

SIXTH  
EDITION

# RACIAL AND GENDER PAY

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SCORECARD



ARJUNA  
CAPITAL

PROXY  IMPACT

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# RACIAL AND GENDER PAY SCORECARD

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## NAVIGATING CORPORATE RACIAL AND GENDER PAY DISCLOSURES

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# EXECUTIVE SUMMARY

The world's largest corporations are working to close their racial and gender pay gaps in response to investor pressure, increasing regulation domestically and abroad, and our global reckoning with systemic racism and sexism amplified by movements like Black Lives Matter and #MeToo. The global coronavirus pandemic only exacerbated racial and gender pay gaps and underlined the need for action, as women and minorities were most impacted. This Equal Pay Day, we have compiled our sixth 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 2023 Scorecard looks at 68 major U.S. companies, 13 of which (in order of rank)—Target, Starbucks, Mastercard, Microsoft, Pfizer, Bank of New York Mellon, Citigroup, Adobe, American Express, Visa, Lowe's, Best Buy, and Home Depot—receive an "A" grade. For the Scorecard's first time ever, a company—Target—received a perfect score, A+, due to disclosure of 100% equal unadjusted and adjusted racial and gender pay gaps and full disclosure of its methodology. Another 13 companies (in order of rank) — Thermo Fisher, Chipotle, Apple, Nike, Progressive Insurance, Key Corp, McDonald's, Wells Fargo, Amalgamated Bank, Marsh & McLennan, Bank of America, Verizon, and Disney—garnered a "B" grade for their efforts to disclose and act on their racial and gender pay gaps. A failing grade of "F" was awarded to 25 companies, including Goldman Sachs, Alphabet, Walmart, and Quest Diagnostics.

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 Ireland, which more than 40 U.S. companies have now voluntarily committed to publish. 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 68 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 Target, Starbucks, Mastercard, and Pfizer. While others like Goldman Sachs, Meta Platforms, Marriott, and AT&T 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 from previous scorecards, including Intel, and HP Inc.

**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	
COMPANY	GRADE
Target	A+
Starbucks	A
Mastercard	A
Microsoft	A
Pfizer	A
Bank of New York Mellon	A
Citigroup	A
Adobe	A
American Express	A
Visa	A
Lowe's	A
Best Buy	A
Home Depot	A
Thermo Fisher	B
Chipotle	B
Apple	B
Nike	B
Progressive Insurance	B
Key Corp	B
McDonald's	B
Wells Fargo	B
Amalgamated Bank	B
Marsh & McLennan	B
Bank of America	B
Verizon Communications	B
Walt Disney Company	B
Kellogg	C
Amazon	C
Biogen Inc.	C
Qualcomm	C
Discover Financial Services	C
Citizens Financial Group	C
Reinsurance Group	C
JP Morgan	C
BlackRock	C
Expedia	C
eBay	D
Analog Devices	D
Cincinnati Financial	D
Texas Instruments	D
Cigna	D
Meta	D
Intel	D
Hartford Financial Services	F
Colgate	F
Wyndham Hotels & Resorts	F
IDEXX Laboratories	F
Walmart	F
Intuitive Surgical	F
Boeing	F
MetLife	F
TJX Companies	F
Costco	F
Marriott International	F
AT&T Inc.	F
HP Inc	F
Alphabet	F
Oracle	F
Lincoln National	F
Netflix	F
DaVita Inc.	F
Quest Diagnostics	F
Goldman Sachs	F
Arthur J. Gallagher	F
Charles Schwab	F
Kroger	F
DexCom	F
NextEra	F

# INTRODUCTION

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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 nine years, shareholders have filed at least 158 shareholder proposals at more than 90 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.<sup>1</sup> 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, employee coverage, and goals.

# BACKGROUND

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Pay inequity persists across race and gender and no industries or geographies are immune. In the United States, Black workers' median earnings represented 81% of white wages in the fourth quarter of 2022.<sup>2</sup> Women working full time earned 83% the wages of their male peers last year, a \$10,452 per year gap,<sup>3</sup> 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 54% of that of white, non-Hispanic males.<sup>4</sup> Indigenous American and Alaska Native women earn 51% of white men's wages.<sup>5</sup> 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 2130, and Latina women until 2224.<sup>6</sup> Globally, the World Economic Forum estimates that the average income for women is only 52% the income of men, and that it will take 257 years to close that \$10,000 per year gap.<sup>7</sup>

**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 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.<sup>8</sup> Looking forward, McKinsey projects closing the racial wealth gap could increase GDP by 4-6% by 2028, netting the U.S. economy \$1 to \$1.5 trillion.<sup>9</sup> And PwC's 2022 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.<sup>10</sup>

The COVID-19 pandemic disproportionately impacted women's and minorities' employment, with millions being forced to leave the labor market. Luckily, employment rates have since recovered. But despite a 23% increase in women's labor participation in 2022, women have only experienced

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

<sup>2</sup> <https://www.bls.gov/news.release/pdf/wkyeng.pdf>

<sup>3</sup> <https://www.bls.gov/news.release/pdf/wkyeng.pdf>

<sup>4</sup> <https://www.nationalpartnership.org/our-work/resources/economic-justice/fair-pay/quantifying-americas-gender-wage-gap.pdf>

<sup>5</sup> Ibid.

<sup>6</sup> <https://iwpr.org/equal-pay-about/>

<sup>7</sup> [https://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](https://www3.weforum.org/docs/WEF_GGGR_2020.pdf)

<sup>8</sup> [https://ir.citi.com/NvIUkHPilz14Hwd3oxqZBLMn1\\_XPqo5FrxsZD0x6hhil84ZxaxEuJUWmak51UHvYk75VKeHCMI%3D](https://ir.citi.com/NvIUkHPilz14Hwd3oxqZBLMn1_XPqo5FrxsZD0x6hhil84ZxaxEuJUWmak51UHvYk75VKeHCMI%3D)

<sup>9</sup> <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap>

<sup>10</sup> <https://www.pwc.com/gx/en/news-room/press-releases/2020/women-in-work-index-2020.html>

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a 2% decrease in the gender pay gap over the last twenty years.<sup>11</sup> That's even with companies increasing commitments to Diversity, Equity, and Inclusion (DEI) efforts in the wake of the pandemic, Black Lives Matter protests, and #MeToo movement that amplified issues of pervasive structural sexism and racism.

It is evident that more work needs to be done at a faster speed to close racial and gender pay gaps, and to avoid the economic and business risks associated with these gaps.

