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RACIAL AND GENDER PAY

SCORECARD



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PROXY  IMPACT

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RACIAL AND GENDER PAY SCORECARD

NAVIGATING CORPORATE RACIAL AND GENDER PAY DISCLOSURES

LEAD AUTHOR

NATASHA LAMB, MANAGING PARTNER, ARJUNA CAPITAL

Natasha is a portfolio manager and managing partner at Arjuna Capital, an investment firm focused on sustainable and impact investing. Natasha works with individuals, families, and institutions to create diversified investment portfolios with a positive social and financial impact, while engaging major corporations to improve their performance through shareholder activism. Natasha and Arjuna Capital have been recognized for using shareholder proposals to promote racial and gender pay equity in the tech, banking, and retail sectors. Named by Bloomberg Businessweek as one of the “Bloomberg 50” most influential people who defined global business in 2017 and by InStyle Magazine on their inaugural 50 Badass Women list in 2018, Natasha and Arjuna’s work has been profiled in The New York Times, The Wall Street Journal, Forbes, Fast Company, Economist, NPR and CNN.

For more information, visit www.Arjuna-Capital.com.

CO-AUTHOR

MICHAEL PASSOFF, CEO, PROXY IMPACT

Michael is the founder and CEO of Proxy Impact, a shareholder advocacy and proxy voting service for sustainable and impact investors. Proxy Impact’s Women’s Inclusion Project uses shareholder engagement to close the gender and racial pay gap and to promote diversity on corporate boards and within senior management. Michael previously served as the Senior Program Director at As You Sow, and has participated in more than 400 shareholder dialogues and resolutions. He also founded and co-authored the Proxy Preview, the leading publication on environmental and social shareholder resolutions. His shareholder advocacy work led him to be named as one of the “100 Most Influential People in Business Ethics” by Ethisphere Magazine.

For more information, visit www.proxyimpact.com.

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EXECUTIVE SUMMARY

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

The Scorecard looks at 51 major U.S. companies, only five of which—Mastercard, Starbucks, Pfizer, Citigroup, and Bank of New York Mellon—receive an “A” grade. A failing grade of “F” is awarded to over half—26—of the total group of companies, including Goldman Sachs, Colgate, AT&T, McDonalds, Walmart, and Biogen. Eleven companies (in order of rank)—Adobe, Nike, Progressive Insurance, American Express, Reinsurance Group, JPMorgan Chase, Apple, Cincinnati Financial, Bank of America, Wells Fargo, and Intel—garnered a “B” grade for their efforts to disclose and act on their racial and gender pay gaps.

The Scorecard is divided into three main sections.

Background: The Scorecard provides background on shareholder engagement, regulatory pressure, and the business case for pay equity, all of which have helped to fundamentally change the landscape for women and minorities over the last few years. It also describes the difference between company-reported adjusted pay gaps and the unadjusted median pay gap disclosures mandated by the United Kingdom, and now requested by U.S. investors. The report seeks to educate companies, investors, and the public to improve understanding of the racial and gender pay equity landscape.

Findings: The Scorecard has compiled quantitative data on 51 companies regarding their pay equity disclosures. It breaks down this data in a simple and transparent rubric so readers can more fully understand company performance and commitments. The Scorecard grades companies across five categories:

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

The Scorecard also looks at company performance within industry sectors. We see leadership from companies like Mastercard, Starbucks, Pfizer, Citigroup, and Bank of New York Mellon. While others like Goldman Sachs, Verizon, McDonald's, and Walmart remain guarded in their disclosures and lag peers.

Recommendations: The Scorecard identifies key criteria and commitments critical for racial and gender pay disclosure. Companies must first analyze their current pay structures and determine if there is a racial and/or gender pay gap. The Scorecard provides recommendations for best practice disclosure and goals. Transparent pay disclosures are essential to address racial and gender pay inequity across corporate America. Investors have effectively used shareholder dialogues and proposals to move this process forward. The continued growth of the racial and gender pay gap shareholder campaign, combined with an annual scorecard identifying industry leaders and laggards, will help improve corporate disclosure and practices, advancing the goal of pay equity.

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

INTRODUCTION

Racial and gender pay gaps at some of the world's largest corporations are an area of increased concern and focus. Pay discrepancies have raised reputational, regulatory, financial and legal risks for companies. Consequently, an increasing number of shareholders have asked companies to report on their analyses, policies, and goals to reduce any racial/gender pay gaps. Over the last seven years, at least 11 different investor groups have filed 132 shareholder proposals at more than 69 companies, and many more have been engaged through shareholder dialogues.

The Racial & Gender Pay Scorecard (Scorecard) analyzes and ranks the performance and disclosure practices of these companies, identifies industry leaders and laggards, and provides recommendations to aid companies in disclosing their pay equity policies and practices.

The Scorecard is based on a quantitative accounting of current racial and gender pay disclosures and commitments among corporations engaged by shareholders within four industry sectors: finance, technology/communications, consumer, and healthcare.¹ And while this is not a complete list of all corporations that have disclosed or have been asked to disclose their racial and gender pay gaps, it is a template through which to view corporate best practice. Importantly, this Scorecard ranks companies based on quantitative disclosures (not qualitative assurances), commitments to report annually, coverage, and goals.

BACKGROUND

Pay inequity persists across race and gender and no industries or geographies are immune. In the United States, Black workers' hourly median earnings have fallen 3.6 percent since 2000, representing 75.6 percent of white wages.² In 2019, women working full time earned 82% the wages of their male peers, a \$10,157 per year gap,³ which can add up to nearly half a million dollars over the course of a career. When examining these inequities, it is critical to look at the intersection of gender, race and ethnicity. For African American, Native, and Latina women, the career earnings gap is close to \$1 million dollars.⁴ Indeed, the weekly median earnings for African American, Native, and Latina women are 62%, 60%, and 54% of that of their male peers, respectively.⁵ At the current rate of change in the U.S., women will not reach pay parity until 2059, while African American women will have to wait till 2130, and Latina women till 2224.⁶ Pre-COVID-19, the World Economic Forum estimated that on a global basis, the average income for women was only 53% the income of men, and that it would take 257 years to close that \$10,000 per year gap. Unfortunately, the pandemic has impacted women and minorities disproportionately.⁷ Pay inequity is not only bad for minorities and women, it's bad for the economy, and it's bad for investors.

Citigroup estimates closing minority and gender wage gaps 20 years ago could have generated 12 trillion dollars in additional income and contributed 0.15 percent to United States GDP per year—representing a significant lost opportunity.⁸ Looking forward, McKinsey projects closing the racial wealth gap could increase GDP by 4% to 6% by 2028, netting the U.S economy \$1.1 to 1.5 trillion.⁹ And PwC's 2020 Women in Work Index estimates the gender pay gap could boost the economies of the Organization for Economic Cooperation and Development (OECD) countries by \$2 trillion annually—an opportunity we should embrace.¹⁰

Racial and gender pay equity is now a key area of focus for companies. WorldatWork and Korn Ferry report that 60% of U.S. companies are working to address pay inequity across race and gender, and those not taking action are considering doing so.¹¹ In 2019, 48% of more than 1,300 companies surveyed reported auditing salary data and pay practices, while 24% reported revising hiring practices.¹² Far fewer have disclosed the kind of quantitative racial and gender pay gap reporting sought by investors.

