THIRD EDITION

GENDERPAY

SCORECARD

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ENLIGHTENED INVESTING

PROXY IMPACT

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GENDER PAY SCORECARD (GPS)

NAVIGATING CORPORATE GENDER AND RACIAL 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 gender and racial 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 pay gap and to promote gender diversity on corporate boards and within senior management. Michael previously served as the Senior Program Director for As You Sow's Corporate Social Responsibility Program and has led and participated in more than 400 shareholder dialogues and resolutions. He also founded the Proxy Preview, the leading publication on environmental and social shareholder resolutions. His shareholder advocacy work led him to be named 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 have come under intense pressure to close their gender and racial pay gaps in response to investor pressure, the #MeToo movement, and increasing public policy and regulation. Glassdoor finds that society could reach pay parity as soon as 2035 if we keep up the current momentum. This Equal Pay Day, we have compiled our third quantitative accounting of current pay disclosures, performance, and commitments among corporate leaders and laggards in four industries: finance, technology/communications, consumer, and healthcare. The Gender Pay Scorecard (GPS) 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 the gender pay gap. 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 GPS looks at 50 major U.S. companies, only three of which–Starbucks, Mastercard, and Citigroup–receive an "A" grade. A failing grade of "F" is awarded to half—25—of the total group of companies, including Goldman Sachs, Oracle, McDonalds, and Walmart. Ten companies (in order of rank) —Nike, Bank of New York Mellon, Progressive Insurance, Apple, Pfizer, JP Morgan, Wells Fargo, American Express, Intel, and Bank of America, Reinsurance Group—garnered a "B" grade for their efforts to disclose and act on their gender and racial pay gaps.

The GPS is divided into three main sections.

Background: The GPS 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 investors. The report seeks to educate companies, investors, and the public to improve understanding of the gender and racial pay equity landscape.

Findings: The GPS has compiled quantitative data on 50 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 GPS grades companies across five categories:

1. Adjusted, "Equal Pay" Gap
2. Unadjusted, "Median Pay" Gap
3. Racial Pay Gap
4. Coverage
5. Commitment

The GPS also looks at company performance within industry sectors. We see leadership from companies like Citigroup, Starbucks, and Mastercard. While others like Goldman

Recommendations: The GPS identifies key criteria and commitments critical for gender and racial pay disclosure. Companies must first analyze their current pay structures and determine if there is a gender and/or racial pay gap. The GPS provides recommendations for best practice disclosure and goals. Transparent pay disclosures are essential to address gender and racial pay inequity in corporate America. Investors have effectively used shareholder dialogues and proposals to move this process forward. The continued growth of the gender and racial 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 GENDER PAY SCORECARD

COMPANY	GRADE
Starbucks	A
Mastercard	A
Citigroup	A
Nike	B
Bank of New York Mellon	B
Progressive Insurance	B
Apple	B
Pfizer	B
JP Morgan	B
Wells Fargo	B
American Express	B
Intel	B
Bank of America	B
Alphabet	C
Cincinnati Financial	C
Expedia	C
Facebook	C
Reinsurance Group	C
eBay	C
Microsoft	C
Texas Instruments	C
Amazon	C
Adobe	C
Costco	D
Wyndham Hotels & Resorts	D
Hewlett Packard	D
Lincoln National	F
Key Corp	F
Marriott	F
McDonald's	F
Walmart	F
Verizon Communications	F
TJX Companies	F
Cigna	F
AT&T Inc.	F
Oracle	F
Qualcomm	F
Arthur J. Gallagher	F
Goldman Sachs	F
Metlife	F
Marsh & McLennan	F
Citizens Financial Group	F
Hartford Financial Services	F
Discover Financial Services	F
Analog Devices	F
Colgate	F
DaVita Inc.	F
IDEXX Laboratories	F
Intuitive Surgical	F
Quest Diagnostics	F

INTRODUCTION

Gender and racial pay gaps at some of the world's largest corporations has been 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 gender/racial pay gaps. Over the last six years, at least 10 different investor groups have engaged more than 68 companies through shareholder dialogues and proposals.

The Gender Pay Scorecard (GPS) 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.

GPS is based on a quantitative accounting of current gender and racial pay disclosures and commitments among corporations engaged by shareholders within four industry sectors: finance, technology/communications, consumer, and healthcare. And while this is not a complete list of all corporations that have disclosed or have been asked to disclose their gender and racial 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

The gender pay gap is a global problem and no industries or geographies are immune. On a global basis, the average income for women is only 53% the income of men, and it will take 257 years to close that $10,000 per year gap.[1] In the United States, women working full time earn 82% of that of their male peers,[2] a $10,122 per year gap.[3] Disturbingly, this disparity can add up to nearly half a million dollars over the course of a career. When examining these inequities, it is critical to look also at the intersection of 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 and Latina women are 62% and 54% of that of their male peers, respectively.[5] And 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] This is not only bad for women, it is bad for the economy, and it's bad for investors.

On a positive note, Glassdoor finds that we could reach pay parity as soon as 2035 if we keep up the current momentum. Over the last 3 years, the pay gap has fallen from 24.1% to 21.4%.[7] Even better, PwC's 2020 Women in Work Index estimates closing the gender pay gap could boost the economies of the Organization for Economic Cooperation and Development (OECD) countries by $2 trillion annually.[8]

Gender and racial pay equity is now a key area of focus for companies. In 2018, gender pay equity followed sexual harassment as the second-most concerning issue for employers. Sixty one percent of more than 1,000 companies surveyed now report conducting pay audits and revising hiring practices, but only 14% have modified compensation policies to facilitate the advancement of women and minorities through the ranks.[9] Far fewer have provided the kind of quantitative gender and racial pay gap reporting sought by investors.

