

SHAREHOLDER INFLUENCES TOWARD ADVANCES IN DEI REPORTING

Dustin M. Grant, University of West Florida
Gregory S. Kordecki, Clayton State University

ABSTRACT

Corporate policy can be influenced by the board of directors, executives, politics, and even shareholders. The research described in this paper is based upon the premise that the best way to improve upon diversity, equity, and inclusion (DEI) matters is to use a holistic approach and consider all possible suggestions. Corporate strategy and implementation on DEI starts at the top, but shareholder proposals can also help shape corporate policy. The specifics of shareholder proposals are provided to other shareholders in proxy materials, while the board of directors offers a statement of support or opposition before a vote takes place.

This article investigates the impression that shareholder proposals can have on corporate reporting of DEI and the current model of assurance. This article explores the evidential trends in increased stockholder ideologue and proposals for diversity, equity, and inclusion issues, and reviews the number of proposals from the Fortune 250 companies encompassing DEI topics and the voting results of such proposals from 2006 to 2022, using the data analytics of Proxy Monitor.org. The findings show that shareholder proxies are asking for more disclosure and reporting of DEI issues, but the companies' directors are typically in opposition. The topics of the shareholder proposals, the boards of directors' stances, and the voting results are revealed. The authors propose a revised model with inclusion of DEI and ESG disclosures in financial reporting and assurance.

INTRODUCTION

Numerous diversity, equity, and inclusion (DEI) issues face United States (U.S.) companies. While there are many issues that could be addressed on the topic, this article investigates shareholder proposals and what they expect to see from companies regarding DEI issues. Proxy materials, which contain shareholder proposals, are reviewed by other shareholders and a vote is held on the matter. In the proxy materials, the company's board of directors (BOD) will make a statement of support or opposition on the shareholder proposal. Once reviewed by the shareholders, a vote is held on whether to accept or reject said proposal. This article reviews DEI-related, shareholder proposals and the respective directors' recommendations to vote "for" or "against" the proxy proposals, and the voting results of each DEI proposal among the Fortune 250 companies. Activism among shareholders can influence corporate policies, and this article assesses the proxy proposals and results.

Other research emphasizes capitalism at various levels, including distinctions between narrower shareholder versus broader stakeholder capitalism (Bebchuk & Tallarita, 2020); the

research in the current paper, while not neglecting the total interests of the broader stakeholder groups, rather focuses on the direct inputs of shareholders through their voting process. This paper subscribes to the theory that investors can become pro-social (Hart & Zingales, 2017), and attempts to show that advances in DEI reporting evolve from concerns about interests in general stakeholder protection as is evident from European Union Accounting Directives. However, the footprint of societal welfare in the United States has taken a different approach, attributable in part to regulatory requirements and rules-based financial reporting.

The successful votes of the owner-investor-shareholder serve as catalyst for improved disclosure and reporting of DEI issues in U.S. companies. The market mechanism of direct ownership votes supporting their objective functions of profitability and welfare improves the commercial operations of the enterprises themselves but may also have spillover benefits for the greater society. Other research draws upon the assumption that the objective function of shareholders differs from other stakeholders (Broccardo, Hart & Zingales, 2022). This paper does not make such an assumption. Measurable recognition of DEI and its full consideration in the financial reports provides a major step in economic progress. Prior research has generally neglected the importance of proxy voting, the integration with financial reporting, and accompanying professional assurance. This paper attempts to narrow the research gap.

DIVERSITY, EQUITY, AND INCLUSION

DEI efforts fall under the umbrella of “Social” in the current Environmental, Social, and Governance (ESG) model. DEI has been a hot topic in the media nationwide in the U.S. over the past few years. Recently, the diversity efforts of companies and the accounting profession have been challenged (Rosenstock & Shenkman, 2021). Certain events have raised awareness to such issues, spilling over to large corporations raising social progress concerns. With the DEI-related policies and shareholder proposals continuing to increase, company strategies are adapting to conform with expectations of these policies through formal reporting.

Society and accounting have made progress in addressing diversity issues, but there is still more work needed going forward (Hays, 2017; Pendergast, 2015). Companies may state that they are addressing DEI issues, but what is actually being accomplished? There may be vague reports that companies are changing their hiring practices, but elaborating on those efforts seem to be the missing pieces. The population in the U.S. has become more diverse, and the hiring practices of businesses have been pressured to mirror that change in diversity (Goldberg, Kessler, & Govern, 2019). Companies and businesses need to understand the importance of employing a diverse workforce (Jenkins & Calegari, 2010). Hiring those with different backgrounds and viewpoints can open up discussion and allow new ideas to surface. No business or industry is immune from implementing DEI, as the accounting profession itself has made strides in improving DEI efforts in the hiring process (Bishop-Monroe, Geng, & Law, 2019). Improvements in DEI may be occurring, but transparency of those efforts is being demanded.