PayScale's 2023 Compensation report found that 63% of organizations surveyed stated that a pay equity analysis is a planned or current initiative for 2023.<sup>12</sup> While this is progress, there is still substantial work to be done. Only 14% of the company respondents to PayScale's survey knew their median and adjusted gender pay data and only 12% knew their median and adjusted racial pay data.<sup>13</sup> Even fewer of these companies have publicly disclosed the kind of quantitative racial and gender pay gap reporting sought by investors.

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## UNADJUSTED VS ADJUSTED PAY GAPS

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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, although an increasing number are committed to publishing median 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.

More and more companies are publishing comprehensive pay gap data. Their leadership is essential to move the needle on pay equity.

– 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.<sup>14</sup> Intersecting race, Black women make 64 cents and Latina women 54 cents on the dollar versus white, non-Hispanic men.<sup>15</sup> Black workers make 81 cents on the dollar versus white workers. Black men make 80 cents on the dollar versus white men, while Hispanic men make 75 cents.<sup>16</sup>

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 and Ireland, they can be 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 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.

It is also important for companies to disclose their median pay gap data apart from their representation data. Unlike diversity data, median pay gaps articulate the issue of structural inequity within the organization with one, straightforward data point. This data point allows companies to better measure and manage their progress year over year and allows investors to compare performance across companies.

<sup>11</sup> <https://www.pewresearch.org/fact-tank/2023/03/01/gender-pay-gap-facts/>

<sup>12</sup> <https://www.payscale.com/research-and-insights/cbpr/>

<sup>13</sup> Ibid.

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

<sup>15</sup> <https://www.nationalpartnership.org/our-work/resources/economic-justice/fair-pay/quantifying-americas-gender-wage-gap.pdf>

<sup>16</sup> <https://www.bls.gov/news.release/pdf/wkyeng.pdf>

## UNADJUSTED VS ADJUSTED PAY GAPS

**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 81 cents on the dollar versus white workers.<sup>17</sup>
- Women in the U.S. earn 83 cents on the dollar versus men on this basis.<sup>18</sup>
- 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.<sup>19</sup>
- 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 about 100% and 99%, 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 minorities earned 96% on the median versus majority peers, and women earned 74% that of their male peers.<sup>20</sup> As expected, based on the data we have seen from Citi and its peers operating out of the U.K., the gaps are significant. But the good news is that Citi has been willing to be transparent and improve. Over the last 4 years, Citigroup has shrunk its median U.S. racial pay gap from 7% to 4%, and its gender pay gap from 29% to 26% – a significant improvement.<sup>21</sup> 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 U.K. operations. However, more and more companies are reporting both adjusted and unadjusted median global/U.S. racial and gender pay gap numbers including Target, Starbucks, Lowe’s, Best Buy, Home Depot, Chipotle, Mastercard, Bank of New York Mellon, Citigroup, American Express, Pfizer, Microsoft, and Adobe. Amalgamated Bank, BlackRock, Thermo Fisher, Visa, and Disney have agreed to do so in the next year and are awarded partial credit in this year’s Scorecard for that commitment. Over 40 companies in the U.S. are currently reporting or have committed to reporting median pay gaps in the next year, although not all those companies are covered by this Scorecard.

Best practice disclosure is to blend the approaches taken in the U.K. 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.**

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

<sup>20</sup> <https://www.citigroup.com/rcs/citigpa/storage/public/Global-ESG-Report-2021.pdf>

<sup>21</sup> Ibid.

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 could be expanded to include race and ethnicity. The U.S. Equal Employment and Opportunity Commission (EEOC) mandated pay data reporting across race and gender in 2019 and 2020, as workforce diversity data alone is insufficient to assess pay inequity.<sup>22</sup> Additionally, the United Kingdom and Ireland mandate disclosure of median gender pay gaps, and soon the European Union will mandate these disclosures too.

### 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.<sup>23</sup> Another 2020 research study found that pay transparency in U.K. universities reduced the gender pay gap by 4.37%.<sup>24</sup> A separate 2022 study found that pay transparency in U.S. academic institutions dramatically reduced the gender pay gap, and even eliminated it completely in some states.<sup>25</sup> This past summer, after the EEOC's collected data was analyzed, chair Charlotte Burrows stated, "The study confirmed what we at the EEOC have long known – collecting and analyzing pay data can be a useful tool in preventing and combating pay discrimination in American workplaces."<sup>26</sup>

### United Kingdom Regulation

The United Kingdom has 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 U.K.-based corporations, but U.S. multi-nationals with more than 250 employees operating out of the U.K. The median and mean gaps reported for U.K. operators reflect large structural deficits at most companies, where fewer women hold higher-paying positions.<sup>27</sup> More severe examples include women at major investment banks who are paid around half of that of their male colleagues.<sup>28</sup>

In 2022, the median gender pay gap for full-time employees in the U.K. increased to 8.3%, up from 7.9% in 2021. This increase

was largely due to earnings being impacted by the COVID-19 pandemic. The 2022 gender pay gap decreased 0.6% when comparing it to pre-pandemic earnings in April 2019.<sup>29</sup> This work has led the U.K. to be recognized as the number one employer for social mobility in the Social Mobility Foundation's Employer Index for the past two years.<sup>30</sup>

The U.K.'s Commission on Race and Ethnic Disparities also recommends employers to voluntarily report pay gaps among racial pay groups. For companies that reported this data, the median ethnicity pay gap fell to 10% in 2021, down from 12% the previous year.<sup>31</sup>

### 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. Unfortunately, this data is not publicly available, and companies have not been required to report this data since.<sup>32</sup> However, analysis of the 2019-2020 data did reveal that required reporting of pay data can be an important tool in fighting pay inequities.<sup>33</sup> Additionally, EEOC Commissioner Keith Sonderling announced in August 2022 that this pay data reporting will eventually return to being mandatory.<sup>34</sup>

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.<sup>35</sup> While the bill passed the House in April 2021, it failed to overcome a Republican filibuster in the

<sup>22</sup> <https://www.eeoc.gov/wysk/what-you-should-know-national-academies-evaluation-compensation-data-collected-through-eeo-1>

<sup>23</sup> [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](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)

<sup>24</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3682949](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3682949)

<sup>25</sup> <https://www.nature.com/articles/s41562-022-01288-9>

<sup>26</sup> <https://www.eeoc.gov/newsroom/eeoc-announces-independent-study-confirming-pay-data-collection-key-tool-fight>