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

² <https://www.epi.org/publication/swa-wages-2019/>

³ <https://www.weforum.org/agenda/2019/12/global-economic-gender-gap-equality-women-parity-pay/>

⁴ <https://www.americanprogress.org/issues/women/reports/2020/03/24/482141/quick-facts-gender-wage-gap/>

⁵ <http://www.equalpaytoday.org/overview-2021>

⁶ <https://iwpr.org/media/press-releases/despite-increased-labor-force-participation-gender-wage-gap-persists/>

⁷ <https://www.weforum.org/agenda/2019/12/global-economic-gender-gap-equality-women-parity-pay/>

⁸ https://ir.citi.com/NvUkHPilz14Hwd3oxqZBLMn1_XPqo5FrxsZD0x6hhl84ZxaxEuJUWmak51UHvYk75VKeHCM1%3D

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

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

¹¹ <https://www.kornferry.com/about-us/press/worldatwork-and-korn-ferry-release-results-of-2019-survey-of-pay-equity-practices>

¹² https://www.littler.com/files/2019_littler_employer_survey_infographic.pdf

BACKGROUND: ADJUSTED VS UNADJUSTED PAY GAPS

Pay gaps are literally defined as the median pay of minorities and women compared to the median pay of non-minorities and men. Median pay is considered the valid way of measuring gender pay inequity by the United States Census Bureau, Department of Labor, OECD, and International Labor Organization. Women in the U.S. make 82 cents on the dollar versus men on this basis. Intersecting race, African American women make 62 cents, Native women 60 cents, and Latina women 54 cents. Black workers make 75.6 cents on the dollar versus white workers. Black men make 87 cents on the dollar versus white men, while Hispanic men make 91 cents.¹³

Median pay gaps can reflect not only a lack of equal pay for equal work, but perhaps more importantly, these pay gaps reflect a lack of opportunity for women and minorities to high paying jobs. Assessing if a company has pay gaps requires analyzing both equal pay and equal opportunity.

Best practice pay equity reporting consists of two parts:

1. *unadjusted* median pay gaps, assessing “equal opportunity” to high paying roles,
2. *adjusted gaps*, a statistical assessment of pay between minorities and non-minorities, men and women, performing similar roles – “equal pay for equal work.”

Assessing if a company has pay gaps requires analyzing both equal pay and equal opportunity.

– MICHAEL PASSOFF

In practice, and in response to investor requests, some companies in the United States have reported statistically adjusted “equal pay” gaps comparing employees conducting similar work but have shied away from publishing unadjusted “median pay” gaps. Median gaps can reflect an unflattering structural bias in their corporate ranks and unless companies are mandated to do so, as they are in the United Kingdom, they are loath to admit they have a problem. Yet, reporting both adjusted and unadjusted median pay numbers is the first critical step to ensure those gaps close over time.

Adjusted “Equal pay” gap:

- What women and minorities are paid versus their direct peers, statistically adjusted for factors such as job, seniority, and geography.
- Often referred to in the context of “equal pay for equal work.”
- United States companies prefer to report on this basis as the gaps are smaller and easier to remedy.
- Glassdoor reports there is a 4.9% adjusted pay gap in the United States.¹⁴

Unadjusted “Median pay” gap:

- The median pay of minorities and women working full time versus men working full time. The median gender pay gap is an unadjusted raw measure used by the Organization for Economic Cooperation and Development (OECD) and the Department of Labor (DOL), among others.
- Black workers earn 75.6 cents on the dollar versus white workers on this basis.
- Women in the U.S. make 82 cents on the dollar versus men on this basis.
- United Kingdom companies are mandated to report median gender pay gaps.
- Median pay gaps reflect a lack of opportunity to high paying jobs.

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

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

¹³ <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/racial-wage-gaps-persistence-poses-challenge.aspx>

¹⁴ <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

BACKGROUND: ADJUSTED VS UNADJUSTED PAY GAPS (CONTINUED)

Many of the companies in the Scorecard report both adjusted and unadjusted gaps, but only for U.K. operations. In fact, the only companies to report both adjusted and unadjusted median global pay gap numbers are Citigroup, Starbucks, Mastercard, and Pfizer. Bank of New York Mellon has agreed to do so in 2021.

In January 2019, Citigroup became the first company in the world to report its global median pay gap for woman, and its median U.S. minority pay gap. On an adjusted “equal pay” basis, minorities and women at Citi are paid 100% and 99%, respectively, of what white workers and men are paid, adjusting for job function, level, and geography. But the median pay gap paints a very different picture. This January, Citigroup reported that women earned 74% on the median versus men, and minorities earned 94% that of their majority peers. As expected, based on the data we have seen from Citi and its peers operating out of the U.K., the gaps are significant. But the good news is that Citi has been willing to be transparent and improve. Over the last 2 years, Citigroup has shrunk its median gender pay gap from 29% to 26%, and its U.S. minority pay gap from 7% to 6%.¹⁵ Citigroup provides the kind of benchmarking and progress investors are looking for and is a leading example of how companies that provide an honest accounting of the problem can work to remedy it over time.

Best practice disclosure is to blend the approaches taken in the U.K. and the U.S. and apply it to 100% of global operations. More complete reporting will not only reflect whether women and minorities are paid equitably for the work they do today, but whether companies are closing median pay gaps over time by moving minorities and women into higher paying jobs and leadership positions. Only through comprehensive quantitative reporting will corporations be accountable to investors and employees alike and create a benchmark through which to fully manage pay inequity.

Citigroup provides the kind of benchmarking and progress investors are looking for and is a leading example of how companies that provide an honest accounting of the problem, can work to remedy it over time.

– NATASHA LAMB

BACKGROUND: REGULATION

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

Wage Transparency

The simple act of reporting wage gaps can be a big first step to remedying the problem. In 2019, the first empirical study on the impact of mandatory wage transparency was conducted.

Featured in the Harvard Business Review, it found that wage transparency, in countries that mandate it, not only narrowed the wage gap, but increased the number of women hired and promoted into leadership positions.¹⁶ Another 2019 study, featured in the same publication, examined the effect of pay transparency legislation on the public sector in Canada, where the gender pay gap fell from 15% to under 4% at Universities.¹⁷

United Kingdom Regulation

The United Kingdom has no doubt led the way on gender pay gap transparency regulation by mandating companies to publicly disclose their unadjusted median and mean gender pay gaps across hourly and bonus pay since 2018. This regulation not only affects U.K.-based corporations, but

¹⁵ <https://blog.citigroup.com/2021/01/citis-latest-update-on-global-pay-equity/>

¹⁶ https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them?utm_medium=email&utm_source=newsletter_daily&utm_campaign=dailyalert_not_activesubs&referral=00563&deliveryName=DM25333

¹⁷ <https://hbr.org/2020/02/can-transparency-laws-fix-the-gender-wage-gap>

BACKGROUND: REGULATION (CONTINUED)

U.S. multi-nationals with more than 250 employees operating out of the U.K. The median and mean gaps reported for U.K. operators reflect large structural deficits at most companies, where fewer women hold higher-paying positions.¹⁸ Women make 83% what men are paid in the U.K. More severe examples include women at major investment banks who are paid around half of that of their male colleagues.¹⁹

Progress is being made. In 2019, the average median pay gap for full-time employees in the U.K. fell to 8.6%, down from 8.9% in 2018. For all employees, the gap fell to 17.3%, down from 17.8% in 2018. Interestingly, the gender pay gap has fallen to almost zero for full-time employees aged under 40 years and has declined in seven out of nine occupational groupings.²⁰ Reporting deadlines have been extended this year due to the pandemic.

The U.K. is currently looking to expand the mandate through a bill that would require ethnicity-based pay gap reporting and reduce the employee threshold from 250 to 100 employees. Ethnic minority pay gaps range from 1.4% to 23.8% across the U.K.²¹

United States Regulation

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

The good news is that 2019 marked the first year U.S. companies with more than 100 employees were required to report pay data to the EEOC, broken down by sex, race, and ethnicity. This ruling came after a U.S. federal judge overturned a 2016 freeze on new pay equity reporting requirements put in place by the Trump administration.²² Unfortunately, that data is not publicly available.

To further address persistent bias at the federal level, in 2019, Congress passed the Paycheck Fairness Act. If passed into law, this act would augment current regulation by punishing employers for retaliating against workers who share wage information, putting the justification burden on employers as to why someone is paid less, and allowing workers to sue for punitive damages of wage discrimination.²³ Congress also introduced the Pay Equity for All Act into the House. It seeks to redress the differential in wages by “prohibiting employers from seeking or requiring previous wage information or salary history.”²⁴ The Congressional Joint Economic Committee reports 40% of the wage gap may be attributed to discrimination.²⁵

In the absence of stronger federal laws, states have continued to introduce and strengthen pay equity legislation. Many have followed leadership from the states of California, New York, Nebraska, Maryland, and Massachusetts, which strengthened pay equity laws far beyond federal regulations in 2016.²⁶ Alabama, one of two states including Mississippi without any equal pay laws at all,²⁷ enacted its first Equal Pay Act in June 2019.²⁸ State-level legislative changes have focused on four key areas: (1) permissible factors to consider in hiring; (2) transparency of wages; (3) retention of records; (4) and strengthened enforcement.

