



Trillium Asset Management believes that diversity, inclusive of gender and race, is an essential component of sound governance and a critical attribute to a well-functioning organization. We strive to achieve diversity at all levels and seek to invest in companies that are doing the same—from the mail room to the board room. Using tools including shareholder dialogue and advocacy, our founder, Joan Bavaria, helped establish and promote the concept of using stock ownership to improve corporate outcomes on the environment, human rights, workplace diversity, and other areas.

Many of America's largest corporations have programs in place to recruit and retain women and racial/ethnic minorities for managerial and leadership positions. But are these programs achieving desired outcomes? Are investors and other stakeholders receiving sufficient information about these programs to assess whether a company is meeting its goals and mitigating workplace risks, including the legal and financial risks resulting from allegations of discrimination?

In 1991, President George H.W. Bush appointed the bipartisan Glass Ceiling Commission to identify the "artificial barriers based on attitudinal or organizational bias" that have blocked the advancement of minorities and women as well as to identify the successful practices and policies that had led to the advancement of minority men and all women into decision-making positions in the private sector. In 1995, the commission published its report, which found that 95 to 97% of senior managers—vice presidents and above—were men. It also found that 97% of male top executives were white and that in 1994 only two CEOs of Fortune 1000 companies were women.¹

Soon after the Glass Ceiling report was released, Trillium began filing shareholder proposals as part of a coalition of investors asking companies to publicly disclose their federal EEO-1 (Equal Employment Opportunity Commission) data. Most employers with at least 15 employees are required to count employees by job category and then by ethnicity, race, and gender and to submit the information to both the EEOC and the Department of Labor. The federal government itself reports on this information in aggregate,

In 2013, it was reported that women held only 16.9% of corporate board seats at Fortune 500 companies, marking no significant year-over-year change for the eighth consecutive year. In addition, nearly 10% of the Fortune 500 had no women on their board, and women of color held only 3.3% of all board seats.² These numbers are more striking when you consider that nearly six out of 10 current college graduates are women.

but does not disclose nor require public disclosure of company-specific information.

Disclosure of a comprehensive numeric breakdown of a company's workforce gives investors information to better evaluate the financial risks, we argued in our initial proposal to Home Depot in 1998 soon after it settled a discrimination lawsuit representing greater than 20% of its quarterly earnings. After filing this proposal for three years and garnering more than 10% support each year, investors reached an agreement with management, and Home Depot

began disclosing comprehensive EEO data to investors upon request. Victory, however, was short-lived when without explanation the company stopped making this information available. In 2005, Trillium and several investor partners refiled the proposal. The average annual voter support of the refiled proposal

jumped to 27%, but the company did not change its position on disclosure. At the same time, investors were reaching agreements on EEO-1 disclosure at some of the largest US companies including American Express, IBM, Merck, Hewlett Packard, Walmart, and Intel.

Notably, in 2013, Home Depot responded to the shareholder proposal by releasing the percent change in woman and minority hires over a 12-year period. This marked a move toward transparency that investors had not seen in a decade, but it still was not a substitute for EEO-1 disclosure. In early March 2013, Home Depot published an 18-page Diversity & Inclusion Report describing impressive qualitative aspects of Home Depot's diversity programs. The report did not, however, measure the effectiveness of these programs (for

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example disclosure of the impacts of its activities, such as visiting 250 diversity-focused career fairs) or the company's progress relative to its goals.

Trillium continues to engage companies on this issue because we believe companies that are accountable to the public on equal employment opportunity are most likely to be companies making rapid progress toward achieving their goals. Over the last two years, Trillium has expanded its advocacy to include diversity in the board room. A diverse work force is more likely to anticipate and respond effectively to changes in the marketplace, while director diversity and, specifically, board gender diversity improves board quality and more.

A 2012 study by Miriam Schwartz-Ziv³ concluded that boards with three or more women directors were roughly twice as likely to request further information and to take an initiative, leading to higher return on equity and net profit margins compared to peer companies. And a 2012 report by Credit Suisse found that, over a six year period, companies with greater gender diversity exhibited less volatility in earnings and had better financial performance.

In 2012, Trillium began engaging portfolio companies with all-male boards and those lagging its peers on diversity. Our firm filed eight shareholder proposals asking companies to “publicly commit [themselves] to a policy of board inclusiveness to ensure that women are routinely sought as part of every board search the company undertakes.”

Following successful dialogues, all eight companies agreed to amend their governance documents to include a clear definition of diversity, inclusive of gender and race, and to make diversity an intentional part of board nominee search

criteria. Trillium withdrew the proposals after receiving commitments to revise corporate charter documents and schedule substantive meetings to discuss how revisions could be effectively implemented.

A number of companies where we filed have since elected women to their boards. Zimmer Holdings added a second woman to its board in December 2012; Cree, Inc. elected its first female board member in December 2013; Hartford Financial elected its second woman in May 2013 and added a third woman to its board in January 2014. Working with The Thirty Percent Coalition, a national organization of business leaders, women's organizations, and institutional investors—of which Trillium is a member and board member—we have been able to assist several companies with strategies to expand the talent pool from which board nominees have traditionally been drawn.

Trillium, as well as members of the Interfaith Center on Corporate Responsibility and city and state pension funds, have continued to ask companies to institutionalize a commitment to board diversity inclusive of gender, race, and ethnicity, and to affirm publicly their commitment to equal employment opportunity with transparent EE0-1 data reporting.

The federal Glass Ceiling Commission's report remains relevant today in that “public disclosure of diversity data—especially data on the most senior positions—is an effective incentive to develop and maintain innovative, effective programs to break the glass ceiling barriers.” Diversity is a bottom-line issue affecting competitiveness and market share. Board and workplace diversity, we believe, should be a top priority of every company's efforts to deliver long-term value to its shareholders.

1. <http://www.witi.com/research/downloads/executivesummar.pdf>
2. <http://www.catalyst.org/knowledge/2012-catalyst-census-fortune-500-women-board-directors>
3. “Does the Gender of Directors Matter?” Miriam Schwartz-Ziv November 2012