

majorityaction 

EQUITY IN THE BOARDROOM

HOW ASSET MANAGER VOTING SHAPED CORPORATE ACTION ON RACIAL JUSTICE IN 2020

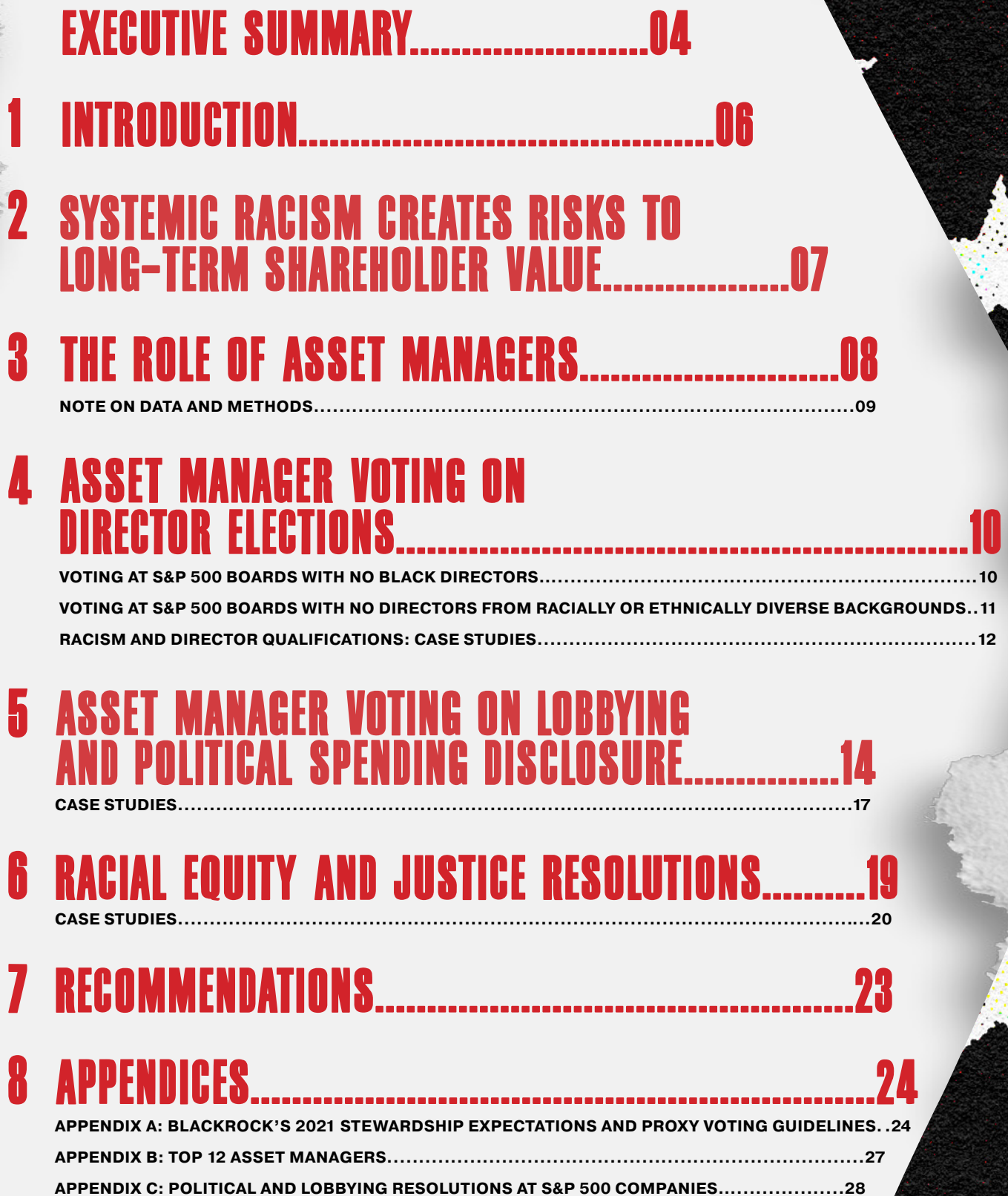
This report is dedicated to the memory of Steve Abrecht: courageous organizer, beloved mentor, and fierce believer in the power of movements and capital to confront and address systemic inequities.

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This study uses data obtained from Proxy Insight on November 23-26, 2020, and Institutional Shareholder Services ESG on November 23-24.

ISS uses company-disclosed classifications of director gender identity and ethnicity where explicitly provided. In cases where companies do not explicitly disclose gender identity or ethnicity, ISS makes a classification determination using publicly available information, which may include a review of photographic images in company filings, and other information contained in annual reports, company websites and other publicly available sources (and which inherently involves subjective assessments). ISS classifications are based on ISS' more granular version of the U.S. Office of Management and Budget's (OMB) definition of racial and ethnic categories as contained in OMB Directive 15.



| | |
|--|-----------|
| EXECUTIVE SUMMARY..... | 04 |
| 1 INTRODUCTION..... | 06 |
| 2 SYSTEMIC RACISM CREATES RISKS TO LONG-TERM SHAREHOLDER VALUE..... | 07 |
| 3 THE ROLE OF ASSET MANAGERS..... | 08 |
| NOTE ON DATA AND METHODS..... | 09 |
| 4 ASSET MANAGER VOTING ON DIRECTOR ELECTIONS..... | 10 |
| VOTING AT S&P 500 BOARDS WITH NO BLACK DIRECTORS..... | 10 |
| VOTING AT S&P 500 BOARDS WITH NO DIRECTORS FROM RACIALLY OR ETHNICALLY DIVERSE BACKGROUNDS.. | 11 |
| RACISM AND DIRECTOR QUALIFICATIONS: CASE STUDIES..... | 12 |
| 5 ASSET MANAGER VOTING ON LOBBYING AND POLITICAL SPENDING DISCLOSURE..... | 14 |
| CASE STUDIES..... | 17 |
| 6 RACIAL EQUITY AND JUSTICE RESOLUTIONS..... | 19 |
| CASE STUDIES..... | 20 |
| 7 RECOMMENDATIONS..... | 23 |
| 8 APPENDICES..... | 24 |
| APPENDIX A: BLACKROCK'S 2021 STEWARDSHIP EXPECTATIONS AND PROXY VOTING GUIDELINES.. | 24 |
| APPENDIX B: TOP 12 ASSET MANAGERS..... | 27 |
| APPENDIX C: POLITICAL AND LOBBYING RESOLUTIONS AT S&P 500 COMPANIES..... | 28 |



EXECUTIVE SUMMARY

This summer's surge in protests against police brutality and racial injustice have been accompanied by an unprecedented outpouring of statements from corporations acknowledging the existence of systemic racism and their responsibility for addressing it. As investors and corporate leaders face a reckoning about the embedded nature of systemic racism in our economic system, all aspects of corporate behavior and governance will need to be reassessed from a racial equity perspective.

Systemic racism creates material portfolio-wide and company-specific risks for investors. As the largest shareholders in many of the world's largest companies, and in their role managing the retirement savings of millions of Black and brown workers, asset managers have a responsibility to assist in rooting out systemic racism from our economic system. The proxy voting decisions of the world's largest asset managers, including BlackRock and Vanguard, can no longer be assumed to be neutral in the face of systemic racism.

While some major asset managers made statements in support of racial justice and equity following the protests against police brutality and anti-Black racism, this report demonstrates that "business as usual" proxy voting practices have shielded boards from accountability and reinforced a status quo that perpetuates the harms of systemic racism. This report documents the extent to which the world's largest asset managers voted their proxies to hold companies accountable for their role in addressing systemic racism in 2020; specifically, at companies that have failed to include racially and ethnically diverse leadership in the boardroom and in response to shareholder calls for oversight and transparency in addressing harms to internal and external stakeholders. The key findings of this review include:

–Of the 178 S&P 500 companies that had no Black directors as of their 2020 annual meetings, BlackRock voted to support the entire board at 163 companies and Vanguard voted to support the entire board at 166 companies. Of the 15 boards at which BlackRock voted against at least one director, the asset manager voted against only five Chairs of Nominating and/or Governance Committees. Of the 12 boards at which Vanguard voted against at least one director, it voted against only three Chairs of Nominating and/or Governance Committees.

–As of mid-November, 56 S&P 500 companies had no directors with racially or ethnically diverse backgrounds. BlackRock had voted to support the entire board at 52 of these companies at their 2020 annual meetings, while Vanguard voted to support the entire board at 51.

–Large asset manager proxy policies do not explicitly contemplate how to vote where a director's past or current behavior as a corporate or organizational leader includes acts of racist harm; in practice, this means track records of overt racist harm are not disqualifying characteristics for voting on director elections. As a

result, large asset managers have voted for directors with such track records, such as those at gunmaker Sturm, Ruger and electric utility Duke Energy, even when they had knowledge of these issues before voting.

–BlackRock and Vanguard voted to shield management from shareholder efforts to improve corporate disclosures of lobbying activities and political contributions. Corporate policy influence has substantial direct and indirect impacts on communities of color, including on issues relating to economic inequality, civil rights, and environmental justice. In 2020, 48 resolutions to improve corporate policy influence disclosures received more than 20% shareholder support across the S&P 500. BlackRock and Vanguard voted against every single one. At least 19 of these resolutions would have received majority support had BlackRock and/or Vanguard voted in favor.

–BlackRock and Vanguard voted overwhelmingly against proposals that were directly related to issues of racial justice in a company’s operations and/or governance, including board diversity,

workforce issues, pay disparities, and civil rights issues in the United States. Of the 25 such proposals that received substantial shareholder support across the S&P 500, BlackRock supported only four, Vanguard only five.

–By contrast, Legal & General and PIMCO voted for 100% of all of the policy influence disclosure and the racial justice resolutions reviewed in this report. Amundi voted for more than 90% of the policy influence disclosure resolutions.

While major asset managers are beginning to acknowledge their responsibility to address their role in systemic racism, following through on these commitments will require a substantial overhaul of their proxy voting priorities and processes. This report recommends that asset managers undertake comprehensive racial equity audits of their own investment processes, stewardship activities, and proxy voting guidelines and decisions, in order to understand the impacts of corporate governance on Black and brown communities in the United States, protect long-term investors from these risks, and transform corporate governance and behavior to dismantle systemic racism.





INTRODUCTION

CORPORATE RESPONSIBILITY FOR ADDRESSING RACIAL INJUSTICE

Across its 400 year history, the U.S. has never had an economic model divorced from racial inequity and violence.¹ Even the development of our core financial ideas and institutions — from mortgages to bookkeeping to the growth of Wall Street banks — were intimately intertwined with the slavery economy, the legacy of which drives the staggering racial wealth gaps and criminal justice industrial complex that undergird the challenges facing so many communities of color today.