<sup>27</sup> <https://www.wsj.com/graphics/uk-pay-gap/>

<sup>28</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2022>

<sup>29</sup> *Ibid.*

<sup>30</sup> <https://www.pwc.co.uk/economic-services/WIWI/pwc-women-in-work-index-2022.pdf>

<sup>31</sup> <https://www.peoplemanagement.co.uk/article/1751815/number-uk-companies-reporting-ethnicity-pay-gap-halves-year-data-reveals>

<sup>32</sup> <https://www.laboremploymentlawblog.com/2019/04/articles/eeoc-enforcement-updates/employers-must-provide-pay-data-september-30/>

<sup>33</sup> <https://www.eeoc.gov/newsroom/eeoc-announces-independent-study-confirming-pay-data-collection-key-tool-fight>

<sup>34</sup> <https://news.bloomberglaw.com/daily-labor-report/employer-alert-eeoc-pay-reporting-is-set-to-return>

<sup>35</sup> <https://www.congress.gov/bill/117th-congress/house-bill/7>

Senate in June 2021.<sup>36</sup> That's despite nine in 10 women voters believing that strengthening equal pay law is important, and three quarters that say it is "very important" or "one of the most important things Congress can do."<sup>37</sup>

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.<sup>38</sup> Currently, 1 in 3 workers in the U.S. are subject to laws requiring some form of pay transparency either now or in the future.<sup>39</sup> 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).<sup>40</sup> Of note, California added a requirement to report median and mean hourly rates separated by race, ethnicity, and sex within each job category gaps beginning in May 2023.<sup>41</sup>

### Canada Regulation

In 2021, Canada passed the Pay Equity Act mandating federally regulated companies with at least 100 employees publish their wage gap data for women, indigenous people, persons with disabilities, and members of visible minorities.<sup>42</sup>

### 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.<sup>43</sup>

### 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.<sup>44</sup>

### France Regulation

In France, companies with more than 50 employees are required to calculate and report on the gender pay gap, the gap between salary increases between men and women, the gap between rate of promotions of men and women, the number of women who received a salary increase when returning from maternity leave, and the number of women in the top 10 wage earners.<sup>45</sup>

### 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.<sup>46</sup> On December 15, 2022, the EU Council and the EU Parliament reached an agreement on the proposal and issued new pay equity measures. These measures include pay transparency for job seekers, the ability for employees to request salary data from their employer, reporting on gender pay gaps, and mandatory pay assessments for employers with gender pay gap of at least 5%. The gender pay gap reporting will require employers with at least 100 employees to publicly publish information on their gender pay gaps every one to three years. These new measures also include better access to justice for victims of pay discrimination. Currently, this agreement is awaiting formal approval by the EU's co-legislators. After approval, it will become law and EU member states will be required to integrate these measures into their national law within three years.<sup>47</sup>

Additionally, the European Union's Sustainable Finance Disclosure Regulation (SFDR) mandates asset managers and other financial market participants to disclose certain ESG metrics. This regulation seeks to expose any greenwashing tactics from asset managers and provide more transparency for investors to compare the various sustainable investment strategies available within the European Union.<sup>48</sup> The SFDR specifically identifies the "unadjusted gender pay gap" as one of the indicators that asset managers should collect and report on under the SFDR.<sup>49</sup>

<sup>36</sup> <https://www.nytimes.com/2021/06/08/us/politics/filibuster-pay-equity.html>

<sup>37</sup> <https://ywomenvote.org/wp-content/uploads/2022/08/20220826-YWomenVote-Memo-MidtermElectionStudy.pdf>

<sup>38</sup> [https://www.seyfarth.com/dir\\_docs/publications/PayEquityBrochure.pdf](https://www.seyfarth.com/dir_docs/publications/PayEquityBrochure.pdf)

<sup>39</sup> <https://synd.io/blog/us-pay-transparency-legislation-cheat-sheet/>

<sup>40</sup> <https://ogletree.com/podcasts/2022-02-16/pay-disclosure-laws-on-the-rise/>

<sup>41</sup> <https://synd.io/blog/us-pay-transparency-legislation-cheat-sheet/>

<sup>42</sup> <https://www.theglobeandmail.com/business/article-canada-lags-other-countries-on-gender-equality-in-workplace-global/>

<sup>43</sup> <https://knowledge.leglobal.org/pay-equity-laws-in-belgium/>

<sup>44</sup> <https://trusaic.com/blog/ireland-gender-pay-gap-information-act-2021-signed-into-law/>

<sup>45</sup> <https://synd.io/blog/global-pay-reporting-cheat-sheet/>

<sup>46</sup> [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_961](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_961)

<sup>47</sup> <https://www.payscale.com/compensation-trends/eu-commission-agrees-on-pay-transparency-rules/>

<sup>48</sup> <https://am.jpmorgan.com/gb/en/asset-management/institutional/investment-strategies/sustainable-investing/understanding-SFDR/>

<sup>49</sup> <https://corpgov.law.harvard.edu/2022/03/07/gender-pay-gap/>

## THE BUSINESS CASE

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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:

### 1. 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. This is especially true for Gen Z employees, with 70% stating that they would consider switching jobs for greater pay transparency.<sup>50</sup> 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 are often a deciding factor for prospective employees.

### 2. 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.<sup>51,52</sup>

### Performance Benefits

Greater diversity can improve all facets of an organization, from the 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.

- Companies that disclose they have conducted a pay equity analysis report experience nearly an 8% higher mean five-year Return-on-Equity compared to counterparts.<sup>53</sup>
- Companies that make rewards and recognition fair and equitable are four times more likely to have excellent business outcomes and seven times more likely to innovate and adapt to change.<sup>54</sup>
- Institutional Shareholder Services (ISS) ESG reports that companies with greater gender diversity exhibit better market performance and higher financial quality than companies that do not prioritize gender diversity.<sup>55</sup>
- 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.<sup>56</sup>
- 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.<sup>57</sup>

<sup>50</sup> <https://www.inc.com/marcel-schwantes/new-report-pay-transparency-may-be-key-to-keeping-your-employees-in-2021.html>

<sup>51</sup> <https://www.catalyst.org/research/why-diversity-and-inclusion-matter/>

<sup>52</sup> <https://www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>

<sup>53</sup> <https://justcapital.com/reports/just-jobs-analysis-why-pay-equity-is-still-critically-important-in-the-time-of-coronavirus/>

