying the problem. In 2019, the first empirical study on the impact of mandatory wage transparency was conducted. Featured in the *Harvard Business Review*, it found that wage transparency, in countries that mandate it, not only narrowed the wage gap, but increased the number of women hired and promoted into leadership positions.¹⁷ Another 2019 study, featured in the same publication, examined the effect of pay transparency legislation on the public sector in Canada, where the gender pay gap fell from 15% to under 4% at universities.¹⁸ A separate 2020 research study found that pay transparency in UK universities reduced the gender pay gap by 4.37%.¹⁹

United Kingdom Regulation

The United Kingdom has no doubt led the way on gender pay gap transparency regulation by mandating companies to publicly disclose their unadjusted median and mean gender pay gaps across hourly and bonus pay since 2018. This regulation not only affects UK-based corporations, but U.S. multi-nationals with more than 250 employees operating out of the UK. The median and mean gaps reported for UK operators reflect large structural deficits at most companies, where fewer women hold higher-paying positions.²⁰ More severe examples include women at major investment banks who are paid around half of that of their male colleagues.²¹

Progress is being made. In 2021, the average median gender pay gap for full-time employees in the UK fell to 7.9%, down from 9.0% in 2019. Interestingly, the gender pay gap for full-time employees aged 40 years and over is much higher than for

employees under 40 years old. The gender wage gap for ages 40-59 is 12.3% while women in their 30s experience a 3% wage gap.²²

The UK is currently looking to expand the mandate through a bill that would require ethnicity-based pay gap reporting and reduce the employee threshold from 250 to 100 employees. Ethnic minority pay gaps range from 1.4% to 23.8% across the UK.²³ Currently, 70% of the 100 largest UK companies are collecting this ethnicity data, and the Women and Equalities Committee is calling on its public reporting to be made mandatory by April 2023.²⁴

United States Regulation

The 1963 Equal Pay Act mandates that men and women in the United States receive equal pay for equal work. Title VII of the Civil Rights Act of 1964 added protections against wage discrimination based on race. Yet almost 60 years later, pay gaps persist on both an unadjusted and adjusted basis (see previous section for a discussion on those differences). Consequently, pay equity has become a rallying cry for politicians in the United States.

The good news is that 2019 marked the first year U.S. companies with more than 100 employees were required to report pay data to the EEOC, broken down by sex, race, and ethnicity. This ruling came after a U.S. federal judge overturned a 2016 freeze on new pay equity reporting requirements put in place by the Trump administration. Unfortunately, this data is not publicly available.²⁵

It's also disheartening that The Paycheck Fairness Act, an amendment to the Equal Pay Act first introduced in 1997, has not passed. The Act was reintroduced in 2021 with three main components: (1) limit the defense of "a factor other than sex" used by employers in wage discrimination claims to "only bona fide job-related factors;" (2) strengthen prohibitions that prevent employers from retaliating against employees who make discrimination claims; (3) make it illegal for an employer to make an employee sign a contract saying the employee cannot disclose their pay information.²⁶ While the bill passed the House in April 2021, it failed to overcome a Republican filibuster in the Senate in June 2021.²⁷

¹⁷ https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them?utm_medium=email&utm_source=newsletter_daily&utm_campaign=dailyalert_not_activesubs&referral=00563&deliveryName=DM25333

¹⁸ https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them?utm_medium=email&utm_source=newsletter_daily&utm_campaign=dailyalert_not_activesubs&referral=00563&deliveryName=DM25333

¹⁹ Gamage, Danula K., Georgios Kavetsos, Sushanta Mallick, and Almudena Sevilla. 2020. "Pay Transparency Initiative and Gender Pay Gap: Evidence from Research-Intensive Universities in the UK." IZA Working Paper, No. 13635.

²⁰ <https://www.wsj.com/graphics/uk-pay-gap/>

²¹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2021>

²² Ibid.

²³ <https://www.reuters.com/article/us-britain-race-pay-trfn/britain-urged-to-force-companies-to-publish-ethnicity-pay-gaps-idUSKBN2751HB>

²⁴ <https://www.voice-online.co.uk/news/uk-news/2022/02/09/ethnicity-pay-monitoring-will-boost-economy-by-billions/>

²⁵ <https://www.laboremploymentlawblog.com/2019/04/articles/eeoc-enforcement-updates/employers-must-provide-pay-data-september-30/>

²⁶ Paycheck Fairness Act, H.R. 7, 117th Cong. (as agreed to by House, Apr. 15, 2021). <https://www.congress.gov/bill/117th-congress/house-bill/7>

²⁷ <https://www.nytimes.com/2021/06/08/us/politics/filibuster-pay-equity.html>

The House of Representatives' Subcommittee on Diversity and Inclusion is now attempting to pass new federal pay equity legislation. Two bills were introduced in June 2021 to the House that would support closing racial and gender pay gaps. The first bill aims to amend the Dodd-Frank Wall Street Reform and Consumer Protection Act, requiring the federal financial regulatory agencies to conduct internal pay equity audits every two years. The second bill would amend the Securities Exchange Act of 1934 and require issuers filing to the SEC to conduct and publicly disclose gender and racial pay equity audits every two years.²⁸

While we anticipate stronger federal laws in the future, states are not waiting around and have continued to introduce and strengthen pay equity legislation. Many have followed leadership from the states of California, New York, Nevada, Maryland, and Illinois.²⁹ In efforts to help close wage gaps, there are four common pay disclosure regulations: (1) companies are required to report pay data to the state (California, Illinois); (2) companies are required to provide pay data upon request by a job applicant (California, Washington); (3) companies are required to provide wage ranges for a job position when asked by an applicant or current employee (Connecticut, Rhode Island, Nevada); (4) companies are required to disclose wage ranges on job postings (Colorado, New York City).³⁰ Of note, California's Senate introduced a pay equity bill in February 2022 that would require California employers with 100+ employees to publicly file pay data reports beginning in May 2023. These reports would include median and mean hourly rates separated by race, ethnicity, and sex within each job category.³¹

Canada Regulation

In 2021, Canada passed the Pay Equity Act mandating federally regulated companies with at least ten employees publish their wage gap data for women, indigenous people, persons with disabilities, and members of visible minorities.³²

Belgium Regulation

Companies with at least 50 employees are required to publicly report their gender pay gap data every two years. If the companies' pay audits identify a wage gap between men and women, companies must disclose an action plan to close gender wage gaps.³³

Ireland Regulation

The Ireland Gender Pay Gap Information Act was signed into law in July 2021. This legislation requires private and public sector employees with at least 250 employees to report gender pay gaps including mean and median hourly and bonus compensation. When gaps are found, employers are mandated to disclose an action plan.³⁴

European Union Regulation

In 2021, the European Commission proposed binding measures to make pay systems more transparent in the European Union and strengthen enforcement mechanisms.³⁵ The proposal requires pay transparency measures and gender pay gap reporting for companies with at least 250 employees. This legislation has made its way through the European Council and is now pending negotiations with the European Parliament, with a vote expected in March 2022.

²⁸ <https://financialservices.house.gov/uploadedfiles/hrg-117-ba13-20210429-sd002.pdf>

²⁹ https://www.seyfarth.com/dir_docs/publications/PayEquityBrochure.pdf

³⁰ <https://ogletree.com/podcasts/2022-02-16/pay-disclosure-laws-on-the-rise/>

³¹ https://leginfo.legislature.ca.gov/faces/billVersionsCompareClient.xhtml?bill_id=202120220SB1162

³² <https://www.theglobeandmail.com/business/article-canada-lags-other-countries-on-gender-equality-in-workplace-global/>

³³ <https://knowledge.leglobal.org/pay-equity-laws-in-belgium/>

³⁴ <https://trusaic.com/blog/ireland-gender-pay-gap-information-act-2021-signed-into-law/>

³⁵ https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_961

Closing racial and gender pay gaps is foremost a question of fairness and equity. Additionally, there is a compelling business case to be made that fair pay and diversity across job levels impacts a company's performance and bottom line. Companies that provide fair pay and opportunity gain a competitive advantage in two critical areas:

Recruiting & Retaining Talent

The first advantage is the ability to recruit and retain a diverse and skilled workforce. Paying minorities and women a fair wage and offering a path to advancement is regularly cited as a key factor in attracting and retaining talent. Fair pay and opportunity improves employee morale, commitment, and productivity. It also improves a company's reputation, ultimately increasing its ability to attract talent, as diversity, equity, and inclusion efforts have become a deciding factor for prospective employees.