[1] Data compiled is from public disclosures and investor/company agreements.
[2] https://www.weforum.org/agenda/2019/12/global-economic-gender-gap-equality-women-parity-pay/
[3] http://www.equalpaytoday.org/equalpaydays
[4] https://www.aauw.org/research/the-simple-truth-about-the-gender-pay-gap/
[5] https://www.catalyst.org/research/womens-earnings-the-pay-gap/
[6] http://www.equalpaytoday.org/equalpaydays
[7] https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf
[8] https://www.pwc.com/gx/en/news-room/press-releases/2020/women-in-work-index-2020.html
[9] https://www.littler.com/publication-press/press/littler-survey-finds-employers-reeling-regulatory-shifts-and-new-forces

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.

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% in 2016 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 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 50% of the stock) to 39% support at Oracle.

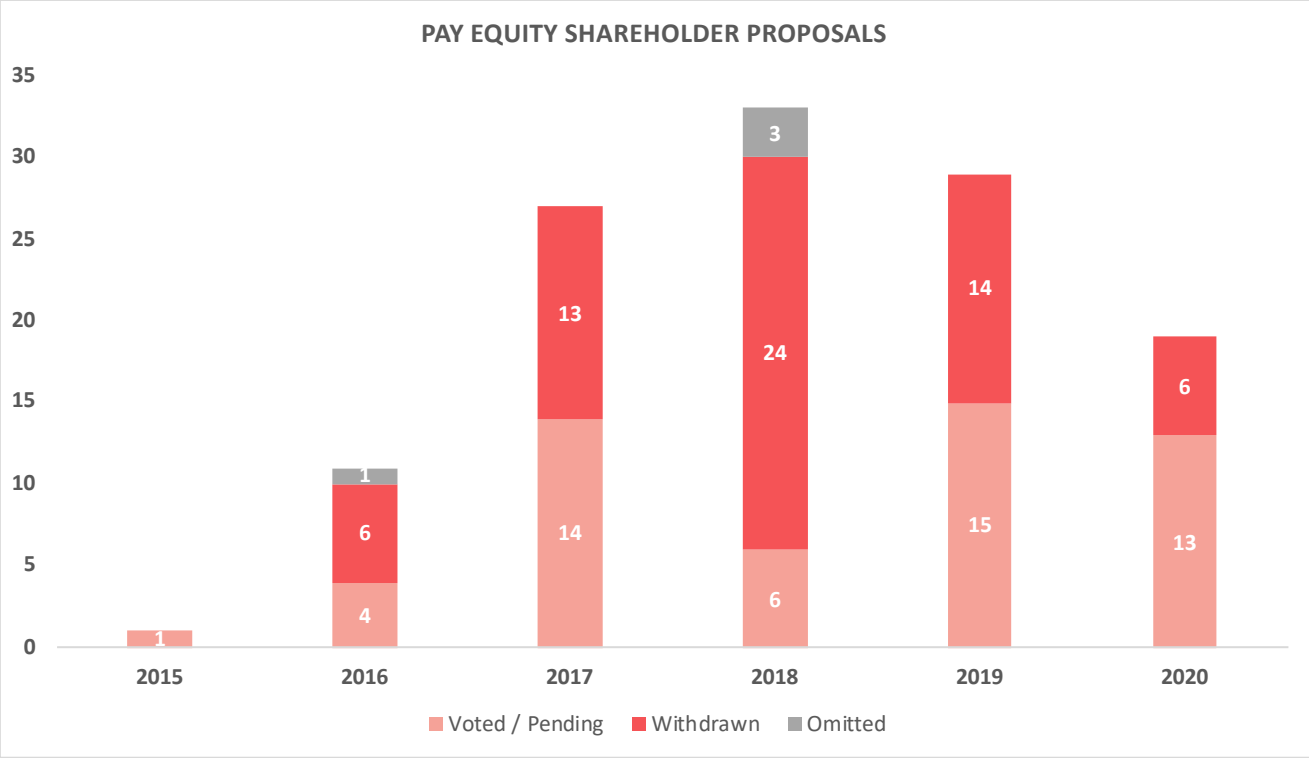
Thirty-three proposals were filed in 2018, with a focus on banks and financial services companies. Companies were much more responsive to investor requests, and 24 resolutions were withdrawn, as companies agreed to improve disclosures and close their gender pay gaps. Yet disclosure was limited to adjusted 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. This was partly due to new investor proposals asking companies to provide unadjusted median pay data. This data helps identify the opportunity gap for women and minorities to higher paying jobs. (More detail regarding the difference between adjusted "equal pay" and unadjusted "median pay" disclosures is provided in a subsequent section.) 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.

As of March 2020, 19 proposals have been filed, with several more likely to be filed before the end of the year. Most of these proposals ask for median pay gap reports and several ask for racial, ethnic and gender pay data. Six proposals were filed at new companies representing a range of industry sectors, and five of these have already been withdrawn. Thirteen of this year's proposals are resubmissions, with nearly all of them targeting companies that averaged more than a 30%[10] vote in 2019. Most of these companies have received three or more pay equity proposals already. These companies have either not provided gender/racial pay gap disclosure or still have significant omissions in their reporting. On the other hand, three companies—Starbucks, Mastercard and Wyndham Hotels and Resorts–have reported their median pay gaps in the 2020 proxy season.

Over the last six years, at least 68 companies have faced 125 shareholder resolutions on the gender pay gap, along with many more shareholder dialogue in the absence of a formal proposal. The shareholder campaign has primarily focused on the financial services, consumer, healthcare, and technology/communications sectors. Many companies initially agreed to report their adjusted gender pay equity numbers but are now balking at reporting unadjusted median pay data. 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.

