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New Report Shows Four Largest Asset Managers Undermined Surge of Shareholder Support for Racial Equity in 2022

Despite Public Commitments to Racial Equity and Justice, BlackRock, Vanguard, Fidelity, and State Street Lagged Peers in Supporting Racial Equity Audit Proposals and Undermined Key Votes from Reaching Majority Support

New York, NY — New analysis reveals that the Big Four, the four largest asset managers — BlackRock, Vanguard, Fidelity, and State Street — voted to undermine investor efforts to promote racial equity in corporate governance, according to ***Equity in the Boardroom***, a new report authored by Majority Action and SEIU reviewing 2022 proxy voting results.

While 2022 saw unprecedented support for shareholder proposals to advance racial justice at S&P 500 corporations, the largest asset managers instead used their outsized voting power to undermine shareholder efforts in support of racial equity—effectively shielding companies from responsibility for harm to communities of color. The proxy voting record of the "Big Four" asset managers stands in stark contrast to their peers. The analysis reveals that a majority of the 20 largest asset managers — those with more than $1 trillion in AUM — voted in favor of a majority of shareholder proposals that would advance racial equity and justice, including on racial equity audits, board diversity, political spending and lobbying activity, human capital management, and tech company product and service issues.

Equity in the Boardroom reviews asset manager voting behavior across a range of proposals and director elections at S&P 500 companies in 2022 to assess the extent to which asset managers voted to hold boards accountable for perpetuating and exacerbating systemic racism and the associated risks to diversified investors. The report highlights the fiduciary case for shareholder action to hold boards accountable for actions that exacerbate racial inequalities in income, wealth, housing, and other economic and social indicators. In addition to their incalculable human costs, systemic racial disparities cost the U.S. economy over $1 trillion annually, inevitably lowering returns across portfolios for diversified investors. Corporate practices often reinforce these disparities, ranging from inequitable and unsafe workplaces to algorithmic and financial bias to harmful products and environmental outcomes. Conversely, corporate policies that recognize and ameliorate racial disparities reduce risks and provide a strong foundation for long-term investors depending on sustainable economic growth.

"The 2022 shareholder meeting season saw unprecedented shareholder demand for corporate action on racial equity; with dozens of proposals filed for racial equity audits alone, the upcoming 2023 season shows every sign of continuing that trend," said **Renaye Manley, Deputy Director of Strategic Initiatives at SEIU.** "Our members are participants in public and private pension and retirement plans across the country. We are counting on the asset managers we entrust with our future to live up to their fiduciary responsibilities by backing these critical votes."

“Business-as-usual corporate behavior reinforces widespread racial inequalities that undermine sustainable growth and value creation. Responsible fiduciaries recognize the harm and risks this poses to their portfolios, and are taking action to ensure that corporate policies, products, and practices are advancing equitable outcomes,” said **Eli Kasargod-Staub**, **CFA, Executive Director of Majority Action**. But instead of using their outsized holdings responsibly in 2022, the Big Four asset managers instead far too often shielded boards from accountability.”

“Asset managers have an inherent responsibility to support racial equity audits — a basic step corporations can take toward addressing systemic racial inequity and the harm it does not only to Black people and other communities of color, but to all working class people. Yet the largest asset managers seem to prefer to sweep the facts under the rug rather than address them for the good of our society, our economy, and the long-term shareholders they're supposed to serve," said **Dorian Warren, Co-President of Community Change**. "The assets they manage are entrusted to them by working people who need their capital used to create a more just and secure economy. *Equity in the Boardroom* provides concrete actions asset managers can take to play their part in this transformative change that we all need."

"Racial equity audits exist to drive changes in policy, not rhetoric. Committing to a racial equity means committing to the changes that bring about true racial equity. It requires identifying and changing specific business practices – from hiring and management to product development and marketing – that harm Black people and other people of color, especially those that harm them disproportionately," said **Rashad Robinson, President of Color Of Change.** "Corporations that use racial equity audits to delay, derail or dodge their responsibility to enact real change are no friend to Black communities."

Equity in the Boardroom reveals the extent to which the 20 largest global asset managers either backed shareholder demands that would advance racial equity at S&P 500 companies or shielded boards from accountability. The key findings of this report include:

- **Shareholder proposals related to racial equity received strong support in 2022.** A majority of the 20 largest asset managers—those with more than $1 trillion in AUM—voted in favor of a majority of shareholder proposals on racial equity audits, board diversity, political spending and lobbying activity, human capital management, and tech company product and service issues.
- **Racial equity audits — an essential mechanism for management and oversight of risks associated with systemic racism — received increased support from shareholders in 2022.** With average support increasing from 33 to 44 percent from 2021 to 2022, six racial equity audits received majority support in 2022.
    - Three asset managers — Amundi Asset Management, Northern Trust Investments, and PIMCO — were leaders in supporting racial equity audit proposals, voting in favor of 100 percent of these proposals. Four more asset managers — Morgan Stanley, UBS, Legal & General

    Investment Management, and Capital Group — were close behind, supporting between 88 and 95 percent of these proposals.
  - The Big Four asset managers trailed their peers in supporting racial equity audit proposals, undermining widespread adoption of racial equity audits.
  - Fidelity supported only one racial equity audit proposal, while Vanguard Group supported none. BlackRock's support fell from 87.5 in 2021 to 52.6 percent in 2022. State Street's support increased from 12.5 percent in 2021 to a bare majority of racial equity audit proposals at 52.6 percent in 2022.
- Across racial equity audit, political spending and lobbying, human capital management, and tech company product proposals, **the Big Four asset managers effectively blocked shareholder action on critical racial equity issues — which includes 44 proposals that could have received majority support with their individual or collective support.**
  - These include proposals on racial equity audits at Chevron and Wells Fargo, improved oversight of political spending at AT&T, and reporting on efforts to improve employment conditions for low-wage workers at The Kroger Company.
- **Non-binding shareholder proposals are only as powerful as shareholders' willingness to enforce them, by voting to hold directors accountable if companies fail to adequately respond to shareholder concerns about racial equity-related issues.**
  - Director accountability efforts at companies such as Wendy's and Amazon demonstrated that most major asset managers are not yet voting to hold directors accountable for failing to respond to shareholder concerns relating to racial equity. For example, at Amazon, the New York City and New York State Comptrollers launched a "vote no" campaign against two directors following the company's inadequate responsiveness to unsafe working conditions in its warehouses, among other human capital management issues. The long-serving Chair of the Leadership and Development Committee, Judith McGrath, received support from only 78 percent of shares voted, a more than 20 percentage point drop. Among the Big Four, only State Street voted against

McGrath's re-election, with BlackRock, Fidelity, and Vanguard voting in favor.

Given the company-specific and portfolio-wide significance of corporate practices for investors on racial equity, the report concludes asset managers should incorporate a comprehensive racial equity lens into their stewardship and proxy voting policies and establish the reduction of racial inequities as a goal of their proxy voting policies, consistent with their fiduciary duty to manage systemic risks.

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Majority Action is a nonprofit organization dedicated to empowering shareholders of all sizes to hold corporations and their leadership accountable to high standards of long-term value creation, corporate governance, and social responsibility. www.majorityaction.us

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