Leadership Diversity

A skilled and diverse workforce leads to the second advantage—an increase in leadership diversity across an organization. Having more diversity in leadership is correlated with multiple performance benefits—from “radical innovation,” to better risk management, higher profit margins, stronger Return on Equity (ROE), and better stock price performance. 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.^{36,37}

Performance Benefits

Greater diversity can improve all facets of an organization, from the whole workforce, to executive leadership, to the board. Enhanced performance of companies with more diverse boards and executive leadership has contributed to the explosive growth of gender-lens and racial justice investing in recent years.

- Institutional Shareholder Services (ISS) ESG reports that companies with greater gender diversity exhibit better market performance and higher financial quality than those companies that do not prioritize gender diversity.³⁸
- S&P Global Market Intelligence conducted a study on 6,000 companies in the Russell 3000 Index over 17 years and found that within 2 years of appointing a female Chief Financial Officer, companies' profits increased by about 6% and stock market returns improved by 8%, compared with the tenure of male predecessors.³⁹

- Refinitiv reports companies reporting no gender pay gaps outperformed companies reporting negative pay gaps from 2016-2021, with a 58.16% spread for their FTSE All-World portfolio and a 135.92% spread for their FTSE North American portfolio.⁴⁰
- McKinsey reports that top quartile gender diverse companies are 25% more likely to financially outperform their peers, and top quartile racially diverse companies are 36% more likely to financially outperform their peers.⁴¹
- Deloitte finds that companies with inclusive cultures are 2x as likely to meet or exceed financial targets, 3x as likely to be high performing, 6x as likely to be innovative and agile, and 8x more likely to achieve better business outcomes.⁴²
- Credit Suisse analyzed executive teams of over 3,000 companies comprising 30,000 executive positions from 56 different countries and found “that a material correlation exists between companies with a higher participation of women in decision-making roles and their stock market and corporate performance.”⁴³
- The International Monetary Fund assessed 2 million firms across 34 countries and found that having a higher number of women in senior positions contributed to a significantly higher Return on Assets (ROA).⁴⁴
- Boston Consulting Group reports that companies with more diverse leadership teams report 19% higher innovation revenue than less diverse companies.⁴⁵
- “Gender diversity in the board room is a key driver of corporate innovation,” according to research from the University of Virginia Darden School of Business.⁴⁶

Best Practice

A McKinsey report on promoting gender parity in the workplace identifies best practices for increasing female representation. Among its top recommendations is “tracking and eliminating gender pay gaps.”⁴⁷ Several European countries including the United Kingdom, Belgium, and Ireland require companies to report on gender pay gaps. Publicly reporting on pay gaps and wage transparency can help companies reach these goals. A study in the Harvard Business Review states that “disclosing disparities in gender pay does in fact narrow the gender wage gap.”⁴⁸

³⁶ <https://www.catalyst.org/research/why-diversity-and-inclusion-matter/>

³⁷ <https://www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>

³⁸ <https://www.issgovernance.com/file/publications/ISS-ESG-Gender-Diversity-Linked-to-Success.pdf>

³⁹ <https://www.ft.com/content/91aead88-a1c0-4b5c-8809-a58c237a541e>

⁴⁰ https://www.refinitiv.com/content/dam/marketing/en_us/documents/gated/reports/gender-pay-gap-and-investment-strategies.pdf

⁴¹ https://www.mckinsey.com/~media/mckinsey/featured_insights/diversity_and_inclusion/diversity_wins_how_inclusion_matters/diversity_wins_how_inclusion_matters_vf.pdf?shouldIndex=false

⁴² <https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/Consulting/DEI.pdf>

⁴³ <https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/cs-gender-3000-report-2019-201910.html>

⁴⁴ <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Gender-Diversity-in-Senior-Positions-and-Firm-Performance-Evidence-from-Europe-43771>

⁴⁵ <https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation>

⁴⁶ <https://ideas.darden.virginia.edu/companies-innovate-more-when-boards-include-woman>

⁴⁷ <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/promoting-gender-parity-in-the-global-workplace>

⁴⁸ <https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them>

In 2014, Arjuna Capital launched the shareholder campaign to close the gender pay gap when it filed a proposal with technology firm eBay. 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 pay equity, 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 garnered a modest 8% vote for this “emerging” investor issue. In 2016, Arjuna expanded the campaign to address racial pay equity as well.

Proxy Impact and other investor groups joined this effort in 2016 and a total of 11 resolutions were filed. Most of these focused on Silicon Valley, as several information technology firms, particularly Alphabet, were receiving negative media attention regarding their gender pay gap. Top proxy advisory firms Institutional Shareholder Services and Glass Lewis recommended voting in favor of these proposals. Shareholder support at eBay grew 6-fold, to a majority vote of 51% and eBay’s CEO committed to pay equity the day of the vote. By year-end, seven out of nine technology firms committed to substantial action to address pay equity.

In 2017, the shareholder campaign more than doubled with 27 proposals filed, as the New York City pension funds also became active on this issue. The shareholder campaign expanded from the tech sector, into the financial services and consumer sectors. Resolutions asked companies about their reputation and financial risk, as it was clear that racial and gender pay equity was a “competitive” issue that was critical to companies’ ability to attract and retain top talent. Thirteen resolutions were withdrawn for varying company commitments and another fourteen went to a vote ranging from 7% support at Facebook (where CEO Mark Zuckerberg controls more than half of the voting stock) to 39% support at Oracle.

Thirty-three proposals were filed in 2018, with a focus on banks and financial services companies. Companies were much more responsive to investor requests, and 24 resolutions were withdrawn, as companies agreed to improve disclosures and close their pay gaps. Yet disclosure was limited to statistically adjusted pay gap analyses that helped identify pay gaps between peers in similar roles, with similar seniority, and geography. Disclosure did not address median pay gaps, which is literally the definition of the gender pay gap, and which is crucial in identifying the lack of women in high paying leadership positions and the lack of opportunity for advancement and higher pay.

Twenty-nine proposals were filed in 2019, including a new focus on the healthcare sector. Unlike the previous year, when 72% of resolutions were withdrawn for company commitments, less than half were withdrawn in 2019. Many companies were responsive

to earlier resolution requests on how they would close their pay gaps, or for pay gap data – but there were significant sets of data that they would not provide. Consequently, the resolution requests became more explicit, and a large number of proposals asked for racial, ethnic and gender pay data, as well as for unadjusted median pay data. This data helps identify the opportunity gap for women and minorities to higher paying jobs. Companies are reluctant to provide unadjusted median pay data, as the numbers are often unflattering compared to adjusted data. Only one company, Citigroup, agreed to report its global median gender pay gap and U.S. median racial pay gap in the 2019 proxy season.

In 2020, 19 proposals were filed and almost all of them asked for racial and gender median pay gap reports. Six proposals were filed at new companies, but thirteen proposals were resubmissions at companies that had provided some adjusted pay equity data but were still reluctant to disclose racial or unadjusted median pay data. Unlike the UK, where median pay gap reporting is required, U.S. investors were unfamiliar with median pay data and this led to lower votes for several resolutions. On the other hand, shareholders reached agreements with eight companies and three of them—Starbucks, Mastercard and Wyndham Hotels and Resorts—agreed to meet the higher standard of reporting median pay gaps.

