

## OFFICE OF THE ATTORNEY GENERAL STATE OF ILLINOIS

KWAME RAOUL

January 9, 2025

Doug McMillon President and CEO Walmart, Inc. 702 SW 8<sup>th</sup> St. Bentonville, AR 72716

Dear Mr. McMillon:

We are writing to express our concern regarding Walmart's recent decision to step away from its commitments to diversity, equity, and inclusion ("DEI"). In particular, we are concerned that Walmart's decision to phase out supplier diversity programs, close down the Center for Racial Equality, end equity trainings for staff, and remove the words "diversity" and "DEI" from company documents and employee titles risks undermining important social progress and antidiscrimination efforts. Moreover, these changes are bad for business, and for Walmart's customer base, including those in our states. Especially considering your prior statements on the critical values of diversity and inclusion, we urge you to reconsider your announced changes.

In remarks following the murder of George Floyd in 2020, you noted that social justice and equity are core parts of Walmart's business.<sup>1</sup> In fact, you purported that your commitment to diversity and inclusion was so strong that Walmart employees "must work together to actively shape our culture to be more inclusive, not just accepting our differences…but celebrating them...every day…in every part of the company," and those who could not would "need to find somewhere else to work because you don't share our values."<sup>2</sup> These comments appropriately reflected Walmart's unique position as an economic behemoth and a driver of social and corporate change. It is difficult to ascertain what has caused Walmart to shift so drastically from this position just four years later, other than as a reaction to concerted efforts by a few to bully corporations into adopting their own cynical worldviews.

 $^{2}$  Id.

Individuals with hearing or speech disabilities can reach us by using the 7-1-1 relay service.

<sup>&</sup>lt;sup>1</sup> Making a Difference in Racial Equity: Walmart CEO Doug McMillon's Full Remarks, June 5, 2020, available at <u>https://corporate.walmart.com/news/2020/06/05/equity</u>

As chief legal officers of our jurisdictions, we want to make one thing clear: Walmart's decision to jettison DEI initiatives is *not* required by law. If anything, civil rights laws support—and often necessitate—efforts to make corporations more inclusive for all employees, including employees from minority groups and other protected classes. State and federal laws prohibit discrimination in employment based on a wide variety of protected classes.<sup>3</sup> These laws require that employers take necessary steps to address practices that are purposefully designed to discriminate as well as those that have a discriminatory effect.<sup>4</sup> Initiatives and programs designed to prevent discrimination and to remedy the impact of past discrimination, including those designated as DEI, are not just good policy, but in many cases, are necessary to comply with the law.<sup>5</sup>

As previous letters from our offices have noted, including one sent to you on June 20, 2024, we are aware that certain ideological actors have seized on the Supreme Court's 2023 decision in *Students for Fair Admissions, Inc. v. President and Fellows of Harvard College*, 600 U.S. 181 (2023) ("SFFA") in an attempt to inappropriately expand its reach to private businesses and corporations.<sup>6</sup> But *SFFA* is a narrow ruling that does not prohibit corporate DEI programs. As the U.S. Equal Employment Opportunity Commission clarified in the wake of *SFFA*, "[i]t remains lawful for employers to implement diversity, equity, inclusion, and accessibility programs that seek to ensure workers of all backgrounds are afforded equal opportunity in the workplace."<sup>7</sup> In fact, federal antidiscrimination law "empower[s] employers to take voluntary measures to remedy past discrimination" and such efforts "remain[] an important component of our nation's progression toward equal employment opportunity."<sup>8</sup>

boards-to-be-more-representative-of-the-us-population-301851560.html

<sup>&</sup>lt;sup>3 3</sup> See, e.g., Title VII, 42 U.S.C. § 2000e; See also Illinois Human Rights Act, 775 ILCS 5; California Fair Employment and Housing Act, Cal. Gov. Code, § 12940 et seq.

<sup>&</sup>lt;sup>4</sup> Griggs v. Duke Power Co., 401 U.S. 424, 431-2 (1971)

<sup>&</sup>lt;sup>5</sup> The U.S. Equal Employment Opportunity Commission advises that to reduce the risk of employment discrimination claims, businesses should, "[r]ecruit, hire, and promote with EEO principles in mind, by implementing practices designed to widen and diversify the pool of candidates considered for employment openings, including openings in upper level management." See U.S. Equal Employment Opportunity Commission, "Best practices for employers and human resources/eeo professionals," available at https://www.eeoc.gov/initiatives/e-race/best-practices-employers-and-human-resourceseeo-professionals ; Cision PR Newswire, "New Data From Deloitte and the Alliance for Board Diversity (ABD)

Reveals Continued Focus is Necessary for Fortune 500 Boards to be More Representative of the US Population," June 15, 2023, available at https://www.prnewswire.com/news-releases/new-data-fromdeloitte-and-the-alliance-for-board-diversity-abd-reveals-continued-focus-is-necessary-for-fortune-500-

<sup>&</sup>lt;sup>6</sup> See June 20, 2024 Letter from 20 Attorneys General to the American Bar Association, et al.; See also July 19, 2023 Letter to Fortune 100 Companies from 21 AGs.

<sup>&</sup>lt;sup>7</sup> U.S. Equal Employment Opportunity Commission, "Statement from EEOC Chair Charlotte A. Burrows on Supreme Court Ruling on College Affirmative Action Programs," June 29, 2023, available at https://www.eeoc.gov/newsroom/statement-eeoc-chair-charlotte-burrows-supreme-court-ruling-college-affirmative-action.