Improving DEI will not only benefit shareholders and investors, but society as a whole. Companies that are transparent can be seen as more trustworthy and having great leadership. The advancement of DEI in organizations increases trust between the company and its customers

(Foma, 2014). The reputations of businesses will enhance, drawing in more social-conscious customers. Establishing trust is the first step to improve customer loyalty. Younger generations tend to be more loyal to companies that treat them with respect, make them feel welcome and special, and ones they trust (Bilgihan, 2016; Nichols, Raska, & Flint, 2015; Ordun, 2015). If companies are showcasing their DEI efforts while their competitors continue to lag behind, then the DEI leaders may reap benefits while gaining a competitive advantage. Becoming leaders on DEI can provide a standard benchmark that other companies must target to achieve. Setting high standards can promote the company in a positive social manner and possibly create a healthier bottom line in the process.

Successful DEI efforts can bolster employee morale and recruit a more diverse workforce. Retaining current employees is extremely vital in this day and age, especially in the great resignation era. Discussing and making progress on DEI efforts can improve communication and provide employees with a voice and an opportunity to discuss sensitive topics with top management. Increased communication, where employees feel more valued and heard, can bolster their commitment to the organization. Many of the younger generations tend to gravitate toward companies that share their same values and beliefs (PriceWaterhouseCoopers, 2008; Ng, Schweitzer, & Lyons, 2010), so attracting new, diverse talent is also a benefit of enhancing DEI efforts. Companies making an authentic, collective effort toward DEI will lead to a more diverse and dedicated workforce, along with generating an inclusive organizational climate and culture.

The following research addresses the question: How much influence do shareholder DEI-related proposals have on overall corporate accountability and reporting, and does a congruency exist demonstrating that corporations with developing DEI reporting achieve greater financial realization? As the trend of DEI reporting is still in infancy and not all companies are pursuing DEI efforts, any cause-and-effect relationships, or correlations of any kind, between profitability and DEI is left for later research. This current paper highlights the beginning of a trend in shareholder power that appears to be strong in yielding societal benefits.

CURRENT STATE OF DEI REPORTING

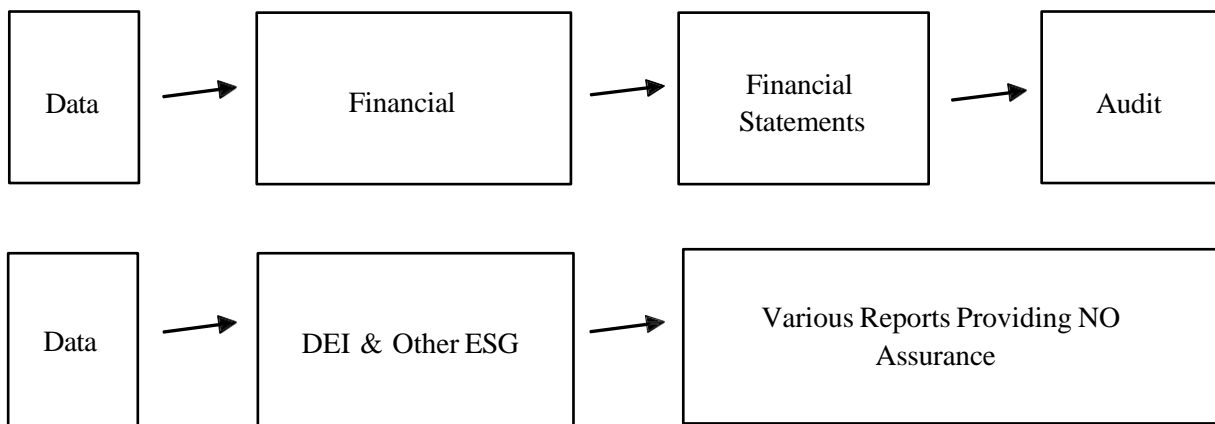
Regulators and accounting professionals historically preferred the separation of financial accounting data from the DEI and other ESG metrics in reporting company performance. Financial and ESG data are normally detached, reported and disclosed separately with assurance only provided to the traditional financial metrics, as seen in Figure 1.

The traditional financial data set is exposed to audits by independent firms who in turn provide reasonable assurance. On the other hand, the varying DEI statements and reports are not being regulated nor provided with assurance. DEI data is currently reported in supplementary information, annual meeting materials, stand-alone DEI reports, and corporate websites, among other areas. Therefore, the current model of reporting is divisive and fails to provide reasonable assurance to its broad stakeholder constituents over both social and economic factors.

