

Racial Justice Audit

To combat systemic racism, corporations should recognize and remedy industry- and company-specific barriers to everyone's full inclusion in societal and economic participation. Racial gaps cost the U.S. economy an estimated \$16 trillion over the past twenty years.¹ Closing the Black- and Hispanic-white wealth gaps could add 4-6% to U.S. GDP by 2028.²

More than one year after many companies made commitments to racial justice, the practical outcomes remain unclear. Fifty corporate pledges totaling \$49.5 billion were characterized as falling short of addressing systemic racism after an August 2021 analysis.³ Shareholders lack independent assessments that racial equity strategies are impactful, address appropriate topics, and unlock growth.

Addressing systemic racism and its damaging economic costs demands more than a reliance on internal action and assessment. Audits engage companies in a process that internal actions alone may not replicate; unlocking hidden value and uncovering blind spots that companies may have to their own policies and practices. Company leaders are not diversity, equity, and inclusion experts and lack objectivity. Crucially, a racial justice audit examines the differentiated external impact a company has on minority communities.

Given the many companies across sectors embroiled in race-related controversies, any company without a comprehensive third-party audit and plan for improvement of its internal and external racial impacts could be at risk.⁴ Companies such as Facebook, Starbucks, Blackrock and Citi have committed to such audits, and practitioners have developed guidelines.⁵

Healthcare companies have a history with and ongoing struggle to address disparate racial impacts.

We are concerned about the ongoing controversies the company faces related to its 2020 decision to discontinue sales of talcum-based powder in North America, but continue sales globally. Claims that it aggressively marketed to Black and Brown women after its talc supplier included the WHO's "possibly carcinogenic" label on shipments are troubling.⁶ Organizations from 51 countries called on the company to halt sales worldwide. Yet, the most visible response to date was its attempt to use U.S. bankruptcy to shield liabilities from product lawsuits.

In addition, the recent criticism the company received for reportedly prioritizing export of COVID-19 vaccines from South Africa to wealthier nations over the fulfillment of its contract to distribute the vaccines locally, suggests a troubling blind spot.⁷

Resolved, shareholders urge the board of directors to oversee a third-party audit (within a reasonable time and at a reasonable cost) which assesses and produces recommendations for improving the racial impacts of its policies, practices and products, above and beyond legal and regulatory matters. Input from stakeholders, including civil rights organizations, employees, and customers, should be considered in determining the specific matters to be assessed. A report on the audit, prepared at reasonable cost and omitting confidential/proprietary information, should be published on the company's website.

¹ https://ir.citi.com/NvIUkHPilz14Hwd3oxqZBLMn1_XPqo5FrxsZD0x6hhil84ZxaxEuJUWmak51UHvYk75VKeHCMI%3D

² <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap>

³ <https://philanthropynewsdigest.org/news/corporate-pledges-for-racial-justice-fall-short-analysis-finds>

⁴ <https://www.nytimes.com/2020/06/06/business/corporate-america-has-failed-black-america.html>

⁵ <https://www.bloomberg.com/news/articles/2021-08-05/how-aclu-veteran-laura-murphy-audited-facebook-s-race-problem?sref=cdlci118>

⁶ <https://www.reuters.com/article/us-johnson-johnson-marketing-specialrepo-idUSKCN1RL1JZ>

⁷ <https://apnews.com/article/europe-africa-business-health-coronavirus-pandemic-b2797c07c6233c28bdd43827b55789bf>