[10] The two exceptions were at Alphabet (11% vote) and Facebook (10%) where the company founders control more than 50% of all shares – but even at these companies the shareholder support represented over 30% of the non-management controlled vote.



Source: Sustainable Investments Institute (Si2) as of 3-23-20

BACKGROUND: ADJUSTED VS UNADJUSTED PAY GAPS

The gender pay gap is literally defined as the median pay of women versus the median pay of men working full time. Women in the U.S. make 82 cents on the dollar versus men on this basis. The median pay gap can reflect not only a lack of equal pay for equal work, but perhaps more importantly, it reflects the 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.

> *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, companies in the United States have reported statistically adjusted "equal pay" gaps comparing employees conducting similar work but 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 equal pay and median pay numbers is the first critical step to ensure those gaps close over time.

So, first, the definitions:

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.
- 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.[11]

Unadjusted "Median pay" gap:

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

In short, "equal pay" gaps measure whether women and minorities are being paid commensurate with their peers for the work they are doing today. But "median pay" gaps measure whether these groups are holding and have the opportunity to hold as many high-paying jobs as their 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.

Many of the companies in the GPS 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 and Mastercard.

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 "equal pay" basis, women at Citi are paid 99% of what men are paid, adjusting for job function, level, and geography. But the median pay gap paints a very different picture. Last January, Citigroup reported that women earned 71% on the median versus men, and minorities earned 93% 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 were significant. But the good news is that Citi was willing to be transparent and improve. Over the last year, Citigroup shrunk its median gender pay gap from 29% to 27%, and its U.S. minority pay gap from 7% to 6%.[12] Citigroup provided 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.

[11] https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf
[12] https://blog.citigroup.com/2020/01/update-on-citis-global-pay-equity/

BACKGROUND: ADJUSTED VS UNADJUSTED PAY GAPS (CONTINUED)

The future of 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 women and minorities 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 provided 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

Gender and racial pay equity legislation has continued to pick up steam in the U.S. and internationally. Much of that regulation is focused on wage transparency.

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.[13] A November 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.[14]

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 April 2018. This regulation not only affects U.K.-based corporations, but 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.[15] More severe examples include women at major investment banks who are paid around half of that of their male colleagues.[16]

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.[17]

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.[18]

[13] 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

[14] https://hbr.org/2020/02/can-transparency-laws-fix-the-gender-wage-gap

[15] https://www.wsj.com/graphics/uk-pay-gap/

[16] http://www.wsj.com/articles/credit-suisse-reveals-u-k-gender-pay-gap-1522137793

[17] xhttps://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2019

[18] https://www.natlawreview.com/article/equal-pay-bill

United States Regulation

Despite the 1963 Equal Pay Act which mandates that men and women in the United States receive equal pay for equal work, the pay gap persists 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 Equal Employment Opportunity Commission (EEOC), broken down by sex, race, and ethnicity. This ruling came in March 2019, after a U.S. federal judge overturned a 2016 freeze on new pay equity reporting requirements put in place by the Trump administration.[19] Unfortunately that data is not publicly available.

To further address persistent bias at the federal level, last Equal Pay Day (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.[20] Congress also introduced the Pay Equity for All Act into the House in March 2019. It seeks to redress the differential in wages by "prohibiting employers from seeking or requiring previous wage information or salary history."[21] The Congressional Joint Economic Committee reports 40% of the wage gap may be attributed to discrimination.[22]

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.[23] Alabama, one of two states including Mississippi without any equal pay laws at all,[24] enacted its first Equal Pay Act in June 2019.[25] 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

This year, the European Commission has introduced a proposal for binding measures to make pay systems more transparent in the European Union and strengthen enforcement mechanisms.[26]

[19] https://www.laboremploymentlawblog.com/2019/04/articles/eeoc-enforcement-updates/employers-must-provide-pay-data-september-30/
[20] https://www.congress.gov/bill/116th-congress/house-bill/7/text
[21] https://www.congress.gov/bill/116th-congress/house-bill/1864/all-info
[22] https://www.jec.senate.gov/public/_cache/files/0779dc2f-4a4e-4386-b847-9ae919735acc/gender-pay-inequality----us-congress-joint-economic-committee.pdf
[23] https://www.seyfarth.com/dir_docs/publications/PayEquityBrochure.pdf
[24] https://www.aauw.org/resource/state-equal-pay-laws/
[25] https://www.natlawreview.com/article/2019-wage-hour-developments-year-review-state-updates
[26] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12098-Strengthening-the-principle-of-equal-pay-between-men-and-women-through-pay-transparency

Closing the gender and racial pay gap is first and foremost a question of fairness, yet there is also a compelling business case to be made that it 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 women and minorities 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 gender and racial 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 women and minorities in leadership is correlated with multiple performance benefits—from more innovation to "radical innovation," 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. [27, 28]

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.[29]

- 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.[30, 31]
- 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." [32]
- 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. [33]
- 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." [34]
- 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. [35]
- "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.[36]

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."[37] 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."[38]

[27] http://www.catalyst.org/system/files/why_diversity_matters_catalyst_0.pdf
[28] http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth
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[33] https://piie.com/publications/working-papers/gender-diversity-profitable-evidence-global-survey
[34] https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/cs-gender-3000-report-2019-201910.html
[35] https://corpgov.law.harvard.edu/2017/03/16/diversity-investing/
[36] https://ideas.darden.virginia.edu/companies-innovate-more-when-boards-include-woman
[37] https://www.mckinsey.com/business-functions/organization/our-insights/promoting-gender-parity-in-the-global-workplace
[38] https://hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them

