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majorityaction SEIU

Top Racial Justice Movement Leaders Demand Largest Asset Managers Fulfill Racial Justice Commitments in Open Letter

Full-Page Print Ad in Financial Times Details Demands on Proxy Voting in 2021 Shareholder Season

NEW YORK - Over 140 of the country's top racial justice leaders and their allies are calling on the largest asset managers to uphold their 2020 commitments to racial equity. Leaders including Rashad Robinson, President of Color Of Change; Alicia Garza, Principal of Black to the Future Action Fund; Rev. William J. Barber II, President and Senior Lecturer at Repairers of the Breach; Derrick Johnson, President of the NAACP; Heather McGhee, Trustee Emeritus of Demos; and Ben Jealous, President of People for the American Way, detail in the open letter, published as a full-page print ad in today's Financial Times, that asset managers' votes in the 2021 proxy season will be the test of their recent statements on racial justice—including on racial equity resolutions, political spending and disclosure, and board diversity at S&P 500 companies.

Majority Action, a nonprofit shareholder advocacy organization and the Service Employees International Union (SEIU) are the organizational sponsors of the letter, and outline the specific company votes in an accompanying proxy voting guide also launched today at racialjustice.majorityaction.us.

"Without shareholder action, major corporations will continue to endanger Black and other marginalized communities to maximize profit gains and conduct business as usual. In just the span of a few months, we have already witnessed corporations attempt to walk back their commitment to halt donations to insurrectionist enablers," said **Color Of Change's President, Rashad Robinson**. "These major asset managers have the opportunity to set an industry standard for corporations to go beyond their statements, and we are calling on them to commit to demands that will move our country forward—such as supporting a racial equity audit, complete transparency and accountability on political spending and lobbying, and addressing corporate practices and policies that prohibit safe and equitable workplaces for Black communities. Since companies have failed to act on their own, shareholders and their asset managers must step up to use their power to force these companies to enact protective policies."

While last year's swell in protests for racial justice was accompanied by an outpouring of statements from corporations acknowledging the existence of systemic racism and their responsibility for addressing it, a report by Majority Action and SEIU revealed that major asset managers failed to challenge racist and inequitable corporate leadership and practices in the

2020 proxy season.Together, BlackRock, Vanguard, and State Street vote approximately 25% of shares across the S&P 500, giving them outsized influence to shape corporate behavior.

While 2020 saw a wave of shareholder resolutions to advance racial justice at S&P 500 corporations, the report revealed that BlackRock, Vanguard, and State Street all failed to support the vast majority of them, undermining shareholder efforts to address board diversity, pay disparities, workplace discrimination, and civil rights issues in the United States. Analyzing data from Institutional Shareholder Services ESG on board diversity, the report further revealed that BlackRock and Vanguard in particular failed to vote to hold boards accountable for lack of board diversity in 2020. The two firms supported every director at over 90% of the boards with no "racially or ethnically diverse" members in the S&P 500 in 2020, as well as at over 90% of the boards that had no Black directors.

"Asset managers have upheld structural racism by voting to continue corporate practices that harm and disenfranchise Black, Indigenous and other communities of color, exacerbating risks to long-term investors," said **Eli Kasargod-Staub, CFA**, Executive Director of Majority Action. "The world's largest asset managers should be using their outsized holdings to hold corporations accountable for their role in addressing systemic racism, but large firms like BlackRock, Vanguard, and State Street have shielded boards from taking responsibility."

The recent passage of voter suppression bills in Georgia and the aftermath of January's Capitol Insurrection have brought into particular focus the responsibility of asset managers and other corporate actors to uphold responsible political spending practices. In February, state treasurers and pension fund leaders from funds with asset under management of over $1 trillion called on top asset managers to answer for their $1 million worth of political contributions to politicians who supported efforts to overturn the presidential election, as well as their track records of blocking of shareholder accountability efforts on lobbying and political disclosure. In the 2020 shareholder season, BlackRock and Vanguard voted against every shareholder proposal analyzed at S&P 500 companies calling for enhanced disclosure of lobbying and political spending, and State Street failed to support the majority of them. Nineteen of these proposals would have received majority support but for the votes of BlackRock and/or Vanguard.

State treasurers and pension fund leaders have also demanded answers last month from major Georgia-based companies as to whether the companies are updating policies to avoid contributing to legislators who support restricting voting rights. Last week, hundreds of companies and corporate leaders published a two-page ad in the New York Times stating their opposition to voting restrictions. BlackRock and Vanguard signed the letter, while State Street did not. While all three firms' proxy voting practices have contributed to or enabled such voter suppression efforts, none have taken responsibility for this harm or detailed plans to stop shielding the corporate directors responsible for oversight of such harmful and risky political spending.

"As managers of the retirement savings of millions of Black and brown workers, the world's largest asset managers have a responsibility to change course to root out systemic racism from our economic system," said **Gerry Hudson**, Secretary-Treasurer, SEIU. "Giant fund managers like BlackRock, Vanguard, and State Street must change course to break from their current support of boards lacking racial and ethnic diversity, undermining of racial justice resolutions, and backing of lobbying and political spending that harms Black and brown communities,"

The letter signatories call on large asset managers to, at a minimum, do the following this shareholder season:

- Oppose all-white boards, or those with arguably token representation by a single person of color
- Oppose directors in charge of political spending at corporations that have failed to address their role in funding elected officials implicated in the Capitol Insurrection or those behind or supporting voter suppression efforts
- Support shareholder demands for racial equity audits this season at critical companies in the finance, healthcare, and retail sectors
- Support shareholder demands for complete transparency and accountability on political spending and lobbying
- Support shareholder proposals demanding long-overdue action to address practices that reflect white supremacy and cause-related harms, including—but not limited to—equitable workplace practices and discrimination, customer discrimination and abuse, algorithmic bias, and community surveillance.

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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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