

Harvard Law School Forum on Corporate Governance

Mission and Goals of the Racial Justice Initiative

Posted by Olivia Knight, As You Sow, on Friday, June 2, 2023

Tags: [corporate disclosure](#), [corporate engagement](#), [dei](#), [Diversity](#), [Gender Diversity](#), [racial justice](#), [workplace equity](#)

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Editor's Note: [Olivia Knight](#) leads As You Sow's Racial Justice Initiative. Related research from the Program on Corporate Governance includes [The Illusory Promise of Stakeholder Governance](#) (discussed on the Forum [here](#)) by Lucian A. Bebchuk and Roberto Tallarita; [How Much Do Investors Care about Social Responsibility?](#) (discussed on the Forum [here](#)) by Scott Hirst, Kobi Kastiel, and Tamar Kricheli-Katz; and [Social Responsibility Resolutions](#) (discussed on the Forum [here](#)) by Scott Hirst.

[Racial Justice — As You Sow](#)

In May 2020, the world witnessed the horrific death of George Floyd, shocking Americans into confronting the racial injustice experienced by Black Americans daily. This event forced a re-evaluation of our most fundamental beliefs and institutions and became a catalyst for change. *As You Sow*, the nation's leading non-profit in shareholder advocacy, created the Racial Justice Initiative to hold corporations accountable on the racial justice statements issued in response to George Floyd's murder and the national uprising demanding eradication of systemic racism. Corporate public statements of support for Black communities were released quickly, some as vague and noncommittal as the corporate actions that followed. Other companies expressed profound commitments to sustained efforts to eliminate systemic racism and are actively working on promoting racial justice. The purpose of the Initiative is to monitor these corporate responses and follow up with companies to ensure that the statements of support for racial justice are translated into concrete actions that truly promote equity thereby helping them on the path to end corporate complicity in systemic racism.

Corporate Engagement on Racial Equity and Diversity, Equity and Inclusion

There is growing acknowledgement that systemic racism is the underlying cause of discrimination and injustice, and that corporations are complicit in perpetuating systemic racism. Despite the well-documented material benefits that companies gain through diversification, corporations have been slow to realize the critical role they play in perpetuating systemic racism. First steps have been taken by many companies by acknowledging the inequities that exist and expressing a willingness to change. Our role, as shareholder advocates, is to educate companies so they can examine the implicit biases built into their systems. The Racial Justice Initiative helps companies achieve an antiracist perspective to enhance their business models and create a direct positive impact on the lives of all stakeholders.

Since 2020 the Racial Justice Initiative has developed Racial Justice Scorecards on the Russell 1000, which track publicly available information on key actions related to racial equity, diversity, equity and inclusion (DEI) disclosure and policies, and environmental justice. We update our data quarterly, giving companies we engage with the opportunity to improve throughout the year. We conduct our annual deep-dive research from May – September. Our Scorecards serve as educational tools, guidelines to help a variety of stakeholders understand and gauge corporate progress on racial equity.

The Racial Justice Initiative directly engages public companies on their racial equity and DEI policies and practices. We use our Scorecards as the backbone of our corporate engagement strategy and use our key performance indicators

(KPIs) as evaluation guidelines to track and monitor corporate progress. Our Racial Justice Scorecards have been used to create standards for [investors](#), [companies](#) and [stakeholders](#) to act responsibly in favor of racial equity.

Racial Justice/ Human Rights Proposals 2023

Source: [Human Rights | Proxy Preview](#)

“Audits: Half of the 24 pending proposals seeking civil rights or racial justice audits are resubmissions that earned high votes in 2022. Proposals use similar formulations at a wide variety of companies. For the third year in a row, they point to public company commitments that clash with persistent inequalities that include deep underrepresentation for people of color and negative, differential impacts of company business in and on communities of color, how and to whom companies provide goods and services, or underrepresentation in upper-level jobs. The proponents argue that addressing systemic racism will make companies run better and be more equitable. Some cite findings from *As You Sow's* [Racial Justice Scorecard](#). Proposals also name specific stakeholder groups to consult and all seek external expertise and advice.”

