majorityaction

EQUITY IN THE BOARDROOM

2023 Proxy Season

March 2024

This report was made possible by the generous support of the Omidyar Network, The Ford Foundation, Wallace Global Fund, Marguerite Casey Foundation, The McKnight Foundation, The Nathan Cummings Foundation, The Park Foundation, and anonymous donors. Majority Action receives no funding from nor has any commercial relationship with any issuer, asset manager, or proxy advisor analyzed in this report. The information in this report has been prepared from sources and data the authors believe to be reliable, but we assume no liability for and make no guarantee as to its adequacy, accuracy, timeliness, or completeness. The information in this report is not designed to be investment advice regarding any security, company, industry, or fund, and should not be relied upon to make investment decisions. No information herein is intended as an offer, or solicitation of an offer, to sell or buy, or as a sponsorship of any company, security, fund, or product. Opinions expressed and facts stated herein are subject to change without notice. This study uses data obtained under license from Diligent Market Intelligence between December 15, 2023 and February 25, 2024, custom data purchased from ISS ESG Solutions on August 9, 2023, and 2022 and 2023 proxy vote analyses purchased from ISS Corporate Solutions.

Executive Summary

Besides being a moral failing, racial inequity poses idiosyncratic and systemic risks that depress returns for long-term diversified investors. At the company level, entrenched racial discrimination exacts legal, political, reputational, operational, and governance costs while constraining consumer spending and hampering productivity and profitability. At the portfolio level, systemic racism threatens long-term returns across asset classes by generating industry and economy-wide negative externalities and impeding inclusive and broad-based economic growth. Fiduciaries must adopt a racial equity lens to proxy voting in order to effectively mitigate the risks of systemic racism, which cannot simply be diversified away.

This report analyzes how the eighteen largest asset managers and two leading proxy advisors voted/recommended on five key proxy voting categories related to racial equity: **racial equity audits, racial and ethnic board diversity, political spending and lobbying disclosure, political congruency, and freedom of association and collective bargaining.** Asset managers' support for racial equity-related proxy votes slowed considerably in 2023 against the backdrop of coordinated right-wing attacks on civil rights, affirmative action, and voting rights, and the related politicization of environmental, social, and governance (ESG) investment strategies. Asset managers' inaction on systemic racism comes at the expense of not only communities of color who bear the brunt of harmful corporate behaviors, but also the tens of millions of worker-savers – many of whom are people of color themselves – seeking long-term returns on their retirement portfolios. Against current political headwinds, asset managers must rise to the occasion and use their proxy voting power to address systemic racism – consistent with their fiduciary duty to mitigate risk, protect the value of client assets, and fortify long-term investment returns.

Summary Of Findings

	Racial Equity Audit Proposals	Director Accountability for All-White Boards	Political Spending & Lobbying Disclosure Proposals	Political Congruency Proposals	Freedom of Association Proposals
Amundi	🟢	🟢	🟢	🟢	🟢
LGIM	🟢	🟢	🟢	🟢	🟢
Northern Trust	🟢		🟢	🟢	🟢
Morgan Stanley	🟢		🟢		🟢
ISS		🔴	🟢	🟢	🟢
Glass Lewis		🔴	🟢	🔴	🟢
Nuveen		🟢	🟢	🔴	
Franklin Templeton	🔴		🟢	🔴	
Wellington		🔴		🔴	
Invesco		🔴	🟢		
State Street	🔴			🔴	
Geode	🔴	🔴			
Fidelity	🔴		🔴	🔴	
BNY Mellon	🔴	🔴		🔴	🔴
Goldman Sachs	🔴	🟢	🔴	🔴	🔴
JPMorgan	🔴	🔴		🔴	🔴
Capital Group	🔴	🔴	🔴	🔴	🔴
T. Rowe Price	🔴	🔴	🔴	🔴	🔴
Vanguard	🔴	🔴	🔴	🔴	🔴
BlackRock	🔴	🔴	🔴	🔴	🔴

Top-tier voting record 🟢
Bottom-tier voting record 🔴

Figure 1: Summary of Findings
Notes: For shareholder proposals, an asset manager is defined as being in the "top-tier" if it supported at least 75 percent of proposals and being in the "bottom-tier" if it supported less than 25 percent of proposals. For director accountability for racial and ethnic board diversity, an asset manager is defined as being in the "top-tier" if it voted against the reelection of at least 5 out of 7 (71 percent) nominating committee members at the three S&P 500 companies with all-white boards, and being in the "bottom-tier" if it voted against less than 2 out of 7 nominating committee members (29 percent)

Key Findings

01

The Big Four asset managers – BlackRock, Vanguard, Fidelity, and State Street – ranked at or near the bottom on all five racial equity-related proxy voting categories. BlackRock and Vanguard – together with T. Rowe Price and Capital Group – had the worst racial equity voting records. On average, the Big Four supported just six percent of racial equity audit proposals, fifteen percent of political spending and lobbying disclosure proposals, no political congruency proposals, and fifteen percent of freedom of association and collective bargaining proposals. State Street and Fidelity voted for a slightly higher percentage of racial equity audit, political spending and lobbying disclosure, and freedom of association and collective bargaining proposals than BlackRock and Vanguard. State Street and Fidelity also proved more willing than BlackRock and Vanguard to vote against nominating committee members at companies with no racial or ethnic board representation. By contrast, Amundi and Legal & General Investment Management (LGIM) had the best voting records across all five proxy voting categories, while Northern Trust had the best voting record in four out of five categories.

02

Fourteen out of eighteen asset managers supported a smaller percentage of racial equity audit proposals in 2023 than in 2022. The biggest backsliders – Capital Group, BNY Mellon, BlackRock, Geode, and Invesco – decreased their support for racial equity audit proposals by more than forty percentage points. Of the Big Four, Vanguard and Fidelity continued to oppose most or all racial equity audit proposals, while BlackRock and State Street decreased their support substantially compared to last AGM season. BlackRock went from supporting over half of all racial equity audit proposals in 2022 to none in 2023, while State Street's support for such proposals declined by 32 percentage points. Support among proxy advisors also decreased. Both ISS and Glass Lewis supported 76 percent of racial equity audit proposals in 2022. That number dropped to 36 percent and fifty seven percent, respectively, in 2023. Still, some asset managers continued to be leaders in this area, with LGIM, Northern Trust, Amundi, and Morgan Stanley supporting most or all racial equity audit proposals.

03

Asset managers set a low bar for racial and ethnic board representation and did not hold boards accountable for board diversity failures. According to their 2023 proxy voting policies, most asset managers consider an S&P 500 board to be sufficiently diverse if it includes a single director of color. Given that the average S&P 500 board contains eleven members, this sets the floor at merely nine percent racial and ethnic representation – a far cry from the racially and ethnically diverse US population, which is currently 41 percent. While most asset managers' proxy voting policies permit using director elections to hold boards accountable to minimum racial and ethnic diversity expectations, only some asset managers actually deployed this lever. Just two asset managers – Nuveen and Goldman Sachs – voted against all nominating and governance committee members at the three S&P 500 companies that nominated no directors of color. Seven asset managers, including BlackRock and Vanguard, voted to re-elect all nominating and governance committee members across these same three companies.

04

Despite the fact that 98% of S&P 500 companies do not disclose how much they spend on state-level lobbying, the Big Four opposed almost all lobbying disclosure proposals. Of the nineteen lobbying disclosure proposals that were put to a vote in 2023, Fidelity supported none, BlackRock and Vanguard each supported one, and State Street supported three. All four asset managers voted against the lobbying disclosure proposal at McDonald's, which was the only political spending and lobbying disclosure proposal to receive majority support in 2023. The Big Four's voting behavior diverged sharply from the recommendations of ISS and Glass Lewis, which supported 89 and 74 percent, respectively, of lobbying disclosure proposals.

05

Asset manager support for political congruency proposals declined significantly in 2023. The 2022 midterm elections exposed glaring misalignments between corporations' public statements and their political activities. Many companies resumed political contributions to election deniers, belying the commitments they made to voting rights and election integrity in the wake of the January 6th insurrection. However, asset manager support for political congruency proposals, which ask companies to identify and address these types of misalignments, declined significantly in 2023.

06

Asset managers diverged sharply from both proxy advisors on freedom of association and collective bargaining. Fourteen asset managers voted for a lower percentage of freedom of association proposals than were recommended by Glass Lewis and ISS, who supported 100 and 86 percent of such proposals, respectively. State Street, BlackRock, and Vanguard voted against the proposal at Starbucks, which was the only freedom of association proposal to get majority support.

Table Of Contents

Introduction

01

“**The coordinated and well-funded attacks on racial progress in corporate America shouldn’t surprise any of us.** This targeted campaign is designed to close the door for our communities to employment, contracts, and other opportunities. The individuals and institutions behind these efforts want to drag this country backward and some of them have even set their sights on historic policies that ban discrimination like the Civil Rights Act of 1965. The question for any government or corporate leader is what side of history are you on? The disingenuous attacks on racial equity audits, affirmative action, and corporate DEI are designed to get us to defend or abandon solutions to discrimination, exclusion, and privilege — instead of focusing on dismantling these deep-seated problems that prevent us from having a fair and equitable economy and democracy. Long after the 2024 election is over we will remember the actions - not just the words - in response to these attacks on equity and inclusion from major corporations and their leadership.”

— Rashad Robinson, President of Color of Change

The murders of George Floyd, Ahmaud Arbery, and Breonna Taylor

in 2020 and the insurrection at the US Capitol on January 6, 2021 prompted a racial reckoning within corporate America. Corporations issued statements decrying systemic racism, committed to ending discriminatory product lines and business practices, pledged to expand diversity, equity, and inclusion (DEI) initiatives, and publicly acknowledged the business case for racial equity.[1] CEOs voiced support for voting rights, and companies promised to cease political donations to election deniers.[2]

Three years later, systemic racism continues to shortchange the lives of people of color, yet corporate leaders are no longer demonstrating the urgency to act.[3] Companies are reneging on racial equity pledges, phasing out DEI programs that they no longer see as "core" to their business, and resuming contributions to political groups and candidates trumpeting voter suppression.[4] Whereas 190 publicly traded companies mentioned the word "racism" in their earnings calls following George Floyd's murder, that number plummeted to just 11 in 2023, suggesting that racism "doesn't appear anymore in corporate conversations with Wall Street."[5] This corporate backsliding is occurring amidst coordinated attacks by right-wing lawmakers and legal activists on DEI, funding to minority-owned businesses, affirmative action, critical race theory, voting rights, and the right to protest and organize.[6]

Despite this challenging corporate environment, investors have continued to engage with companies on racial equity matters through the proxy voting process. However, just like the world's largest companies, the world's largest asset managers are retreating in their support for such efforts. Our report shows that although some asset managers – Amundi, LGIM, Northern Trust, and to a lesser extent Morgan Stanley – continue to lead on racial equity stewardship, many of the largest asset managers were largely unsupportive of racial equity-related shareholder proposals. Our report also shows that most asset managers failed to hold companies with all-white boards accountable for lack of racial and ethnic board diversity, despite the fact that their proxy voting policies permit them to vote against directors when boards do not meet minimum racial and ethnic diversity standards.

In particular, the "Big Four" asset managers — BlackRock, Fidelity, State Street, and Vanguard – not only lagged behind most of their peers on nearly all measures, two of them – BlackRock and State Street – took a step backwards. BlackRock, for example, supported over half of all racial equity audit proposals in 2022 but supported none in 2023 – an about-face that contradicts CEO Larry Fink's 2020 statement, "To better serve our clients, we will focus on racial equity and social justice in our investment and stewardship activities."[7] State Street published its own civil rights audit report in May 2023. In it, the auditors recommended that the Global Advisors stewardship team consider portfolio companies' "litigation, reputational, and regulatory exposure regarding the full range of risks related to civil rights," including but not limited to "marketing practices for products and services that may be harmful to [Black, Indigenous, People of Color] communities."[8] Yet, State Street's support for racial equity audits – a tool developed to identify and evaluate precisely these types of risks – decreased by 32 percentage points in the 2023 proxy season.

Large asset managers' retreat on racial equity is transpiring amidst the right-wing politicization of "environmental, social, and governance" (ESG) investment strategies, an effort backed by many of the same actors behind the attacks on DEI, affirmative action, and critical race theory.[9] Spearheaded by the fossil fuel industry, the primary focus of the anti-ESG push has been to preclude investors from considering climate risks, although anti-ESG advocates have also targeted shareholder engagement related to antiracism and diversity initiatives, workers' rights, and corporate governance. During the 2023 legislative session, right-wing lawmakers introduced 165 anti-ESG bills across 37 states seeking to prevent investors from considering commonsense systemic or long-term risk factors in the management of government funds and pension assets.[10] At the federal level, the Republican-controlled House of Representatives held a series of hearings, marked up eight bills, and subpoenaed proxy advisors and asset managers over ESG investing.[11] Lawmakers and state attorneys general mounted unsuccessful legislative and legal challenges to the Department of Labor's 2022 final rule permitting fiduciaries of Employee Retirement Income Security Act plans to consider ESG factors when relevant to a risk-return analysis.[12]

Despite the breadth of this right-wing onslaught, it has had limited success in actually changing state or federal laws governing what risk factors fiduciaries can consider in proxy voting or investment decisions.[13] The politicization of ESG risks is also broadly unpopular among American voters, many of whom are diversified investors seeking long-term returns on their retirement portfolios. A December 2023 poll found that a majority of voters, including 52 percent of Republicans and 63 percent of Independents, do not support the anti-ESG bills advanced by the House Financial Services Committee in July 2023.[14] Nevertheless, the anti-ESG campaign – combined with the related attacks on affirmative action and civil rights – has had what has been described as a "chilling effect" on investors.[15]

Asset managers' inaction on racial equity proxy voting matters can be understood in part as a capitulation to the right-wing's multi-pronged assault on racial progress and climate science. Ultimately, this inaction comes at the expense of tens of millions of workers – many of whom are people of color themselves – whose deferred wages are invested in retirement portfolios that are exposed to the risks of systemic racism and climate change. Indeed, as we discuss in the next section, racial equity is not just a moral imperative. Systemic racism poses material investment risks and depresses returns at both the company and portfolio level. **As we approach both the 2024 proxy season and the 2024 presidential election, the disingenuous attacks on ESG, DEI, and civil rights are likely to intensify. Against these headwinds, asset managers must rise to the occasion and use their proxy voting power to address racial inequity, consistent with their fiduciary duty to mitigate risk, protect the value of client assets, and fortify long-term investment returns.**

> Racial inequity is a system-level risk, much like climate change and income inequality – both material and non-diversifiable. Given the feedback loops between the real world and financial markets, investors have an obligation to act to mitigate these intergenerational risks in accordance with the fiduciary duties of prudence, care, and loyalty."
>
> — Monique Aiken, Managing Director of The Investment Integration Project

Racial Inequity and Systemic Risk

Systemic racism is an organized system of generating and perpetuating differential opportunities based on racial hierarchy.[16] It includes "norms, ideologies, culture and history, as well as interconnected institutions, policies, laws and structures that designate and maintain differential and unequal value of individuals and groups based on their race."[17] The United States economy was built on the "appropriation of the physical, financial, labor, and other resources of non-white people," including but not limited to the enslavement of Black people, the dispossession of Indigenous nations, the exploitation of Asian and Latino migrants, and the imperial conquest of Native Hawaiian and Pacific Islander communities.[18]

Systemic racism captures the ways in which interlocking societal systems – such as the financial, economic, political, educational, health, and criminal legal systems – continuously reproduce and deepen these historical racial violences, putting Black, Indigenous, and people of color (BIPOC) communities at compounded disadvantage in relation to white people. Systemic racism is "so embedded in systems that it often is assumed to reflect the natural, inevitable order of things," and it is one reason racial disparities in the US remain so intractable and entrenched.[19]

Systemic racism produces **racial inequity**, or the unequal distribution of resources, power, and opportunity along racial lines.[20] Racial inequity manifests as persistent unequal participation and outcomes related to democracy, education, income, health, housing, the labor market, and more.[21] The most pervasive and self-perpetuating of these inequities is the racial wealth gap: In the US, white people make 73 percent more in annual income, are nearly two times more likely to own their homes, and hold ten times more wealth than Black people.[22] As one study puts it, "Wealth is the accumulation of past and present income, assets, debts, and disparities."[23] The racial wealth gap is the cumulative effect of slavery, land theft, segregation, redlining, occupational segregation, mass incarceration, unfair tax policy, predatory lending, and systemic barriers to education, homeownership, and economic mobility.[24]

Corporations are key drivers of systemic racism and racial inequity. Conceptually, the development of modern business and finance cannot be disentangled from the history of slavery and anti-Black racism. Prior to becoming the center of global financial markets, Wall Street was the site of New York City's first organized slave auction.[25] The growth of America's banking and insurance sectors was fueled by the slave trade: Banks issued securities funding the expansion of plantations, and insurance companies sold policies on the lives of enslaved people.[26] Many of the business management practices, accounting techniques, and financial instruments that are still in use today were pioneered as part of the plantation economy.[27] Today, corporations perpetuate racial inequity in a number of ways, including discriminating against workers of color, disposing toxic chemical waste in Black and Brown neighborhoods, marketing predatory and/or harmful products to BIPOC consumers, and engaging in business models and practices that lead to racial disparities.[28] In economics terms, communities of color are the "ideal dumping grounds for negative externalities generated by the private sector."[29]

Asset managers have a fiduciary duty to their clients and beneficiaries to enhance risk-adjusted returns and mitigate investment risks. Investment theory distinguishes between two categories of investment risks: idiosyncratic risk and systematic risk. Idiosyncratic risk is specific to a particular company or industry, and it can largely be managed through diversification. **Systematic risk**, on the other hand, is non-diversifiable and affects all securities in a portfolio. Jon Lukomnik and James Hawley further distinguish between systematic risk and **systemic risk**, which refers to risks that endanger the functioning of the real-world economic, social, and financial systems on which the capital markets rely.[30] Systemic risks in the real-world create non-diversifiable systematic risk in the financial markets. Research shows that systematic risk, not idiosyncratic risk, determines the vast majority of the variability of return for a portfolio.[31] For broadly diversified asset managers and institutional investors that have minimal exposure to idiosyncratic risk, it makes rational sense to focus on reducing the drivers of systemic risk, which are inputs into systematic market risk.[32] Moreover, focusing on mitigating systemic risk shifts investment strategy from simply being about beating the market return through security selection to improving overall market performance through real-world intervention.[33]

Racial inequity is an idiosyncratic and systemic risk that depresses risk-adjusted returns for individual securities as well as entire portfolios. At the company level, racial inequity is a "sign of poor management as well as exposure to political and consumer risk."[34] Companies engaged in racial discrimination are subject to increased risk in the form of legal actions, regulatory sanctions, heightened scrutiny from lawmakers, reputational damage, and consumer boycotts. Racially inequitable business practices can jeopardize a company's social license to operate.[35] Conversely, racial equity can be a source of competitive advantage. A number of studies have found that diversity and inclusion imperatives have a positive material impact on a company's financial condition, operating performance, ability to attract and retain talent, and corporate governance.[36] Companies that prioritize racial equity can unlock new markets and sources of growth by developing innovative products and services that simultaneously reduce inequities and meet the needs of people of color.[37]

More importantly, racial inequity is a systemic risk that threatens and degrades the economic, political, and social systems on which portfolio returns depend. Numerous studies have shown that systemic racism impairs GDP growth, which is a key component of systematic risk. A 2020 study by Citi found that $16 trillion could have been added to the US economy if Black-white inequities in wages, education, housing, and investment had been closed twenty years ago.[38] A report by the W.K. Kellogg Foundation estimated that closing the racial earnings gap by 2050 would boost U.S GDP by $8 trillion, augment effective demand by generating $2.6 trillion in new consumer spending, and accelerate the annual long-term growth rate for the US economy by half a percentage point.[39] Racial inequity can also lead to social discontent and unrest, which can increase market volatility and uncertainty, create political and economic instability, and negatively impact investment opportunities across all asset classes.[40]

Large asset managers can mitigate the systemic risks of racial inequity by adopting a racial equity lens to system-level stewardship.[41] As discussed earlier, corporate actions are key drivers of systemic racism and racial inequity. Central to system-level stewardship is the notion that as "universal owners," broadly diversified asset managers and institutional investors "internalize" the negative externalities generated by harmful corporate actions through lower portfolio returns.[42] System-level stewardship involves taking a portfolio-wide approach to proxy voting and shareholder engagement that aims to minimize the economy-wide costs of systemic racism.[43] Given the labyrinthine and wide-ranging reach of systemic racism, a racial equity lens to system-level stewardship would go beyond supporting shareholder proposals on board diversity, racial equity audits, and DEI disclosures to also examining the racial equity implications of director elections, executive compensation, mergers and acquisitions, and shareholder proposals on topics as varied as corporate political transparency, workers' rights, and climate risks. **By adopting a racial equity lens to stewardship and proxy voting, asset managers can use their power as shareholders to reshape corporate behavior in ways that create inclusive and broad-based economic growth while fortifying and enhancing returns for long-term diversified investors.**

Equity in the Boardroom 2023

This report analyzes how the eighteen largest asset managers and two leading proxy advisors voted/recommended on racial equity-related matters at S&P 500 companies in the 2023 proxy season, with a focus on racial equity audits, racial and ethnic board diversity, corporate political transparency, and workers' right to organize.

The eighteen asset managers examined in this report each have over $1 trillion in worldwide assets under management (AUM)[44] and an asset mix of at least twenty percent equities. Collectively, they manage upwards of $45 trillion in worldwide assets – more than the combined GDP of the United States and China.[45] With over $33 trillion in US client assets, these asset managers are responsible for the investments of tens of millions of American workers who have 401K plans, Individual Retirement Arrangements (IRAs), 529 college savings plans, Health Savings Accounts (HSAs), and exchange traded funds (ETFs).[46] As Figure 2 shows, the asset managers examined in this report are some of the largest managers of US workers' institutional retirement savings, with over $6.5 trillion in defined contribution assets and $1.6 trillion indefined benefit assets.[47] BlackRock alone manages retirement plan assets for over one-third of US public school teachers.[48]

This report pays particular attention to the voting record of the Big Four asset managers. The Big Four manage over $18.4 trillion in US client assets, hold more than twenty percent of shares in the S&P 500, and account for more than 25 percent of shares voted.[49] Given their substantial holdings, they wield outsized power in the proxy voting process and often play a decisive role in the outcomes of shareholder proposals and director elections. As we show, a number of racial equity-related shareholder proposals could have reached majority support had the Big Four voted in favor.

For the first time, this year's report examines the voting recommendations of the two leading proxy advisors, Institutional Shareholder Services (ISS) and Glass Lewis. The amount of impact the proxy advisors have on the proxy process has been a subject of debate in recent years. The growing influence of ISS and Glass Lewis has corresponded with the rise of low-cost passively managed funds such as exchange-traded funds and index funds, which must vote their shares but may allocate few resources to the process.[50] One study finds that when either ISS or Glass Lewis issues a recommendation opposing management, its customers are twenty percentage points more likely to oppose management compared to other investors.[51] Depending on the level of client uptake, the introduction of pass-through voting could also increase the proxy advisors' influence on voting outcomes,[52] since the alternative voting policies offered through proxy choice programs are usually compiled by ISS and/or Glass Lewis.[53]

The rest of this report is organized as follows: Section 2 opens with a discussion of corporate racial equity audits as a tool for mitigating the risks of systemic racism and proceeds to analyze asset managers' and proxy advisors' votes/recommendations on racial equity audit shareholder proposals. Section 3 looks at director accountability for racial and ethnic board diversity with a focus on asset managers' and proxy advisors' votes/recommendations on director elections at the three S&P 500 companies that ran all-white slates of director nominees. Sections 2 and 3 also include an analysis of asset managers and proxy advisors' proxy voting policies related to racial equity audits and racial and ethnic board diversity, respectively. Section 4 examines asset managers' and proxy advisors' votes/recommendations on two types of shareholder proposals related to corporate political transparency, political spending and lobbying disclosure proposals and political congruency proposals. Section 5 looks at proxy votes on shareholder proposals related to workers' rights to freedom of association and collective bargaining. While corporate political transparency and freedom of association may not seem immediately relevant to racial equity, these two sections show that unbridled corporate influence in democratic institutions and corporate interference in worker organizing play critical roles in the disenfranchisement and exploitation of BIPOC communities. Each section also makes an argument for why the issue at hand – racial equity audits, racial and ethnic board diversity, corporate political transparency, and workers' right to organize – should matter to diversified investors pursuing long-term returns.

Largest Managers of US Defined Benefit & Defined Contribution Assets (Billions of Dollars in AUM)

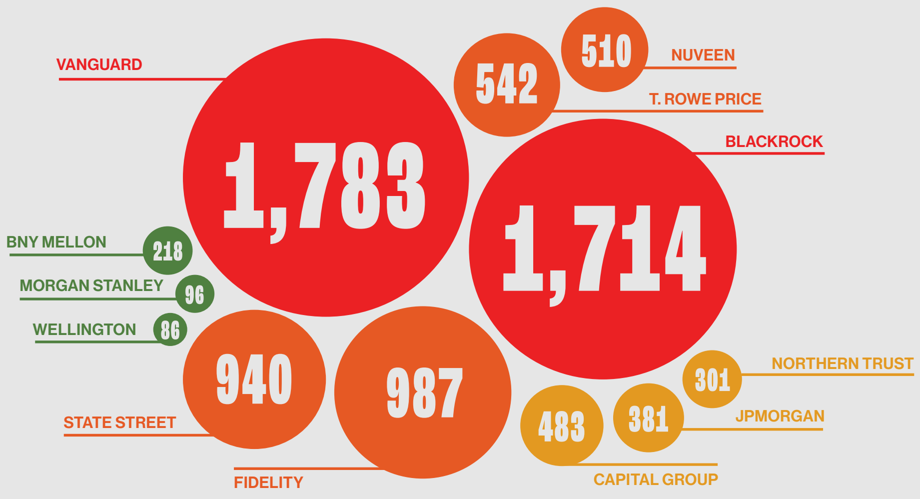


Figure 2: Largest Managers of US Defined Benefit & Defined Contribution Assets (Billions of Dollars in AUM)
Source: Majority Action analysis of data obtained from Pension & Investments
Note: Does not include Prudential Financial and PIMCO, who manage $386 billion and $189 billion, respectively, in defined benefit and defined contribution assets

Racial Equity Audits

02

> Racial equity audits can be a positive tool for identifying and ameliorating racial inequities in a business. By looking across policies, practices, and products, companies can start to understand potential blind spots and create solutions that benefit all stakeholders...While this mechanism can be viewed as a means of risk mitigation, we believe it can also ultimately unlock new opportunities for value creation for the business and the broader economy."[54]
>
> — Clare Payn, Legal and General Investment Management

A racial equity audit is a systematic and comprehensive analysis of a company's policies, practices, products, and services for discriminatory or disparate impact on BIPOC stakeholders. These stakeholders include but are not limited to workers, current and potential customers, suppliers, and communities subjected to a firm's negative externalities, such as pollution or toxic chemicals. Conducted by independent auditors with civil rights and racial justice expertise, racial equity audits identify problems, propose recommendations, and create concrete remediation plans and accountability structures. As part of the auditing process, auditors typically collect information and data from workers, company leadership, impacted communities, and civil rights and advocacy organizations. Crucially, racial equity audits go beyond workforce DEI and corporate social responsibility initiatives to examine the ways in which a company's core business model, products, and operations perpetuate systemic racism.[55] As Heather McGhee and Sherrilyn Ifill note, while diversity and inclusion "are essential components of an ultimate goal of a racially equitable institution," they do not guarantee "that the company's systems, practices, and policies are designed to create racially equitable outcomes.[56]

Corporate racial equity or civil rights audits[57] were initially pioneered by civil rights organizations and leaders as a strategy to get technology companies to address discrimination and bias on their platforms. The first corporate civil rights audit was conducted in 2016 by Airbnb under pressure from Color of Change after reports surfaced of Black users being discriminated against by hosts.[58] In 2018, Facebook commissioned a civil rights audit at the urging of members of Congress and civil rights groups, who had been engaging with the company for years on how its policies affected members of protected classes.[59] Led by civil rights attorney Laura Murphy, the Airbnb and Facebook audits set the standard for rigorous third-party racial equity audits and generated numerous learnings about the opportunities and limitations of this approach to corporate accountability.[60]

The Airbnb audit in particular set the bar for a successful audit because Airbnb a) implemented a "multipronged and concerted set of changes" to tackle the problems identified by the auditors,[61] b) worked collaboratively with stakeholders, and c) demonstrated a commitment to transparency and public accountability. Laura Murphy's 2016 audit examined various aspects of Airbnb's business, including how its platform shaped interactions between users, its policies governing user conduct, its policy enforcement processes, its lack of workforce diversity, and its partnerships with civil society organizations.[62] As a result of the audit, Airbnb agreed to make a number of changes, including implementing stronger anti-discrimination policies, improving enforcement and response protocols, expanding its "Instant Book" feature which reduces the potential for bias, and assembling a permanent anti-bias team of data professionals.[63] Airbnb issued supplemental reports in 2019 and 2022 relaying the company's progress on its racial justice goals.[64]

In 2020, Airbnb launched a data analysis initiative called Project Lighthouse in partnership with Color of Change and with input from privacy and racial justice groups. The goal of Project Lighthouse was to measure bias and discrimination on Airbnb's platform "with the belief that you can't fix what you can't measure."[65] Airbnb's 2022 report detailed the findings of Project Lighthouse and described how the company planned to use these findings to inform and target its anti-discrimination efforts. Among other things, Project Lighthouse revealed that while Instant Book is an effective tool to reduce discrimination, Black users were accessing Instant Book at lower rates because they were less likely to meet the criteria for eligibility.[66] As a result, Airbnb introduced policy changes that would make it easier for people to use Instant Book.[67] Despite the successes of the Airbnb audit, it has not been without challenges. Although it is one of the few tech companies to establish a permanent anti-bias team, employees have said that the company has failed to adequately resource the team, leading to otherwise preventable racial disparities slipping through the cracks.[68]

Bringing Racial Equity Audits into the Investor Ecosystem

Investors initially imported corporate racial equity audits into the shareholder ecosystem as a way to hold companies accountable to the racial justice commitments they made in the summer of 2020 following the murder of George Floyd. Advocates and investors believed that without a tool to identify problems and measure progress, these corporate commitments could prove to be illusory. Under the leadership of Renaye Manley, Deputy Director of Strategic Initiatives at Service Employees International Union (SEIU), investors including SEIU Master Trust and Change to Win (CtW) Investment Group (now SOC Investment Group) filed twelve racial equity audit proposals in the 2021 proxy season. Since then, shareholders have voted on 67 racial equity audit proposals across 49 S&P 500 companies.[69]

For investors, racial equity audits are not just a way to hold companies responsible for their professed racial justice commitments. They are also a tool to mitigate the risk that systemic racism poses to companies and portfolios. By diagnosing problem areas and charting a course for remediation, racial equity audits enable companies to identify and manage the legal, regulatory, political, and reputational risks associated with racial discrimination and bias. Beyond mitigating risk, racial equity audits can also provide companies a competitive edge when it comes to building products that appeal to BIPOC consumers and hiring and retaining talent from a rapidly diversifying US labor force. For diversified investors whose fiduciaries have a duty to minimize risk and maximize long-term returns, the benefits of racial equity auditing begin to accrue when firms across industries use the tool to take concrete remedial actions, collectively minimizing the externalities and inefficiencies caused by systemic racism and unlocking possibilities for economy-wide value creation.

