



Boston Trust Walden

Principled Investing.

ESG IMPACT REPORT

First Quarter 2021

THE TIPPING POINT: DIVERSITY DATA WITHIN REACH

With sustained, national attention on racial inequality, could corporate transparency on workforce demographics become the new normal? Coalescing investor demand for disclosure of workforce composition information known as the EEO-1 Report—data submitted annually by companies to the Equal Employment Opportunity Commission (EEOC)—suggests a possible tipping point is on the horizon.

For decades, Boston Trust Walden has used all the tools at our disposal to encourage this outcome, including:

- Engaging hundreds of companies and filing numerous resolutions seeking EEO-1 disclosure dating back to 1993.
- Filing a 1993 lawsuit with the New York City Employees' Retirement System and The Women's Division of the Board of Global Ministries of the United Methodist Church against the Securities and Exchange Commission for a No Action decision on a shareholder proposal, which essentially allowed all employment-related resolutions to be omitted from proxies under the "ordinary business" exception. Today, such proposals, including those seeking EEO-1 disclosure, generally pass muster and can go to a shareholder vote.
- Providing testimony in 1994 on the importance of workforce composition disclosure to the bipartisan Federal Glass Ceiling Commission created to address barriers to advancement faced by racial minorities and women—the only investment manager to do so. In its published recommendations, the Commission advocated for increased disclosure of diversity data.
- Authoring in 2008 US SIF's *A Renewed Call to Action: For greater disclosure of Equal Employment Opportunity (EEO) information*, which confirmed relatively few companies reported comprehensive EEO-1 data and called on companies to voluntarily disclose the information.

When companies disclose breakdowns of employees by gender, race, ethnicity, and job categories, investors and other stakeholders have visibility into the effectiveness of companies' diversity, equity, and inclusion initiatives. We believe public accountability for hiring, retaining, and advancing people of color and women is essential to meaningful and enduring progress—and to providing investors information needed to accurately assess and value performance. In 2020 alone, we asked nearly 100 companies to disclose EEO-1 data, information that has generally been tightly held by management.

Case In Point: *Home Depot, Then and Now*

Our recent experience with Home Depot gives reason for cautious optimism. Boston Trust Walden filed a shareholder resolution, led by the Comptroller of the City of New York, seeking annual disclosure of Home Depot's EEO-1 report. The resolution was withdrawn in February upon Home Depot's agreement to make the report public each year, beginning with its next submission to the EEOC.

As evidenced above, shareholder resolutions on EEO-1 disclosure are not new, not even at Home Depot. Following numerous gender bias lawsuits and substantial monetary settlements in the late 1990s, Boston Trust Walden led a multi-year coalition of more than 30 investors—faith-based, union, and investment firms—culminating in a 2001 agreement with Home Depot to provide the EEO-1 Report to investors on request and publicize its availability. Unfortunately, Home Depot's commitment proved short-lived.

What's different now is the powerful context of the 2021 resolution at Home Depot, which states: "High-profile killings of Black men and women in 2020 highlighted the grave consequences of systemic racism in our society, sparked nationwide protests for racial justice, and prompted many companies to publicize their commitments to racial equity and diversity."

The resolution pointedly referenced CEO Craig Menear's strong public statement: "We are all confronting deep pain and anguish over the senseless killing of George Floyd, Ahmaud Arbery and other unarmed Black men and women in our country. We cannot ignore that their deaths are part of a pattern of racism and reflect the harsh reality that as a nation we are much too far from fulfilling the promise of equal justice for all... We do not support discrimination in any form, period."



In Case You Missed It

- 2020 ESG Impact Report:** In February, we released our annual [report](#) detailing actions taken to address climate risk, accelerate workplace equality, and advance sound governance mechanisms, as well as industry-leading disclosure on the reach and impact of our initiatives.
- Climate Optimism:** In a [post](#) on our website, senior ESG research analyst Laura Devenney highlights cautious optimism in response to key actions taken by the Biden Administration in its first 100 days.
- Proxy Voting:** In March, we published our current proxy voting guidelines on our [website](#).

Company statements regarding the importance of providing fair and equitable workplaces are valuable but must be bolstered by meaningful action.