In 2021, nine racial and gender median pay gap resolutions were filed. Six went to a vote and five of these were resubmissions at laggard companies. The vote results rebounded from 2020, with a high vote of 40% at Microsoft. Shareholder support likely received a boost from the impact of the Black Lives Movement and the nation’s heightened awareness about racial justice. Three new companies, Adobe, Pfizer and Bank of New York Mellon, joined a growing list of industry leaders that agreed to provide racial and gender median pay data.

In 2022, nine resolutions asking for gender and racial median pay reports have been filed as of March 10. Two early votes have received strong support—a resolution at Walt Disney earned a majority vote of 59%, while a vote at Apple garnered 35% support. Resolutions were withdrawn at three companies—Chipotle, Home Depot and Target—which agreed to provide racial and gender median pay data. Another company agreement and resolution withdrawal is not yet public but expected shortly. The high votes and quickly reached agreements show that companies and investors are becoming more comfortable with median pay gap reporting.

Over the last eight years, at least 80 companies have faced 143 shareholder resolutions on their gender and racial pay gaps. Many more shareholder dialogues have taken place without the need of a shareholder resolution. The shareholder campaign has primarily focused on the financial services, consumer, healthcare, and technology/communications sectors. About half the companies initially agreed to report their adjusted pay equity numbers but subsequently balked at reporting unadjusted median pay data. Although progress in 2022 points to more companies embracing best practice reporting.

FINDINGS: RACIAL AND GENDER PAY GAP SCORECARD

	RACIAL PAY GAP		GENDER PAY GAP		UK GAP		COVERAGE		COMMITMENT		SCORE	RATING
Financials	adjusted	median	adjusted	median	base	bonus	base/bonus/ equity	% coverage	global goal	annual review		
Mastercard	1	0.924	1	0.924	0.839	0.893	1	1	1	1	95.80%	A
Bank of New York Mellon	1	0.917	1	0.913	0.81	0.75	1	1	1	0.75	91.40%	A
American Express	1	0.946	1	1.076	0.833	0.548	0.33	1	1	1	87.33%	A
Citigroup	1	0.962	1	0.74	0.707	0.311	1	1	1	1	87.20%	A
Wells Fargo	0.99	0	0.99	0	0.882	0.634	1	0.93	1	1	74.26%	B
Bank of America	0.99	0	0.99	0	0.706	0.502	1	0.9	1	1	70.88%	B
JP Morgan	0.99	0	0.99	0	0.758	0.615	0.33	1	1	0.75	64.33%	C
Progressive Insurance	1	0	1	0	NA	NA	1	0.99	0	1	62.38%	C
Citizens Financial Group	0	0	0.99	0	NA	NA	1	1	1	1	62.38%	C
Key Corp	0.99	0	0.99	0	NA	NA	1	0.99	0	1	62.13%	C
Reinsurance Group	1	0	0.994	0	NA	NA	0.33	0.95	0	1	53.43%	D
Discover Financial Services	0.99	0	0.99	0	0.797	0.486	0	1	1	0	52.63%	D
Marsh and McLennan	0	0	0	0	0.684	0.427	0.66	1	1	1	47.71%	D
Cincinnati Financial	1.018	0	0.99	0	NA	NA	1	0	0	0.75	46.98%	D
Metlife	0	0	0	0	0.701	0.52	1	0	0	1	32.21%	F
Hartford Financial Services	0.988	0	0.999	0	NA	NA	0.33	0	0	0	28.96%	F
Goldman Sachs	0	0	0	0	0.702	0.439	0	0	0	0.75	18.91%	F
Lincoln National	0	0	0	0	NA	NA	0	0	0	1	12.50%	F
Arthur J. Gallagher	0	0	0	0	0.601	0.3	0	0	0	0	9.01%	F
Technology/Communications	adjusted	median	adjusted	median	base	bonus	base/bonus/ equity	% coverage	global goal	annual review		
Adobe	1	0.864	1	0.963	0.891	0.702	0.33	1	1	1	87.50%	A
Microsoft	1.006	0.5	1.001	0.5	0.897	0.625	0.33	0.866	1	1	77.25%	B
Apple	1	0	1	0	0.847	0.6	1	1	1	1	74.47%	B
Intel	1	0	1	0	0.644	0.44	1	1	1	1	70.84%	B
Verizon Communications	1	0	1	0	0.864	0.839	0.33	1	1	1	70.33%	B
Qualcomm	1	0	1	0	0.852	0.597	1	1	1	0	64.49%	C
eBay	0	0	0.997	0	NA	NA	1	1	1	1	62.46%	C
Expedia	0	0	1	0	0.848	0.71	1	1	1	0	55.58%	C
Analog Devices	0.98	0	0.98	0	NA	NA	0	0	1	1	49.50%	D
Google	0	0	0	0	0.82	0.61	1	0.93	0	1	43.60%	D
Texas Instruments	0	0	0	0	0.637	0.56	1	0	0	0.75	29.47%	F
HP	0	0	0	0	0.85	0.837	0	0	0	1	26.87%	F
AT&T	0	0	0	0	0.88	0.812	0	0	0	0.75	24.42%	F
Meta Platforms	0	0	0	0	0.886	0.609	0	0	0	0.75	22.45%	F
Walt Disney Company	0	0	0	0	0.885	0.708	0	0	0	0	15.93%	F
Oracle	0	0	0	0	0.804	0.677	0	0	0	0	14.81%	F
Consumer	adjusted	median	adjusted	median	base	bonus	base/bonus/ equity	% coverage	global goal	annual review		
Starbucks	1	1	1	0.983	0.994	0.755	0.33	1	1	1	90.62%	A
Nike	1	0	1	0	0.93	0.78	1	1	1	1	77.10%	B
Target	0.5	0.5	0.5	0.5	NA	NA	1	1	1	1	75.00%	B
McDonald's	1	0	1	0	1	1.01	0.33	1	1	1	73.40%	B
Home Depot	0.5	0.5	0.5	0.5	NA	NA	1	1	0	1	62.50%	C
Chipotle	0.5	0.5	0.5	0.5	NA	NA	1	1	0	1	62.50%	C
Amazon	0.992	0	1	0	0.986	0.749	1	0	0	1	57.27%	C
Colgate	0	0	0.99	0	NA	NA	0	0	1	1	37.38%	F
Marriott	0	0	0	0	1.136	1.842	0	0	0	0.75	37.28%	F
Wyndham Hotels & Resorts	0	0	0	0.95	NA	NA	0	0.99	1	0	36.75%	F
Walmart	0	0	0	0	0.939	0.727	0	0	1	1	36.66%	F
TJX Companies	0	0	0	0	0.91	0.85	0.33	0	0	0.75	28.40%	F
Costco	0	0	0	0	0.97	0.86	0	0	0	0	18.30%	F
Best Buy	0	0	0	0	NA	NA	0	0	0	1	12.50%	F
Lowe's	0	0	0	0	NA	NA	0	0	0	0	0.00%	F
Healthcare	adjusted	median	adjusted	median	base	bonus	base/bonus/ equity	% coverage	global goal	annual review		
Pfizer	1	0.855	0.994	1.002	0.925	0.881	1	1	1	1	96.57%	A
Cigna	0.99	0	0.99	0	0.651	0.585	0.33	0.99	1	1	65.36%	C
Biogen	0	0	0	0	0.942	0.8	0	0.85	0	0.75	33.42%	F
IDEXX Laboratories	0	0	0	0	0.793	0.489	0	0	0	1	22.82%	F
Quest Diagnostics	0	0	0	0	NA	NA	0	0	0	1	12.50%	F
Intuitive Surgical	0	0	0	0	NA	NA	0	0	0	0.75	9.38%	F
DaVita	0	0	0	0	NA	NA	0	0	0	0.75	9.38%	F