GENDER PAY SCORECARD FINDINGS

	EQUAL PAY GAP		MEDIAN PAY GAP			RACIAL PAY GAP		COMMITMENT	COVERAGE		SCORE	RATING
Financials	% gap, adj	base/bonus/ equity	global	base UK	bonus UK	% gap, adj	median	annual disclosure	% coverage	global goal		
Mastercard	1	1	0.922	0.82	0.51	1.006	0.93	1	1	1	0.92	A
Citigroup	0.99	1	0.73	0.62	0.26	1	0.94	1	1	1	0.85	A
Bank of New York Mellon	0.99	1	0	0.80	0.78	1	0	1	1	1	0.76	B
Progressive Insurance	1	1	0	NA	NA	1	0	1	1	1	0.75	B
JP Morgan	0.99	1	0	0.74	0.59	0.99	0	1	1	1	0.73	B
Wells Fargo	0.99	1	0	0.79	0.56	0.99	0	1	0.93	1	0.73	B
American Express	0.99	1	0	0.81	0.51	0.99	0	0.75	1	1	0.71	B
Bank of America	0.99	1	0	0.71	0.45	0.99	0	1	0.9	1	0.70	B
Reinsurance Group	0.987	1	0	NA	NA	1.07	0	1	0.85	0	0.61	C
Cincinnati Financial	0.99	1	0	NA	NA	0	0	0.75	1	1	0.59	C
Lincoln National	1	0	0	NA	NA	1	0	0	0	0	0.25	F
Key Corp	0.98	0	0	NA	NA	0.98	0	0	0	0	0.25	F
Arthur J. Gallagher	0	0	0	0.60	0.67	0	0	0	0	0	0.13	F
Goldman Sachs	0	0	0	0.73	0.48	0	0	0	0	0	0.12	F
Metlife	0	0	0	0.69	0.44	0	0	0	0	0	0.11	F
Marsh & McLennan	0	0	0	NA	NA	0	0	0	0	0	0	F
Citizens Financial Group	0	0	0	NA	NA	0	0	0	0	0	0	F
Hartford Financial Services	0	0	0	NA	NA	0	0	0	0	0	0	F
Discover Financial Services	0	0	0	NA	NA	0	0	0	0	0	0	F
Technology/Communications	% gap, adj	base/bonus/ equity	global	base UK	bonus UK	% gap, adj	median	annual disclosure	% coverage	global goal		
Apple	1	1	0	0.85	0.58	1	0	1	1	1	0.74	B
Intel	1	1	0	0.66	0.39	1	0	1	1	1	0.71	B
Alphabet	1	1	0	0.94	0.90	1	0	1	0.93	0	0.68	C
Expedia	1	1	0	0.80	0.70	0	0	1	1	1	0.65	C
Facebook	1	1	0	0.88	0.58	0	0	1	1	1	0.65	C
eBay	0.998	1	0	NA	NA	0	0	1	0.8	1	0.60	C
Microsoft	1	0.33	0	0.92	0.87	1.006	0	1	0.8	0	0.59	C
Texas Instruments	1	1	0	0.64	0.56	0	0	1	0.7	1	0.59	C
Adobe	1	0.33	0	0.81	0.55	1	0	0	1	1	0.57	C
Hewlett Packard	1	0	0	1.02	1.01	0	0	1	0	0	0.40	D
Verizon Communications	0	0	0	0.87	0.80	0	0	0	0	0	0.17	F
AT&T Inc.	0	0	0	0.84	0.74	0	0	0	0	0	0.16	F
Oracle	0	0	0	0.83	0.56	0	0	0	0	0	0.14	F
Qualcomm	0	0	0	0.86	0.48	0	0	0	0	0	0.13	F
Analog Devices	0	0	0	NA	NA	0	0	0	0	0	0	F
Consumer	% gap, adj	base/bonus/ equity	global	base UK	bonus UK	% gap, adj	median	annual disclosure	% coverage	global goal		
Starbucks	1	1	0.983	1	0.85	1	1	1	0.67	1	0.95	A
Nike	1	1	0	0.97	0.65	1	0	1	1	1	0.76	B
Amazon	0.993	0.66	0	0.91	0.84	0.991	0	1	0.5	0	0.59	C
Costco	0.999	1	0	0.95	0.85	0	0	0.75	0.68	0	0.52	D
Wyndham Hotels & Resorts	0	0	0.952	NA	NA	0	0	1	0.95	1	0.49	D
Marriott	0	0	0	0.98	1.35	0	0	0	0	0	0.23	F
McDonald's	0	0	0	1	0.93	0	0	0	0	0	0.19	F
Walmart	0	0	0	0.94	0.82	0	0	0	0	0	0.18	F
TJX Companies	0	0	0	0.91	0.71	0	0	0	0	0	0.16	F
Colgate	0	0	0	NA	NA	0	0	0	0	0	0	F
Healthcare	% gap, adj	base/bonus/ equity	global	base UK	bonus UK	% gap, adj	median	annual disclosure	% coverage	global goal		
Pfizer	0.99	1	0	0.84	0.73	1	0	1	0.85	1	0.74	B
Cigna	0	0	0	0.77	0.85	0	0	0	0	0	0.16	F
DaVita Inc.	0	0	0	NA	NA	0	0	0	0	0	0	F
IDEXX Laboratories	0	0	0	NA	NA	0	0	0	0	0	0	F
Intuitive Surgical	0	0	0	NA	NA	0	0	0	0	0	0	F
Quest Diagnostics	0	0	0	NA	NA	0	0	0	0	0	0	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.
American Express and Costco receive scores of 0.75 for ongoing rather than annual disclosure; and Amazon receives a score of 0.50 for no disclosure of employee % coverage.
The UK scores for multiple divisions were averaged in the absence of integrated reporting (Goldman Sachs).

