

Shareholder proposal requesting a report on risks created by diversity, equity, and inclusion efforts at Citigroup Inc.

July 2024

Company: Citigroup Inc. (Citigroup)

Meeting date: April 30, 2024

Proposal(s): Item 8: Report to Shareholders on Risks Created by the Company's Diversity, Equity, and Inclusion Efforts

How the funds voted

At the 2024 annual meeting of Citigroup, a U.S.-listed global diversified financial services holding company, the Vanguard-advised funds did not support a shareholder proposal requesting a report on risks created by the company's diversity, equity, and inclusion (DEI) efforts.¹

The funds' proxy voting policies

As articulated in the funds' proxy voting policies, the Vanguard-advised funds evaluate all shareholder proposals on a case-by-case basis, taking into consideration the facts and circumstances at the company in question.

Specifically, when evaluating shareholder proposals, we analyze the materiality of the risk the proposal seeks to address, the company's current practices and disclosure related to the risk, the board's

oversight of the risk, and the reasonableness and prescriptiveness of the proposal. If we identify gaps in the company's disclosures related to the risk in question, the funds may support a shareholder proposal that seeks enhanced reporting of the company's approach to addressing that material risk. The funds do not support shareholder proposals that seek to influence or dictate specific company strategy or operations, as we believe that a well-composed board and properly overseen and incentivized company executives are better positioned to determine the appropriate approach to generating shareholder returns for any given portfolio company. Additionally, the funds do not support shareholder proposals that seek actions that are duplicative of existing company practices or otherwise introduce undue costs and/or risks to shareholders.

Analysis and voting rationale

Ahead of Citigroup's 2024 annual meeting, we engaged with two board directors, including the independent chair of the board, and members of management to discuss a variety of items on the ballot, including a shareholder proposal that sought a report on (i) whether the company directly or indirectly engaged in DEI practices that may create risks of illegal discrimination against employees, suppliers, contractors, and retained

¹ Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.

professionals who might sue the company based on a protected status such as race or sex and (ii) the potential cost of such litigation. In the text of the proposal, the proponent asserted that Citigroup faced a significant risk of legal liability associated with its DEI programs, citing the June 2023 U.S. Supreme Court ruling in the *Students for Fair Admissions v. Harvard* case that struck down race-based affirmative action in higher education admissions programs, along with the subsequent warning of 13 state attorneys general asserting potential implications of the ruling for corporate DEI programs and policies.

In its proxy statement, Citigroup disputed the proponent's claims that Citigroup's DEI programs and policies were "illegal" and "discriminatory" and stated that the company complies with all applicable fair employment and nondiscrimination laws and does not engage in illegal conduct in establishing and implementing its DEI initiatives. Citigroup further disclosed that, in addition to complying with applicable laws and regulations, the company's policies prohibit workforce discrimination and encourage employees to respect the beliefs, identities, and values of others.

During our engagement, Citigroup leaders described the board's oversight of risks related to human capital management, including workforce discrimination. They also shared details about how the board and management regularly review Citigroup's policies and practices pertaining to DEI programs and indicated that they do not view the existence of such policies and practices as inherently posing a material litigation risk at this time. Importantly, the leaders expressed a commitment to monitoring emerging

developments and regularly reviewing Citigroup's DEI policies and programs in the context of any changes in the relevant legal landscape in the corporate sector.

While we consider workforce discrimination as a potentially material risk to portfolio companies, including Citigroup, in reviewing the company's public disclosures and engaging with members of the Citigroup board, we assessed that the company has adequate oversight mechanisms in place intended to mitigate the risk, including a stated commitment to adhere to applicable laws regarding the execution of DEI programs in the context of workforce discrimination. Citigroup's published materials and our engagement with company leaders provided insights into how the company was actively monitoring legal and regulatory developments related to DEI policies and programs, and we observed that the company has an articulated approach to assessing and responding to those developments if warranted. While matters related to human capital management, including workforce discrimination, could present material risks to long-term shareholder returns, after analyzing the facts and circumstances at Citigroup and the lack of evidence to suggest that this is a material issue at Citigroup, the funds voted against this shareholder proposal.

We do not consider the existence of corporate DEI policies or programs to inherently represent a material risk to any given company. We believe policies must be understood in the context of specific company circumstances, including any relevant laws and regulations, and the board's oversight of any associated risks and opportunities.