

Focused on Alpha & Outcomes

## Diversity, Equity, & Inclusion (DEI) Shareholder Engagement Campaign

We believe that diversity, equity and inclusion (“DEI”) is a material ESG issue with the potential to drive risk and return over the long-term. Research summarized in a [Harvard Business Review article](#) indicates that companies ranked in the top quartile for diversity in management had a higher probability of generating financial returns above their industry mean, and diverse teams enhanced objectivity, decision making and innovation. Board diversity was also the second-highest engagement priority in 2020 and a top four proxy voting theme according to [Harvard’s Law School Forum on Corporate Governance](#). **In our pursuit of alpha and positive outcomes, we contacted every company in our Global ESG Strategy to understand their practices and policies and encourage improvement.**

### OUR PHILOSOPHY ON ESG ENGAGEMENT

At Rockefeller Asset Management, we believe that ESG-integrated analysis coupled with shareholder engagement initiatives can deliver strong long-term results for our clients. [Our research suggests](#) that companies working to improve their ESG profile will see stronger financial performance over time. A critical part of our investment approach is to use our position as investors to constructively engage with our portfolio companies on material ESG issues. Engagement typically begins before purchasing a stock and is employed throughout the holding period. Our engagement approach strengthens our investment process by identifying material ESG issues and constructively engaging with companies to create long-term shareholder value and catalyze positive ESG improvement.

### A Material Issue for All

Recognizing that DEI issues are material for all companies, we launched an “Engaging for a More Diverse and Equitable World” campaign. A letter was sent to each company in Rockefeller’s Global ESG Strategy asking to review practices and policies across four key areas listed below, discuss the topic at an upcoming board or executive management meeting, and respond with specific actions being taken.

1. **Recruitment and Advancement:** Including employee diversity, board diversity, advancement and retention
2. **Products and Services:** Encompassing marketing, use of artificial intelligence, and selection of suppliers
3. **Community Impact:** Involving the impact of operations, and investments in skill building and local development
4. **Measuring Progress:** Collecting and monitoring data to enhance accountability and results

### Encouraging Results

Companies’ responses revealed a greater depth of commitment to DEI efforts than seen in the past. We heard from over half the companies in our portfolio, including those domiciled in the U.S., Europe and Asia. While DEI has many dimensions, our correspondences indicated that the spotlight in 2020 was on race and inequality.

As a starting point, many companies have organized employee dialogues or “listening sessions” to help employees discuss DEI more openly, exchanging views and experiences. A number of companies have formed task forces, or councils, focused on DEI and have hired, or are in the process of hiring, senior DEI officers. One company hired a management consulting firm to conduct a DEI diagnostic which will include a

[rockco.com/RAM](https://rockco.com/RAM)**COMPANY SPOTLIGHT:****Nintendo of America Inc. (NOA)**

launched a series of initiatives to deepen dialogue and understanding around race. During a "Forum of Understanding" that took place in June, twelve employees were invited to present their own personal stories of injustices, their progress towards becoming more racially aware, and the impact that George Floyd's murder had on them personally. Subsequently, during a "30 days of Understanding" program, employees were asked to identify one goal and one action to practice per week to eliminate racial inequality. Additionally, a monthly "Perspectives on Race" forum was launched which will provide a spotlight on individual topics such as "the history of African Americans in Seattle" and "intersectionality," amongst others. A large percentage of the staff as well as NOA's executive leadership have voluntarily participated in each of these sessions and shared that they have felt supported in having candid conversations about race and, importantly, that they were motivated to make a difference.

review of existing policies and the commitment of leaders to fostering inclusion. Many have expanded the scope of DEI and unconscious bias training to include all staff. Steps such as these appear most impactful when reinforced with concrete business processes and monitoring of metrics. Below we highlight a few notable actions across each pillar in our campaign.

**Recruitment & Advancement**

In one way or another, most companies are striving to enhance diversity in recruiting. While several companies mentioned initiatives to include diversity criteria in board member succession planning, the majority are focused on diversity in their employee base. At a greater scale than seen previously, companies are reaching out to Historically Black Colleges and Universities, applying policies that require at least one black or minority candidate to be considered for each new job opening (inspired by the Rooney Rule), hiring diversity focused recruitment firms and forming partnerships with minority focused career organizations such as the National Society of Black Engineers and the Society of Women Engineers. A European company expanded its applicant tracking system to enable candidates to voluntarily provide gender identifying information (male, female, non-binary) in hopes of recognizing potential biases in the recruitment process as they strive to achieve a greater diversity.

To promote advancement, we see many companies strengthening leadership, mentorship and staff development programs for minority and female groups.