Despite the persistence of systemic racism, shareholder support for racial equity audit proposals fell significantly in 2023 compared to previous years. Of the fourteen proposals put to a vote in 2023, none reached majority support and only 29 percent received greater than thirty percent support. In contrast, in 2022, 32 percent of racial equity proposals reached majority support, and 84 percent received greater than thirty percent support. Average support for racial equity audit proposals increased from 33 percent in 2021 to 44 percent in 2022, and then declined to 21 percent in 2023.

As illustrated by Figures 3 and 4, fourteen out of eighteen asset managers supported a smaller percentage of racial equity audit proposals in 2023 than in 2022. The biggest backsliders were Capital Group, BNY Mellon, BlackRock, Geode, ISS, and Invesco, whose support for racial equity audit proposals decreased by more than forty percentage points.

Of the Big Four, Vanguard and Fidelity continued to oppose most or all racial equity audit proposals. BlackRock went from supporting over half of all racial equity audit proposals in 2022 to none in 2023, while State Street's support for such proposals declined by 32 percentage points. Among the proxy advisors, ISS exhibited a steeper drop in support (43 percentage points) than Glass Lewis (22 percentage points). Whereas both proxy advisors supported 79 percent of proposals in 2022, ISS supported just 36 percent in 2023, while Glass Lewis supported a little over half. Still, some asset managers continued to be leaders on racial equity audits. **Amundi supported 100 percent of racial equity audit proposals, LGIM and Northern Trust supported 93 percent, and Morgan Stanley supported 79 percent.**

Most asset managers' proxy voting policies are silent on the subject of racial equity audits. However, LGIM, Goldman Sachs, and Franklin Templeton subsidiary ClearBridge have specific policy language related to racial equity audits, as do ISS and Glass Lewis (see Appendix E for the language used in each proxy voting policy). These policies provide a window into how asset managers evaluate racial equity audit proposals. Goldman Sachs, ClearBridge, ISS, and Glass Lewis all state that they evaluate racial equity audit proposals on a "case-by-case" basis, taking into consideration factors such as existing levels of disclosure and whether the issuer has had any recent controversies, litigation, or fines related to racial justice issues.

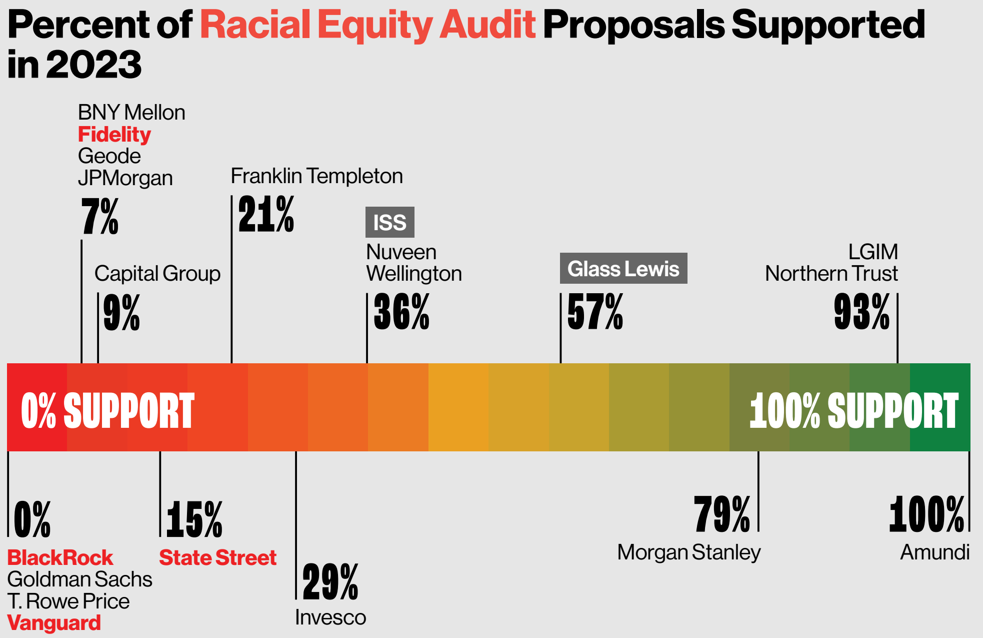


Figure 3: Percent of Racial Equity Audit Proposals Supported in 2023
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: N = 14 proposals voted on at U.S-based S&P 500 companies

Percentage Point Change in Support for Racial Equity Audit Proposals: 2022 vs. 2023

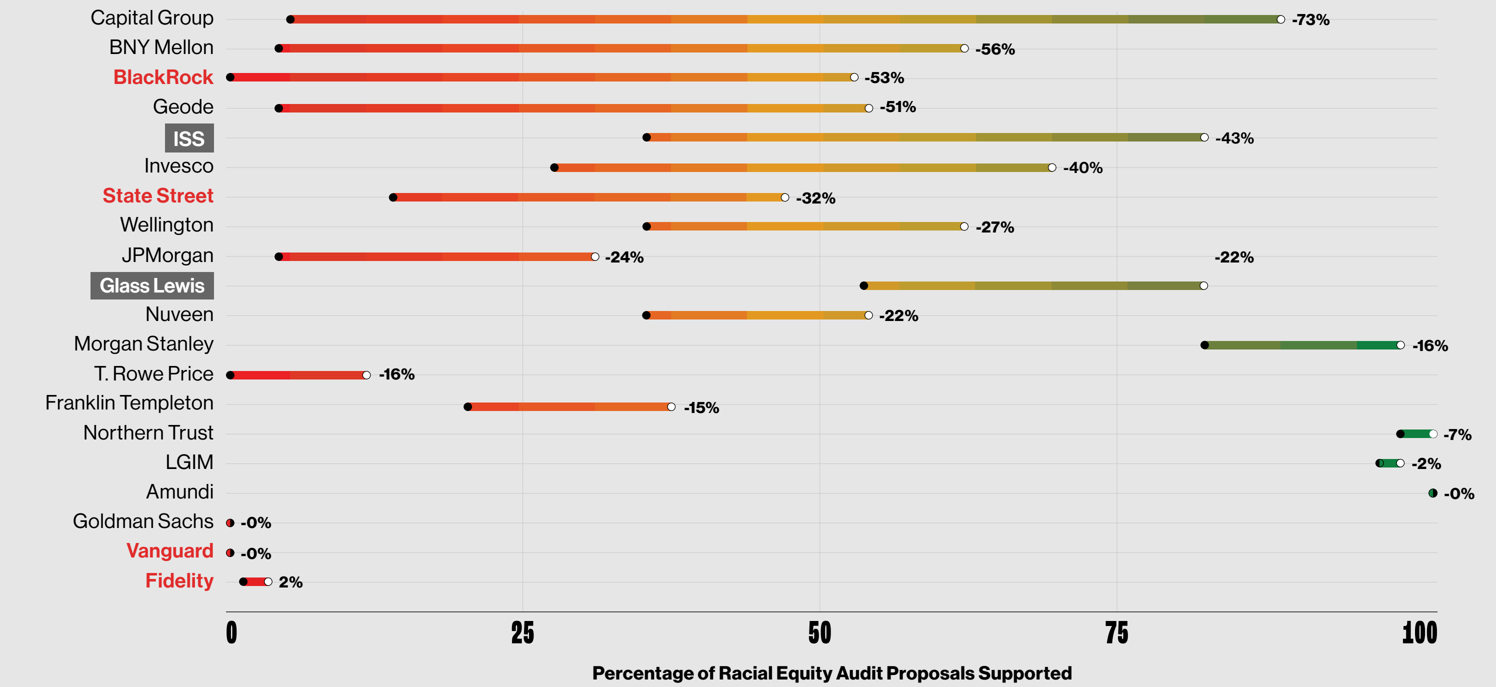


Figure 4: Percentage Point Change in Support for Racial Equity Audit Proposals: 2022 vs 2023
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: N = 19 for 2022 and N = 14 for 2023

Asset Manager Votes on 2023 Racial Equity Audit Proposals

	MO	CMSA	AWK	UNH	T	CVX	BAC	WMT	KO	MHK	TRV	EFX	GS	VLO
Amundi	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
LGIM	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
Northern Trust	Voted Yes	Voted Yes	Voted Yes	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
Morgan Stanley	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted No	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted No
Glass Lewis	Voted Yes	Voted Yes	Voted No	Voted Yes	Voted Yes	Voted No	Voted Yes	Voted Yes	Voted No	Voted No	Voted Yes	Voted Yes	Voted No	Voted No
ISS	Voted Yes	Voted No	Voted Yes	Voted No	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted Yes	Voted Yes	Voted No	Voted No	Voted No
Nuveen	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted Yes	Voted Yes	Voted No	Voted Yes	Voted No
Wellington	Voted Yes	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted Yes	Voted Yes	Voted No	Voted No
Invesco	Voted Yes	Voted No	Voted Yes	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted Yes	Voted Yes	Voted No	Voted No	Voted No
Franklin Templeton	Voted Yes	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted No	Voted No
State Street	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted Yes	Voted Yes	N/A	Voted No	Voted No	Voted No	Voted No
Capital Group	Voted No	Voted No	N/A	Voted No	Voted No	Voted No	Voted No	N/A	Voted No	N/A	Voted No	Voted Yes	Voted No	Voted No
BNY Mellon	Voted Yes	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No
Fidelity	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted No
Geode	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No
JPMorgan	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted Yes	Voted No	Voted No
BlackRock	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No
Goldman Sachs	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No
T. Rowe Price	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No
Vanguard	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No

Figure 5: Asset Manager Votes on 2023 Racial Equity Audit Proposals
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: Capital Group does not appear to have holdings in AWK, WMT, or MHK. State Street abstained from voting on the proposal at MHK

Voted Yes Voted No N/A

Instead of evaluating these proposals on a case-by-case basis, asset managers should encourage all portfolio companies to adopt racial equity audits as a standard practice.

Instead of evaluating these proposals on a case-by-case basis, asset managers should encourage all portfolio companies to adopt racial equity audits as a standard practice. The current case-by-case approach used by asset managers and proxy advisors misses the mark for three reasons. First, company self-disclosures are not an adequate substitute for a high-quality, independent racial equity audit, since self-disclosures alone can easily serve the purposes of "equity washing."[70] Second, as Laura Murphy notes, racial equity audits "need not always flow from complaints, scandals or stakeholder pressure."[71] In fact, racial equity audits are most effective as risk mitigation tools when they are used as a preventative measure to identify and proactively redress problems before they erupt into public view and exact reputational and financial damage. To that end, an independent audit can shed light on issues that are simmering under the surface and negatively affecting firm performance, but go unreported by impacted stakeholders.[72] Third, when racial equity audits are conducted by all companies within an industry, they serve the dual purpose of identifying disparate racial impacts that are a) idiosyncratic to a particular firm, and b) shared across firms and foundational to how the industry operates. Indeed, when SEIU Master Trust and CtW Investment Group filed proposals at eight systemically important financial institutions in 2021, they pointed to discriminatory practices entrenched at the industry level, from "'redlining' techniques related to mortgage loans, to excessive checking account fees, to most recently, [Paycheck] Protection Program distribution."[73]

What makes a racial equity audit?[74]

Stakeholder Engagement

Transparent engagement with diverse stakeholders can help companies avoid litigation, boycotts, government investigations, and reputational damage related to potential civil rights violations and discrimination.[75] Engagement **can demonstrate accountability to BIPOC communities,** who may be part of the company's labor force and consumer base.

An audit should:

- Engage with stakeholders – including but not limited to civil rights and racial justice groups, environmental justice groups, and workers and consumers of color – to assess and evaluate the company's impact on BIPOC communities, including pressing risks and alleged claims of discrimination

Example: After commissioning Laura Murphy & Associates to conduct its 2016 civil rights audit, Airbnb launched Project Lighthouse, an initiative to uncover and address disparities in how people of color experience its platform.[76] Designed to help Airbnb "innovate and design new products and initiatives that will increase acceptance and combat bias," Project Lighthouse was launched in partnership with civil rights organization Color of Change and with input from nine other racial justice and technology equity organizations.[77]

Reviews Products and Services

A racial equity audit can generate knowledge and findings that **enable companies to build products and services that lead to more equitable outcomes,** thereby helping companies expand their business while fostering a more inclusive and prosperous economy.

An audit should:

- Evaluate the company's products and services for discriminatory impact and bias, including with respect to user experience, product design, accessibility, availability, and affordability
- Evaluate the company's marketing and advertising strategies for discrimination and bias, including algorithmic bias

Example: In 2022, Citigroup commissioned Covington & Burling LLP to conduct a racial equity audit of its Action for Racial Equity (ARE) initiative, Citi's $1 billion commitment to help address the racial wealth gap.[78] The audit uncovered that ARE had no initiatives targeting consumer credit scores even though "lower credit scores in Black and other minority communities are a critical driver of the racial wealth gap."[79] The audit recommended that Citi focus more on initiatives related to credit scores and consider additional efforts to promote credit building, credit score improvement, and alternative credit assessments.

Reviews Operations and Policies

Beyond workforce DEI, a comprehensive audit **examines all business operations and policies** for potential civil rights or racial equity impacts. This includes, but is not limited to, operations and policies related to corporate governance, pay practices, workers rights and human capital management, lobbying and political activities, investments and stewardship, corporate social responsibility, capital allocation, procurement and subcontracting, and data privacy.

An audit should:

- Assess the company's operations and policies and make recommendations for how they can be revised to further the goals of DEI and more effectively combat racial discrimination and bias

Example: In 2020, Facebook released the results of its civil rights audit, led by Laura Murphy and supported by Meghan Cacace, a partner at Relman Colfax.[80] As a result of the audit, Facebook expanded its voter suppression policy to include threats that voting will result in adverse law enforcement consequences and statements that encourage coordinated interference in elections. The company also adopted a new policy prohibiting threats of violence relating to voting, voter registration, or the outcome of elections.

> "The goal of a civil rights audit is to systematically examine significant civil rights and racial equity issues that may exist in a company and to develop a public plan of action to address them in a thorough, deliberate, timely, and transparent manner."
> — Laura Murphy

Criteria for a Racial Equity Audit: A high-quality racial equity audit should:*

- Be conducted by an independent third-party auditor with expertise in civil rights and racial justice
- Feature active engagement and cooperation from the company's executive management and oversight by the Board of Directors, including granting the auditor access to necessary information and people
- Go beyond workforce DEI issues to include a comprehensive review of company policies, practices, and products
- Consult with a wide range of internal and external stakeholders and be transparent about which stakeholders were consulted. The company and the auditor should make a clear commitment that any stakeholder who engages in the audit will be protected from retaliation, intimidation, or disciplinary action
- Identify a clear plan of action and timeline for the company to implement audit recommendations, and publish a public report summarizing these findings
- Involve a process of ongoing review, revision, and oversight no less often than every five years, including periodic progress reports on implementation

Racial Justice Capital Strategies Table

Effective racial equity auditing requires direct engagement with impacted stakeholders. As Renaye Manley asserts, "having civil rights groups, activists groups, [and] community groups as a part of the dialogue with the company creates a different level of accountability."[81] In 2023, Majority Action and SEIU established the Racial Justice Capital Strategies Table (RJCST) along with other leading racial justice organizations Color of Change, Hip Hop Caucus, and United for Respect. RJCST connects organizations that work with communities of color most impacted by discriminatory corporate behaviors to pathways for advancing racial equity outcomes in the investor ecosystem. As companies continue to make public commitments to racial justice, formations such as RJCST will help to ensure that investors are holding issuers to their word.

*Adapted from Laura Murphy's *The Rationale for and Key Elements of a Business Civil Rights Audit* and developed in consultation with Color of Change and SEIU

Case Studies

Racial Equity Audit Proposals at Travelers

From selling slave insurance policies in the 19th century to refusing to insure properties in Black neighborhoods in the mid-20th century, the insurance industry has been a key architect of systemic racism in the US[82] Today, many states prohibit insurers from explicitly considering race in the underwriting or pricing of personal lines of insurance.[83] Yet, so-called "colorblind" insurance practices that are based on purportedly objective actuarial assessments continue to have disparate impacts on BIPOC communities.[84]

In 2022 and 2023, shareholders led by Trillium Asset Management filed a racial equity audit proposal at The Travelers Companies, the sixth largest property/casualty insurance company in the US[85] In its opposition statement, Travelers claimed that the proposal would cause the company to violate state insurance laws by requiring it to collect racial demographic information and take race into account in its underwriting procedures.[86] Travelers' argument misunderstands the nature of systemic racism and the purpose of a racial equity audit, which among other things involves identifying and addressing the unintended outcomes of seemingly race-neutral policies, practices, and products on BIPOC consumers. As stated by ISS, who supported the proposal in 2022 and 2023, "Travelers argues that a third-party racial equity audit would conflict with state law and its own principles not to take race into account in its underwriting and pricing decisions. Although the company may not use race as a factor, other factors such as zip codes may have a similar effect."[87]

Consider, for example, the case of auto insurance. Travelers' domestic auto insurance business wrote $6.48 billion in net written premiums in 2022.[88] Despite the insurance industry's insistence that it does not discriminate based on race, consumer advocates have long pointed out that Black drivers pay more in auto insurance premiums than white drivers, even when controlling for driver safety and vehicle type.[89]

A 2017 *ProPublica* and *Consumer Reports* investigation found that Travelers and other auto insurers were charging consumers living in minority zip codes an average of thirty percent more than consumers living in non-minority zip codes, even though the minority and non-minority zip codes had similar accident costs and claims payouts.[90]

Algorithmic bias[91] in insurance underwriting and rate-setting practices may be partly responsible for the disparate racial impacts observed in auto insurance premiums. While car insurers might not explicitly be using race as a factor for determining premium rates, many of the factors they do consider could be seen as proxies for race. Auto insurers often charge higher premiums to those who are renters, have lower credit scores, work blue collar jobs, and have less education.[92] These commonly used insurance rating factors map onto race because they are shaped by historic and ongoing practices of redlining, racial discrimination in mortgage lending, occupational segregation, and educational racism. For example, the use of credit scores in auto insurance pricing models disadvantages Black, Native American, and Latino consumers, who are more likely to have low credit scores or no credit history at all as a result of systemic barriers to wealth accumulation and financial stability.[93] Scholar Ruha Benjamin refers to this "subtle but no less hostile form of systemic bias" as the "New Jim Code."[94]

The racial equity impacts of disparate auto insurance pricing are far reaching. Cars are a lifeline for employment opportunities, and auto insurance is legally required in most states. High auto insurance premiums make it more difficult for low-income Black and Brown people to make ends meet and build savings. Prohibitively high insurance costs mean that Black and Brown drivers are more likely to drive uninsured and face penalties, license suspensions, car impoundment, and even jail time for violating mandatory auto insurance laws.[95] Higher premiums also force consumers of color to opt for cheaper fly-by-night insurance providers that provide less coverage.[96]

For two years in a row, a significant proportion of shareholders have voted in favor of Travelers undertaking a racial equity audit that would investigate and address these types of disparate racial impacts. In 2022, Trillium's racial equity audit proposal received 47 percent support and had the backing of ten out of eighteen asset managers. In 2023, the proposal received 35 percent support and had the backing of seven asset managers. State Street, BNY Mellon, and Geode supported the proposal in 2022 but voted against it the following year. ISS and Glass Lewis supported the proposal both years, while BlackRock, Fidelity, and Vanguard opposed it both years. The Big Four plus Geode, which manages Fidelity's entire passive investment business, held a whopping 43 percent of Travelers common stock going into the 2023 proxy season. As illustrated by Figure 6, had any three of these five asset managers voted in favor of the 2023 proposal, it could have reached majority support.[97]

Director Accountability for Racial Justice Audits: Director Election at JPMorgan

Racial equity audit proposals, like nearly all 14a-8 shareholder proposals, are non-binding.

REA Proposal at Travelers Could Have Reached Majority Support with Backing From the Big Four

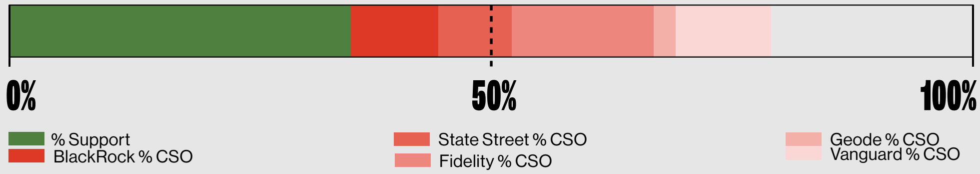


Figure 6: 2023 Racial Equity Audit Proposal at Travelers Could Have Reached Majority Support with Backing From the Big Four
Source: Majority Acton analysis of data obtained from Diligent Market Intelligence
Note: Includes Geode, which sub-advises Fidelity's passive investment funds. Analysis assumes each manager votes all shares that it holds. A full methodological discussion can be found in Appendix A

Investors are uniquely positioned to hold boards responsible when they fail to exercise the oversight needed for companies to undertake rigorous audits that actually help to identify and manage the risks of systemic racism.

Regardless of whether such a proposal is put to a vote or settled prior to the annual meeting, issuers ultimately have wide discretion over how they conduct a racial equity audit, including selection of auditor, the scope of the audit, the nature and process of stakeholder engagement, and whether the company follows through on the auditor's recommendations. For this reason, the success of a racial equity audit depends on whether there is buy-in from company leadership.[98]

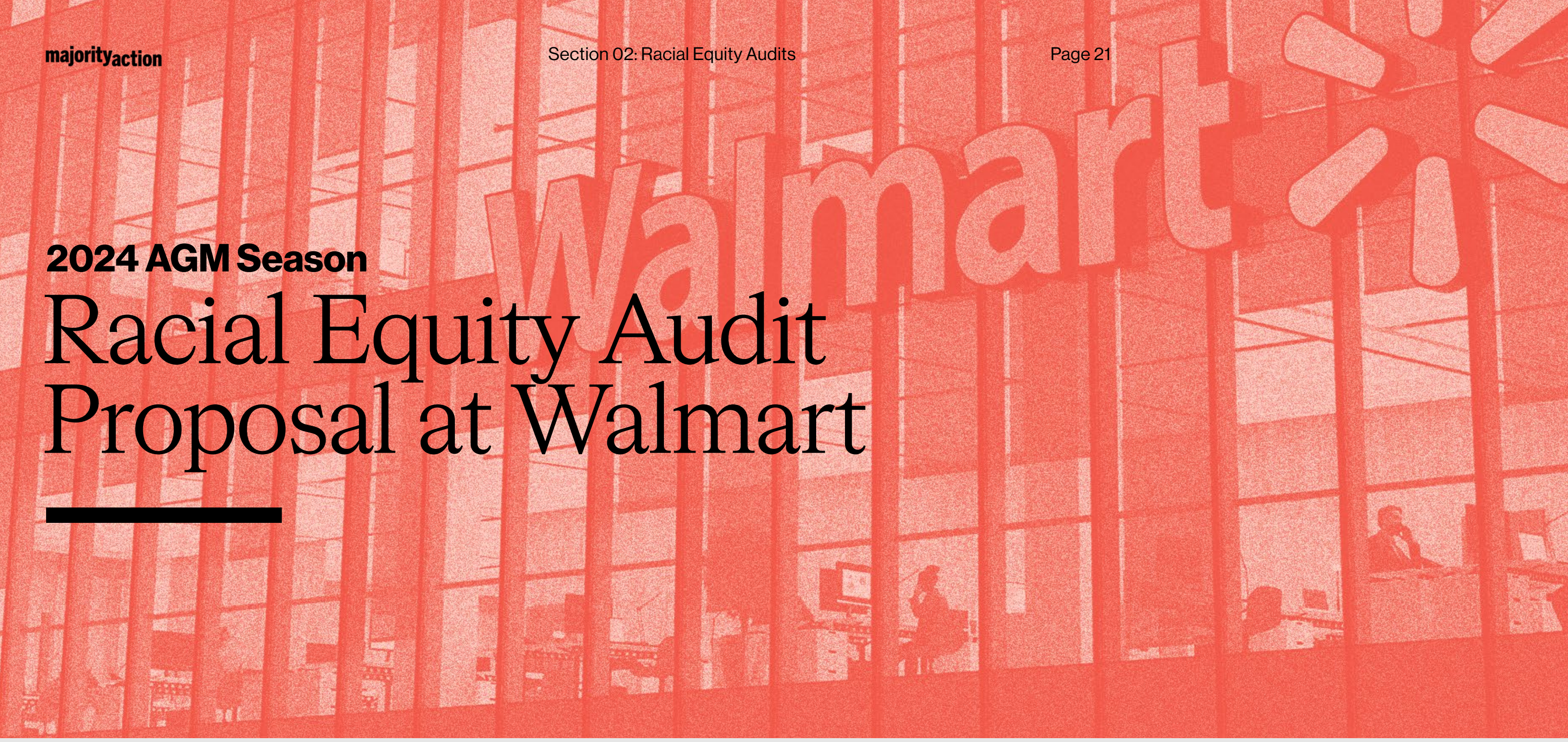
The Facebook civil rights audit is a salient example of how the audit process can get shortchanged when buy-in from company leadership is lacking. In their 2020 report, auditors Laura Murphy and Megan Cacace note that although Facebook made significant improvements to its platform in response to the audit, its approach to civil rights ultimately "remained too reactive and piecemeal."[99] The auditors state that they "vigorously advocated for more and would have liked to see the company go further to address civil rights concerns."[100] At the time of the report's release in July 2020, Facebook was embroiled in controversy for deciding to exempt politicians from its fact-checking program and allowing posts by former President Donald Trump that according to civil rights advocates promoted hate speech and voter suppression.[101]

In addition to buy-in from management, a successful racial equity audit requires board involvement. Board oversight includes ensuring that the racial equity audit is conducted properly and that management effectively addresses the issues that are identified by the audit. Investors are uniquely positioned to hold boards responsible when they fail to exercise the oversight needed for companies to undertake rigorous audits that actually help to identify and manage the risks of systemic racism.

In 2023, the largest asset managers squandered an opportunity to hold JPMorgan Chase's directors accountable for the company's failure to select a qualified and independent auditor to conduct its racial equity audit. In 2020, JPMorgan announced a five-year $30 billion commitment towards efforts to close the racial wealth gap.[102] While many financial institutions made such pledges in the wake of George Floyd's murder, JPMorgan's was by far the largest.[103] Then in 2021, SOC Investment Group filed a proposal at JPMorgan requesting that the company "oversee a racial equity audit analyzing [the company's] adverse impacts on nonwhite stakeholders and communities of color."[104] The proposal received forty percent support, with six of the largest asset managers – including BlackRock–voting in favor, and two asset managers–Franklin Templeton and Nuveen–recording mixed votes.[105] SOC Investment Group re-filed the proposal in 2022, but withdrew it after JPMorgan agreed to conduct a third-party racial equity audit.[106]

In November 2022, JPMorgan released the results of its audit, which was narrowly focused on its $30 billion commitment.[107] The report was roundly criticized by SOC Investment Group for failing to live up to the standards of a quality racial equity audit.[108] For one, the report was authored by JPMorgan rather than by the third-party auditor. Second, the audit was conducted by JPMorgan's longtime financial auditor PriceWaterhouseCoopers (PwC), which has little expertise in civil rights and racial equity. PwC admits as much in its third-party attestation examination, stating that its opinion does not "cover or provide assurance on whether or not JPMorgan Chase is achieving its commitment to advance economic growth and opportunity for Black, Hispanic, and Latino communities" – effectively undermining the entire exercise of a racial equity audit.[109] Perhaps in part due to PwC's lack of subject-matter expertise, the report was also missing key elements of a quality racial equity audit. Among other things, the scope of the report was undefined and incomplete, the report did not include any auditor's recommendations, and it did not list which, if any, stakeholders were consulted.