<sup>54</sup> <https://synd.io/blog/what-works-for-pay-equity-josh-bersin/> - business-outcomes-pay-equity

<sup>55</sup> <https://www.issgovernance.com/file/publications/ISS-ESG-Gender-Diversity-Linked-to-Success.pdf>

<sup>56</sup> <https://www.ft.com/content/91aead88-a1c0-4b5c-8809-a58c237a541e>

<sup>57</sup> [https://www.refinitiv.com/content/dam/marketing/en\\_us/documents/gated/reports/gender-pay-gap-and-investment-strategies.pdf](https://www.refinitiv.com/content/dam/marketing/en_us/documents/gated/reports/gender-pay-gap-and-investment-strategies.pdf)

## THE BUSINESS CASE

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- 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.<sup>58</sup>
- 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.<sup>59</sup>
- 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.”<sup>60</sup>
- 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).<sup>61</sup>
- Boston Consulting Group reports that companies with more diverse leadership teams report 19% higher innovation revenue than less diverse companies.<sup>62</sup>
- “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.<sup>63</sup>
- Companies face significant financial risks when they wait to disclose and address racial and gender pay gaps. One study found that companies that attempt to close identified pay gaps now will pay less than those that delay remediation, as the average cost to correct gaps increases by \$439,000 per year.<sup>64</sup>
- Companies that delay addressing these issues face litigation risks. In 2022, Google settled a class action lawsuit that accused the company of systematically underpaying women. The company paid \$118 million in monetary relief.<sup>65</sup>

### 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.”<sup>66</sup> 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.”<sup>67</sup>

<sup>58</sup> [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](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)

<sup>59</sup> <https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/Consulting/DEI.pdf>

<sup>60</sup> <https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/cs-gender-3000-report-2019-201910.html>

<sup>61</sup> <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Gender-Diversity-in-Senior-Positions-and-Firm-Performance-Evidence-from-Europe-43771>

<sup>62</sup> <https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation>

<sup>63</sup> <https://ideas.darden.virginia.edu/companies-innovate-more-when-boards-include-woman>

<sup>64</sup> <https://www.gartner.com/en/human-resources/trends/payequity>

<sup>65</sup> <https://www.nytimes.com/2022/06/12/business/google-discrimination-settlement-women.html>

<sup>66</sup> <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/promoting-gender-parity-in-the-global-workplace>

<sup>67</sup> <https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them>

## INVESTOR ACTION

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Over the last nine years, at least 90 companies have faced 158 shareholder resolutions regarding their gender and racial pay gaps. A total of 75 resolutions have been withdrawn for company agreements to improve disclosure and policies, and many more shareholder dialogues have taken place without the need of a shareholder resolution. Only six resolutions have been omitted, while 64 resolutions have been voted on.

The shareholder campaign has primarily focused on the technology, financial services, consumer, and healthcare sectors. About half the companies initially agreed to report their adjusted pay gap numbers but subsequently balked at reporting unadjusted median pay data – leading to multi-year proposals at laggard companies. Last year six of nine resolutions resulted in companies agreeing to report both sets of data, but there have been only four withdrawn resolutions so far this year with 12 likely heading to a vote.

The pay equity shareholder campaign started in 2014 when Arjuna Capital filed a proposal with technology firm eBay asking it to close its gender pay gap. In 2015, the eBay proposal went to a vote 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 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 six-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 to 39% at Oracle.

Thirty-three proposals were filed in 2018, with a focus on banks and financial services companies. Twenty-four resolutions were withdrawn as companies agreed to improve pay gap disclosure. Yet disclosure ended up being limited to statistically adjusted pay gap analyses that helped identify pay gaps between peers in similar roles, but did not address median pay gaps, which is crucial in identifying the lack of diversity in high paying leadership

positions and the lack of opportunity for advancement and higher pay.

In 2019, 29 proposals were filed 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 that were initially responsive to earlier resolutions were only providing limited pay data disclosure. Consequently, the resolution requests became more explicit, and many proposals asked for racial, ethnic and gender pay data, as well as for unadjusted median pay data. 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 13 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 in the U.K., 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 again asked for gender and racial median pay reports. Five went to a vote, and two received majority support as the resolution at Walt Disney earned 60%, and Lowe’s earned 58%. Three other resolution votes averaged 32%. Four were withdrawn when Chipotle, Home Depot, Target and Best Buy all quickly agreed to provide racial and gender median pay data.

In 2023, shareholders filed 16 resolutions – ten of which were filed at companies for the first time. Resolutions ask for an annual report on unadjusted median and adjusted pay gaps across race and gender globally and/or by country, and associated policy, reputational, competitive, and operational risks to recruiting and retaining diverse talent. Resolutions were withdrawn at Amalgamated Bank, BlackRock, Thermo Fisher, and Visa as all agreed to disclose adjusted and unadjusted numbers, but twelve are pending which would make this one of the highest number of pay equity resolutions voted on in a given year.