All scores are on a scale of 0-1, and the total score is an average of all data points

Pay gaps are subtracted from 1 to illustrate how many cents on the dollar are earned by women and minorities versus men and non-minority peers

Racial and Gender Pay Gap scores of 0.5 indicate a commitment to publish in 2022 (Microsoft, Chipotle, Home Depot, Target)

The UK Scores for multiple divisions were averaged in the absence of integrated reporting

Commitment scores of 0.75 indicate ongoing/regular rather than annual review

BY SCORECARD CATEGORY

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

1. RACIAL PAY GAP:

The pay gap is wider for minorities and women of color. In the U.S., Black workers' wages represent 64% of white wages. Black and Latina women earn 64% and 57% the wages of white, non-Hispanic men, respectively. Current best practice is to report the racial pay gap for U.S. operations on an adjusted and unadjusted basis. No companies are currently reporting the pay gaps that result from the intersectionality of race and gender. Apple reports that it plans to disclose intersectional race and pay data on an adjusted basis in 2022.

a. Adjusted Racial Pay Gap %: The pay gaps reported by many U.S. companies are adjusted for factors such as job category, seniority, and geography, and calculated through a statistical analysis. Twenty-six companies in the Scorecard have disclosed their quantitative racial/ethnic/minority pay gaps within the last two years on an adjusted equal pay basis. Seventeen companies—Mastercard, Citigroup, Bank of New York Mellon, Progressive Insurance, American Express, Reinsurance Group, Cincinnati Financial, Adobe, Apple, Intel, Microsoft, Verizon, Qualcomm, Starbucks, Nike, McDonald's, and Pfizer report 100% equal pay or better for this category. Home Depot, Chipotle, and Target have committed to disclosing this data in 2022.

b. Median Racial Pay Gap %: Adobe, American Express, and Bank of New York Mellon joined Citigroup, Starbucks, Mastercard, and Pfizer in disclosing their U.S. unadjusted median racial pay gap since last year. Microsoft, Home Depot, Chipotle, and Target have agreed to publish median racial pay gaps in 2022. Starbucks has the lowest median racial pay gap with minorities earning \$1 per \$1 earned by non-minorities.

2. GENDER PAY GAP:

a. Adjusted Gender Pay Gap %: The pay gaps reported by many U.S. companies are adjusted for factors such as job category, seniority, and geography, and calculated through a statistical analysis. Thirty companies report quantitative gender pay gaps on an adjusted basis. Sixteen companies report they have closed statistically adjusted gender pay gaps, which is significantly more than the five companies in 2019. Companies that achieved 100% adjusted equal pay for women include Mastercard, Citigroup, Bank of New York Mellon, Progressive Insurance, American Express, Adobe, Apple, Intel, Microsoft, Verizon, Expedia, Qualcomm, Starbucks, Nike, McDonald's, and Amazon. Home Depot, Chipotle, and Target have committed to begin disclosing this data in 2022.

b. Median Gender Pay Gap %: Eight companies—Citigroup, Mastercard, Bank of New York Mellon, Starbucks, American Express, Adobe, Wyndham Hotels & Resorts, and Pfizer—have now disclosed their unadjusted global median gender pay gaps. Four additional companies—Microsoft, Home Depot, Chipotle, and Target—have committed to disclosing the gap by the end of 2022. Reporting both adjusted equal pay gaps and unadjusted global median gender pay gaps is essential to fully understand the state of gender pay at companies. Pfizer and American Express both have the lowest global median gender pay gaps, with Pfizer paying women \$1.002 and American Express paying women \$1.076 on the dollar versus men.

3. UK PAY GAP:

Both adjusted and unadjusted median pay reporting is essential to understand companies' racial and gender pay gaps in a comprehensive manner. To date, U.S. disclosures have been mostly limited to adjusted numbers, which consider factors such as job category, seniority, and geography. And median pay gap disclosures have mostly been limited to the United Kingdom, although that is beginning to change as United States investors request unadjusted median pay gap reporting for U.S. and global, not just UK, operations.

a. UK Median Base %: UK median disclosures on hourly and bonus pay are limited to the UK operations of U.S. multi-national corporations. Thirty-eight companies in the Scorecard are required to report their median hourly gender pay in the UK. McDonald's and Marriott report no hourly wage gaps in the UK. Arthur J. Gallagher reports the largest median hourly pay gap, paying women 60 cents on the dollar versus men.

b. UK Median Bonus %: Thirty-eight companies in the Scorecard are required to report their median bonus gender pay in the UK. McDonald's and Marriott report no bonus gaps. Arthur J. Gallagher reports the largest median bonus pay gap, awarding women about 30 cents on the dollar versus men.

4. COVERAGE:

a. 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 57 companies covered by the Scorecard, twenty-three report, or have committed to reporting in 2022, all components of compensation including base, bonus, and equity. Eleven companies—American Express, JP Morgan, Reinsurance Group, Hartford Financial Services, Adobe, Microsoft, McDonald's, Verizon, Starbucks, TJX Companies, and Cigna report that their pay gap analyses are completed using only base salaries. Only three companies that report pay gaps (Discover, Analog Devices, and Colgate) do not disclose the components of pay included in the pay gap analysis.

b. % of Employees Covered: Racial and gender pay gaps are not limited to the U.S., and many companies have multi-national operations. Thirty-two companies report the percentage of employees covered by their pay analyses, up from twenty-three in 2020 and nineteen in 2019. Five companies who report wage gaps receive a lower overall score for lack of transparency in this sub-category (Amazon, Cincinnati Financial, Analog Devices, Hartford Financial, and Colgate). Twenty-two companies conduct their pay equity analysis on 100% of their global operations.

5. COMMITMENT:

a. Global Goal: 100% coverage is essential to fully understand gender and racial equity across all geographies and operations. Twenty-eight companies have a goal to report globally.

b. Annual Review: Racial and 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 racial and gender bias. Thirty-five companies in the Scorecard have committed to annual reviews, up from 27 in 2020 and 14 in 2019. Twelve more—Bank of New York Mellon, Goldman Sachs, JP Morgan, Cincinnati Financial, Meta Platforms, Texas Instruments, AT&T, Marriott, TJX Companies, Biogen, Intuitive Surgical, and DaVita—have committed to "ongoing" or "regular" versus annual, disclosure, for which they receive a lower rating. A number of companies have lowered their rankings due to discontinuing annual reporting over the last two years.

Shareholders have primarily engaged companies in four industry sectors: finance, technology/communications, consumer and healthcare. Each sector has its own corporate leaders and laggards. According to Glassdoor, some of the highest pay gaps exist in industries that are the current focus of investors.⁴⁹

1. FINANCE

Representation: Wall Street has been rife with racial and gender imbalance, sexual discrimination, and few women and minorities in the top ranks. For women, and particularly women of color, representation falls off at every management level within the financial-service industry, with women of color's representation falling by 80% between entry level and C-suite positions.⁵⁰ For instance, at Goldman Sachs, only 3.2% of executives, senior officials, and managers are Black.⁵¹ In 2021, Citigroup named the first female CEO on Wall Street, representing a significant leap forward. C-suite positions across the financial-service sector are comprised of only 23% white women and 4% women of color.⁵² Meanwhile, women represent over 50% of employees in the finance sector. In fact, Oliver Wyman finds it will take until 2048 to reach 30% executive committee representation.⁵³ Female executives are also 20 to 30% more likely to leave financial services careers than other careers.⁵⁴ It's clear that attracting, retaining, and moving more minorities and women into high paying positions is critical to improve diversity on Wall Street.

