Comptroller Stringer Launches Boardroom Accountability Project 3.0, a First-in-the-Nation Initiative to Bring Diversity to Board and CEO Recruitment

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At Annual Conference, Comptroller Stringer Launches Third Stage of the Groundbreaking Boardroom Accountability Project, Calling on 56 Companies to Adopt the “Rooney Rule” in Searches for New Board Directors and CEOs

Stringer’s call marks the first time a large institutional investor has called for the “Rooney Rule” to be used in CEO searches

Announces past year’s achievements and sets new diversity goals for the New York City Retirement Systems

(New York, NY) — At the annual Bureau of Asset Management (BAM) “Emerging and MWBE Manager” conference, New York City Comptroller Scott M. Stringer today launched the third stage of the groundbreaking Boardroom Accountability Project with a new first-in-the-nation initiative calling on companies to adopt a policy requiring the consideration of both women and people of color for every open board seat and for CEO appointments, a version of the “Rooney Rule” pioneered by the National Football League (NFL). The new initiative is the cornerstone of the Comptroller’s Boardroom Accountability Project, a campaign launched in 2014 which seeks to make boards more diverse, independent, and climate competent. Its first phase kicked off the unprecedented market-wide adoption of “Proxy Access” – a shareholder right – from just 6 companies to more than 600 companies today, while the second phase pioneered the “Board Matrix” method for disclosing details about company board directors. Comptroller Stringer’s newest 3.0 initiative seeks to make meaningful, long-lasting, and structural change in the market practice so that women and people of color are

welcomed in the door and considered for every open director seat as well as for the job of CEO.

To launch the initiative, Comptroller Stringer sent a letter to 56 S&P 500 companies including AT&T Inc., The Boeing Company, and the Walt Disney Co. that, regardless of the current diversity of their board or CEO, do not currently have a Rooney Rule policy – and will file shareholder proposals at companies with lack of apparent racial diversity at the highest levels. A number of their peers including Alliance Data Systems, Amazon, Costco Warehouse, Facebook, General Electric, Jeffries Financial Group, and W.W. Grainger currently have a Rooney Rule policy with respect to board member searches, but not CEO searches.

"Increasing diversity at the biggest corporations has been our focus from day one – and we're pressing forward with our campaign to change the face of corporate America. Not only have the New York City Retirement Systems exceeded our own goals for investing with diverse managers, our commitment to diversity has rippled across the industry and created a wave of change. Through our Boardroom Accountability Project, we've helped increased diverse board leadership at dozens of the country's largest companies," said **New York City Comptroller Scott M. Stringer**. "Now it's time for the third phase of our campaign to bring real, structural change to the boardroom table and the C-suite. In New York City, we refuse to believe that diverse candidates don't exist. We know better – because in our city, diversity isn't a buzzword, it's an airtight commitment. As a pension system, we want to invest in 21st century companies that represent the future – not companies with management teams that look like they're out of the 1950s. It's time for the business world to embrace these reforms that will lead to decades of progress."

The Comptroller's proposed policy is based on the "Rooney Rule" in the NFL, which requires teams to interview minority candidates for head coaching, general manager jobs and equivalent front office positions. Comptroller Stringer's call includes gender and racial/ethnic diversity, and is the first time a large institutional investor has called for this structural reform for *both* new board directors and CEOs.

The persistent lack of diversity in the business world is especially stark at the top. As of 2018, 66 percent of board members at Fortune 500 companies were white men. Another 17.9 percent were white women, followed by 11.5 percent men of color and 4.6 percent women of color. When it comes to executive leadership, as of May 2019, 6.6%

percent of Fortune 500 CEOs are women, and there are similarly low numbers of people of color leading those companies.

When a pool of candidates includes a woman or person of color, it changes the status quo. A 2016 study published by the Harvard Business Review found that the odds of hiring a woman were 79 times greater when there were at least two women in the finalist pool, and the odds of hiring a minority were a staggering 193 times greater when there were at least two minority candidates in the finalist pool.

A large and growing body of empirical research suggests a positive correlation between board diversity and performance. Research by McKinsey, for example, suggests that companies with greater gender and ethnic board diversity have stronger financial performance. Similarly, MSCI research suggests that gender diverse boards have fewer instances of bribery, corruption, and fraud. Diverse boards can better manage risk by avoiding "groupthink," challenging assumptions, and cultivating creative solutions.

In his BAM conference remarks, Comptroller Stringer made a series of additional announcements regarding the Systems' diversity initiatives and accomplishments, including:

- Comptroller Stringer today announced that BAM has achieved its goal of allocating 10 percent of assets under management to MWBE firms – and is now increasing the MWBE goal to 12 percent.

- Additionally, a new initiative to target early-stage managers and first-time funds in private equity, real estate, alternative credit, and infrastructure was recently approved by some Boards of Trustees. The groundbreaking initiative will deploy $1.5 billion to early-stage and 1st time fund managers in a segment of the market that has not received meaningful capital from the New York City pension funds before.

- In early 2019, the Systems' committed an additional $600 million to MWBE and emerging managers in private equity – $100 million more than the target-goal set at last year's conference; bringing total assets committed to the in-house Emerging Manager Program to over $1.5 billion.

- In 2019, the Systems revised their policy to vote against the election of members of a board's nominating committee if "the board lacks meaningful gender and racial/ethnic diversity, including but not limited to any board on which more than 80% of the directors are the same gender." According to the revised policy, "the Systems may integrate more explicit racial/ethnic diversity expectations in the future as reliable data become available and may increase the minimum expectation for gender diversity.

- The Boardroom Accountability Project brought proxy access to a new, unprecedented milestone of adoption at over 600 companies – a 10,000 percent increase from the initiative's launch in 2014.

- In 2020, the BAM will launch a new program aimed at sourcing and engaging with qualified diverse managers and firms by hosting webinars and workshops for diverse managers and stakeholders throughout the year.

- Additionally, over the last year, Comptroller Stringer has championed a City Charter Revision push for a citywide office aimed specifically at increasing MWBE utilization in the City's budget. In November, New Yorkers will have a chance to vote on that Charter Revisions Proposal to create a citywide MWBE director reporting directly to the Mayor.

To view Comptroller Stringer's remarks as prepared, click here.

To read about the Comptroller's Emerging Managers program, click here.

To read more about the Comptroller's Boardroom Accountability Project, click here.

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