In light of the racial equity audit's shortcomings, SOC Investment Group launched a "Vote No" campaign against audit committee chairman Timothy P. Flynn in 2023. In its exempt solicitation, the organization argued that JPMorgan's decision to retain PwC as its financial auditor and racial equity auditor presented a potential conflict of interest that could have compromised PwC's independence.[110] Flynn, they claimed, "bears primary responsibility for failing to properly apply JPM's stated policies" related to auditing standards. Ultimately, shareholders re-elected Flynn with 92 percent of the vote. For comparison, support for S&P 500 directors at financial services companies averaged 96.5 percent in 2023. Of the six asset managers that voted for SOC Investment Group's proposal in 2021, four voted to reelect Flynn, effectively excusing JPMorgan for shortchanging the same racial equity audit process they had supported several years prior. Amundi was the only one of the six original supporters to vote against Flynn's reelection. Wellington recorded a mixed vote, with 54 percent of its funds opposing Flynn's reelection.[111]



2024 AGM Season

Racial Equity Audit Proposal at Walmart

Walmart is the largest private sector employer in the US, as well as the largest private sector employer of Black, Latino, and women in the country.[112] As a low-wage employer with huge economic power, the company has an outsized influence in perpetuating racial disparities in labor markets and local economic development.

Walmart has faced several recent lawsuits and controversies alleging discriminatory hiring and promotion practices, pay inequity, and lack of racial diversity in leadership positions. In 2022, the U.S Equal Employment Opportunity Commission sued Walmart for gender and race discrimination for giving a Black female employee an unsanitary lactation space based on her race and failing to promote her based on gender stereotypes about mothers with small children.[113] In the summer of 2020, Walmart's CEO committed to prioritizing the recruitment and development of its Black workers – yet the company has received a failing grade from investors on racial and gender pay equity for three straight years.[114] Black employees make up 21 percent of Walmart's hourly workforce but only twelve percent of management and 9.5 percent of officers.[115] In a recent survey of Walmart's senior leadership, high-ranking Black managers described career advancement as difficult and said they would not recommend working at the company.[116]

Walmart's compensation model also disproportionately affects its Black workers, who are more likely to be in low-wage sales associate positions. Walmart's average starting wage ($12/hour) is less than the average starting wage at competitor big-box retailers such as Amazon and Target ($15/hour).[117] Firm-wide annual employee turnover is around seventy percent and almost certainly concentrated among sales associates.[118] Walmart's wages are so low that its workers are the biggest recipients of Medicaid and SNAP benefits in most states.[119]

Walmart also systematically underinvests in low-income communities of color. The company's lower prices are often seen as a boon for households in disadvantaged neighborhoods.[120] However, its low prices obscure the negative impact it has on local labor markets and economic development. Contrary to the belief that Walmart is a "job creator," the entry of Walmart into communities is associated with increases in county-wide poverty rates and large declines in aggregate local employment, earnings, and labor force participation.[121] Moreover, one study found that "Poor customer service is unevenly distributed across Walmart stores in ways that reproduce racial and socioeconomic disadvantage"— a practice the researcher calls "consumer redlining" to capture the company's systematic neglect of stores in communities of color.[122] This dynamic often results in Walmart closing "unprofitable" stores in communities of color, leaving a void not easily filled by smaller independent businesses, many of which are driven out of business when the retail giant enters the neighborhood.[123] For example, in April 2023, Walmart closed four stores in Chicago, three of which were located in predominantly Black and Brown neighborhoods that have long struggled with grocery and retail access.[124] The closures came after Walmart highlighted its efforts in Chicago as a "critical part" of the $100 million racial equity pledge it made in the aftermath of George Floyd's murder.[125]

In 2023, shareholders filed a proposal at Walmart asking the company to conduct a racial equity audit analyzing its adverse impacts on BIPOC communities.[126] The lead proponent, United for Respect, suggested that the audit would help mitigate reputational, regulatory, legal, and human capital risks, in addition to helping Walmart "obtain a complete picture of how it contributes to, and could help dismantle, social and economic inequality."[127] ISS and Glass Lewis both supported the proposal, while State Street was the only one of the Big Four to support it. The proposal received eighteen percent support among all shareholders and 42 percent support among independent shareholders.[128]

United for Respect has refiled in 2024 due to Walmart's failure to adequately respond to the 2023 proposal, which received substantial support from non-insider independent shareholders. **Majority Action recommends that investors vote for this proposal.**

Director Accountability for Racial and Ethnic Board Diversity

03

> "Diversity is not only a bottom-line issue affecting competitiveness and financial performance. It is also a vitally important social issue. How companies demonstrate their commitments to diversity have real world impacts on how underrepresented minorities are treated in society, especially during a time when diversity, equity, and inclusion efforts are contracting in reaction to the Supreme Court decision on affirmative action. We believe board diversity should be a top priority of every company's efforts to deliver long-term value to its shareholders and all stakeholders."
>
> — Hyewon Han, Trillium Asset Management

People of color are 41 percent of the United States population, yet the highest echelons of corporate America remain overwhelmingly white.[129] Lack of racial and ethnic diversity on boards and in executive leadership is a reflection of how occupational segregation and labor market discrimination prevent underrepresented racial minority populations from moving up in corporate institutions.[130] Therefore, increasing racial and ethnic board diversity "is an integral part of the broader effort to eradicate racial bias and discrimination in employment patterns, and thus to respond to inequities in the labor market."[131]

Research shows that increases in racial and ethnic board diversity lead to increases in racial and ethnic diversity at the managerial and staff level, suggesting that diversity practices in the boardroom have a "trickle-down effect" that help to redress barriers to promotion and advancement facing people of color in the workplace.[132] Greater racial and ethnic board representation also leads to better company performance and corporate governance. A number of studies have found that companies with more racial and ethnic board diversity outperform their peers on financial measures such as earnings growth and profitability.[133] More racial and ethnic diversity across all levels of the workforce, including the boardroom, also presents business opportunities to develop products and services tailored to BIPOC communities, who have more than $5 trillion in buying power and are becoming an increasingly larger share of the US population.[134] From a governance perspective, more diverse boards are shown to be less susceptible to groupthink and in-group bias, which have long dogged board decision making.[135] Less groupthink can in turn translate into more vigorous board oversight and hold executive leadership accountable.[136] BlackRock's own stewardship team notes that more board diversity "leads to better long term economic outcomes for companies" and "contributes to more robust discussions and more innovative and resilient decisions."[137]

The cultural reckoning following the 2020 murder of George Floyd drew attention to the exclusion of Black people from corporate leadership ranks and ignited public, corporate, and investor interest in racial and ethnic board diversity. Corporations made pledges to increase the number of people of color, especially Black directors, on their boards.[138] Since then, the number of S&P 500 companies with all-white boards has steadily declined from 64 in 2020 to just three in 2023,[139] while the percentage of new directors who self-identify as people of color has doubled since 2013.[140]

Despite these strides, the pace of diversification slowed significantly in 2023. Only 36 percent of newly appointed S&P 500 directors were people of color in 2023, down from forty six percent in 2022.[141] The share of Black directors appointed to new board seats decreased from 26 percent to fifteen percent, regressing to levels closer to those seen before George Floyd's murder.[142] Meanwhile, the share of first-time S&P 500 directors who self-identify as people of color decreased from 61 percent in 2022 to 36 percent in 2023 – including a twenty one percentage point drop for first-time Black directors and a four percentage point drop for first-time Latino directors.[143] Corporate boards also appear to have cooled on the recruitment of diverse candidates. A survey of 141 nominating/governance committee chairs at S&P 500 companies revealed that only twenty percent are currently prioritizing recruiting women and people of color for director seats.[144] Moreover, even after being appointed to boards, Black directors remain locked out of influential leadership positions: In 2022, only fourteen out of the 474 Black directors in the S&P 500 served as board chairs or lead directors.[145]

As a result, US corporate boardrooms still do not resemble the racial and ethnic makeup of the country. As illustrated in Figure 7, over 350 companies in the S&P 500 have less than thirty percent racial and ethnic representation on their boards. According to Deloitte's *Missing Pieces* report, at the current pace of change, "there is no period where the total proportion of board seats held in the Fortune 500 by individuals from underrepresented racial and ethnic groups reaches population parity through at least 2060."[146]

The corporate backsliding on board diversity

Racial and Ethnic Board Diversity at S&P 500 Companies in 2023

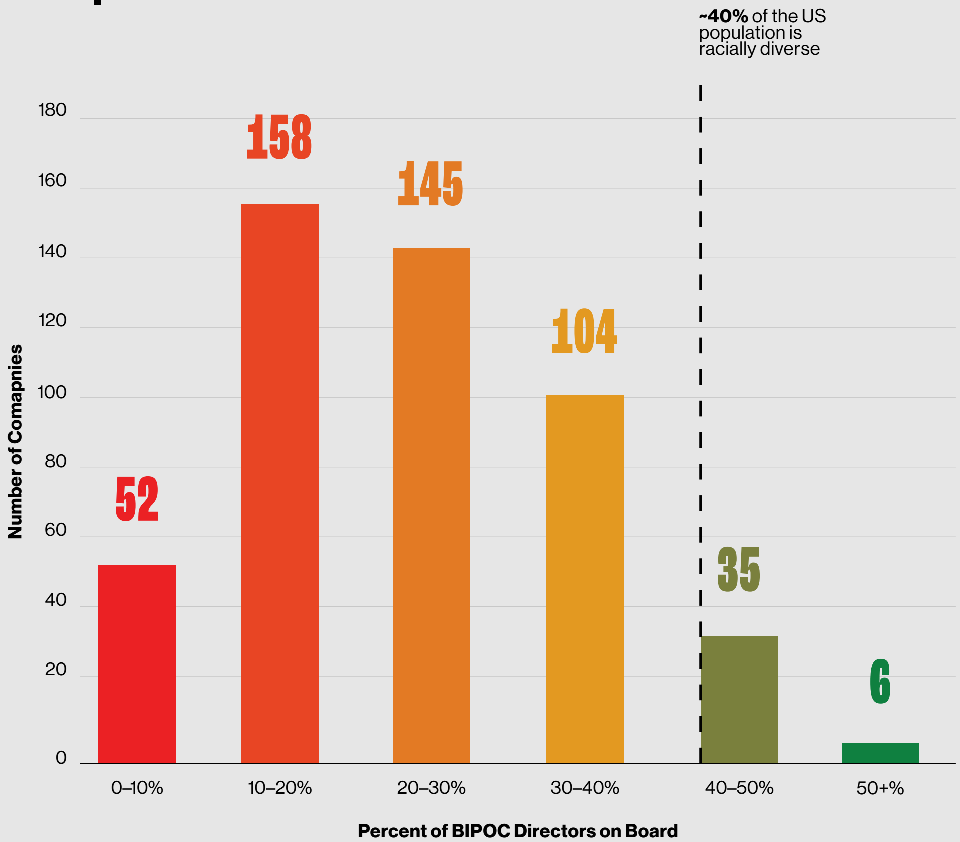


Figure 7: Racial and Ethnic Board Diversity at S&P 500 Companies in 2023
Source: Majority Action analysis of data obtained from ISS ESG

can be attributed to several factors, including low board turnover and fewer opportunities for board refreshment;[147] the overturning of AB 979, California's board diversity law;[148] and corporate retrenchment on DEI in the wake of potential litigation challenges following the Supreme Court decision in *Students for Fair Admissions v. President and Fellows of Harvard College*.[149] In this environment of corporate hesitance and retreat, it is more important than ever that asset managers wield their proxy voting power to push companies to recommit to diversity goals.

The successful corporate gender diversity campaigns of the late 2010s provide a blueprint for how asset managers – particularly the Big Four – can use their large public company holdings and proxy voting power to effectuate broad-based changes to racial and ethnic board composition. Beginning in 2017 on the heels of the #MeToo movement, State Street, BlackRock, and Vanguard applied concerted pressure on public companies to add more women directors to their boards. They did so by adopting and enforcing proxy voting policies of voting against directors at companies failing to make progress on board gender diversity. Both State Street and BlackRock defined a minimum diversity expectation, with State Street focusing on companies with no women directors and BlackRock focusing on companies with fewer than two. Researchers found that the three asset managers' gender diversity campaigns led to a 2.5-fold increase in the number of women directors on US corporate boards between 2016 and 2019.[150] They also found that at companies targeted by the three asset managers, women directors were more likely to assume leadership positions such as chair of the nominating committee, where they could more effectively manage the board pipeline and drive governance changes.[151] The gains shepherded by State Street, BlackRock, and Vanguard's gender diversity campaigns illustrate the impact that asset managers can have when they set minimum diversity expectations and use director votes to hold boards accountable to those expectations.

Most asset managers' proxy voting policies acknowledge the importance of racial and ethnic board diversity, and many support shareholder proposals on board diversity disclosure. However, their policies are less robust when it comes to director accountability. Figure 8 summarizes asset managers' and proxy advisors' 2023 proxy voting policies on director votes related to racial and ethnic board diversity (see Appendix F to see the actual language used in each asset manager's proxy voting policies). **Four insights emerge:**

1. Six out of eighteen asset managers do not articulate any minimum diversity expectation related to race and ethnicity.

2. The ten asset managers and two proxy advisors that do commit to a minimum diversity expectation are satisfied if companies have just one director of color on their boards. Given that the average S&P 500 board contains eleven members, this sets the floor at merely nine percent racial and ethnic representation.[152]

3. Two asset managers–BlackRock and Capital Group – articulate a minimum diversity expectation but do not specify any accountability consequences.

4. Four asset managers plus ISS provide all-white boards a grace period before enacting voting sanctions. For example, JPMorgan might not oppose the nominating committee chair of an all-white board if there are "mitigating factors" like the "recent retirement of relevant directors."[153] Morgan Stanley may not vote against the nominating committee chair of an all-white board if the company has a "credible diversity strategy."[154] ISS makes an exception "if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm commitment to appoint at least one racial and/or ethnic diverse member within a year."[155]

While most asset managers' proxy voting policies allow for the possibility of using director elections to hold boards accountable to racial and ethnic diversity goals, only some asset managers actually deploy this lever. This is evidenced by how asset managers voted in director elections at the three S&P 500 companies that ran slates of all-white director nominees — Caesars Entertainment, Inc., Chubb Ltd., and Dover Corporation.[156]

Figure 9 examines how asset managers voted in director elections involving members of the nominating and governance committees at Caesars, Chubb, and Dover. Shareholder support for the nominating committee members at these three companies was notably low, ranging between 73 to 89 percent. For comparison, support for directors across the entire S&P 500 averaged 96 percent in 2023.[157] **However, among the eighteen largest asset managers, only two — Nuveen and Goldman Sachs — voted against all seven nominating committee members at all three companies.** Although its proxy voting policy is sparse on racial and ethnic board diversity, Nuveen explicitly cited "Board Quality – Diversity" in its vote rationale for all seven directors.[158] Goldman Sachs voted in accordance with its proxy voting policy, which explicitly states that it will withhold its vote or vote against nominating committee members at S&P 500 companies where "the board does not have at least one diverse director from a minority ethnic group."[159] **Seven asset managers, including two of the Big Four — BlackRock and Vanguard — voted to reelect all nominating committee members across all three companies.** State Street and Fidelity voted against some or all of the nominating committee members at Caesars, but voted in favor of all the nominating committee members at Chubb and Dover.

Of the three companies with all-white boards, Caesars was the only one where the chair of the nominating committee, Frank J. Fahrenkopf, Jr., was up for reelection. Caesars was also the only company where the entire nominating committee was white and male. **Ten out of eighteen asset managers voted against re-electing Fahrenkopf, who saw his support plummet from 98 percent in 2022 to just 76 percent in 2023. Glass Lewis, BNY Mellon, Vanguard, and JPMorgan supported Fahrenkopf's reelection despite their proxy voting policies stating they may oppose the nominating committee chair if the board has no racial or ethnic diversity.**

The board composition issues at Caesars, Chubb, and Dover point to the need for asset managers to raise their standards for the minimum level of racial and ethnic board diversity. All three companies had one director of color on their boards the previous year. At Caesars, the sole director of color resigned eleven months before the annual meeting to assume another position.[160] At each of Chubb and Dover, two directors, including the sole director of color, retired at the conclusion of the 2023 annual meeting, leaving two board seats vacant.[161] None of the three companies nominated a racially or ethnically diverse candidate to replace the departing director(s), choosing to instead run slates of all-white director nominees. 96 S&P 500 boards currently have only one director of color, meaning that these boards – like Caesars, Chubb, and Dover – are just one resignation or retirement away from potentially becoming all-white.[162]

The fact that asset managers expect portfolio companies to have just one director of color – and that many provide grace periods before activating director accountability measures – does little to incentivize boards to build and maintain robust pipelines for recruiting diverse candidates. Furthermore, research suggests that there needs to be a critical mass of racially and ethnically diverse directors in order for the "diversity benefit" to be realized and to actually influence corporate decision-making.[163] Indeed, 228 of the 400 S&P 500 companies with two or more directors of color still have less than thirty percent racial and ethnic board representation.[164] To that end, asset managers must articulate and enforce diversity standards that actually lift the floor and trigger meaningful changes in how boards operate and govern. **Majority Action recommends that asset managers increase the minimum racial and ethnic diversity expectation for US companies to thirty percent with the eventual goal of bringing corporate boardrooms into parity with the diversity of the US population.**

Summary of Asset Managers' and Proxy Advisors' 2023 Proxy Voting Policies: Board Accountability for Racial and Ethnic Diversity[165]

May oppose certain directors, including chair and members of the nominating commitee,[166] if company has no directors of color	Goldman Sachs LGIM Fidelity
May oppose chair of nominating committee if company does not have at least one director of color or board is lacking sufficient racial or ethnic diversity	State Street Glass Lewis BNY Mellon
May oppose chair of nominating committee if board has no racial and ethnic diversity, but makes exceptions for certain cases, such as when relevant directors have retired, director search is ongoing, company has a credible diversity strategy, company commits to appointing a diverse director within one year, etc	Morgan Stanley Wellington ISS JPMorgan Vanguard
Articulates expectation that company have at least one racially diverse director, but does not mention applying voting sanctions	BlackRock Capital Group
Does not articulate a minimum expectation on racial or ethnic board diversity. Acknowledges the importance of board diversity with respect to race alongside other markers such as gender, age, skills, background, etc. May vote against chair or members of nominating committee if there are concerns about board diversity more generally	Nuveen Northern Trust T. Rowe Price Invesco Amundi
No mention of racial or ethnic diversity	Geode

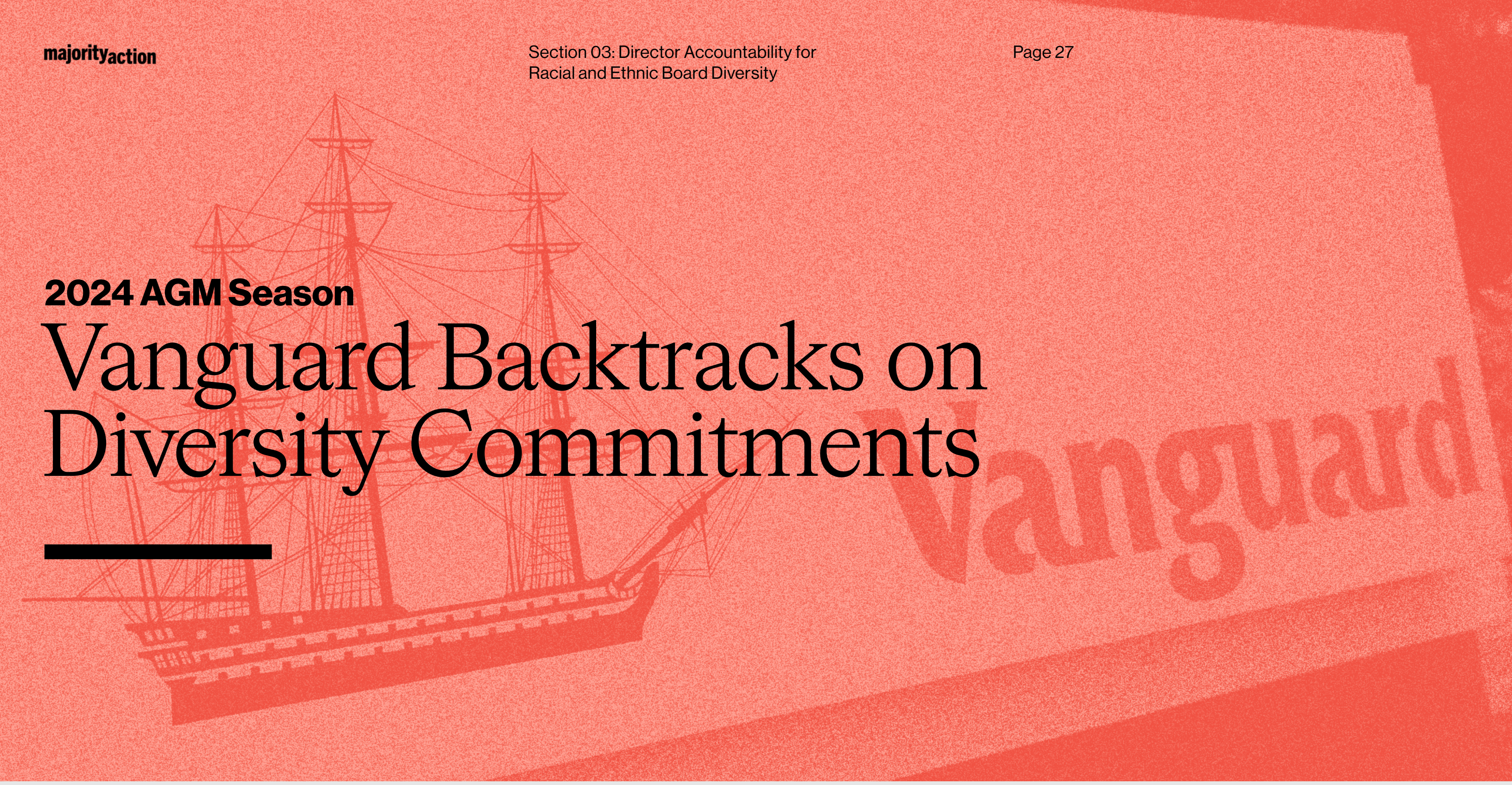
Figure 8: Summary of Asset Managers' and Proxy Advisors' 2023 Proxy Voting Policies: Board Accountability for Racial and Ethnic Diversity
Note: See Appendix E for actual language excerpted from 2023 proxy voting policies

Asset Manager Votes at Companies That Ran All-White Director Nominee Slates

COMPANY	CAESARS ENTERTAINMENT			CHUBB LIMITED		DOVER CORPORATION	
DIRECTOR NOMINEES [1]	Frank J. Fahrenkopf *	Don R. Kornstein	David P. Tomick	Frances F. Townsend	Michael P. Connors	Kristine C. Graham	Michael F. Johnston
OVERALL SHAREHOLDER SUPPORT	76%	84%	88%	76%	73%	89%	89%
Goldman Sachs	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No
Nuveen	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No	Voted No
Amundi	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted Yes	Voted No
LGIM	Voted No	Voted No	Voted Yes	Voted No	Voted No	Voted No	Voted Yes
Fidelity	Voted No	Voted No	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted Yes
Franklin Templeton	Voted No	Voted Yes	Voted Yes	Voted No	Voted No	Mixed Vote	Mixed Vote
Morgan Stanley	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted No	Voted No
Northern Trust	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted No	Voted Yes	Voted No
State Street	Voted No	Voted No	Voted Yes	Voted Yes	N/A	Voted Yes	Voted Yes
Wellington	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
ISS	Voted No	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
Capital Group	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	N/A	N/A
BlackRock	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
BNY Mellon	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
Geode	Voted Yes	Voted Yes	Voted Yes	N/A	N/A	Voted Yes	Voted Yes
Invesco	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
JPMorgan	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
T. Rowe Price	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
Vanguard	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes
Glass Lewis	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes	Voted Yes

Voted No | Mixed Vote | Voted Yes | N/A

Figure 9: Asset Managers Votes at Companies That Ran All-White Director Nominee Slates
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: Geode did not vote in the director elections for Frances Townsend or Michael Connors. State Street voted to abstain in the director election for Michael Connors. Chubb does not include nonvotes or abstentions in the vote count for director elections. Capital Group does not appear to have any holdings in Dover Corporation
[1] Only includes director nominees who are members of the Nominating and Governance Committees
* Denotes a director nominee who serves as Chair of the Nominating and Governance Committee



2024 AGM Season

Vanguard Backtracks on Diversity Commitments

Vanguard notably weakened its language on director accountability for racial and ethnic board diversity in its 2024 proxy voting policies, effective February 2024

Majority Action's comparison of Vanguard's 2023[167] and 2024[168] policies finds the following:

- Vanguard's 2024 policy continues to articulate a minimum diversity expectation ("A board should also, at a minimum, represent diversity of personal characteristics, inclusive of at least diversity in gender, race, and ethnicity on the board"), but this expectation is no longer in the section titled "Escalation process: Director and committee accountability."
- Vanguard's 2023 policy stated that it will generally vote against the nominating committee chair if a company's board is "making insufficient progress in its diversity composition." Its 2024 policy removes explicit reference to diversity and instead says that Vanguard will oppose the nominating committee chair if the board is "not taking action to achieve board composition that is appropriately representative, relative to their markets and the needs of their long term strategies."
- Vanguard's 2024 policy deletes the detailed discussion of board diversity disclosure included in its 2023 policy.
- Vanguard's 2024 policy no longer considers insufficient board diversity disclosure to be grounds for opposing the nominating committee chair.

These changes are especially concerning given Vanguard's already high support for all-white boards in 2023.

For more information, including a redline comparison of key passages and suggested questions for clients, see Majority Action's memo, *Vanguard's 2024 Proxy Voting Guidelines: A Step Backwards on Board Diversity?*, available at the Majority Action website.

Corporate Political Transparency

04

> "Investors and the public have a right to know when companies say one thing in public but do another behind closed doors with their lobbying and political spending. A lack of lobbying and political spending transparency creates reputational risks that can seriously jeopardize investors' funds."
>
> — Jon Golinger, Public Citizen

Corporations have captured the US political system, undermining democracy and halting progress towards racial equity. Through their electoral spending, corporations have systematically depressed the political power of BIPOC populations and have pushed policy priorities that target and exploit communities of color. Due to systemic racial inequities, people of color are underrepresented in the corporate donor class, whose large contributions play a decisive role in the fate of political campaigns and in the setting of national and state policy agendas.[169] Since the *Citizens United* decision, corporate money has flooded state legislative races, resulting in racial gerrymandering, restrictions on voting rights, and minority rule in states across the country.[170] Corporate lobbyists have exacerbated racial inequities by blocking environmental and consumer protection regulations, defeating attempts to raise the minimum wage, and passing laws curtailing people's right to organize and protest.[171] In short, unbridled corporate influence in politics takes democracy out of the hands of everyday people and allows a small group of mostly white corporate actors to use government to further consolidate and entrench their wealth and power.

Moreover, corporations' political agendas often contradict and undermine the public-facing statements they make on issues such as racial justice, democracy, and human rights. Following the 2020 murder of George Floyd, corporations made statements condemning racial injustice to align themselves with the political moment.[172] Yet in 2022, those same corporations funneled millions of dollars to state legislative candidates who have voted to restrict voting rights, criminalize abortion, and ban discussions of race in public education.[173] Likewise, after the January 6th insurrection at the US Capitol, companies pledged to halt contributions to election objectors in the name of upholding democracy. Yet these companies resumed their political contributions in subsequent election cycles — and their corporate lobbyists never stopped donating to election objectors even when the company bans were in place.[174]

Corporations are emboldened to act with such impunity in part because they are not required to provide comprehensive disclosure of their political spending and lobbying activities. The current disclosure regime allows companies to shroud their political spending in secrecy and duck accountability by contributing money from corporate treasury funds to third-party political groups like trade associations, 527s, and 501(c)4s. While corporations are subject to federal lobbying requirements, their lobbying activities at the state and local level are often obscured from view because of the inadequacies of and disparities in state and local disclosure laws.[175] Furthermore, current federal lobbying disclosure rules do not require corporations to disclose their lobbying positions, making it difficult to ascertain whether a company is lobbying in ways that are inconsistent with its public statements and commitments.

In addition to eroding democracy and exacerbating racial inequities, corporate influence on elections and public policy poses risks to companies and to the investors who hold shares in those companies. It is well documented that companies expose themselves to reputational, financial, and operational risk when they engage in political spending and when their political and lobbying activities do not align with their stated values.[176] As noted in a recent *Fortune* article, corporations that donated to election objectors in 2022 incurred reputational costs due to backlash from customers and employees.[177] Unchecked corporate political influence[178] also poses risks to the long-term portfolios of diversified investors. While political rent-seeking in the form of election spending or lobbying may help one company, it can cause externalities for other companies, taxpayers, consumers, and workers — which ultimately hampers economic value creation and portfolio growth upon which long-term diversified investors depend.[179] Lack of corporate political transparency also means that everyday investors are kept in the dark about the electoral and policy campaigns they are indirectly funding, which may not be aligned with their interests or values.