European Union

In 2021, the European Commission proposed binding measures to make pay systems more transparent in the European Union and strengthen enforcement mechanisms.²⁹

¹⁸ <https://www.wsj.com/graphics/uk-pay-gap/>

¹⁹ <http://www.wsj.com/articles/credit-suisse-reveals-u-k-gender-pay-gap-1522137793>

²⁰ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2019>

²¹ <https://www.reuters.com/article/us-britain-race-pay-trfn/britain-urged-to-force-companies-to-publish-ethnicity-pay-gaps-idUSKBN2751HB>

²² <https://www.laboremploymentlawblog.com/2019/04/articles/eoc-enforcement-updates/employers-must-provide-pay-data-september-30/>

²³ <https://www.congress.gov/bill/116th-congress/house-bill/7/text>

²⁴ <https://www.congress.gov/bill/116th-congress/house-bill/1864/all-info>

²⁵ https://www.jec.senate.gov/public/_cache/files/0779dc2f-4a4e-4386-b847-9ae919735acc/gender-pay-inequality----us-congress-joint-economic-committee.pdf

²⁶ https://www.seyfarth.com/dir_docs/publications/PayEquityBrochure.pdf

²⁷ <https://www.aauw.org/resource/state-equal-pay-laws/>

²⁸ <https://www.natlawreview.com/article/2019-wage-hour-developments-year-review-state-updates>

²⁹ https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_961

BACKGROUND: THE BUSINESS CASE

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

Recruiting & Retaining Talent

The first advantage is the ability to recruit and retain a diverse and skilled workforce. Paying minorities and women a fair wage and offering a path to advancement is regularly cited as a key factor in attracting and keeping talent. Equal pay and opportunity improves employee morale, commitment, and productivity. It also improves a company's reputation at a time when the racial and gender pay gap is a deciding factor for potential employees, especially among millennials.

Leadership Diversity

A skilled and diverse workforce leads to the second advantage—an increase in leadership diversity across an organization—as having more diversity in leadership is correlated with multiple performance benefits—from “radical innovation,” to better risk management, higher profit margins, stronger Return on Equity (ROE), and better stock price performance. Research from Catalyst and McKinsey indicates that men and women think, lead, and solve problems differently and that a diversity of approaches leads to more innovation and better financial results.^{30,31}

Performance Benefits

Greater diversity can improve all facets of an organization, from the whole workforce, to executive leadership, to the board. The enhanced performance by companies with higher board and C-suite gender diversity has contributed to the explosive growth of gender-lens investing, which increased by 2,400% between 2014 and 2018.³²

- A study by European universities found that investing in companies with gender, racial, and ethnic diversity in leadership has been found to be a winning strategy, where “diverse firms” in the S&P 1500 have been shown to have dramatically outperformed “homogenous firms” between 2001 and 2014.³³

- Refinitive reports companies reporting no gender pay gaps outperformed companies reporting negative pay gaps from 2016-2021, with an 58.16% spread for their FTSE All-World portfolio and a 135.92% spread for their FTSE North American portfolio.
- Morgan Stanley and the Bank of America Merrill Lynch find a more gender diverse workforce leads to higher returns, higher return on equity, and less volatility.^{34,35}
- McKinsey's multi-year diversity study of 1,000 companies covering 12 countries found that companies with higher gender diversity in their executive teams were 21% “more likely to experience above-average profitability.” These companies also had a 27% likelihood of outperforming peers “on longer-term value creation.”³⁶
- The Peterson Institute for International Economics, in a study of 22,000 firms globally, finds that having more women in the C-Suite is correlated with higher profitability.³⁷
- Credit Suisse analyzed executive teams of over 3,000 companies comprising 30,000 executive positions from 56 different countries and found “that a material correlation exists between companies with a higher participation of women in decision-making roles and their stock market and corporate performance.”³⁸
- “Gender diversity in the board room is a key driver of corporate innovation,” according to research from the University of Virginia Darden School of Business.³⁹

Best Practice

A McKinsey report on promoting gender parity in the workplace identifies best practices for increasing female representation. Among its top recommendations is “tracking and eliminating gender pay gaps.”⁴⁰ Several European countries including the United Kingdom, France, and Germany require companies to report on gender pay gaps. Publicly reporting on pay gaps and wage transparency can help companies reach these goals. A study in the Harvard Business Review states that “disclosing disparities in gender pay does in fact narrow the gender wage gap.”⁴¹

³⁰ http://www.catalyst.org/system/files/why_diversity_matters_catalyst_0.pdf

³¹ <http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>

³² https://www.veriswp.com/wp-content/uploads/2018/10/GLI_Bending_the_Arc2018-web.pdf?text-fname=Michael&text-lname=Passoff&your-email=michael@proxymapact.com&radio-updates=No%20Thanks

³³ <https://corpgov.law.harvard.edu/2017/03/16/diversity-investing/>

³⁴ <https://www.morganstanley.com/ideas/gender-diversity-investor-guide>

³⁵ https://mlaem.fs.ml.com/content/dam/ML/bulletin/PDFs/ml_women-the-X-factor-BAML-Report.pdf

³⁶ <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

³⁷ <https://piie.com/publications/working-papers/gender-diversity-profitable-evidence-global-survey>

³⁸ <https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/cs-gender-3000-report-2019-201910.html>

³⁹ <https://ideas.darden.virginia.edu/companies-innovate-more-when-boards-include-woman>

⁴⁰ <https://www.mckinsey.com/business-functions/organization/our-insights/promoting-gender-parity-in-the-global-workplace>

⁴¹ <https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them>

BACKGROUND: INVESTOR ACTION

In 2014, Arjuna Capital launched the shareholder campaign to close the gender pay gap when it filed a proposal with technology firm, eBay. Based on research from leading management consulting firms, Arjuna made the business case that if companies can successfully attract and retain female talent through a commitment to pay equity, companies can move more women into positions of leadership and realize the performance benefits such diverse leadership affords. In 2015, the eBay proposal went to a vote of shareholders for the first time. The proposal asked the company to “report the percentage pay gap between male and female employees, policies to improve performance, and quantitative reduction targets” and garnered a modest 8% vote for this “emerging” investor issue. In 2016, Arjuna expanded the campaign to address racial pay equity as well.

