



Investing with a Racial Equity Lens

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Zevin Asset Management was founded on the belief that active investors have an important role to play in advocating for social and environmental progress. Since our founding in 1997, we have widened our panorama of risk and opportunity by conducting research on corporate environmental, social, and governance-related impacts to inform our investment approach. Through active ownership, we encourage companies to adopt more sustainable business practices that we believe make sense in the long term.

We describe racial equity investing as a lens applied to companies to identify and change inequitable policies, practices, and behaviors to advance meaningful racial and ethnic diversity, equity, and inclusion. We accomplish our work through research and stakeholder

collaboration, shareholder engagements, submission of shareholder proposals, proxy voting, and public policy outreach and support.

In 2020, as one of the founding members of the [Racial Justice Investing Coalition](#), we helped craft the [Investor Statement of Solidarity to Address Systemic Racism](#) and committed to its calls to action to: engage and elevate Black voices in our investments and organization, reinvest in communities, and advance anti-racist private and public policies and behaviors. We shared our perspective on the role of investors in confronting racial injustice in [2019](#), and then our updated thinking in [2021](#). Our perspective on how investors can confront racial injustice and our approach to investing with a racial equity lens will keep evolving as we continue to learn from social and environmental movements at the front lines of impact.

Why Invest with a Racial Equity Lens?

RACIAL EQUITY IS FOR THE LONG TERM

Despite the progress our society has made towards civil rights in the United States, inequality, harassment, and discrimination are still present in every sector of our economy. The outbreak of COVID-19 in 2020 further exposed the deep structural faults in the United States' social safety net and across various institutions that disproportionately affect people of color.

Racist housing policies, employment discrimination, inferior schools, exclusionary banking practices, and unjust law enforcement contribute to systemic social risk. Unfortunately, in the corporate world, numerous practices and policies compound to perpetuate racial discrimination in hiring, promotion, retention, pay, benefits, and overall corporate culture.

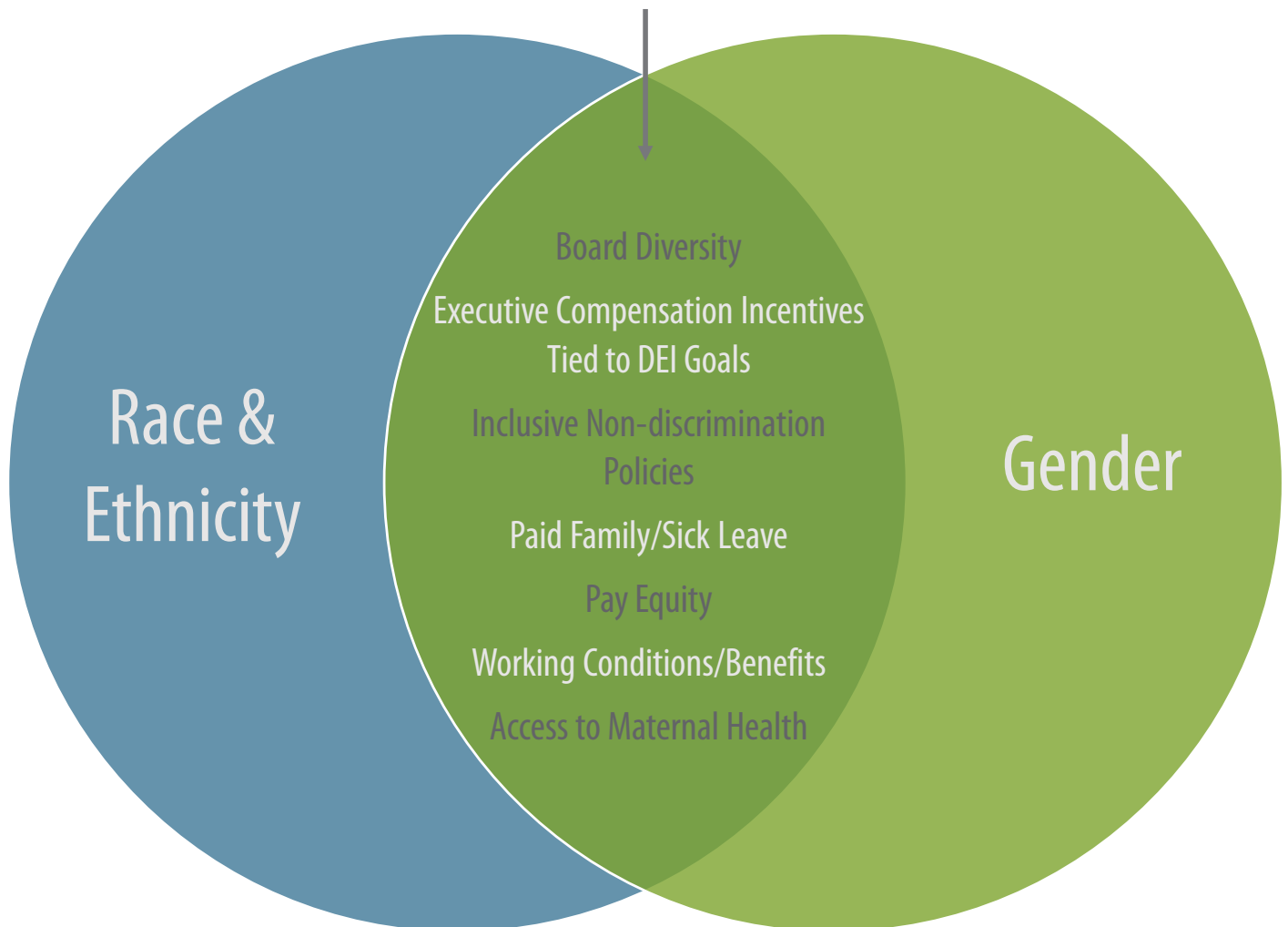
We recognize that investing with a racial equity lens requires us to understand how our current institutions and systems were originally shaped, to identify where inequity persists, and to take steps to address the risks that social inequality presents to society, the economy, and to individual companies.