<sup>&</sup>lt;sup>8</sup> Amicus Br. of the EEOC Supp. Defs., *Roberts v. Progressive Preferred Insurance Company*, No. 1:23-cv-01597 (N.D. Ohio, Feb. 22, 2024), at \*10.

We understand the pressure your corporation has likely faced following the anti-DEI pressure campaign – threats to boycott, sue, or otherwise negatively impact Walmart's bottom line may well have contributed to your decision to walk away from your commitments to DEI. But we are concerned that Walmart failed to consider the other side – the customers and employees that will be alienated by this departure, the historically-disadvantaged minority- and women-owned small businesses that will have a harder time becoming suppliers to Walmart, and the economic benefits of diversity that Walmart will lose by abandoning its commitment to a diverse workforce.

As you surely knew when you made your June 2020 remarks, companies with strong diverse leadership teams overperform compared to companies that are more homogenous.<sup>9</sup> And consumer research indicates that the majority of Americans support businesses taking active steps to ensure that companies reflect the diversity of the American population.<sup>10</sup> In fact, as we have noted before, 53% of consumers believe companies that issue a statement of racial justice support must follow up with concrete action to avoid being seen as exploitative or opportunistic.<sup>11</sup> These viewpoints are tied directly to consumer behavior: 46% of consumers say that they pay close attention to a brand's social justice efforts before purchasing a product, and 70% of consumers want to know what the brands they support are actually doing to address social issues.<sup>12</sup> By abandoning DEI efforts, you are abandoning the consumers who expect Walmart to deliver on the promises it made.

Perhaps most importantly, businesses are required to ensure that prospective employees receive fair consideration in the hiring process, and that current employees are able to work in environments free from harassment or discrimination.<sup>13</sup> Business establishments must also provide the public with a non-discriminatory environment.<sup>14</sup> Workplace trainings, like those Walmart has announced planning to phase out, help to ensure that supervisors and staff

<sup>&</sup>lt;sup>9</sup> "Diversity Matters Even More: The Case for Holistic Impact," *Mckinsey*, November 2023, available at https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact#/ ("[I]n an increasingly complex and uncertain competitive landscape, diversity matters even more.")

<sup>&</sup>lt;sup>10</sup> Poll By The Black Economic Alliance Foundation/The Harris Poll: Corporate Diversity Initiatives Overwhelmingly Supported Across Racial, Ideological, And Generational Lines, available at https://foundation.blackeconomicalliance.org/press-release/new-poll-by-the-black-economic-alliance-foundationthe-harris-poll-corporate-diversity-initiatives-overwhelmingly-supported-across-racial-ideological-and-generationallines/

<sup>&</sup>lt;sup>11</sup> "Where Do We Go From Here?: A Guide to Advance Racial Equity Through Environmental, Social, and Corporate Governance," Congressional Black Caucus Foundation and the National Racial Equity Initiative for Social Justice (2023), available at

 $https://issuu.com/congressionalblackcaucusfoundation/docs/cbcf_cpar_wheredowegofromhere\_csr_guide?fr=xKAE 9_zU1NQ$ 

 $<sup>^{12}</sup>Id.$ 

<sup>&</sup>lt;sup>13</sup> See, e.g., Title VII, 42 U.S.C. § 2000e; See also Illinois Human Rights Act, 775 ILCS 5; California Fair Employment and Housing Act, Cal. Gov. Code, § 12940 et seq .

<sup>&</sup>lt;sup>14</sup> See, e.g., Title II, 42 U.S.C. § 2000a; See also California Unruh Civil Rights Act, Cal. Civ. Code § 51.

understand their legal requirements and expected behaviors toward colleagues. Even considering the anti-DEI political pressures, removing legal safeguards like diversity and equity trainings is shortsighted and presents risks that are not worth the political value. This is especially true if you are considering trainings on nondiscrimination requirements and disability accommodations as the "equity" trainings you are sunsetting.

Further, your former supplier diversity goals and efforts to ensure fair consideration of all potential partners made good business and legal sense. Your announced departure from these efforts leaves room for confusion as to why targeted efforts to reach disadvantaged suppliers are no longer necessary, and how you intend to ensure compliance with nondiscrimination requirements moving forward.

Finally, as you have announced that you are no longer using "DEI" in company titles or materials, it leaves open the question of whether you have engaged in corporate restructuring, terminations, or layoffs in furtherance of this decision. If you have, we are concerned about the potential that impacted employees may be disproportionately Black, Latino, or members of other historically disadvantaged protected groups.

We would welcome more information, either as you communicate your recommitment to the important values of diversity, equity, and inclusion, or as you share with our offices how you intend to ensure compliance with our states' laws. Although a response is voluntary, we hope that you will take the opportunity to engage with us on these important topics.

We remain committed to dialogue on this issue, and are available to meet in our respective states or via virtual means if preferred.

Best,

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Attorney General Kwame Raoul State of Illinois

Kal Bonta

Attorney General Rob Bonta STATE OF CALIFORNIA

twe E Lipe

Attorney General Anne Lopez STATE OF HAWAII

Attorney General William Tong STATE OF CONNECTICUT

non M. Fren

Attorney General Aaron Frey STATE OF MAINE

Attorney General Robert Brown STATE OF MARYLAND

Attorney General Andrea Campbell STATE OF MASSACHUSETTS

Keithalli

Attorney General Keith Ellison STATE OF MINNESOTA

Mr.J. U

Attorney General Matthew Platkin STATE OF NEW JERSEY

Attorney General Peter Neronha STATE OF RHODE ISLAND

Attorney General Aaron Ford STATE OF NEVADA

Setutia James

Attorney General Leticia James STATE OF NEW YORK

auty n. Ou

Attorney General Charity Clark STATE OF VERMONT