

# Vanguard Investment Stewardship Insights

## Voting insights: Diversity-related proposals, January–June 2021



September 2021

*Vanguard publishes Investment Stewardship Insights to promote good governance practices and to provide investors and public companies with our perspectives on important governance topics and issues that come up for shareholder votes.*



Risks to shareholder value associated with diversity, equity, and inclusion (DEI) remained a top priority for Vanguard's Investment Stewardship team throughout the first half of 2021. Board diversity has been a consideration in effective board recruitment and composition strategies in many major markets for several years. Vanguard has advocated for global principles of inclusive board diversity disclosure, policies, and recruitment best practices, and we've called upon companies to make progress.

Likewise, in the past two years, board oversight of a company's DEI-related risks and opportunities has drawn greater scrutiny from investors, employees, regulators, and consumers with a growing awareness of the materiality of potential risks related to DEI issues.

During the recent proxy season, our Investment Stewardship team, on behalf of the Vanguard funds, evaluated several shareholder proposals that addressed board diversity and DEI-related issues in the workplace and across a company's operations. These proposals have called on companies to increase board diversity disclosure, provide workforce diversity and program disclosure, publish reports on specific DEI-related risks (such as racial equity), and perform audits of a company's overall impact on historically underserved communities.

### Vanguard's voting and engagement

In the first half of 2021, Vanguard deepened our board diversity advocacy and engaged a greater number of companies on the topic, screening many of our largest holdings for a lack of gender diversity or a lack of racial or ethnic diversity. We provided feedback to companies on board diversity-related matters in at least 367 instances, through direct engagements and written communications. Of those instances, 290 resulted in further dialogue with company leaders, board members, or both. The funds ultimately voted against 173 directors at companies where we had concerns regarding the risks associated with the lack of progress or lack of a path forward to increase board diversity.

In this period, Vanguard voted in favor of 50% of shareholder proposals (four of eight) concerning board diversity, and 37% of shareholder proposals (11 of 30) concerning oversight and disclosure of DEI-related risks within the workplace and elsewhere in the company's operations.

The following table provides a summary of 38 DEI-related proposals, along with the Vanguard funds' votes and supporting rationales, for the six months ended June 30, 2021. Each proposal is analyzed based on its own merits and specific wording. In all cases, we evaluate whether the request is in the best long-term interest of the company's shareholders.

## Board diversity shareholder proposals

| Company name/<br>meeting date                 | Proposal   | Vote    | Vote rationale   |
|---|--|---------|--|
| Badger Meter, Inc.<br>4/30/2021               | Report on board diversity  | For     | Supports better disclosure of board diversity.                           |
| Bank of Nova Scotia<br>4/13/2021              | Set a diversity target of more than 40% of the board members for the next five years                           | Against | Company has taken sufficient action and proposal is overly prescriptive  |
| Cigna Corp.<br>4/28/2021                      | Disclose board matrix, including ideological perspectives  | Against | Sufficient action or change has been implemented.                        |
| First Community Bankshares, Inc.<br>4/27/2021 | Report on board diversity  | For     | Supports better disclosure of board diversity.                           |
| First Solar, Inc.<br>5/12/2021                | Report on board diversity  | For     | Supports better disclosure of board diversity.                           |
| Hanjin Kal Corp.<br>3/26/2021                 | Amend articles of incorporation related to board gender diversity  | For     | Helps to ensure and formalize good governance practices.                 |
| Royal Bank of Canada<br>4/8/2021              | Adopt a diversity target higher than 40% for the composition of the board of directors for the next five years | Against | Company has taken sufficient action and proposal is overly prescriptive. |
| Toronto-Dominion Bank<br>4/1/2021             | Adopt a diversity target higher than 40% for the composition of the board of directors for the next five years | Against | Company has taken sufficient action and proposal is overly prescriptive. |