Pay Gaps: The financial sector has the highest pay gap out of all the industries.⁵⁵ Glassdoor finds an unexplained adjusted 5.6% gender pay gap in the financial industry after statistical controls, among the highest of industries examined. That gap has improved 0.8% since 2015.⁵⁶ ISS ESG finds an unexplained unadjusted 19% gender pay gap in the financial sector, the worst of any industry.⁵⁷ A PayScale study of adjusted wage data of college graduates found that Black and Hispanic women make 3.4% and 2.7% less, respectively, than white males in the financial and insurance sectors.⁵⁸

Pass: Mastercard once again tops the finance sector in 2022 with a score of 95.8/100. Also receiving an A were Citigroup, Bank of New York Mellon, and for the first time, American Express. This top score reflects these companies' disclosure of both statistically adjusted pay and unadjusted median racial and gender pay gaps. In addition to these top performers, Wells Fargo and Bank of America maintained a score of B, as both disclose statistically adjusted gaps and report on the components of compensation and employee coverage included in the analyses while also committing to global coverage and annual disclosures. Additionally, Key Corp, Discover, and Marsh and McLennan received higher letter scores this year as they all improved their disclosures.

Fail: Of the 19 peer financial companies, 5 receive a failing grade: MetLife, Hartford Financial Services, Goldman Sachs, Lincoln National, and Arthur J. Gallagher. All of these companies, except Hartford, lack quantitative statistically adjusted and median racial and gender pay reporting, commitments to disclosure, and global coverage. Four companies—JP Morgan, Progressive, Reinsurance Group, and Cincinnati—all dropped a letter score from last year's scorecard.

⁴⁹ <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

⁵⁰ <https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gender-and-race-gaps-in-north-american-financial-services#:~:text=Despite%20progress%2C%2064%20percent%20of%20financial-services%20C-suite%20executives,Gender%20and%20racial%20diversity%20look%20different%20by%20industry>

⁵¹ <https://www.goldmansachs.com/our-commitments/sustainability/sustainable-finance/documents/reports/2020-people-strategy-report.pdf>

⁵² <https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gender-and-race-gaps-in-north-american-financial-services#:~:text=Despite%20progress%2C%2064%20percent%20of%20financial-services%20C-suite%20executives,Gender%20and%20racial%20diversity%20look%20different%20by%20industry>

⁵³ <https://www.oliverwyman.com/media-center/2016/women-in-financial-services-2016-press-release.html>

⁵⁴ <https://www.marshmcclennan.com/content/dam/mmc-web/insights/publications/2019/nov/Women-In-Financial-Services-2020.pdf>

⁵⁵ <https://corpgov.law.harvard.edu/2022/03/07/gender-pay-gap/#:~:text=Source%3A%20ISS%20ESG%20In%20practice%2C%20the%20bulk%20of,Mean%20Unadjusted%20Pay%20Gap%20Data%20Source%3A%20ISS%20ESG>

⁵⁶ <https://www.glassdoor.com/research/gender-pay-gap-2019/>

⁵⁷ <https://corpgov.law.harvard.edu/2022/03/07/gender-pay-gap/#:~:text=Source%3A%20ISS%20ESG%20In%20practice%2C%20the%20bulk%20of,Mean%20Unadjusted%20Pay%20Gap%20Data%20Source%3A%20ISS%20ESG>

⁵⁸ <https://www.payscale.com/research-and-insights/racial-wage-gap-for-men/>

2. TECHNOLOGY/COMMUNICATIONS

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 37% of employees in entry level technology positions are women, and female representation declines as job title advances, with only 27% in C-suite positions.⁵⁹ The tech industry also has a significant lack of racial diversity, especially in leadership. Thirty-eight of the largest U.S. tech companies have less than 5% Black employees.⁶⁰ In 2020, Intel reported that its employee base was comprised of 11% Latinx employees and 5% Black employees, while its executives were comprised of 6% Latinx employees and 2% Black employees. Meanwhile, the company's overall employee population is 46% white, while its executives are 61% white.⁶¹ Oracle is the rare tech company with a female CEO, but 80% of its senior executives are white and only 11% are female. Only 6.7% of its overall workforce is Hispanic and 3.9% is Black.⁶²

Pay Gaps: In addition to low numbers of women in the ranks and leadership, Glassdoor finds an unexplained 5.4% gender pay gap in the technology industry after statistical controls, noting "many tech jobs top the list for largest gender pay gaps." That gap has improved 0.5% since 2015. PayScale reports that, on an adjusted basis, college educated Black women and men earn 2.4% and 2.1% less than their white male counterparts.⁶³ On an unadjusted basis, women earn 85% of men's earnings in the communication sector and 91% of men's earnings in the Information Technology sector.⁶⁴

Pass: Adobe remains the leader in the technology/communications sector and improved its letter grade with a score of 87.5/100 due to expanding its disclosures. Adobe is the only company within the sector to disclose median racial and gender pay gaps. Four companies—Intel, Apple, Verizon, and Microsoft—earned a score of B due to their statistically adjusted pay gap disclosures and comprehensive reporting of their pay gap methodology. Microsoft earned additional points for its commitment to disclose racial and gender median pay in 2022, increasing its score from last year's C to a B. Verizon, Qualcomm, Expedia, and Analog also grew at least a letter grade in this year's Scorecard due to beginning to report statistically adjusted pay gaps.

Fail: Six out of fifteen tech/communications companies receive a failing rating on this year's Scorecard—Texas Instruments, HP, AT&T, Meta Platforms, Disney, and Oracle—for lack of quantitative statistically adjusted and median pay gaps reporting, commitments, and global coverage. Google, Texas Instruments, HP, and Meta Platforms scores dropped significantly this year as these companies have not provided quantitative pay gap disclosures within the last two years. These companies have instead opted for qualitative assurance of "equal pay," while neglecting to disclose the quantitative pay gaps that investors had successfully requested in the past.

3. CONSUMER

Representation: Equal Employment and Opportunity Commission (EEOC) data shows that just 14% minority and 29% women hold C-suite positions in the retail sector.⁶⁵ 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 33% of corporate officers.⁶⁶

Pay Gaps: Glassdoor finds an unexplained 6.4% gender pay gap in the retail industry after statistical controls. That gap has widened 0.5% since 2015.⁶⁷ The unadjusted gender pay gap is 13% in the consumer discretionary sector.⁶⁸ PayScale's review of college-educated retail and customer service workers found that Hispanic women earn 4% less than white males, while Black women earn 2.9% less and Black men 2.1% less on an adjusted basis.⁶⁹

Pass: Starbucks continues to top the consumer sector on the Scorecard with the only grade of A within this sector, illustrating strong performance with 100% adjusted racial and gender pay equity, 100% median racial pay equity, and 98.3% median gender pay equity. Target, Nike, and McDonald's were the next best performers in the consumer sector with scores of B. McDonald's score improved from an F to a B as it started reporting statistically adjusted pay gap data, as well as comprehensive disclosure of their pay equity analysis methodology. While Target currently does not report pay gaps, it has committed to begin providing best practice quantitative pay equity reporting next year, earning it partial credit.

⁵⁹ <https://womenintheworkplace.com/>

⁶⁰ <https://www.beamjobs.com/diversity/racial-diversity-in-tech>

⁶¹ <https://www.intel.com/content/www/us/en/diversity/diversity-at-intel.html>

⁶² <https://www.oracle.com/corporate/careers/diversity-inclusion/>

⁶³ <https://www.payscale.com/research-and-insights/racial-wage-gap-for-men/>

⁶⁴ <https://corpgov.law.harvard.edu/2022/03/07/gender-pay-gap/#:~:text=Source%3A%20ISS%20ESG%20In%20practice%2C%20the%20bulk%20of,Mean%20Unadjusted%20Pay%20Gap%20Data%20Source%3A%20ISS%20ESG>

⁶⁵ <https://www.retaildive.com/news/as-retailers-focus-on-diversity-executive-representation-is-stagnant/585471/>

⁶⁶ <https://corporate.walmart.com/esgreport/esg-issues/diversity-equity-inclusion>

⁶⁷ <https://www.glassdoor.com/research/gender-pay-gap-2019/>

⁶⁸ <https://corpgov.law.harvard.edu/2022/03/07/gender-pay-gap/#:~:text=Source%3A%20ISS%20ESG%20In%20practice%2C%20the%20bulk%20of,Mean%20Unadjusted%20Pay%20Gap%20Data%20Source%3A%20ISS%20ESG>

⁶⁹ <https://www.payscale.com/research-and-insights/racial-wage-gap-for-men/>

Fail: Eight companies—Colgate, Marriott, Wyndham, Walmart, TJX Companies, Costco, Best Buy, and Lowe’s—received a failing grade for lack of quantitative reporting, disclosure commitments, and global coverage. While Home Depot and Chipotle do not currently disclose pay gaps, they have made commitments to disclose in 2022, awarding them partial credit and increasing their score.