WHY AN INTERSECTIONAL APPROACH MATTERS

In addition to a racial equity lens, our investment process overlays gender and governance lenses on a business and its behaviors. These lenses are applied together to account for the compounded challenges of gender and racial discrimination experienced by Black, Indigenous, and People of Color (BIPOC) women.

Because the intersectional experience is greater than the sum of racism and sexism, we are intentional in our focus on gender and race. Across the labor market, BIPOC women experience some of the worst conditions and outcomes in health, income, and job mobility, to name a few.

Areas of Risk and Impact at the Intersection of Race/Ethnicity and Gender



Linking ESG Research & Active Ownership

OUR PROCESS FOR INVESTING WITH A RACIAL EQUITY LENS

Our research process focuses on evaluating five key facets of a company to identify gaps in quantitative and qualitative disclosures or performance that we believe are material to the company and where we see impacts as social and environmental liabilities: products and services, governance structure and oversight, workforce composition, policies and practices, and data disclosures.

As we conduct research and ongoing due diligence of our portfolio companies, we build a clearer picture of a company. NGOs, grassroots organizations, and community leaders provide valuable inputs toward our ongoing portfolio management. For example, participating in a union labor rally organized by Amazon workers allowed us to learn from and witness firsthand the impact of Amazon's shortsighted lack of focus on its workplace wellbeing. Likewise, seeking perspective from union leaders as a massive merger progresses between two grocery retailers, Kroger and Albertson's, has provided us with input from key stakeholders and insight into the quality of corporate governance during the process.

Combined, this information contributes to crafting more meaningful and intentional advocacy efforts that help to address emerging risks and mitigate impacts detrimental to a workforce and its communities.

Different facets of a company can be evaluated to highlight key areas of risk, impact, and opportunity.



Products and Services

Racial inequities are pervasive across different sectors. Extractive industries are associated with direct environmental and social harm as a result of their operations. Other businesses engage in value-extracting behaviors that are structured to exploit existing unequal access. Prime examples are payday lending or predatory lending, credit discrimination, and housing discrimination. Revenue models that are dependent on low-cost labor pools domestically and in global supply chains also dominate across industries. These include the service industry, retail, and manufacturing.

Given rapidly evolving technologies in product development, comprehensive due diligence of human rights impacts can help mitigate potential adverse effects on BIPOC communities. Additionally, products that are not inclusive of ethnic or cultural preferences can result in out-of-touch marketing, advertising or product development unformed by the BIPOC customers they serve.