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

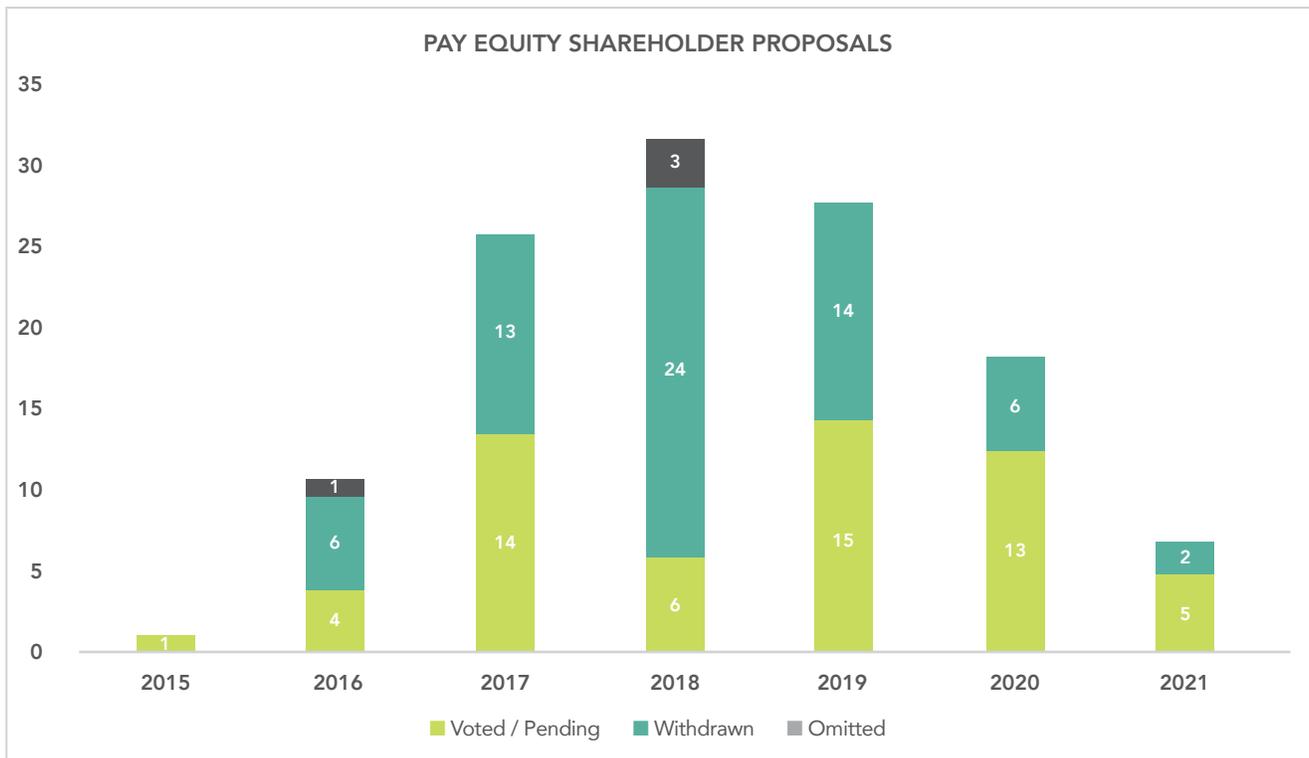
In 2017, the shareholder campaign more than doubled with 27 proposals filed, as the New York City pension funds also became active on this issue. The shareholder campaign expanded from the tech sector, into the financial services and consumer sectors. Resolutions asked companies about their reputation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

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

Twenty-nine proposals were filed in 2019, including a new focus on the healthcare sector. Unlike the previous year, when 72% of resolutions were withdrawn for company commitments, less than half were withdrawn in 2019. Many companies were responsive to earlier resolution requests on how they would close their pay gap, or for pay gap data – but there were significant sets of data that they would not provide. Consequently, the resolution requests became more explicit, and a large number of proposals asked for racial, ethnic and gender pay data, as well as for unadjusted median pay data. This data helps identify the opportunity gap for women and minorities to higher paying jobs. Companies are reluctant to provide unadjusted median pay data, as the numbers are often unflattering compared to adjusted data. Only one company, Citigroup, agreed to report its global median gender pay gap and U.S. median racial pay gap in the 2019 proxy season.

In 2020, 19 proposals were filed and almost all of them asked for gender and racial median pay gap reports. Six proposals were filed at new companies, but thirteen proposals were resubmissions at companies that had provided some adjusted pay equity data but were still reluctant to disclose racial or unadjusted median pay data. Mainstream investors often support management if they simply start to increase disclosure, and this led to lower votes for several resolutions. On the other hand, shareholders reached agreements with eight companies and three of them—Starbucks, Mastercard and Wyndham Hotels and Resorts—agreed to meet the higher standard of reporting median pay gaps.

BACKGROUND: INVESTOR ACTION (CONTINUED)



Source: Sustainable Investments Institute (Si2) as of 3-19-21

In 2021, just seven resolutions have been filed and all ask for median pay gaps across race and gender. Five of these are resubmissions at laggard companies. Given the nation's heightened awareness about racial justice, shareholders have found companies to be more receptive to this issue and consequently there are more company dialogues than resolutions. This has already resulted in Pfizer and Bank of New York Mellon agreeing to provide racial and median pay data.

Over the last seven years, at least 69 companies have faced 132 shareholder resolutions on their gender and racial pay gaps. Many more shareholder dialogs have taken place without the need of a shareholder resolution. The shareholder campaign has primarily focused on the financial services, consumer, healthcare, and technology/communications sectors. About half the companies initially agreed to report their adjusted gender pay equity numbers but are now balking at reporting unadjusted median pay data.

Even when a company has similar pay for men, women, and people of color (equal pay), its unadjusted data almost always reveals that they have limited access to higher paying jobs (equal opportunity). Current shareholder resolutions are asking companies to identify equal opportunity (unadjusted median pay) as well as equal pay (adjusted by job/seniority/etc.), and to report on the racial and ethnic pay gap as well as the gender pay gap.

FINDINGS: RACIAL & GENDER PAY SCORECARD

	RACIAL PAY GAP		GENDER PAY GAP		UK GAP		COVERAGE		COMMITMENT		SCORE	RATING
	adjusted	median	adjusted	median	base	bonus	base/bonus equity	% coverage	global goal	annual review		
Financials												
Mastercard	1.006	0.93	1	0.922	0.82	0.75	1	1	1	1	0.94	A
Citigroup	1	0.94	0.99	0.74	0.70	0.30	1	1	1	1	0.87	A
Bank of New York Mellon	1	0.5	0.99	0.5	0.82	0.64	1	1	1	1	0.85	A
Progressive Insurance	1	0	1	0	NA	NA	1	1	1	1	0.75	B
American Express	1	0	1	0	0.82	0.62	1	1	1	1	0.74	B
JPMorgan Chase	0.99	0	0.99	0	0.75	0.63	1	1	1	1	0.74	B
Reinsurance Group	1.009	0	1.00	0	NA	NA	1	0.9	1	1	0.74	B
Cincinnati Financial	1.02	0	0.99	0	NA	NA	1	1	1	0.75	0.72	B
Bank of America	0.99	0	0.99	0	0.72	0.50	1	0.9	1	1	0.71	B
Wells Fargo	0.99	0	0.99	0	0.76	0.39	1	0.93	1	1	0.71	B
Lincoln National	1	0	1	0	NA	NA	0	0	0	1	0.38	F
Citizens Financial Group	1	0	0.99	0	NA	NA	0	0	0	0	0.25	F
Key Corp	0.99	0	0.99	0	NA	NA	0	0	0	0	0.25	F
Goldman Sachs	0	0	0	0	0.73	0.48	0	0	0	0	0.12	F
Marsh & McLennan	0	0	0	0	0.68	0.43	0	0	0	0	0.11	F
Metlife	0	0	0	0	0.67	0.43	0	0	0	0	0.11	F
Arthur J. Gallagher	0	0	0	0	0.67	0.40	0	0	0	0	0.11	F
Hartford Financial Services	0	0	0	0	NA	NA	0	0	0	0	0.00	F
Discover Financial Services	0	0	0	0	NA	NA	0	0	0	0	0.00	F
Technology/Communications												
Adobe	1	0	1	0.988	0.85	0.63	0.33	1	1	1	0.78	B
Apple	1	0	1	0	0.79	0.52	1	1	1	1	0.73	B
Intel	1	0	1	0	0.64	0.38	1	1	1	1	0.70	B
Facebook	0	0	1	0	0.88	0.61	1	1	1	1	0.65	C
Google	1	0	1	0	0.81	0.65	1	0.93	0	1	0.64	C
eBay	0	0	0.995	0	NA	NA	1	0.8	1	1	0.60	C
Texas Instruments	0	0	1	0	0.64	0.56	1	0.7	1	1	0.59	C
Microsoft	1.006	0	1	0	0.90	0.71	0.33	0.857	0	1	0.58	C
HP Inc.	0	0	1	0	0.98	1.013	0	0	0	1	0.40	D
Verizon Communications	0	0	0	0	0.85	0.80	0	0	0	0	0.16	F
Expedia	0	0	0	0	0.85	0.76	0	0	0	0	0.16	F
AT&T Inc.	0	0	0	0	0.84	0.74	0	0	0	0	0.16	F
Oracle	0	0	0	0	0.83	0.56	0	0	0	0	0.14	F
Qualcomm	0	0	0	0	0.79	0.57	0	0	0	0	0.14	F
Analog Devices	0	0	0	0	NA	NA	0	0	0	1	0.13	F
Consumer												
Starbucks	1	1	1	0.983	1	0.74	1	0.67	1	1	0.94	A
Nike	1	0	1	0	0.96	0.75	1	1	1	1	0.77	B
Amazon	0.992	0	1	0	0.91	0.87	1	0	0	1	0.58	C
Costco	0	0	0.999	0	0.981	0.833	1	0.68	0	0.75	0.52	D
Wyndham Hotels & Resorts	0	0	0	0.952	NA	NA	0	0.95	1	0	0.36	F
Marriot	0	0	0	0	0.99	1.35	0	0	0	0	0.23	F
McDonald's	0	0	0	0	1	0.93	0	0	0	0	0.19	F
Walmart	0	0	0	0	0.94	0.82	0	0	0	0	0.18	F
TJX Companies	0	0	0	0	0.91	0.71	0	0	0	0	0.16	F
Colgate	0	0	0	0	NA	NA	0	0	0	1	0.13	F
Healthcare												
Pfizer	0.998	0.857	0.993	0.996	0.88	0.76	1	0.85	1	1	0.93	A
Cigna	1	0	1	0	0.77	0.85	0	0	0	1	0.46	D
Biogen Inc.	0	0	0	0	0.92	0.75	0	0	0	0.75	0.24	F
IDEXX Laboratories	0	0	0	0	0.88	0.79	0	0	0	0	0.17	F
Intuitive Surgical	0	0	0	0	NA	NA	0	0	0	1	0.13	F
DaVita Inc.	0	0	0	0	NA	NA	0	0	0	0.75	0.09	F
Quest Diagnostics	0	0	0	0	NA	NA	0	0	0	0.75	0.09	F

