



## Focus Area *Equality*

### THE ISSUE

Effective management of human resources is a matter of good governance and a critical component of long-term business success. Employers that foster a culture of diversity and inclusion, including robust equal employment opportunity (EEO) policies and programs, benefit from an enhanced ability to attract and retain top talent, increased worker satisfaction and productivity, and reduced employee turnover and associated training costs. Moreover, diverse leadership improves decision-making processes and better reflects demographic trends within customer markets. In contrast, poor management of human resources exposes companies to reputational and litigation risk.

### OUR STRATEGY

We encourage companies to:

- 1) Increase representation of women and people of color on boards of directors.** As a long-term investor, we expect to observe over time that companies are successfully recruiting diverse board members. Because director appointments are relatively infrequent occurrences, we advocate for companies to take meaningful actions toward best practice corporate governance policies and practices to help ensure progress. These include strengthening nominating and corporate governance committee policies and charters; amending proxy disclosures to explicitly embed a commitment to diversity in board searches; committing to include women and minority candidates in each board nominee pool; evaluating board refreshment and review processes; and providing periodic assessments of challenges experienced and progress achieved.
- 2) Disclose workforce composition statistics.** In order to promote accountability for hiring, retaining, and advancing women and people of color, we ask companies to disclose publicly data that is already collected and reported annually to the EEO Commission (the EEO-1 Report): a breakdown of employees according to specific gender, racial, and job categories. Further, we ask companies to provide context about their diversity and inclusion policies, programs, and challenges. We believe that this information enables investors to assess and monitor EEO progress.
- 3) Adopt inclusive EEO policies that explicitly protect employees from discrimination.** We ask companies to make public EEO policies that are inclusive of sexual orientation and gender identity and expression as public testimony to their commitment to current and prospective lesbian, gay, bisexual, and transgender (LGBT) employees. Explicit anti-discrimination company policies are particularly important given the absence of federal protections and disparate state and local laws.

Women and people of color collectively hold less than 31% of board seats among the largest U.S. companies (approximately 20% are seats held by women and 14% by people of color).<sup>1</sup> Recent recruitment results are more encouraging: research indicates that half of new director appointments in 2017 were women and people of color.<sup>2</sup>

<sup>1</sup> Missing Pieces Report: The 2016 Board Diversity Census of Women and Minorities on Fortune 500 Boards

<sup>2</sup> Women, Minorities Were Half of S&P 500 Directors added in 2017, *Wall Street Journal*, November 2, 2017

Women and people of color account for 48% and 38% of private industry jobs, respectively, but remain disproportionately underrepresented in management positions. Women hold 30% of senior management positions and 39% of mid-level management roles. Likewise, people of color represent 14% and 23% of senior and middle management positions, respectively.<sup>3</sup>

<sup>3</sup> 2015 Job Patterns for Minorities and Women in Private Industry (EEO-1), U.S. Equal Employment Opportunity Commission

A 2017 survey by the Center for American Progress found that 25% of LGBT respondents reported experiencing discrimination because of their sexual orientation or gender identity within the past year.<sup>4</sup> Beyond issues related to workplace culture, LGBT individuals represent an increasingly important customer base with buying power estimated to be more than \$900 billion annually.<sup>5</sup>

<sup>4</sup> <https://www.americanprogress.org/issues/lgbt/news/2017/05/02/429529/widespread-discrimination-continues-shape-lgbt-peoples-lives-subtle-significant-ways/>

<sup>5</sup> LGBT Purchasing Power Near \$1 Trillion Rivals Other Minorities, *www.bloomberg.com*, July 20 2016