Percent of Political Spending & Lobbying Disclosure Proposals Supported in 2023

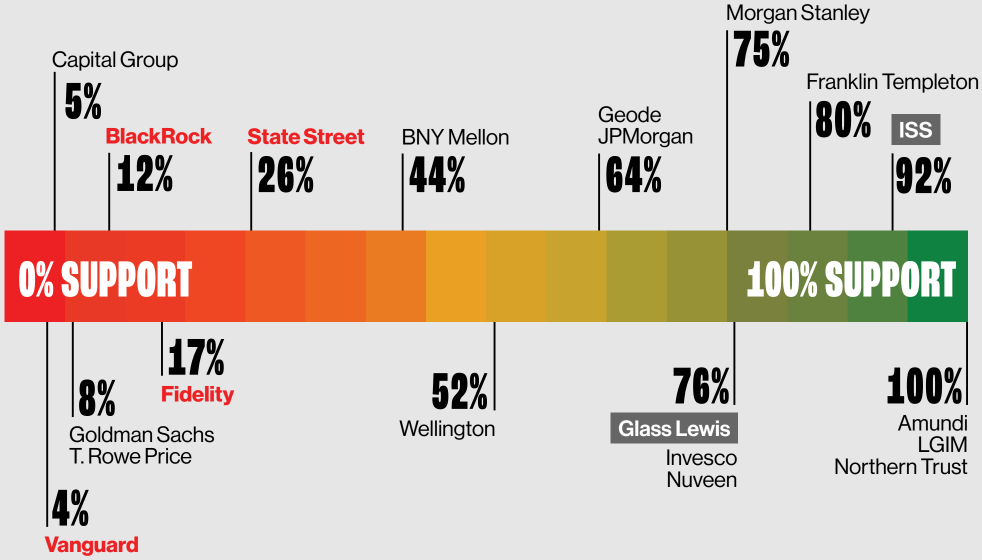


Figure 10: Percent of political spending & lobbying disclosure proposals supported in 2023
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: N=25 proposals filed at US-based S&P 500 companies

Twenty-five political spending and lobbying disclosure proposals were put to a vote in 2023. **Three asset managers — LGIM, Amundi, and Northern Trust — voted for all proposals, while four others — Nuveen, Invesco, Morgan Stanley, and Franklin Templeton — voted for 75 percent or more of the proposals. The Big Four, along with Capital Group, Goldman Sachs, and T. Rowe Price, were the asset managers with the worst voting records. Their voting behavior deviated sharply from the recommendations of both ISS and Glass Lewis, which endorsed 92 and 76 percent of all proposals, respectively.**

With the exception of Vanguard, the Big Four were more supportive of political spending disclosure proposals than lobbying disclosure proposals. Of the six political spending disclosure proposals put to a vote in 2023, Fidelity supported 67 percent, State Street supported sixty percent, BlackRock supported 33 percent, and Vanguard supported none.[180] In comparison, of the nineteen lobbying disclosure proposals put to a vote, Fidelity supported none, State Street supported seventeen percent, and BlackRock and Vanguard each supported five percent. All four asset managers voted against the lobbying disclosure proposal filed at McDonald's, which was the only disclosure proposal to achieve majority support in 2023.[181] The Big Four's lack of support for lobbying disclosure proposals is particularly glaring given the gaps and deficiencies in state lobbying disclosure requirements; 98 percent of S&P 500 companies do not disclose how much they spend on lobbying at the state level, which is increasingly where consequential policy decisions are being made.[182]

In addition to political disclosure proposals, shareholders voted on thirteen "political congruency" proposals in 2023.[183] These proposals call on companies to identify and explain misalignments between their political spending and lobbying activities and their stated corporate values and commitments on issues such as diversity, inclusion, climate change, and healthcare access. **The leaders on political and lobbying disclosure — LGIM, Amundi, Northern Trust and to a lesser extent Morgan Stanley — were also leaders on political congruency. Meanwhile, eight asset managers voted against all thirteen political congruency proposals. The proxy advisors diverged sharply on this set of proposals, with ISS recommending 77 percent and Glass Lewis recommending just fifteen percent.**

Asset managers backtracked in a major way on political congruency in 2023, as illustrated by Figure 12. Capital Group went from supporting 82 percent of such proposals in 2022 to none in 2023. The next largest backsliders were T. Rowe Price, JPMorgan, and Invesco, whose support decreased by more than forty percentage points. This backsliding is especially concerning given extensive reporting that came out at the end of 2022 revealing that corporations had contributed more than $61 million to election objectors in the midterm cycle.[184]

Percent of Political Congruency Proposals Supported in 2023

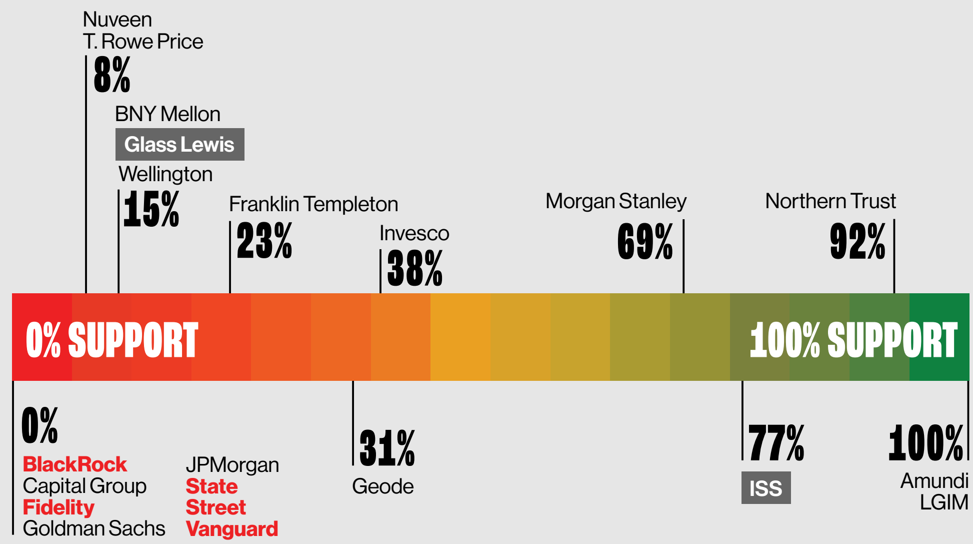


Figure 11: Percent of political congruency proposals supported in 2023
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: N=13 proposals filed at US-based S&P 500 companies

Percentage Point Change in Support for Political Congruency Proposals: 2022 vs. 2023

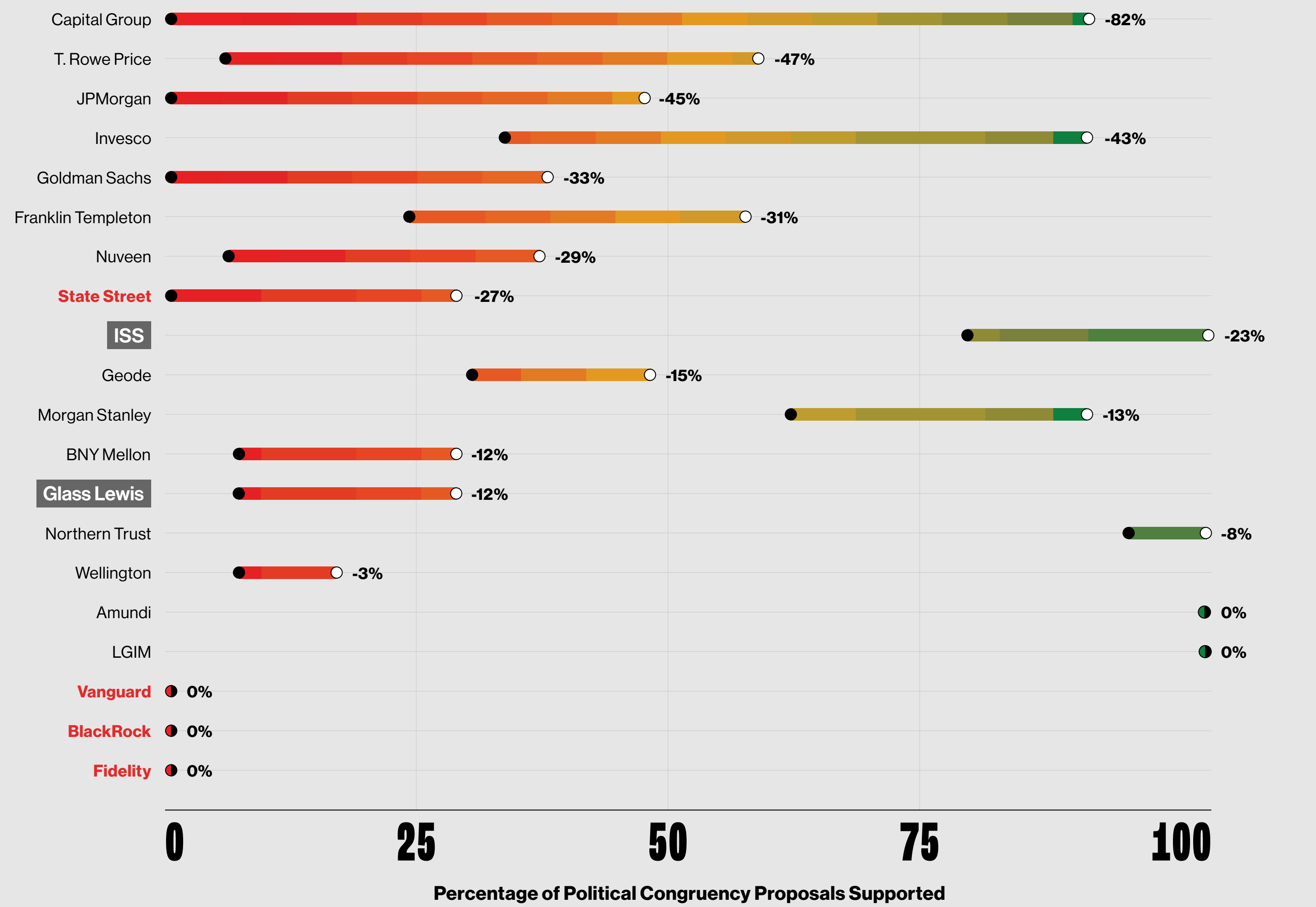


Figure 12: Percentage Point Change in Support for Political Congruency Proposals: 2022 vs. 2023
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: N = 19 for 2022 and N = 14 for 2023

Case Studies

Lobbying Disclosure Proposal at Eli Lilly

The pharmaceutical giant Eli Lilly is a cautionary tale for how corporate lobbying can entrench and exacerbate racial inequities.

Eli Lilly spent millions of dollars in 2023 lobbying against bills that aimed to reduce prescription drug prices.[185] The company's CEO is on the board of the Pharmaceutical Research and Manufacturers of America (PhRMA), a powerful trade group that spent $29.2 million to lobby Congress and federal agencies in 2022.[186] PhRMA sued to invalidate the provision in the Inflation Reduction Act that allows Medicare to negotiate lower prescription drug prices.[187] High drug prices perpetuate racial and ethnic health inequities.[188] According to the Department of Health and Human Services, "Among adults 65 and older, Black Medicare beneficiaries were roughly 1.5 times as likely as White beneficiaries to have trouble affording medications, and about two times as likely to not fill needed prescriptions due to cost."[189]

On the state level, Eli Lilly has lobbied against legislation to cap the price of insulin, the company's biggest revenue generator. Eli Lilly lobbyists have strong-armed state lawmakers into accepting a suboptimal policy solution – copay caps for people with private insurance only – that allows the company to reap high profit margins while offering no relief to patients on federal health plans like Medicare.[190] Eli Lilly's efforts to obstruct and weaken legislation seeking to lower the price of insulin disproportionately harm communities of color, who as a result of structural inequities are more likely to have diabetes, be uninsured or underinsured, and face economic barriers to accessing insulin.[191]

SEIU filed a lobbying disclosure proposal at Eli Lilly in 2021, 2022, and 2023. They noted that Eli Lilly did not adequately disclose its state lobbying activities, its membership in trade associations that engage in lobbying, or its membership in tax-exempt organizations that write and endorse model legislation.[192] The proposal received 48 percent support in 2021, 37 percent support in 2022, and 31 percent support in 2023. BlackRock, Vanguard, and State Street voted against the proposal all three years, deviating from the recommendations of ISS and Glass Lewis. Fidelity voted for the proposal in 2021, but voted against it in 2022 and 2023.

Political Congruency Proposal at Wells Fargo

Wells Fargo is a prime example of a corporation with far-reaching economic power whose political spending and lobbying activities belie its public pronouncements on racial equity. In 2020, Wells Fargo, along with several other corporations, issued a joint statement committing to "investing in substantive change in our organizations and the communities we serve to address racial inequities and social justice."[193] Yet the bank has a long and ongoing history of discriminatory and exploitative business practices targeting Black borrowers.[194] Through its trade associations, the Consumer Bankers Association (CBA) and American Bankers Association (ABA), Wells Fargo has lobbied against consumer regulation related to predatory "junk fees," which disproportionately target working class people of color.[195] In the first three quarters of 2023, the CBA and ABA spent $2.7 million and $6.4 million, respectively, to oppose legislation seeking to crack down on exploitative overdraft fees.[196] In 2022, Wells Fargo generated more revenue from overdraft/non-sufficient fund fees – $1.3 billion – than any other bank.[197] These types of fees contribute to the disproportionate financial costs borne by Black and Latino households, who are 1.9 and 1.4 times more likely to overdraft on their checking accounts than white households.[198]

Wells Fargo is also a sponsor of the State Financial Officers Foundation (SFOF), an American Legislative Exchange Council-affiliated group that is at the forefront of state level attacks on ESG investment policies.[199] SFOF has pressured major asset managers – including BlackRock and State Street – to excise considerations of racial equity and carbon emissions reductions from their investment strategies, despite the fact that such strategies are critical to ensuring long-term value creation for diversified investors.[200]

Like many companies, Wells Fargo's corporate political action committee (PAC) paused all political donations following the January 6th, 2021 insurrection. Wells Fargo subsequently announced that its PAC strategy would "take into consideration the actions of elected officials who objected to the Electoral College," and pointed to the policy shift as a reflection of the company's respect for the nation's laws and commitment to fostering diversity, equity, and inclusion.[201] Yet a leaked internal "Transparency Report" detailing Wells Fargo's political spending in 2021 and the first quarter of 2022 did not include consideration of whether the candidate denied the 2020 election results among the company PAC's "contribution criteria."[202] In 2022, Wells Fargo gave $158,000 to members of Congress who voted against the certification of the 2020 election.[203] Since 2019, Wells Fargo has contributed at least $252,250 to the Republican Governors Association (RGA), $100,694 to the Republican State Leadership Committee (RSLC), and $50,285 to the Republican Attorneys General Association (RAGA).[204] RGA, RAGA, and RSLC are partisan political groups that have contributed to candidates for state political office who have denied the 2020 election results and who have supported legislation undermining voting laws, eliminating affirmative action, and erasing Black history from public education curricula.[205]

In 2023, shareholders filed a political congruency proposal at Wells Fargo, noting the aforementioned myriad misalignments between its public statements and political activities. The proposal received 29 percent support, with the four largest asset managers voting against it.

The Big Four's Voting Influence

The Big Four asset managers voted against both the lobbying disclosure proposal at Eli Lilly and the political congruency proposal at Wells Fargo. Going into the 2023 proxy season, the Big Four collectively held 25 percent of common stock in Eli Lilly and thirty percent in Wells Fargo. As illustrated by Figure 13, given their substantial holdings, their decision to vote against greater corporate political transparency played a pivotal role in defeating these proposals.

Corporate Political Transparency Proposals at Eli Lilly and Wells Fargo Could Have Reached Majority Support with Backing from the Big Four

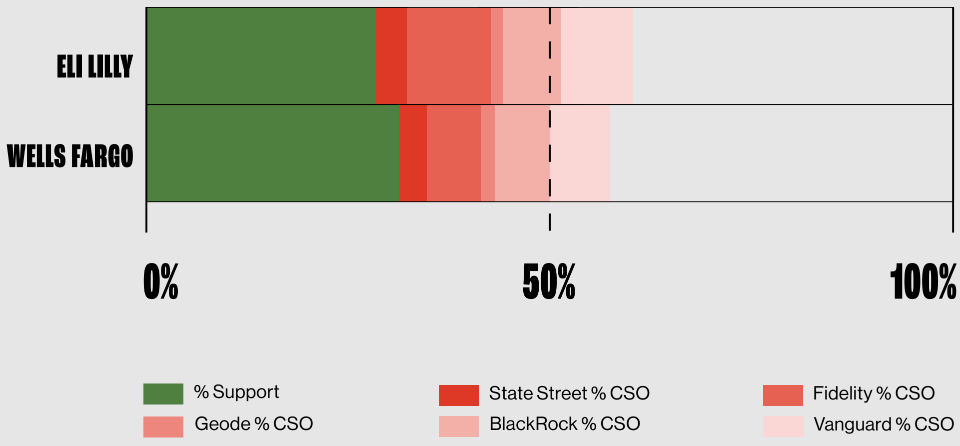


Figure 13: Corporate Political Transparency Proposals at Eli Lilly and Wells Fargo Could Have Reached Majority Support with Backing from the Big Four
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: Includes Geode, which sub-advises Fidelity's passive investment funds. Analysis assumes each manager votes all shares that it holds. A full methodological discussion can be found in Appendix A

Freedom of Association & Collective Bargaining

05

> "Poor labor practices can erode shareholder value through reputational damage and legal risks. As long-term investors, we insist that responsible employers uphold the fundamental labor rights of their workers. Non-interference with union organizing and good faith collective bargaining should be a basic standard for good business conduct at...all companies."[206]
>
> — New York City Comptroller Brad Lander

Freedom of association and collective bargaining play a critical role in the movement for racial equity. Labor unions help to reduce centuries of entrenched racial disparities in wages, healthcare access, and economic security. Research shows that Black and Latino workers get a larger boost in wages from unionization — thirteen percent and nineteen percent, respectively — than their white counterparts.[207] Compared to Black non-union workers, Black union workers are eighteen percentage points more likely to have employer-sponsored insurance and nineteen percentage points more likely to have an employer-sponsored retirement plan.[208] Freedom of association is especially important for workers doubly-burdened by racial discrimination and occupational segregation, because it is what the International Labour Organization calls an "enabling right" that unlocks other workplace rights.[209] This is evidenced by the campaign at the federal service contractor Maximus, where Black and Latina workers have exposed racial inequities in hiring and promotions practices in the process of organizing to form a union.[210]

2023 was a historic year for US workers, who staged hundreds of strikes[211] and won impressive bargaining victories at some of the nation's largest corporations.[212] The post-pandemic era has also unleashed a wave of new workplace organizing; the National Labor Relations Board (NLRB) saw the number of union election petitions increase by 58 percent between 2021 and 2023.[213] Yet these unionization campaigns have frequently been frustrated by allegations of employer interference, coercion, and retaliation.[214] According to one study, employers are charged with violating federal law in forty two percent of union election campaigns.[215] Employer interference acutely impacts workers of color, who are overrepresented in low-wage industries (such as retail and service) and geographies (such as the American South) where many of these new unionization efforts are taking hold.

In this climate of heightened worker mobilization, shareholders are filing resolutions calling on corporations to respect workers' rights to freedom of association and collective bargaining. At a time when US public support for unions is at an all-time high, companies perceived to be interfering with union campaigns face reputational risks and costs.[216] Unions also improve employee retention and decrease turnover, enabling companies to weather economic shocks and maintain operational stability during tight labor markets, such as the years following the COVID-19 lockdown.[217] Studies have found that union density and collective bargaining agreements lead to greater productivity by giving workers a voice and establishing a system of workplace governance where the employer and employees are mutually responsible for firm performance.[218] For asset managers, supporting the right of workers to organize is aligned with enhancing long-term shareholder value.[219] Given the role that unions play in closing the racial wealth gap, addressing fundamental labor rights in stewardship is one way for investors to mitigate the systemic risks of racialized inequality.[220]

In the 2023 proxy season, seven freedom of association proposals were put to a vote at companies such as Amazon, Wells Fargo, and Delta Airlines.[221] With the exception of the Starbucks proposal – discussed in greater detail in the next section – these proposals asked companies to commit to a policy of non-interference when employees exercise their right to form or join a trade union, and to engage in good faith and timely collective bargaining. **Of the eighteen largest asset managers, LGIM and Morgan Stanley were the only ones to vote for all seven proposals. The proxy advisors were also largely supportive – Glass Lewis recommended voting for all seven proposals, while ISS recommended voting for all but one. Meanwhile, six asset managers — including two of the Big Four, BlackRock and Vanguard — voted against all seven freedom of association proposals.**

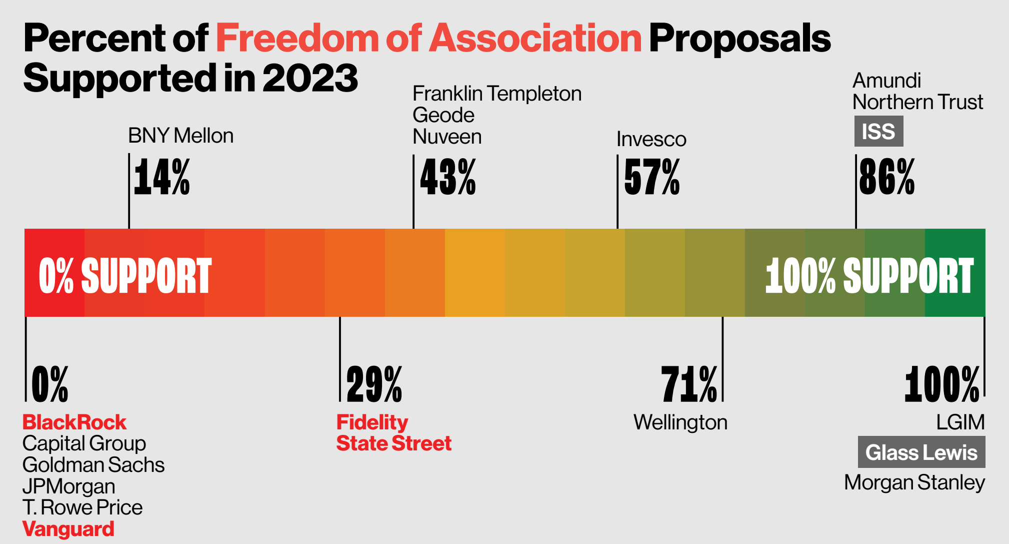


Figure 14: Percent of Freedom of Association Proposals Supported in 2023
Source: Majority Action analysis of data obtained from Diligent Market Intelligence
Note: N = 7 proposals filed at US-based S&P 500 companies

2024 AGM Season

Proxy Contest at Starbucks

Past and upcoming actions at Starbucks show how investors can chart a path of escalation from informal engagement, to shareholder resolutions, to director elections when corporations are perceived as failing to mitigate risk, respond to investor concerns, and prioritize long-term company health and shareholder value.

Starbucks workers began organizing to form a union in 2021, citing concerns around short staffing, unpredictable scheduling, and low wages, among other issues.[222] Since then, 381 stores covering 9,446 workers have voted to unionize.[223] The Starbucks union campaign has been rankled with allegations of employer interference. As of February 2024, NLRB administrative judges have issued 48 rulings against Starbucks, including illegally threatening and firing union organizers and interfering with the agency's investigation process.[224] A September 2023 decision found that the company had violated federal labor law on a nationwide scale when it withheld pay and benefit raises from workers in union stores.[225] In its 2021 Form 10-K filed with the Securities and Exchange Commission (SEC), Starbucks acknowledged the reputational risks associated with its handling of the union campaign, noting that "our responses to any union organizing efforts could negatively impact how our brand is perceived and have adverse effects on our business, including on our financial results."[226]

In March 2022, a group of more than seventy investors sent Starbucks a letter urging it to adopt a policy of neutrality, to which the company did not agree.[227] The next year, a coalition of shareholders filed a proposal at Starbucks requesting that the board of directors issue a third-party assessment of the company's compliance with its stated commitments to freedom of association and collective bargaining. Fidelity and State Street voted for the proposal, while BlackRock and Vanguard opposed it. In its vote rationale, Vanguard stated that although recent NLRB rulings and the company actions they referenced "represented evidence of materialized legal risks," it would vote against the proposal, citing "detailed mitigation steps [the board and company management] had taken to oversee risks related to workers' rights."[228] Despite having the backing of only two of the Big Four, the shareholder proposal reached majority support with fifty two percent of the vote.[229]

In December 2023, Starbucks released an abridged version of the third-party assessment, which found among other things that the company was not prepared for the emergence of union activity and had made missteps due to lack of strong and clear governance.[230] Proponents of the 2023 shareholder proposal have stated that the assessment raises concerns about board oversight and accountability, especially because the assessment did not appear to include worker input.[231] **The Strategic Organizing Center (SOC), a coalition of unions including SEIU, has since nominated a slate of three director candidates for election at Starbucks' 2024 annual meeting.**

Asset Manager Votes on Freedom of Association Proposal at Starbucks

LGIM	✓
Northern Trust	✓
Morgan Stanley	✓
Glass Lewis	✓
ISS	✓
Nuveen	✓
Wellington	✓
Invesco	✓
Fidelity	✓
State Street	✓
Capital Group	✗
BNY Mellon	✗
Franklin Templeton	✗
Geode	✗
JPMorgan	✗
BlackRock	✗
Goldman Sachs	✗
T. Rowe Price	✗
Vanguard	✗

Figure 15: Asset Manager Votes on Freedom of Association Proposal at Starbucks
Source: Majority Action analysis of data obtained from Diligent Market Intelligence.

Recommendations

06

Recommendations for Asset Managers and Investors

Given the company-specific and portfolio-wide significance of racially inequitable corporate practices on long-term shareholder value, asset managers should review and update their stewardship and proxy voting policies to incorporate a comprehensive racial equity lens. This includes establishing the reduction of racial inequities as a goal of their proxy voting policies, consistent with their fiduciary duty to manage systemic risks.

1. Acknowledge that racial inequity is a systemic risk which negatively impacts value at individual companies and across portfolios.
2. Acknowledge that a wide range of proxy voting categories can result in positive or negative racial equity impacts, and indicate (a) which proxy voting policies have been reviewed for racial equity impacts, and (b) the process for ongoing review.
3. Adopt a default position of generally supporting proposals to conduct comprehensive independent racial equity audits, unless the company has: (a) already conducted such an audit that meets best-practice standards within the last five years, and (b) established a governance mechanism for ongoing oversight of racial equity across their products, practices, and policies.
4. Set a minimum expectation of at least thirty percent racial and ethnic diversity on US S&P 500 boards and require companies to publish board diversity disclosures that include directors' racial and ethnic identities. Enforce voting sanctions against relevant committee and/or board leadership at companies failing to meet these standards. Set a medium-term target for US S&P 500 boards to achieve parity with the US racially and ethnically diverse population (currently forty one percent and rising).
5. Adopt a default position of generally supporting proposals that seek to increase corporate political transparency, including proposals on political congruency and political spending and lobbying disclosure.
6. Adopt a default position of generally supporting proposals that ask companies to commit to respecting workers' rights to freedom of association and collective bargaining.
7. When asset managers vote against proposals that have racial equity impacts – such as proposals related to racial equity audits, corporate political spending, board diversity, and workers' rights – they should make their vote rationales public. Among the Big Four, BlackRock, Vanguard, and State Street publish rationales for a small percent of their votes, while Fidelity does not publish any vote rationales.[232]

Additional Recommendations for Asset Owners

In addition to adopting the recommendations for investors, asset owners should demand accountability from their asset managers:

1. Engage with their existing asset managers over their proxy voting records and policies with respect to racial equity and the risks of systemic racism, including their plans to (a) support relevant shareholder proposals in future years at portfolio companies, and (b) hold boards accountable for actions perpetuating systemic racism and lack of racial and ethnic board diversity.
2. Hold asset managers accountable for improving their proxy voting records on racial equity-related proposals and policies by using escalation tactics such as a) including an assessment of asset managers' racial equity-related proxy voting records and policies in quarterly investment consultants reports, b) putting the asset managers on a "watchlist" for further scrutiny if they do not improve on their proxy voting records and policies on racial equity issues,[233] and c) switching to a different asset manager if the extant asset manager is unresponsive to concerns.
3. Incorporate criteria regarding racial equity-related proxy voting and policies into their asset manager search criteria, requests for proposals, and assessments.

Recommendations for Proxy Advisors

1. Adopt language in all guidelines, including US benchmark guidelines, recommending support for racial equity-related proposals, including proposals related to racial equity audits, corporate political transparency, board diversity disclosure, and workers' rights.

2. Recommend votes against relevant directors at companies that fail to meet a minimum level of thirty percent racial and ethnic board diversity.

Recommendations for Policymakers and Regulators

Congress should urge and enable the SEC to engage in rulemaking that mandates and standardizes disclosures related to corporate political spending, lobbying, and human capital management issues – all of which have clear racial equity implications:

1. Repeal the longstanding appropriations rider preventing the SEC from finalizing, issuing, or implementing rules, regulations, or orders that would require publicly traded companies to disclose their political contributions, policies, and expenditures.

2. Urge the SEC to promulgate a rule requiring publicly traded companies to disclose their federal, state, and local corporate lobbying expenditures, their lobbying strategy, and any material risks related to lobbying spending and strategy.

3. Urge the SEC to promulgate a rule requiring publicly traded companies to disclose human capital management data and policies relevant to long-term value creation.