Financial statements, along with the supplementary information including the accompanying notes, are considered “an integral part thereof.” The financial data audit is

performed by independent Certified Public Accountants (CPAs). CPAs reviewing financial data for public companies must adhere to auditing standards established by the Public Company Accounting Oversight Board (PCAOB). Reasonable assurance for private companies follows the American Institute of Certified Public Accountants' (AICPA) Auditing Standards Board (ASB). Companies can elect to disclose their DEI data in any amount and in a manner of their choosing, and as shown in Figure 1, the reporting is not accompanied by independent assurance nor is it governed by any reporting standards.

Figure 1. CURRENT MODEL FOR REPORTING & ASSURANCE



In an ideal world, an enhanced model for reporting and assurance would advance the reliability and transparency of DEI efforts and provide for integration of financial and non-financial factors affecting an entity's economic and social performance.

WEAKNESS IN CLARITY AND TRANSPARENCY

Although many companies demonstrate awareness of DEI, reporting of such efforts tend to lack clarity and contribute to the lack of comparability and interpretations. Due to the lack of required disclosure on the topic, companies may choose what they want to report. Cherry-picking information management and directors determine to disclose can lessen the reliability and credibility of their reports. Companies stating that they provide or are moving toward remediation efforts without much detail are generalized and vague. Those reports lack the transparency necessary to persuade investors and customers that their efforts are sincere. Checking a box and moving on is not enough, as details will legitimize the genuineness of their efforts. Breuer (2016) suggested that the Securities and Exchange Commission (SEC) should bolster and further regulate the reporting of DEI-related issues and initiatives.

Changing a company culture takes time and considerable effort from the top down. The "if it ain't broke, don't fix it" mentality is easy to maintain, and it is commonplace to simply remain with the status quo. Businesses have varying DEI issues to report depending on their size

and industry, and DEI efforts are not universal. When efforts are heavily directed toward specific shareholder economic returns to the exclusion of ESG factors, roadmaps are needed to view the long run and view the other variables that will render overall desired results. Changes to a company's culture and efforts within an organization take time and planning (Dittmer, 2017). Absence of immediate results does not imply a company is not trying, sometimes it just takes time.

MOVE TOWARD INTEGRATED REPORTING

The disclosure of non-financial information, including DEI, in the financial statements or supplementary information does not alleviate the need to consider other reporting methods. Financial statement disclosures are important for investors and stakeholders to evaluate the company as a whole. Disclosure in other various documents does not atone for what is needed in the audited financial statements.

Integrated reporting can be described as the disclosure of both financial and non-financial data on ESG measures (Eccles & Saltzman, 2011). King III, working with Meryn King, had significant influence pushing for integrated reporting (Institute of Directors in Southern Africa, 2009). The basic principles of integrated reporting are described by Cheng, et al. (2014).

The disclosure of ESG measures along with a company's financial information has progressed over the years (Beck, Dumay, & Frost, 2017; Adams, 2015). Green and Cheng (2019) discuss how the International Integrated Reporting Council (IIRC) 2013 framework calls for companies to report material facts about their performance on social and environmental issues. The inclusion of both financial and non-financial data in integrated reports should strengthen accountability in the corporate world (IIRC, 2013; Hoang, et al., 2020).

Integrated reports are normally forward- looking, so that may cause an issue for any audits of integrated reports providing reasonable or limited assurance (Briem and Wald, 2018). Other than assessments about an entity's ability to continue as a going concern and contingencies, auditors are limited in their view toward the future. Accordingly, their attest reports may not provide reasonable assurance due to unforeseen future issues. The evolving literature suggests auditors consider expanded assurance to enrich the reliability of reports to satisfy overall stakeholder needs (Brown-Liburd & Zamora, 2015; Casey & Grenier, 2015; Cohen & Simnett, 2015; Briem & Wald, 2018; Prinsloo & Warren, 2021). Providing independent, outside assurance strengthens the quality, reliability, and credibility of ESG information along with financial information.

SHAREHOLDER INFLUENCE

Boerner (2006) claims there are arguments that shareholder proponents are the most important influencers of corporate governance. Shareholder input has become an increasingly important aspect of shaping corporate policy and has influenced the concept of corporate social responsibility (CSR) topics (Glac, 2014). Shareholder proposals promoting CSR/ESG topics have been increasing in the 21st century (Guay, Doh, & Sinclair, 2004). Shareholder activism in

the U.S. is shaping public company policies. Most shareholders can draft and submit a proposal, as long as they meet the company requirement of ownership and comply with the Securities and Exchange Commission's (SEC's) requirements under Rule 240.14a-8. The shareholder can be an individual or group owner, and not-for-profit and religious organizations can also present proposals.