FINDINGS: BY SCORECARD CATEGORY

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

1. EQUAL 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. Twelve companies report gender pay gap percentages in the vicinity of 98.7% to 99.9%. Fourteen companies report they have achieved 100% equal pay, up from ten last year, and five the year before, including Mastercard, Progressive Insurance, Lincoln National, Intel, Alphabet, Expedia, Facebook, Apple, eBay, Microsoft, Texas Instruments, Adobe, Hewlett Packard, Starbucks, and Nike.

b. 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 50 companies covered by the GPS, 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.

2. MEDIAN PAY GAP:

Both adjusted Equal Pay gaps and unadjusted Median Pay reporting is essential to understand the gender pay gap in a comprehensive manner. To date, U.S. disclosures have been mostly limited to adjusted equal pay gap 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 global, not just U.K. operations.

a. Global Median: Four U.S. companies—Citigroup, Mastercard, Starbucks and Wyndham Hotels and Resorts—have now disclosed their global median gender pay gaps, following only one last year—Citigroup. 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. Starbucks has the lowest global median pay gap, paying women 98.3 cents on the dollar versus men.

b. 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. Three companies report no hourly wage gaps in the U.K., including Starbucks, McDonald's, and Hewlett Packard. Arthur J. Gallagher reports the largest median hourly pay gap, paying women 60 cents on the dollar versus men.

c. U.K. Median Bonus: Thirty-three companies in the scorecard are required to report their median bonus gender pay in the U.K. Two companies—Marriott and Hewlett Packard—report no bonus gaps. Citigroup reports the largest median bonus pay gap, awarding women 26 cents on the dollar versus men.

3. RACIAL PAY GAP:

The gender pay gap is wider for women of color and minorities. In fact, in the U.S., African American and Latina women make 62% and 54% of that 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 currently report the pay gaps that result from the intersectionality of race and gender.

a. Adjusted Racial Pay Gap %: Twenty companies in the GPS disclose their racial/ ethnic/minority pay gaps on an adjusted equal pay basis, up from 17 last year. Fourteen companies—Mastercard, Citigroup, Bank of New York Mellon, Progressive Insurance, Reinsurance Group, Lincoln National, Intel, Alphabet, Apple, Microsoft, Adobe, Starbucks, Nike, and Pfizer report 100% equal pay for this category, up from 10 last year.

b. Median Racial Pay Gap: Starbucks and Mastercard, joined Citigroup in disclosing their U.S. median racial pay gap since last year. The median racial pay gap was introduced to the Scorecard last year as a new category reflecting an improvement in best practice.

4. COMMITMENT:

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 gender bias. Twenty companies in the GPS have committed to annual disclosure, up from 14 last year, while two more, American Express and Reinsurance Group of America, have committed to "ongoing," versus annual, disclosure, for which they receive a lower rating.

5. COVERAGE:

a. The gender pay gap is not limited to the U.S., and many companies have multi-national operations. Twenty-three companies report the percentage of operations covered by their pay analyses, up from 19 last year, the exception being Amazon, who receives a lower score for lack of transparency in this sub-category. Twelve companies report on 100% of their global operations, including Mastercard, Citigroup, Bank of New York Mellon, Progressive Insurance, JPMorgan, American Express, Intel, Expedia, Facebook, Apple, Adobe, and Nike.

b. 100% coverage is essential to fully understand global gender equity across all geographies and operations. Nineteen companies have a goal to report globally, up from 14 last year.

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.[39]

1. FINANCE

Representation: Wall Street has been rife with gender imbalance, sexual discrimination, and few women in the top ranks. 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.[40] Female executives are also 20 to 30% more likely to leave financial services careers than other careers.[41] It's clear that attracting, retaining, and moving more women into high paying positions is critical to gender equity 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.[42] Robeco Sam finds a 12% pay gap for financial company managers.[43] U.S. Census Bureau data finds female financial advisors faced a 58.9% pay gap in 2017, the widest of occupations reviewed.[44]

Pass: Mastercard tops the 2020 GPS list with a grade of 92/100, receiving an A alongside Citigroup, which has led in pay transparency in 2019. This ranking reflects Mastercard's disclosure of not only equal pay, but disclosure of median pay along gender and racial lines. Mastercard illustrates strong performance with 100% adjusted gender and racial pay equity and 92.2% global median pay equity. Mastercard pays its female U.K. employees median hourly pay equal to 82% of what male employees are paid, well above the U.K. industry average of 73%, and its bonus pay is average at 51%. These gaps continue to reflect a structural deficit in the ranks, where men hold more higher paying roles. Mastercard's and Citigroup's A ratings reflect their leadership as the only financial services companies to report their global median gender and U.S. median racial pay gaps. All other companies receive a sub-category score of 0 for lack of a global median and U.S. racial pay gap disclosure.

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.[45]

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.[46] Robeco Sam further finds a 10% pay gap for managers at software companies and a lower retention rate for female managers than male managers.[47]

Pass: Intel tops the 2020 GPS technology/communications sector list with a grade of 71/100 or a B, illustrating strong performance with 100% adjusted gender and racial pay equity including base, bonus and equity components, annual disclosure, and 100% global coverage. However, Intel, like all of its technology peers, does not report its global median gender or U.S. median racial pay gap. And its median U.K. pay gaps, with women earning 66% and 39% for hourly and bonus pay, respectively, are below the average of 84% and 76%, respectively.

Fail: Verizon, AT&T, Oracle, Qualcomm, and Analog Devices receive F's for lack of quantitative reporting, commitments, and global coverage. Hewlett Packard has improved its performance from an F last year to a D for reporting a quantitative equal pay gap data point, but disclosures stand to be improved.