“Business as usual” corporate behavior perpetuates and exacerbates systemic racism today, from racial disparities in lending² and pay,³ and algorithmic discrimination in healthcare⁴ and hiring,⁵ to unaccountable technology partnerships with law enforcement,⁶ and lobbying and political contributions that support elected officials and organizations that perpetrate policies that harm communities of color.⁷

While the 2020 uprisings for racial justice forced many companies to release statements in support of racial justice, far too many companies spoke the words “Black Lives Matter” without taking responsibility for their role in perpetuating systemic racism.⁸ Making real change will require conscious and comprehensive action, including a fundamental re-examination of corporate governance and behavior.

SYSTEMIC RACISM CREATES RISKS TO LONG-TERM SHAREHOLDER VALUE

Systemic racism creates risks to long-term shareholder value through both market-wide and company-specific mechanisms. The consequences of an economy rooted in systemic racism ripple out beyond the immeasurable harm experienced by Black and brown communities; as Raphael Bostic, President and CEO of the Atlanta Federal Reserve Bank recently penned, “Systemic racism is a yoke that drags on the American economy.”⁹ Analysis from Citigroup illustrated the systemic nature of this crisis, as failure to address racial wealth gaps in wages, housing, investment, and housing alone cost the U.S. economy \$16 trillion over the last 20 years.¹⁰ This economic drag has the potential to lower returns across investors’ portfolios.

At the company level, failure to comprehensively address issues of inequitable corporate behavior creates myriad risks for shareholders as our society grapples with systemic racism, including risk of reputational damage, litigation, and adverse policy and regulatory action.

For example, at the social media giant Facebook, civil rights activists and shareholders have long raised concerns with the company for failing to adequately respond to misinformation, discrimination, violent movements and data breaches that put Black users at risk.¹¹ In July 2020, more than 1,200 advertisers, including Unilever, Starbucks, and Coca-Cola paused advertising on the platform under the label “Stop Hate for Profit,” to demand that Facebook address racism across their platforms.¹² This boycott demonstrates the substantial reputational damage that can arise from failing to adequately address concerns about racism on Facebook’s platform.

Settlements from discrimination litigation can be a substantial cost for companies. Facebook has also spent millions settling civil rights lawsuits that claimed discrimination on the basis of race and other characteristics in housing, employment, and credit advertising.¹³ Other major companies that settled lawsuits in the past alleging racial discrimination involving workers and customers for significant sums include Walmart, Denny’s, Abercrombie and Fitch, Southern California Edison, and General Electric.¹⁴

Finally, ignoring the concerns of communities of color can lead to adverse regulatory and policy action. The now-cancelled Atlantic Coast Pipeline project, a joint venture between Dominion Energy and Duke Energy, faced substantial opposition from Black and Indigenous communities along the pipeline’s path and in the companies’ home states of Virginia and North Carolina.¹⁵ The pipeline project faced multiple legal and regulatory hurdles, including controversy regarding the siting of polluting infrastructure in the historic African American community of Union Hill, Virginia.¹⁶ The failed project ultimately resulted in a \$2.8 billion 2020 pre-tax loss for Dominion and \$2.0 billion pre-tax loss for Duke.¹⁷

For investors, by the time these risks have been made manifest, the damage to long-term shareholder value has been done. Proactive management of the risks associated with systemic racism is necessary to protect shareholders’ investments.

THE ROLE OF ASSET MANAGERS

Shareholders of major U.S. corporations have both the power and responsibility to hold boards accountable for their role in eliminating systemic racism. Asset managers have the greatest ability to impact corporate behavior through their substantial holdings in major companies and their outsized voting impact. BlackRock and Vanguard, the world's largest asset managers, each hold positions of more than 5% in nearly all S&P 500 companies.¹⁸ They are frequently the single largest shareholders in companies without a major inside shareholder.

Given that large asset managers are more likely to vote at company annual meetings than individual shareholders, their impact on director elections as well as on management and shareholder proposals is even greater than their ownership stakes would imply. For example, in 2017, the three largest asset managers—BlackRock, Vanguard, and State Street—held on average 20.5% of the outstanding shares of S&P 500 companies, while casting 25.4% of votes at those companies.¹⁹ This often gives these large asset managers the deciding vote when results are close.

Prior to the 2020 uprisings for racial justice, the three largest asset managers had made only limited statements identifying racism or racial equity as proxy voting issues. Where issues of racial equity have been included in proxy voting guidelines it has largely been in the context of improving board-level diversity, rather than a more comprehensive racial equity agenda.

For example, BlackRock's 2020 Proxy Voting Guidelines include race in a long list of director characteristics on which they encourage boards to disclose the consideration given in the nomination process, "including, but not limited to, gender, ethnicity, race, age, experience, geographic location, skills, and perspective."²⁰ BlackRock also states that if progress is not made on board diversity within a reasonable timeframe, BlackRock may hold relevant committees accountable.²¹ In its 2020 Stewardship Report, BlackRock indicates that it voted against 1,569 directors globally in 2019-20 based on insufficient progress in this area; however, it does not report how many of those negative votes, if any, related to insufficient racial or ethnic diversity on boards. (Indeed, BlackRock acknowledges that its voting focus has been on gender diversity to date.)²² In January, BlackRock also called on companies to publish disclosures aligned with the Sustainability Accounting Standards Board, which includes workforce diversity information.²³

Vanguard's guidelines describe the circumstances under which it will support shareholder proposals that seek board diversity disclosures or policies or workforce diversity or compensation disclosures, but do not indicate whether Vanguard would consider voting against directors due to lack of racial or ethnic diversity, or hold boards accountable for inequitable and harmful behavior.²⁴ State Street's proxy voting and engagement guidelines for North American shareholder meetings in 2020 identified "board diversity" as one of many criteria for a "well constituted board of directors," but made no specific reference to racial or ethnic diversity and included no other language that might be construed as relating to racial equity with respect to its proxy voting decisions.²⁵

Over the summer of 2020, all three issued statements indicating that issues of racial equity and justice would receive greater attention from investors going forward, although very little detail on the specific actions the asset managers would take as a result was provided. In a letter to colleagues, BlackRock CEO Larry Fink said, "To better serve our clients, we will focus on racial equity and social justice in our investment and stewardship activities,"²⁶ but its subsequent proxy voting policy updates, released in December, lack clear standards and firm deadlines (see Appendix A for more detail).

State Street wrote to corporate board chairs outlining new risk disclosure expectations on workforce and board-level racial diversity and indicated a willingness to use its proxy voting powers to hold boards accountable for providing these disclosures.²⁷ Vanguard simply notes in its 2020 Stewardship Report that diversity was a key topic for investors in the 2020 proxy season and its expectations of companies will increase accordingly.²⁸ By contrast, Legal & General has committed to vote against board chairs and chairs of nominating committees at boards with no Black, Asian, or other ethnic minority representation as of January 2022.²⁹

In focusing primarily on board-level diversity, and to a lesser extent workforce diversity, these statements and commitments by major asset managers fall far short of a comprehensive approach to using proxy voting authority to hold boards accountable on the full range of racial equity issues facing companies.

NOTE ON DATA AND METHODS

This report analyzes the votes of the top 12 global asset managers by assets under management according to data from Proxy Insight. The list of top 12 asset managers can be found in Appendix B.

This report analyzes two dimensions of asset manager voting behavior: first, the extent to which each supported management recommendations on director elections at S&P 500 companies that had no Black directors as of their latest annual meeting, as well those with no racially or ethnically diverse directors as of November 2020; second, how each voted on shareholder resolutions relevant to racial equity and justice at S&P 500 companies in the period between July 1, 2019 and June 30, 2020.

For director elections, data on companies currently in the S&P 500 with no Black directors as of their latest annual meetings in the period July 1, 2019 through June 30, 2020 and those with no racially or ethnically diverse directors as of mid-November were provided by Institutional Shareholder Services ESG (ISS ESG) to Majority Action as of November 23-24, 2020. ISS generated this data through company and individual disclosures, surveys, and independent research (see disclaimer on page 2 for more information).

For shareholder resolutions, only those that received at least 20% support of voting shareholders were included, to ensure that asset managers' voting records were judged against resolutions with a baseline of significant shareholder support. A small number of topical resolutions that received at least 20% outside shareholder support at companies with substantial insider holdings were also included.

A full list of these resolutions can be found in Appendices C and D. These resolutions included:

–All resolutions at S&P 500 companies that asked the board to provide additional disclosures on policy influence activities, election spending and lobbying disclosures, including resolutions calling on companies to disclose spending in elections or lobbying, including through trade associations and on a state level.

–Proposals that were directly related to issues of racial equity and justice in a company's operations and/or governance, including board diversity, workforce issues, pay disparities, and civil rights issues in the United States.

–Voting data was provided by Proxy Insight as of November 23-26, 2020, based on 2020 N-PX filings for those asset managers that file N-PX reports with the SEC, other public data sources, and direct investor reporting to Proxy Insight.

Proposal votes are counted as “for” if 75% or more of funds within a fund family voted for a proposal and “against” if at least 75% of funds within a fund family opposed it. Director votes may be “against” or “withhold,” depending on a company's voting standard for director elections. Both are treated as “against” votes. Votes where there was less than 75% agreement among funds in the same fund family are recorded as “mixed.” Only actual votes for a shareholder resolution are considered votes in support of it, with abstentions being counted as non-votes. The support percentage is calculated by: votes in support / (votes in support + votes against).

Finally, this report identifies resolutions that did not obtain majority support, but would have done so with the support of one or more of the largest asset managers. To determine this, the percent of common stock outstanding (%CSO) held by the asset manager, as disclosed in the issuer's definitive proxy statement, was added to the percent support obtained by the resolution. This approach does not precisely match the voting impact an asset manager may have had, as asset managers do not disclose precisely how many shares were voted on any given resolution. In addition, an asset manager may have beneficial ownership over shares for which it does not have voting rights. Conversely, large asset managers tend to vote their shares at a higher rate than other shareholders, which amplifies their voting power beyond what is represented by %CSO. That amplification is greatest at companies with lower shareholder turnout, where the number of shares voted at the meeting can be significantly lower than the number of shares outstanding. Therefore, the %CSO method represents a conservative approach, often significantly underestimating the potential of top managers to swing close votes. More detailed discussion of this methodology can be found in Majority Action's 2019 *Climate in the Boardroom* report.³⁰



ASSET MANAGER VOTING ON DIRECTOR ELECTIONS

Voting on director elections is the single most direct and effective action long-term investors with broad market exposure can take to influence corporate decision making. Shareholders have the power to determine who is in the boardroom and by doing so, what issues are prioritized in corporate governance. Moreover, while dialogue and precatory shareholder resolutions have been used to encourage change in corporate behavior for many years, the imperative of driving near-term change requires a more direct approach, particularly at companies that have proven recalcitrant.