For example, a shareholder proposal for the United Parcel Service (UPS) (2022) asks for UPS to provide an annual report on diversity and inclusion, and to disclose quantitative data on the effectiveness of their DEI programs. A shareholder proposal for Nike (2021) suggests that Nike should disclose and report their assessment on the process and effectiveness of their DEI programs and outcomes. Also, in order to understand the effectiveness, the proposal asks Nike to provide quantitative data on DEI programs.

The board of directors will respond to each shareholder proposal and offer their response with either support or opposition. Even with increased public scrutiny surrounding DEI topics, companies tend to oppose most shareholder proposals. Company management tends to respond defensively to stockholder proposals, and they also counteract criticisms with proactive measures. The level of defensiveness may vary with the independence of directors from the company's operating management.

In response to the shareholder proposal to UPS, the BOD recommended voting against the proposal. The BOD's response included race and gender statistics about their BOD, executive leadership, and managers. They also stated that they already include those statistics in their publicly available Annual Sustainability Report and publicly disclose race and gender breakdowns of their workforce in their Equal Employment Opportunity (EEO-1) report. The Nike BOD recorded a very similar response.

Although the vast majority of shareholder proposals are opposed by management and the board, the process allows shareholders a platform to formally voice their opinion on sensitive topics such as DEI. Those proposals (although mostly opposed) do require corporate management to discuss the topic in a public forum and explain how they are addressing the issue.

FINDINGS AND RESULTS

Shareholder DEI Proposal Activity

To collect the data for this project, the authors utilized Proxymonitor.org, which provides proxy information on shareholder proposals for the Fortune 250 companies dating back to 2006. The authors extracted the data and filtered out the proxies related to DEI issues under "Social Policy", which falls under the "Proposal Type General" category. To narrow down the search to only include DEI topics, more specific proposal types were chosen ("Proposal Type Specific"). Those specific topics include "Board and CEO Diversity", "Civil Rights Audit", "Diversity", "Gender/Racial Equality", and "Racial/Social Justice".

Exhibit 1 in the Appendix displays the total number of DEI proposals and the total number of proposals since 2006. The first two formal DEI proposals did not originate until 2015. DEI issues began to gain further national media in 2020, and the total number of DEI proposals have

steadily risen since. There have been more DEI proposals in 2021 and the first half of 2022 (the time of submission of this article) than all the prior years combined. Exhibit 2 (Appendix) provides the breakdown of each individual DEI topic and year. From 2015 - 2020, Gender/Racial Equality dominated the proposal type. In 2021 and the first half of 2022, Civil Rights Audit and Racial/Social Justice have become the most significant.

Table 1 shows the success rate of DEI-related proxies measured by votes of 50% or greater for each year there was a DEI-related proposal. Columns are also presented for proxy proposal votes that failed, while also showing those that failed but achieved at least 25% of support.

The trend is noticeable in that the number of DEI-related proposals have dramatically increased in recent years. There have been more successful (over 50%) votes on DEI proxies in the first half of 2022 than all other reported prior years combined. The trend shows that shareholder proposals are achieving some success in regard to corporate DEI policies. The 15 successful DEI proposals are discussed below and detailed in the Appendix Exhibits to this article.

Year	Success Counts			Total
	0-24.99%	25.00-49.99%	50.00-100.00%	
2015	2	0	0	2
2016	5	1	0	6
2017	13	3	0	16
2018	2	3	0	5
2019	8	9	1	18
2020	12	4	1	17
2021	10	14	5	29
2022	23	12	8	43
Totals	75	46	15	136
Source: Drawn from Proxymonitor.org				

Table 2 displays the breakdown of vote percentages by DEI topic. The topic of Gender/Racial Equality has seen the largest number shareholder proposals, as it has received 61 of the total 136 proposals (44.85%). While that topic has received the majority of the proposals, Civil Rights Audit has received the largest percentage of success votes at 28.57% (4 success votes out of 14 proposals), followed by Diversity at 21.43%, Racial/Social Justice at 8.33%, and Gender/Racial Equity at 4.92%. Board and CEO Diversity has not achieved a success vote at the time of this article. Overall, DEI topics have a success vote rate of 11.03%.