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

Pay gaps are subtracted from 1 to illustrate how many cents on the dollar are earned by women and minorities versus male majority peers

Racial and Gender Pay Gap scores of 0.5 indicate a commitment to publish in 2021

The UK scores for multiple divisions were averaged in the absence of integrated reporting (Goldman Sachs, Arthur J. Gallager, Nike)

Commitment scores of 0.75 indicate ongoing/regular rather than annual review (Costco, DaVita, Quest Diagnostics)

FINDINGS: BY SCORECARD CATEGORY

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

1. RACIAL PAY GAP:

The pay gap is wider for minorities and women of color. In fact, in the U.S., Black workers' wages represent 75.6% of white wages and African American and Latina women make 62% and 54% the wages of men, respectively. Current best practice is to report the racial pay gap for U.S. operations on an adjusted and unadjusted basis. No companies are currently reporting the pay gaps that result from the intersectionality of race and gender but should consider such reporting.

a. Adjusted Racial Pay Gap %: The pay gaps reported by many U.S. companies are adjusted for factors such as job category, seniority, and geography, and calculated through a statistical analysis. Twenty-three companies in the Scorecard disclose their racial/ethnic/minority pay gaps on an adjusted equal pay basis, up from 17 in 2019. Seventeen companies—Mastercard, Citigroup, Bank of New York Mellon, Progressive Insurance, American Express, Reinsurance Group, Lincoln National, Cincinnati Financial, Citizens Financial, Adobe, Apple, Intel, Google, Microsoft, Starbucks, Nike, and Cigna report 100% equal pay or better for this category, up from 10 in 2019.

b. Median Racial Pay Gap: Pfizer, joined Citigroup, Starbucks, and Mastercard in disclosing their U.S. unadjusted median racial pay gap since last year, while Bank of New York Mellon has committed to do so by the end of 2021.

2. GENDER PAY GAP:

a. Adjusted Gender Pay Gap %: The pay gaps reported by many U.S. companies are adjusted for factors such as job category, seniority, and geography, and calculated through a statistical analysis. Twenty-seven companies report gender pay gaps on an adjusted equal pay basis. Seventeen companies report they have achieved 100% equal pay, up from ten last year, and five in 2019, including Mastercard, Progressive Insurance, American Express, Reinsurance Group, Lincoln National, Adobe, Apple, Intel, Facebook, Google, Texas Instruments, Microsoft, HP Inc., Starbucks, Nike, Amazon, and Cigna.

b. Median Gender Pay Gap: Six U.S. companies—Citigroup, Mastercard, Starbucks, Wyndham Hotels and Resorts, Adobe, and Pfizer—have now disclosed their unadjusted global median gender pay gaps, following only one in 2019—Citigroup. Bank of New York Mellon has committed to disclose the gap by the end of 2021. Reporting both adjusted equal pay gaps and unadjusted global median gender pay gaps is essential to fully understand the state of gender pay at companies. Pfizer has the lowest global median gender pay gap, paying women 99.6 cents on the dollar versus men.

FINDINGS: BY SCORECARD CATEGORY (CONTINUED)

3. UK PAY GAP:

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

a. U.K. Median: U.K. median disclosures on hourly and bonus pay are limited to the U.K. operations of U.S. multi-national corporations. Thirty-three companies in the Scorecard are required to report their median hourly gender pay in the U.K. Two companies report no hourly wage gaps in the U.K., including Starbucks and McDonald’s. Intel and Texas Instruments report the largest median hourly pay gap, paying women 64 cents on the dollar versus men.

b. U.K. Median Bonus: Thirty-three companies in the Scorecard are required to report their median bonus gender pay in the U.K. Only Marriot reports no bonus gaps—actually paying women higher bonuses than men. Citigroup reports the largest median bonus pay gap, awarding women 30 cents on the dollar versus men, up from 26 cents last year.

4. COVERAGE:

a. Components of Compensation: Full gender pay gap analysis should not be limited to base salary alone. In fact, more bias can be reflected in bonus and equity incentive pay. For many industries, like tech, equity awards can represent an outsized portion of a pay package. The same is true for senior management pay, which is heavily influenced by bonus pay and equity awards. Of the 51 companies covered by the Scorecard, 20 report all components of compensation, including base salary, bonus, and equity. Amazon restricts their reporting to cash compensation, including base and bonus, while Microsoft and Adobe report base salary alone.

b. % of Employees Covered: Racial and gender pay gaps are not limited to the U.S., and many companies have multi-national operations. Twenty-three companies report the percentage of employees covered by their pay analyses, up from 19 in 2019. Five companies who report wage gaps receive a lower overall score for lack of transparency in this sub-category. Eleven companies report on 100% of their global operations.

5. COMMITMENT:

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

b. Annual Review: Racial and gender pay gap analysis and disclosure is not a one-off event. Salaries and personnel are ever-changing and annual compensation reviews are a critical time to measure for racial and gender bias. Twenty-seven companies in the Scorecard have committed to annual disclosure, up from 14 in 2019, while four more, Costco, Biogen, DaVita, and Quest Diagnostics have committed to “ongoing” or “regular” versus annual, disclosure, for which they receive a lower rating.

FINDINGS: BY INDUSTRY

Shareholders have primarily engaged companies in four industry sectors: finance, technology/communications, consumer and healthcare. Each sector has its own corporate leaders and laggards. According to Glassdoor, some of the highest pay gaps exist in industries that are the current focus of investors.⁴²

1. FINANCE

Representation: Wall Street has been rife with racial and gender imbalance, sexual discrimination, and few women and minorities in the top ranks. For instance, at Goldman Sachs, only 2.7% of executives, senior officials, and managers are Black.⁴³ And Citigroup just named the first female CEO on Wall Street. C-suite positions across the banking and finance sector are comprised of 71% white men, 18% white women, 9% men of color, and 2% women of color.⁴⁴ Women represent over 50% of employees in the finance sector, but a minority of executive and board positions. In fact, Oliver Wyman finds it will take until 2048 to reach 30% executive committee representation.⁴⁵ Female executives are also 20 to 30% more likely to leave financial services careers than other careers.⁴⁶ It's clear that attracting, retaining, and moving more minorities and women into high paying positions is critical to improve diversity on Wall Street.