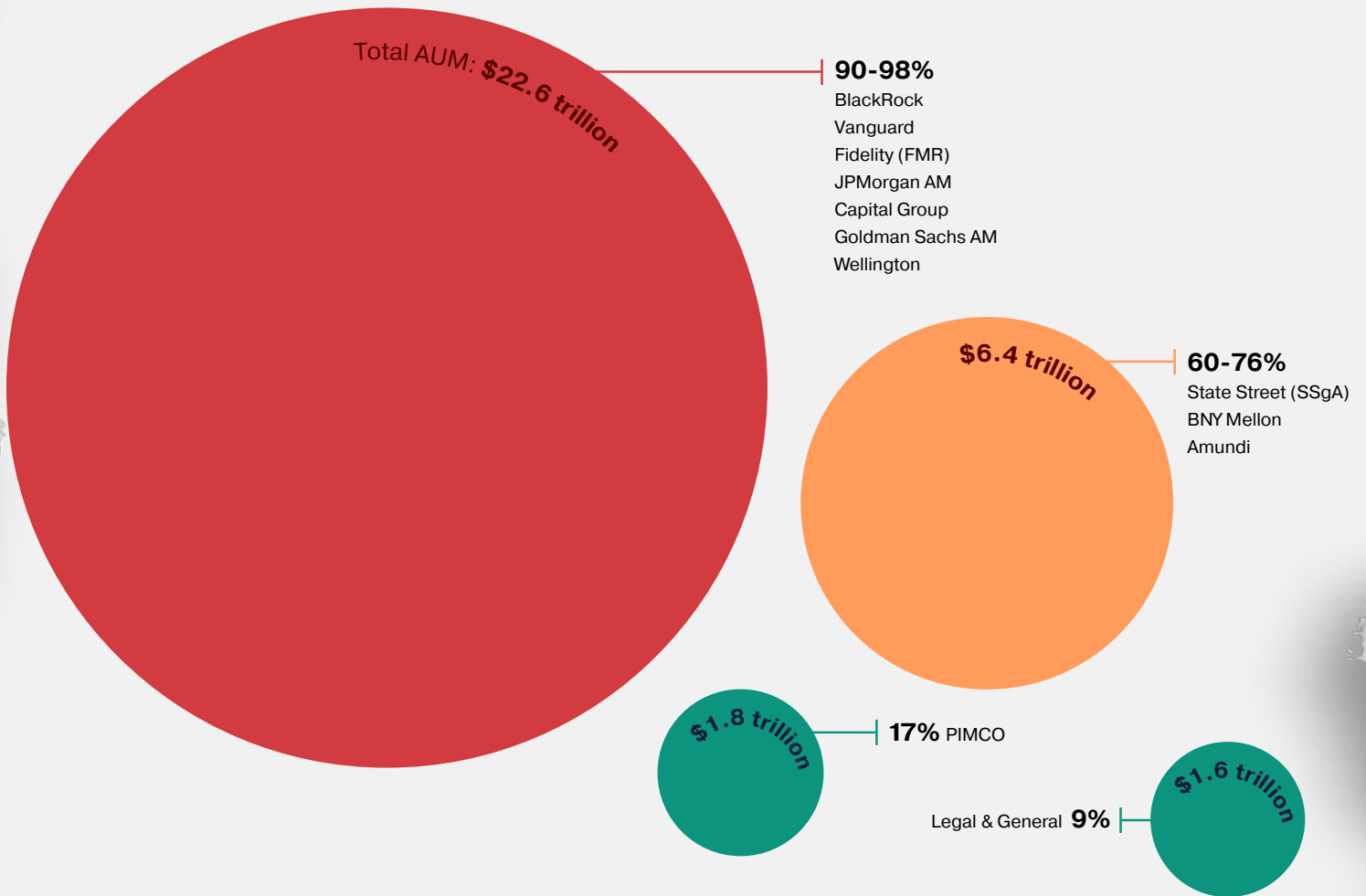
Increasing diversity at the board level is a generally accepted feature of corporate governance best practice. BlackRock, in describing its approach to board-level diversity, cites research showing that diverse groups make better decisions and that visible diversity has a positive impact on performance.³¹ As noted above, all three of the largest asset managers consider diversity, including board-level racial and ethnic diversity, in their stewardship and engagement efforts.

While board-level diversity efforts are far from sufficient to solve the problem of systemic racism, they are a necessary step in ensuring the perspectives of people of color are included in corporate decision-making. Despite corporate pledges to improve racial and ethnic diversity on boards, underrepresented ethnic and racial groups make up only 12.5% of directors in the Russell 3000. Black directors make up just four percent of the total, an increase of only one percentage point since 2015.³² The protests which began under the banner of Black Lives Matter and intensified in the summer of 2020 have highlighted the need to specifically acknowledge the impact of anti-Black racism in the United States.

VOTING AT S&P 500 BOARDS WITH NO BLACK DIRECTORS

According to ISS data, 178 companies currently in the S&P 500 had no Black directors as of their latest annual meetings in 2020.³³ BlackRock supported every director at 163 of those 178 companies. Of the 15 boards at which BlackRock voted against at least one director, the asset manager voted against only five Chairs of Nominating and/or Governance Committees, the logical target of a vote spurred by diversity concerns. Of the 12 boards at which Vanguard voted against at least one director, it voted against only three Chairs of Nominating and/or Governance Committees.

Figure 1 Percent of S&P 500 companies with no Black directors where manager voted to re-elect entire board



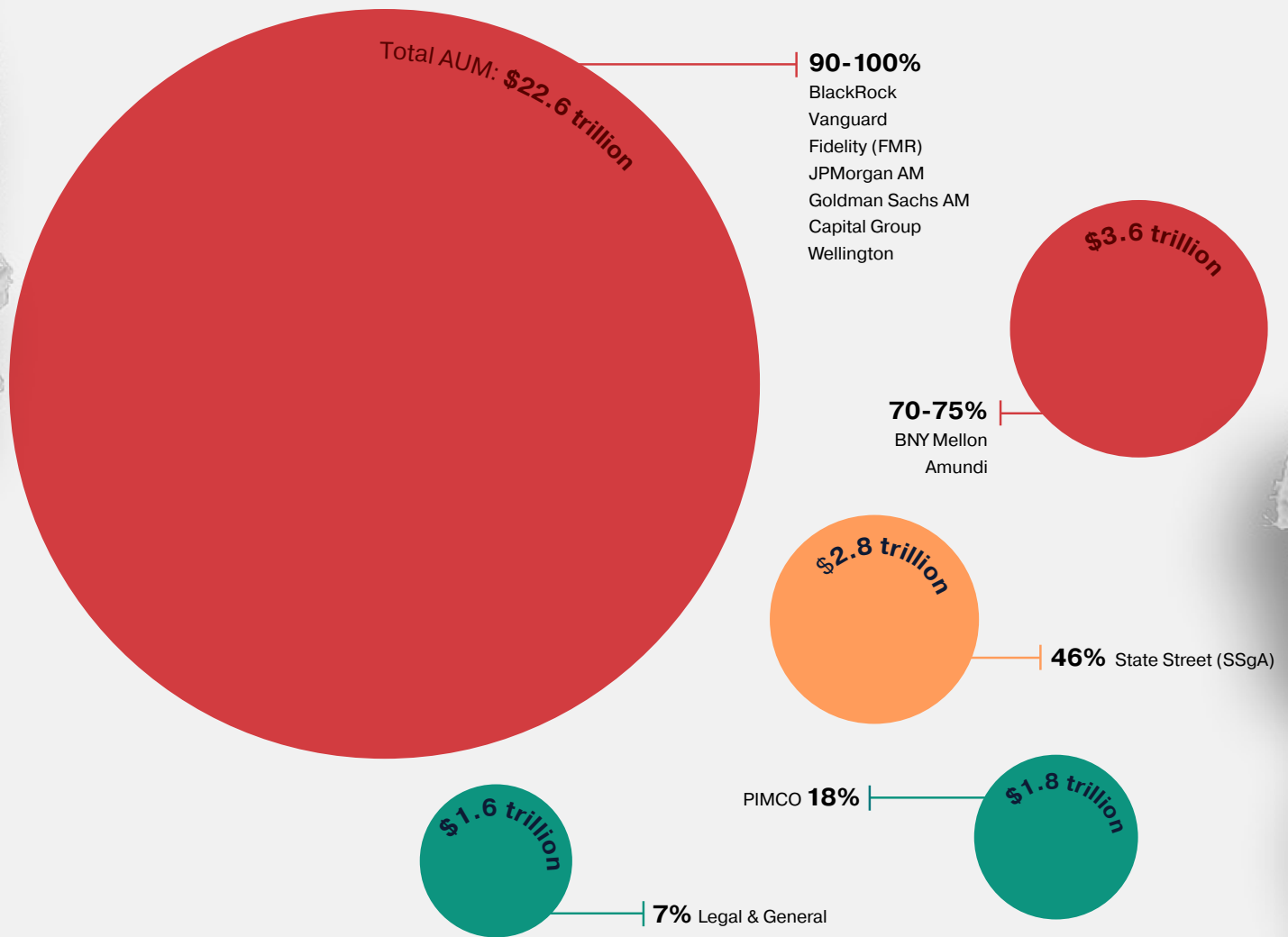
Source: ISS; Proxy Insight

VOTING AT S&P 500 BOARDS WITH NO DIRECTORS FROM RACIALLY OR ETHNICALLY DIVERSE BACKGROUNDS

Since the end of the 2020 proxy season, the number of Black appointees to corporate boards has increased, with 130 new Black directors appointed at Russell 3000 companies since the end of May, compared with only 38 during the preceding five months.³⁴ According to ISS, the number of S&P 500 boards with no Black directors had fallen to 162 by mid-November.

Despite this progress, 56 S&P 500 companies not only lack Black directors – as of November 2020, they still had no directors from racial or ethnically diverse backgrounds whatsoever. This may be an indication that a company did not have a credible plan to address its lack of board diversity going into its 2020 shareholder meeting. BlackRock supported the entire board at 52 of these 56 companies, and voted against or withheld support at only four. Vanguard voted to support the entire board at 51 of the 56 companies.