Table 2 SUCCESS RATE OF DEI-RELATED PROXIES BY DEI TOPIC (Stockholder Votes “For”)				
	Success Counts			
Topic	0–24.99%	25.00–49.99%	50.00-100.00%	Total
Board & CEO Diversity	8	1	0	9
Civil Rights Audit	10	0	4	14
Diversity	7	15	6	28
Gender/Racial Equality	39	19	3	61
Racial/Social Justice	11	11	2	24
Totals	75	46	15	136
Source: Drawn from Proxymonitor.org				

Exhibits 3 – 7 in the Appendix show the breakdown of success rate of DEI-related proxies by topic and year. All 14 of the Civil Rights Audit proposals and four success votes have occurred in 2022.

Exhibit 8 (Appendix) provides especially revealing information. It lists the successful DEI-related proxies by company, year, and DEI topic. Only one company has more than 1 success vote on DEI-related topics. Union Pacific Corporation (UNP) has 1 success vote for the Gender/Racial Equality topic and 1 for the Diversity topic. Both occurred during 2021 and had success votes of 86.44% and 81.38% respectively. International Business Machines Corporation (IBM) had the highest success vote rate of 94.3% in their 2021 proxy for the Diversity topic. While the Civil Rights Audit topic has the highest percentage of success votes in relation to their total proposals, 75% of their success votes are in the bottom four at 55.14%, 54.46%, and 53.55%. The average success vote rate of each topic is Diversity at 73.99%, Gender/Racial Equality at 67.86%, Racial/Social Justice at 62.71%, and Civil Rights Audit at 56.33%.

Of the 15 total successful votes, only one received a “recommendation” from the company BOD to approve. The lone support from the BOD was in the case of Diversity at IBM, that received support from 94.3% of voters, the highest of all successful votes. All the other successful proxy votes were opposed by the BOD. In fact, all other proposals in total were opposed. Therefore, only 1 out of 136 proposals had support from the BOD. The proposal for IBM asked for an annual report that assesses their DEI efforts. The BOD responded that they already had a policy in place to support that request, so they will now include an assessment of the effectiveness of the DEI programs, and metrics for recruitment, promotion, and retention (IBM, 2021).

A total of 50 companies have received DEI-related proposals. Of the 136 total DEI proposals, Amazon.com Inc. (AMZN) is the only company in double digits with 11. Alphabet Inc. (GOOG) follows with 8, Meta Platforms, Inc. (FB) with 7, and The Travelers Companies Inc. (TRV) and Wells Fargo & Company (WFC) each with 6. Those five companies combined have received 27.94% of all DEI-related proposals. Six other companies have received 5 proposals each, so 11 companies have received exactly 50% (68 out of 136) of all DEI-related proposals. 22 of the 50 companies have only received 1 DEI-related proposal, with 9 others receiving 2 proposals. Of the top 11 companies receiving proposals, only 3 have had a successful vote on DEI proxies.

Overall, 64 of the 136 (47.06%) proposals had a proponent type specified as “Socially Responsible Investing Funds”. “Undisclosed” proponents were responsible for 23 proposals (16.91%). “Public Services Employee Union Pension Funds” proposed 12 (8.82%) and “Individuals” had 10 (7.35%). No other proponent type had double digits. The successful DEI proposals were brought forth by six different types of proponents. Of the 15 successful DEI proposals, only 1 was from an individual, and 2 were from religious institutions. The other 12 had mention of “Investing” or “Pension Fund” listed as their proponent type.

Exhibit 9 in the Appendix suggests compelling information, as it entails the “Title” of the proposals. Every single one of the 15 successful votes deals with the aspect of reporting of DEI data. All of the titles mention something in relation to “audit”, “report”, or “disclosure”. In fact, 121 of the 136 (88.97%) total proposals mention one of those words in the title. Of the 15 overall that did not include those words, 9 mentioned the word “Board”, which was the only DEI topic to not yet receive a successful vote. “Pay Equity” was in the title for 4 of them, and the vague “Increase Diversity” made up the other 2.

DISCUSSION AND CONCLUSION

DEI issues seem to have taken a backseat to other ESG measures such as environmental, sustainability, and corporate governance issues. The total number of DEI-related shareholder proposals is 136, as compared to 677 for environmental/sustainability since 2006. The SEC (2022) has proposed mandates for climate-related issues, as they claim it will provide reliability, consistency, and comparability for ESG reports.

If the SEC is proposing mandates for climate-related disclosures, then why not the same for DEI-related data? If the goal is for companies to create ESG reports to accompany their financial data, then having a standardized metric for DEI reporting will provide the relevant, comparable data necessary for stakeholders to make informed decisions. The type of DEI data reported will vary by company and industry, but there could be universal mandatory requirements, such as including the results of their EEO reports. However, it appears that companies and their BODs are in clear opposition to additional, mandatory reporting on DEI, since only 1 out of 136 proposals were supported by the company’s BOD.