# 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	0.93	1	0.93	0.865	0.846	1	1	1	1	95.71%	A
Bank of New York Mellon	1	0.959	1	0.936	0.81	0.71	1	1	1	0.75	91.65%	A
Citigroup	0.995	0.96	0.99	0.74	0.729	0.351	1	1	1	1	87.65%	A
American Express	1	0.952	1	1.067	0.833	0.548	0.33	1	1	1	87.30%	A
Progressive Insurance	1	0	1	0	NA	NA	1	1	1	1	75.00%	B
Key Corp	0.99	0	0.99	0	NA	NA	1	1	1	1	74.75%	B
Wells Fargo	0.99	0	0.99	0	0.85	0.67	1	0.93	1	1	74.30%	B
Amalgamated Bank	0.5	0.5	0.5	0.5	NA	NA	1	1	1	0.75	71.88%	B
Marsh & McLennan	0.99	0	0.99	0	0.69	0.51	1	1	1	1	71.83%	B
Bank of America	0.99	0	0.99	0	0.71	0.55	1	0.9	1	1	71.45%	B
Discover Financial Services	1.01	0	1.01	0	0.86	0.716	0	1	1	0.75	63.46%	C
Citizens Financial Group	0	0	0.99	0	NA	NA	1	1	1	1	62.38%	C
Reinsurance Group	1.003	0	0.997	0	NA	NA	1	0.9	0	1	61.25%	C
JP Morgan	0	0	0.99	0	0.76	0.62	1	1	1	0.75	61.22%	C
BlackRock	0.5	0.5	0.5	0.5	0.76	0.73	1	0.5	0	1	59.90%	C
Cincinnati Financial	1.016	0	0.985	0	NA	NA	1	0	0	0.75	46.89%	D
Hartford Financial Services	0.99	0	1	0	NA	NA	0.33	0	0	0.75	38.30%	F
MetLife	0	0	0	0	0.7	0.41	1	0	0	1	31.11%	F
Lincoln National	0	0	0	0	NA	NA	0	0	0	1	12.50%	F
Goldman Sachs	0	0	0	0	0.7	0.45	0	0	0	0	11.47%	F
Arthur J. Gallagher	0	0	0	0	0.69	0.35	0	0	0	0	10.48%	F
Charles Schwab	0	0	0	0	NA	NA	0	0	0	0	0.00%	F
Technology/Communications	adjusted	median	adjusted	median	base	bonus	base/bonus/ equity	% coverage	global goal	annual review		
Microsoft	1.01	0.9	1.01	0.9	0.93	0.8	1	0.998	1	1	95.48%	A
Adobe	1	0.863	1	0.972	0.9	0.671	0.33	1	1	1	87.36%	A
Visa	1.01	0.5	1	0.5	0.88	0.8	1	0.998	1	1	86.88%	A
Apple	1	0	1	0	0.91	0.82	1	1	1	1	77.30%	B
Verizon Communications	1	0	1	0	0.865	0.867	0.33	1	1	1	70.62%	B
Walt Disney Company	1	0.5	0.99	0.5	0.862	0.845	0.33	0.991	0	1	70.18%	B
Qualcomm	1	0	1	0	0.84	0.57	1	1	1	0	64.10%	C
Expedia	0	0	1	0	0.88	0.68	1	1	0	1	55.50%	C
eBay	0	0	1	0	NA	NA	1	1	1	0	50.00%	D
Analog Devices	0.98	0	0.98	0	NA	NA	0	0	1	1	49.50%	D
Texas Instruments	0	0	0	0	NA	NA	1	1	1	0.75	46.88%	D
Meta	0	0	0	0	0.92	0.68	0	1	1	0.75	43.46%	D
Intel	0	0	0	0	0.68	0.46	0	1	1	1	41.38%	D
AT&T Inc.	0	0	0	0	0.9	0.82	0	0	0	0	17.15%	F
HP Inc	0	0	0	0	0.93	0.75	0	0	0	0	16.77%	F
Alphabet	0	0	0	0	0.85	0.67	0	0	0	0	15.20%	F
Oracle	0	0	0	0	0.77	0.68	0	0	0	0	14.46%	F
Netflix	0	0	0	0	NA	NA	0	0	0	1	12.50%	F
Consumer	adjusted	median	adjusted	median	base	bonus	base/bonus/ equity	% coverage	global goal	annual review		
Target	1	1	1	1	NA	NA	1	1	1	1	100.00%	A+
Starbucks	1	1	1	1	0.9	0.93	1	1	1	1	98.30%	A
Lowe's	1	0.99	1	0.97	NA	NA	1	0.92	0	1	86.00%	A
Best Buy	0.998	0.942	0.996	1.003	NA	NA	1	0.9	0	1	85.49%	A
Home Depot	0.99	0.94	1.01	0.98	NA	NA	1	0.89	0	1	85.13%	A
Chipotle	1.001	1.017	0.997	1	NA	NA	0.33	0.99	0	1	79.19%	B
Nike	1	0	1	0	0.931	0.675	1	1	1	1	76.06%	B
McDonald's	1.01	0	1	0	1	1.12	0.33	1	1	1	74.60%	B
Amazon	0.99	0	1	0	0.87	0.77	1	1	1	0	66.31%	C
Kellogg	1	0	0.998	0	0.934	0.935	0	1	1	1	68.67%	C
Colgate	0	0	0	0	NA	NA	0	1	1	1	37.50%	F
Wyndham Hotels & Resorts	0	0	0	0.96	NA	NA	0	1	1	0	37.00%	F
Walmart	0	0	0	0	NA	NA	0	0.85	1	1	35.63%	F
TJX Companies	0	0	0	0	0.96	0.6	0.33	0	0	0.75	26.40%	F
Costco	0	0	0	0	0.99	0.86	0	0	0	0	18.50%	F
Marriott International	0	0	0	0	1.11	0.68	0	0	0	0	17.88%	F
Kroger	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	0.836	0.994	1.013	0.925	0.804	0.66	1	1	1	92.32%	A
Thermo Fisher	0.5	0.5	0.5	0.5	0.97	0.96	1	1	1	1	79.25%	B
Biogen Inc.	0.997	0	0.997	0	0.96	0.8	0	1	1	0.75	65.04%	C
Cigna	0.99	0	0.97	0	0.69	0.49	0.33	0	1	1	44.62%	D
IDEXX Laboratories	0	0	0	0	0.93	0.86	0	0.89	0	1	36.79%	F
Intuitive Surgical	0.998	0	1.005	0	NA	NA	0	0	0	0.75	34.41%	F
DaVita Inc.	0	0	0	0	NA	NA	0	0	0	1	12.50%	F
Quest Diagnostics	0	0	0	0	NA	NA	0	0	0	1	12.50%	F
DexCom	0	0	0	0	NA	NA	0	0	0	0	0.00%	F
Other	adjusted	median	adjusted	median	base	bonus	base/bonus/ equity	% coverage	global goal	annual review		
Boeing	0	0	0	0	0.84	0.81	0	0	1	0.75	34.00%	F
NextEra	0	0	0	0	NA	NA	0	0	0	0	0.00%	F

Data as of 3/1/23.

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 the next year (BlackRock, Amalgamated Bank, Thermo Fisher, Visa, Disney).

The U.K. Scores for multiple divisions were averaged in the absence of integrated reporting.

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

Walmart's employee coverage is an estimate of the company's operations in the U.S. and Canada.

## BY SCORECARD CATEGORY

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While significant improvements in pay equity analysis and reporting have been made over the last nine 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 81% of white wages. Black and Latina women earn 64% and 54% 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. Several companies also now report on the pay gaps that result from the intersectionality of race and gender. This includes Apple, Microsoft, and Disney.