## Diversity, equity, and inclusion shareholder proposals (DEI issues within the workplace and that span a company's operations)

| Company name/<br>meeting date        | Proposal   | Vote    | Vote rationale  |
|--------------------------------------|--|---------|---|
| Abbott Laboratories<br>4/23/2021     | Report on racial justice   | Against | Sufficient action or change has been implemented.                                     |
| Amazon.com, Inc.<br>5/26/2021        | Report on promotion data   | Against | Sufficient action or change has been implemented.                                     |
| Amazon.com, Inc.<br>5/26/2021        | Report on gender/racial pay gap  | Against | Sufficient action or change has been implemented.                                     |
| Amazon.com, Inc.<br>5/26/2021        | Oversee and report on a civil rights, equity, diversity, and inclusion audit | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |
| American Express Co.<br>5/4/2021     | Publish annually a report assessing diversity, equity, and inclusion efforts | For     | Report determined to be in the best long-term interest of shareholders.               |
| Bank of America Corp.<br>4/20/2021   | Request on racial equity audit   | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |
| Berkshire Hathaway, Inc.<br>5/1/2021 | Publish annually a report assessing diversity and inclusion efforts          | For     | Report determined to be in the best long-term interest of shareholders.               |
| Biogen, Inc.<br>6/2/2021             | Report on gender pay gap   | Against | Sufficient action or change has been implemented.                                     |

| Company name/<br>meeting date                      | Proposal  | Vote    | Vote rationale  |
|--|---|---------|---|
| Caterpillar, Inc.<br>6/9/2021                      | Report on diversity and inclusion efforts   | Against | Sufficient action or change has been implemented.                                     |
| Charter Communications, Inc.<br>4/27/2021          | Adopt policy to annually disclose EEO-1 data  | For     | Supports better disclosure of workforce diversity-related risks.                      |
| Charter Communications, Inc.<br>4/27/2021          | Publish annually a report assessing diversity, equity, and inclusion efforts              | For     | Supports better disclosure of workforce diversity strategy and progress.              |
| Chugoku Electric Power Co., Inc.<br>6/25/2021      | Amend articles to add provisions concerning promotion of females                          | Against | Sufficient action or change has been implemented.                                     |
| Cigna Corp.<br>4/28/2021                           | Report on gender pay gap  | Against | Sufficient action or change has been implemented.                                     |
| Citigroup, Inc.<br>4/27/2021                       | Report on racial equity audit   | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |
| DuPont de Nemours, Inc.<br>4/28/2021               | Adopt policy to annually disclose EEO-1 data  | For     | Supports better disclosure of workforce diversity-related risks.                      |
| Goldman Sachs Group, Inc.<br>4/29/2021             | Report on racial equity audit   | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |
| Intel Corp.<br>5/13/2021                           | Report on global median gender/racial pay gap   | Against | Sufficient action or change has been implemented.                                     |
| Intel Corp.<br>5/13/2021                           | Report on whether written policies or unwritten norms reinforce racism in company culture | Against | Sufficient action or change has been implemented.                                     |
| International Business Machines Corp.<br>4/27/2021 | Publish annually a report assessing diversity, equity, and inclusion efforts              | For     | Supports better disclosure of workforce diversity strategy and progress.              |
| Johnson & Johnson<br>4/22/2021                     | Report on civil rights audit  | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |
| JPMorgan Chase & Co.<br>5/18/2021                  | Report on racial equity audit   | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |
| Paycom Software, Inc.<br>5/3/2021                  | Report on plans to improve executive leadership diversity                                 | For     | Report determined to be in the best long-term interest of shareholders.               |
| PayPal Holdings, Inc.<br>5/26/2021                 | Report on whether written policies or unwritten norms reinforce racism in company culture | Against | Sufficient action or change has been implemented.                                     |
| State Street Corp.<br>5/19/2021                    | Report on racial equity audit   | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |
| TMX Group Ltd.<br>5/12/2021                        | Report on policies and practices regarding Indigenous peoples                             | For     | Report determined to be in the best long-term interest of shareholders.               |
| Union Pacific Corp.<br>5/13/2021                   | Publish annually a report assessing diversity and inclusion efforts                       | For     | Report determined to be in the best long-term interest of shareholders.               |

| Company name/<br>meeting date            | Proposal  | Vote    | Vote rationale  |
|--|---|---------|---|
| Union Pacific Corp.<br>5/13/2021         | Report on EEO   | For     | Proposal identifies material risk and sufficient change or action has not been met.   |
| United Parcel Service, Inc.<br>5/13/2021 | Publish annually a report assessing diversity and inclusion efforts | For     | Supports better disclosure of workforce diversity strategy and progress.              |
| Walmart Inc.<br>6/2/2021                 | Report on alignment of racial justice goals and starting wages      | Against | Sufficient action or change has been implemented.                                     |
| Wells Fargo & Co.<br>4/27/2021           | Report on racial equity audit                                       | Against | Sufficient action or change has been implemented and proposal is overly prescriptive. |