Advocacy example: While **Microsoft** announced in 2020 that it stopped sales of surveillance technology to police and border patrol, it continued to lobby for bills around the country that enable their use. Given the documented bias inherent in machine learning Artificial Intelligence (AI) used in surveillance technology, we co-filed a resolution seeking an evaluation of its lobbying activities to identify misalignment between its stated commitments to human rights and its public policy influence. Many police departments and border patrol agents use face recognition technology to identify suspects and make arrests, but false matches can and do lead to wrongful arrests and lengthy detentions. MIT researchers, for example, found that Microsoft's technology misidentified gender in up to 7 percent of lighter-skinned females, up to 12 percent of darker-skinned males, and up to 35 percent of darker-skinned females. After Microsoft revised its datasets, the company was able to reduce error rates. In 2023, in response to investor engagement, Microsoft released a human rights impact assessment focused on its licensing of cloud services and artificial intelligence ("AI") technologies to U.S. federal and state law enforcement agencies, and U.S. immigration authorities.

Advocacy example: Concerned about the restaurant industry's alliance with the National Restaurant Association to actively lobby against the federal Raise the Wage Act, we joined in investor calls to **Brinker International, Cheesecake Factory, Darden, and Dine Brands** to support a full minimum wage for tipped employees (with tips on top) and to cease oppositional lobbying. The subminimum wage for tipped workers has remained at \$2.13 an hour at the federal level. Tipping proliferated after the Civil War, when the restaurant and hospitality industries hired newly emancipated Black women and men but offered them no wages—leaving them to rely on patrons' gratuities for their pay instead.

Governance Structure and Oversight

A company's organizational structure shows where board oversight and management accountability meet. However, action and follow through on corporate statements and goals related to racial and gender diversity, equity and inclusion (DEI) are critical to measuring progress and reaching equitable outcomes.

We look for accountability mechanisms such as those effectively linking measurable DEI to executive management compensation incentives to encourage progress on meeting DEI-related goals.

Advocacy example: To urge the boards of directors of **Alphabet** (Google's parent company) and **Apple** to close the diversity divide in their workforce, Zevin Asset Management filed resolutions linking management compensation to sustainability goals including diversity. We believe these incentives can help to increase focus and bolster action from management on hiring, retaining, and promoting people of color in across ranks.

Advocacy example: Structural racism, surveillance technology, and worker safety, wellness, and wages were issues raised during **Amazon's** 2021 annual meeting. Shareholders made clear that the company needs to adopt better corporate governance to properly address these issues. We presented a proposal asking for an independent chair on Amazon's board of directors. We believe Jeff Bezos failed to foster fresh perspectives to counter the problems Amazon faced in the past and that he will set the company on the same path moving forward.

Additionally, we identify misalignment between **corporate public policy involvement** and corporate racial equity commitments. We believe companies should evaluate the potential misalignment of their direct and indirect lobbying to corporate values and racial equity commitments. Corporate fees paid to nonprofits and trade associations can work to influence local, state, and federal policies that discourage progress on equity by suppressing voter rights or continuing discriminatory practices.

Finally, we examine corporate board participation at influential organizations that are involved in hindering or obstructing the voices of citizens and communities calling for social and environmental reform.

Advocacy example: *Our six-year engagement with biopharmaceutical company **AbbVie** challenged the company's membership to influential trade associations, such as the Pharmaceutical Research and Manufacturers of America (PhRMA) and the Business Roundtable, which have fought against government effort to keep access to drugs affordable. After we refiled a proposal in 2022 requesting disclosure of lobbying spending, AbbVie announced it would not renew its membership to these organizations.*

Workforce Composition

Worker classification is a significant driver of inequity in the workforce. Companies tend to define their workforce as their direct employees; however, numerous companies rely on a large contracted workforce to fulfill key functions. Health and safety incidents, allegations of discrimination and harassment, and pay and benefit differences in the contracted workforce pose heightened risk of inequality and are typically not included in corporate DEI reporting, creating a blind spot for investors.

Workers of color are far more likely to be paid poverty-level wages with minimal benefits than white workers and are more likely to work in the lowest paid segments of the economy such as service and manufacturing. Conversely, people of color are underrepresented in traditionally high paying occupations such as management and financial services and industries including technology and finance.

Advocacy example: *During the pandemic we successfully urged **Kroger, Starbucks, CVS Health, UPS, The Home Depot, and The TJX Companies** to make paid sick leave available to all staff, including part-time, temporary, and subcontracted workers.*

Policies and Practices

In addition to employment policies, we identify areas where companies may inadvertently or purposefully overlook practices that can hinder racial and gender diversity, equity, and inclusion (DEI). Racial equity audits involve comprehensive evaluation and gap analysis of corporate policies and practices, conducted by a third party with civil rights and legal experience. We believe the credibility of these reports relies on the thoroughness and scope of the review, robust input from stakeholders, and meaningful recommendations proposed by the auditor.