4. Amend the Securities Exchange Act to require publicly traded companies to conduct an independent racial equity audit no less often than every five years. The company should be required to issue a report detailing the findings and recommendations of the racial equity audit and attach it as an exhibit to its Form 10-K filings covering the year the audit was completed.

Appendices

07

Appendix A

Data Sources and Methodology

Selection of asset managers

This report examines the voting records of eighteen global asset managers and the voting recommendations of the two largest proxy advisors, Institutional Shareholder Services and Glass Lewis. To assemble our list of asset managers, we relied on data collected by *Pensions & Investments* in its annual survey of the largest managers of US institutional tax-exempt assets. To be included in our analysis, an asset manager had to have more than $1 trillion in worldwide AUM and an asset mix of at least twenty percent equities as of December 31, 2022. Geode is included in our analysis despite having less than $1 trillion in AUM because it serves as sub-advisor to all of Fidelity's equity index funds. Whereas previous editions of *Equity in the Boardroom* assigned Geode's votes to Fidelity, this edition separately examines the voting records of Geode and Fidelity. The full list of asset managers covered in the report can be found in Appendix B.

Selection of shareholder proposals

We used Diligent Market Intelligence and the Interfaith Center for Corporate Responsibility's ShareEx platform to identify shareholder proposals related to racial equity audits, political spending and lobbying disclosures, political congruence, and freedom of association. We limited our analysis to shareholder proposals voted on at S&P 500 companies headquartered in the US that had their annual general meetings between July 1, 2022, and June 30, 2023. The universe of shareholder proposals included fourteen racial equity audit proposals, 25 political spending and lobbying disclosure proposals, thirteen political congruence proposals, and seven freedom of association proposals.

In selecting racial equity audit proposals, we did not include proposals that tried to cancel ongoing racial equity audits or proposed bad faith audits intended to undermine progress towards racial equity. These "anti-ESG" proposals, submitted by the National Center for Public Policy Research and The Bahnsen Family Trust, asked that companies rescind plans to undertake a racial equity audit; requested a racial equity or civil rights audit, but asked that the audit assess the impact of DEI policies on "returns to merit"; asserted that DEI initiatives are unlawful and discriminatory against "non-diverse" employees; and expressed skepticism about the existence of systemic racism by placing words like anti-racist, equity, and racism in quotation marks.[234] Twelve such proposals were put to a vote in 2023.

In selecting proposals related to corporate political transparency, we did not include proposals that requested disclosure on political activities undertaken outside the US, proposals focused on climate lobbying alignment, and proposals that requested that companies altogether cease political spending. We also excluded proposals asking companies to condition donations to third-party political groups on the group submitting detailed reports on its expenditures for political activities. The full list of proposals covered in the report can be found in Appendix C.

Selection of companies that ran slates of all-white director nominees

To identify companies that ran slates of all-white director nominees, we obtained a custom dataset from Institutional Shareholder Services ESG (ISS ESG) detailing the number of board members and number of diverse directors at every S&P 500 company as of its most recent annual general meeting during the period July 1, 2022 – June 30, 2023. ISS generates racial and ethnic board diversity data based on company disclosures and feedback collected directly from issuers. In cases when there is no disclosure or issuer feedback available, ISS makes a subjective determination of the director's race or ethnicity based on publicly available information including company documents, membership in self-identifying associations such as The Executive Leadership Council or Latino Corporate Directors Association, LinkedIn profiles, and reputable news sources. ISS ESG's race and ethnicity classifications are a more granular version of the race and ethnicity classifications developed by the US Office of Management and Budget (OMB) in OMB Directive 15.

The dataset we obtained from ISS ESG suggested that there were four companies that had all-white boards as of their 2023 annual general meetings – Caesars Entertainment, Inc., Chubb Ltd., Dover Corporation, and J.B. Hunt Transport Services, Inc. We verified the data provided by ISS ESG by cross checking it against the board diversity metrics provided in each issuer's proxy statement. In doing so, we decided to exclude J.B. Hunt from our analysis because we found that one of its director nominees, Persio Lisboa, is widely recognized as a Latino business leader.[235]

Methodology for calculating votes

Proxy voting data was obtained from Diligent, which aggregates information from SEC Form N-PX filings, public sources, and data provided directly to Diligent by investors. In some cases, Diligent classifies a parent asset manager and one or more of its subsidiaries as separate voting entities. For instance, Invesco Advisors and Invesco's subsidiary Invesco Capital Management are classified as separate voting entities in the Diligent database. In these cases, we assigned the subsidiary's votes to the parent asset manager if the subsidiary's investment strategy includes US equities and if the subsidiary adheres to the same proxy voting guidelines as the parent company. Voting entities that Diligent classifies as "Sub-Advised" or "Multi-Managed" were not included in our analysis. For example, funds belonging to "BNY Mellon" were included in the analysis, but funds belonging to "BNY Mellon (Multi-Managed)" and "BNY Mellon (Sub-Advised)" were not. The full list of voting entities as classified by Diligent can be found in Appendix D.

We consider an asset manager to have supported a proposal if 75 percent or more of the funds in its fund family voted for the proposal. We consider an asset manager to have opposed a proposal if 75 percent or more of the funds in its fund family voted against the proposal. In cases where there was less agreement among funds in the same fund family, the asset manager's vote is recorded as "mixed." For director elections, "withheld" votes are counted as "votes against." Abstentions are counted as "votes against" when the company's voting standards treat abstentions as a vote against the proposal. Abstentions are not counted when the company's voting standards treat abstentions as having no effect on the proposal. In the few cases where we detected that there was split voting within a fund with respect to a particular proposal, we excluded the fund from our vote tabulations. The exclusion of these funds did not impact or alter the overall outcome of the analysis.

We primarily obtained proxy advisor voting recommendations from Diligent. Diligent reports Glass Lewis's actual voting recommendations and "synthetic" ISS recommendations that it derives using a proprietary methodology. In cases where Diligent did not report the synthetic ISS recommendation, we obtained the actual ISS voting recommendation directly from ISS Proxy Exchange.

This report also identifies proposals that would have reached majority support if the four largest asset managers had voted in favor. To determine whether a proposal would have passed with the support of the Big Four, we added the percent support that the proposal received to the percent of common stock outstanding (CSO) held by each asset manager as of March 31, 2023. Percent CSO information was obtained from Diligent, which aggregates this data from SEC N-PORT filings. This approach does not capture the exact voting impact of the Big Four, since as of 2023 asset managers were not required to disclose the number of shares that were voted or instructed to be voted.[236] On the one hand, this method potentially overestimates the Big Four's voting impact since an asset manager may not have voting power over shares that it beneficially owns. On the other hand, this method potentially underestimates the Big Four's voting impact since the largest asset managers tend to vote their shares at a higher rate than other shareholders. This is especially the case at companies with low shareholder turnout, where the number of shares voted at the annual general meeting can be significantly smaller than the number of shares outstanding. In our estimation, the percent CSO method is conservative in that it likely understates the potential of the Big Four to swing close votes.

The information in this report has been prepared from sources and data the authors believe to be reliable, but we assume no liability for and make no guarantee as to its adequacy, accuracy, timeliness, or completeness.

Appendix B
List of Asset Managers

Asset Manager[1]	Worldwide Assets Under Management (millions)
BlackRock Inc.	$ 8,594,488
Vanguard Group Inc.	$ 7,252,612
Fidelity Investments	$ 3,655,574
State Street Global Advisors	$ 3,481,473
J.P. Morgan Asset & Wealth Management	$ 2,765,710
The Goldman Sachs Group Inc.	$ 2,547,000
Capital Group	$ 2,175,965
Amundi[2]	$ 2,031,753
BNY Mellon Investment Management	$ 1,836,032
Legal & General Investment Management (Holdings) Ltd.	$ 1,444,393
Invesco[3]	$ 1,409,204
Franklin Templeton	$ 1,387,686
T. Rowe Price Associates Inc.	$ 1,274,700
Morgan Stanley Investment Management[4]	$ 1,234,226
Wellington Management Group LLP	$ 1,149,360
Nuveen	$ 1,090,174
Northern Trust Asset Management	$ 1,038,406
Geode Capital Management[5]	$ 866,352

Notes:
[1] Only includes asset managers with more than $1 trillion in worldwide AUM and an asset mix of greater than twenty percent equities.
[2] Includes the assets of Amundi's subsidiary, Amundi Asset Management US ($90,613 million AUM). Amundi US is not included in Majority Action's analysis.
[3] Does not include the assets of Invesco's subsidiary, Invesco Capital Management LLC ($400,637 million AUM), which is Invesco's ETF business. Invesco Capital Management is included in Majority Action's analysis and its votes are assigned to the parent company, Invesco.
[4] Includes the assets of Morgan Stanley's subsidiaries Atlanta Capital ($31,849 million AUM), Eaton Vance Management ($77,205 million AUM), Calvert Research and Management ($33,599 million AUM), and Parametric Portfolio Associates ($386,291 million AUM). These subsidiaries are not included in Majority Action's analysis.
[5] Geode is included in Majority Action's analysis even though it has less than $1 trillion AUM. Geode is a subsidiary of Fidelity Investments and serves as sub-advisor to all of Fidelity's equity index funds.

Sources:
Data is sourced from *Pensions & Investments'* annual survey of the world's largest money managers. To qualify for inclusion in the Pensions & Investments database, the firm must manage assets for US institutional tax-exempt clients, such as qualified retirement plans, endowments, or foundations. All data is as of December 31, 2022. See "The Largest Money Managers," *Pensions & Investments,* January 12, 2023, https://www.pionline.com/crain-twi-download/1020316/field_issue_upload and "How P&I compiled the manager data," *Pensions & Investments,* June 12, 2023, https://www.pionline.com/largest-money-managers/how-pi-compiled-manager-data. Subsidiary AUM data is sourced from each subsidiary's latest SEC Form ADV.

Appendix C
List of Shareholder Resolutions

2023 Proxy Season					
Company	**Res. No.**	**Proposal Text**	**Category**	**Proponent**	**For (%)**
Wells Fargo & Company	11	Shareholder Proposal – Policy on Freedom of Association and Collective Bargaining	Freedom of Association	AFL-CIO Reserve Fund	35.6
Delta Air Lines Inc.	6	Adoption of Freedom of Association and Collective Bargaining Policy	Freedom of Association	As You Sow	32.6
Chipotle Mexican Grill Inc.	6	Proposal Requesting Adoption of a Non-Interference Policy	Freedom of Association	City of N.Y. Office of the Comptroller (New York City Pension Funds)	33.3
Starbucks Corporation	8	Shareholder Proposal Regarding Assessment of Worker Rights Commitment	Freedom of Association	City of N.Y. Office of the Comptroller (New York City Pension Funds), Shareholder Association for Research and Education, Trillium Asset Management Corporation, Pensions Investment Research Consultants	52
Netflix Inc.	8	Shareholder Proposal: Policy on Freedom of Association	Freedom of Association	New York State Common Retirement Fund	36.3
CVS Health Corp	8	Stockholder Proposal Requesting a Report on a Worker Rights Assessment	Freedom of Association	New York State Common Retirement Fund	26.3
Amazon.com Inc.	16	Shareholder Proposal Requesting Additional Reporting on Freedom of Association	Freedom of Association	Shareholder Association for Research and Education, CCLA Investment Management	34.9
Comcast Corporation	10	Shareholder Proposal to Report on Political Contributions and Company Values Alignment	Political Congruency	Arjuna Capital	19
AbbVie Inc.	6	Stockholder Proposal on Political Spending	Political Congruency	As You Sow	15.1
Coca-Cola Company (The)	7	Shareholder Proposal Regarding Political Expenditures Values Alignment	Political Congruency	Clean Yield Asset Management	29.1
Walt Disney Company	7	Proposal — Political Expenditures Report	Political Congruency	Educational Foundation of America	36.3
UnitedHealth Group Incorporated	6	Shareholder Proposal Requiring a Political Contributions Congruency Report	Political Congruency	Educational Foundation of America	28.2
Wells Fargo & Company	6	Shareholder Proposal – Report on Congruency of Political Spending	Political Congruency	Harrington Investments	28.5
JPMorgan Chase & Co	11	Report Analyzing the Congruence of the Company's Political and Electioneering Expenditures	Political Congruency	James McRitchie	32.1
FedEx Corporation	6	Report on Alignment Between Company Values and Electioneering Contributions	Political Congruency	Clean Yield Asset Management	36.1
Leidos Holdings, Inc.	5	Stockholder Proposal Regarding Report on Political Expenditures Congruence	Political Congruency	Richard Lippert	40.6
Northrop Grumman Corporation	6	Shareholder Proposal to Annually Conduct an Evaluation and Issue a Report Describing the Alignment of the Company's Political Activities with Its Human Rights Policy	Political Congruency	School Sisters of Notre Dame Cooperative Investment Fund	20
Home Depot Inc. (The)	7	Shareholder Proposal Regarding Political Contributions and Congruency Analysis	Political Congruency	Tara Health Foundation	31.3
Pfizer Inc.	9	Political Contributions Congruency Report	Political Congruency	Tara Health Foundation	14.1
Altria Group	5	Shareholder Proposal – Report on Congruence of Political and Lobbying Expenditures with Company Values and Policies	Political Congruency	Trinity Health	10.9
Amphenol Corporation	5	Improve Political Spending Disclosure	Political Spending and Lobbying Disclosure	No mention of racial equity audits	45.2
L3Harris Technologies Inc.	5	Transparency in regard to Lobbying	Political Spending and Lobbying Disclosure	No mention of racial equity audits	37.9
AbbVie Inc.	7	Stockholder Proposal on Lobbying	Political Spending and Lobbying Disclosure	Dana Investment Advisers	36.3
Bio-Rad Laboratories Inc.	5	Stockholder Proposal: Political Disclosure	Political Spending and Lobbying Disclosure	James McRitchie and Myra K. Young	15.6
Goldman Sachs Group Inc. (The)	5	Shareholder Proposal Regarding a Report on Lobbying	Political Spending and Lobbying Disclosure	John Chevedden	35.6
HCA Healthcare, Inc.	5	Shareholder Proposal Regarding Political Spending Disclosure	Political Spending and Lobbying Disclosure	John Chevedden	23.5
Huntington Ingalls Industries Inc.	4	Stockholder Proposal Requesting that HII Disclose on its Website an Annual Report of HII's Direct and Indirect Lobbying Activities and Expenditures	Political Spending and Lobbying Disclosure	John Chevedden	36.5
International Business Machines Corporation (IBM)	6	Stockholder Proposal Requesting a Public Report on Lobbying Activities	Political Spending and Lobbying Disclosure	John Chevedden	48.1

2023 Proxy Season					
Company	**Res. No.**	**Proposal Text**	**Category**	**Proponent**	**For (%)**
FedEx Corporation	7	Lobbying Activity and Expenditure Report	Political Spending and Lobbying Disclosure	International Brotherhood of Teamsters General Fund	34.7
Mastercard Incorporated	8	Consideration of a Stockholder Proposal Requesting Lobbying Disclosure	Political Spending and Lobbying Disclosure	John Chevedden	28.3
Cintas Corporation	8	Shareholder Proposal Regarding Report on Political Contributions	Political Spending and Lobbying Disclosure	International Brotherhood of Teamsters General Fund	45.5
Fox Corp	5	Disclose Money Spent on Lobbying	Political Spending and Lobbying Disclosure	No mention of racial equity audits	31.4
Caterpillar Inc.	7	Shareholder Proposal — Lobbying Disclosure	Political Spending and Lobbying Disclosure	Myra K. Young	29.2
News Corp	4	Stockholder Proposal Requesting Additional Reporting on Lobbying	Political Spending and Lobbying Disclosure	Kenneth Steiner	13.7
Stryker Corporation	5	Shareholder Proposal — Political Disclosure	Political Spending and Lobbying Disclosure	Myra K. Young	36.8
Caesars Entertainment, Inc.	5	Shareholder Proposal Regarding Company Political Disclosures	Political Spending and Lobbying Disclosure	New York State Common Retirement Fund	42
Abbott Laboratories	7	Shareholder Proposal on Lobbying Disclosure	Political Spending and Lobbying Disclosure	Province of St. Joseph of the Capuchin Order	23.2
Boeing Company (The)	7	Shareholder Proposal — Report on Lobbying Activities	Political Spending and Lobbying Disclosure	Province of St. Joseph of the Capuchin Order	37.3
Charter Communications Inc.	5	Stockholder Proposal Regarding Lobbying Activities	Political Spending and Lobbying Disclosure	Service Employees International Union Pension Plans Master Trust	31.9
DTE Energy Company	7	Shareholder Proposal — Lobbying Report	Political Spending and Lobbying Disclosure	Service Employees International Union Pension Plans Master Trust	29.7
Eli Lilly and Company	7	Proposal to Publish an Annual Report Disclosing Lobbying Activities	Political Spending and Lobbying Disclosure	Service Employees International Union Pension Plans Master Trust	31.4
McDonald's Corporation	9	Advisory Vote on Annual Report on Lobbying Activities	Political Spending and Lobbying Disclosure	SOC Investment Group	50.3
Yum! Brands Inc.	6	Shareholder Proposal Regarding Issuance of Annual Report on Lobbying	Political Spending and Lobbying Disclosure	SOC Investment Group	41.9
Alphabet Inc.	6	Stockholder Proposal Regarding a Lobbying Report	Political Spending and Lobbying Disclosure	United Church Funds	17.9
Meta Platforms, Inc.	6	Shareholder Proposal Regarding Report on Lobbying Disclosures	Political Spending and Lobbying Disclosure	United Church Funds	14.6
Chevron Corporation	10	Stockholder Proposal to Report on Racial Equity Audit	Racial Equity Audit	American Baptist Home Mission Society	9.8
Equifax Inc.	6	Shareholder Proposal Regarding Racial Equity Audit	Racial Equity Audit	City of Philadelphia Public Employees Retirement System	30.8
Mohawk Industries Inc.	5	Shareholder Proposal Regarding Racial Equity Audit	Racial Equity Audit	Handlery Hotels	20.7
UnitedHealth Group Incorporated	5	Shareholder Proposal Seeking a Third-Party Racial Equity Audit	Racial Equity Audit	Mercy Investment Services	20.6
AT&T Inc.	6	Stockholder Proposal — Racial Equity Audit	Racial Equity Audit	Nathan Cummings Foundation	21.5
Coca-Cola Company (The)	5	Shareholder Proposal Requesting an Audit of the Company's Impact on Nonwhite Stakeholders	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	16.5
Comcast Corporation	7	Shareholder Proposal to Perform Independent Racial Equity Audit	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	10.8
Goldman Sachs Group Inc. (The)	8	Shareholder Proposal Regarding a Racial Equity Audit	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	11.6
Valero Energy Corporation	6	Stockholder Proposal to Oversee and Issue an Additional Racial Equity Audit and Report	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	11.9
Altria Group	6	Shareholder Proposal Regarding Civil Rights Audit	Racial Equity Audit	Sisters of St. Francis of Philadelphia	30.8
Bank of America Corporation	11	Shareholder Proposal Requesting a Racial Equity Audit	Racial Equity Audit	SOC Investment Group	15.2
American Water Works	5	Shareholder Proposal: Racial Equity Audit	Racial Equity Audit	Trillium Asset Management	40
Travelers Companies Inc./ The	8	Shareholder Proposal Related to a Racial Equity Audit	Racial Equity Audit	Trillium Asset Management	35.3
Walmart Inc.	7	Shareholder Proposal — Racial Equity Audit	Racial Equity Audit	United for Respect	18.2

2022 Proxy Season					
Company	**Res. No.**	**Proposal Text**	**Category**	**Proponent**	**For (%)**
AbbVie Inc.	8	Stockholder Proposal on Political Spending	Political Congruency	As You Sow	39.5
Charter Communications Inc.	5	Stockholder Proposal Regarding Political and Electioneering Expenditure Congruency Report	Political Congruency	Handlery Hotels	30
The Cigna Group	6	Shareholder Proposal – Political Contributions Report	Political Congruency	No mention of racial equity audits	46.3
FedEx Corporation	5	Report on Alignment Between Company Values and Electioneering Contributions	Political Congruency	Clean Yield Asset Management	38.6
Gilead Sciences Inc.	8	Stockholder Proposal Requesting that the Board Publish a Third-Party Review of Gilead's Lobbying Activities	Political Congruency	Maryknoll Sisters of St. Dominic	50.2
Home Depot Inc. (The)	7	Shareholder Proposal Regarding Political Contributions Congruency Analysis	Political Congruency	Tara Health Foundation	42.6
Johnson & Johnson	12	Third Party Review and Report on Lobbying Activities Alignment with Position on Universal Health Coverage	Political Congruency	Share/HLB Investments ULC	43.3
Eli Lilly and Company	9	Proposal to Disclose Lobbying Activities and Alignment with Public Policy Positions and Statements	Political Congruency	CommonSpirit Health	34
Microsoft Corporation	5	Report on Lobbying Activities Alignment with Company Policies	Political Congruency	Congregation of the Sisters of St. Joseph of Peace	38
AT&T	6	Political Congruency Report	Political Congruency	As You Sow	44.1
UnitedHealth Group Incorporated	5	Shareholder Proposal Regarding Political Contributions Congruency Report	Political Congruency	Educational Foundation of America	38.2
Apple Inc.	9	Shareholder Proposal – Civil Rights Audit	Racial Equity Audit	SOC Investment Group	53.6
American Water Works	5	Shareholder Proposal: Racial Justice Audit	Racial Equity Audit	Trillium Asset Management	48.3
Comcast Corporation	5	Shareholder Proposal to Perform Independent Racial Equity Audit	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	18.3
Chipotle Mexican Grill Inc.	6	Shareholder Proposal to Commission a Racial Equity Audit	Racial Equity Audit	New York State Common Retirement Fund	36.4
Salesforce, Inc.	7	Stockholder Proposal Regarding a Racial Equity Audit	Racial Equity Audit	Tulipshare Limited	33.9
Chevron Corporation	9	Stockholder Proposal to Report on Racial Equity Audit	Racial Equity Audit	Investor Advocates for Social Justice	47.5
Elevance Health, Inc.	6	Shareholder Proposal Requesting a Racial Impact Audit and Report	Racial Equity Audit	Trillium Asset Management	41.2
Alphabet Inc.	9	Stockholder Proposal Regarding a Racial Equity Audit	Racial Equity Audit	Nathan Cummings Foundation	22.4
Home Depot Inc. (The)	10	Shareholder Proposal Regarding Racial Equity Audit	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	62.8
Intel Corporation	6	Stockholder Proposal Requesting a Third-Party Audit and Report on Whether Written Policies or Unwritten Norms at the Company Reinforce Racism in Company Culture	Racial Equity Audit	NorthStar Asset Management	16.7
Johnson & Johnson	7	Shareholder Proposal – Third Party Racial Justice Audit	Racial Equity Audit	Mercy Investment Services	62.6
McDonald's Corporation	8	Advisory Vote on Third-Party Civil Rights Audit	Racial Equity Audit	SOC Investment Group	55.8
Mondelez International Inc.	4	Conduct and Publish Racial Equity Audit	Racial Equity Audit	Shareholder Association for Research & Education	48.6
Altria Group	4	Shareholder Proposal - Commission a Civil Rights Equity Audit	Racial Equity Audit	Sisters of St. Francis of Philadelphia	62.2
Republic Services Inc.	6	Shareholder Proposal to Commission a Third-Party Civil Rights Audit	Racial Equity Audit	International Brotherhood of Teamsters General Fund	38.7
Travelers Companies Inc/The	7	Shareholder Proposal Relating to a Racial Equity Audit	Racial Equity Audit	Trillium ESG Global Equity Fund	47.2
Wells Fargo & Company	10	Shareholder Proposal – Conduct a Racial Equity Audit	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	36.1
Waste Management Inc.	4	Report on Civil Rights Audit	Racial Equity Audit	International Brotherhood of Teamsters General Fund	55
Oracle Corporation	5	Stockholder Proposal Regarding Racial Equity Audit	Racial Equity Audit	Service Employees International Union Pension Plans Master Trust	31.8

Appendix D
List of Voting Entities as Listed in Diligent

Parent Asset Manager	Additional Voting Entities Assigned To Asset Manager [1]
Amundi Asset Management	
BlackRock Inc.	
BNY Mellon	
Capital Group	Capital Guardian Trust Co.
Fidelity Management & Research Co. (FMR)	Fidelity Institutional Asset Management
Franklin Templeton[2]	Brandywine Global Investment Management ClearBridge Investments LLC Martin Currie Investment Management Royce Investment Partners
Geode Capital Management	
Goldman Sachs Asset Management LP	
Invesco Advisors, Inc.	Invesco Capital Management LLC
JPMorgan	
LGIM	
Morgan Stanley Investment Management, Inc.	
Northern Trust Investments	
Nuveen Asset Management LLC	TIAA-CREF Asset Management LLC Winslow Capital Management (Nuveen funds only)[3]
State Street Corporation	
T. Rowe Price Associates	
Vanguard Group, Inc.	
Wellington Management	

Notes:
[1] As explained in Appendix A: Data Sources and Methodology, a subsidiary's votes are assigned to the parent asset manager if the subsidiary's investment strategy includes US equities and if the subsidiary adheres to the same proxy voting guidelines as the parent company.
[2] Franklin Templeton is a holding company and conducts all business through its subsidiaries, which each have their own proxy voting guidelines. Thus, all Franklin Templeton subsidiaries that are classified as separate voting entities in Diligent are assigned to Franklin Templeton so long as they invest in US equities.
[3] The Nuveen Winslow Large-Cap Growth Fund, which is sub-advised by Winslow Capital Management, is assigned to Nuveen even though Winslow votes the fund's shares according to ISS recommendations rather than Nuveen's proxy voting guidelines.

