

A CALL TO ACTION FOR EQUITY AND INCLUSION IN THE BOARDROOM

FROM THE DIVERSE CORPORATE DIRECTORS COALITION (DCDC)

ABOUT THE DCDC

The vision of the [Diverse Corporate Directors Coalition \(DCDC\)](#) is a corporate America where boardrooms leverage the strength of America's diversity as a competitive advantage. The DCDC is composed of representatives from the leading associations that support diverse corporate directors as follows: [Ascend Pinnacle](#), the [Black Corporate Directors Conference \(BCDC\)](#), the [Latino Corporate Directors Association \(LCDA\)](#), [Out Leadership's Quorum](#), and the [WomenCorporateDirectors Foundation \(WCD\)](#).

This coalition has been formed to accelerate change and equity, as the progress toward inclusive diversity continues to be slow. Diversity, equity, and inclusion (DE&I) make good business sense. A growing body of research has demonstrated the correlation between board diversity and corporate financial performance. For example, according to the 2018 McKinsey report [Delivering Through Diversity](#), companies in the top quartile for ethnic diversity were 43 percent more likely to see above-average profitability.

Supply is not the issue. The combined membership of our organizations demonstrates that there is ample supply of diverse experienced directors and board-qualified executives. Our groups represent among the most respected and accomplished business leaders at the pinnacle of corporate governance; therefore, we are paying it forward by preparing and opening doors for experienced C-level executives.

A CALL TO ACTION—Why Now?

With the COVID-19 pandemic impacting the economy and people's lives – with a disproportionate impact on the lives of people of color—and social unrest calling for an end to systemic racism and inequality, current events have laid bare the long-held need for diverse teams and leaders who serve as an advantage in navigating the next normal. Likewise, ensuring equitable investment, opportunity, and advancement that are free of racism, bias, and exclusion are good for society, the economy, and business performance.

Current times call for proactive, vigilant leadership working toward achieving comprehensive and measurable results. Companies and their directors should expect more scrutiny from investors, proxy advisory firms, the public, and employees. Investors are beginning to pressure companies on these issues, calling on corporate directors for concrete, comprehensive solutions to end systemic racism and exclusion. Plus, customer loyalty is heavily weighted by a company's response to current events and the social unrest.

OUR CALL TO ACTION

It makes smart business sense to get ahead on these topics. Companies that commit to change and measure results are more likely to achieve it. In 2017, we announced a [call for companies](#) to establish a **commitment to board equity in their governance guidelines**. Today, we offer a holistic **action plan for boards** to guide companies to operationalize meaningful change.

1. Policy

We ask board members to embed strong measures in their company's governance policies reflecting a commitment to DE&I, including the following:

- **Create a Governance Guideline:** Here is a sample: *We establish, refresh, and actively work to achieve board equity goals with respect to race, ethnicity, gender, sexual orientation, and other aspects of diversity in the context of company strategy and stakeholder expectations.*

- **Define Diversity:** As part of this policy, the board of directors should adopt an inclusive definition of board diversity, to encompass gender, race, ethnic subgroups (Latino, Pan-Asian and Pacific Islanders, Native Americans, Alaskan, and Hawaiian Natives), LGBT+, disability, and veteran status.
- **Disclose:** Reporting and disclosure enables accountability as a path toward achieving inclusive diversity: “what gets measured gets results”. We are encouraged by and applaud the increased call for disclosure by congressional leaders, institutional investors, ISS, the U.S. Chamber of Commerce, and other industry groups. We call on boards to ensure that their companies disclose the board’s composition, based on the self-identity factors listed above, in their proxy and other applicable SEC filings.
- **Report by Subgroup:** As a best practice, we encourage companies to post the demographic composition of their boardroom on their websites, with data disaggregated by gender, Black, Latino, Pan-Asian and Pacific Islanders, Native Americans, Alaskan and Hawaiian Natives, LGBT+, disability, and veteran status.
- **Track:** The DCDC Coalition will join with partners and alliances to track and report on the progress of all public companies. We call on boards to track their own diversity against their goals and against relevant comparators such as the company’s peer group, industry, and all public companies.