Figure 2 Percent of S&P 500 companies with no racially or ethnically diverse members as of November 2020 where asset manager voted to reelect entire board at 2020 annual meeting



Source: ISS; Proxy Insight

RACISM AND DIRECTOR QUALIFICATIONS: CASE STUDIES

In addition to voting to elect directors and chairs of nominating committees at boards that failed to include Black directors, it appears to be the case that for large asset managers, a demonstrably racist public record is not a disqualifying factor for service on the boards of major U.S. companies.

CASE STUDY: DANIEL DIMICCO, DIRECTOR, DUKE ENERGY

Daniel DiMicco was Chairman and CEO of Nucor Corporation when he was elected to the Duke Energy board in 2007. At that time, he and Nucor were embroiled

in litigation over racial discrimination and bias at factories across the southern United States. Nucor appealed adverse court rulings throughout his leadership tenure, finally settling for \$22.5 million only after he retired.³⁵

Before becoming Nucor's CEO, DiMicco managed the plant where some of the ugliest racist incidents reportedly occurred. A witness testified that DiMicco, while a plant manager, took no action to protect Black workers even after listening to a recording of a supervisor calling workers racial slurs. The legal complaints also addressed systematic racist behavior at other Nucor plants while DiMicco was company president, a position he assumed in 2000, including race-based denial of promotions and the taunting of Black workers with racial epithets, Confederate flags, nooses and other racist symbols. DiMicco remained on the Duke board even after his

former company settled the case in 2018.³⁶ Despite DiMicco's troubling track record, BlackRock, Vanguard, and State Street voted to re-elect him to the board in each of the last three years.³⁷ Of the 12 asset managers reviewed in this report, only the PIMCO funds managed by Parametric Portfolio Associates voted to withhold support.

CASE STUDY: SANDRA FROMAN, DIRECTOR, STURM, RUGER & CO.

Sandra Froman has a 50-year history of involvement with anti-Black leaders and causes. As a student at Stanford University and Harvard Law School in the 1970s, she worked with Professor William Shockley to grow the audience for his claims that Black people are innately less intelligent than whites.³⁸ She also collaborated with Shockley on a paper arguing that "Negroes are genetically inferior and reproducing fastest."³⁹ He used the paper to advocate for sterilization of poor women to "prevent bringing babies into the world with both heredity and environment stacked against them."⁴⁰

While on the Sturm, Ruger board since 2015, Froman also served as a board member and Treasurer of the Council for National Policy (CNP),⁴¹ an organization whose secret meetings brought mainstream conservatives, including elected officials and presidential candidates, together with extremists who espouse racist, Islamophobic, and homophobic biases.⁴² A fellow CNP board member has claimed that President Obama looks like a "skinny ghetto crackhead"⁴³ and another has been in the leadership of a group the Southern Poverty Law Center characterized as a "neo-Confederate hate group that advocates for a newly seceded South ruled by white people."⁴⁴

As shareholders have previously argued, Sturm Ruger should have reported her leadership role at CNP in her proxy biography, because CNP member involvement in lobbying on gun safety is relevant to Sturm Ruger's business, but failed to do so. Shareholders also raised concerns about substantial reputational risks.⁴⁵ Despite these revelations, all three of the largest asset managers voted in favor of her re-election to the board in 2018, after her history on race was brought to the attention of shareholders, and in each year since.



ASSET MANAGER VOTING ON LOBBYING AND POLITICAL SPENDING DISCLOSURE

Corporate political and lobbying spending has a critical and often hidden impact on racial equity and justice. Absent robust disclosure, companies may choose to contribute secretly to advocacy groups and local political campaigns whose poor record on racial justice issues contradicts the firm's stated principles. Firms that loudly proclaim support for racial justice may quietly – or even inadvertently – spend millions of dollars supporting public policies that cause great harm to people of color. These impacts are wide-ranging and include racial gerrymandering and voter suppression, toxic pollution in communities of color, and support for police foundations that fund law enforcement practices that infringe on civil rights and fuel police violence against Black and brown communities. Companies also face substantial reputational risks when political and lobbying activity is at odds with a company's public stances and the community's expectations.⁴⁶

The Center for Political Accountability (CPA) has documented how corporate donations to “527” political organizations are pooled and then re-donated to other entities in ways that make those funds largely untraceable.⁴⁷ Corporate contributions to state Republican campaign groups had a substantial influence on the flipping of state legislatures following the 2010 census and the racial gerrymandering that followed. A number of these gerrymandered maps have subsequently been struck down by state or federal courts.⁴⁸ Among the largest public company donors identified to these efforts are News Corporation, Berkshire Hathaway, Verizon, Walmart, and AT&T.⁴⁹

Similarly, corporate-funded group the American Legislative Exchange Council (ALEC) is a leading architect of state-level voter suppression laws across the U.S.⁵⁰ Since 2011, an investor coalition has filed more than 300 shareholder proposals asking companies to disclose their “federal and state lobbying, trade association payments and support for the American Legislative Exchange Council (ALEC).” Though more than 70 companies have resigned from ALEC over that time period,⁵¹ absent robust disclosure of corporate donations to public policy groups, there is no way to know which companies still fund ALEC. To this day, shareholders rarely learn that their companies are funding this secretive organization except when reports from the group's meetings are leaked to the press.⁵²

Companies also risk damage to their reputation through donations to political organizations that espouse explicitly racist views. In May, Fast Company magazine revealed that Southern Company had donated \$1 million to a pro-Trump “dark money” organization, America First Policies, “that’s been criticized for the racist, sexist, homophobic, and anti-Muslim sentiments expressed by some staffers.” Fast Company identified a total of \$1.6 million in Fortune 500 company donations to America First, but pointed out that the identity of donors who provided most of the group's \$26 million in 2019 funding remained a secret.⁵³

In another example, the Silicon Valley's chamber of commerce, known as the Silicon Valley Organization (SVO), became embroiled in scandal after its Political Action Committee used racist imagery in campaign ads. The chamber

“ONE OF THE MOST DUPlicitous STRATEGIES OF THE FOSSIL FUEL INDUSTRY IS MANIPULATING MESSAGING WHICH FEIGNS CONCERN FOR THE WELFARE OF LOW INCOME AND COMMUNITIES OF COLOR... THE UNMITIGATED GALL, TO USE AS PAWNS THE VERY DEMOGRAPHICS THAT THEY HAVE CAUSED SUCH DISPROPORTIONATE HARM THROUGH THEIR POLLUTING PRACTICES, REFLECTS THE LOW LEVELS TO WHICH THEY WILL SINK.” — NAACP

placed its CEO on leave, belatedly acknowledged that the ad “was blatantly racist, completely inappropriate and unacceptable,” and ultimately dissolved the PAC entirely.⁵⁴ Members of the SVO had included Apple, AT&T, Alphabet, Microsoft, and Oracle.⁵⁵

The political and lobbying activities of the U.S. fossil fuel industry has also been linked with environmental racism. According to the Environmental Protection Agency, people of color are more likely to be exposed to air pollution and have polluting industries located in their communities.⁵⁶ Fossil fuel companies have frequently sought to co-opt local grassroots organizations through charitable contributions to further their lobbying efforts.⁵⁷ In 2019, the National Association for the Advancement of Colored People released a report warning local chapters and community organizations of the strategies and tactics used by fossil fuel companies and their lobbyists, saying, “One of the most duplicitous strategies of the fossil fuel industry is manipulating messaging which feigns concern for the welfare of low income and communities of color... The unmitigated gall, to use as pawns the very demographics that they have caused such disproportionate harm through their polluting practices, reflects the low levels to which they will sink.”⁵⁸

The use of indirect grassroots lobbying of this type has the potential to cause significant reputational harm when exposed. As recently as June 2020, Chevron was discovered to have been behind a public relations campaign claiming that “environmental organizations, composed of predominantly white members, are backing radical policies like the Green New Deal which would bring particular harm to minority communities.” That claim appeared in a “pitch” emailed to journalists by PR firm CRC Advisors. The opt out line at the bottom of the release said, “If you would rather not receive future

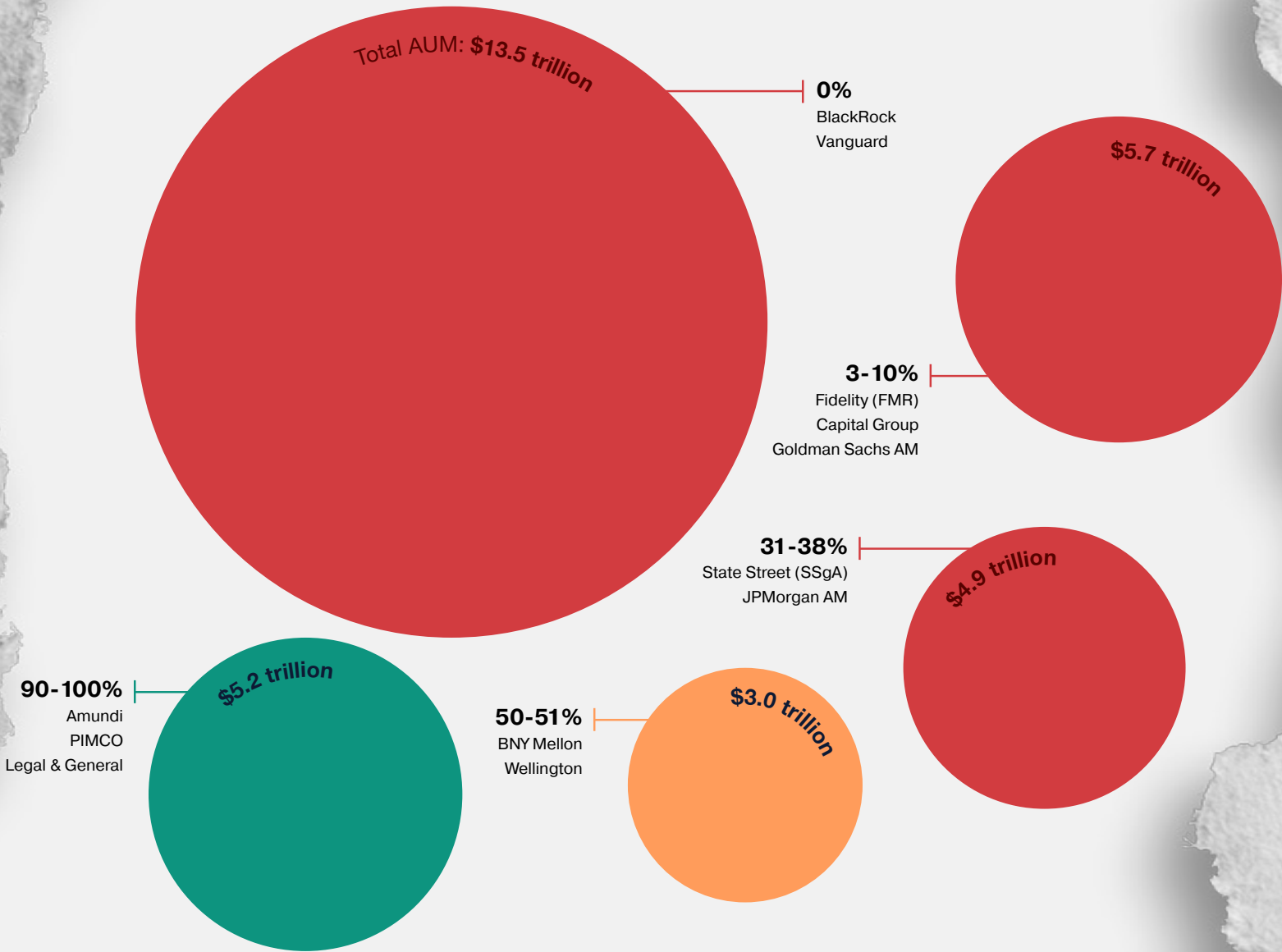
communications from Chevron, let us know by clicking [here](#).”⁵⁹

