

# Diversity, Equity & Inclusion Proposal Approach



# Opportunity to enhance industry specific guidance on DEI disclosures

## Problem Statement

Significant investor interest and strong evidence connecting diversity, equity and inclusion to enterprise value creation suggest there are opportunities to strengthen how the Standards capture this issue.

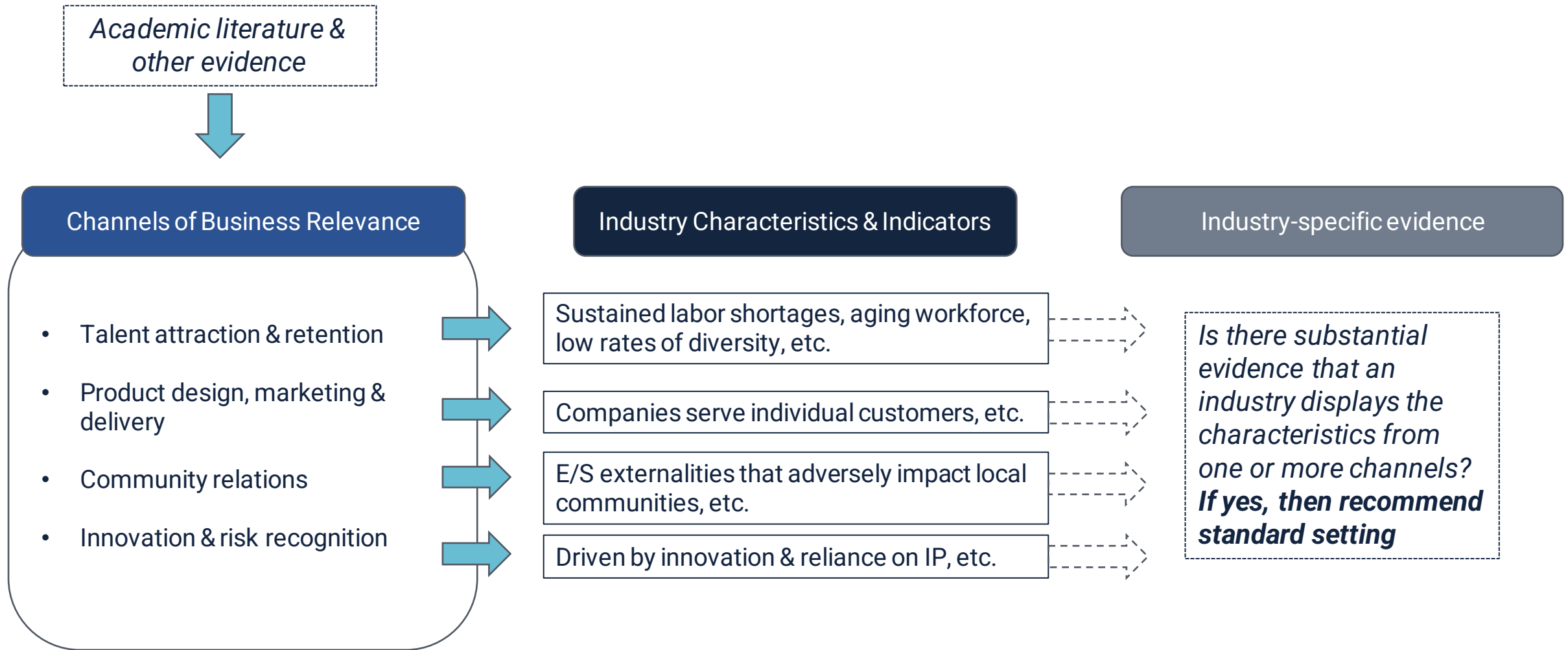
## Staff's Recommended Action

Staff recommends that the Standards Board approve a standard-setting project that will address diversity, equity and inclusion in 45 industries, focused on adding or revising topics and/or metrics to better account for how DEI can impact enterprise value within each of these industries.

# Staff identified four channels where (broadly) DEI is most likely to be business relevant

Channels of Business Relevance	Description
<b>Talent Attraction &amp; Retention</b>	The role DEI plays in a firm's ability to attract and retain talent.
<b>Product Design, Marketing &amp; Delivery</b>	The role DEI plays in enhancing product/service value proposition for consumers.
<b>Community Relations</b>	The role DEI plays in effectively identifying, engaging, and proactively managing issues related to the communities in which a firm operates.
<b>Innovation &amp; Risk Recognition</b>	The role DEI plays in a firm's ability to innovate and recognize risk.

# Project Approach: Channels & Industry Indicators



# Channels of Business Relevance and Industry Characteristics

Channels of Business Relevance	Industry Characteristics
<b>Talent Attraction &amp; Retention</b>	Industries characterized by (1) worker shortages at key positions which impact financial performance, (2) talent turnover/retention is highly linked to firm performance, and/or (3) disparity among groups, classes, or other categories in hiring, compensation, promotion, or other disparate access to opportunities within firms.
<b>Customer Representation</b>	Industries that (1) sell to or serve individual consumers, (2) require an understanding of a diverse set of customer needs in order to reach broad and/or new customer base.
<b>Community Relations</b>	Industries that generate significant social or environmental externalities which disproportionately adversely impact local communities.
<b>Innovation</b>	Industries that are driven by intellectual property and innovation and/or face a fundamental transition or disruption.