Appendix E
Asset Managers' and Proxy Advisors' 2023 Policies on Racial Equity Audits

Asset Manager or Proxy Advisor	Relevant Text Excerpted From Proxy Voting Guidelines
Franklin Templeton (Clearbridge Investments)	Proposals asking a company to conduct an independent racial equity and/or civil rights audit, which we generally support but vote on a case-by-case basis given the variability in the language.[237]
Glass Lewis	Issues related to racial equity have intensified significantly in recent years. As a result, companies can face increased reputational risk when their operations result in adverse stakeholder impacts, particularly when those stakeholders belong to minority or underrepresented groups. Companies can also face legal and regulatory risk if their business engages in or appears to engage in potentially discriminatory behavior or if such behavior results in disparate impacts on certain groups of stakeholders. As a result of these potential risks, we believe that companies should be taking steps to mitigate any potential adverse impacts both internally and externally. In many cases, we believe that undertaking an audit of such impacts could be beneficial as a risk mitigation tool. When analyzing these resolutions, Glass Lewis will assess: (i) the nature of the company's operations; (ii) the level of disclosure provided by the company and its peers on its internal and external stakeholder impacts and the steps it is taking to mitigate any attendant risks; and (iii) any relevant controversies, fines, or lawsuits. After taking into account these company-specific factors, we will generally recommend in favor of well-crafted proposals requesting that companies undertake a racial or civil rights-related audit when we believe that doing so could help the target company identify and mitigate potentially significant risks.[238]
Goldman Sachs	Generally vote CASE-BY-CASE on shareholder proposals requesting the board oversee a racial equity audit. While we believe the decision to initiate an independent audit is best left to management judgment under the oversight of the board of directors, the following factors are generally considered: ■ The degree to which existing relevant policies and practices are disclosed; ■ Recent, significant company controversies, fines, or litigation regarding human rights at the company or its suppliers; and ■ Whether the gender and racial minority representation of the company's board is reasonably inclusive in relation to companies of similar size and business.[239]
ISS	Vote case-by-case on proposals asking a company to conduct an independent racial equity and/or civil rights audit, taking into account: ■ The company's established process or framework for addressing racial inequity and discrimination internally; ■ Whether the company adequately discloses workforce diversity and inclusion metrics and goals; ■ Whether the company has issued a public statement related to its racial justice efforts in recent years, or has committed to internal policy review; ■ Whether the company has engaged with impacted communities, stakeholders, and civil rights experts; ■ The company's track record in recent years of racial justice measures and outreach externally; and ■ Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to racial inequity or discrimination.[240]
LGIM	There has been an increase in the number of shareholder proposals asking companies to carry out an independent racial equity audit. We encourage companies to voluntarily requisition such reports as a matter of good corporate practice.[241]

Asset Manager or Proxy Advisor	Relevant Text Excerpted From Proxy Voting Guidelines
Amundi BlackRock BNY Mellon Capital Group Fidelity Invesco JPMorgan Morgan Stanley Northern Trust Nuveen State Street T. Rowe Price Vanguard Wellington	No mention of racial equity audits

Appendix F
Asset Managers' and Proxy Advisors' 2023 Policies on Director Accountability for Racial and Ethnic Board Diversity

Asset Manager or Proxy Advisor [242]	Relevant Text Excerpted From Proxy Voting Guidelines [243]
Amundi	No language on director accountability for racial and ethnic board diversity. [244]
BlackRock	In the US, we believe that boards should aspire to at least 30% diversity of membership, and we encourage large companies, such as those in the S&P 500, to lead in achieving this standard. In our view, an informative indicator of diversity for such companies is having at least two women and a director who identifies as a member of an underrepresented group...[245] To the extent that, based on our assessment of corporate disclosures, a company has not adequately explained their approach to diversity in their board composition, we may vote against members of the nominating/governance committee...[246]
BNY Mellon	We look for diversity including gender, and where discernible, experience, race, tenure and other relevant considerations. We generally vote AGAINST the Nominating Chairperson if there is less than one woman on the board.[247]
Capital Group	In the United States, we generally expect boards to have at least one female director and at least one racially/ethnically diverse director but will take board size into account when evaluating this.[248] w
Fidelity	Fidelity will evaluate board composition and generally will oppose the election of certain or all directors if, by way of example: ...There are no racially or ethnically diverse directors....[249]
Glass Lewis	Regarding the nominating committee, we will consider recommending that shareholders vote against... The chair of the nominating committee of a board with fewer than one director from an underrepresented community on the board, at companies within the Russell 1000 index...[250] Beginning in 2023, we will generally recommend against the chair of the nominating committee of a board with fewer than one director from an underrepresented community on the board at companies within the Russell 1000 index. We define 'underrepresented community director' as an individual who self-identifies as Black, African American, North African, Hispanic, Latino, Asian, Pacific Islander, Native American, Native Hawaiian, or Alaskan Native, or who self-identifies as gay, lesbian, bisexual, or transgender...We may extend our underrepresented community diversity recommendations to additional members of the nominating committee in cases where the committee chair is not standing for election due to a classified board, or based on other factors, including the company's size and industry, applicable laws in its state of headquarters, and its overall governance profile.[251]
Geode	No language on director accountability for racial and ethnic board diversity. [252]
Goldman Sachs	Vote AGAINST or WITHHOLD from members of the Nominating Committee:[253] ■ At companies incorporated in the US if the board does not have at least 10% women directors and at least one other diverse board director; ■ At companies within the S&P S00, if, in addition to our gender expectations, the board does not have at least one diverse director from a minority ethnic group; ■ At companies not incorporated in the US, if the board does not have at least 10% women directors or does not meet the requirements of local listing rules or corporate governance codes or national targets.
Invesco	Boards should be comprised of directors with a variety of relevant skills and industry expertise together with a diverse profile of individuals of different genders, ethnicities, race, skills, tenures and backgrounds to provide robust challenge and debate. We consider diversity at the board level, within the executive management team and in the succession pipeline...[254] In addition, we will consider a company's performance on broader types of diversity which may include diversity of skills, non-executive director tenure, ethnicity, race or other factors where appropriate and reasonably determinable. We will generally vote against the incumbent nominating committee chair if there are multiple concerns on diversity issues.[255]

Asset Manager or Proxy Advisor [242]	Relevant Text Excerpted From Proxy Voting Guidelines [243]
ISS	For companies in the Russell 3000 or S&P 1500 indices, generally vote against or withhold from the chair of the nominating committee (or other directors on a case-by-case basis) where the board has no apparent racially or ethnically diverse members. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm commitment to appoint at least one racial and/or ethnic diverse member within a year.[256]
JPMorgan	We will utilize our voting power to bring about change where Boards are lagging in gender and racial/ethnic diversity....We will generally vote against the chair of the Nominating Committee when the issuer lacks any gender diversity or any racial/ethnic diversity unless there are mitigating factors. Mitigating factors include, among other factors, recent retirement of relevant directors, a relatively new public company, and an ongoing search for a director.[257]
LGIM	In the autumn of 2020, we extended our diversity campaign to require ethnic representation at board level in developed markets, starting with the US and the UK. We ask the largest companies in these two markets to have at least one board member from an ethnic minority background and this will now result in voting sanctions for those boards that do not have this minimum requirement.[258]
Morgan Stanley	In markets where information on director ethnicity is available, and it is legal to obtain it, and where it is relevant, we will generally also consider not supporting the re-election of the nomination committee chair (or other resolutions when the nomination chair is not up for re-election) if the board lacks ethnic diversity and has not outlined a credible diversity strategy.[259]
Northern Trust	The board should reflect the diversity of the workforce and society, ensuring that a variety of viewpoints are represented in corporate decision-making. Northern Trust believes that an effective board should be comprised of directors with a mix of skills and experience to ensure the Board has the necessary tools to perform its oversight function effectively; this includes diversity of background, experience, age, race, gender, ethnicity, and culture. Northern Trust may vote against one or more directors where we have concerns relating to the composition and diversity of the board.[260]
Nuveen	We generally vote in favor of the board's nominees but will consider withholding or voting against some or all directors in the following circumstances:...When there is insufficient diversity on the board and the company has not demonstrated its commitment to making the board more diverse.[261]
State Street	If a company in the S&P 500 or FTSE 100 does not have at least one director from an underrepresented racial or ethnic community, we will vote against the Chair of the Nominating Committee.[262]
T. Rowe Price	We recognize diversity can be defined across a number of dimensions. However, if a board is to be considered meaningfully diverse, in our view some diversity across gender, ethnic, or nationality lines must be present. For companies in the Americas, we generally oppose the re-elections of Governance Committee members if we find no evidence of board diversity.[263]
Vanguard	Lack of board diversity: Absent a compelling reason, a fund will generally vote against the nominating and/or governance committee chair, or another relevant board member if the nominating and/or governance committee chair is not up for reelection, if a company's board is making insufficient progress in its diversity composition and/or in addressing its board diversity-related disclosures....[264] A board should, at a minimum, represent diversity of personal characteristics, inclusive of at least diversity in gender, race, and ethnicity on the board.[265]
Wellington	We reserve the right to vote against the re-election of the Nominating/Governance Committee Chair when the board is not meeting local market standards from a diversity perspective or when the gender-diverse representation is below 20% at companies in major indices...[266] We reserve the right to vote against the reelection of the Nominating/Governance Committee Chair at US large cap and FTSE 100 companies that failed to appoint at least one director from a minority ethnic group and fail to provide clear and compelling reason for being unable to do so. We will continue to engage on diversity of the board in other markets and may vote against the re-election of directors where we fail to see improvements.[267]

Endnotes

08

1 Walgreens Boots Alliance, "An open letter on racial injustice," June 9, 2020, https://www.walgreensbootsalliance.com/news-media/our-stories/an-open-letter-on-racial-injustice. ("Rampant, violent, discriminatory and lethal systems of oppression must be dismantled on a global scale and it cannot be done without the collective whole. And as a community and a corporation, we have a duty to be a catalyst for change, if only because we can."); Richard Feloni, "These Are the Corporate Responses to the George Floyd Protests That Stand Out," *JUST Capital*, June 30, 2020, https://justcapital.com/news/notable-corporate-responses-to-the-george-floyd-protests/. ("The Quaker Oats Company, a subsidiary of PepsiCo, announced it was ending its Aunt Jemima breakfast foods brand. IBM has stopped investing in facial recognition software used by police forces, Microsoft will no longer share its version with the police, and Amazon will stop sharing its software with police for a year."); Gillian Friedman, "Here's What Companies Are Promising to Do to Fight Racism," *New York Times*, August 23, 2020, https://www.nytimes.com/article/companies-racism-george-floyd-protests.html. ("[Facebook] pledged to double the number of its black and Latinx employees by 2023, and to increase the number of black people in leadership positions by 30 percent over the next five years."); Detroit Regional Chamber, "The Kellogg Foundation: Michigan Business Case for Racial Equity," October 13, 2020, https://www.detroitchamber.com/the-kellogg-foundation-michigan-business-case-for-racial-equity/.

2 Jessica DiNapoli, "More than 150 companies urge U.S. Congress to pass voting rights act," *Reuters*, July 14, 2021, https://www.reuters.com/world/us/more-than-150-companies-urge-us-congress-pass-voting-rights-act-2021-07-14/; Judd Legum and Tesnim Zekeria, "Major corporations say they will stop donating to members of Congress who tried to overturn the election," *Popular Information*, January 10, 2021, https://popular.info/p/three-major-corporations-say-they.

3 Saima May Sidik, "Death Rates among Black People in the U.S. Are Rising after Falling," *Scientific American*, June 6, 2023, https://www.scientificamerican.com/article/death-rates-among-black-people-in-the-u-s-are-rising-after-falling/.

4 Megan Armstrong et al, "Corporate commitments to racial justice: An update," *McKinsey Institute for Black Economic Mobility*, February 21, 2023, https://www.mckinsey.com/bem/our-insights/corporate-commitments-to-racial-justice-an-update#/. ("[The] pace of monetary commitments [to racial justice] has slowed year-over-year (down 32 percent since 2021)...Compared with previous years, companies are making fewer public statements in support of racial justice, despite the rise of the inclusive consumer."); Te-Ping Chen and Lauren Weber, "The Rise and Fall of the Chief Diversity Officer," *The Wall Street Journal*, July 21, 2023, https://www.wsj.com/business/c-suite/chief-diversity-officer-cdo-business-corporations-e110a82f; Taylor Telford, "As DEI gets more divisive, companies are ditching their teams," *Washington Post*, February 18, 2024, https://www.washingtonpost.com/business/2024/02/20/corporate-diversity-job-cuts/; January 31, 2024, Ephrat Livni and Sarah Kessler, "After the Capitol Attack, Companies Pledged to Rethink Political Giving. Did They?" *New York Times*, January 6, 2024, https://www.nytimes.com/2024/01/06/business/dealbook/jan-6-companies-donations.html; Ilya Marritz, "When GOP Attorneys General Embraced Jan. 6, Corporate Funders Fled. Now They're Back," *ProPublica*, April 20, 2023, https://www.propublica.org/article/raga-gop-jan6-amazon-walmart-comcast-contributions.

5 Kimberly Adams, "Businesses are quieter on social justice issues as support for Black Lives Matter dips," *Marketplace*, June 20, 2023, https://www.marketplace.org/2023/06/20/businesses-social-justice-black-lives-matter-support/.

6 Trisha Thadani and Jacob Bogage, "The campaign against affirmative action shifts to corporate America," *The Washington Post*, July 19, 2023, https://www.washingtonpost.com/technology/2023/07/15/affirmative-action-workplace-diversity-equity-inclusion; Anne D'Innocenzio and Alexandra Olson, "DEI opponents are using a 1866 Civil Rights law to challenge equity policies in the workplace," *Associated Press*, January 14, 2024, https://apnews.com/article/dei-corporate-diversity-supreme-court-affirmative-action-a4ddf354423feee9697310366248f646; Nate Raymond, "Venture capital fund defends grants for Black women in US appeals court," *Reuters*, https://www.reuters.com/sustainability/society-equity/venture-capital-fund-defends-grants-black-women-us-appeals-court-2024-01-31/; Trip Gabriel and Dana Goldstein, "Disputing Racism's Reach, Republicans Rattle American Schools," *New York Times*, June 1, 2021, https://www.nytimes.com/2021/06/01/us/politics/critical-race-theory.html; Tonya Mosley, "The Voting Rights Act is being attacked from 'every possible angle,' journalist says," *NPR*, November 30, 2023, https://www.npr.org/2023/11/30/1216054095/the-voting-rights-act-is-being-attacked-from-every-possible-angle-journalist-say; Rick Rojas and Sean Keenam, "Dozens of 'Cop City' Activists Are Indicted on Racketeering Charges," *New York Times*, September 5, 2023, https://www.nytimes.com/2023/09/05/us/cop-city-atlanta-indictment.html.

7 BlackRock, "Our Actions to Advance Racial Equity and Inclusion," June 22, 2020, https://www.blackrock.com/corporate/about-us/social-impact/advancing-racial-equity.

8 Relman Colfax, *State Street Civil Rights Audit*, State Street Corporation, May 31, 2023, https://www.statestreet.com/web/about/our-people/documents/state-street-relman-civil-rights-audit.pdf, p. 71.

9 For example, the right-wing Heritage Foundation, which authors anti-ESG model legislation, states on its website that "Diversity, equity, and inclusion; critical race theory; environmental, social, and governance" pose a "threat to our national unity and the preservation of American civic order." See Mike Gonzalez, "These States Are Leading the Charge in the Fight Against the Left's Marxist Agenda," March 7, 2023, *The Heritage Foundation*, https://www.heritage.org/progressivism/commentary/these-states-are-leading-the-charge-the-fight-against-the-lefts-marxist.

10 These anti-ESG bills use a variety of tactics including "limiting state contracting authority, restricting pension management, forcing disclosures under threat of liability, and combatting federal investment rules." See Connor Gibson et al, *2023 Statehouse Report: Right-Wing Attacks on the Freedom to Invest Responsibly Falter in Legislatures*, Pleiades Strategy, https://drive.google.com/file/d/1VJ82mMNupoFSZPQ98nLcW7AtcyBQWB18/view; Ropes & Gray, "Navigating State Regulation of ESG," https://www.ropesgray.com/en/sites/navigating-state-regulation-of-esg.

11 David Hood, "House GOP Doubles Down on Anti-ESG Messaging With New Measures," *Bloomberg Law*, September 15, 2023, https://news.bloomberglaw.com/esg/house-gop-doubles-down-on-anti-esg-messaging-with-new-measures; House of Representatives Judiciary Committee Chairman Jim Jordan, "Chairman Jordan Subpoenas BlackRock and State Street in ESG Investigation," December 15, 2023, https://judiciary.house.gov/media/press-releases/chairman-jordan-subpoenas-blackrock-and-state-street-esg-investigation; Lydia Moynihan, "House probe into ESG violations expands to proxy advisors ISS and Glass Lewis," *New York Post*, December 21, 2023, https://nypost.com/2023/12/21/business/house-judiciary-probe-into-esg-expands-to-iss-and-glass-lewis/.

12 29 CFR 2550, "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights," December 1, 2022, https://www.federalregister.gov/documents/2022/12/01/2022-25783/prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights; Richard Shea et al, "What ESG Investing Ruling Means For Fiduciaries," *Law360*, https://www.cov.com/-/media/files/corporate/publications/2023/10/what-esg-investing-ruling-means-for-fiduciaries.pdf; "Biden uses first veto to defend rule on ESG investing," *Reuters*, March 20, 2023, https://www.reuters.com/business/sustainable-business/biden-vetoes-resolution-block-labor-dept-rule-esg-investing-2023-03-20/.

13 As of the writing of this report, there have been no anti-ESG bills passed by Congress. Of the 165 pieces of state-level legislation introduced in 2023, only 28 passed and only 22 were signed into law. See Gregory Hershman, "Anti-ESG bills found unified opposition in US statehouses," *Principles for Responsible Investment*, July 25, 2023, https://www.unpri.org/pri-blog/anti-esg-bills-found-unified-opposition-in-us-statehouses/11658.article. Bills that were enacted have faced implementation challenges, with some local governments and state pension funds experiencing significant compliance costs. See Karin Rives, "Wall Street thrived, small towns lost as anti-ESG campaign raged in 2023," *S&P Global*, January 3, 2024, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/wall-street-thrived-small-towns-lost-as-anti-esg-campaign-raged-in-2023-79749380 and Kate Marino, "Texas' "anti-woke" policies cost taxpayers millions," *Axios*, February 22, 2023, https://www.axios.com/local/dallas/2023/02/22/texas-esg-policies-cost. Other state laws are facing litigation challenges from pension fund beneficiaries. See Margarida Correia, "Oklahoma hit with suit over anti-ESG blacklist barring BlackRock, others," *Pensions & Investments*, November 21, 2023, https://www.pionline.com/esg/oklahoma-hit-suit-over-anti-esg-blacklist-barring-blackrock-others.

14 Public Citizen, "New Poll: House GOP's Anti-ESG Push to Blindfold Investors Is Deeply Unpopular, Even Among Republicans," December 14, 2023, https://www.citizen.org/news/new-poll-house-gops-anti-esg-push-to-blindfold-investors-is-deeply-unpopular-even-among-republicans/.

15 Karin Rives, "States' anti-ESG push leaves patchwork of policies, unclear mandates," *S&P Global*, August 22, 2023, https://www.spglobal.com/marketintelligence/en/news-insights/videos/the-big-picture-energy-transition-2024.

16 Renée Boynton-Jarrett et al, "Structural integrity: Recognizing, measuring, and addressing systemic racism and its health impacts," *EClinicalMedicine*, vol. 36 (2021), doi: 10.1016/j.eclinm.2021.100921.

17 Renée Boynton-Jarrett et al, "Structural integrity: Recognizing, measuring, and addressing systemic racism and its health impacts."

18 Janis Bowdler and Benjamin Harris, "Racial Inequality in the United States," U.S. Department of the Treasury, July 21, 2022, https://home.treasury.gov/news/featured-stories/racial-inequality-in-the-united-states. Bowdler and Harris provide a high-level overview of this history, but there are entire fields of study devoted to these subjects.

19 Paula A. Braveman, "Systemic And Structural Racism: Definitions, Examples, Health Damages, And Approaches To Dismantling," *Health Affairs*, vol. 41, no. 2 (2022), https://www.healthaffairs.org/doi/10.1377/hlthaff.2021.01394.

20 The Investment Integration Project, *Introduction to Racial Inequity as a Systemic Risk: Why Investors Should Care and How They Can Take Action*, June 2023, https://tiiproject.com/wp-content/uploads/2023/06/TIIP-RacialEquityBrief-6-14-23-FINAL-Submitted.pdf, p. 1.

21 The Investment Integration Project, *Introduction to Racial Inequity as a Systemic Risk*, p. 1.

22 Jonathan W. Welburn et al., *Overcoming Compound Racial Inequity Policies and Costs for Closing the Black-White Wealth Gap*, RAND Corporation, December 7, 2022, https://www.rand.org/pubs/research_reports/RRA1259-2.html.

23 Jonathan W. Welburn et al., *Overcoming Compound Racial Inequity Policies and Costs for Closing the Black-White Wealth Gap*.

24 See for example Dorothy A. Brown, *The Whiteness of Wealth: How the Tax System Impoverishes Black Americans--and How We Can Fix It* (New York: Crown, 2022); Richard Rothstein, *The Color of Law: A Forgotten History of How Government Segregate America* (New York: Norton, 2018); Mehrsa Baradaran, *The Color of Money: Black Banks and the Racial Wealth Gap* (Cambridge: Harvard University Press, 2017); Emily Flitter, *The White Wall: How Big Finance Bankrupts Black America* (New York: Atria/One Signal Publishers, 2022); Terry-Ann Craigie et al, *Conviction, Imprisonment, and Lost Earnings How Involvement with the Criminal Justice System Deepens Inequality*, Brennan Center for Justice, September 15, 2020, https://www.brennancenter.org/sites/default/files/2020-09/EconomicImpactReport_pdf.pdf.

25 Tiya Miles, "Municipal Bonds: How Slavery Built Wall Street," The 1619 Project, https://pulitzercenter.org/sites/default/files/full_issue_of_the_1619_project.pdf#page=40.

26 Robin Sidel, "A Historian's Quest Links J.P. Morgan To Slave Ownership," *Wall Street Journal*, May 10, 2005, https://www.wsj.com/articles/SB111568595843228824; Rachel L. Swarns, "Insurance Policies on Slaves: New York Life's Complicated Past," *New York Times*, December 18, 2016, https://www.nytimes.com/2016/12/18/us/insurance-policies-on-slaves-new-york-lifes-complicated-past.html; Zoe Thomas, "The hidden links between slavery and Wall Street," *BBC*, August 28, 2019, https://www.bbc.com/news/business-49476247.

27 Caitlin Rosenthal, *Accounting for Slavery: Masters and Management* (Cambridge: Harvard University Press, 2019); Matthew Desmond, "In order to understand the brutality of American capitalism, you have to start on the plantation," *New York Times*, August 14, 2019, https://www.nytimes.com/interactive/2019/08/14/magazine/slavery-capitalism.html.

28 See for example Eric Bachman, "$70 Million Verdict Against Texas Company In Employment Discrimination Case," *Forbes*, March 21, 2022, https://www.forbes.com/sites/ericbachman/2022/03/21/70-million-verdict-against-texas-company-in-employment-discrimination-case/?sh=4ca2cb72ea84; Ken Ward Jr., "How Black Communities Become "Sacrifice Zones" for Industrial Air Pollution," *ProPublica*, December 21, 2021, https://www.propublica.org/article/how-black-communities-become-sacrifice-zones-for-industrial-air-pollution; Kimberly Adams, "Predatory practices past and present target Black investors," *Marketplace*, February 10, 2023, https://www.marketplace.org/2023/02/10/predatory-practices-past-and-present-target-black-investors/; Caroline Colvin, "Prop 22 is a racial equity battleground," *HR Dive*, September 22, 2021, https://www.hrdive.com/news/gig-work-racial-justice/607010/.

29 Cary Martin Shelby, "Racism as a Threat to Financial Stability," *Northwestern University Law Review*, vol. 118, no. 3 (2023), p. 757.

30 Jon Lukomnik and James P. Hawley, *Moving Beyond Modern Portfolio Theory* (New York: Routledge, 2021). See also Freshfields Bruckhaus Deringer, *A Legal Framework for Impact: Sustainability Impact in Investor Decision-Making*, https://www.freshfields.us/4a199a/globalassets/our-thinking/campaigns/legal-framework-for-impact/a-legal-framework-for-impact.pdf.

31 Lukomnik and Hawley, *Moving Beyond Modern Portfolio Theory*.

32 Lukomnik and Hawley, *Moving Beyond Modern Portfolio Theory*; John C. Coffee, Jr., "The Future of Disclosure: ESG, Common Ownership, and Systematic Risk," *Columbia Business Law Review*, vol. 2 (2021): 602-650; Jeffrey N. Gordon, "Systemic Stewardship," *The Journal of Corporation Law*, vol. 47, no. 3 (2022): 627-673.

33 Lukomnik and Hawley, *Moving Beyond Modern Portfolio Theory*, p. 2.

34 David Wood, "Racial Equity as a Topic for Responsible Investment: How and Why Investors Should Engage," Harvard Kennedy School Center for Public Leadership, https://clje.law.harvard.edu/app/uploads/2023/03/Wood-2023-Racial-Equity-as-a-Topic-for-Responsible-Investment.pdf.

35 Wood, "Racial Equity as a Topic for Responsible Investment: How and Why Investors Should Engage."

36 John T. Oxtoby et al., "Racial Inequality Is a Business Risk," *Chicago Booth Review*, March 10, 2021, https://www.chicagobooth.edu/review/racial-inequality-business-risk; McKinsey Institute for Black Economic Mobility "Racial equity in financial services," September 10, 2020, https://www.mckinsey.com/industries/financial-services/our-insights/racial-equity-in-financial-services.

37 Angela Glover Blackwell et al., *The Competitive Advantage of Racial Equity*, FSG and PolicyLink, https://www.policylink.org/sites/default/files/The%20Competitive%20Advantage%20of%20Racial%20Equity-final_0.pdf.

38 Citi GPS: Global Perspectives & Solutions, *Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S.*, September 2020, https://ir.citi.com/%2FPRxPvgNWu319AU1ajGf%2BsKbjJjBJSaTOSdw2DF4xynPwFB8a2jV1FaA3Idy7vY59bOtN2lxVQM%3D.

39 Ani Turner, *The Business Case for Racial Equity: A Strategy for Growth*, W.K. Kellogg Foundation and Altarum, 2018, *https://wkkf.issuelab.org/resources/30463/30463.pdf*.

40 The Investment Integration Project, Introduction to Racial Inequity as a Systemic Risk: *Why Investors Should Care and How They Can Take Action*.

41 The Shareholder Commons, "System Stewardship Theory," https://theshareholdercommons.com/resources-page/#tsc-and-system-stewardship (accessed March 4, 2024); Jeffrey N. Gordon, "Systematic Stewardship," *Journal of Corporation Law*, vol. 47, no. 3 (2022): 627-673.

42 James Hawley and Andrew Williams, "The Emergence of Universal Owners: Some Implications of Institutional Equity Ownership," *Challenges*, vol. 43, no. 4 (2000): 43-61.

43 Jeffrey N. Gordon, "Systematic Stewardship."

44 Except for Geode, which has $866 million worldwide AUM. Geode is included in this report because it manages Fidelity's entire passive investment business.

45 Majority Action analysis of data obtained from "The Largest Money Managers," *Pensions & Investments*, January 12, 2023, https://www.pionline.com/crain-twi-download/1020316/field_issue_upload; The World Bank, "GDP (current US$)," https://data.worldbank.org/indicator/NY.GDP.MKTP.CD? (accessed February 19, 2024).

46 Majority Action analysis of data obtained from "The Largest Money Managers," *Pensions & Investments*.

47 Majority Action analysis of data obtained from "The Largest Money Managers," *Pensions & Investments*.

48 BlackRock, "About BlackRock in the U.S.," https://www.blackrock.com/us/individual/about-us/about-blackrock (accessed February 20, 2024).

49 Majority Action analysis of data obtained from "The Largest Money Managers," *Pensions & Investments*; John C. Coffee, "The Future of Disclosure: ESG, Common Ownership, and Systematic Risk," *European Corporate Governance Institute - Law Working Paper 541/2020*, March 16, 2021, https://papers.ssrn.com/sol3/papers.cfm?abstract_ id=3678197, p. 3. These figures actually understate the Big Four's presence in the public markets, since Fidelity's passive investment business is sub-advised by Geode, and Vanguard's largest funds are sub-advised by Wellington. This analysis considers Geode and Wellington separately from the Big Four, since they have their own proxy voting guidelines and their voting records differ from the asset managers whose funds they sub-advise.

50 Arnoud Boot et al, "The Controversy over Proxy Voting: The Role of Fund Managers and Proxy Advisors," *Financial Analysts Journal*, vol. 79, no. 4 (2023): 8-15.

51 Chong Shu, "The Proxy Advisory Industry: Influencing and Being Influenced," *Journal of Financial Economics*, forthcoming (February 8, 2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3614314.

52 Ann Beth Stebbins et al, "Pass-Through Voting: Empowering Shareholders or Increasing the Influence of Proxy Advisors?" Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates, Skadden Podcast: The Informed Board, March 15, 2023, https://www.skadden.com/insights/podcasts/2023/03/pass-through-voting; Lindsey Stewart, "New Proxy-Voting Options for IVV and Other Index Funds From BlackRock, State Street, and Vanguard," *Morningstar*, December 13, 2023, https://www.morningstar.com/funds/new-proxy-voting-options-ivv-other-index-funds-blackrock-state-street-vanguard. There have also been concerns about "robo-voting," which refers to an investment fund mechanically voting according to the advice of its proxy advisor. However, robo-voting has little influence on corporate governance since it is mostly used by small mutual funds that control a minor percentage of voting shares. See John G. Matsusaka and Chong Shu, "Robo-Voting: Does Delegated Proxy Voting Pose a Challenge for Shareholder Democracy?" *USC CLASS Research Paper No. 24-14* (April 12, 2023).

53 For example, both State Street and BlackRock currently allow investors exercising proxy choice to select the proxy advisors' benchmark policies. See Stewart, "New Proxy-Voting Options for IVV and Other Index Funds From BlackRock, State Street, and Vanguard."

54 Clare Payn and Emma Cameron, "How racial equity audits can tackle corporate inequality," *LGIM Blog*, May 4, 2023, https://www.lgimblog.com/categories/esg-and-long-term-themes/how-racial-equity-audits-can-tackle-corporate-inequality/.

55 For more information on racial equity audits, see Laura W. Murphy, *The Rationale for and Key Elements of a Business Civil Rights Audit*, October 27, 2021, https://www.civilrightsdocs.info/pdf/reports/Civil-Rights-Audit-Report-2021.pdf; SOC Investment Group, "Racial Equity Audits: A Critical Tool for Shareholder," April 13, 2021, webinar, https://www.socinvestmentgroup.com/critical-tool-for-shareholders; SOC Investment Group, "Racial Equity Audits: The Why and How of Community Stakeholder Engagement," June 29, 2022, webinar, https://www.socinvestmentgroup.com/webinar-racial-equity-audits-the-why-and-how-of-community-stakeholder-engagement.

56 Heather C. McGhee and Sherrilyn Ifill, *Toward a Vision for Racial Equity & Inclusion at Starbucks: Review and Recommendations*, Demos, July 2018, https://www.demos.org/sites/default/files/publications/Toward%20a%20Vision%20for%20Racial%20Equity%20and%20Inclusion%20at%20Starbucks_review%20and%20Recommendations_July%202018_single.pdf.

57 The terms "racial equity audit" and "civil rights audit" are used interchangeably in this report, but they do refer to different processes. The term "civil rights audit" captures the full range of protected classes under federal and state civil rights laws, including but not limited to race, sex, religion, and national origin. While Majority Action supports both processes, we prefer to use the term "racial equity audit." Race plays a foundational role in the history and dynamics of subjugation, exploitation, and inequality in the U.S. We maintain that it is critical for institutions to implement policies and processes that specifically address and redress the risks and harms caused by structural racism, while also acknowledging the intersection between race and other markers of difference.

58 Color of Change, "COC Partnership Helps Airbnb Formulate Anti-Discrimination Plans," February 2023, https://colorofchange.org/coc-partnership-helps-airbnb-formulate-anti-discrimination-plans; Maggie Penman et al., "#AirbnbWhileBlack: How Hidden Bias Shapes the Sharing Economy," *NPR*, April 26, 2016, https://www.npr.org/2016/04/26/475623339/-airbnbwhileblack-how-hidden-bias-shapes-the-sharing-economy; Heather Kelly, "Airbnb hosts found to discriminate against guests with 'black' names," *CNN Business*, December 11, 2015, https://money.cnn.com/2015/12/11/technology/airbnb-bias-harvard/.

59 Pema Levy and Tonya Riley, "Activists Couldn't Get Facebook to Tackle Its Discrimination Problem -- Until the Russia Scandal Hit," *Mother Jones*, April 12, 2019, https://www.motherjones.com/politics/2019/04/activists-couldnt-get-facebook-to-tackle-its-discrimination-problem-until-the-russia-scandal-hit/.

60 Starbucks was the other major corporation that conducted a racial equity audit during this period -- first in 2019, and again in 2020 and 2021. The Starbucks racial equity audit was led by former U.S. Attorney General Eric Holder, Jr. at Covington & Burling LLP.