**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. Thirty-five companies in the Scorecard have disclosed their quantitative racial/ethnic/minority pay gaps within the last two years on a statistically adjusted basis. This includes nine additional companies that began reporting within the last year including Target, Lowe's, Best Buy, Home Depot, Chipotle, Intuitive Surgical, Visa, Kellogg, and Disney. Twenty-two companies—Target, Starbucks, Lowe's, Chipotle, McDonald's, Nike, Mastercard, Bank of New York Mellon, American Express, Progressive Insurance, Discover Financial Services, Reinsurance Group, Cincinnati Financial, Pfizer, Microsoft, Adobe, Visa, Apple, Verizon, Disney, Kellogg, and Qualcomm—report 100% equal pay or better for this category. Amalgamated Bank, BlackRock, and Thermo Fisher have committed to disclosing this data within the next year.

**b. Median Racial Pay Gap %:** Target, Lowe's, Best Buy, Home Depot, Chipotle, and Microsoft joined Adobe, American Express, Bank of New York Mellon, Citigroup, Starbucks, Mastercard, and Pfizer in disclosing their U.S. unadjusted median racial pay gap since last year. Amalgamated Bank, BlackRock, Thermo Fisher, Visa, and Disney have agreed to publish median racial pay gaps within the next year. Starbucks, Target, and Chipotle report 100% or better equal pay on a median basis for this category.

### 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-nine companies report quantitative gender pay gaps on an adjusted basis, with nine companies reporting this data for the first time this last year. Twenty companies report they have closed statistically adjusted gender pay gaps, which is significantly more than the five companies that reported this in 2019. Companies that achieved 100% adjusted equal pay for women include Starbucks, Target, Lowe's, Home Depot, McDonald's, Nike, Mastercard, Bank of New York Mellon, American Express, Progressive Insurance, Discover Financial Services, Intuitive Surgical, Microsoft, Adobe, Visa, Apple, Verizon, Qualcomm, Expedia, and eBay. Amalgamated Bank, BlackRock, and Thermo Fisher have committed to begin disclosing this data within the next year.

**b. Median Gender Pay Gap %:** Fourteen companies—Starbucks, Target, Lowe's, Best Buy, Home Depot, Chipotle, Wyndham Hotels & Resorts, Mastercard, Bank of New York Mellon, American Express, Citigroup, Pfizer, Microsoft, and Adobe—have now disclosed their unadjusted global median gender pay gaps. This is up from eight companies in last year's scorecard. Five additional companies—Amalgamated Bank, BlackRock, Thermo Fisher, Visa, and Disney—have committed to disclosing the gap within the next year. Of note, over 40 companies in the U.S. have now reported or committed to report median pay gaps although not all are covered by this Scorecard. Best Buy, American Express, and Pfizer have the lowest global median gender pay gaps, with Best Buy paying women \$1.003. American Express paying women \$1.067, and Pfizer paying women \$1.013 on the dollar versus men. Target, Starbucks, and Chipotle report that women earn \$1 per \$1 that men earn on a median basis.

## BY SCORECARD CATEGORY

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### 3. U.K. 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 U.K., operations.

**a. U.K. Median Base %:** U.K. median disclosures on hourly and bonus pay are limited to the U.K. operations of U.S. multinational corporations. Forty-one companies in the Scorecard are required to report their median hourly gender pay in the U.K. McDonald's reports no hourly wage gaps and Marriott reports that women earn \$1.108 for every \$1 that men earn in the U.K. Intel reports the largest median hourly pay gap, paying women 68 cents on the dollar versus men.

**b. U.K. Median Bonus %:** Forty-one companies in the Scorecard are required to report their median bonus gender pay in the U.K. McDonald's reports the lowest gender pay gap with women earning \$1.12 for every \$1 that men earn. Citigroup and Arthur J. Gallagher report the largest median bonus gaps, with both awarding women about 35 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 68 companies covered by the Scorecard, 30 report or have committed to reporting in the next year, all components of compensation including base, bonus, and equity. Nine companies—Chipotle, McDonald's, TJX Companies, American Express, Hartford Financial Services, Cigna, Adobe, Verizon, Disney—report that their pay gap analyses are completed using only base salaries. Only five companies that report pay gaps (Kellogg, Discover Financial Services, Biogen, Intuitive, and Analog) 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 multinational operations. Forty-four companies report the percentage of employees covered by their pay analyses, up from 32 in 2021, 23 in 2020 and 19 in 2019. This also includes companies that have committed to disclosing their pay gaps along with employee coverage within the next year. Five companies who report wage gaps receive a lower overall score for lack of transparency in this sub-category (Cincinnati Financial, Analog Devices, Hartford Financial Services, Intuitive Surgical, and Cigna). Twenty-nine companies conduct, or have committed to conducting within the next year, 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. Thirty-seven companies have a goal to assess their pay gaps on their global employee population.

**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. Forty companies in the Scorecard have committed to annual reviews, up from 35 in 2022. Twelve more—TJX Companies, Bank of New York Mellon, Amalgamated Bank, Discover Financial Services, JP Morgan, Cincinnati Financial, Hartford Financial Services, Biogen, Intuitive Surgical, Boeing, Texas Instruments, and Meta—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.

## BY INDUSTRY

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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.<sup>68</sup>

### 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.<sup>69</sup> In 2021, Citigroup named the first female CEO on Wall Street, representing a significant leap forward. Adding women to C-suite positions is incredibly important, as it has a "multiplier effect" on the company's overall diversity. For every woman that joins the C-suite, five women join the company's senior leadership.<sup>70</sup> Unfortunately, C-suite positions across the financial service sector are comprised of only 23% white women and 4% women of color, even though women represent over 50% of the sector.<sup>71</sup> Female executives are also 20-30% more likely to leave financial services careers than other careers.<sup>72</sup> It is 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.<sup>73</sup> PayScale finds an unexplained adjusted 2% gender pay gap in the financial industry and an unadjusted gender pay gap of 33%.<sup>74</sup> A separate PayScale study found that 58% of finance and insurance companies are planning on performing a race or gender pay equity analysis by the end of 2023.<sup>75</sup>

**Pass:** For the third year in a row, Mastercard tops the finance sector with a score of 96/100. Also receiving an A were Bank of New York Mellon, American Express, and Citigroup. This top score reflects these companies' disclosures of both statistically adjusted 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 and Progressive Insurance, Key Corp, Marsh & McLennan increased their scores to a B this year. These companies earned this score due to disclosure of statistically adjusted gaps, and reporting on their pay gap analysis methodology. New company addition Amalgamated Bank also earned a B, as it committed to publishing a best practice adjusted and unadjusted racial and gender pay disclosure in 2023. Additionally, Key Corp and Reinsurance Group improved their scores from a D to a C due to improved disclosures.