Given the potential for both strategic misalignment and reputational damage, shareholders have sought to manage these risks through proposals for greater disclosure of policy influence activities. Political spending resolutions typically seek reports summarizing monetary and non-monetary direct and indirect political spending, including recipient information. Lobbying resolutions generally request that companies disclose payments for direct, indirect and grassroots lobbying, and payments to groups that write and endorse model legislation. Because disclosure generally “benefits shareholders by allowing them to weigh the risks and benefits of such spending,” proxy advisor Glass Lewis recommended a favorable vote on 79% of such resolutions in 2020.⁶⁰

In its 2020 Proxy Voting Guidelines, BlackRock says boards and management are responsible for setting the appropriate disclosure level regarding efforts to influence public policy. BlackRock “may decide to support” political disclosure resolutions “where there seems to be either a significant potential threat or actual harm to shareholders’ interests” if the company has not provided the information shareholders need to assess the risk.⁶¹ Vanguard’s 2020 proxy voting policy says nothing about the firm’s position on political and lobbying disclosure resolutions, noting that “environmental and social disclosure proposals” will be decided on a case-by-case basis.⁶²

In the 2020 shareholder season, 48 lobbying and political spending shareholder proposals at S&P 500 companies received the support of at least 20% of shares voted. BlackRock and Vanguard voted against every single one. State Street voted for 15, while abstaining or voting against 33.

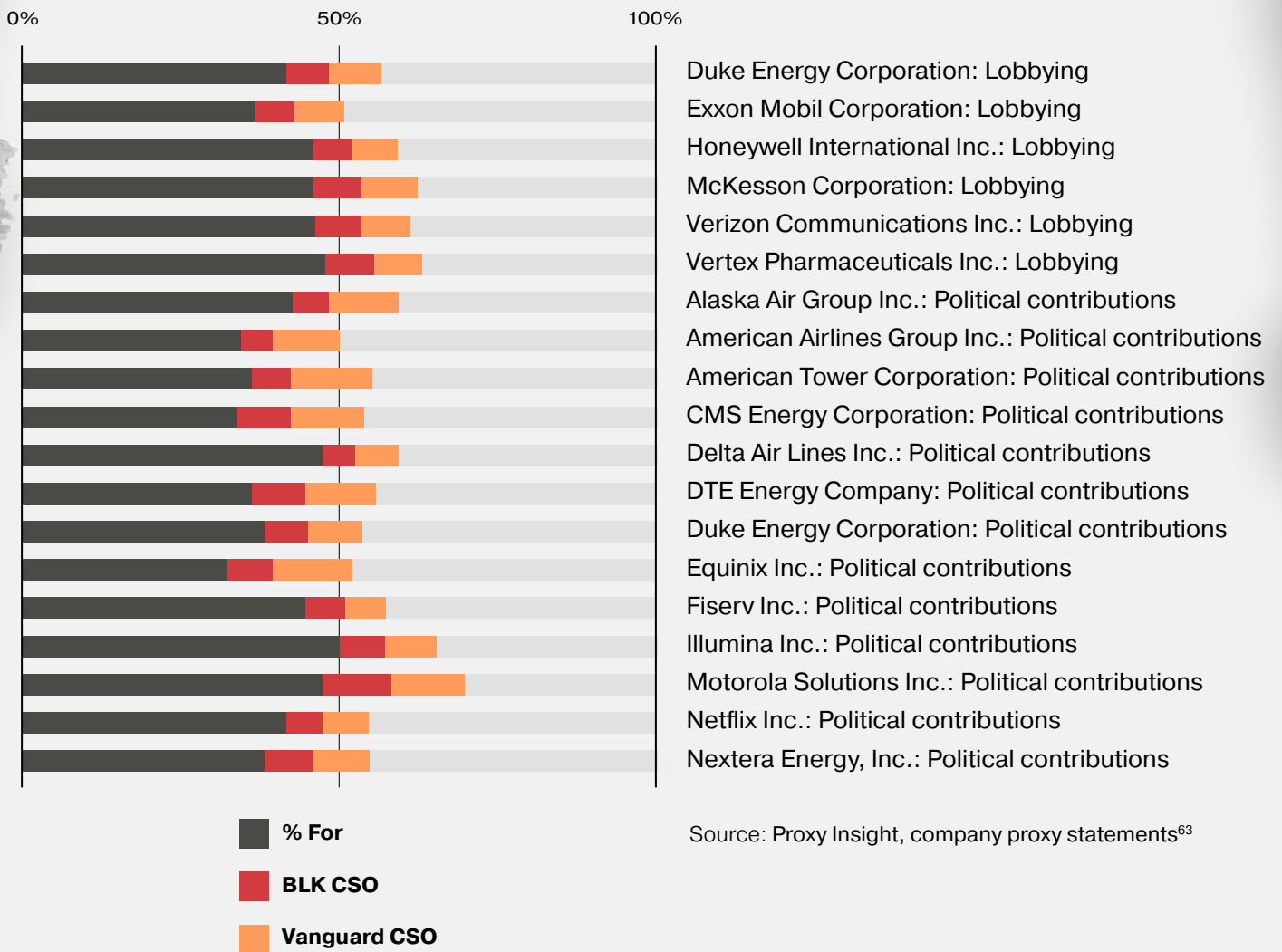
Figure 3 Percent of lobbying and political spending shareholder proposals where asset manager voted in favor



Source: Proxy Insight

At least 19 of these lobbying and political spending resolutions would have received majority support if BlackRock and Vanguard had voted in favor.

Figure 4 Key lobbying and political spending resolutions would have received a majority of shares voted with BlackRock and Vanguard support



Source: Proxy Insight, company proxy statements⁶³

CASE STUDIES

Motorola Solutions (MSI) defines itself as a U.S. and global provider of mission critical communications, video security and command center support for customers, including police and national security agencies.⁶⁴ In September, amidst the nationwide surge of protests against police violence, the firm’s public safety blog highlighted Motorola’s technological support for police departments facing “unprecedented challenges” from “increasing violent crime, both within society and against Police Officers, a rise in crimes such as fraud and cyber-crime and social/political unrest as a result of the Black Lives Matter protests.”⁶⁵

In the 2020 election cycle, Motorola’s Political Action Committee donated more than \$943,000 to campaigns for federal office in the U.S.,⁶⁶ but no comprehensive data source exists regarding contributions to local

governments officials whose votes are needed to approve Motorola contracts with police and sheriffs. Nor is data available on the dollar value of Motorola contributions to law enforcement advocacy groups, known as police foundations, which it supports in cities from coast to coast.⁶⁷ At the 2020 MSI shareholder meeting, 47.9% of shares were voted in favor of disclosing financial and non-monetary contributions for political candidates and ballot measures. Support from Vanguard and BlackRock, each holding more than 11% of MSI shares, would have given the resolution overwhelming majority support.

Verizon Communications Inc. spent \$119.8 million on federal lobbying in 2010-18. These figures do not include state lobbying expenses nor donations to the National Sheriff’s Association (NSA), a lobbying powerhouse, and other law enforcement advocacy groups. NSA’s priorities include support for continued sale of military weapons to local police and for police agencies’ right to obtain domestic telecommunications records without a

warrant. NSA designates Verizon a “platinum partner” and “diamond partner,” meaning the company is one of its largest corporate donors.⁶⁸ Verizon also donates to the Chicago and New York City Police Foundations and is represented on the board of directors of the Detroit Public Safety Foundation.⁶⁹

In 2020, a resolution seeking lobbying spending disclosures received 47.0% shareholder votes despite opposition from Vanguard and BlackRock, each of which holds more than 7% of Verizon shares. The proposed report would have disclosed company policies, procedures and payments for direct, indirect and grassroots lobbying, including recipients and amounts paid to them.

At **Duke Energy**, investigative reports revealed contributions to secretive public policy groups which the company had not disclosed to shareholders. Over the past eight years, racial justice advocates have criticized Duke’s support for ALEC, which has led efforts to pass

voter suppression laws across the U.S.⁷⁰ More recently, Duke became the target of a Congressional investigation after investigative journalists exposed its financial support for another secretive lobby group, the Utility Air Regulatory Group (UARG).⁷¹ UARG led the legal fight against the Clean Power Plan⁷² which sought to reduce toxic pollution from electricity production – pollution which disproportionately affects communities of color.⁷³

A shareholder resolution seeking detailed disclosures of support for groups which lobby or write model legislation received 42.4% support at Duke’s 2020 annual meeting.