61 Airbnb, *A Six-Year Update on Airbnb's Work to Fight Discrimination and Build Inclusion*, December 13, 2022, https://news.airbnb.com/wp-content/uploads/sites/4/2022/12/A-Six-Year-Update-on-Airbnbs-Work-to-Fight-Discrimination-and-Build-Inclusion-12122022.pdf, p. 5.

62 Laura W. Murphy, *Airbnb's Work to Fight Discrimination and Build Inclusion: A Report Submitted to Airbnb*, Airbnb, September 8, 2016, https://mikenutterllc.com/images/uploads/REPORT_Airbnbs-Work-to-Fight-Discrimination-and-Build-Inclusion.pdf, p. 14.

63 Murphy, *Airbnb's Work to Fight Discrimination and Build Inclusion*, pp. 19-25.

64 Airbnb, *Three Year Review — Airbnb's Work to Fight Discrimination and Build Inclusion*, September 10, 2019, https://news.airbnb.com/wp-content/uploads/sites/4/2020/07/Airbnb_Work-to-Fight-Discrimination_0331.pdf; *Airbnb, A Six-Year Update on Airbnb's Work to Fight Discrimination and Build Inclusion.*

65 Airbnb, *A Six-Year Update on Airbnb's Work to Fight Discrimination and Build Inclusion*, p. 5.

66 Airbnb, *A Six-Year Update on Airbnb's Work to Fight Discrimination and Build Inclusion*, p. 9.

67 Airbnb, *A Six-Year Update on Airbnb's Work to Fight Discrimination and Build Inclusion*, pp. 12-13.

68 Hayden Field, "How Airbnb failed its own anti-discrimination team—and let racial disparities slip through the cracks," *Tech Brew*, June 15, 2021, https://www.emergingtechbrew.com/stories/2021/06/15/airbnb-failed-antidiscrimination-teamand-let-racial-disparities-slip-cracks.

69 Majority Action analysis of data obtained from Diligent Market Intelligence.

70 PolicyLink, FSG, and JUST Capital in partnership with Paul Shoemaker, Inc., *Corporate Insights into the CEO Blueprint for Racial Equity*, May 2021, https://justcapital.com/wp-content/uploads/2021/05/Corporate-Insights-into-the-CEO-Blueprint-for-Racial-Equity.pdf, p. 10.

71 Murphy, *The Rationale for and Key Elements of a Business Civil Rights Audit*, p. 21.

72 Damon W. Silvers and Michael D. Thomas, "ESG: Promoting Racial Equity." JacksonLewis, May 16, 2023, https://www.jacksonlewis.com/insights/esg-promoting-racial-equity.

73 SOC Investment Group, "Racial Equity Audit," https://www.socinvestmentgroup.com/racial-equity-audit (accessed February 16, 2024). The original quote mislabeled the "Paycheck Protection Program" as the "Payday Protection Program."

74 Laura Murphy, *The Rationale for and Key Elements of a Business Civil Rights Audit*, October 2021, https://www.civilrightsdocs.info/pdf/reports/Civil-Rights-Audit-Report-2021.pdf, p. 12.

75 Murphy, *The Rationale for and Key Elements of a Business Civil Rights Audit*, p. 26.

76 Airbnb, "Fighting discrimination and building inclusion – 2022 Update," https://www.airbnb.com/against-discrimination, (accessed February 6, 2024).

77 Airbnb, "A six-year update on Airbnb's work to fight discrimination," Newsroom, https://news.airbnb.com/sixyearadupdate/ (accessed February 6, 2024).

78 Citigroup, "Action for Racial Equity," https://www.citigroup.com/global/our-impact/diversity-equity-inclusion/action-for-racial-equity (accessed February 6, 2024). Citi's audit did not meet Majority Action's criteria for a "comprehensive" racial equity audit because it was only limited to examining the company's ARE initiative. A comprehensive racial equity audit should include a review of all policies, practices, and products that could have a racial equity or civil rights impact.

79 Covington & Burling LLP, *A Report to Citi: On the Progress of Citi's Efforts to Address the Racial Wealth Gap Through Its Action for Racial Equity*, December 19, 2022, https://www.citigroup.com/rcs/citigpa/storage/public/2022-audit-results.pdf, p. 12.

80 Laura Murphy and Meghan Cacace, *Facebook's Civil Rights Audit – Final Report*, July 8, 2020, https://about.fb.com/wp-content/uploads/2020/07/Civil-Rights-Audit-Final-Report.pdf.

81 Ben Hurley, "Lack of outcomes shows organisations don't value racial equity," *Top1000funds.com*, September 30, 2022, https://www.top1000funds.com/2022/09/lack-of-outcomes-shows-organisations-dont-value-racial-equity/.

82 Rachel L. Swarns, "Insurance Policies on Slaves: New York Life's Complicated Past," *New York Times*, December 18, 2016, https://www.nytimes.com/2016/12/18/us/insurance-policies-on-slaves-new-york-lifes-complicated-past.html; Jennifer Wriggens, "The Color of Property and Auto Insurance: Time for Change," *Florida State University Law Review*, vol. 49, no. 2 (2022): 203-256.

83 The conventional wisdom is that every state forbids the use of race in insurance underwriting, but in actuality seventeen states do not ban its use for property/casualty insurance. See Avraham et al., "Understanding Insurance Antidiscrimination Laws," *Southern California Law Review*, vol. 87, no. 1895 (2014).

84 Rick Swedloff, "The New Regulatory Imperative for Insurance," *Boston College Law Review*, vol. 61, no. 6 (2020): 2031-2084 ("But purely risk-based pricing might be based on undeserved or immutable characteristics, or the riskiness might be based on historical and sociological injustices and inequities....[Insurance] laws do not necessarily ban the use of obvious proxies to prohibited characteristics—such as zip codes for race—or consider the problem of systematically higher rates for suspect classes based on non-discriminatory characteristics— disparate impact."); Kudakwashe F. Chibanda, "Defining Discrimination in Insurance," *Casualty Actuarial Society*, CAS Research Paper Series on Race and Insurance Pricing, 2022, https://www.casact.org/sites/default/files/2022-03/Research-Paper_Defining_Discrimination_In_Insurance.pdf (The specific legal meaning of "disparate impact" refers to the "unintentional effect on protected classes, based on a facially neutral practice...In insurance, disparate impact is used to describe situations in which an insurance company uses variables that are facially neutral but end up unintentionally impacting protected classes in a negative way [e.g., charging more].").

85 "Facts + Statistics: Insurance company rankings – Top 10 Writers Of Property/Casualty Insurance By Direct Premiums Written, 2022," *Insurance Information Institute*, https://www.iii.org/fact-statistic/facts-statistics-insurance-company-rankings (accessed February 13, 2024).

86 The Travelers Companies Inc., Schedule 14A, "Item 7 – Shareholder Proposal Relating to a Racial Equity Audit," April 8, 2022, https://www.sec.gov/Archives/edgar/data/86312/000008631222000019/a2022proxystatement.htm. ("By contemplating that the Company take race into account in its underwriting and pricing decisions, the proposal conflicts with the Company's longstanding practices and would cause the Company to violate numerous insurance laws....Taking race into account in underwriting or rate-setting, however, is unlawful under the insurance laws of virtually every state and would improperly inject racial considerations into a heavily regulated decision-making process.")

87 Institutional Shareholder Services, "The Travelers Companies, Inc.," *ISS Proxy Analysis & Benchmark Policy Voting Recommendations*, March 28, 2023.

88 The Travelers Companies, Inc., SEC Form 10-K, February 16, 2023, https://d18rn0p25nwr6d.cloudfront.net/CIK-0000086312/9033fd39-c5c0-4df1-b896-0283122ad20a.pdf, p. 13.

89 Consumer Federation of America, "Systemic Racism in Auto Insurance Exists and Must Be Addressed By Insurance Commissioners and Lawmakers," June 17, 2020, https://consumerfed.org/press_release/systemic-racism-in-auto-insurance-exists-and-must-be-addressed-by-insurance-commissioners-and-lawmakers/; Julia Angwin et al., "Minority Neighborhoods Pay Higher Car Insurance Premiums Than White Areas With the Same Risk," *Pro Publica and Consumer Reports*, April 5, 2017, https://www.propublica.org/article/minority-neighborhoods-higher-car-insurance-premiums-white-areas-same-risk. ("Insurance companies do not collect any information regarding the race or ethnicity of the people they sell policies to. They do not discriminate on the basis of race," according to the chief actuary of the Insurance Information Institute.)

90 Julia Angwin et al., "Minority Neighborhoods Pay Higher Car Insurance Premiums Than White Areas With the Same Risk."

91 Nandita Sampath, "Racial Discrimination in Algorithms and Potential Policy Solutions," *Consumer Reports,* February 26, 2021, https://innovation.consumerreports.org/racial-discrimination-in-algorithms-and-potential-policy-solutions/.

92 Members of the 2021 Casualty Actuarial Society Race and Insurance Research Task Force, *Understanding Potential Influences of Racial Bias on P&C Insurance: Four Rating Factors Explored*, Casualty Actuarial Society Research Paper Series on Race and Insurance Pricing, 2022, https://www.casact.org/sites/default/files/2022-03/Research-Paper_Understanding_Potential_Influences.pdf; Consumer Federation of America, "Systemic Racism in Auto Insurance Exists and Must Be Addressed By Insurance Commissioners and Lawmakers."

93 Urban Institute, "Credit Health during the COVID-19 Pandemic," https://apps.urban.org/features/credit-health-during-pandemic/.

94 Ruha Benjamin, *Race After Technology: Abolitionist Tools for the New Jim Code* (Medford, MA: Policy Press, 2019), p. vii.

95 Consumer Federation of America, "Systemic Racism in Auto Insurance Exists and Must Be Addressed By Insurance Commissioners and Lawmakers."

96 Julia Angwin et al., "Minority Neighborhoods Pay Higher Car Insurance Premiums Than White Areas With the Same Risk."

97 Majority Action analysis of data obtained from Diligent Market Intelligence.

98 Murphy, *The Rationale for and Key Elements of a Business Civil Rights Audit*, p. 20.

99 Laura W. Murphy and Megan Cacace, *Facebook's Civil Rights Audit – Final Report*, p. 8.

100 Murphy and Cacace, *Facebook's Civil Rights Audit – Final Report*, p. 8.

101 Murphy and Cacace, *Facebook's Civil Rights Audit – Final Report*, p. 10.

102 "JPMorgan Chase Commits $30 Billion to Advance Racial Equity," JPMorgan Chase & Co., October 8, 2020, https://www.jpmorganchase.com/news-stories/jpmc-commits-30-billion-to-advance-racial-equity.

103 Emily Flitter, "Where $30 Billion to Fix Systemic Racism Actually Goes," *New York Times*, October 21, 2022, https://www.nytimes.com/2022/10/21/business/jp-morgan-racial-equity-pledge.html.

104 JPMorgan Chase & Co., Schedule 14A, "Proposal 6: Racial equity audit and report," April 7, 2021, https://www.sec.gov/Archives/edgar/data/19617/000001961721000275/a2021proxystatement.htm.

105 Majority Action analysis of data obtained from Diligent Market Intelligence.

106 "JPMorgan Chase Engages Third-Party for Racial Equity Audit," JPMorgan Chase & Co, March 24, 2022, https://www.jpmorganchase.com/ir/news/2022/jpmc-engages-third-party-for-racial-equity-audit.

107 JPMorgan Chase & Co., *2022 Racial Equity Commitment Audit Report,* November 22, 2022, https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/2022-Racial-Equity-Commitment-Audit-Report.pdf.

108 SOC Investment Group, *Analysis of JPMorgan Chase Racial Equity Audit Report,* December 2022, https://static1.squarespace.com/static/5d374de8aae9940001c8ed59/t/63a1b9fc55d91c55321798dd/1671543296012/JPMC_SOCIG_Analysis+of+REA+Report.pdf; Separately, see Flitter, "Where $30 Billion to Fix Systemic Racism Actually Goes" for a critique of JPMorgan's actual $30 billion racial equity commitment.

109 JPMorgan Chase & Co., *2022 Racial Equity Commitment Audit Report*, p. 21.

110 JPMorgan Chase & Co., SEC Form PX14A6N , Notice of Exempt Solicitation by SOC Investment Group, April 18, 2023, https://www.sec.gov/Archives/edgar/data/19617/000137773923000020/jpm23voteno.htm.

111 Majority Action analysis of data obtained from Diligent Market Intelligence.

112 United for Respect, "United for Respect at Walmart: Whose Walmart? Our Walmart," https://united4respect.org/campaigns/walmart/ (accessed February 12, 2024).

113 U.S. Equal Employment Opportunities Commission, "EEOC Sues Walmart for Gender and Race Discrimination," February 11, 2022, https://www.eeoc.gov/newsroom/eeoc-sues-walmart-gender-and-race-discrimination.

114 Doug McMillon, "Making a Difference in Racial Equity," letter to Walmart associates, June 5, 2020, https://corporate.walmart.com/news/2020/06/05/making-a-difference-in-racial-equity (accessed February 11, 2024); For Arjuna Capital and Proxy Impact's 2020, 2021, and 2022 Racial & Gender Pay Scorecards, see Arjuna Capital, "Racial & Gender Pay Scorecards," https://arjuna-capital.com/reports/gender-pay-scorecard (accessed February 19, 2024).

115 Walmart, *Culture, Diversity, Equity & Inclusion 2022 Mid-Year Report*, https://corporate.walmart.com/content/dam/corporate/documents/newsroom/2022/10/20/our-mid-year-culture-diversity-equity-inclusion-report/2022-mid-year-cdei-report.pdf.

116 Matthew Boyle and Bloomberg, "Walmart is not an ideal company to work for, according to some senior Black managers," *Fortune*, July 8, 2021, https://fortune.com/2021/07/08/walmart-black-management-survey-career-development-diversity/.

117 Justin Wiltshire, *Walmart is a monopsonist that depresses earnings and employment beyond its own walls, but U.S. policymakers can do something about it,* Washington Center for Equitable Growth, March 29, 2022, https://equitablegrowth.org/walmart-is-a-monopsonist-that-depresses-earnings-and-employment-beyond-its-own-walls-but-u-s-policymakers-can-do-something-about-it.

118 Wiltshire, *Walmart is a monopsonist.*

119 United States Government Accountability Office, *Federal Social Safety Net Programs: Millions of Full-Time Workers Rely on Federal Health Care and Food Assistance Programs*, Report to the Ranking Member - Committee on the Budget - U.S. Senate, October 2020, https://www.gao.gov/assets/gao-21-45.pdf.

120 Peyton Bigora, "Walmart captures nearly 26% of SNAP grocery dollars," *Grocery Dive*, May 19, 2023, https://www.grocerydive.com/news/walmart-captures-nearly-26-of-snap-grocery-dollars/650742.

121 Stephan Goetz and Hema Swaminathan, "Wal-Mart and County-Wide Poverty," *Agricultural Economics and Rural Sociology Staff Paper No. 371,* Pennsylvania State University, October 18, 2004, https://aese.psu.edu/research/centers/cecd/archives/wal-mart-and-county-wide-poverty/full-study; Wiltshire, *Walmart is a monopsonist.*

122 Adam Reich, "Walmart's Consumer Redlining," *Contexts*, vol. 15, no. 4 (2016): 74-77.

123 David Merriman, "The Impact of an Urban WalMart Store on Area Businesses: The Chicago Case," *Economic Development Quarterly*, vol. 26, no. 4 (2012): 321-333.

124 Nathaniel Meyersohn, "Why Walmart is closing half its stores in Chicago," *CNN*, April 13, 2023, https://www.cnn.com/2023/04/12/business/walmart-chicago-stores-closing/index.html.

125 Meyersohn, "Why Walmart is closing half its stores in Chicago."

126 Walmart Inc., Schedule 14A, "Proposal No. 7: Racial Equity Audit," April 20, 2023, https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/104169/000010416923000034/wmt-20230420.htm#i29278b5403c747518d2f07c801639294_121.

127 Walmart Inc., Schedule 14A, "Proposal No. 7: Racial Equity Audit."

128 The Walton family owned 47 percent of Walmart common stock as of April 6, 2023. To calculate the level of independent shareholder support, we subtracted the total number of shares owned by the Walton family from the total number of votes cast against the proposal (Votes Against2). We then calculated *Independent Shareholder Support = Votes For ÷ (Votes For + Votes Against2 + Abstentions).* We assume the Walton family voted all their shares and voted against the proposal. Walmart Inc., SEC Filing 8-K, June 2, 2023, https://d18rn0p25nwr6d.cloudfront.net/CIK-0000104169/338e1dbb-93ec-46da-9d10-c8897d7f98a8.pdf (Showing vote results for the racial equity audit proposal); Walmart Inc., Schedule 14A, "Proposal No. 7: Racial Equity Audit," p. 121 (Showing amount of common stock outstanding owned by insiders).

129 U.S. Census Bureau, "U.S. Population Projected to Begin Declining in Second Half of Century," press release, November 9, 2023, https://www.census.gov/newsroom/press-releases/2023/population-projections.htm.

130 Spencer Stuart, *2023 S&P 500 New Director and Diversity Snapshot*, August 2023, https://www.spencerstuart.com/-/media/2023/august/usbi2023/director_diversity/2023_new_director_-diversity_snapshot.pdf, p. 2 (Large public companies often recruit executives with CEO experience for their boards); Korn Ferry, *Insights and Lessons from Senior Black P&L Leaders in Corporate America*, 2019, https://www.kornferry.com/content/dam/kornferry/docs/pdfs/korn-ferry_theblack-pl-leader.pdf, p 7 (Black executives are more likely to be funneled into "functional roles" (head of human resources, director of corporate social responsibility, chief diversity officer) that do not lead to a CEO position. This in turn limits the pool of Black candidates who are seen as qualified to serve on corporate boards); Eric Bachman, "The 'Glass Ceiling' For Black Corporate Executives Is Really A 'Concrete Ceiling,'" *Forbes*, December 16, 2021, https://www.forbes.com/sites/ericbachman/2021/12/16/theglass-ceiling-for-black-corporate-executives-is-really-a-concrete-ceiling/?sh=7ab598c2364a.

131 Lisa Fairfax, "Racial Reckoning with Economic Inequities: Board Diversity as a Symptom and a Cure," *Cornell Law Review Online 68,* no. 106 (2022): 68-90, https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=3880&context=faculty_scholarship, p. 74.

132 Wei Cai et al., "Do Diverse Directors Influence DEI Outcomes?," September 28, 2022, https://dx.doi.org/10.2139/ssrn.4232434.

133 Vontobel, "Race, Role Models and the Future," *Turning Stones Blog*, June 29, 2020, https://am.vontobel.com/en/insights/race-role-models-and-the-future; The Carlyle Group, *From Impact Investing to Investing for Impact*, February 2020, https://www.carlyle.com/sites/default/files/2020-02/From%20Impact%20Investing%20to%20Investing%20for%20Impact_022420.pdf, p. 5; Niclas L. Erhardt et al., "Board of Director Diversity and Firm Financial Performance," *Corporate Governance: An International Review*, Vol. 11, Issue 2 (2003): pp. 102-111, https://onlinelibrary.wiley.com/doi/abs/10.1111/1467-8683.00011; McKinsey & Company, *Delivering through Diversity*, January 2018, https://www.insurance.ca.gov/diversity/41-ISDGBD/GBDExternal/upload/McKinseyDeliverDiv201801-2.pdf, p. 4.

134 PricewaterhouseCoopers, *Magnet for Talent: Managing Diversity as a Reputational Risk and Business Opportunity*, 2017, https://www.pwc.co.uk/human-resource-services/assets/documents/diversity-and-inclusion-reputation-2017.pdf, p. 4; Merritt Melancon, "America's economy continued to grow and diversify while recovering from COVID-19," University of Georgia Terry College of Business, June 6, 2023, https://www.terry.uga.edu/americas-economy-continued-grow-and-diversify-while-recovering-covid-19.

135 Chris Brummer and Leo E. Strine, Jr., "Duty and Diversity," *Vanderbilt Law Review*, Vol. 75, Issue 1 (2022), https://scholarship.law.vanderbilt.edu/cgi/viewcontent.cgi?article=4795&context=vlr, p. 36.

136 Gregory H. Shill and Matthew L. Strand, "Diversity, ESG, and Latent Board Power," *Delaware Journal of Corporate Law*, Vol. 46, Issue 2 (2022): 255-323, https://djcl.org/wp-content/uploads/2022/10/Diversity-ESG-and-Latent-Board-Power-Gregory-Shill-Matthew-Strand-46.2.pdf, p. 317.

137 BlackRock Investment Stewardship, *Global Principles*, effective January 2023, https://www.documentcloud.org/documents/24233674-blk-responsible-investment-engprinciples-global, p. 8.

138 Michael Grothaus, "These 17 companies are pledging to add a Black board member by the end of 2021," *Fast Company*, September 9, 2020, https://www.fastcompany.com/90548491/these-17-companies-are-pledging-to-add-a-black-board-member-by-the-end-of-2021; "The Board Challenge Launches Pledge for Companies to Add a Black Director to their Boards," *Black Enterprise*, September 9, 2020, https://www.blackenterprise.com/the-board-challenge-launches-pledge-for-companies-to-add-a-black-director-to-their-boards/.

139 Majority Action analysis of data obtained from ISS ESG.

140 Spencer Stuart, *2023 S&P 500 New Director and Diversity Snapshot*, p. 10.

141 Spencer Stuart, *2023 S&P 500 New Director and Diversity Snapshot*, p. 10.

142 Spencer Stuart, *2023 S&P 500 New Director and Diversity Snapshot*, p. 11; Jeff Green, "Black Directors Lose Ground in Boardrooms, Reversing Progress," *Bloomberg*, August 9, https://www.bloomberg.com/news/articles/2023-08-09/us-companies-slow-progress-in-recruiting-black-directors-to-boards.

143 Spencer Stuart, *2023 S&P 500 New Director and Diversity Snapshot*, p. 12.

144 Spencer Stuart, *2023 S&P 500 New Director and Diversity Snapshot*, p. 3.

145 Jeffrey McKinney, "Black Boardroom Power 2022: Momentum to Increase Black Directors Continues but Challenges to Significantly Boost Black Corporate Leadership Persists," Black Enterprise, September 26, 2022, https://www.blackenterprise.com/black-boardroom-2022-momentum-to-increase-black-directors-continues-but-challenges-to-significantly-boost-black-corporate-leadership-persists/.

146 Deloitte and Alliance for Board Diversity, *Missing Pieces Report: A board diversity census of women and underrepresented racial and ethnic groups on Fortune 500 boards*, 7th edition, June 2023, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/us-missing-pieces-7th-edition-report.pdf, p. 6.

147 Merel Spierings, *Corporate Boards Are More Diverse Than Ever, But the Pace of Growth Is Slowing*, The Conference Board, November 20, 2023, https://www.conference-board.org/publications/corporate-boards-are-more-diverse-but-pace-of-growth-is-slowing.

148 Ufonobong Umanah and Andrew Ramonas, "California Board Diversity Law Violates Federal Constitution," *Bloomberg Law*, May 17, 2023, https://news.bloomberglaw.com/us-law-week/california-board-diversity-law-violates-federal-constitution; Alliance for Fair Board Recruitment v. Weber, Docket No. 2:21-cv-01951 (E.D. Cal. Oct 21, 2021), Court Docket, https://www.govinfo.gov/content/pkg/USCOURTS-caed-2_21-cv-01951/pdf/USCOURTS-caed-2_21-cv-01951-12.pdf.

149 Martin Lipton, "DEI Initiatives Post-SFFA: Considerations for Boards and Management," *Harvard Law School Forum on Corporate Governance*, August 9, 2023, https://corpgov.law.harvard.edu/2023/08/09/dei-initiatives-post-sffa-considerations-for-boards-and-management/; Jody Godoy and Disha Raychaudhuri, "Some companies alter diversity policies after conservatives' lawsuit threat," *Reuters*, December 18, 2023, https://www.reuters.com/business/some-companies-alter-diversity-policies-after-conservatives-lawsuit-threat-2023-12-18/.

150 National Bureau of Economic Research, *The Big Three and Board Gender Diversity: The Effectiveness of Shareholder Voice, National Bureau of Economic Research*, April 2023, https://www.nber.org/system/files/working_papers/w30657/w30657.pdf, p. 38.

151 National Bureau of Economic Research, *The Big Three and Board Gender Diversity*, p. 4.

152 Majority Action analysis of data obtained from ISS ESG.

153 JPMorgan Asset Management, *Global proxy voting guidelines: North America, Europe, Middle East, Africa, Central America, South America, and Asia*, April 2023, https://www.documentcloud.org/documents/24233662-jpmorgan-global-proxy-voting-guidelines-2023-redline?responsive=1&title=1, p. 25.

154 Morgan Stanley Investment Management, *Equity Proxy Voting Policy and Procedures*, March 1, 2023, https://www.documentcloud.org/documents/24233673-morgan-stanley-voting-policy-2023, p.4.

155 ISS Governance, *Proxy Voting Guidelines Benchmark Policy Recommendations: United States*, effective February 1, 2023, December 13, 2022, https://www.documentcloud.org/documents/24238428-iss-us-voting-guidelines?responsive=1&title=1, p. 12.

156 For more on our methodology for determining the racial and ethnic composition of corporate boards, see Appendix A.

157 Majority Action analysis of data obtained from Diligent Market Intelligence.

158 Nuveen, "Key proxy vote rationales for 2022-2023," Directors, https://www.nuveen.com/en-us/insights/responsible-investing/proxy-vote-rationales, (accessed February 10, 2023).

159 Goldman Sachs Asset Management, Policy, Procedures, and Guidelines for Goldman Sachs Asset Management's Global Proxy Voting: 2023 Edition, March 2023, https://www.documentcloud.org/documents/24233661-goldman-sachs-voting-policy-2023, p. 6..

160 Caesars Entertainment, Inc., 2023 Annual Meeting of Shareholders & Proxy Statement, April 17, 2023, https://investor.caesars.com/static-files/e23c48fb-3809-4d42-aa01-63def3f38ab1, p. 6 and p. 14.

161 Chubb Ltd., *Invitation and Proxy Statement for the 2023 Annual General Meeting of Shareholders*, May 17, 2023, https://s201.q4cdn.com/471466897/files/doc_downloads/annualmeetingmat/2023/Chubb-2023-Proxy-Statement.pdf, p. 23 and p. 70; Dover Corporation, 2023 Proxy, March 17, 2023, https://investors.dovercorporation.com/static-files/fde7aaf5-fd23-416c-b06f-1308145a6802, p. 7.

162 Majority Action analysis of data obtained from ISS ESG.

163 Lisa Fairfax, "Racial Reckoning with Economic Inequities: Board Diversity as a Symptom and a Cure," *Cornell Law Review Online 68*, no. 106 (2022): 68-90, https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=3880&context=faculty_scholarship, pp. 76-77.

164 Majority Action analysis of data obtained from ISS ESG.

165 Analysis does not include Franklin Templeton, since each Franklin Templeton subsidiary has different proxy voting policies.

166 The nominating committee is responsible for identifying and recommending potential director nominees, ensuring diverse board composition, and reviewing the structure of the board and its various committees. Voting against nominating committee members is one way shareholders can hold companies accountable for deficiencies in board composition.

167 Vanguard, *Proxy voting policy for U.S. portfolio companies*, February 1, 2023, https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_proxy_voting_2023.pdf.

168 Vanguard, *Proxy voting policy for U.S. portfolio companies*, February 2024, https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_proxy_voting_policy_2024.pdf.

169 Adam Lioz, "Stacked Deck: How the Racial Bias in Our Big Money Political System Undermines Our Democracy and Our Economy," *Demos*, July 23, 2015, https://www.demos.org/research/stacked-deck-how-racial-bias-our-big-money-political-system-undermines-our-democracy-and.

170 Center for Political Accountability, *Corporate Enablers: Who Are the Leading Bankrollers of Voter Suppression Legislation?*, July 13, 2021, https://www.politicalaccountability.net/wp-content/uploads/2021/10/Corporate-Enablers.pdf; Center for Political Accountability, *Conflicted Consequences: A Graphic Study on How Public Company Political Money Has Reshaped State and National Politics from 2010 to Today*, July 21, 2020, https://politicalaccountability.net/hifi/files/Conflicted-Consequences.pdf.

171 David Pomerantz, "Getting Politics Out of Utility Bills: How policymakers can protect customers from being forced to fund utilities' political machines" *Energy and Policy Institute*, January 2023, https://energyandpolicy.org/wp-content/uploads/2023/01/Getting-Politics-Out-of-Utility-Bills.pdf; Emily Flitter, "Frustrated With New Rules Bank Lobbyists Are Making Their Fight Public," *New York Times*, November 2, 2023, https://www.nytimes.com/2023/11/02/business/bank-lobbyists-regulators-cfpb.html; David A. Fahrenthold and Talmon Joseph Smith, "How Restaurant Workers Help Pay for Lobbying to Keep Their Wages Low," *New York Times*, January 17, 2023, https://www.nytimes.com/2023/01/17/us/politics/restaurant-workers-wages-lobbying.html; Greenpeace USA, *Dollars vs. Democracy: Inside the Fossil Fuel Industry's Playbook to Suppress Protest and Dissent in the United States*, October 2023, https://www.greenpeace.org/usa/wp-content/uploads/2023/10/Dollars-vs-Democracy-Report-2023.pdf; Zak Cassel and Rose Adams, "Opposing PRO Act, Uber and Other Gig Companies Spend Over $1 Million Lobbying Congress," *The Intercept*, May 6, 2021, https://theintercept.com/2021/05/06/pro-act-uber-lyft-doordash-instacart-lobbying/.