According to Spencer (2021), the AICPA recommends that companies should create the systems and controls to enhance reporting of ESG information. If this type of data is included within the integrated reporting concept, this could lead to independent assurance on ESG reports

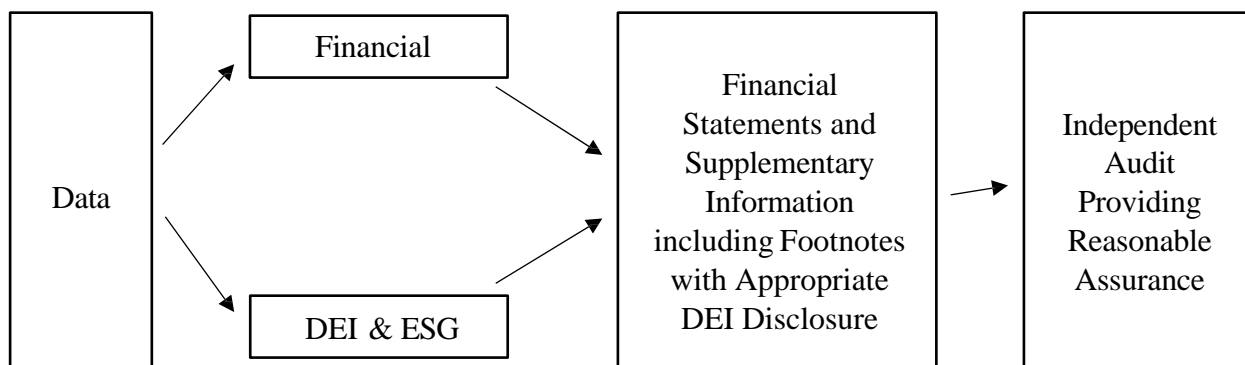
along with typical financial information. Since stakeholders rely on audited financial statements from external CPAs and auditors and that trust is already established, it would be logical to include ESG (including DEI) metrics as part of the package of audited financials. The Center for Audit Quality (CAQ, 2019) concluded that auditors are an appropriate player to evaluate data useful to stakeholders, including both financial and non-financial information prepared by the company.

DEI information, if disclosed in a manner consistent with a standard or framework, could be very important to stakeholders when reviewing financial and non-financial data. This framework would provide comparability with other companies as well as within the company itself. If the DEI information could be disclosed and coupled with an independent auditor’s reasonable assurance, then all stakeholders could benefit. SEC Rule 10b-5 prohibits false and misleading statements, whether it be in a SEC filing, company website, or other such report, so attesting the DEI data could help reinforce their reliability and trustworthiness. In 2020, the SEC started requiring disclosures of key performance indicators (kpi), which are defined as any key variable or other metric that could be material in nature for stakeholders (SEC, 2020).

There are multiple advantages that independent public auditors can provide when providing assurance on DEI and other ESG information. The auditors already have experience in collecting and analyzing data for many different companies and industries. They already comply and follow professional standards and frameworks, and they are independent, follow a code of ethics, and can assess business processes and risk.

The level of assurance provided in the auditor’s report is vital. Most auditors and stakeholders are aware that negative assurance is essentially a low level of assurance. Limited assurance is better than negative assurance, due to the various review procedures followed. On the other hand, reasonable assurance would provide a high level of assurance. If an auditor can provide reasonable assurance on DEI and other ESG matters along with the typical financial package, then the data can be trustworthy and believed to be authentic. Creating a new model (Figure 2) for assurance would be vastly superior to the model in Figure 1.

Figure 2. NEW MODEL FOR REPORTING & ASSURANCE



Since all 15 of the successful votes and almost 89% of all DEI-related proxies mentioned some form of reporting in their titles, then disclosure and audit of DEI-related data is important to stakeholders. Full measurement and evaluation of a company's DEI programs and its achievements relative to operations and strategies can help stakeholders assess an entity's total value. Providing this detail may likely lead to removing the fluff and vagueness of social progress that may otherwise be publicized as a means to pacify activists. Accordingly, greater accountability and reporting is realized similar to the effects of removing "greenwashing" tactics in reporting climate-related environmental issues.

The mandatory reporting of DEI and other ESG matters would benefit general society so they could see firsthand the efforts that companies are doing to improve in those areas, but investors would benefit as well. A newer concept is impact investing, which has gained popularity in recent years, especially for assets managed in the U.S. For new U.S. fund launches that contain ESG characteristics, the one-year growth rate is 80% (Taylor & Collins, 2022). Taylor and Collins further believe that the worldwide, professionally-managed assets will be comprised of 50% of ESG-mandated assets by 2024. Company valuations can benefit from ESG ratings, as reports mitigating ESG matters are attractive to investors. Impact investments, normally non-financial, appear to limit volatility as they carry stability targets. Impact investing tends to lean toward reviewing the financial returns of ESG investments. Many social-conscious investors are attracted to impact investments because they align with their beliefs. The investors want their capital to go toward a good cause which will have a positive impact on society.

