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Large Asset Managers Retreated on Voting for Racial Equity Proposals in 2023 According Majority Action's Equity in the Boardroom Report

NEW YORK - Most of the largest asset managers backslid on their support for racial equity in 2023 with 14 out of 18 asset managers supporting a smaller percentage of racial equity audit proposals in 2023 than in 2022, according to [*Equity in the Boardroom: 2023 Proxy Season*](#).

Majority Action's new report analyzes how the eighteen largest asset managers and two leading proxy advisors voted on racial equity-related matters at S&P 500 companies in the 2023 proxy season. *Equity in the Boardroom* reviews asset manager voting behavior across a range of proposals and director elections 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.

"Once again we see large asset managers shirking their responsibility to create long-term value for investors in favor of their short-term institutional self-interest," said **Eli Kasargod-Staub, Executive Director of Majority Action**. "Despite the huge cost of racial inequity to our economy and the untold opportunities for companies who meaningfully seek to operate with a racial justice lens, asset managers and the corporate boards they rubber stamp year after year would sooner maintain policies driving systemic racial inequalities that have been integral to our financial system for centuries. The promise of the 2022 proxy season's unprecedented support for shareholder proposals advancing racial justice remains unfilled and has instead been replaced with unrelenting attacks on environmental, social and governance (ESG) policies and efforts - just the latest tactics of those who want to keep power and wealth in the same select hands that have historically held it and used it to exploit others."

Asset managers' support for racial equity-related proxy votes reversed course in 2023 against the backdrop of coordinated right-wing attacks on civil rights, affirmative action, and voting rights, and the related politicization of ESG investment strategies. Asset managers' inaction on systemic racism comes at the expense of not only communities of color who bear the brunt of harmful corporate behaviors, but also the tens of millions of worker-savers – many of whom are people of color themselves – seeking long-term returns on their retirement portfolios.

"Unfortunately the supposed corporate racial reckoning brought about by the rash of police murders of Black Americans in 2020 and the January 6th insurrection in 2021 that led to numerous statements decrying systemic racism and voicing support for voting rights, commitments to end discriminatory product lines and business practices and discontinue political contributions to election deniers, and pledges to expand diversity, equity, and inclusion (DEI) initiatives has been exposed for the lip service it always was," said **Renaye Manley, Board Member of Majority Action**. "Corporations and asset managers, with help from

extremist political leaders, are exploiting the workers, investors and voters they claim to represent, imperiling our economy and democracy.”

The key findings of this report include:

- ***The Big Four – BlackRock, Vanguard, Fidelity, and State Street – ranked at or near the bottom on all five racial equity-related proxy voting categories. BlackRock and Vanguard – together with T. Rowe Price and Capital Group – had the worst racial equity voting records.*** On average, the Big Four supported just 6 percent of racial equity audit proposals, 15 percent of political spending and lobbying disclosure proposals, no political congruency proposals, and 15 percent of freedom of association and collective bargaining proposals. By contrast, Amundi and Legal & General Investment Management (LGIM) had the best voting records across all five proxy voting categories, while Northern Trust had the best voting record in four out of five categories.
- ***Fourteen out of 18 asset managers supported a smaller percentage of racial equity audit proposals in 2023 than in 2022.*** The biggest backsliders –Capital Group, BNY Mellon, BlackRock, Geode, and Invesco – decreased their support for racial equity audit proposals by more than 40 percentage points. Of the Big Four, Vanguard and Fidelity continued to oppose most or all racial equity audit proposals, while BlackRock and State Street decreased their support substantially compared to last proxy season. Support among proxy advisors also decreased. Both ISS and Glass Lewis supported 76 percent of racial equity audit proposals in 2022. That number dropped to 36 percent and 57 percent, respectively, in 2023. Still, some asset managers continued to be leaders in this area, with LGIM, Northern Trust, Amundi, and Morgan Stanley supporting most or all racial equity audit proposals.
- ***Asset managers set a low bar for racial and ethnic board representation and did not hold boards accountable for board diversity failures.*** While most asset managers’ proxy voting policies permit using director elections to hold boards accountable to minimum racial and ethnic diversity expectations, only some asset managers actually deployed this lever. Just two asset managers – Nuveen and Goldman Sachs – voted against all nominating and governance committee members at the three S&P 500 companies that nominated no directors of color. Seven asset managers, including BlackRock and Vanguard, voted to re-elect all nominating and governance committee members across all three companies.
- ***Despite the fact that 98 percent of S&P 500 companies do not disclose how much they spend on state-level lobbying, the Big Four opposed almost all lobbying disclosure proposals.*** Of the 19 lobbying disclosure proposals that were put to a vote in 2023, Fidelity supported none, BlackRock and Vanguard each supported one, and State Street supported three. All four asset managers voted against the lobbying disclosure proposal at McDonald’s, which was the only political spending and lobbying disclosure proposal to receive majority support in 2023. The Big Four’s voting behavior diverged from the recommendations of ISS and Glass Lewis, which supported 89 and 74 percent, respectively, of lobbying disclosure proposals.
- ***Asset manager support for political congruency proposals declined significantly in 2023.*** Many companies resumed political contributions to election deniers, belying the commitments they made to voting rights and election integrity in the wake of the January 6th insurrection. However, asset manager support for political congruency proposals,

which ask companies to identify and address these types of misalignments, declined significantly in 2023.

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

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

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

The report also provides recommendations for asset managers and investors, asset owners, proxy advisors and policymakers and regulators.

- Asset managers should review and update their stewardship and proxy voting policies to incorporate a comprehensive racial equity lens, including establishing the reduction of racial inequities as a goal of their proxy voting policies, consistent with their fiduciary duty to manage systemic risks.
- Asset owners should engage with and demand accountability from their asset managers and adopt criteria regarding racial equity-related proxy voting and policies into their asset manager search criteria, requests for proposals, and assessments.
- Proxy advisors should recommend votes against directors at companies that fail to meet a minimum level of 30 percent racial and ethnic board diversity and adopt language in all guidelines recommending support for racial equity-related proposals.
- Congress should urge and enable the U.S. Securities and Exchange Commission to engage in rulemaking that mandates and standardizes disclosures related to corporate political spending, lobbying, and human capital management issues.

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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