Pay Gaps: Glassdoor finds an unexplained adjusted 5.6% gender pay gap in the financial industry after statistical controls, among the highest of industries examined. That gap has improved 0.8% since 2015.⁴⁷ A PayScale study of adjusted wage data of college graduates found that Black and Hispanic women make 3.4% and 2.7% less, respectively, than white males in the financial and insurance sectors.⁴⁸

Pass: Mastercard tops the 2021 Scorecard list with a grade of 94/100, receiving an A alongside Citigroup, and now Bank of New York Mellon. This ranking reflects Mastercard's disclosure of not only adjusted equal pay, but disclosure of unadjusted median pay along racial and gender lines. Mastercard illustrates strong performance with 100.6% and 100% adjusted racial and gender pay equity, respectively and 93% U.S. median racial pay equity and 92.2% global median gender pay equity. Mastercard pays its female U.K. employees median hourly pay equal to 82% of what male employees are paid, well above the Scorecard's U.K. industry average of 67%, and its bonus pay is at 75%, a dramatic improvement from 51% last year, and an industry average of 46%. These gaps continue to reflect structural deficits in the ranks, where men hold more higher-

paying roles. Mastercard's, Citigroup's, and Bank of New York Mellon's A ratings reflect their leadership as the only financial services companies to report (or commit to report in the case of Bank of New York Mellon) their U.S. median racial pay gaps and global median gender pay gaps. All other companies receive a sub-category score of 0 for lack of global gender and U.S. racial median pay gap disclosures.

Fail: Of the 19 peer financial companies, 9 receive a failing grade—MetLife, Arthur J. Gallagher, Goldman Sachs, Marsh & McLennan, Key Corp, Citizens Financial Group, Hartford Financial Services, Lincoln National, and Discover Financial Services—for lack of quantitative reporting, commitments, and global coverage. None of the companies report global median gender or U.S. median racial pay gaps.

2. TECHNOLOGY/COMMUNICATIONS

Representation: The tech industry was the first area of investor focus regarding gender pay inequity, starting with eBay in 2014/2015. Companies in Silicon Valley had begun disclosing their demographic statistics at that time, and it was clear that they were struggling to attract and retain female talent. In fact, McKinsey & Co. reports only 36% of employees in entry level technology positions are women, and female representation declines as job title advances, with only 17% in C-suite positions.⁴⁹ The tech industry also has a significant lack of racial diversity. Thirty-eight of the largest U.S. tech companies have less than 5% Black employees.⁵⁰ Only a handful of companies release EEO-1 data, but in 2019, Intel reported that of its top 52 executives, 29 were white male, 11 were Asian male, one was a Black male and there were no Hispanic males. There were eight white women and only one Asian woman and one Black woman.⁵¹ Oracle is the rare tech company with a female CEO, but 80% of its senior executives are white and only 11% are female. Only 6.5% of its overall workforce is Hispanic and 3.7% is Black.⁵²

⁴² <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

⁴³ <https://www.cnn.com/2020/07/02/wall-street-is-under-pressure-over-its-lack-of-diversity.html>

⁴⁴ <https://www.statista.com/statistics/954474/gender-ethnicity-banking-employees-na-by-level/>

⁴⁵ <http://www.oliverwyman.com/media-center/2016/women-in-financial-services-2016-press-release.html>

⁴⁶ <http://www.mmc.com/content/dam/mmc-web/Files/Women%20In%20Financial%20Services%202016.pdf>

⁴⁷ <https://www.glassdoor.com/research/studies/gender-pay-gap-2019/>

⁴⁸ <https://www.payscale.com/data/racial-wage-gap>

⁴⁹ <https://womenintheworkplace.com>

⁵⁰ <https://www.beamjobs.com/diversity/racial-diversity-in-tech>

⁵¹ <https://www.industryweek.com/talent/article/22028703/intel-is-first-to-share-detailed-pay-disparities-its-not-flattering>

⁵² <https://www.marketwatch.com/story/oracle-finally-releases-detailed-diversity-numbers-and-they-arent-great-11604966287>

FINDINGS: BY INDUSTRY (CONTINUED)

Pay Gaps: In addition to low numbers of women in the ranks and leadership, Glassdoor finds an unexplained 5.4% gender pay gap in the technology industry after statistical controls, noting “many tech jobs top the list for largest gender pay gaps.” That gap has improved 0.5% since 2015.⁵³ PayScale reports that, on an adjusted basis, college educated Black women and men earn 2.4% and 2.1% less than their white male counterparts.⁵⁴

Pass: Intel lost its top spot this year, falling to number three, as Adobe tops the 2021 Scorecard technology/communications sector list with a grade of 78/100 or a B, due to the company’s disclosure of its global median gender pay gap in 2020. However, Adobe, like all of its technology peers, does not report its U.S. median racial pay gap. Adobe illustrates strong adjusted pay performance with 100% adjusted racial and gender pay equity including base, bonus and equity components, annual disclosure, and 100% global coverage. Adobe also improved its U.K. median gender pay gaps, with women earning 85% and 63% for hourly and bonus pay, respectively, up from 66% and 39% last year and above the Scorecard’s industry average of 80% and 61%.

Fail: Six out of fifteen tech/communications companies receive a failing rating on this year’s Scorecard, including Verizon, Expedia, AT&T, Oracle, Qualcomm, and Analog Devices for lack of quantitative reporting, commitments, and global coverage. Expedia received an F this year as prior public disclosures have not been updated for 5 years.

3. CONSUMER

Representation: Equal Employment and Opportunity Commission data shows that just 14% minority and 29% women held C-suite positions in the retail sector.⁵⁵ As on Wall Street, women hold over half of retail industry positions, but are underrepresented in higher-paying management positions and overrepresented in lower-paying front-line jobs. For example, at Walmart, the largest private employer in the United States, 55% of employees are women, but women account for only 30% of corporate officers.

Pay Gaps: USA Today reports the gender wage gap is 74.3% for retail salespersons in their “top 20 jobs with the highest gender pay gaps” list.⁵⁶ Glassdoor finds an unexplained 6.4% gender pay gap in the retail industry after statistical controls making it tied for first (along with media) as the industry with the largest pay gap. That gap has widened .5% since 2015.⁵⁷ PayScale’s review of college-educated retail and customer service workers found that Hispanic women earn 4% less than white males, while Black women earn 2.9% less and Black men 2.1% less on an adjusted basis.⁵⁸

Pass: Starbucks continues to top the consumer sector Scorecard list with the only grade of A, illustrating strong performance with 100% adjusted racial and gender pay equity, including base, bonus and equity components, and annual disclosure. Starbucks took the lead in the consumer sector last year as the first to publish its U.S. median racial pay gap and global median pay gap. Starbucks pays U.S. minorities 100% the median pay of their majority peers and women 98.3% of what it pays men on a global basis. Starbucks also boasts 100% median base pay equity in the United Kingdom alongside McDonald’s, although Starbucks’ bonus gap widened year-over-year.

Fail: Six companies receive a failing grade in the consumer sector, Wyndham Hotels and Resorts, Marriott, McDonald’s, Walmart, TJX Companies, and Colgate for lack of quantitative reporting, commitments, and global coverage. On a positive note, Wyndham has shown leadership by publishing its median gender pay gap (but has fallen short on other disclosures) and McDonald’s reports no median U.K. hourly pay gap.

4. HEALTHCARE

Representation: The health care sector’s racial and ethnic breakdown is 72% white, 17% Black and 13% Latino.⁵⁹ Sixty-six percent of all entry level healthcare workers are female, while the level of women in C-suite positions is about 30%.⁶⁰ Most U.S. physicians are male, while women make up over 85% of nurses and home and personal care aides.⁶¹

⁵³ <https://www.glassdoor.com/research/studies/gender-pay-gap-2019/>

⁵⁴ <https://www.payscale.com/data/racial-wage-gap>

⁵⁵ <https://www.retaildive.com/news/as-retailers-focus-on-diversity-executive-representation-is-stagnant/585471/>

⁵⁶ <https://www.usatoday.com/story/money/careers/2018/12/05/gender-pay-gap-2018-worst-paying-jobs-women/38565069/>

⁵⁷ <http://www.glassdoor.com/research/studies/gender-pay-gap-2019/>

⁵⁸ <https://www.payscale.com/data/racial-wage-gap>

⁵⁹ <https://www.bls.gov/cps/cpsaat18.htm>

⁶⁰ <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/women-in-healthcare-moving-from-the-front-lines-to-the-top-rung>

⁶¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6336060/>

FINDINGS: BY INDUSTRY (CONTINUED)

Pay Gaps: The healthcare industry is reported to have the fifth widest adjusted gender pay gap out of 22 industries, at 5.7%, as reported by Glassdoor. That gap has improved 1.5% since 2015. Biotech and Pharma are reported to have the smallest adjusted gender pay gap at 2.2%, improving 0.8% since 2015.⁶² The gap for doctors is equal to a nearly \$20,000 salary shortfall.⁶³ A 2020 Physicians Compensation Report showed that the unadjusted gender gap has actually widen from the previous year, 25.2% to 28%—most likely an effect of the global pandemic.⁶⁴ Nearly 35% of female health care workers and 50% of Black and Latina workers earned less than \$15 an hour.⁶⁵ A PayScale study found that Black women with a bachelor’s degree earned 2.2% less than college educated white males in the health care sector, on an adjusted basis.⁶⁶

Pass: Pfizer tops the 2021 healthcare Scorecard list with a grade of 93/100, up from 74/100 last year and the only A among a sea of D’s and F’s. This ranking reflects a new disclosure of 85.7% U.S. median racial pay equity and global gender pay equity of 99.6%. On an adjusted pay equity basis, Pfizer reports 99.8% adjusted racial pay equity and 99.3% gender pay equity, along with a commitment to report annually and increase coverage from 85% of employees to 100% over time.