[39] https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf
[40] http://www.oliverwyman.com/media-center/2016/women-in-financial-services-2016-press-release.html
[41] http://www.mmc.com/content/dam/mmc-web/Files/Women%20In%20Financial%20Services%202016.pdf
[42] https://www.glassdoor.com/research/studies/gender-pay-gap-2019/
[43] http://edge-cert.org/wp-content/uploads/2017/11/Does-corporate-gender-equality-lead-to-outperformance.pdf
[44] https://www.usatoday.com/story/money/careers/2018/12/05/gender-pay-gap-2018-worst-paying-jobs-women/38565069/
[45] https://womenintheworkplace.com
[46] https://www.glassdoor.com/research/studies/gender-pay-gap-2019/
[47] http://edge-cert.org/wp-content/uploads/2017/11/Does-corporate-gender-equality-lead-to-outperformance.pdf

3. CONSUMER

Representation: 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 wage gap is 74.3% for retail salespersons in their "top 20 jobs with the highest gender pay gaps" list.[48] 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. Robeco Sam finds a 10% pay gap for retail managers.[49]

Pass: Starbucks tops the 2020 consumer sector GPS list with a grade of A, illustrating strong performance with 100% adjusted gender and racial pay equity, including base, bonus and equity components, and annual disclosure. Starbucks took the lead in the consumer sector this year as the first to publish its global median pay gap and U.S. median racial pay gap. Starbucks pays women 98.3% of what it pays men on a global basis and U.S. minorities are paid 100% the median pay of their majority peers. Starbucks also boasts 100% median base pay equity in the United Kingdom alongside McDonald's.

Fail: Five companies receive a failing grade in the consumer sector, Marriott, McDonald's, Walmart, TJX Companies, and Colgate for lack of quantitative reporting, commitments, and global coverage. On a positive note, McDonald's reports no median UK hourly pay gap.

4. HEALTHCARE

Representation: Women hold over 75% of healthcare jobs, but only 21% of executives and board members in the Fortune 500 are women.[50]

Pay Gaps: The Healthcare Industry is reported to have the 5th widest adjusted 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 pay gap at 2.2%, improving 0.8% since 2015.[51] The Bureau of Labor Statistics reports female physicians and surgeons faced a 62.2% pay gap in 2014, the 2nd widest of occupations reviewed.[52] The gap for doctors is equal to a nearly $20,000 salary shortfall.[53]

Pass: Pfizer tops the 2020 healthcare GPS list with a grade of 74/100, the only B among a sea of F's. This ranking reflects 99% adjusted pay equity, and 100% adjusted racial pay equity, along with a commitment to report annually and increase coverage from 85% of employees to 100% over time.

Fail: Of the six peer healthcare companies, five receive a failing grade—Cigna, DaVita Healthcare Partners, IDEXX Laboratories, Intuitive Surgical, 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.

[48] https://www.usatoday.com/story/money/careers/2018/12/05/gender-pay-gap-2018-worst-paying-jobs-women/38565069/
[49] http://www.glassdoor.com/research/studies/gender-pay-gap-2019/
[50] http://fortune.com/2017/03/08/international-womens-day-healthcare-gender-gap/
[51] https://www.glassdoor.com/research/app/uploads/sites/2/2019/02/Gender-Pay-Gap-2019-Research-Report.pdf
[52] http://fortune.com/2015/03/02/jobs-biggest-gender-pay-gaps/
[53] http://fortune.com/2017/03/08/international-womens-day-healthcare-gender-gap/

RECOMMENDATIONS

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

FULL DISCLOSURE OF:

1. Quantitative adjusted equal pay gap %
2. Global unadjusted median pay gap %, not only for U.K. operations
3. Quantitative adjusted racial equal pay gap %
4. U.S. unadjusted median racial pay gap %
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 gender and racial 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 gender and racial pay inequity. Improving pay equity also improves companies' ability to attract, retain, and place more women and minorities 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 gender and racial pay gaps is essential to achieve pay equity and create more diverse companies. Investors have effectively used shareholder dialogues 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 gender and racial pay equity and the benefits that diversity affords to all involved.

APPENDIX: GRADING METHODOLOGY

The Gender Pay Scorecard (GPS) is a clear way to navigate current corporate gender and racial 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 GPS IS BROKEN INTO 5 MAIN CATEGORIES:

1. Equal Pay Gap
2. Median Pay Gap
3. Racial Pay Gap
4. Coverage
5. Commitment

The five main categories include 10 subcategories, all scored on a scale of 0-1,[54] 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. The methodology has stayed the same as in 2019, but a new subcategory was added in 2019 under Racial Pay, U.S. Median Racial Pay Gap, to reflect a new standard in best practice.

1. Equal Pay Gap:
- i. Adjusted Gender Pay Gap—adjusted by job category, seniority, geography, etc.
- ii. Components of Compensation Included—base salary, bonus, and equity awards

2. Median Pay Gap:
- i. United Kingdom Median Hourly Pay Gap [55]
- ii. United Kingdom Median Bonus Pay Gap [56]
- iii. Global Median Pay Gap

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

4. Coverage:
- i. Percentage of Global Operations covered by Equal Pay Gap disclosure
- ii. Goal to disclose 100% of Global Operations over time

5. Commitment:
- i. Public Commitment or Investor Agreement to disclose Equal Pay Gap annually

GRADING SCALE

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

[54] 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.