**Fail:** Of the 22 peer financial companies, six receive a failing grade: MetLife, Hartford Financial Services, Goldman Sachs, Lincoln National, Arthur J. Gallagher, and Charles Schwab. All of these companies, except Hartford Financial Services, lack quantitative statistically adjusted and median racial and gender pay reporting, commitments to disclosure, and global coverage.

<sup>68</sup> <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

<sup>69</sup> <https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gender-and-race-gaps-in-north-american-financial-services>

<sup>70</sup> <https://www2.deloitte.com/xe/en/insights/industry/financial-services/gender-diversity-in-global-financial-services.html>

<sup>71</sup> <https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gender-and-race-gaps-in-north-american-financial-services>

<sup>72</sup> <https://www.marshmclennan.com/content/dam/mmc-web/insights/publications/2019/nov/Women-In-Financial-Services-2020.pdf>

<sup>73</sup> <https://insights.issgovernance.com/posts/how-transparent-are-companies-about-their-gender-pay-gaps/>

<sup>74</sup> <https://www.payscale.com/research-and-insights/gender-pay-gap/>

<sup>75</sup> <https://www.payscale.com/research-and-insights/cbpr/>

### 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. The tech industry made great gains in 2022 in increasing women in its overall workforce and leadership positions. Deloitte reports that 32.9% of the overall technology workforce is comprised of women and that 25.3% of leadership roles are filled by women in the sector. Women have increased their representation in leadership roles by 19.5% since 2019, however they still remain a minority in leadership.<sup>76</sup> The tech industry also has a significant lack of racial diversity, with Black Americans holding 7% of jobs and Latinx Americans holding 8% of jobs.<sup>77</sup> In 2021, Intel reported that its employee base was comprised of 9% Latinx employees and 5% Black employees, while its executives were comprised of 4% Latinx employees and 2% Black employees. Meanwhile, the company's overall employee population is 44% white, while its executives are 57% white.<sup>78</sup> Oracle is the rare tech company with a female CEO, but 65% of its management is white and only 27% are female. Only 6.9% of its overall workforce is Hispanic and 6% is Black.<sup>79</sup>

**Pay Gaps:** In addition to low numbers of women in the ranks and leadership, PayScale finds an unexplained 10% gender unadjusted pay gap in the technology industry.<sup>80</sup> 50% of technology companies plan to perform a race or gender pay equity analysis in 2023.<sup>81</sup>

**Pass:** Microsoft earned the highest score in the technology/communications sector for the first year, with a letter grade of A and score of 95/100. Microsoft improved its letter grade from a B to an A, as it disclosed its unadjusted racial and gender pay gaps for the first time this past fall. Microsoft and Adobe are the only two companies within the sector to disclose median racial and gender pay gaps, both earning letter grades of A. Visa also earned an A due to its commitment to begin reporting racial and gender median pay gaps in 2023. Three companies—Apple, Verizon, and Disney—earned a score of B due to their statistically adjusted pay gap disclosures and comprehensive reporting of their pay gap methodology. Disney had one of the largest score increases from last year, increasing its score from an F to B in this year's scorecard. While the company disclosed no pay gap data last year, it increased its disclosure to adjusted racial and gender pay gaps in 2022 and is committed to disclosing median racial and gender pay gaps in 2023.

**Fail:** Five out of 18 tech/communications companies receive a failing rating on this year's Scorecard—Alphabet, AT&T, HP, Oracle and Netflix—for lack of quantitative statistically adjusted and median pay gaps reporting, commitments, and global coverage. Intel and Alphabet's 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. While BlackRock does not currently disclose data on its pay gaps, it has committed to disclosing adjusted and unadjusted pay gap data within the next year, granting it partial credit.

<sup>76</sup> <https://www2.deloitte.com/us/en/insights/industry/technology/women-tech-leadership.html>

<sup>77</sup> <https://www.zippia.com/advice/diversity-in-high-tech-statistics/>

<sup>78</sup> <https://www.intel.com/content/www/us/en/diversity/diversity-at-intel.html>

<sup>79</sup> <https://www.oracle.com/corporate/careers/diversity-inclusion/>

<sup>80</sup> <https://www.payscale.com/research-and-insights/gender-pay-gap/>

<sup>81</sup> <https://www.payscale.com/research-and-insights/cbpr/>

### 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.<sup>82</sup> 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, 53% of U.S. employees are women, but women account for only 36% of corporate officers. Fifty percent of U.S. employees are people of color, but only 29% are corporate officers.<sup>83</sup>

**Pay Gaps:** PayScale finds an unexplained 3% gender pay gap in the retail industry after statistical controls and an unadjusted gender pay gap of 12%.<sup>84</sup> Fifty-eight percent of retail and customer service companies plan to conduct a race or gender pay equity analysis in 2023.<sup>85</sup>

**Pass:** For the first year, Target tops the consumer sector with a perfect score of 100/100, illustrating strong performance with 100% adjusted and unadjusted racial and gender pay equity. The consumer sector makes up the greatest percentage of companies with scores of A, as Starbucks, Lowe's, Best Buy, and Home Depot also have strong disclosures. Lowe's and Best Buy's scores both improved from F to A scores as they started reporting statistically adjusted and unadjusted pay gap data.

**Fail:** Seven companies—Colgate, Wyndham, Walmart, TJX Companies, Costco, Marriott, and Kroger—received a failing grade for lack of quantitative reporting, disclosure commitments, and global coverage. Walmart, Colgate, TJX Companies, and Wyndham disclose some information around internal pay equity audits, but do not disclose quantitative metrics leading to their failing scores.

### 4. HEALTHCARE

**Representation:** The healthcare sector's racial and ethnic breakdown is 72% white, 18% Black and 15% Latino.<sup>86</sup> Sixty-six percent of all entry level healthcare workers are female, while the level of women in C-suite positions is about 30%.<sup>87</sup> Most U.S. physicians are male, while women make up over 87% of nurses and home and personal care aides.<sup>88</sup>

**Pay Gaps:** The healthcare industry is reported to have the third widest pay gap across 15 industries. PayScale reports a 1% adjusted gender pay gap and a 14% unadjusted gender pay gap.<sup>89</sup> For physicians, the gender wage gap is substantial with women earning 28% less than men, up from 25.2% in 2019.<sup>90</sup> Nearly 35% of female health care workers and 50% of Black and Latina workers earned less than \$15 an hour.<sup>91</sup>

**Pass:** Pfizer yet again tops the 2023 healthcare sector Scorecard with a grade of 92/100, significantly outpacing its industry peers. Biogen, Cigna, and Intuitive Surgical are the only other companies within the healthcare industry to disclose statistically adjusted racial and gender pay gaps. Thermo Fisher Scientific scored a B, as it committed to a best practice pay equity disclosure with adjusted and unadjusted racial and gender pay gaps in 2023.