An affirmative vote from Vanguard alone (8.5% of shares) or from BlackRock (7.0%) plus State Street (5.5%) would have been sufficient to achieve majority support, but all three voted against the resolution. BlackRock opposed the resolution because it believes the “company already has policies in place to address these issues.”⁷⁴ Proxy advisors ISS and Glass Lewis had recommended votes for the resolution.⁷⁵

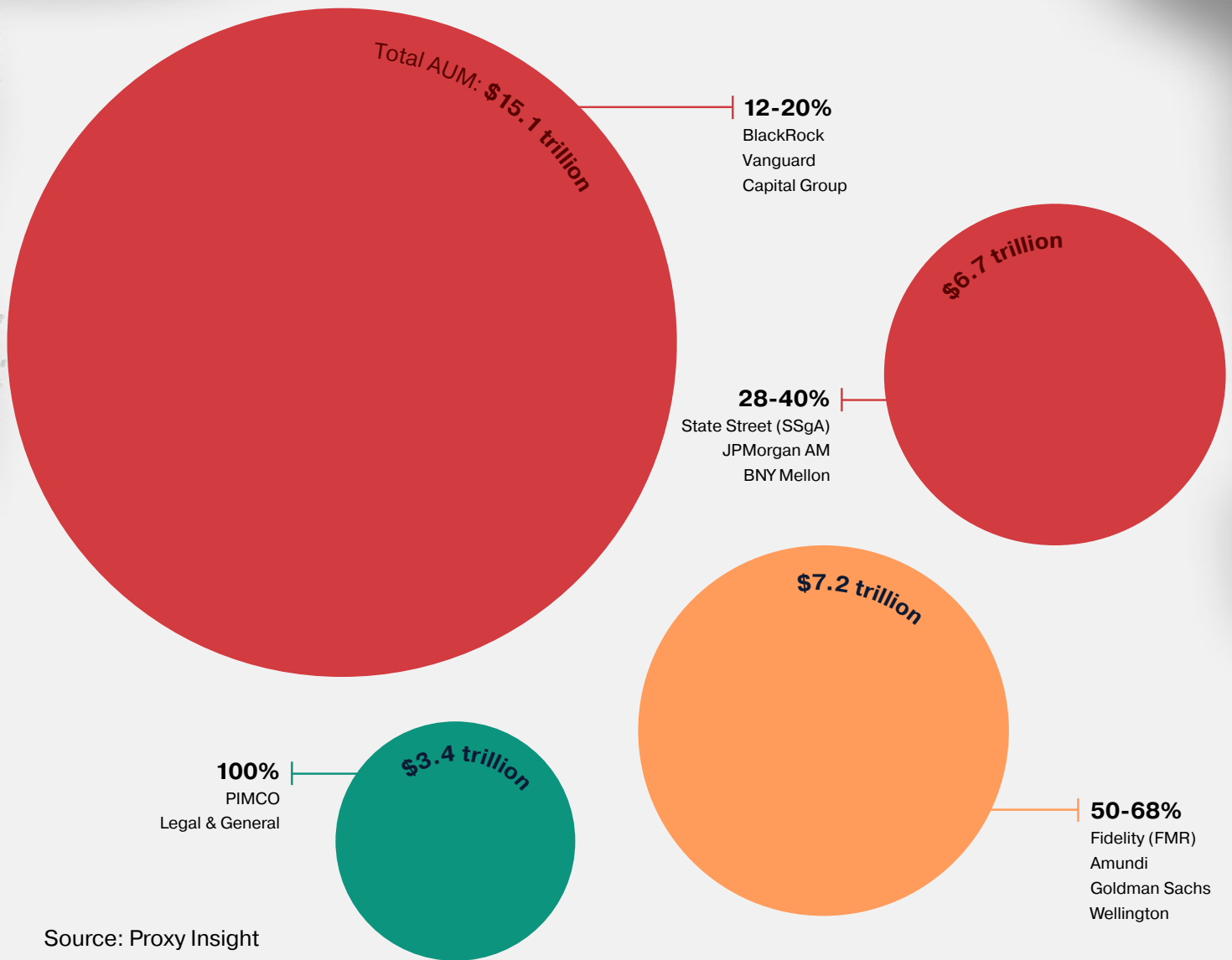




RACIAL EQUITY AND JUSTICE RESOLUTIONS

During the 2020 shareholder season, at least 25 proposals at S&P 500 companies that were directly related to issues of racial justice achieved shareholder support of more than 20%, including resolutions on board and executive-level diversity, workforce diversity, pay disparities by race and gender, and oversight of civil and human rights issues (see Appendix C). Of these 25 proposals, BlackRock supported only four, while Vanguard supported five.

Figure 5 Percent of racial justice-related shareholder proposals where asset manager voted in favor



Source: Proxy Insight

CASE STUDIES

At **Alphabet (Google)**, 45% of independent shareholders (those who are not affiliated or controlling)⁷⁶ supported a resolution calling on the board to establish a human rights committee to assess the risk, among other things, that the company’s technology products might be misused for “[e]xacerbating bias, reinforcing discrimination, or facilitating disinformation, harassment, hate speech [and] incitements to violence.”⁷⁷

Google’s video site, YouTube, has been criticized as “an engine for radicalization.” A University of North Carolina professor who viewed videos of Donald Trump rallies for an article she wrote on the 2016 presidential election found that YouTube started recommending videos “featur[ing][white supremacist rants” and Holocaust denialism.⁷⁸ A study analyzing more than 330,000 videos concluded that “YouTube is a pipeline for extremism and hate,” the MIT Technology Review reported in January 2020. Researchers found that YouTube algorithms

directed users who used search terms implying negative views of minority groups “toward increasingly violent, extreme content.”⁷⁹

State Street supported the resolution and proxy advisors Glass Lewis and ISS recommended votes in favor. Vanguard (3.0% of voting power) and Blackrock (2.6% of voting power) joined management in opposition. Explaining its opposition, BlackRock asserted that the company is already doing enough to address human rights issues.⁸⁰ Many other shareholders issued statements arguing that the proposed human rights oversight is critical to Alphabet’s business success, among them Aberdeen Standard Investments, which said, “The company has evolved into a business that today has a number of human rights risks embedded into its business model and current steps being taken to address these risks - legal, human capital and reputational - are inadequate, with the company failing to demonstrate a coherent ability to manage these risks or provide sufficient oversight.”⁸¹

While shareholder proposals at Alphabet are unable to win majority support without backing from Google founders Larry Page and Sergey Brin, who hold 51.2% of voting power, support from either asset manager would have sent an important signal by demonstrating majority support among independent shareholders.

At **Amazon**, three shareholder proposals were put to a vote in 2020, seeking independent reports assessing the extent to which:

–Amazon’s sale of surveillance technology and cloud services to police and immigration control agencies “contributes to human rights violations.”

–A facial recognition system known as Rekognition, which Amazon sells to some governments, “may violate civil rights by unfairly and disproportionately targeting and surveilling people of color, immigrants and migrants.”

–An Offensive Products ban which bars products that “promote, insight or glorify hatred, violence, racial, sexual or religious intolerance or promote organizations with such views” has served its intended purpose. Proponents cited a 2018 study which found that hate-promoting products remain on the Amazon platform.

With support from BlackRock, Vanguard, and State Street,⁸² each of these resolutions would have won a majority of independent shareholder votes. Their support would have given the proposal for a report on offensive products sales a majority (50.1%) of all proxy votes cast, overcoming opposition from founder and CEO Jeff Bezos, who controls 15% of Amazon’s outstanding shares.

BlackRock voted with management on every Amazon shareholder proposal, stating “[a]fter thorough review of the company’s existing disclosures, along with insights gleaned from multiple engagements, BlackRock determined that Amazon is actively addressing those material issues raised by the various shareholder proposals.”⁸³ BlackRock specifically responded to a resolution seeking a report on customer use of Rekognition and other technologies by asserting that “the company is already meeting the best practices guidelines” with regard to “customer use of certain technologies,” including Rekognition.⁸⁴

Research by the ACLU found that Amazon’s software disproportionately provided false matches for people of color, including misidentification of six members of the Congressional Black Caucus as persons who had been arrested for a crime. A few weeks after the 2020 shareholder meeting, Amazon announced a one year pause on sales of the software to law enforcement. “This surveillance technology’s threat to our civil rights and civil liberties will not disappear in a year,” the ACLU responded

in a statement, which urged Amazon to support a “blanket moratorium on law enforcement use of face recognition” and called on the company to “also commit to stop selling surveillance systems like Ring that fuel the over-policing of communities of color.” Vanguard’s 2020 Investment Stewardship did not address the proposals highlighted here.⁸⁶

Shareholder proposals at **Facebook** called for a report on civil and human rights risks and on the firm’s global median pay gap between men and women across race and ethnicity. The proponents of the civil rights risks report note the history of discriminatory practices in advertising on the platform and the targeting of Black voters by foreign influence campaigns. In addition, civil rights activists and shareholders have long raised concerns with the company for failing to adequately respond to misinformation, discrimination, violent movements and data breaches that put Black users at risk.⁸⁷

Facebook, like Google, lacks independent shareholder oversight, because founders Mark Zuckerberg, Dustin Moskovitz and Eduardo Saverin control 64.7% of voting power. Though Zuckerberg holds only a 13% economic interest in Facebook, he alone controls 58% of voting power under the firm’s dual class capital structure.⁸⁸

State Street broke with Vanguard and BlackRock to support resolutions seeking reports on civil and human rights risks and on the firm’s global median pay gap between men and women across race and ethnicity.

As noted above, since Facebook’s annual meeting, the “Stop Hate for Profit” campaign resulted in more than 1,200 advertisers, including Unilever, Starbucks, and Coca-Cola pausing advertising on the platform for the month of July 2020 to demand that Facebook address racism across its platforms.⁸⁹ This boycott demonstrates the risks of failing to adequately address concerns about civil and human rights risks on Facebook’s platform.

At **Home Depot**, a resolution calling on the company to produce an annual report identifying employees by gender and race in each major EEOC-defined job category was supported by 35.8% of shares voted. Proponents argued this disclosure was necessary given the risks of litigation and regulatory action resulting from discrimination claims, including more than \$100 million spent by Home Depot to settle discrimination lawsuits.⁹⁰ Other major corporations, including leading retailer Costco, are already releasing their EEOC data.⁹¹

The resolution would have passed if Vanguard (7.8% of shares) and BlackRock (6.7%) had supported it. BlackRock opposed the resolution because it believes that the “company already has policies in place to address these issues.”⁹²

IGNORING ADVICE FROM PROXY ADVISORS, BLACKROCK AND VANGUARD VOTED AGAINST SHAREHOLDER RESOLUTIONS AT TWO COVID-STRICKEN COMPANIES

By the time many of the risks of failing to address racist and inequitable practices are made manifest, the damage to long-term shareholder value may already be severe. Two companies exemplify this in their response to the COVID-19 pandemic. Had these companies appropriately responded to pre-COVID shareholder concerns on these issues, these risks may have been mitigated.

Sanderson Farms is the third largest poultry producer in the United States.⁹³ More than 88% of its workforce are people of color.⁹⁴

At the annual meeting in February, 37% of shares were voted in favor of requesting a report on the firm's process for addressing "adverse human rights impacts." The resolution highlighted the risks facing the industry's predominantly minority workforce due to abuses including hazardous processing plant conditions.