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

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

APPENDIX: SHAREHOLDER RESOLUTIONS

2020

Adobe
Arjuna Capital

Alphabet
Arjuna Capital / Proxy Impact

Amazon.com
Arjuna Capital

American Express
Arjuna Capital

Assurant
NYC pension funds

Bank of America
Arjuna Capital

Bank of New York Mellon
Arjuna Capital

Cerner
NYC pension funds

CIGNA
Proxy Impact

Facebook
Arjuna Capital

HCA Healthcare
NYC pension funds

Intel
Arjuna Capital

JPMorgan Chase
Arjuna Capital

Loews
NYC pension funds

Mastercard
Arjuna Capital

Microsoft
Arjuna Capital / Proxy Impact

Pfizer
Proxy Impact

Starbucks
Arjuna Capital

Wells Fargo
Arjuna Capital

Wyndham Destinations
Proxy Impact

2019

Adobe
Arjuna Capital

Alphabet
Arjuna Capital / Proxy Impact

Amazon.com
Arjuna Capital

American Express
Arjuna Capital

Analog Devices
Proxy Impact

Arthur J. Gallagher
NYC pension funds

Bank of America
Arjuna Capital

Bank of New York Mellon
Arjuna Capital

CIGNA
Proxy Impact

Cincinnati Financial
NYC pension funds

Citigroup
Arjuna Capital

Citizens Financial Group
Pax World Funds

DaVita HealthCare Partners
NYC pension funds

Facebook
Arjuna Capital

Hartford Financial Services Group
NYC pension funds

IDEXX Laboratories
NYC pension funds

Intel
Arjuna Capital

Intuitive Surgical
NYC pension funds

JPMorgan Chase
Arjuna Capital

Lincoln National
NYC pension funds

Marsh & McLennan
NYC pension funds

Mastercard
Arjuna Capital

Microsoft
Arjuna Capital / Proxy Impact

Oracle
Pax World Funds

Pfizer
Proxy Impact

Quest Diagnostics
NYC pension funds

ResMed
NYC pension funds

TJX
Zevin Asset Management/ Proxy Impact

Wells Fargo
Arjuna Capital

2018

Abbott Laboratories
NYC pension funds

Aetna
NYC pension funds

Alphabet
Arjuna Capital / Proxy Impact

American Express
Arjuna Capital

Bank of America
Arjuna Capital

Bank of New York Mellon
Arjuna Capital

Baxter International
NYC pension funds

Citigroup
Arjuna Capital

Costco Wholesale
Arjuna Capital

Discover Financial Services
Pax World Funds

Edwards Lifesciences
NYC pension funds

Express Scripts
NYC pension funds

Exxon Mobil
Eve S. Sprunt

Facebook
Arjuna Capital

HP
Pax World Funds

JPMorgan Chase
Arjuna Capital

KeyCorp
Pax World Funds

Marriott International
Zevin Asset Management

Marsh & McLennan
NYC pension funds

Mastercard
Arjuna Capital

McDonald's
Jennifer H. McDowell

Metlife
NYC pension funds

Oracle
Pax World Funds

Principal Financial Group
NYC pension funds

Progressive
Arjuna Capital

Progressive
NYC pension funds

Reinsurance Group of America
Arjuna Capital

Texas Instruments
Arjuna Capital

TJX
Zevin Asset Management

Travelers
NYC pension funds

Walmart
Arjuna Capital

Walmart
Organization United for Respect

Wells Fargo
Arjuna Capital

2017

Aetna
NYC pension funds

AFLAC
NYC pension funds

Allstate
NYC pension funds

Alphabet
Arjuna Capital / Proxy Impact

American Express
Arjuna Capital

American International Group
NYC pension funds

Anthem
NYC pension funds

AT&T
Pax World Funds

Bank of America
Arjuna Capital

Bank of New York Mellon
Pax World Funds

Citigroup
Arjuna Capital

Express Scripts
NYC pension funds

Exxon Mobil
Eve S. Sprunt

Facebook
Arjuna Capital

Goldman Sachs
Pax World Funds

JP Morgan Chase
Arjuna Capital

Mastercard
Arjuna Capital

McKesson
NYC pension funds

NIKE
Arjuna Capital

Oracle
Pax World Funds

Qualcomm
Pax World Funds

TJX
Zevin Asset Management

Travelers
NYC pension funds

UnitedHealth Group
NYC pension funds

Verizon Communications
Pax World Funds

Walmart
Arjuna Capital

Wells Fargo
Arjuna Capital

2016

Adobe
Arjuna Capital

Alphabet
Arjuna Capital / Proxy Impact

Amazon.com
Arjuna Capital

American Express
Trillium Asset Management

Apple
Arjuna Capital

Apple
Pax World Funds

Citigroup
Trillium Asset Management

eBay
Arjuna Capital

Expedia Group
Arjuna Capital

Exxon Mobil
Eve S. Sprunt

Facebook
Arjuna Capital

Intel
Arjuna Capital

Microsoft
Arjuna Capital

2015

eBay
Arjuna Capital

Exxon Mobil
Eve S. Sprunt

Walmart
Cynthia Murray

APPENDIX: EXAMPLE OF A RESOLUTION

GENDER/RACIAL PAY EQUITY

Whereas: The World Economic Forum estimates the gender pay gap costs the economy 1.2 trillion dollars annually. The median income for women working full time in the United States is 80 percent that of men. This disparity can equal half a million dollars over a career. Intersecting race, the gap for African American and Latina women is 60 percent and 55 percent. At the current rate, women overall will not reach pay equity until 2059, African American women until 2130, and Latina women until 2224.

United States companies have begun reporting statistically adjusted equal pay numbers, assessing the pay of men and women, minorities and non-minorities, performing similar jobs, but mostly ignore median pay gaps. Regulation in the United Kingdom mandates disclosure of median gender pay gaps. Bank of New York Mellon reported a 20 percent median base pay gap and a 22 percent bonus pay gap for its London branch, but has not published its global median pay gap.

Bank of New York Mellon reports women and minorities earn 99 percent the compensation received by men and non-minorities on an equal pay basis. Yet, that statistically adjusted number is only half the story, failing to consider how discrimination affects opportunity. The objective of this proposal—median pay gap disclosure—addresses the structural bias that affects the jobs women and minorities hold, particularly when white men hold most higher paying jobs.