Advocacy example: *Verizon released its first racial equity audit that identified opportunities to address inequity in its workforce following the withdrawal of our shareholder proposal on the topic. In the process Verizon made changes to its practices including the development of non-traditional programs for formerly incarcerated people and elimination of degree and GPA requirements in job applications. We will seek follow through on the key recommendations of the auditor including the need for improved collection and use of DEI data to identify demographic patterns of concern in addition to tracking workforce retention, promotion, and retention rates.*

Data Disclosures

While it may not fully capture the nuance of racial justice, reliable and regularly reported data is essential to understanding progress over time. Annually published EEO-1 (Equal Employment Opportunity) reports provide demographic workforce data on race, ethnicity, sex, and job categories. In addition, disclosure of pay equity analysis results and progress on meeting diversity targets for attraction, hiring, promotion, or retention by race/ethnicity and gender are important.

Data helps us have a clearer picture of a company's workplace. Looking beyond representation in a company's executive team may help to identify opportunities to improve a workplace culture that fosters inclusive behaviors, which is revealed through improved parity in the retention and promotion rates of women of color across ranks.

Advocacy example: *Noting the underrepresentation of BIPOC retail workers in supervisory positions at **The TJX Companies**, we filed a resolution seeking a pay equity analysis. Low pay, unstable schedules, and involuntary part-time work among retail staff point to an important chance for employers to make a real impact on racial inequality by paying living wages and offering stable, adequate hours for workers.*

Advocacy example: *We engaged **Starbucks** on racial justice over three years seeking EEO-1 reporting. Starbucks responded and set new targets for at least 30% of its U.S. corporate employees—and 40% of its U.S. retail and manufacturing employees—to be people of color by 2025.*

Public Policy Oversight and Accountability

Corporate influence on state-level and federal legislation and regulation is an endemic problem in U.S. policymaking. Corporate political spending has dramatically increased since Citizens United in 2010, a controversial decision by the Supreme Court that lifted restrictions on election-related spending.

Corporate lobbying through trade associations and third-party grassroots groups presents a major area of corporate impact and a blind spot for investors and stakeholders. The incongruence of stated corporate values and corporate actions via third parties intensify the polarity that muddles public perception and fuels divisiveness.

Sustainable investors can often bring a differentiated voice to legislators who are more used to hearing from a more traditional business base.

Advocacy examples:

- On behalf of investors representing \$436 billion in assets under management and in partnership with the American Economic Liberties Project and Interfaith Center on Corporate Responsibility (ICCR), we submitted a letter to the Federal Trade Commission (FTC) vocalizing our support of the FTC's **proposed ban on noncompete agreements** in employment contracts for workers at the front lines. Such a ban would remove the barriers to suppressed wages and job mobility.
- We signed letters to Congress in support of federal **paid family leave** policies.
- We signed letters to the corporate funders of the American Legislative Exchange Council (ALEC) voicing our concern about the organization's work to pass **anti-voter laws** in states, undermine confidence in the 2020 election results, and promote partisan and racial gerrymandering.
- We signed letters to Senators urging the passage of the For the People Act, legislation introduced to **safeguard democratic structures** by expanding voting opportunities, banning discriminatory gerrymandering, and promoting transparency regarding campaign finance.

PROXY VOTING

Investing with a racial equity lens includes supporting shareholder proposals that seek to expand disclosure of workforce diversity or to improve or adopt policies that promote an inclusive workplace. We believe shareholder requests for improving workforce DEI position a company for long-term success.

This can include support for proposals on:

- Seeking inclusive non-discrimination policies
- Adoption of employment non-arbitration clauses
- Adoption of benefits for domestic partners or access to reproductive health and benefits for women
- Disclosure of gender/racial pay equity
- Advocating for the extension of paid sick leave as a benefit for workers in retail and other industries where there is a large proportion of people of color
- Asking for improved data disclosure including EEO-1 reports (Equal Employment Opportunity)
- Seeking additional data on retention (how long an employee stays at a company once hired) and promotion rates (whether people of color/diverse talent are promoted at the same rate as white or male counterparts)
- Investigating litigation related to harassment or discrimination that is motivated by race and/or gender. This can help identify systemic discrimination due to uneven power structures or lack of accountability or liability for the company.
- Signaling concern and preference for diverse boards by voting against all members of a board lacking gender and race/ethnic diversity

The Bottom Line

As we continue forward to do our part to contribute to greater equity in our society, we reject the forces that misguide and exploit a divided country. We disagree with and oppose the groups that have sought to perpetuate business as usual and that resist, obstruct, and mischaracterize the rising tide of diversity, equity, and inclusion achieved through hard-won social and civil rights. We join others in taking stock of history and move forward with those whose vision we share of a prosperous, equitable future for everyone.