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

<sup>82</sup> <https://www.retaildive.com/news/as-retailers-focus-on-diversity-executive-representation-is-stagnant/585471/>

<sup>83</sup> [https://corporate.walmart.com/media-library/document/2022-culture-diversity-equity-and-inclusion-mid-year-report/\\_proxyDocument?id=00000183-d720-df74-a5cf-fff61c820000](https://corporate.walmart.com/media-library/document/2022-culture-diversity-equity-and-inclusion-mid-year-report/_proxyDocument?id=00000183-d720-df74-a5cf-fff61c820000)

<sup>84</sup> <https://www.payscale.com/research-and-insights/gender-pay-gap/>

<sup>85</sup> <https://www.payscale.com/research-and-insights/cbpr/>

<sup>86</sup> <https://www.bls.gov/cps/cpsaat18.htm>

<sup>87</sup> <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/women-in-healthcare-moving-from-the-front-lines-to-the-top-rung>

<sup>88</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6336060/>

<sup>89</sup> <https://www.payscale.com/research-and-insights/gender-pay-gap/>

<sup>90</sup> [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)

<sup>91</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6336060/>

# RECOMMENDATIONS

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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 U.S. adjusted racial equal pay gap %
2. Quantitative U.S. unadjusted median racial pay gap %
3. Quantitative global adjusted gender pay gap %
4. Quantitative global unadjusted median gender pay gap %, not only for U.K. 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

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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

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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 in analysis—base salary, bonus, and equity awards
- ii. Percentage of global operations covered by Adjusted Pay Gap analysis

### 5. Commitment:

- i. Goal to assess 100% of global operations over time
- ii. Public commitment or investor agreement to assess pay equity annually

## APPENDIX: SHAREHOLDER RESOLUTIONS

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### 2023

Amalgamated Bank  
Arjuna Capital

Apple  
Arjuna Capital

Amazon.com  
Arjuna Capital

BlackRock  
James McRitchie

Boeing  
James McRitchie

Charles Schwab  
James McRitchie

DexCom  
James McRitchie

Goldman Sachs  
James McRitchie

Intuitive Surgical  
James McRitchie

Kellogg  
James McRitchie

Kroger Co.  
Arjuna Capital

Marriott  
James McRitchie

Netflix  
James McRitchie

NextEra Energy  
James McRitchie

Thermo Fisher Scientific  
Arjuna Capital

Visa  
Arjuna Capital

### 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  
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

## APPENDIX: SHAREHOLDER RESOLUTIONS

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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

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

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### Racial & Gender Pay Gaps

**Whereas:** Pay inequities persist across race and gender and pose substantial risk to companies and society at large. Black workers' hourly median earnings represent 81 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 income. PwC estimates closing the gender pay gap could boost Organization for Economic Cooperation and Development countries' economies by 2 trillion dollars annually.

Actively managing pay equity is associated with improved representation. Diversity in leadership is linked to improved innovation and financial performance. Minorities represent 60 percent of Visa's US workforce and 38 percent of leadership. Women represent 42 percent of the workforce and 35 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.

Visa reports only a qualitative assurance of adjusted pay parity and ignores unadjusted gaps, which address structural bias women and minorities face regarding job opportunity and pay, particularly when men hold most higher paying jobs. Median pay gaps show, quite literally, how Visa assigns value to employees through the roles they inhabit and pay they receive. Median gap reporting also provides a digestible and comparable data point to determine progress over time.

Racial and gender median pay gaps are accepted as the valid way of measuring pay inequity by the United States Census Bureau, Department of Labor, Organization for Economic Cooperation and Development, and International Labor Organization. The United Kingdom and Ireland mandate disclosure of median gender pay gaps. Visa discloses data for United Kingdom employees, reporting a median hourly gender pay gap of 11.6 percent and median bonus gap of 20.4 percent.

**Resolved:** Shareholders request Visa report on both quantitative *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, US and/or by country, where appropriate

## NOTICE OF EXEMPT SOLICITATION

**NAME OF REGISTRANT:** Apple Inc.

**NAME OF PERSONS RELYING ON EXEMPTION:** Arjuna Capital

**ADDRESS OF PERSON RELYING ON EXEMPTION:** 13 Elm St. Manchester, MA 01944

**WRITTEN MATERIALS:** The attached written materials are submitted pursuant to Rule 14a-6(g)(1) (the "Rule") promulgated under the Securities Exchange Act of 1934,\* in connection with a proxy proposal to be voted on at the Registrant's 2023 Annual Meeting. \*Submission is not required of this filer under the terms of the Rule but is made voluntarily by the proponent in the interest of public disclosure and consideration of these important issues.

January 26, 2023

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.
    - 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.
    - Black workers in the U.S. earn 64 cents on the dollar versus white workers on this basis.
    - 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.
  2. adjusted gaps, a statistical assessment of pay between minorities/non-minorities, women/men, performing similar roles – data we previously pressed Apple to report in 2016.
    - 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 gender pay gap in the United States.<sup>93</sup>
    - 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.

<sup>92</sup> Resolution proponents often provide shareholder education materials to inform investors about an issue.

<sup>93</sup> <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

## APPENDIX: EXAMPLE OF A SHAREHOLDER MEMO

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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 points each. Large company peers like Microsoft, 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 U.K., 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.**
4. **Despite Apple’s leadership in the technology industry, it is not keeping pace with peers on racial and gender pay gap disclosures.** More companies are disclosing racial and gender median pay gaps, committing to an honest accounting of pay equity that will strengthen their diversity and talent retention. In 2021 and 2022 alone, Microsoft, Visa, Bank of New York Mellon, Best Buy, Chipotle, Disney, Home Depot, Lowe’s, and Target committed to expanding their pay gap disclosures to include median pay. Apple lags these companies in its pay equity disclosures.

### **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 is not a “meaningful metric for distribution”, 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](mailto: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.

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