



# Equality



## The Issue

Effective management of human capital is a matter of good governance and a critical component of long-term business success. Good human capital management can also facilitate economic mobility, close the opportunity gap within the workplace, and level the playing field across an organization. Employers that foster a culture of diversity and inclusion, including robust equal employment opportunity (EEO) policies and programs, benefit from increased worker satisfaction and productivity, an enhanced ability to attract and retain top talent, 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.

Among Russell 3000® companies, 19% of board seats are held by women and 10% by people of color. Recent recruitment results for women are encouraging as they accounted for 45% of new directors through May 2019, yet just 15% were people of color.<sup>1</sup>

<sup>1</sup> ISS Analytics: U.S. Board Diversity Trends in 2019, an analysis of 2,175 Russell 3000® companies as of May 30, 2019.

Nearly two-thirds of self-identified LGBTQ Americans report experiencing discrimination in their personal lives and 46% of LGBTQ workers conceal their sexual orientation and/or gender identity at work<sup>1</sup>. LGBTQ individuals represent a significant customer base with buying power estimated to be \$1.0 trillion annually.<sup>2</sup>

<sup>1</sup> Human Rights Campaign, 2018.

<sup>2</sup> (LGBT Capital, 2018).

## Boston Trust Walden's 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 leading 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 publicly disclose 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, transgender, and queer (LGBTQ) employees. Explicit anti-discrimination company policies are particularly important given the absence of federal protections and disparate state and local laws.