

APRIL 15, 2021 | ROUNDTABLE

ESG and Board Diversity Equity & Inclusion: Connecting Aspiration to Action

On April 15, Paul, Weiss hosted a virtual, senior level roundtable via Zoom titled “ESG and Board Diversity Equity & Inclusion: Connecting Aspiration to Action.” Paul, Weiss Chief Sustainability and ESG Officer David Curran facilitated the conversation with Nasdaq’s Senior Advisor on Corporate Governance & ESG Programs, Joan Conley; Nasdaq’s Global Head of Board Engagement, Byron Loflin; Carlyle Board Member Janet Hill; Carlyle’s Head of Impact, Megan Star; founder and CEO of Equilar, David Chun; and Partner at Heidrick & Struggles, Julian Ha.

The discussion focused on the real-world challenges and opportunities associated with diversity, equity & inclusion (“DEI”) at the board level. The featured speakers shared their insights on the key considerations for organizations as they seek to identify, onboard and retain diverse talent.

Joan opened the discussion by walking attendees through the common misconceptions of the recent Nasdaq diversity proposal. She shared that the proposal’s requirements are not meant to punish companies for failure to comply, but rather to assist organizations with leveling the playing field. The ultimate goal of board directors, Joan shared, is “to create a culture of belonging” and a “culture of inclusion.” Janet agreed, noting that initiatives like the Nasdaq proposed rule are not about quotas.” Quota,” said Janet, “is a five letter word disguised as a four letter word” when employed by critics. She also highlighted the importance of language when discussing potential applicants: the term “qualified,” she noted, “is loaded when targeted at women and minorities,” and should be used to refer to all potential applicants, including white men.

The speakers also encouraged attendees to think about diversity in a larger context than just gender and race, noting that diversity of background, age and experience

is also crucial to developing the expertise of a board. Joan highlighted that Nasdaq believes it is important to always have at least one first-time director on a board, and to partner them with more seasoned board members as mentors during the onboarding process. Janet noted that Carlyle is consistently seeking younger, more technologically savvy board members – they do not need to have CEO or CFO backgrounds, she specified, to offer their “meaningful experiences” to the board.

Megan shared powerful statistics with attendees, including one recent study that found that 90% of the value of S&P companies is in intangible assets. She noted that this is an indication that the market is beginning to recognize that non-financial assets, such as diversity, are as important and relevant as financial assets. Byron noted that this culture shift is happening at the boardroom level as well, as directors are increasingly discussing issues such as DEI and ESG. Megan highlighted a recent Carlyle study, based

off of data from Carlyle's Diversity, Equity and Inclusion team led by Kara Helander, that found that diverse boards in their portfolio are outperforming non-diverse boards. Byron agreed, adding that diversity and oversight are inextricably linked.

Julian highlighted the contributions of networks such as the Global Diversity Leadership Council, which allows groups to share innovative approaches. He also encouraged attendees to work on retaining talent within their organizations, and to focus on those a level or two below the C-Suite to train the next generation and expand the pool of future candidates. David shared that he believes there is no shortage of eligible candidates, and that technology such as Equilar, which announced a strategic partnership with Nasdaq in December to assist companies with board composition planning through its platform, can be used to discover diverse talent within companies' existing networks. David also noted that "you manage what you measure," suggesting that companies that track diversity metrics stand a better chance of moving the needle when it comes to outcomes. Joan closed the discussion by noting that organizations should lean in to their networks, including their employees, to source potential candidates. "Building the cohort," Joan shared "should be a passion of every CEO and director."

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<https://www.paulweiss.com/practices/sustainability-esg>

Nasdaq Proposed Listing Requirements

<https://www.nasdaq.com/press-release/nasdaq-to-advance-diversity-through-new-proposed-listing-requirements-2020-12-01>

<https://www.businesswire.com/news/home/20201209005284/en/Equilar-and-Nasdaq-Announce-Strategic-Partnership-to-Advance-Boardroom-Diversity>

Carlyle Global Insights: From Impact Investing to Investing for Impact

<https://www.carlyle.com/global-insights/invest-with-impact-whitepaper-thomas-starr>

Heidrick & Struggles Inaugural 2020 ESG Report

<https://heidrick.gcs-web.com/news-releases/news-release-details/heidrick-struggles-announces-launch-inaugural-2020-esg-report>

Equilar Diversity Network

<https://www.equilar.com/diversity>