4. HEALTHCARE

Representation: The healthcare sector’s racial and ethnic breakdown is 75% white, 18% Black and 15% Latino.⁷⁰ Sixty-six percent of all entry level healthcare workers are female, while the level of women in C-suite positions is about 30%.⁷¹ Most U.S. physicians are male, while women make up over 87% of nurses and home and personal care aides.⁷²

Pay Gaps: The healthcare industry is reported to have the fifth widest adjusted gender pay gap out of 22 industries, at 5.7%, as reported by Glassdoor. That gap has improved 1.5% since 2015. Biotech and Pharma are reported to have the smallest adjusted gender pay gap at 2.2%, improving 0.8% since 2015.⁷³ The unadjusted gender wage gap is 7% in the healthcare sector. For physicians, the gender wage gap is substantial with women earning 28% less than men, up from 25.2% in 2019.⁷⁴ Nearly 35% of female health care workers and 50% of Black and Latina workers earned less than \$15 an hour.⁷⁵ A PayScale study found that Black women with a bachelor’s degree earned 2.2% less than college educated white males in the health care sector, on an adjusted basis.

Pass: Pfizer yet again tops the 2022 healthcare sector Scorecard with a grade of 96.57/100, up from 93/100 last year and significantly outpacing its industry peers. Pfizer also tops the Scorecard as it illustrates best practice pay equity reporting and discloses all components within the Scorecard, receiving the highest pay equity disclosure score out of all the companies evaluated. Cigna is the only other company within the healthcare industry to disclose statistically adjusted racial and gender pay gaps, earning it a score of C.

Fail: Five healthcare companies receive a failing grade for another year in a row—Biogen, IDEXX Laboratories, Intuitive Surgical, DaVita, and Quest Diagnostics. All of these companies fail to disclose quantitative adjusted and unadjusted median racial and gender pay gaps.

⁷⁰ <https://www.bls.gov/cps/cpsaat18.htm>

⁷¹ <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/women-in-healthcare-moving-from-the-front-lines-to-the-top-rung>

⁷² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6336060/>

⁷³ <https://www.glassdoor.com/research/app/uploads/sites/2/2019/02/Gender-Pay-Gap-2019-Research-Report.pdf>

⁷⁴ [https://c8y.doxcdn.com/image/upload/Press Blog/Research Reports/compensation-report-2020.pdf](https://c8y.doxcdn.com/image/upload/Press%20Blog/Research%20Reports/compensation-report-2020.pdf)

⁷⁵ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6336060/>

RECOMMENDATIONS

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

FULL DISCLOSURE OF:

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

PUBLIC COMMITMENT TO:

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

CONCLUSION

Closing the racial and 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 racial and gender pay inequity. Improving pay equity also presents an opportunity to improve companies' ability to attract, retain, and place more minorities and women in higher paying jobs and 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 disclose any gaps. Transparently addressing racial and gender pay gaps is essential to achieve pay equity and create more diverse companies. Investors have effectively used shareholder dialogues and proposals to move this process forward. Expanding the pay equity shareholder campaign, combined with an annual scorecard identifying industry leaders and laggards, will help improve corporate disclosure and practices, advancing the goal of racial and gender pay equity and the benefits that diversity affords to all involved.

APPENDIX: GRADING METHODOLOGY

The Racial & Gender Pay Scorecard is a clear way to understand current corporate racial and gender 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 SCORECARD IS BROKEN INTO 5 MAIN CATEGORIES:

1. Racial Pay Gap
2. Gender Pay Gap
3. UK Pay Gap
4. Coverage
5. Commitment

The five main categories include 10 subcategories, all scored on a scale of 0-1, and averaged on an equal weighted basis. 1 is equivalent to 100% pay equity. The companies are then awarded a correlated letter score: A, B, C, D, F.

GRADING SCALE

85-100	A
70-84	B
55-69	C
40-54	D
0-39	F

1. Racial Pay Gap:

- i. Adjusted Pay Gap—adjusted for factors such as job category, seniority, geography
- ii. U.S. Median Racial Pay Gap

2. Gender Pay Gap:

- i. Adjusted Gender Pay Gap—adjusted by job category, seniority, geography, etc.
- ii. Global Median Pay Gap

3. UK Pay Gap:

- i. United Kingdom Median Hourly Pay Gap
- ii. United Kingdom Median Bonus Pay Gap

4. Coverage:

- i. Components of Compensation Included—base salary, bonus, and equity awards
- ii. Percentage of Global Operations covered by Equal Pay Gap disclosure

5. Commitment:

- i. Goal to disclose 100% of Global Operations over time
- ii. Public Commitment or Investor Agreement to disclose annually

APPENDIX: SHAREHOLDER RESOLUTIONS

2022

Amazon.com
Arjuna Capital
Apple
Arjuna Capital
Best Buy
Proxy Impact
Chipotle
Arjuna Capital
Cigna
Proxy Impact
Disney
Arjuna Capital
Home Depot
Arjuna Capital
Lowe's
Arjuna Capital
Target
Proxy Impact/Arjuna Capital

2021

Adobe
Arjuna Capital
Amazon.com
Arjuna Capital
Bank of New York Mellon
Arjuna Capital
Biogen
Proxy Impact
Cigna
Proxy Impact
Intel
Arjuna Capital
Microsoft
Arjuna Capital/Proxy Impact
Nike
Arjuna Capital
Walmart
SHARE

2020

Adobe
Arjuna Capital
Alphabet
Arjuna Capital / Proxy Impact
Amazon.com
Arjuna Capital
American Express
Arjuna Capital
Assurant
NYC pension funds
Bank of America
Arjuna Capital

Bank of New York Mellon
Arjuna Capital
Cerner
NYC pension funds
CIGNA
Proxy Impact
Facebook
Arjuna Capital
HCA Healthcare
NYC pension funds
Intel
Arjuna Capital
JPMorgan Chase
Arjuna Capital
Loews
NYC pension funds
Mastercard
Arjuna Capital
Microsoft
Arjuna Capital / Proxy Impact

Pfizer
Proxy Impact
Starbucks
Arjuna Capital
Wells Fargo
Arjuna Capital
Wyndham Destinations
Proxy Impact

2019

Adobe
Arjuna Capital
Alphabet
Arjuna Capital / Proxy Impact
Amazon.com
Arjuna Capital
American Express
Arjuna Capital
Analog Devices
Proxy Impact
Arthur J. Gallagher
NYC pension funds
Bank of America
Arjuna Capital
Bank of New York Mellon
Arjuna Capital
CIGNA
Proxy Impact
Cincinnati Financial
NYC pension funds
Citigroup
Arjuna Capital
Citizens Financial Group
Pax World Funds

DaVita HealthCare Partners
NYC pension funds
Facebook
Arjuna Capital
Hartford Financial Services Group
NYC pension funds
IDEXX Laboratories
NYC pension funds
Intel
Arjuna Capital
Intuitive Surgical
NYC pension funds
JPMorgan Chase
Arjuna Capital
Lincoln National
NYC pension funds
Marsh & McLennan
NYC pension funds
Mastercard
Arjuna Capital

