

ESG Essentials: What You Need To Know Now

Episode 2 – Diversity, Equity and Inclusion in ESG Efforts (Part 1)

Welcome to ESG Essentials: “What You Need To Know Now,” a new podcast from Fox Rothschild. I'm your host, David Colvin, co-chair of the firm's Environmental, Social and Governance Practice Group.

Our series of short, bite-sized and snackable podcasts will cover core ESG concepts and explore important issues for businesses that are concerned with corporate responsibility, responding to increased scrutiny from regulators, investors and customers over their environmental and social impact, and minimizing the potential legal and business risks associated with ESG. This is the first of a two-part episode on the topic of diversity.

So for the first part, we'll explore and discuss how diversity relates to a business's ESG efforts, and in the second part, we'll talk a little bit about what Fox Rothschild is doing as a leading law firm in the legal marketplace in terms of diversity, and for all of that, we're proud and happy to welcome Kim Gatling, Fox Rothschild's Chief Diversity and Inclusion Officer.

Q: *So, Kim, talk to us a little bit about how and why diversity, equity and inclusion should factor in the company's ESG efforts.*

A: Great question. Focusing on diversity, equity and inclusion efforts has really become non-negotiable in today's corporate world. Customers and business partners and employees are literally requesting more focus and transparency when it comes to companies and service providers as it relates to ESG metrics, including in the areas of diversity, equity and inclusion. And it's also important to note that investors and lenders may want to see demonstrated commitment to these principles in areas such as hiring, board membership (which we're hearing a lot about these days), retention of the workforce, operations, procurement and supply chain – because we know the impact that large companies can make on supply chain with respect to, for example, women and minority-owned businesses – and even just the branding and marketing messages across platforms. So it's really become important, and we're seeing it being driven by both the workforce and by the customer base as well.

Q: *So how can firms and companies ensure that their ESG and DEI efforts go beyond performative displays and really encourage measurable change?*

A: Companies really need to prioritize these efforts and implement policies and procedures that ensure and advance equity across the operation of the entire organization. And one of the ways of doing that is by establishing benchmarks and then setting some ambitious goals and providing evidence or data of whether or not those targets get reached or improvements are made over a period of time. No one expects for DEI efforts to necessarily be a quick fix, but we certainly do expect to be able to show over a period of time that we are moving the needle and advancing inclusivity, diversity and equity. And it's really important – I want to underscore this – that there is buy-in from the leadership. This really helps to provide the

impetus to incorporate DEI strategy. And frankly, the leadership of the organization has the power to effectuate systematic change. And that's not to suggest that bottom-up efforts still aren't important. They certainly are. But the leadership of the organization has to have a fundamental understanding as to why DEI efforts are important to the organization and then be willing to be bold and effectuating that type of systematic change, including things like providing educational training for everyone in the workforce to be able to mitigate opportunities for implicit bias, having other types of educational trainings around issues like cultural competence, anti-racism, gender equity. So starting with that educational foundation and then really looking at the framework of the organization and looking for opportunities to implement equity and inclusion throughout all of those facets.

Q: *That's super, super helpful and super important. But should companies be worried that introducing ESG and DEI objectives will somehow distract the business from its central mission of doing business? Is that a concern? And what do you say to the naysayers that implementing these types of objectives will distract the company from doing business?*

A: Great question. You know, if we lived in a perfect world, everyone would make DEI a priority because it's the right thing to do, but we don't live in a perfect world, and we know that the business case still has to be made in some instances and that some companies may have a concern about whether or not implementing these strategies will distract from making money for the organization. But the reality is – and this has been studied over and over again in every industry – studies suggest that implementing ESG objectives, including having those DEI objectives within, has a negligible impact on the bottom line.

On the other side of that, though, is that especially since the summer of 2020 – following the murder of George Floyd, being in the middle of a pandemic – clients and other key stakeholders are putting more pressure on businesses to focus on ESG criteria and objectives. So it's not going to negatively impact the bottom line if done in a strategic way, but also failing to do so can actually damage the company's competitive posture.

Q: *So what, if any, accountability measures do you think would help companies focus on meeting whatever ESG or DEI goals they've set for themselves?*

A: One of the things that no one likes to talk about when it comes to accountability for meeting ESG, and particularly DEI goals, is relative to compensation. But everybody in the organization has to take responsibility for making the workplace more inclusive and for ultimately providing equity throughout the workplace.

I mentioned earlier that it's really important for the leadership team to own the work, and that is definitely still the case. But the responsibility still falls on everyone within the organization. So how do we incentivize people doing the right thing with respect to these goals? We know that one of the ways that is very effective is tying these ESG and DEI goals to compensation. It can be really difficult to assess and to implement, depending on the industry and the structure of the organization, but it is certainly a starting place to look when thinking

about how do we hold our leaders in particular, and everyone else, accountable for meeting these goals.

That's absolutely right, and I fully, fully agree. Well, Kim, let me thank you very much for what I think was a really, really helpful, informative and useful discussion on how diversity, equity and inclusion can, and really should, fit into any company's ESG objectives going forward.

And I look forward to talking with you again in part two of this podcast, where we will hear about the important work that you're doing at Fox Rothschild on issues of diversity, equity and inclusion to our audience. Thank you all very much for being a part of today's ESG Essentials: "What You Need To Know Now" podcast and we look forward to talking with you again soon.

Please remember to check back regularly for new episodes of this podcast and to reach out with any questions. Thanks, as always, for listening.