| Human Rights | | | |
|---|--|---------------------------------------|-----------|
| Company | Proposal | Proponent | Status |
| Racism & Indigenous People | | | |
| Citigroup | Report on indigenous people policy | Srs. of St. Joseph of Peace, NJ | April |
| Wells Fargo | Report on indigenous people policy | American Baptist Church | withdrawn |
| Abbott Laboratories | Report on racial justice impacts/plan | Nia Impact Capital | withdrawn |
| Alphabet | Report on racial justice impacts/plan | Nathan Cummings Foundation | June |
| Altria | Report on racial justice impacts/plan | Srs. of St. Francis of Phila. | May |
| American Water Works | Report on racial justice impacts/plan | Trillium Asset Management | May |
| AT&T | Report on racial justice impacts/plan | Nathan Cummings Foundation | May |
| Bank of America | Report on racial justice impacts/plan | SOC Investment Grp (Change to Win) | April |
| Chevron | Report on racial justice impacts/plan | American Baptist Church | May |
| Chipotle Mexican Grill | Report on racial justice impacts/plan | New York State Common Retirement Fund | May |
| Coca-Cola | Report on racial justice impacts/plan | SEIU Master Trust | April |
| Comcast | Report on racial justice impacts/plan | SEIU Master Trust | June |
| Elevance Health (formerly Anthem) | Report on racial justice impacts/plan | Trillium Asset Management | May |
| GEO Group | Report on racial justice impacts/plan | SEIU Master Trust | May |
| Global Payments | Report on racial justice impacts/plan | As You Sow | withdrawn |
| Goldman Sachs | Report on racial justice impacts/plan | SEIU Master Trust | April |
| Johnson & Johnson | Report on racial justice impacts/plan | Adrian Dominican Sisters | April |
| KeyCorp | Report on racial justice impacts/plan | SEIU Master Trust | May |
| Lumen Technologies (formerly CenturyLink) | Report on racial justice impacts/plan | AFL-CIO | May |
| Mohawk Industries | Report on racial justice impacts/plan | As You Sow | May |
| Salesforce.com | Report on racial justice impacts/plan | Tulipshare Ltd. | June |
| Southern | Report on environmental justice approach | Srs. of St. Joseph of Peace, NJ | May |
| SVB Financial Group | Report on racial justice impacts/plan | Trillium Asset Management | April |
| TransUnion | Report on racial justice impacts/plan | SEIU Master Trust | May |
| Travelers | Report on underwriting racist policing | Arjuna Capital | May |
| Travelers | Report on racial justice impacts/plan | Trillium Asset Management | May |
| United Natural Foods | Report on racial justice impacts/plan | Teamsters | withdrawn |
| UnitedHealth Group | Report on racial justice impacts/plan | Mercy Investment Services | June |
| Valero Energy | Report on racial justice impacts/plan | SEIU Master Trust | April |
| Walmart | Report on racial justice impacts/plan | Daughters of Charity | June |
| Wells Fargo | Report on racial justice impacts/plan | SEIU Master Trust | April |
| Policy & Risk Assessments | | | |
| Alphabet | Report on human rights impact assessment | SHARE | June |
| Caterpillar | Report on human rights policy implementation | Wespath Investment Management | June |
| Chubb Limited | Report on human rights risk assessment | Domini Impact Investments LLC | May |
| General Dynamics | Report on human rights risk assessment | Franciscan Sisters of Allegany, NY | May |

table continued on next page

Workplace Equity Program Introduction

[Workplace Equity — As You Sow](#)

Discrimination in the workplace is pervasive. Despite Title VII of the Civil Rights Act of 1964 [1] making it unlawful to harass or discriminate in the workplace, 48% of African Americans and 36% of Hispanics have experienced race-based workplace discrimination. [2] In addition, 55% of senior-level women say that they have been sexually harassed during their careers. [3]

The consultancy McKinsey found that, in 2018, White women made up 31% of entry level employees, but only 19% of the executive suite. Men of Color made up 16% of entry level employees, but only 9% of the executive suite. Most

egregiously, women of Color made up 17% of entry level employees but only 4% of the executive suite.

The issue of workplace diversity, equity, and inclusion has a direct material impact on investors as research shows financial returns correlated with strong diversity and inclusion programs. In addition to the deep societal harm that an economically unjust system causes, allowing biased and discriminatory employment practices to continue also damages the long-term health of companies. Below is a small sampling of available studies:

As You Sow, in its 2022 review of 277 EEO-1 reports, which detail a company's workforce composition, found a positive association between diversity in management and cash flow, net profit, revenue, and return on equity. [4]

Credit Suisse, in a study of over 3,000 companies, found that companies with women representing more than 20% of managers have had greater share price increases over the past decade than those companies with lower representations of women in management. [5]

A McKinsey study found that companies in the top quartile for gender diversity in corporate leadership had a 21% likelihood of outperforming bottom-quartile industry peers on profitability.

Similarly, leaders in racial and ethnic diversity were 33% more likely to outperform peers on profitability. [6]

A 2019 study of the S&P500 by the Wall Street Journal found that the 20 most diverse companies had an average annual five year stock return that was 5.8% percent higher than the 20 least-diverse companies. [7] The benefits associated with diverse teams include: access to top talent, better understanding of consumer preferences, a stronger mix of leadership skills, informed strategy discussions, and improved risk management. Diversity, and the different perspectives it encourages, has also been shown to encourage more creative and innovative workplace environments.

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This initiative is based on the need for material corporate disclosure on the effectiveness of workplace equity programs. Unfortunately, when we began this program current corporate disclosures of workplace diversity, equity, and inclusion (DEI) programs were primarily anecdotal and qualitative. The provision of selective data provides information that is challenging to use – equivalent to offering revenues without expenses. Investors require consistent full data sets. Without data external stakeholders are unable to know the effectiveness of popular programs, such as employee resource groups, engagement surveys, and bias trainings. Without corporate disclosure of key diversity and inclusion metrics, investors are unable to identify which companies are “walking the talk” and which have strong public relations’ teams.

Endnotes

¹ Title VII of the Civil Rights Act of 1964 makes it unlawful “to discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual's race, color, religion, sex, or national origin <https://www.eeoc.gov/laws/statutes/titlevii.cfm> [\(go back\)](#).

² [Poll: 64 percent of Americans say racism remains a major problem \(nbcnews.com\)](#) [\(go back\)](#).

³ [What #MeToo Has to Do With the Workplace Gender Gap – WSJ](#) [\(go back\)](#).

⁴ [Report — As You Sow](#) [\(go back\)](#).

⁵ [Diversity & Inclusion Yields Strongest Returns \(americanbanker.com\)](#)
([go back](#)).

⁶ [Delivering growth through diversity in the workplace | McKinsey](#)
([go back](#)).

⁷ [The Business Case for More Diversity – WSJ](#)
([go back](#)).

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