RESEARCH STRENGTHS AND LIMITATIONS

A major strength of this research is its call for investigation of the impact of shareholder proposals of DEI issues within the framework of traditional financial reporting. The research is not distracted by the multiple factors that might influence corporate policy on DEI matters, such as individual motivations by directors and management, their politics, and societal pressures. Many of those topics can be addressed under the "Governmental" aspect of ESG, but this article is only focusing on the "Social" issues. These interesting factors are left to other researchers. Further studies might explore reasons why certain proposals failed or succeeded. Research could also be extended beyond the Fortune 250 companies and examine shareholder activism prior to 2006.

This paper offers optimism in the positive trend of DEI and efforts toward integrating in a meaningful way with reports available to the U.S. shareholder. Not discussed are efforts of non-public companies, or the location of s of DEI information disclosure, or the timing of reports, or specific standards or frameworks to follow. The research does suggest a new model for ESG/DEI reporting integrated with financial reporting and attempts to show the increasing emphasis of shareholder activism in improving overall reporting of DEI issues via alignment with financial issues. Assessment and evaluation of proxy results reveal emergence of an increasing positive trend. Improving DEI reporting will not only benefit shareholders and investors but society as a whole:

- Company transparency leads to trustworthiness
- Customer and vendor relations are enhanced
- Competitive advantages are realized
- Workforce loyalty is expanded
- Opportunities for individual health and progress are offered
- Congruent social and economic orientation leads to profitability and sustainability
- Reporting both financial and non-financial information is relevant and useful
- Society benefits when commerce is successful.

Shareholder voices are being heard. Finally, improving DEI metrics and creating opportunity for future generations is important. What may have initially appeared as incidental externalities can rise to level of items with objective functions to maximize. DEI reporting can lead toward the creation of a more fair and equitable social system. Companies, and all their stakeholders, need to review and evaluate all social and economic inputs and outputs, so the system moves forward evolving with welcoming and inclusive practices. The benefits will be recognized as companies enhance their operational and strategic financial and non-financial outcomes. The direct input of shareholders through the proxy voting process allows for simultaneous profitability and welfare gains. The U.S. regulatory and financial reporting system continues to evolve. Perceptive shareholder demands will assist the evolution.

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APPENDIX

Exhibit 1 TREND IN SHAREHOLDER PROPOSALS			
Year	Number of Proposals	Diversity, Equity, and Inclusion-Related (DEI)	% of DEI in Relation to Total
2006	385	0	0.00%
2007	393	0	0.00%
2008	357	0	0.00%
2009	382	0	0.00%
2010	380	0	0.00%
2011	840	0	0.00%
2012	580	0	0.00%
2013	576	0	0.00%
2014	589	0	0.00%
2015	593	2	0.34%
2016	581	6	1.03%
2017	805	16	1.99%
2018	515	5	0.97%
2019	504	18	3.57%
2020	531	17	3.20%
2021	508	29	5.71%
2022 (through June 30)	557	43	7.72%
TOTALS	9,076	136	1.50%
Source: Drawn from Proxymonitor.org			

Exhibit 2 DEI SHAREHOLDER PROPOSALS BY TOPIC AND YEAR					
Year	Board & CEO Diversity	Civil Rights Audit	Diversity	Gender/Racial Equality	Racial/Social Justice
2015	0	0	0	2	0
2016	0	0	2	4	0
2017	0	0	4	12	0
2018	0	0	2	3	0
2019	0	0	5	13	0
2020	2	0	3	12	0
2021	2	0	9	7	11
2022 (through June 30)	5	14	3	8	13
TOTALS	9	14	28	61	24
Source: Drawn from Proxymonitor.org					

EXHIBITS 3 THROUGH 9 DISPLAY THE SUCCESS RATES OF PROXIES BY YEAR

Exhibit 3				
BOARD AND CEO DIVERSITY PROXIES				
(Stockholder Votes “For”)				
			Success Counts	
Board & CEO Diversity	0–24.99%	25.00–49.99%	50.00-100.00%	Total
2020	2	0	0	2
2021	2	0	0	2
2022	4	1	0	5
Totals	8	1	0	9
Source: Drawn from Proxymonitor.org				