Fail: Of the seven peer healthcare companies, five receive a failing grade—Biogen, IDEXX Laboratories, Intuitive Surgical, DaVita Healthcare Partners, and Quest Diagnostics—for a lack of quantitative reporting, commitments, and global coverage. No companies are voluntarily reporting quantitative data, and disclosures are limited to mandated U.K. pay gap numbers, despite some commitments to do internal annual or ongoing reviews (without disclosure).

⁶² <https://www.glassdoor.com/research/app/uploads/sites/2/2019/02/Gender-Pay-Gap-2019-Research-Report.pdf>

⁶³ <http://fortune.com/2017/03/08/international-womens-day-healthcare-gender-gap/>

⁶⁴ <https://c8y.doxcdn.com/image/upload/Press%20Blog/Research%20Reports/compensation-report-2020.pdf>

⁶⁵ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6336060/>

⁶⁶ <https://www.payscale.com/data/racial-wage-gap>

RECOMMENDATIONS

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

FULL DISCLOSURE OF:

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

PUBLIC COMMITMENT TO:

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

CONCLUSION

Closing the racial and gender pay gap is not just a question of fairness, it's a question of good business. Companies face reputational, regulatory, legal and financial risk from racial and gender pay inequity. Improving pay equity also improves companies' ability to attract, retain, and place more minorities and women in higher paying jobs and senior management roles. And companies with more diverse management teams are shown to perform better than less diverse companies.

The first step is for companies to analyze their current pay structures and disclose any gaps. Transparently addressing racial and gender pay gaps is essential to achieve pay equity and create more diverse companies. Investors have effectively used shareholder dialogs and proposals to move this process forward. Expanding the pay equity shareholder campaign, combined with an annual scorecard identifying industry leaders and laggards, will help improve corporate disclosure and practices, advancing the goal of racial and gender pay equity and the benefits that diversity affords to all involved.

APPENDIX: GRADING METHODOLOGY

The Racial & Gender Pay Scorecard is a clear way to understand current corporate racial and gender pay equity disclosures and commitments from some of the world's largest companies. It takes a transparent equal weighted average approach to assessment across several categories.

THE SCORECARD IS BROKEN INTO 5 MAIN CATEGORIES:

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

The five main categories include 10 subcategories, all scored on a scale of 0-1,⁶⁷ and averaged on an equal weighted basis. 1 is equivalent to 100% pay equity. The companies are then awarded a correlated letter score: A, B, C, D, F.

1. Racial Pay Gap:

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

2. Gender Pay Gap:

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

3. UK Pay Gap:

- i. United Kingdom Median Hourly Pay Gap⁶⁸
- ii. United Kingdom Median Bonus Pay Gap⁶⁹

4. Coverage:

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

5. Commitment:

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

GRADING SCALE

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

⁶⁷ Companies receive a score of 0 for lack of reporting, or absence of commitment. Company-reported gender pay gap numbers are converted from percentage to a scale of 0-1, 1 equaling 100% pay equity.

⁶⁸ Where multiple U.K. divisions are reported, the numbers are averaged in the absence of an integrated company disclosure.

⁶⁹ Where multiple U.K. divisions are reported, the numbers are averaged in the absence of an integrated company disclosure.

APPENDIX: SHAREHOLDER RESOLUTIONS

2021	Arthur J. Gallagher NYC pension funds	Edwards Lifesciences NYC pension funds	Express Scripts NYC pension funds
Adobe Arjuna Capital	Bank of America Arjuna Capital	Express Scripts NYC pension funds	Exxon Mobil Eve S. Sprunt
Amazon.com Arjuna Capital	Bank of New York Mellon Arjuna Capital	Exxon Mobil Eve S. Sprunt	Facebook Arjuna Capital
Bank of New York Mellon Arjuna Capital	CIGNA Proxy Impact	Facebook Arjuna Capital	Goldman Sachs Pax World Funds
Biogen Proxy Impact	Cincinnati Financial NYC pension funds	HP Pax World Funds	JPMorgan Chase Arjuna Capital
Cigna Proxy Impact	Citigroup Arjuna Capital	JPMorgan Chase Arjuna Capital	Mastercard Arjuna Capital
Intel Arjuna Capital	Citizens Financial Group Pax World Funds	KeyCorp Pax World Funds	McKesson NYC pension funds
Walmart SHARE	DaVita HealthCare Partners NYC pension funds	Marriott International Zevin Asset Management	NIKE Arjuna Capital
	Facebook Arjuna Capital	Marsh & McLennan NYC pension funds	Oracle Pax World Funds
2020	Hartford Financial Services Group NYC pension funds	Mastercard Arjuna Capital	Qualcomm Pax World Funds
Adobe Arjuna Capital	IDEXX Laboratories NYC pension funds	McDonald's Jennifer H. McDowell	TJX Zevin Asset Management
Alphabet Arjuna Capital / Proxy Impact	Intel Arjuna Capital	Metlife NYC pension funds	Travelers NYC pension funds
Amazon.com Arjuna Capital	Intuitive Surgical NYC pension funds	Oracle Pax World Funds	UnitedHealth Group NYC pension funds
American Express Arjuna Capital	JPMorgan Chase Arjuna Capital	Principal Financial Group NYC pension funds	Verizon Communications Pax World Funds
Assurant NYC pension funds	Lincoln National NYC pension funds	Progressive Arjuna Capital	Walmart Arjuna Capital
Bank of America Arjuna Capital	Marsh & McLennan NYC pension funds	Progressive NYC pension funds	Wells Fargo Arjuna Capital
Bank of New York Mellon Arjuna Capital	Mastercard Arjuna Capital	Reinsurance Group of America Arjuna Capital	
Cerner NYC pension funds	Microsoft Arjuna Capital / Proxy Impact	Texas Instruments Arjuna Capital	2016
CIGNA Proxy Impact	Oracle Pax World Funds	TJX Zevin Asset Management	Adobe Arjuna Capital
Facebook Arjuna Capital	Pfizer Proxy Impact	Travelers NYC pension funds	Alphabet Arjuna Capital / Proxy Impact
HCA Healthcare NYC pension funds	Quest Diagnostics NYC pension funds	Walmart Arjuna Capital	Amazon.com Arjuna Capital
Intel Arjuna Capital	ResMed NYC pension funds	Walmart Organization United for Respect	American Express Trillium Asset Management
JPMorgan Chase Arjuna Capital	TJX Zevin Asset Management/ Proxy Impact	Wells Fargo Arjuna Capital	Apple Arjuna Capital
Loews NYC pension funds	2018		Apple Pax World Funds
Mastercard Arjuna Capital	Abbott Laboratories NYC pension funds	2017	Citigroup Trillium Asset Management
Microsoft Arjuna Capital / Proxy Impact	Aetna NYC pension funds	Aetna NYC pension funds	eBay Arjuna Capital
Pfizer Proxy Impact	Alphabet Arjuna Capital / Proxy Impact	AFLAC NYC pension funds	Expedia Group Arjuna Capital
Starbucks Arjuna Capital	American Express Arjuna Capital	Allstate NYC pension funds	Exxon Mobil Eve S. Sprunt
Wells Fargo Arjuna Capital	Bank of America Arjuna Capital	Alphabet Arjuna Capital / Proxy Impact	Facebook Arjuna Capital
Wyndham Destinations Proxy Impact	Bank of New York Mellon Arjuna Capital	American Express Arjuna Capital	Intel Arjuna Capital
	Baxter International NYC pension funds	American International Group NYC pension funds	Microsoft Arjuna Capital
2019	Citigroup Arjuna Capital	Anthem NYC pension funds	
Adobe Arjuna Capital	Costco Wholesale Arjuna Capital	AT&T Pax World Funds	2015
Alphabet Arjuna Capital / Proxy Impact	Discover Financial Services Pax World Funds	Bank of America Arjuna Capital	eBay Arjuna Capital
Amazon.com Arjuna Capital		Bank of New York Mellon Pax World Funds	Exxon Mobil Eve S. Sprunt
American Express Arjuna Capital		Citigroup Arjuna Capital	Walmart Cynthia Murray
Analog Devices Proxy Impact			