Resources & Stakeholder Consultations

Numerous valuable resources, guides, and frameworks have been created with inputs from a wide array of communities and leading voices across disciplines. These resources, some of which Zevin Asset Management has also contributed to, have been instrumental in shaping our views and actions.

Some of the leading organizations and communities that inspire us and that we collaborate with are American Economic Liberties Project, Color of Change, Corporate Racial Equity Alliance, Croatan Institute, Economic Roundtable, Human Capital Management Coalition, Interfaith Center on Corporate Responsibility (ICCR), Justice Capital, Liberation in a Generation, Majority Action, Open MIC, Racial Justice Investing (RJI) Coalition, Rhea Ventures, Service Employees International Union (SEIU) and many others, including individual leaders in the movement.

1. **A Brief History of Civil Rights in the United States: The Black Lives Matter Movement.** This guide by Howard University School of Law focuses on the civil rights that various groups have fought for within the United States.
2. **Capital at a Crossroads: Redirecting Capital to Accelerate Racial Equity.** Co-authored by Sharlene Brown, Senior Fellow at Croatan Institute and Director of the institute's initiative on Racial Equity, Economics, Finance, and Sustainability (REEFS). The paper offers a synopsis of the evolution from community development and ESG investing to the emergence of investing explicitly with a racial equity lens, proposes a definition for racial equity investing, and presents emerging opportunities across asset classes for investors. It proposes that successful implementation of a racial equity investing approach may be optimized through a three-pronged strategy: (1) strategies and efforts to tackle systemic and institutional racism; (2) reallocation of capital to advance opportunities for communities of color; and (3) efforts to track or measure positive outcomes for communities of color.
3. **Corporate Standards for Racial Equity.** The Investor Blueprint calls investors to action, laying out a comprehensive framework for integrating racial and economic equity holistically within their institutions—from the heart of their purpose to their decision-making processes, investment strategies, and measures of organizational effectiveness. It outlines ten societal outcomes, three powerful levers for investors to pull, and the practical actions investors should focus on to bring about positive change.
4. **Due Diligence 2.0 Commitment.** A commitment by asset owners, consultants, and financial intermediaries, on behalf of asset owners who value BIPOC manager inclusion, to updating due diligence processes that increase the flow of capital to BIPOC managers.
5. **IRIS+ Racial Equity theme.** This IRIS+ guide helps investors to intentionally integrate racial equity awareness and action in their investment strategies, portfolio decisions, and evaluation of their return on investment. Not addressing systemic bias has compounding effects that continue to exclude groups due to race and/or ethnicity, which calls for three strategic goals: Shifting Power by Addressing Racial Bias and Ensuring Equitable Representation and Decision-Making; Shifting the Perception of Risk through Equitable Deal Sourcing, Due Diligence, and Terms; and Increasing Inclusive Capital to Create Equitable Outcomes for Communities of Color (Justice).
6. **The Kerner Report.** Published in 1968, the Kerner Commission was assembled at the behest of President Lyndon Johnson to identify the causes of the deadly riots in Detroit, Michigan and Newark, New Jersey and outline potential solutions. The report gravely stated its conclusion: "Our Nation is moving toward two societies, one black, one white — separate and unequal." The group of authors convened as The National Advisory Commission on Civil Disorders unequivocally advised that major measures needed to be taken in education, employment, housing, and welfare of Black people. Fifty-five years after the release of this report, our country is still grappling with some of the original root causes of unrest and inequality.
7. **The Investment Integration Project (TIIP) report**—Introduction to Racial Inequity as a Systemic Risk—outlines how the financial industry can manage the systemic risk of racial inequity and promote the equitable distribution of resources, power, and economic opportunity across all races and ethnicities in the U.S. to advance racial justice and to protect their bottom lines.
8. **The 1619 Project**—Orchestrated by the editors of The New York Times Magazine, led by Pulitzer Prize-winning journalist and McArthur genius award recipient Nikole Hannah-Jones, this collection of essays, poems, and historical pieces includes some of the most brilliant journalists, thinkers, and scholars of American history.

For more on our work and broader advocacy, check out our [resources](#) and latest [publications](#), and join us on [Twitter](#) and [LinkedIn](#). And please don't hesitate to contact Marcela Pinilla, Zevin Asset Management's director of sustainable investing, at marcela@zevin.com with your questions, thoughts, and suggestions.

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