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Investor Statement to Fortune 1000 Businesses to Avoid Dangerous Diversity, Equity, and Inclusion (DEI) Corporate Policies

We are investors, investment advisors, fiduciaries, and proxy voting and corporate engagement consultants to investors who hold over \$65 billion in assets under management.

Recently, you received letters from 49 members of Congress¹ and several activist organizations² asking you to “defend” DEI values at your company. They claim that DEI improves company performance, reduces risk, and strengthens unity. In reality, DEI programs have the opposite effect. They label employees as “oppressed” or “oppressors” or say they have “unconscious bias” based on the color of their skin, their biological sex, or their religious or political views. This divides employees from each other and fails to respect true diversity, which recognizes the value and uniqueness of each individual.

DEI also punishes dissenting views under the guise of “privilege” and “internalized” racism, sexism, or other “isms.” This replaces rich diversity of thought—the kind of diversity that builds trust and drives innovation—with a single, monolithic approach to workplace culture built on the notion that individuals are nothing more than their group identities.

This tracks with recent academic findings. For example, the neutral Econ Journal Watch has called into serious question the long-touted assertion that DEI programs provide a financial benefit for companies and shareholders.³ Using McKinsey’s own data, the researchers found the analysis to be “erroneous” and not statistically significant, so much so that they concluded that McKinsey’s studies “should not be relied on.” Other studies, for example from the Harvard Law School Forum, have further undermined the DEI business case by showing little if any link between diversity policies and company performance metrics.⁴

According to a survey conducted by Alliance Defending Freedom on 3,000 adults across a variety of professions, a plurality (40%) of employees say DEI divides, rather than unites, colleagues.⁵ Gallup polling has also confirmed that, after years

¹ https://robertgarcia.house.gov/sites/evo-subsites/robertgarcia.house.gov/files/evo-media-document/Fortune%201000%20Open%20Letter_0.pdf

² <https://hrc-prod-requests.s3-us-west-2.amazonaws.com/files/documents/Statement-on-F1000-Businesses.pdf>

³ <https://econjwatch.org/articles/mckinsey-s-diversity-matters-delivers-wins-results-revisited>

⁴ <https://corpgov.law.harvard.edu/2024/10/02/is-there-a-business-case-for-racial-diversity-on-corporate-boards/#more-168320>

⁵ <https://www.viewpointdiversityscore.org/polling>

of positive progress since the Civil Rights Movement, race relations in America are now at the lowest point in decades.⁶ Even the UK government has weighed in recently in a new report that reached the conclusion that DEI programs have little if any benefit on corporate culture, and in some cases are counterproductive or unlawful.⁷

Companies are also facing serious legal risk for DEI programs in light of recent Supreme Court decisions in *Students for Fair Admission v. Harvard*, *Groff v DeJoy*, and *City of St. Louis v. Muldrow*. EEOC Commissioner Andrea Lucas has stated that these rulings call into question a wide variety of DEI initiatives and policies.⁸ And numerous lawsuits have already been filed or threatened by state attorneys general and aggrieved employees.⁹

On top of all of this, customers of many brands have expressed sustained dissatisfaction and laid public pressure on many companies to stop promoting DEI. In light of this, the Wall Street Journal recently reported that “Diversity Goals Are Disappearing from Companies’ Annual Reports”¹⁰ and numerous companies, from Brown-Forman to Ford Motor Company, are voluntarily removing DEI initiatives entirely.¹¹

The Congressional members also state that inclusion is a core American value. That is exactly right. And it is why companies should reject discriminatory DEI policies. It is neither inclusive nor American to punish employees for their race, sex, or for exercising their First Amendment freedoms.

Companies can do better. Instead of putting their employees at the forefront of contentious political issues, they should respect their fundamental freedoms. This allows them to draw from the widest talent pools, fully engage all of their employees, and drive dynamic and candid conversation which leads to trust, innovation, and ultimately to better products and services for the customer.

Some companies already understand this. McDonald’s recently came under fire after a franchisee agreed to host a campaign stop from President Trump. When faced with criticism for the franchise’s involvement, McDonald’s stated “we

⁶ <https://news.gallup.com/poll/1687/race-relations.aspx>

⁷ <https://www.gov.uk/government/publications/inclusion-at-work-panel-report-on-improving-workplace-diversity-and-inclusion>

⁸ <https://www.reuters.com/legal/legalindustry/with-supreme-court-affirmative-action-ruling-its-time-companies-take-hard-look-2023-06-29/>

⁹ <https://www.wsj.com/us-news/law/diversity-equity-dei-companies-blum-2040b173>

¹⁰ <https://www.wsj.com/business/diversity-goals-are-disappearing-from-companies-annual-reports-459d1ef3>

¹¹ <https://www.dailymail.co.uk/news/article-13812241/american-brand-dei-rules-backlash.html>

approached it through the lens of one of our core values: we open our doors to everyone. . . . We are not red or blue—we are golden.”¹²

We are investment professionals who want the companies our clients invest in to succeed, not politicians advancing a partisan agenda. The companies we own must uphold fundamental freedoms that benefit every customer, vendor, employee, your company, and contribute to a healthy and vibrant economic market and civil society.

We welcome the opportunity to engage further. You may contact us through Tim Schwarzenberger, Director of Corporate Engagement at Inspire Investing at engagement@inspireinvesting.com.

Sincerely,

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¹² <https://abcnews.go.com/US/wireStory/mcdonalds-agreed-trump-event-insists-endorsing-presidential-candidate-115002920>

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