When Home Depot's 2020 EEO-1 report is public later this year, we will have a unique 20-year lens through which to view the company's progress. Home Depot's 2000 EEO-1 Report showed ample room for improvement: women represented 20% of officials and managers and 36% of the overall workforce, while the comparable numbers for Black employees were 7% and 13%, respectively.

Another way companies can move from words to action is by using their leverage as influential business messengers. Civil society organizations, such as Black Voters Matter, are asking companies to speak out against state legislative actions nationwide that seek to restrict voting rights, which disproportionately affect people of color. Home Depot's home state of Georgia is a focal point and the company has stated it is committed to voting rights. We reached out in early March to understand Home Depot's efforts, and, consistent with CEO Menear's heartfelt statement on systemic racism, encourage purposeful action. Since then, state religious leaders have called for a boycott of Home Depot until it explicitly opposes Georgia's new law and other legislative attempts to introduce voting restrictions. We believe it is both timely and necessary to add our investor perspective to the mix of voices seeking to protect and enhance voter rights.

The national context, along with a growing wave of companies committing to disclose EEO-1 data, provide hope that we will not have to revisit this issue at Home Depot, or any other company, in another 10 or 20 years. The tipping point is within reach.

TIDE TURNS ON ESG-RELATED PUBLIC POLICY

The tide is turning, thanks to the Biden Administration's focus on addressing "growing inequity, the sting of systemic racism, and a climate in crisis" and its understanding of the role ESG investing can play in accelerating solutions.

In our recent 2020 ESG Impact Report, we described a trifecta of Securities and Exchange Commission (SEC) and Department of Labor (DOL) rules finalized in the last months of the Trump Administration as curtailing shareholder rights and obstructing investment processes that incorporate ESG considerations. Under the new administration, the SEC and DOL are taking a fresh look at these rules. Each of the recent changes is either on pause or being reevaluated.

Boston Trust Walden Takes Action

- **Climate: We joined the Net Zero Initiative**, backed by more than 70 global investors with \$32 trillion in assets, to accelerate global efforts to achieve net zero greenhouse gas emissions by 2050 or sooner.
- **Conservation:** We signed an investor letter to the U.S. Environmental Protection Agency and Congress against large-scale mining in Alaska’s Bristol Bay and for permanent protection of the wild salmon fishery that sustains Alaska Native communities.
- **Equality:** We signed the Access to Medicine Foundation-led investor statement supporting global, equitable access to COVID-19 testing, treatment, and vaccines.
- **Governance:** We joined a letter to the incoming Biden Administration, coordinated with US SIF, with policy recommendations on a range of issues such as the pandemic, racial injustice, economic inequality, and climate change.

Recent remarks by the SEC and DOL are encouraging:

- **SEC rules on governing the shareholder resolution process**
In a March 15th statement, Acting SEC Chair Allison Herren Lee remarked, “[A]s has been true for decades, the shareholder proposal process continues to provide an important mechanism for investors to improve corporate governance and advance sustainable long-term strategies at the businesses they own.” Lee referenced growing investor interest in topics such as climate change, workforce diversity, and corporate political spending, and, importantly, has directed SEC staff to develop proposals and potentially revise guidance on the shareholder resolution process. Also—though its outcome is uncertain—a resolution to rescind the new shareholder resolution rules was introduced in the Senate under the Congressional Review Act.
- **DOL rules on *Financial Factors in Selecting Plan Investments* (the pecuniary rule) and *Duties Regarding Proxy Voting***
Denounced as “anti-ESG” rules by critics, including Boston Trust Walden, the DOL announced the rules will both be revisited and will not be enforced until updated guidance is published. In a March 10th news release, the DOL stated, “We intend to conduct significantly more stakeholder outreach to determine how to craft rules that better recognize the important role that environmental, social and governance integration can play in the evaluation and management of plan investments, while continuing to uphold fundamental fiduciary obligations.”

There is more good news: in several actions, the SEC signaled strong support for enhanced company disclosure on climate and other ESG risks. A new SEC role of Senior Policy Advisor for Climate and ESG was announced in February, followed in March by the creation of a Climate and ESG Task Force in the Division of Enforcement. The initial charge of the Task Force is to identify gaps or misstatements in issuer climate risk disclosures. For those wanting more details on the SEC’s thinking, Acting Chair Lee’s March 15th [presentation](#) to the Center for American Progress is a must read.