172 Inti Pacheco and Stephanie Stamm, "What CEOs Said About George Floyd's Death," *The Wall Street Journal*, June 5, 2020, https://www.wsj.com/articles/what-executives-said-about-george-floyds-death-11591364538.

173 Center for Political Accountability, *Corporate Underwriters and the Democracy Gap: How Company Political Spending Has Reshaped State Politics and Created Serious Risks for Companies, Shareholders and our Democracy*, December 21, 2023, https://www.politicalaccountability.net/wp-content/uploads/2023/12/Corporate-Underwriters-and-the-Democracy-Gap.pdf.

174 Livni et al., "After the Capitol Attack, Companies Pledged to Rethink Political Giving. Did They?"; Marritz, "When GOP Attorneys General Embraced Jan. 6, Corporate Funders Fled. Now They're Back."; Emily Birnbaum, Megan Wilson, and Hailey Fuchs, "These companies stopped campaign donations to election objectors. Their lobbyists did not," *Politico*, February 15, 2022, https://www.politico.com/news/2022/02/15/jan-6-lobbying-companies-election-00008827.

175 For more on the shortcomings of state disclosure laws, see Open Secrets, *State Lobbying Disclosure: A Scorecard*, June 28, 2022, https://www.opensecrets.org/news/reports/layers-of-lobbying/lobbying-scorecard.

176 Dorothy S. Lund and Leo E. Strine, Jr., "Corporate Political Spending is Bad Business," *Harvard Business Review*, January-February 2022, https://hbr.org/2022/01/corporate-political-spending-is-bad-business.

177 Maria Aspan, "Big Business courted big controversies in the 2022 midterm elections. Were the returns on their political donations worth the risks?" *Fortune*, November 19, 2022, https://fortune.com/2022/11/19/midterm-elections-congress-political-donations-business-corporate-pacs/.

178 Throughout this report, the terms "corporate political influence" and "corporate political transparency" are used to encompass a corporation's political spending as well as lobbying activities.

179 Leo E. Strine, Jr., "Fiduciary Blind Spot: The Failure of Institutional Investors to Prevent the Illegitimate Use of Working Americans' Savings for Corporate Political Spending," *Washington University Law Review*, vol. 97, no. 4 (2020), https://journals.library.wustl.edu/lawreview/article/2798/galley/19631/view/. ("Because] Worker Investors are dependent on real, sustainable economic growth, they are harmed when businesses use the political process to engage in rent-seeking to protect their industries against competition from other competitors with cleaner, more responsible ways of making money, or to hold off efforts by regulators to make them reduce the externalities they generate. Corporate political spending that benefits particular competitors to the disadvantage of others does not benefit diversified investors; it retards sustainable growth and market competition. One good example of this phenomenon is political spending designed to influence society to elect candidates who deny science and the relationship between carbon use and climate change. That kind of influence peddling is designed to perpetuate large subsidies granted to traditional energy companies, and to thereby retard the growth of new businesses that generate energy in a way that uses less carbon and produces less pollution. Not only does this rent-seeking privilege ossified businesses of the past over dynamic businesses with brighter prospects, it subjects our economy, and thus diversified investors, to the huge economic and social costs that will come from a failure to keep climate change within bounds." pp. 1034-35)

180 State Street only voted on five political spending disclosure proposals. It abstained from voting on the proposal at Caesars Entertainment, which does not count abstentions when it comes to shareholder proposals.

181 Majority Action analysis of data obtained from Diligent Market Intelligence.

182 Sustainable Investments Institute, "The Corporate State Lobbying Black Hole," December 2023, https://www.citizen.org/wp-content/uploads/Corporate_State_Lobbying_Black_Hole_Report_2023.pdf; The Ezra Klein Show, "There's Been a Massive Change in Where American Policy Gets Made," *NewYork Times*, December 6, 2022, https://www.nytimes.com/2022/12/06/opinion/ezra-klein-podcast-jacob-grumbach.html.

183 Does not include proposals on climate-focused lobbying alignment. There were two climate-focused lobbying alignment proposals voted on in 2023 – one at Amazon which received 24 percent support and one at Meta which received 10 percent support. The low level of support for the Meta proposal can partially be explained by the company's dual-class structure, under which Mark Zuckerburg exercises control over 60 percent of voting shares (as of March 31, 2023).

184 Anna Massoglia and Keith Newell, "Election objectors in Congress received more than $61 million from corporate PACs and industry trade groups in the 2022 cycle," *Open Secrets*, November 14, 2022, https://www.opensecrets.org/news/2022/11/election-objectors-in-congress-received-more-than-61-million-from-corporate-pacs-and-industry-trade-groups-in-the-2022-cycle/.

185 OpenSecrets, "Client Profile: Eli Lilly & Co.,", https://www.opensecrets.org/federal-lobbying/clients/bills?cycle=2023&id=D000000166 and https://www.opensecrets.org/federal-lobbying/clients/lobbyists?cycle=2023&id=D000000166 (accessed January 23, 2024).

186 OpenSecrets, "Client Profile: Pharmaceutical Research & Manufacturers of America," 2022, https://www.opensecrets.org/federal-lobbying/clients/lobbyists?cycle=2022&id=d000000504 (accessed January 2024).

187 Pharmaceutical Research and Manufacturers of America, "Our Mission," https://phrma.org/About (accessed January 23, 2024); Brandon Lee, "HEALTH CARE BRIEFING: Lobbying Hits High Amid Drug Pricing Fight," *Bloomberg Government*, https://about.bgov.com/news/health-care-briefing-lobbying-hits-high-amid-drug-pricing-fight/ (accessed January 21, 2022); OpenSecrets, "Client Profile: Pharmaceutical Research & Manufacturers of America," 2021, https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2021&id=d000000504 (accessed February 4, 2024); Sheryl G. Stolberg and Rebecca Robins, "Drugmakers Are 'Throwing the Kitchen Sink' to Halt Medicare Price Negotiations," *New York Times*, July 23, 2023, https://www.nytimes.com/2023/07/23/us/politics/medicare-drug-price-negotiations-lawsuits.html.

188 Action Center on Race and the Economy, *Poison: How Big Pharma's Racist Price Gouging Kills Black and Brown Folks*, August 2020, https://acrecampaigns.org/wp-content/uploads/2020/08/POISON-FINAL-DRAFT.pdf, p. 6.

189 The White House, "FACT SHEET: How the Inflation Reduction Act Helps Black Communities," August 16, 2022, https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/16/fact-sheet-how-the-inflation-reduction-act-helps-black-communities/.

190 Amy Martin, "States Are Trying to Cap the Price of Insulin. Pharmaceutical Companies Are Pushing Back," *NBC News*, August 15, 2020, https://www.nbcnews.com/news/us-news/states-are-trying-cap-price-insulin-pharmaceutical-companies-are-pushing-n1236766.

191 Monica E Peek, "By Any Means Necessary: Why Lowering Insulin Prices Is Relevant to Racial Health Equity," *The Lancet*, vol. 398, no. 10313 (November 13, 2021), https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(21)02315-1/fulltext.

192 Eli Lilly and Company, Schedule 14A, "Item 6: Proposal to Disclose Direct and Indirect Lobbying Activities and Expenditures," March 19, 2021, https://investor.lilly.com/static-files/89713abc-e83f-4845-a756-520a8b2ade2c; Eli Lilly and Company, Schedule 14A, "Item 8. Proposal to Publish an Annual Report Disclosing Lobbying Activities," March 18, 2022, https://investor.lilly.com/static-files/36eb6ad1-494d-4981-913e-8ec46733446f; Eli Lilly and Company, Schedule 14A, "Item 7: Proposal to Publish an Annual Report Disclosing Lobbying Activities," March 17, 2023, https://investor.lilly.com/static-files/d2bd831b-feb1-405e-8957-37668f235374.

193 "Minnesota CEOs join Children's Minnesota in response to recent tragedy," *PR Newswire*, May 28, 2020, https://www.prnewswire.com/news-releases/minnesota-ceos-join-childrens-minnesota-in-response-to-recent-tragedy-301067465.html.

194 The Corporate Accountability Black Collective, "Wells Fargo's racist history and the call for reparations," Corporate Accountability, June 16, 2022, https://corporateaccountability.org/blog/wells-fargo-call-for-reparations/; Hugh Son, "Regulators caught Wells Fargo, other banks in probe over mortgage pricing discrimination," *CNBC*, December 11, 2023, https://www.cnbc.com/2023/12/11/wells-fargo-mortgage-lenders-probed-over-racial-discrimination.html.

195 "Overdraft and Nonsufficient Fund Fees: Insights from the Making Ends Meet Survey and Consumer Credit Panel," *Consumer Finance Protection Bureau*, CFPB Office of Research Publication No. 2023-9, December 2023, https://files.consumerfinance.gov/f/documents/cfpb_overdraft-nsf-report_2023-12.pdf (accessed January 24, 2024); UnidosUS, *How to Protect Working Class and Latino Consumers from Junk Fees*, June 8, 2023, https://unidosus.org/wp-content/uploads/2023/06/unidosus_junkfeestestimony.pdf (Testimony submitted to the House Subcommittee on Consumer Protection, Product Safety and Data Security.)

196 Accountable.US, *In 2023, The 10 Megabanks That Still Charge Overdraft Fees Raked In Over $2.3 Billion In Overdraft Revenue, As The CFPB Plans Rulemaking Cracking Down On These Exploitative Fees*, January 8, 2024, https://accountable.us/wp-content/uploads/2024/01/2024-01-08-Research-on-Top-10-Overdraft-Banks-FINAL.docx.pd.

197 Offices of Consumer Populations and Markets, "Overdraft/NSF revenue down nearly 50% versus pre-pandemic levels," *Consumer Financial Protection Bureau*, May 24, 2023, https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-overdraft-nsf-revenue-in-q4-2022-down-nearly-50-versus-pre-pandemic-levels/full-report/.

198 Financial Health Network, *The FinHealth Spend Report 2021: What Financially Coping and Vulnerable Americans Pay for Everyday Financial Services*, April 2021, https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/04/19180204/FinHealth_Spend_Report_2021.pdf.

199 The American Legislative Exchange Council (ALEC) is an organization that brings together conservative lawmakers and corporate interests to advance model legislation focused on racist and white supremacist policies, including "Stand Your Ground" laws and restrictions on voting rights. ALEC has and continues to receive large contributions from industry trade associations and corporations. See Ed Pilkington, "Rightwing 'bill mill' accused of sowing racist and white supremacist policies," *The Guardian*, December 3, 2019, https://www.theguardian.com/us-news/2019/dec/02/alec-white-supremacy-conservatives-racism; Diamond Brown and Robert Maguire, "Weak disclosure laws allow corporations to bankroll ALEC with no accountability," *Citizens for Responsibility and Ethics in Washington*, November 30, 2023, https://www.citizensforethics.org/news/analysis/weak-disclosure-laws-allow-corporations-to-bankroll-alec-with-no-accountability/; Representative Sean Casten, "Casten Statement on Responses from Wells Fargo, JPMorgan Regarding SFOF Sponsorship," November 15, 2022, https://casten.house.gov/media/press-releases/casten-statement-responses-wells-fargo-jpmorgan-regarding-sfof-sponsorship; Karin Rives, "'Strong, State-based Network' Fuels Opposition to ESG Investment." S&P Global Market Intelligence, January 23, 2023, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/strong-state-based-network-fuels-opposition-to-esg-investment-73312994.

200 David Gelles, "How Republicans Are 'Weaponizing' Public Office Against Climate Action," *The New York Times*, August 5, 2022, https://www.nytimes.com/2022/08/05/climate/republican-treasurers-climate-change.html; Alaska Commissioner of Revenue Adam Crum and Arizona Treasurer Kimberly Lee, letter to BlackRock Chairman/CEO Larry Fink, May 15, 2023, https://sfof.com/wp-content/uploads/2023/05/AssetManagerLetter_BLACKROCK.pdf.

201 Judd Legum, "Behind the Curtain of Wells Fargo's Corporate PAC," *Popular Information*, June 30, 2022, https://popular.info/p/behind-the-curtain-of-wells-fargos.

202 Legum, "Behind the Curtain of Wells Fargo's Corporate PAC."

203 Anna Massoglia and Keith Newell, "Election Objectors in Congress Received More than $61 Million from Corporate PACs and Industry Trade Groups in the 2022 Cycle." *OpenSecrets*, November 14, 2022, https://www.opensecrets.org/news/2022/11/election-objectors-in-congress-received-more-than-61-million-from-corporate-pacs-and-industry-trade-groups-in-the-2022-cycle.

204 OpenSecrets, "527 Search: By Donor Name," August 15, 2016, https://www.opensecrets.org/527s/lookup.php?donor=wells+fargo&type=d&submit=Go%21, accessed January 23, 2024.

205 Judd Legum and Rebecca Crosby, "Corporations Donated More than $35.6 Million to Election Deniers," *Popular Information*, October 17, 2022, https://popular.info/p/corporations-donated-more-than-356; Walker Bragman and Andrew Perez, "Corporations Kept Bankrolling The Campaign Against Voting Rights," *Lever News*, May 26, 2021, https://www.levernews.com/corporations-kept-bankrolling-the-campaign-against-voting-rights; Julia Manchester, "Virginia GOP Seizes on Education as Governor's Race Nears Finish Line," *The Hill*, October 8, 2021, https://thehill.com/homenews/campaign/575848-virginia-gop-seizes-on-education-as-governors-race-nears-finish-line; Ilya Marritz, "When GOP Attorneys General Embraced Jan. 6, Corporate Funders Fled. Now They're Back," *ProPublica*, April 20, 2023, https://www.propublica.org/article/raga-gop-jan6-amazon-walmart-comcast-contributions#:~:text=In%20all%2C%20RAGA%20spent%20at,according%20to%20data%20from%20AdImpact.

206 Jules Roscoe, "eBay Violated Labor Law Trying to Bust Its First Union, NLRB Finds," *VICE*, December 19, 2023, https://www.vice.com/en/article/4a38nq/austin-gave-poor-families-a-basic-income-it-changed-their-lives.

207 *Economic Policy Institute*, "Unions help reduce disparities and strengthen our democracy," fact sheet, April 23, 2021, https://www.epi.org/publication/unions-help-reduce-disparities-and-strengthen-our-democracy/ (accessed February 2, 2024).

208 Center for Economic and Policy Research, *Union Advantage for Black Workers*, February 2014, https://cepr.net/documents/black-union-2014-02.pdf, p. 3.

209 International Labour Organization, "8. Freedom of Association and Collective Bargaining," Decent work for sustainable development (DW4SD) Resource Platform - Thematic Areas, https://www.ilo.org/global/topics/dw4sd/themes/freedom-of-association/lang--en/index.htm, (accessed February 3, 2024).

210 Communications Workers of America, Strategic Organizing Center, and NAACP, *Calling for Justice: Racial Inequity at the Largest Federal Call Center Contractor*, March 2023, https://cwa-union.org/sites/default/files/2023-03/202303_Federal_Contracting_Racial_Equity.pdf.

211 Cornell University ILR School, "Labor Action Tracker," Cornell University, https://striketracker.ilr.cornell.edu/, accessed February 4, 2024. The Labor Action Tracker is a collaboration between the Cornell University ILR School and the University of Illinois LER School.

212 "The Big Wins by Unions in 2023," *The Wall Street Journal*, December 11, 2023, https://www.wsj.com/economy/jobs/the-big-wins-by-unions-in-2023-cecdfc3a.

213 Office of Public Affairs, "Unfair Labor Practices Charge Filings Up 10%, Union Petitions Up 3% in Fiscal Year 2023," National Labor Relations Board, October 13, 2023, https://www.nlrb.gov/news-outreach/news-story/unfair-labor-practices-charge-filings-up-10-union-petitions-up-3-in-fiscal, accessed February 2, 2024.

214 Steven Greenhouse, "How Corporations Crush New Unions," *The New Republic*, December 18, 2023, https://newrepublic.com/article/177557/trader-joes-union-busting-bargaining-table-first-contract; Steven Greenhouse, "'Old-school union busting': how US corporations are quashing the new wave of organizing," *The Guardian*, February 26, 2023, https://www.theguardian.com/us-news/2023/feb/26/amazon-trader-joes-starbucks-anti-union-measures.

215 Economic Policy Institute, *Unlawful: U.S. employers are charged with violating federal law in 41.5% of all union election campaigns,* December 11, 2019, https://files.epi.org/pdf/179315.pdf, p. 18.

216 Justin McCarthy, "U.S. Approval of Labor Unions at Highest Point Since 1965," *Gallup*, August 30, 2022, https://news.gallup.com/poll/398303/approval-labor-unions-highest-point-1965.aspx; Katie Hicks and Alyssa Meyers, "Anti-union stances can affect brand sentiment, study shows," Marketing Brew, February 22, 2022, https://www.marketingbrew.com/stories/2022/02/22/anti-union-stances-can-affect-brand-sentiment-study-shows.

217 Katie Bach and Molly Kinder, "Is your business struggling with the labor shortage? Consider a union," *The Brookings Institution*, December 14, 2021, https://www.brookings.edu/articles/is-your-business-struggling-with-the-labor-shortage-consider-a-union/.

218 Erling Barth et al., "Union Density Effects on Productivity and Wages," *The Economic Journal*, vol. 130, no. 631 (2020): 1989-1936; Elin Svarstad and Fredrik B. Kostol, "Unions, collective agreements and productivity: A firm-level analysis using Norwegian matched employer-employee panel data," *British Journal of Industrial Relations*, vol. 60, no. 4 (December 2022): 864-894.

219 Trillium Asset Management, *The Investor Case for Supporting Worker Organizing Rights: How should different stakeholders, such as investors, think about and react to union formations?*, July 2022, https://assets-global.website-files.com/5ecd0982c9d00e2865ce6691/6373f1af20fe112a4cf-3cc38_The%20Investor%20Case%20for%20Supporting%20Worker%20Organizing%20Rights%207-20-22.pdf; Committee on Workers' Capital, *Shared Prosperity: The Investor Case for Freedom of Association and Collective Bargaining*, November 2022, https://share.ca/wp-content/uploads/2022/11/CWC-Shared-Prosperity-Report.pdf.

220 For more on how supporting labor rights can help to mitigate the systemic risks of inequality, see "Why and How Investors Can Respond to Income Inequality," 2018, https://www.unpri.org/download?ac=5599#.

221 Committee on Workers' Capital, *Voting for Labour Rights: How the World's Largest Asset Managers Measured Up in Proxy Season 2023*, November 30, 2023, https://www.workerscapital.org/wp-content/uploads/2024/01/CWC-Voting-for-Labour-Rights-2023.pdf. This report provides a more detailed analysis of how the largest asset managers voted on proposals related to labor rights, particularly how U.S.-based asset managers stacked up against their non-U.S.-based counterparts.

222 Starbucks Workers United, "Our Proposals," https://sbworkersunited.org/proposal-update, accessed February 2, 2024.

223 Union Election Data, "Current Starbucks Union Election Stats," ,January 31, 2024, https://unionelections.org/data/starbucks/, accessed February 3, 2024.

224 Parker Purifoy, "Starbucks Illegally Kept Wages, Benefits From Union Workers," *Bloomberg Law*, September 28, 2023, https://news.bloomberglaw.com/daily-labor-report/starbucks-illegally-kept-pay-benefits-raise-from-union-workers.

225 Parker Purifoy, "Starbucks Ordered to Rehire Two Illegally Fired Union Organizers," *Bloomberg Law*, February 9, 2024, https://news.bloomberglaw.com/daily-labor-report/starbucks-ordered-to-rehire-two-illegally-fired-union-organizers.

226 Starbucks Corporation, SEC Filing 10-K, October 3, 2021, https://www.sec.gov/ixviewer/ix.html?doc=/Archives/edgar/data/0000829224/000082922421000086/sbux-20211003.htm, p. 19.

227 Trillium Asset Management et al., "Re: Starbucks' Commitment to Upholding International Labor Standards," Letter to Mellody Hobson, Independent Chair of the Board of Directors and Kevin Johnson, CEO, March 15, 2022, https://www.trilliuminvest.com/documents/sbux-investor-letter-march-15-2022-public; Jeff Green and Leslie Patton, "Starbucks Says It Won't Enter Labor Neutrality Agreement With Unionizing Workers," *Bloomberg*, March 23, 2023, https://www.bloomberg.com/news/articles/2023-03-23/starbucks-union-tactics-face-investor-pressure-for-audit-of-its-conduct.

228 *Vanguard, Shareholder proposal requesting a third-party assessment of workers' rights commitments at Starbucks*, April 2023, https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/perspectives-and-commentary/voting_insights_starbucks.pdf.

229 Majority Action analysis of data obtained from Diligent Market Intelligence.

230 Thomas M. Mackall, LLC, *Abridged Report to Starbucks Board of Directors Concerning Starbucks' adherence to freedom of association and collective bargaining commitments in its Global Human Rights Statement*, October 13, 2023, https://stories.starbucks.com/uploads/2023/12/Abridged-GHRS-Report.pdf.

231 New York City Comptroller Brad Lander et al., *Proponents' Review of Starbucks Labor Assessment*, January 25, 2024, https://comptroller.nyc.gov/wp-content/uploads/2024/01/Proponents-Review-of-Starbucks-Assessment.pdf.

232 Roni Michaely et al., "Voting Rationales," *European Corporate Governance Institute – Finance Working Paper No. 928/2023* (August 16, 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4521854.

233 Rob Kozlowski, "Seattle City Employees puts BlackRock on watch over ESG concerns," *Pensions & Investments*, January 20, 2017, https://www.pionline.com/article/20170120/ONLINE/170129998/seattle-city-employees-puts-blackrock-on-watch-over-esg-concerns. Seattle took BlackRock off the watchlist in 2018 after finding that "BlackRock had made acceptable changes to address the ESG concerns that we had identified when placing them on watch in 2016." See Rob Kozlowski, "Seattle City Employees takes BlackRock off watchlist," *Pensions & Investments*, January 17, 2019, https://www.pionline.com/article/20190117/ONLINE/190119867/seattle-city-employees-takes-blackrock-off-watchlist.

234 For more on the motivations behind these proposals, see "Conservative Shareholder Activists Present Proposals Addressing Civil Liberties, Debanking Conservatives, Corporate Board Incest and Racial Equity Audits," National Center for Public Policy Research, May 15, 2023, https://nationalcenter.org/ncppr/2023/05/15/conservative-shareholder-activists-present-proposals-addressing-civil-liberties-debanking-conservatives-corporate-board-incest-and-racial-equity-audits/ (accessed January 28, 2024).

235 See "Latinos on Boards 2023," *Latino Leaders*, vol. 24, no. 3 (May-June 2023), https://issuu.com/latinoleadersmagazine/docs/may-june23, p. 136.

236 This will change in 2024. See U.S. Securities and Exchange Commission, "SEC Adopts Rules to Enhance Proxy Voting Disclosure by Registered Investment Funds and Require Disclosure of "Say-on-Pay" Votes for Institutional Investment Managers," https://www.sec.gov/news/press-release/2022-198.

237 ClearBridge Investments, *Proxy Voting Policy*, October 2023, https://www.documentcloud.org/documents/24253044-ft-clearbridge-investments-north-america-proxy-voting-policies-procedures-sept-2023#document/p18/a2419690, p. 22.

238 Glass Lewis, *2023 Policy Guidelines: ESG Initiatives*, https://www.documentcloud.org/documents/24253672-glass-lewis-esg-initiatives-voting-guidelines-2023#document/p39/a2419800, pp. 37-38.

239 Goldman Sachs Asset Management, *Policy, Procedures and Guidelines for Goldman Sachs Asset Management's Global Proxy Voting: 2023 Edition*, March 2023, https://www.documentcloud.org/documents/24233661-goldman-sachs-voting-policy-2023?responsive=1&title=1, p. 32.

240 ISS Governance, *Proxy Voting Guidelines Benchmark Policy Recommendations: United States*, effective February 1, 2023, December 13, 2022, https://www.documentcloud.org/documents/24238428-iss-us-voting-guidelines?responsive=1&title=1, p. 69.

241 LGIM, *2023 – North America Corporate Governance and Responsible Investment Policy*, May 2023, https://www.documentcloud.org/documents/24250216-legal-general-north-america-governance-policy-may-2023#document/p46/a2419128, p. 46.

242 Analysis does not include Franklin Templeton, since each Franklin Templeton subsidiary has different proxy voting policies.

243 This analysis is limited to policy language that articulates a minimum diversity expectation for racial and ethnic board diversity and director accountability (in the form of opposing the reelection of one or more directors) if that expectation is not met. We do not examine policy language related to board gender diversity, board diversity disclosures, or the benefits of board diversity more generally.

244 Amundi, *Voting Policy 2023*, https://www.documentcloud.org/documents/24233665-amundi-voting-policy-2023.

245 BlackRock, *BlackRock Investment Stewardship: Proxy voting guidelines for U.S. securities*, January 2023, https://www.documentcloud.org/documents/24233675-blk-responsible-investment-guidelines-us?responsive=1&title=1, p. 8.

246 BlackRock, *BlackRock Investment Stewardship: Proxy voting guidelines for U.S. securities*, p. 9.

247 BNY Mellon Investment Management, *Mellon Proxy Guidelines Summary*, March 2023, https://www.documentcloud.org/documents/24233660-bny-mellon-voting-policy-march-2023?responsive=1&title=1, p. 3.

248 Capital Group, *Proxy Voting Procedures and Principles Americas Supplement*, February 2023, https://www.documentcloud.org/documents/24251845-capital-group-americas-supplement-feb-2023?responsive=1&title=1, p. 2.

249 Fidelity Investments, *Proxy Voting Guidelines*, February 2023, https://www.documentcloud.org/documents/24233685-fidelity-2023?responsive=1&title=1, p. 2.

250 Glass Lewis, *2023 Policy Guidelines: United States*, https://www.documentcloud.org/documents/24238566-us-voting-guidelines-2023-gl?responsive=1&title=1, pp. 27-28.

251 Glass Lewis, *2023 Policy Guidelines: United States, p. 41.*

252 Geode Capital, *Proxy Voting Policy*, February 2023, https://www.documentcloud.org/documents/24351205-geode-capital-proxy-voting-policy-feb-2023?responsive=1&title=1.

253 Goldman Sachs Asset Management, *Policy, Procedures and Guidelines for Goldman Sachs Asset Management's Global Proxy Voting: 2023 Edition*, March 2023, https://www.documentcloud.org/documents/24233661-goldman-sachs-voting-policy-2023?responsive=1&title=1, p. 6.

254 Invesco, *Invesco's Policy Statement on Global Corporate Governance and Proxy Voting*, effective January 2023, https://www.documentcloud.org/documents/24233672-invesco-global-voting-policy-jan-2023?responsive=1&title=1., p. 12.

255 Invesco, *Invesco's Policy Statement on Global Corporate Governance and Proxy Voting*, effective January 2023, p. 12.

256 ISS Governance, *Proxy Voting Guidelines Benchmark Policy Recommendations: United States*, effective February 1, 2023, December 13, 2022, https://www.documentcloud.org/documents/24238428-iss-us-voting-guidelines?responsive=1&title=1, p. 12.

257 JPMorgan Asset Management, *Global proxy voting guidelines: North America, Europe, Middle East, Africa, Central America, South America, and Asia*, April 2023, https://www.documentcloud.org/documents/24233662-jpmorgan-global-proxy-voting-guidelines-2023-redline?responsive=1&title=1, p. 25.

258 LGIM, *2023 – Global corporate governance and responsible investment principles*, July 2023, https://www.documentcloud.org/documents/24250219-legal-general-global-principles-2023, p. 11.

259 Morgan Stanley Investment Management, *Equity Proxy Voting Policy and Procedures*, March 1, 2023, https://www.documentcloud.org/documents/24233673-morgan-stanley-voting-policy-2023, p.4.

260 Northern Trust, *Proxy Voting Policies, Procedures, and Guidelines,* effective December 15, 2022, https://www.documentcloud.org/documents/24233667-northern-trust-voting-policy-2022?responsive=1&title=1, p. 7.

261 Nuveen, *Appendix A: Nuveen Proxy Voting Policy*, October 2022, https://www.documentcloud.org/documents/24233668-nuveen-asset-management-voting-policy-2022-oct?responsive=1&title=1, p. A-8.

262 State Street Global Advisors, *Guidance on Diversity Disclosures and Practices*, February 2023, https://www.documentcloud.org/documents/24233685-fidelity-2023?responsive=1&title=1, p. 4.

263 T. Rowe Price, *Proxy Voting Guidelines*, February 2023, https://www.documentcloud.org/documents/24233670-t-rowe-price-proxy-voting-policies-2023?responsive=1&title=1.

264 Vanguard, *Vanguard advised funds: Proxy voting policy for U.S. portfolio companies*, effective February 1, 2023, https://www.documentcloud.org/documents/24233677-us_proxy_voting_2023?responsive=1&title=1, p. 7.

265 Vanguard, *Vanguard advised funds: Proxy voting policy for U.S. portfolio companies*, p. 7.

266 Wellington Management Company, *2023 Global Proxy Voting Guidelines*, effective June 2023, https://www.documentcloud.org/documents/24233664-wellington-global-voting-guidelines-june-2023?responsive=1&title=1, p. 3

267 Wellington Management Company, *2023 Global Proxy Voting Guidelines*, p.4.