

# AGENDA

## Minority Board Members and Employees Clash on Importance of Race at Work

New surveys from Ariel Investments shed light on workplace sentiments on race and ethnicity

By **Frederic Lee** | August 30, 2024

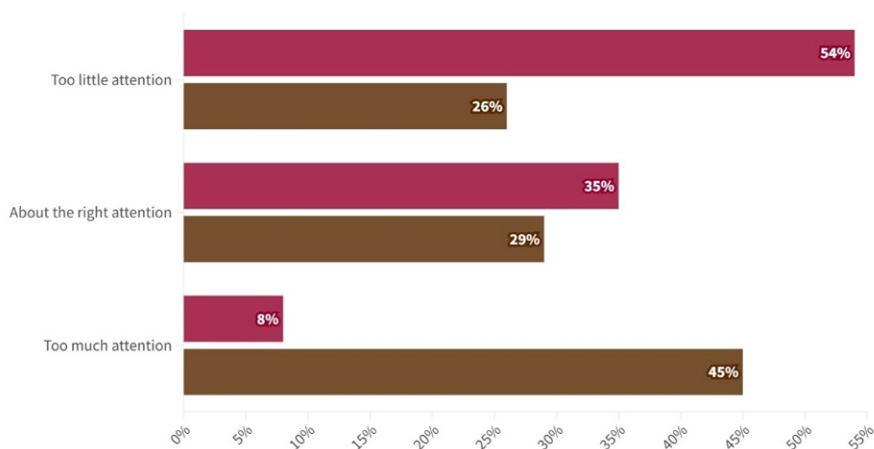
Workplace initiatives to bolster diversity and inclusion have faced opposition in recent years from anti-ESG shareholder proposals and other opponents. While top companies continue to prioritize diversity, racially diverse directors and workers disagree on the significance of race as it applies to the workplace, according to a new study.

While most Black and Latino directors surveyed for a new study from Ariel Investments feel their corporate boardroom doesn't focus enough attention on race and ethnicity compared to other facets of diversity, most workers surveyed feel that too much attention is placed on race and ethnicity.

### Emphasis on Race and Ethnicity at Work

Racially diverse corporate directors and general workers disagree

■ Diverse Directors ■ Workers



Source: Ariel Investments • From 2023 surveys of 165 Black and Latino corporate directors at Fortune 500 companies, and 2,909 average U.S. workers across races

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Corporate directors should take note of the disconnect between what they value versus what the average employee values in terms of racial diversity at their companies, Arielle Patrick, chief communications officer at Ariel Investments, told Agenda. She added that an opportunity has emerged for more data-driven education for workers on why racial and ethnic diversity is a business imperative.

This information can help employees see the real value in having a more inclusive approach to staffing, procurement, philanthropy and product development, said Patrick. Without leadership drawing those lines clearly, employees may feel "almost bludgeoned" by lip service about diversity, equity and inclusion as a broad, sweeping, important issue that lacks specificity, she added.

The surveys were conducted in mid to late 2023 among 165 Black and Latino corporate directors at Fortune 500 companies, and 2,909 U.S. workers across races.

The Supreme Court's rulings last summer striking down affirmative action programs in higher education at Harvard College and University of North Carolina have led to pessimism about DEI's progress in corporate America among 63% of directors surveyed, the study stated. Further, within that majority, 29% believe that the rulings give companies more cover to be less committed to DEI initiatives.

Since the corporate director's role is one of oversight, directors should understand and have appropriate input into how diversity and related initiatives are impacting the company — particularly from a strategic perspective, Pam Marcogliese, partner at Freshfields Bruckhaus Deringer LLP, told Agenda. While diversity issues can be wide-ranging, directors should ensure that the company's recruiting, retention and promotion programs are allowing the company to re-team itself and find competitive talent, said Marcogliese.

Further, in terms of DEI, anti-ESG initiatives are a relevant component within the corporate landscape and have the power to impact a company's strategy, said Marcogliese.

Therefore, the board should consult with management about any potential risks stemming from anti-ESG campaigns and make sure that management has thought through the company's practices and disclosures related to its diversity initiatives, Marcogliese said. Further, corporate directors should ensure that management is reporting its assessment of any pertinent risk exposure to them, she added. "Fundamentally, that is the board's role."

### **Still on the Radar**

Diversity on S&P 500 boards has leveled out at 24%, and the proportion of new directors who are racially or ethnically diverse has declined, according to Spencer Stuart's 2024 Director Diversity Snapshot. This year, 26% of first-time directors were from underrepresented minority groups, compared to a peak of 36% in 2023. The percentage was 23% and 12% in 2019 and 2014, respectively.

The percentage of directors who view their boards as diverse has also declined compared to two years ago — from 90% in 2021 to 81% in 2023. In fact, corporate directors surveyed said that their respective board conversations about DEI have been "less thoughtful, balanced and intentional" compared to two years ago, according to Ariel Investments study.

The new study reveals that corporate directors have a desire and a need to become more involved in the operational oversight of DEI as a business imperative at the companies they oversee, Patrick told Agenda.

Akin to how the collective board works to ensure that the company hits its earnings goals, a similar level of committee work, board involvement and support of the management team is needed now more than ever to prevent a backslide on the progress diversity initiatives have seen in recent years, said Patrick.

DEI considerations differ from company to company, said Marcogliese. She underscored the large amount of media focus on DEI; because of this focus, directors must also take special care to understand both the risks and opportunities of DEI considerations.

Although DEI matters still sit at or near the top of boardroom agendas, they receive inadequate oversight and have less-than-ideal infrastructures in place for support, according to the study.

DEI remains a primary agenda item for most of the directors surveyed, but "a softening" may be occurring in terms of how DEI operational infrastructures are realized at companies, including the board's role in overseeing that infrastructure, said Patrick.

Even so, it's still striking that the vast majority of director respondents stated that DEI remains a primary agenda item in the boardroom, said Patrick. "When you say 'primary,' that's pretty significant on the wide range of things that boards are responsible for — including risk, audit, human capital [and] reputation," she said.

Directors shouldn't just focus on board recruitment from a diversity perspective but should also ensure that individuals with the right expertise and experience are selected for committees such as nom-gov and human capital, in order to continue diversification at those companies, said Patrick.

"If not, I don't know that we'll see continued progress across the board," she said.