APPENDIX: EXAMPLE OF A SHAREHOLDER RESOLUTION

PAY EQUITY

Whereas: Pay inequity persists across race and gender. Black workers' hourly median earnings have fallen 3.6 percent since 2000, representing 75.6 percent of white wages. The median income for women working full time in the United States is 80 percent that of men. Intersecting race, African American women make 62 cents, Native women 60 cents, and Latina women 54 cents. At the current rate, women will not reach pay equity until 2059, African American women until 2130, and Latina women until 2224.

Citigroup estimates closing minority and gender wage gaps 20 years ago could have generated 12 trillion dollars in additional income and contributed 0.15 percent to United States GDP per year. PwC estimates closing the gender pay gap could boost Organization for Economic Cooperation and Development (OECD) countries' economies by 2 trillion dollars annually.

Diversity is linked to superior stock performance and return on equity. Actively managing pay equity is associated with improved representation. Of note, 26.5 percent of Amazon employees are black, but black employees represent only 8.3 percent of leadership. Women account for 43 percent of Amazon's workforce, but only 28 percent of managers.

Pay gaps are literally defined as the median pay of minorities and women compared to the median pay of non-minorities and men, considered the valid way of measuring gender pay inequity by the United States Census Bureau, Department of Labor, OECD, and International Labor Organization.

Best practice pay equity reporting consists of two parts:

3. unadjusted median pay gaps, assessing "equal opportunity" to high paying roles,
4. statistically adjusted gaps, assessing pay between minorities and non-minorities, men and women, performing similar roles – "equal pay for equal work."

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

The Equal Employment and Opportunity Commission now mandates pay data reporting, across race and gender, as workforce diversity data alone is insufficient to assess pay inequity. The United Kingdom mandates disclosure of median gender pay gaps and is considering mandating race and ethnicity reporting. Amazon reported a one percent median gender base pay gap and a 4.1 percent bonus gap for United Kingdom employees.

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

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

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

- percentage median gender pay gap, globally and/or by country, where appropriate
- percentage median racial/minority/ethnicity pay gap, US and/or by country, where appropriate

March 26th, 2020

Dear Bank of New York Mellon Shareholders,

We are writing to urge you to VOTE "FOR" PROPOSAL 4 on the proxy card, which asks the Company to disclose its median gender pay gap for its global operations. The Proposal makes the following request:

Resolved: Shareholders request Bank of New York Mellon report on the company's *global median* gender/racial pay gap, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information. The gender pay gap is defined as the difference between male and female *median* earnings expressed as a percentage of male earnings (Organization for Economic Cooperation and Development).

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

1. The gender pay gap is *literally* defined as the *median* pay gap between male and female full-time earnings by the U.S. Department of Labor, U.S. Census bureau, Organization for Economic Cooperation and Development (OECD), the International Labor Organization (ILO), and the United Kingdom. That is the data investors seek. While diverse representation and "equal pay" are related to the issue, that data is not a stand in for pay gap disclosures. The definition is clear.
2. Pay gaps are comprised of two parts—"Equal Pay" for your current job and "Equal Opportunity" to high paying jobs. "Median Pay" gaps reflect a lack of equal opportunity.
 - **Equal Opportunity: Unadjusted "Median Pay" Gap**
 - The median pay of women or minorities working full time versus men working full time. This is *literally* the definition of the gender pay gap.
 - The U.S. Census bureau reports an 18% unadjusted pay gap.
 - United Kingdom companies are mandated to report median pay.
 - Median pay gaps reflect a lack of opportunity to high paying jobs.
 - **Equal Pay: Adjusted "Equal Pay" Gap**
 - What women and people of color are paid versus their direct peers, statistically adjusted for factors such as job, seniority, and geography.
 - Glassdoor reports there is a 4.9% adjusted pay gap in the United States.⁷¹
 - United States companies prefer to report on this basis, as the gaps are smaller and easier to remedy.
3. *Median* pay gap disclosures can improve performance and provide a baseline to investors for measuring progress moving forward.
 - A 2019 study cited in the Harvard Business Review found that wage transparency, in countries that mandate it, narrowed the median wage gap. Citigroup was the first U.S. company to publish its global gender and US minority pay gap in January 2019. It has since shrunk those gaps 2 and 1 points respectively year-over-year. Starbucks and Mastercard have since adopted the same best practice disclosures for not just U.K., but global operations.
 - There are many ways to shrink the gender/racial pay gap at a company – improving diversity, ensuring statistically adjusted equal pay for equal work, advancing women/minorities into positions of leadership – but the only benchmark to measure whether the pay gap is actually shrinking from these various levers is to publish the pay gap itself.

⁷⁰ Resolution proponents often provide shareholder education materials to inform investors about an issue.

⁷¹ <https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf>

APPENDIX: EXAMPLE OF A SHAREHOLDER MEMO (CONTINUED)

Board Opposition Statement

The Board recognizes the need to close the median pay gap, but won't provide the disclosure

In its opposition statement, the Board both argues against disclosure of its median gender pay gap, while also acknowledging it has a problem by stating: "we will continue to devote our resources to close the current median pay gap both by creating a more balanced workforce and by ensuring that our employees receive equal pay for equal work." The question is – why aren't investors given the transparent pay gap disclosures United Kingdom investors are afforded, when the act of disclosure has been shown to improve performance?

The Board is willing to provide equal pay data, but not equal opportunity data by publishing its median gap

The Board conflates fair pay for a given job, otherwise known as "equal pay for equal work," with a transparent disclosure of how money is allocated across the organization to men and women, minorities and non-minorities. In its U.K. gender pay gap reporting, the company states the difference between "equal pay" and the "gender pay gap" – also known as "median pay":

"Measuring a gender pay gap is not the same as measuring equal pay. Equal pay means being paid the same for the same/similar work." – Bank of New York Mellon⁷²

The Board conflates median gender pay gap disclosures with simple representation disclosures

While representation disclosures are welcomed, they are not a substitute for gender pay gap reporting.

Median pay gap data is a widely used metric and one the company already complies with in the U.K.

As stated above, major U.S. and international organizations already utilize median pay gap data as a key data point. The Board recommends against disclosure because median pay gaps are "not a common metric for pay equity comparisons in the United States." – that is exactly the point of the resolution – it is a useful and widely used international metric that can benefit company diversity and pay equity efforts and needs to become common in the U.S. The company itself and all of its peers with United Kingdom operations are already disclosing median pay gaps in that country due to a government mandate. U.S. investors should be given the same information. Peers including Citigroup and Mastercard are already adopting that best practice disclosure.

Conclusion

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

Sincerely,

Natasha Lamb

Arjuna Capital

This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card. Arjuna Capital is not able to vote your proxies, nor does this communication contemplate such an event. The proponent urges shareholders to vote for Proxy Item 4 following the instruction provided on the management's proxy mailing.

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

⁷² https://www.bnymellon.com/emea/en/_locale-assets/pdf/who-we-are/bny-mellon-london-branch-2018-gender-pay-gap-report.pdf

APPENDIX: CORPORATE DISCLOSURES

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APPENDIX: ACKNOWLEDGEMENTS

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