Women account for 41 percent of our company's global workforce, but only 25 percent of senior leadership. Mercer finds female executives are 20 to 30 percent more likely to leave financial services careers than other careers. Actively managing pay equity "is associated with higher current female representation at the professional through executive levels and a faster trajectory to improved representation."

Research from Morgan Stanley, McKinsey, and Robeco Sam suggests diverse leadership leads to superior stock performance and return on equity. McKinsey states, "the business case for the advancement and promotion of women is compelling." Best practices include "tracking and eliminating gender pay gaps."

Public policy risk is of concern in the United States. The Paycheck Fairness Act pends before Congress. California, Massachusetts, New York, and Maryland have strengthened pay legislation. The Congressional Joint Economic Committee reports 40 percent of the wage gap may be attributed to discrimination.

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).

Supporting Statement: A report adequate for investors to assess company strategy and performance would include the percentage global median pay gap between male and female employees across race and ethnicity, including base, bonus and equity compensation.

APPENDIX: EXAMPLE OF A SHAREHOLDER MEMO[57]

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.[58]
     - 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.

[57] Resolution proponents often provide shareholder education materials to inform investors about an issue.
[58] https://www.glassdoor.com/research/app/uploads/sites/2/2019/03/Gender-Pay-Gap-2019-Research-Report-1.pdf

Investor Response to 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 Mellon[59]

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.

[59] 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

https://gender-pay-gap.service.gov.uk/Viewing/download
https://newsroom.mastercard.com/2020/02/28/our-shared-success-black-history-month-beyond/; https://newsroom.mastercard.com/2020/03/02/for-women-for-everyone-mastercards-commitment-to-gender-balance/
https://blog.citigroup.com/2020/01/update-on-citis-global-pay-equity/ (source: opposition statement)
https://www.progressive.com/about/diversity-and-inclusion/
https://www.jpmorgan.com/global/disclosures/gender-pay-gap-uk
https://www.wellsfargo.com/about/corporate/governance/business-standards-report/
https://about.americanexpress.com/files/doc_library/file/American-Express-Committment-to-Pay-Equity.pdf
https://about.bankofamerica.com/assets/pdf/Gender-Pay-Gap-Report-2018.pdf
https://rgare.com/investors/governance
https://cincinnatifinancialcorporation.gcs-web.com/static-files/9bead5ea-c08b-4636-8f26-452170919ea8
https://www.lfg.com/wcs-static/pdf/Gender%20Pay%20Equity.pdf
https://www.key.com/about/diversity/pay-equity-commitment.jsp
https://www.ajg.com/uk~/media/files/gallagher-uk/about-us/gallagher-gender-pay-gap-report-2018-gbs.pdf
https://www.goldmansachs.com/our-firm/people-and-culture/gender-pay-gap/
https://www.metlife.com/content/dam/metlifecom/us/homepage/corporate-responsibility/pdf/MetLife_on_Pay_Equity_2018.pdf
https://www.mmc.com/content/dam/mmc-web/v2/esg/Pay%20Equity%20Statement.pdf
https://www.citizensbank.com/diversity-and-inclusion/pay-equity.aspx
https://newsroom.intel.com/editorials/intels-continued-commitment-transparency-equity-all-levels/#gs.12333m
https://www.blog.google/inside-google/working-google/our-annual-pay-equity-review/
https://www.expediagroup.com/gender-balance/
https://newsroom.fb.com/news/2018/07/diversity-report/
https://www.apple.com/legal/more-resources/docs/uk-gender-pay-gap-report-2018.pdf
https://www.ebayinc.com/stories/news/ebay-ceos-annual-letter-to-shareholders/
https://query.prod.cms.rt.microsoft.com/cms/api/am/binary/RE4aqv1
http://www.ti.com/lit/ml/sszo050a/sszo050a.pdf
https://www.adobe.com/diversity/pay-parity.html
https://www8.hp.com/us/en/hp-information/about-hp/diversity/fair-and-equitable-pay.html
https://www.verizon.com/about/our-company/company-policies/commitment-to-pay-equity
https://www.starbucks.com/responsibility/community/diversity-and-inclusion/aspirations; https://stories.starbucks.com/press/2019/starbucks-equity-and-inclusion-timeline/
https://purpose.nike.com/fy19-representation-and-pay
https://www.aboutamazon.com/working-at-amazon/diversity-and-inclusion/our-workforce-data
https://www.costco.com/sustainability-employees.html
http://d18rn0p25nwr6d.cloudfront.net/CIK-0001722684/d2d29aca-c95a-4272-b79a-d81de8f06d60.pdf
http://serve360.marriott.com/wp-content/uploads/2018/03/UK_Gender_Pay_Gap_Report_2018.pdf
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https://www.pfizer.co.uk/sites/g/files/g10043551/f/201802/Pfizer%20Gender%20Pay%20Gap%20Report%202018.pdf
https://www.cigna.com/about-us/corporate-responsibility/report/our-people/diversity-and-inclusion
https://www.davita.com/-/media/davita/project/kidneycare/pdf/corporate-governance/dva-pay-equity-disclosure-32119-final.ashx?la=en-us&hash=E5E2F4F69620F3C0BB52FFE818ABCE6CD36BFA12
https://www.idexx.com/files/IDEXX_Corporate_Responsibility_Report-2.pdf
https://www.intuitive.com/en-us/-/media/Project/Intuitive-surgical/files/pdf/intuitive-pay-equity-statement-1058021.pdf?la=en&hash=3DCBB857EA94DE2402EF1FC378E449A0
http://www.questdiagnostics.com/home/about/Diversity-Inclusion/Our-Commitment-to-a-Diverse-Workforce-and-Equitable-Compensation/

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