Exhibit 4				
CIVIL RIGHTS AUDIT PROXIES				
(Stockholder Votes “For”)				
			Success Counts	
Civil Rights Audit	0–24.99%	25.00–49.99%	50.00-100.00%	Total
2022	10	0	4	14
Totals	10	0	4	14
Source: Drawn from Proxymonitor.org				

Exhibit 5				
DIVERSITY PROXIES				
(Stockholder Votes “For”)				
			Success Counts	
Diversity	0–24.99%	25.00–49.99%	50.00-100.00%	Total
2016	1	1	0	2
2017	2	2	0	4
2018	0	2	0	2
2019	3	1	1	5
2020	0	2	1	3
2021	0	5	4	9
2022	1	2	0	3
Totals	7	15	6	28
Source: Drawn from Proxymonitor.org				

Exhibit 6 GENDER/RACIAL EQUALITY PROXIES (Stockholder Votes “For”)				
	Success Counts			
Gender/Racial Equality	0–24.99%	25.00–49.99%	50.00-100.00%	Total
2015	2	0	0	2
2016	4	0	0	4
2017	11	1	0	12
2018	2	1	0	3
2019	5	8	0	13
2020	10	2	0	12
2021	3	3	1	7
2022	2	4	2	8
Totals	39	19	3	61
Source: Drawn from Proxymonitor.org				

Exhibit 7 RACIAL/SOCIAL JUSTICE PROXIES (Stockholder Votes “For”)				
	Success Counts			
Racial/Social Justice	0–24.99%	25.00–49.99%	50.00-100.00%	Total
2021	5	6	0	11
2022	6	5	2	13
Totals	11	11	2	24
Source: Drawn from Proxymonitor.org				

Exhibit 8 SUCCESS VOTES ON 15 DEI STOCKHOLDER PROXIES BY COMPANY, YEAR, AND DEI TOPIC			
Company Name (Symbol)	Year	DEI Topic	Votes For %
Altria Group, Inc. (MO)	2022	Civil Rights Audit	62.16%
American Express Company (AXP)	2021	Diversity	59.69%
Apple, Inc. (AAPL)	2022	Civil Rights Audit	53.55%
DuPont de Nemours, Inc. (DD)	2021	Diversity	83.76%
Genuine Parts Company (GPC)	2020	Diversity	74.45%
International Business Machines Corp (IBM)	2021	Diversity	94.3%
Johnson & Johnson (JNJ)	2022	Racial/Social Justice	62.64%
Lowe’s Companies, Inc. (LOW)	2022	Gender/Racial Equality	58.01%
McDonald’s Corporation (MCD)	2022	Civil Rights Audit	55.14%
The Home Depot Inc. (HD)	2022	Racial/Social Justice	62.77%
The Travelers Companies, Inc. (TRV)	2019	Diversity	50.34%
The Walt Disney Company (DIS)	2022	Gender/Racial Equality	59.12%
Union Pacific Corporation (UNP)	2021	Gender/Racial Equality	86.44%
Union Pacific Corporation (UNP)	2021	Diversity	81.38%
Waste Management, Inc. (WM)	2022	Civil Rights Audit	54.46%
Source: Drawn from Proxymonitor.org			

Exhibit 9			
SUCCESS VOTES ON 15 DEI STOCKHOLDER PROXIES BY PROXY TITLE, YEAR, AND DEI TOPIC			
Proxy Title	Year	DEI Topic	Votes For %
Civil Rights Equity Audit	2022	Civil Rights Audit	62.16%
3rd Party Audit of Stakeholder Civil Rights	2022	Civil Rights Audit	55.14%
Civil Rights Audit	2022	Civil Rights Audit	54.46%
Report on Civil Rights Audit	2022	Civil Rights Audit	53.55%
Report Assessing Diversity, Equity, and Inclusion Efforts	2021	Diversity	94.30%
Annual Disclosure of EEO-1 Data	2021	Diversity	83.76%
Annual Diversity and Inclusion Efforts Report	2021	Diversity	81.38%
Human Capital Management Disclosure	2020	Diversity	74.45%
Annual Report on Diversity	2021	Diversity	59.69%
Report on Diversity, Including EEOC Data	2019	Diversity	50.34%
Annual Disclosure of EEO-1 Data	2021	Gender/Racial Equality	86.44%
Report on Pay Equity	2022	Gender/Racial Equality	59.12%
Report on Racial & Gender Pay Gaps	2022	Gender/Racial Equality	58.01%
Racial Equity Audit	2022	Racial/Social Justice	62.77%
Third Party Racial Justice Audit	2022	Racial/Social Justice	62.64%
Source: Drawn from Proxymonitor.org			