**Technology Company Sets Up Systems to Deliver on their Inclusivity Pledge**

One company published an **action plan** in which they commit to: a) improve diversity across all levels of the organization, b) raise awareness of diversity related issues and participation in diversity and inclusion programs, c) support Black and minority owned businesses with financial investments and d) support community organizations focused on racial equity and social justice.

As part of their action plan, approximately 200 senior leaders signed an **Accountability Pledge** requiring their commitment to activating steps outlined in the plan and delivering meaningful improvement on diversity issues.

They initiated an inclusive leadership training program with a human capital consulting firm for senior leaders. The mandatory program seeks to further develop inclusive leadership skills. It is designed to enhance the targeted competencies and traits needed to support long-term growth, including general education sessions, individual interviews and one-on-one coaching. Additionally, managers have been asked to include a specific diversity and inclusion objective in their 2020 performance goals.

**COMPANY SPOTLIGHT:**

**John Deere**

John Deere manufactures machinery and precision solutions to support agriculture and construction industries. Deere recently announced an initiative to protect the property rights of Black farmers in the U.S. In partnership with the National Black Growers Council and the Thurgood Marshall College Fund, they formed a coalition that will work to address the decades long issue of heirs' property rights and improve the livelihoods of Black farmers. Sixty percent of Black farmers cultivate land that has been passed down over generations but for which they don't have an official title. To help overcome this challenge, John Deere has created a coalition called LEAP (Legislation, Education, Advocacy and Production Systems) and created a full-time project manager role to represent Deere in the Coalition. The Coalition members recently announced Deere's five year commitment, including partnering with the Federation of Southern Cooperatives/Land Assistance Fund, the preeminent organization focused on addressing issues of Heir's Rights. The vision of the Coalition is to develop an integrated ecosystem that addresses gaps and opportunities including, ensuring that once Black farmers obtain formal titles, the LEAP coalition is positioned to help them retain and maximize the use of their land.



Source: John Deere

**Tying Initiatives to Products and Services**

A few companies reported efforts related to products and services, but this aspect of DEI represents a growth area for many companies.

First Horizon, a Tennessee based bank, expanded its approach to research by including dedicated African American focus groups. They also made an internal commitment to fair representation within marketing materials related to Operation Hope, an initiative that runs free financial literacy workshops in Tennessee and several other southern states. In the medical technology field, companies are increasing their use of big data to improve health outcomes for the most vulnerable populations with emphasis on diseases that afflict people of color.

Meanwhile, some biopharma companies are increasing diversity in clinical trials.

**Community Impact**

We also see an increase in companies supporting non-profits with a local footprint, matching the gifts of employees and investing in education initiatives, particularly in Science Technology Engineering and Math (STEM). The appropriate amount of philanthropic efforts will differ dramatically across

industries and the communities in which they are located, but many companies are identifying investments that simultaneously support diversity and business interests.

**Measuring Progress**

In the years ahead, we believe that companies will improve the process to collect and monitor DEI statistics across various levels, functions and business units. Assessing diversity data alongside other key performance indicators (KPIs) will help companies develop appropriate strategies to improve. One example, Lloyd's Bank

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headquartered in London, saw gender and ethnic diversity increase throughout the workforce and senior management after setting specific time-bound percentage targets.

## Conclusion

We believe it is important to assess standards of diversity relative to local populations and availability of candidates in specific industries and geographies. While it's difficult to calculate the percent of earnings per share growth attributed to DEI initiatives, firm's focused on improvement may see enhanced decision making, innovation, productivity and employee satisfaction, which typically leads to better financial performance relative to industry peers over the long-term. A clear takeaway from our correspondences is how much employees appear to value these actions. One company mentioned that their efforts have been critical in attracting and retaining their most skilled talent as they transition from a hardware business to a software business. Another cited the overwhelmingly positive response from employees.

**"In response to my email outlining specific actions that Keysight is taking to increase diversity throughout the organization, and to support diversity in our communities, I received hundreds of messages from employees expressing overwhelming support for our values and for the concrete actions we are taking to translate those values into action." - Ron Nersesian, Chairman, President and CEO, Keysight Technologies, October 2020**

We were encouraged by many of the approaches adopted by companies across geographies and sectors. Looking forward, we intend to broaden our engagement efforts and share examples of best practices to create shareholder value and catalyze positive change.



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## SUSTAINABLE DEVELOPMENT GOALS



**Goal 5**  
Gender Equality



**Goal 10**  
Reduced Inequalities

Goals listed above represent the United Nations Sustainable Developments Goals, which seek to promote prosperity while protecting the planet, established in 2015.

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ASSET MANAGEMENT

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