The combined opposition of BlackRock (10.4%), and Vanguard (8.7%) defeated the resolution. Both ignored favorable recommendations from ISS and Glass Lewis. BlackRock explained its votes on human rights and on a separate environmental resolution by stating that Sanderson Farms "adequately addressed the proponents' concerns regarding the company's oversight of the environmental and social issues pertaining to water stewardship and human rights" in "engagement" meetings.⁹⁵

In the months following that vote, Sanderson Farms and the entire industry plunged into crisis, as their poultry and meat processing plants became COVID-19 hot spots. In April, the Centers for Disease Control and Prevention (CDC) said the industry's processing plants could protect employees by changing their practices including taking steps to accommodate "the needs of workers from diverse backgrounds who speak different primary languages."⁹⁶ By the end of May, at least 16,233 processing plant workers, 87% of

them racial or ethnic minority group members, had been diagnosed with COVID-19, according to the CDC. At least 86 had died.⁹⁷ A civil rights complaint filed against Sanderson Farms in July alleged that Black, Latino, and Asian workers at its poultry plants were highly exposed to COVID-19 risks, while white plant managers were not.⁹⁸

By July, shares of Sanderson Farms and its major competitors plunged 30% or more. S&P Global said in November that the crisis was moving a growing number of shareholders to call on the industry to revamp a production model "that they consider increasingly risky and unsustainable."⁹⁹

At **GEO Group**, the largest private prison operator by revenue, BlackRock, Vanguard, and State Street voted against a shareholder resolution requesting that the company produce an annual report on direct, indirect and grassroots lobbying spending. GEO faced significant economic consequences after banks such as JPMorgan Chase and Wells Fargo announced in 2019 that they would no longer provide new financing to the private prison sector, and is financing a new public relations and advocacy initiative in an attempt to address the industry's toxic reputation and track record on human rights.¹⁰⁰

Proponents of the shareholder resolution pointed out that the GEO Group already faced public scrutiny over state-level lobbying, including its support for proposals to lengthen the time immigrant children could be detained in its Texas facilities.¹⁰¹ By the date of the shareholder meeting, May 19, GEO Group was already facing intense criticism over its failure to take steps needed to contain an epidemic of COVID-19 cases at its facilities in Colorado,¹⁰² Florida,¹⁰³ New York,¹⁰⁴ North Carolina¹⁰⁵ and other states.

Amidst this crisis, shareholders voted 43% in favor of the resolution. Affirmative votes from either of Vanguard (16.5% of shares) or BlackRock (11.8%) would have guaranteed majority support. BlackRock opposed the resolution because it believes that the "company already has policies in place to address these issues."¹⁰⁶



RECOMMENDATIONS

Systemic racism creates material portfolio-wide and company-specific risks for investors. As the largest shareholders in many of the world's largest companies, and in their role managing the retirement savings of millions of Black and brown workers, the world's largest asset managers like BlackRock and Vanguard have a responsibility to assist in rooting out systemic racism from our economic system.

The proxy voting decisions of asset managers can no longer be assumed to be neutral in the face of systemic racism. This includes holding boards accountable to the corporate governance best practice of diversifying boards to ensure that the perspectives of Black and brown communities are represented at the highest level of corporate decision-making, holding companies accountable to improving disclosure of corporate policy influence that directly and indirectly impacts Black and brown communities, and supporting resolutions that seek to improve oversight of risks driven by systemic racism.

The shift to align asset manager proxy voting and stewardship will require a substantial reassessment of "business as usual" practices of both investors and corporate leaders. This reassessment will need to be comprehensive and encompass not only diversity, equity and inclusion efforts at the board level, but an assessment of the impact of corporate behavior on people of color as workers, customers, voters, and community members. In order to begin the process of understanding the impacts of corporate governance on Black and brown communities in the United States and transforming corporate governance and behavior to dismantle systemic racism, asset managers should:

1. Conduct comprehensive racial equity audits of their own investment processes, stewardship activities, and proxy voting guidelines and decisions, including holding boards and directors accountable for adequate oversight of racial justice issues, and vote against directors at companies that fail to meet standards.
2. Demand companies in which they are invested conduct racial equity and civil rights audits led by external experts, covering both internal issues, including pay disparities, harassment and leadership composition, as well as external issues, such as the company's relationship with law enforcement and the impact of company policies and practices on communities of color.

APPENDIX A- BLACKROCK'S 2021 STEWARDSHIP EXPECTATIONS AND PROXY VOTING GUIDELINES

In December 2020, BlackRock released its updated 2021 Stewardship Expectations¹⁰⁷ and Proxy Voting Guidelines for U.S. Securities,¹⁰⁸ and published additional perspectives on corporate political activities.¹⁰⁹ In these updates, BlackRock acknowledged it has responsibility to use its proxy voting power to hold companies and boards accountable for board diversity, workforce diversity, equity and inclusion, corporate political activities, and other material sustainability risks, including the impacts of businesses on a range of stakeholders. However, the commitments in each of these areas are insufficient, lack clear standards, and leave many decisions to discretion and case-by-case judgment. The lack of clear standards and firm deadlines for companies to improve their governance and operations is troubling, particularly given BlackRock's track record of voting to endorse entire boards and to oppose shareholder proposals even when there is a compelling case that boards are inadequately addressing risks and harms of racially inequitable behavior. This report demonstrates the need for BlackRock to undertake a more thorough and comprehensive audit of its proxy voting policies and practices to fully account for the impacts of systemic racism.

| ISSUE | BLACKROCK POLICY AND EXPECTATIONS | INADEQUACY |
|---|--|--|
| <p>Board Diversity and Director Elections</p> | <p><i>Proxy voting guidelines for U.S. securities:</i></p> <p>"We encourage boards to disclose:</p> <p>... –Demographics related to board diversity, including, but not limited to, gender, ethnicity, race, age, and geographic location, in addition to measurable milestones to achieve a boardroom reflective of multi-faceted racial, ethnic, and gender representation." (p.6)</p> <p>"To the extent that a company has not adequately accounted for diversity in its board composition within a reasonable timeframe, based on our assessment, we may vote against members of the nominating/governance committee for an apparent lack of commitment to board effectiveness." (p.6)</p> <p>"We will consider voting against committee members and/or individual directors:</p> <p>... –Where it appears the director has acted (at the company or at other companies) in a manner that compromises his/ her ability to represent the best long-term economic interests of shareholders." (p.4)</p> <p><i>2021 Stewardship Expectations:</i></p> <p>"We have a long-standing expectation in most major markets that board composition should reflect diversity of personal characteristics, including ethnicity and gender, as well as professional experience. . . We strengthened our focus on ethnic and gender diversity on large company boards, with an eye toward more voting action against boards not exhibiting diversity in 2022." (emphasis in original, p. 12)</p> | <p>Unlike its commitment on board representation of women, BlackRock does not set a baseline numerical target for racial and ethnic diversity on boards, nor does it indicate a clear standard by which boards will be assessed.</p> <p>It is not clear from BlackRock's updated guidelines whether it will vote for shareholder proposals requesting the additional disclosures expected of companies in this area in 2021.</p> <p>Waiting until 2022 to begin "voting action against boards" delays holding boards accountable on this critical issue. BlackRock does not even clarify whether boards that fail to disclose board diversity data will face voting action in 2021.</p> <p>While BlackRock indicates that a director's actions at other companies or roles may be taken into account in voting decisions, it does not indicate whether overt acts associated with racist harm are considered to compromise a director's ability to represent the long-term economic interests of shareholders.</p> |

APPENDIX A- BLACKROCK'S 2021 STEWARDSHIP EXPECTATIONS AND PROXY VOTING GUIDELINES

| ISSUE | BLACKROCK POLICY AND EXPECTATIONS | INADEQUACY |
|---|--|---|
| <p>Workforce Diversity, Equity, and Inclusion</p> | <p><i>Proxy voting guidelines for U.S. securities:</i></p> <p>"We expect companies to disclose workforce demographics, such as gender, race, and ethnicity in line with the US Equal Employment Opportunity Commission's EEO-1 Survey, alongside the steps they are taking to advance diversity, equity, and inclusion. Where we believe a company's disclosures or practices fall short relative to the market or peers, or we are unable to ascertain the board and management's effectiveness in overseeing related risks and opportunities, we may vote against members of the appropriate committee or support relevant shareholder proposals." (p. 14)</p> | <p>While additional disclosures are critical for investors to assess corporate strategy and performance, BlackRock does not indicate to what standards of performance and outcomes companies will be held in determining whether they "fall short relative to market or peers."</p> |
| <p>Policy Influence</p> | <p><i>2021 Stewardship Expectations:</i></p> <p>"We will now seek confirmation from companies, through engagement or disclosure, that their corporate political activities are consistent with their public statements on material and strategic policy issues." (p. 8)</p> <p><i>Proxy voting guidelines for U.S. securities:</i></p> <p>"When presented with shareholder proposals requesting increased disclosure on corporate political activities, BlackRock will evaluate publicly available information to consider how a company's lobbying may impact the company. We will also evaluate whether there is alignment between a company's stated positions on policy matters material to its strategy and the positions taken by industry groups of which it is a member. We may decide to support a shareholder proposal requesting additional disclosure if we identify a material misalignment." (emphasis added, p. 15)</p> <p><i>BIS Perspective on corporate political activities:</i></p> <p>"Federal law also requires public reporting of federal lobbying expenses while each state has a similar lobbying reporting requirement. However, the disclosure of political contributions and lobbying is not consolidated, requiring one to separately search each jurisdiction's records. As a result, companies should provide accessible and transparent disclosure so that investors and interested stakeholders can understand how a company's public messaging and strategy are aligned with its contributions or affiliations..."</p> | <p>BlackRock's updated policies appear to envisage voting for additional disclosure of corporate political activities, including lobbying, only where there is a material misalignment with stated public policy priorities.</p> <p>While BlackRock notes that federal law requires public reporting on lobbying expenses, many state and local disclosure requirements are not as robust or comprehensive.¹¹⁰</p> <p>The Center for Political Accountability (CPA) has documented how corporate donations to "527" political organizations are pooled and then re-donated to other entities in ways that make those funds largely untraceable.¹¹¹</p> <p>Without additional, comprehensive, and accessible disclosures from companies it is impossible for investors – including BlackRock – to assess whether a material misalignment exists.</p> <p>It is also unclear whether BlackRock considers the racial equity and justice impacts of public policy to be a material</p> |