Microsoft
Arjuna Capital / Proxy Impact
Oracle
Pax World Funds
Pfizer
Proxy Impact
Quest Diagnostics
NYC pension funds
ResMed
NYC pension funds
TJX
Zevin Asset Management/ Proxy Impact
Wells Fargo
Arjuna Capital

2018

Abbott Laboratories
NYC pension funds
Aetna
NYC pension funds
Alphabet
Arjuna Capital / Proxy Impact
American Express
Arjuna Capital
Bank of America
Arjuna Capital
Bank of New York Mellon
Arjuna Capital
Baxter International
NYC pension funds
Citigroup
Arjuna Capital
Costco Wholesale
Arjuna Capital

APPENDIX: SHAREHOLDER RESOLUTIONS

Discover Financial Services
Pax World Funds

Edwards Lifesciences
NYC pension funds

Express Scripts
NYC pension funds

ExxonMobil
Eve S. Sprunt

Facebook
Arjuna Capital

HP
Pax World Funds

JPMorgan Chase
Arjuna Capital

KeyCorp
Pax World Funds

Marriott International
Zevin Asset Management

Marsh & McLennan
NYC pension funds

Mastercard
Arjuna Capital

McDonald's
Jennifer H. McDowell

Metlife
NYC pension funds

Oracle
Pax World Funds

Principal Financial Group
NYC pension funds

Progressive
Arjuna Capital

Progressive
NYC pension funds

Reinsurance Group of America
Arjuna Capital

Texas Instruments
Arjuna Capital

TJX
Zevin Asset Management

Travelers
NYC pension funds

Walmart
Arjuna Capital

Walmart
Organization United for Respect

Wells Fargo
Arjuna Capital

2017

Aetna
NYC pension funds

AFLAC
NYC pension funds

Allstate
NYC pension funds

Alphabet
Arjuna Capital / Proxy Impact

American Express
Arjuna Capital

American International Group
NYC pension funds

Anthem
NYC pension funds

AT&T
Pax World Funds

Bank of America
Arjuna Capital

Bank of New York Mellon
Pax World Funds

Citigroup
Arjuna Capital

Express Scripts
NYC pension funds

ExxonMobil
Eve S. Sprunt

Facebook
Arjuna Capital

Goldman Sachs
Pax World Funds

JPMorgan Chase
Arjuna Capital

Mastercard
Arjuna Capital

McKesson
NYC pension funds

NIKE
Arjuna Capital

Oracle
Pax World Funds

Qualcomm
Pax World Funds

TJX
Zevin Asset Management

Travelers
NYC pension funds

UnitedHealth Group
NYC pension funds

Verizon Communications
Pax World Funds

Walmart
Arjuna Capital

Wells Fargo
Arjuna Capital

2016

Adobe
Arjuna Capital

Alphabet
Arjuna Capital / Proxy Impact

Amazon.com
Arjuna Capital

American Express
Trillium Asset Management

Apple
Arjuna Capital

Apple
Pax World Funds

Citigroup
Trillium Asset Management

eBay
Arjuna Capital

Expedia Group
Arjuna Capital

ExxonMobil
Eve S. Sprunt

Facebook
Arjuna Capital

Intel
Arjuna Capital

Microsoft
Arjuna Capital

2015

eBay
Arjuna Capital

ExxonMobil
Eve S. Sprunt

Walmart
Cynthia Murray

APPENDIX: EXAMPLE OF A SHAREHOLDER RESOLUTION

PAY EQUITY

Racial & Gender Pay Gaps

Whereas: Pay inequities persist across race and gender and pose substantial risk to companies and society. Black workers' hourly median earnings represent 64 percent of white wages. The median income for women working full time is 83 percent that of men. Intersecting race, Black women earn 63 cents, Native women 60 cents, and Latina women 55 cents. At the current rate, women will not reach pay equity until 2059, Black women until 2130, and Latina women until 2224.

Citigroup estimates closing minority and gender wage gaps 20 years ago could have generated 12 trillion dollars in additional national income. PwC estimates closing the gender pay gap could boost Organization for Economic Cooperation and Development (OECD) countries' economies by 2 trillion dollars annually.

Actively managing pay equity is associated with improved representation and diversity is linked to superior stock performance and return on equity. Minorities represent 32 percent of Lowe's workforce and 24 percent of leadership. Women represent 39 percent of the workforce and 30 percent of leadership.

Best practice pay equity reporting consists of two parts:

1. *unadjusted* median pay gaps, assessing equal opportunity to high paying roles,
2. statistically *adjusted* gaps, assessing whether minorities and non-minorities, men and women, are paid the same for similar roles.

Amazon reports near parity for statistically adjusted gaps but ignores unadjusted median gaps.

Lowe's does not report unadjusted or adjusted pay gaps. Over 20 percent of the 100 largest U.S. employers currently report adjusted gaps, and an increasing number of companies disclose unadjusted gaps to address the structural bias women and minorities face regarding job opportunity and pay.

Racial and gender *unadjusted* median pay gaps are accepted as *the* valid way of measuring pay inequity by the United States Census Bureau, Department of Labor, OECD, and International Labor Organization. The United Kingdom and Ireland mandate disclosure of median pay gaps, and the United Kingdom is considering racial pay reporting.

While Lowe's reports diversity data, unadjusted median and adjusted pay gaps show, quite literally, how Lowe's assigns value to its employees through the roles they inhabit and pay they receive. Pay gap reporting provides digestible, comparable data to determine progress over time.

Resolved: Shareholders request Lowe's report on *unadjusted* median and *adjusted* pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information.

Racial/gender pay gaps are defined as the difference between non-minority and minority/male and female median earnings expressed as a percentage of non-minority/male earnings (Wikipedia/OECD, respectively).

Supporting Statement: An annual report adequate for investors to assess performance could, with board discretion, integrate base, bonus and equity compensation to calculate:

- percentage median and adjusted gender pay gap, globally and/or by country, where appropriate
- percentage median and adjusted racial/minority/ethnicity pay gap, U.S. and/or by country, where appropriate

January 26, 2022

Dear Apple Shareholders,

We are writing to urge you to VOTE "FOR" PROPOSAL 8 on the proxy card, which asks the Company to report on median pay gaps across race and gender. The Proposal makes the following request:

Resolved: Shareholders request Apple report on *median* pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information. Racial/gender pay gaps are defined as the difference between non-minority and minority/male and female *median* earnings expressed as a percentage of non-minority/male earnings (Wikipedia/OECD, respectively).

We believe shareholders should vote "FOR" the Proposal for the following reasons:

