

News Release

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Institutional Investors Representing Over \$12 Trillion in Assets Expect Companies to Show Leadership on Racial Equality

NEW YORK, November 12, 2020...As protests broke out across the country this summer, many companies issued statements committing to address racial equality. Now, major institutional investors are looking for companies to put their words into action on race and other key social issues.

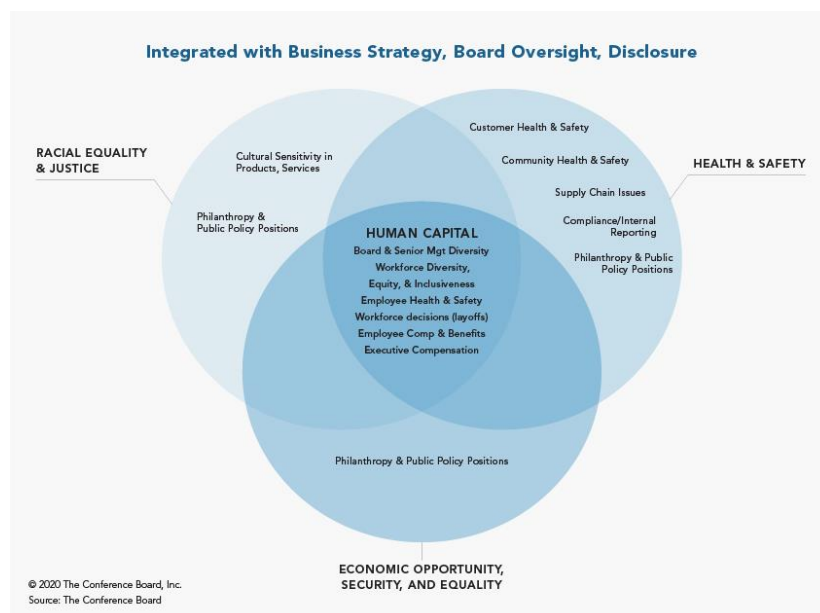
The news is from The Conference Board ESG Center, which heard from institutional shareholders representing over \$12 trillion in assets under management along with corporate thought leaders from the S&P 500. According to its recent report, [Insights for Investors and Companies in Addressing Today's Social Issues](#), investors view boards as being in the driver's seat when it comes to developing strategies to address racial, health, and economic inequality, but investors also expect action now. Specifically, they expect companies to increase diversity in their boardrooms, provide more disclosure on workforce equality, and address social issues in a way that aligns with their business strategy. Companies that fall short may face shareholder votes against directors sooner rather than later.

"Unlike the Dot-com collapse, Enron, and the 2008 financial crisis, which pitted investors and companies against each other, the current crises provide an opportunity for a new playbook to be written," said Paul Washington, Executive Director of the Conference Board ESG Center. "Institutional investors and corporations alike recognize that more is expected of them, and there is strong agreement on the key social issues that need to be addressed and ways in which companies can have an impact. Even in our polarized environment, this provides a unique opportunity for the broader business community to work in concert to address some of society's biggest challenges."

The report provides key insights for what's ahead for companies in addressing social change. The findings include:

As we head into 2021, expect an acute focus by investors on workforce issues.

- The composition, compensation, and wellbeing of workers sits at the nexus of the health, economic, and racial crises of 2020.



Companies have leeway but need to act.

- Investors will give companies latitude in developing, implementing, and communicating their specific plans to address social issues, but if dissatisfied, institutional shareholders are likely to make their views known in ways that go beyond votes on shareholder proposals and include votes against directors and capital reallocation.

Transparency is a priority.

- Companies should prepare for more comprehensive and detailed disclosures in their year-end reports that address the full scope of their actions to address social issues. Investors expect companies to identify gaps and disclose plans for filling them.

Investors are not expecting a major reset on the level of executive compensation, but Compensation Committees need to make decisions through a broader stakeholder lens.

- Compensation Committees, according to investors, should:
 - Consider and balance all stakeholder needs when creating compensation programs.
 - Avoid making adjustments to 2020 bonus targets that increase payouts beyond the formula.
 - Ensure that any adjustments to “in flight” long-term compensation programs, or future long-term programs, keep compensation “at risk” and reward relative outperformance.

Media looking for additional insights on these conversations can contact The Conference Board.

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