APPENDIX A- BLACKROCK'S 2021 STEWARDSHIP EXPECTATIONS AND PROXY VOTING GUIDELINES

| ISSUE | BLACKROCK POLICY AND EXPECTATIONS | INADEQUACY |
|------------------------------|---|--|
| <p>Shareholder Proposals</p> | <p>Where BIS notes material inconsistencies with stated public policy priorities, we may support a shareholder proposal requesting additional disclosure or explanation for such inconsistency. In making our assessment, BIS will review information disclosed by the company, as well as third-party research for industry peer comparison.” (emphasis added)</p> <p><i>Proxy voting guidelines for U.S. securities:</i></p> <p>“Given the increased understanding of material sustainability risks and opportunities, and the need for better information to assess them, BlackRock will advocate for continued improvement in companies’ reporting and will hold management and/ or directors accountable where disclosures or the business practices underlying them are inadequate.” (p. 13)</p> <p>“While stakeholder groups may vary across industries, they are likely to include employees; business partners (such as suppliers and distributors); clients and consumers; government and regulators; and the communities in which companies operate. Companies that build strong relationships with their stakeholders are more likely to meet their own strategic objectives, while poor relationships may create adverse impacts that expose a company to legal, regulatory, operational, and reputational risks and jeopardize their social license to operate. We expect companies to effectively oversee and mitigate these risks with appropriate due diligence processes and board oversight.” (p. 14)</p> | <p>Racial equity requires proactive corporate action. BlackRock’s updated policy does not explicitly incorporate issues of racial equity and justice as a material risk for companies, and proposes no standards against which companies will be assessed.</p> <p>Proposals in 2020 included calls from shareholders for companies to provide greater human and civil rights risks disclosures on a range of issues relevant to racial justice, the vast majority of which BlackRock opposed. It is not clear whether BlackRock would support such proposals under its updated guidelines.</p> |

APPENDIX B: TOP 12 ASSET MANAGERS

| INVESTOR | AUM (\$ BN) |
|--|-------------|
| BlackRock | 7,808 |
| Vanguard Group, Inc. | 5,716 |
| SSgA Funds Management, Inc. (State Street) | 2,810 |
| Fidelity Management & Research Co. (FMR) | 2,530 |
| JPMorgan Investment Management, Inc. | 2,100 |
| BNY Mellon | 1,800 |
| Amundi Asset Management | 1,792 |
| Pacific Investment Management Co. (PIMCO) | 1,760 |
| Goldman Sachs Asset Management LP | 1,600 |
| Capital Group | 1,600 |
| Legal & General Investment Management | 1,600 |
| Wellington Management Company | 1,230 |

Source: Proxy Insight, as of November 27, 2020

APPENDIX C- POLITICAL AND LOBBYING RESOLUTIONS AT S&P 500 COMPANIES

| ISSUER | TICKER | RESOLUTION NUMBER | % FOR | DESCRIPTION FOR REPORT |
|--------------------------------|--------|-------------------|-------|-----------------------------------|
| AbbVie Inc. | ABBV | 5 | 29.7 | Report on lobbying activities |
| Alaska Air Group Inc. | ALK | 5 | 52.3 | Report on lobbying activities |
| Altria Group | MO | 5 | 31.2 | Report on lobbying activities |
| Amazon.com Inc. | AMZN | 16 | 30.1 | Report on lobbying activities |
| Boeing Company (The) | BA | 5 | 32.5 | Report on lobbying activities |
| Caterpillar Inc. | CAT | 4 | 33.5 | Report on lobbying activities |
| Charles Schwab Corp/The | SCHW | 7 | 34.7 | Report on lobbying activities |
| Chevron Corporation | CVX | 4 | 28.6 | Report on lobbying activities |
| Comcast Corporation | CMCSA | 6 | 26.4 | Report on lobbying activities |
| Duke Energy Corporation | DUK | 7 | 42.4 | Report on lobbying activities |
| Eli Lilly and Company | LLY | 6 | 29.7 | Report on lobbying activities |
| Exxon Mobil Corporation | XOM | 9 | 37.6 | Report on lobbying activities |
| FedEx Corporation | FDX | 5 | 26.0 | Report on lobbying activities |
| Ford Motor Company | F | 5 | 20.2 | Report on lobbying activities |
| General Motors Company | GM | 9 | 33.1 | Report on lobbying activities |
| Honeywell International Inc. | HON | 5 | 46.2 | Report on lobbying activities |
| McKesson Corporation | MCK | 4 | 45.8 | Report on lobbying activities |
| Pfizer Inc. | PFE | 6 | 20.6 | Report on lobbying activities |
| Southern Company (The) | SO | 5 | 28.2 | Report on lobbying activities |
| Southwest Airlines Company | LUV | 6 | 26.0 | Report on lobbying activities |
| United Airlines Holdings, Inc. | UAL | 5 | 28.8 | Report on lobbying activities |
| United Parcel Service Inc. | UPS | 4 | 23.5 | Report on lobbying activities |
| Verizon Communications Inc. | VZ | 6 | 47.0 | Report on lobbying activities |
| Vertex Pharmaceuticals Inc. | VRTX | 4 | 48.6 | Report on lobbying activities |
| Walt Disney Company | DIS | 5 | 33.7 | Report on lobbying activities |
| Activision Blizzard, Inc. | ATVI | 4 | 58.6 | Report on political contributions |
| Alaska Air Group Inc. | ALK | 4 | 42.1 | Report on political contributions |
| American Airlines Group Inc. | AAL | 4 | 34.9 | Report on political contributions |
| American Tower Corporation | AMT | 4 | 36.9 | Report on political contributions |

APPENDIX G- POLITICAL AND LOBBYING RESOLUTIONS AT S&P 500 COMPANIES

| ISSUER | TICKER | RESOLUTION NUMBER | % FOR | DESCRIPTION FOR REPORT |
|-----------------------------------|--------|-------------------|-------|-----------------------------------|
| Centene Corporation | CNC | 5 | 51.4 | Report on political contributions |
| Cintas Corporation | CTAS | 4 | 32.3 | Report on political contributions |
| CMS Energy Corporation | CMS | 5 | 34.9 | Report on political contributions |
| DaVita Inc. | DVA | 5 | 32.5 | Report on political contributions |
| Delta Air Lines Inc. | DAL | 6 | 46.0 | Report on political contributions |
| DTE Energy Company | DTE | 4 | 36.5 | Report on political contributions |
| Duke Energy Corporation | DUK | 6 | 38.9 | Report on political contributions |
| Equinix Inc. | EQIX | 5 | 32.3 | Report on political contributions |
| Expedia Group Inc. | EXPE | 5 | 36.0 | Report on political contributions |
| Exxon Mobil Corporation | XOM | 8 | 31.0 | Report on political contributions |
| Fiserv Inc. | FISV | 4 | 44.5 | Report on political contributions |
| Home Depot Inc. (The) | HD | 7 | 33.0 | Report on political contributions |
| Illumina Inc. | ILMN | 4 | 50.0 | Report on political contributions |
| J.B. Hunt Transport Services Inc. | JBHT | 4 | 53.2 | Report on political contributions |
| Loews Corporation | L | 4 | 32.3 | Report on political contributions |
| Motorola Solutions Inc. | MSI | 4 | 47.9 | Report on political contributions |
| Netflix Inc. | NFLX | 5 | 41.9 | Report on political contributions |
| Nextera Energy, Inc. | NEE | 4 | 38.9 | Report on political contributions |
| Western Union Company (The) | WU | 4 | 53.3 | Report on political contributions |

Source: Proxy Insight, as of November 23, 2020

APPENDIX D: RESOLUTIONS RELATED TO RACIAL EQUITY AND JUSTICE

| ISSUER | TICKER | RESOLUTION # | % FOR | DESCRIPTION FOR REPORT |
|---|--------|--------------|-------|---|
| Alphabet Inc. | GOOGL | 7 | 16.3 | Create board committee to oversee human rights impact of company products |
| Alphabet Inc. | GOOGL | 9 | 13.1 | Report on integrating sustainability metrics, including leadership diversity, into executive compensation plans |
| Alphabet Inc. | GOOGL | 13 | 9.0 | Nominate a board candidate with high level human and/or civil rights experience |
| Amazon.com Inc. | AMZN | 6 | 32.1 | Report on possible misuse of technology by law enforcement and immigration authorities |
| Amazon.com Inc. | AMZN | 7 | 32.0 | Report on possible use of surveillance technology to violate the rights of people of color, immigrants and activists |
| Amazon.com Inc. | AMZN | 8 | 34.9 | Report on sale of products promoting hate |
| Arthur J. Gallagher & Co. | AJG | 4 | 24.4 | Adopt policy requiring that initial candidate lists for Board and CEO include qualified female and racially/ethnically diverse candidates |
| Charles Schwab Corp/The | SCHW | 6 | 42.6 | Annually disclose EEO-1 data, providing a comprehensive workforce breakdown by race and gender |
| Cigna Corp. | CI | 5 | 21.0 | Report on median pay gender gap across race and ethnicity |
| Expeditors International of Washington Inc. | EXPD | 5 | 52.9 | Adopt policy requiring that initial candidate lists for Board and CEO include qualified female and racially/ethnically diverse candidates |
| Facebook Inc. | FB | 9 | 7.2 | Report on board level oversight of civil and human rights risk |
| Facebook Inc. | FB | 11 | 8.6 | Report on median pay gap by gender and race |
| Fastenal Company | FAST | 4 | 61.1 | Report on diversity by gender globally, by race ethnicity in the U.S. |
| Fortinet Inc. | FTNT | 5 | 70.0 | Assess effectiveness of diversity and inclusion programs as they impact protected classes of employees |
| Genuine Parts Company | GPC | 4 | 79.1 | Report on policies related to human capital risks, including workforce diversity data |
| Home Depot Inc. (The) | HD | 5 | 35.8 | Report on current gender and race composition of workforce per EEOC categories and describe policies for increasing diversity |
| IPG Photonics Corporation | IPGP | 4 | 44.9 | Report on current management team diversity and plans to make management more diverse in race, ethnicity and gender |
| | MAR | | | |
| Marriott International | MSFT | 5 | 30.8 | Report on current gender and race composition of workforce per EEOC categories and describe policies for increasing diversity |
| Microsoft Corporation | | 5 | 29.6 | Report on median pay gap by gender and race |
| Northrop Grumman Corporation | NOC | 4 | 24.2 | Report on possible misuse of technology by government authorities |
| O'Reilly Automotive Inc. | ORLY | 6 | 66.0 | Report on human capital risks taking into account workforce diversity & inclusion |
| Oracle Corporation | ORCL | 4 | 35.7 | Report on gender/racial pay gap |
| Pfizer Inc. | PFE | 8 | 38.1 | Report on median gender pay gap |
| Tyson Foods Inc. | TSN | 6 | 14.6 | Report on human rights due diligence process, including discrimination and harassment of workers and suppliers |
| Walmart Inc | WMT | 8 | 13.2 | Strengthen Walmart's prevention of sexual harassment, formalize board oversight |

Source: Proxy Insight, as of November 23, 2020

ENDNOTES

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ENDNOTES

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