1. Median pay is considered *the* valid way of measuring gender pay inequity by the United States Census Bureau, Department of Labor, OECD, and International Labor Organization. Pay gaps are literally defined as the median pay of minorities compared to non-minorities and the median pay of women compared to men. Therefore, that is the data investors seek. While diversity data and statistically-adjusted pay audits represent progress, that data is not a stand in for median pay gap disclosures. The definition is clear.
2. Best practice pay equity reporting consists of two parts:
 1. unadjusted pay gaps: median gaps assess how jobs are distributed by race and gender, and which groups hold the high-paying jobs – the data requested in this proposal.
 - i. The median pay of minorities/women working full time versus non-minorities/ men working full time. This is *literally* the definition of the pay gap.
 - ii. Black workers in the U.S. earn 64 cents on the dollar versus white workers.
 - iii. Women in the U.S. earn 83 cents on the dollar versus men on this basis.
 - iv. United Kingdom and Ireland-based companies are mandated to report median pay.
 2. adjusted pay gaps, a statistical assessment of pay between minorities/non-minorities, women/men, performing similar roles – data we previously pressed Apple to report in 2016.
 - i. What minorities and women are paid versus their direct peers, statistically adjusted for factors such as job, seniority, and geography.
 - ii. Glassdoor reports there is a 4.9% adjusted gender pay gap in the United States.⁷⁷
 - iii. United States companies prefer to report on this basis as the gaps are smaller and easier to remedy.
3. *Median pay gap disclosures can improve performance and provide a baseline to investors for measuring progress moving forward.*
 1. A 2019 study cited in the Harvard Business Review found that wage transparency, in countries that mandate it, narrowed the *median* wage gap. Refinitive reports companies reporting no gender pay gaps outperformed companies reporting negative pay gaps from 2016-2021, with a 58.16% spread for their FTSE All-World portfolio and a 135.92% spread for their FTSE North American portfolio.
 2. Citigroup was the first US company to publish its global gender and US minority median pay gaps in January 2019. It has since shrunk those gaps 3 and 1 points respectively. Large company peers like Adobe, Mastercard, Starbucks, Bank of New York Mellon, Wyndham Hotels and Resorts, and Pfizer have since adopted the same best practice disclosures for not just UK, but U.S. and global operations.
 3. There are many ways to shrink racial/gender pay gaps at a company – improving diversity, conducting statistically-adjusted pay audits, and advancing women/minorities into higher-paying roles and positions of leadership – **but the only benchmark to measure whether the pay gap is actually shrinking from these various levers is to publish the median pay gap itself.**

⁷⁶ Resolution proponents often provide shareholder education materials to inform investors about an issue.

⁷⁷ <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

4. Apple has faced multiple allegations of pay discrimination from employees in the last year, making it imperative for the Company to disclose this data.
 1. This past fall, an employee-activist group called #AppleToo was created to voice employees' concerns of pay gaps, sexism, and racism persisting within the Company. This group garnered significant attention from the press, as it gathered hundreds of complaints from employees concerned with workplace issues including pay inequities. Publishing median pay gaps will create greater transparency within the Company to adequately address employees' concerns.

Board Opposition Statement

1. **Statistically-adjusted pay numbers and representation data are not a substitute for median pay gap reporting.**

The Board contends the disclosure would not provide "meaningful supplemental information", arguing statistically-adjusted pay numbers and representation data are an adequate substitute. However, median pay gaps provide a comprehensive view as to whether minorities/women are holding as many high-paying jobs as non-minorities/men. This metric allows investors to assess equal opportunity to high-paying jobs within the company. Median pay data shows us, quite literally, how companies assign value to their employees through the roles they inhabit and the pay they receive. We expect that is "meaningful" for Apple's employees. Further, it provides a digestible data point for investors to compare representation progress year over year.

Statistically-adjusted numbers can be misleading if not complemented with the median pay gap number. It is easier for companies to remediate statistically-adjusted pay gaps with a handful of pay adjustments within certain employment categories that may not impact employees at-large. Meanwhile, remediating median pay gaps requires hiring, developing, and promoting minorities/women into higher-paying positions across the firm. Representation data and statistically-adjusted pay numbers do not provide this same level of accountability or comprehensive information.

2. **Median Pay Disclosure will complement Apple's Diversity, Equity, and Inclusion (DEI) Initiatives.**

Apple describes its DEI initiatives and goals to justify its obfuscation of median pay data. While these initiatives are important, median pay statistics will complement the company's efforts and allow Apple to benchmark its progress toward its DEI goals. Apple's refusal to publish unadjusted pay gap data is reflective of a lack of transparency and accountability to investors and employees.

Conclusion

For all the reasons provided above, we strongly urge you to support the Proposal. Pay transparency has been shown to lead to narrower pay gaps and improved diversity of companies that disclose them, which we believe is in the long-term best interest of shareholders.

Please contact Julia Cedarholm at juliac@arjuna-capital.com for additional information.

Sincerely,



Natasha Lamb

Arjuna Capital

This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card. Arjuna Capital is not able to vote your proxies, nor does this communication contemplate such an event. The proponent urges shareholders to vote for Proxy Item 8 following the instruction provided on the management's proxy mailing.

The views expressed are those of the authors and Arjuna Capital as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. This piece is for informational purposes and should not be construed as a research report.

APPENDIX: CORPORATE DISCLOSURES

1. Mastercard
 - <https://www.mastercard.us/en-us/vision/who-we-are/diversity-inclusion.html>
 - https://www.mastercard.co.uk/content/dam/public/mastercardcom/eu/gb/vision/Images/diversity-inclusion/Mastercard_GenderPayGap_Report_2020_OPTION1_v0_6.pdf
2. Bank of New York Mellon
 - <https://www.bnymellon.com/emea/en/about-us/diversity-inclusion/pay-equity-at-bny-mellon.html>
 - <https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/emea/bny-mellon-london-branch-2020-gender-pay-gap-report.pdf>
3. American Express
 - https://s1.q4cdn.com/692158879/files/doc_downloads/2021/09/AXP-2020-2021-ESG-Report.pdf
 - https://s26.q4cdn.com/747928648/files/doc_financials/2020/ar/2021-Proxy-Statement.pdf
 - https://s1.q4cdn.com/692158879/files/doc_presentations/2021/11/American-Express-2021-DE-I-Report.pdf
 - https://www.americanexpress.com/content/dam/amex/uk/legal/Amex_Gender_Pay_Report_2021.pdf
4. Citigroup
 - https://www.citigroup.com/citi/about/esg/download/2020/diversity_2020_english.pdf
 - https://www.citigroup.com/citi/about/data/uk_gender_pay_gap_report_2020.pdf?ieNocache=138
5. Wells Fargo
 - <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2021-proxy-statement.pdf>
 - <https://www08.wellsfargomedia.com/assets/pdf/about/corporate/business-standards-report.pdf>
 - https://sites.wf.com/emea/media/%7B59e7f48e-8eb1-4211-951e-32e67f2c8b9f%7D_2020UKGenderPayGapReport_tagged.pdf
6. Bank of America
 - https://about.bankofamerica.com/content/dam/about/pdfs/BofA_HCR_OCTOBER_2020_Final-2.pdf
 - https://about.bankofamerica.com/content/dam/about/pdfs/UK-Gender-Pay-Report-2020_Final_1Apr21_2_ADA_Secure.pdf
7. JP Morgan
 - <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/jpmc-esg-report-2020.pdf>
 - <https://www.jpmorgan.com/content/dam/jpm/global/disclosures/us/uk-gender-pay-gap.pdf>
8. Progressive Insurance
 - <https://www.progressive.com/about/diversity-and-inclusion/>
9. Citizens Financial Group
 - <https://www.citizensbank.com/diversity-and-inclusion/pay-equity.aspx>
10. Key Corp
 - <https://www.key.com/about/diversity/pay-equity-commitment.jsp>
11. Reinsurance Group
 - <https://www.rgare.com/investors/governance/>
12. Discover Financial Services
 - <https://investorrelations.discover.com/newsroom/press-releases/press-release-details/2020/Discover-Releases-Latest-Corporate-Responsibility-Report/default.aspx#:~:text=Paying%20employees%20equally%20for%20their,recommend%20actions%20to%20affect%20change>
 - <https://www.corporatereport.com/discover/2019/crr/diversity/>
 - <https://gender-pay-gap.service.gov.uk/Employer/jRdMslrU/2020>
13. Marsh and McLennan
 - <https://www.marshmclennan.com/content/dam/mmc-web/v2/esg/marsh-mclennan-2020-esg-report-2.pdf>
 - <https://www.marsh.com/content/dam/marsh/Documents/PDF/UK-en/marsh-uk-gender-pay-gap-report-2020.pdf>
14. Cincinnati Financial
 - <https://cincinnati-financial-corporation.gcs-web.com/static-files/34a097cd-0a3d-4653-b2e7-f8306322eb4a>
15. Metlife
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