2. Practice

Aligned with our vision statement, we urge all corporate boards and those who influence board placement to work toward achieving a **board equity goal to reflect the strength of America’s diversity, as a competitive advantage, with at least 50% of the board’s directors coming from under-represented groups**. While each board will have its own unique board composition goals and recruiting preferences to achieve equity, we list below a number of techniques that have been used successfully by companies and recommended by experts in the field:

- **Utilize an Updated Rooney Rule:** Adopt an “updated Rooney Rule,” which states that 50% of director candidates interviewed should be diverse, with a significant portion selected to include members of underrepresented subgroups that are not currently present on the board. This is not a quota; it is a call for corporate boards to open the door and give diverse candidates a chance to compete.
- **Diversify All-white Boards:** For boards that are composed of all-white men and women, nominating/governance committees should ask for a candidate pool that is 100% racially and ethnically diverse.
- **De-Bias the Search Criteria:** There is ample diverse talent that is board-qualified. Examine routinely-used search terms that are unnecessary and exclusionary, for example, the search criteria for every single board seat need not require that the candidate be a CEO, COO, or CFO – candidates who have been CHRO or in other C-suite roles, or come from different backgrounds such as government or the military, can bring valuable perspectives as well as diversity to the board discussion.
- **Tap into the Ample Supply:** Set expectations with search firms upfront, and be prepared to move your business away from recruiters who don’t deliver a candidate pool that is sufficiently ethnically and racially diverse. Whether or not a recruiter is involved, be sure to leverage resources with access to diverse networks and databases (e.g., DCDC member organizations— Ascend Pinnacle, the Black Corporate Directors Conference (BCDC), Latino Corporate Directors Association, Quorum Out Leadership, and the WomenCorporateDirectors Foundation—and other resources).
- **Evaluate and Improve:** Incorporate effectiveness of diversity-related practices (as well as policies and results) into the board evaluation and continuous improvement processes.

3. Accountability and Impact

Statements are not enough. Companies and directors should expect more pressure from shareholders, the community, customers, and employees to achieve tangible change not only in the boardroom but in organizations and society as a whole. It is important for **all corporate directors** to be part of the solution, to speak up, ask the tough questions, expect progress, and create accountability for results. Leadership is needed by CEOs, Board Chairs, and/or Lead Directors to create an environment that welcomes these conversations.

- **Assess Talent Pipeline Plans:** Board members should inspire companies to set aggressive and comprehensive plans to achieve measurable equity at all levels of the organization. Directors should ask questions, such as: What does your talent pipeline plan need to look like to reach equitable levels over a reasonable period of time? What planning must you do NOW to reach those targets? What new investments will the company need to make and what will it need to do differently?
- **Encourage Inclusive Purchasing:** Diverse business purchasing practices benefit the company's reputation as well as society -- when companies do business with firms owned by under-represented groups--and also when companies demand to deal with diverse teams within all firms with which the company does business. Boards can encourage these programs and ask questions such as: What was the total spend for products and services allocated to diverse vendors, by category of vendor and by category of under-represented group? What plans does the company have in place to support and measure continuous improvement of inclusive business purchasing?
- **Discuss Community Investment:** Assess the company's engagement and investment in initiatives aimed at stamping out racism and exclusion. Engage employees to understand what organizations they would like supported. Be authentic.
- **Assess Culture:** Promote honest assessments, by external parties as appropriate, of company culture, workforce policies, purchasing practices, and community investment. Look for systemic trends and whether corrective strategies have been implemented. Ask to see the data, by gender, race, ethnic subgroup, sexual orientation, and gender identity, at each level of the organization, and track trends including hiring, retention, and promotion.
- **Reward Results:** Establish KPIs and use compensation and other applicable tools to reward success and drive improvement.

CLOSING

This is the time for companies to demonstrate their commitment to diversity, equity, and inclusion by accepting accountability and taking positive action. The recommendations in our Call to Action will enable companies to move forward and accomplish meaningful change that supports business performance.

DCDC MEMBER GROUPS AND REPRESENTATIVES

[Ascend Pinnacle](#) - Pan-Asian Directors, Janet S. Wong

[Black Corporate Directors Conference \(BCDC\)](#), John W. Rogers, Jr

[Latino Corporate Directors Association \(LCDA\)](#), Esther Aguilera

[Quorum](#) - LGBT+ Directors, Matt Fust

[WomenCorporateDirectors Foundation \(WCD\)](#), Susan C. Keating