



Social Research Analyst Statement on Equal Employment Opportunity (EEO) Disclosure

The Social Investment Research Analyst Network (SIRAN) is an analyst network that supports more than 100 North American social research analysts from 30 investment firms, research providers, and affiliated investor groups. SIRAN analysts are calling upon companies to commit to public disclosure of comprehensive Equal Employment Opportunity information. This information is an excellent reference for analysts to observe a company's progress on hiring, promoting and retaining minority and female employees over time.

Considering the Glass Ceiling

As the workforce becomes more diverse, equal employment opportunity (EEO) is an increasingly important issue for shareholders, employees and managements.

While women and minorities comprise 47% and 27% of the U.S. workforce, respectively, they represent less than 19% and 11% of executive-level positions. Representation in management is better, but still disproportionately low, with 36% of these jobs held by women and 17% by minorities. Moreover, there was a significant decline in women's share of executive positions over the decade ending 2000.¹

Companies with a good record on diversity have a competitive advantage in employee recruitment and retention. Moreover, U.S. customers are becoming increasingly diverse. A representative work force is more likely to anticipate and respond effectively to evolving consumer demand. Conversely, allegations of discrimination in the workplace have created a significant burden for shareholders due to the high cost of litigation and potential loss of government contracts. Such litigation may also damage a company's reputation. In the pharmaceutical, petroleum and consumer products industries, discrimination lawsuits have resulted in costs incurred by shareholders exceeding \$1 billion.²

Importance of Disclosing Company Data

Just as the Financial Accounting Standards Board sets the standards on how to report financial data, there are standards set forth by the Equal Employment Opportunity Commission (EEOC) on how to report diversity data. Under Title VII of the Civil Rights Act of 1964, private sector employers with 100 or more employees must prepare annually an "Employer Information Report EEO-1". This report documents all employees along proscribed race/ethnic, gender and job classifications. This document is not required by law to be released to shareholders, however, many companies have either publicly posted this data or provide it to investors on request.

The Glass Ceiling Commission, chaired by the Secretary of Labor with members appointed by the former President Bush, recognized in the 1995 bipartisan Glass Ceiling

¹ Peopleclick Research Institute, Feb. 2004, using U.S. Census Bureau's Census 2000 Special Equal Employment Opportunity Tabulation.

² BNA, Inc, March 2005, <pubs.bna.com>

Commission report that "public disclosure of diversity data—specifically data on the most senior positions—is an effective incentive to develop and maintain innovative, effective programs to break the glass ceiling barriers." The Commission recommended that both the public and private sectors work toward increased public disclosure of diversity data. Also, according to the report, dismantling existing barriers has a positive bottom line impact on business.³

Transparency on EEO allows social research analysts to observe a company's progress on hiring, promoting and retaining minority and female employees over time. Greater disclosure also provides an opportunity for companies to communicate the challenges and complexities associated with achieving their employment goals.

Responding to Company Concerns about EEO Disclosure

Some companies have been reticent to release EEO-1 reports. A number of these assert that the information contained in the report is confidential for competitive reasons. Others have expressed concern about the potential for gratuitous litigation. Still others believe that the EEO-1 report is misleading because it does not capture adequately their company's unique job categories.

SIRAN's position is that the EEO-1 report format reveals no more proprietary competitive information than an income statement or a balance sheet does. On the contrary, companies committed to building a diverse workforce, and that can demonstrate such a commitment through disclosure of EEO-1 information, are believed to be at a competitive advantage. Such corporate leaders will be able to attract and retain the best and brightest of job candidates. Were an EEO-1 report to reveal significant challenges in the hiring and advancement of minorities and women, a commitment to public accountability would send the positive signal that management intends to openly address these challenges.

Some companies claim that they do not disclose EEO-1 data out of concern for frivolous and costly legal actions. Having researched this issue and discussed it with EEO-1 experts, SIRAN is not aware of any such actions that have resulted from full public disclosure. Indeed, claimants alleging discrimination have access to EEO data in the process of discovery. Also, there are examples of companies that provide EEO-1 information on an ongoing basis after having settled large discrimination lawsuits.

Finally, some companies are concerned that EEOC job classifications do not represent their organizational structures. SIRAN encourages these companies to augment EEO-1 data with their own categorizations that are clearly explained. In this way, companies can present EEO information in a manner that they believe depicts their workforce composition accurately.

SIRAN believes that releasing Equal Employment Opportunity data strengthens a company and is in the best interest of its shareholders. Given this belief, SIRAN has, at www.siran.org/eo.php, begun tracking the EEO-1 data and policies of S&P 100 members.

³ Federal Glass Ceiling Commission, November 1995, "A Solid Investment: Making Full Use of the Nation's Human Capital," U.S. Government Printing Office, Washington, D.C.