# Talent Attraction & Retention

## CHARACTERISTICS & INDICATORS

- Sustained labor shortages and unfilled positions
- Companies compete over a limited pool of workers with specialized skills
- Low rates of gender and ethnic diversity in overall workforce and/or management
- Aging workforce
- Discrimination lawsuits are prevalent
- Jobs traditionally stereotyped towards specific demographic or group (e.g., gender or socioeconomic status)
- High attrition among workers from underrepresented groups
- Presence of dedicated programs/initiatives for:
  - Attracting and hiring underrepresented groups, and
  - Advancing them into management and executive positions
- Presence of representation data aimed at demonstrating the outcome of such programs/initiatives

# Product Design, Marketing & Delivery

## CHARACTERISTICS & INDICATORS

- Companies are consumer facing and cater to individual consumers
- One-on-one interactions between firm/customer where information transfer is an important factor of the sales process or service
- Presence of programs/initiatives to enhance experience for diverse consumers (e.g., interpreters, inclusive dietary offerings, etc.)
- Product development, sales, and effective marketing are highly dependent on understanding diverse customer bases and changing consumer trends
- Products may be easily substitutable and therefore branding and maintaining consumer trust is important
- A lack of proactive management can result in boycotts, social media campaigns, or negative outcomes for customers should marketing, products, or services fail to address diverse consumer needs or reinforce stereotypes (e.g., implicit bias in health care delivery, inclusive sizing, gendered toys)

# Community Relations

## CHARACTERISTICS & INDICATORS

- Firm operations with significant negative environmental or social externalities on local communities, particularly in areas inhabited by indigenous groups
- Operational delays due to lack of stakeholder cooperation or local conflict are common
- Presence of dedicated community relations programs/initiatives aimed at engaging local stakeholders
- Frequent criticism (including demonstrations and media campaigns) from civil society on firm's community relations practices



# Innovation & Risk Recognition

## CHARACTERISTICS & INDICATORS

- Driven by intellectual property and innovation
  - Large spend on R&D functions, number of new products produced each year, revenue derived from new products
  - The current SASB industry standard contains topic(s) under the Business Model & Innovation dimension, and specifically, under the Product Design & Lifecycle Management and Business Model Resilience GICs
- Characterized by business models driven by advances in technology or research
- Face fundamental transition or disruption (e.g., oil & gas, electric vehicles)
- Rely on workforce with specialized education, skills, and/or on-the-job training
- Turnover may be highly disruptive

# Staff Proposal

# All 77 SICs industries categorized by color



## Consumer Goods

- E-Commerce
- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Household & Personal Products
- Toys & Sporting Goods
- Multiline and Specialty Retailers & Distributors
- Building Products & Furnishings



## Extractives & Minerals Processing

- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas – Midstream
- Coal Operations
- Construction Materials
- Iron & Steel Producers
- Oil & Gas - Refining & Marketing
- Oil & Gas – Services



## Financials

- Commercial Banks
- Consumer Finance
- Insurance
- Mortgage Finance
- Asset Management & Custody Activities\*
- Investment Banking & Brokerage\*
- Security & Commodity Exchanges



## Food & Beverage

- Alcoholic Beverages
- Food Retailers & Distributors
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants
- Agricultural Products
- Meat, Poultry & Dairy
- Tobacco



## Health Care

- Biotechnology & Pharmaceuticals
- Drug Retailers
- Health Care Delivery
- Medical Equipment & Supplies
- Health Care Distributors
- Managed Care



## Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Water Utilities & Services
- Waste Management
- Real Estate
- Real Estate Services



## Renewable Resources & Alternative Energy

- Fuel Cells & Industrial Batteries
- Solar Technology & Project Developers
- Wind Technology & Project Developers
- Forestry Management
- Fuel Cells & Industrial Batteries
- Pulp & Paper Products



## Resource Transformation

- Aerospace & Defense
- Industrial Machinery & Goods
- Chemicals
- Containers & Packaging
- Electrical & Electronic Equipment



## Services

- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Casinos & Gaming
- Advertising & Marketing
- Professional & Commercial Services



## Technology & Communications


- Semiconductors
- Telecommunication Services
- Hardware
- Internet Media & Services
- Software & IT Services
- Electronic Manufacturing Services & Original Design Manufacturing



## Transportation

- Air Freight & Logistics
- Airlines
- Automobiles
- Road Transportation
- Cruise Lines
- Auto Parts
- Car Rental & Leasing
- Marine Transportation
- Rail Transportation

 Industries proposed for standard setting on DEI

 Industries with an existing topic on employee engagement, diversity & inclusion

 Industries not proposed for standard setting

# Diversity, Equity & Inclusion Standard Setting Project

Please contact staff if you would like to participate in consultation.



<https://www.sasb.org/standards/process/active-projects/>



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