Pearl Meyer

INNER CIRCLE

The DE&I Landscape in 2025

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Today’s Speakers

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Housekeeping

- Submit a question via the Q&A and receive your answer directly from the presenters, either during today's webinar or as a follow-up
- This webinar will not be recorded
- Presentation slides will be sent to all attendees following the webinar
- For more insights and research, visit: www.pearlmeyer.com

Introduction

DE&I and its implications for corporate governance have been in a state of flux under the new Administration, influenced by myriad factors including proxy advisors' evolving guidelines, institutional investors' expectations, recent Executive Orders, and legal actions. As the spotlight on DE&I grows ever brighter, how do you determine the optimal approach for your company and your workforce amidst such volatile and evolving circumstances?

Today we'll review:

+ Data from recent proxy statements indicating whether companies are changing incentive metrics related to DE&I
+ How a board's approach to DE&I may vary based on any number of circumstances, including its industry, workforce, funding sources, and other key factors
+ How DE&I is being discussed in real-time in the boardroom and perspectives on how to navigate such conversations

The DE&I Arc

+ Social movements drive increased individual and organizational awareness
  - Me-too movement
  - Publicized/documented instances of institutional racism
  - Corporate America responds with DE&I initiatives, including DE&I metrics in executive compensation plans

+ Consistent with history, a social movement generates backlash and charges of excess
  - Supreme Court and college admissions ruling leads to curtailing affirmative action in admissions – 2023
  - Some institutional investors call into question prioritization of DE&I goals
  - Trump Administration Executive Order banning DE&I from government – 2025

+ Today, some companies are doubling down on DE&I (Apple, Microsoft and Delta Airlines), while others are pulling back (Meta, Amazon, Tesla, Skadden, Verizon)

DE&I and the Role of the Board

+ Complexities and responsibilities boards face in relation to DE&I are numerous; depending on industry, the answers can vary:
  - Boards are responsible for ensuring effective risk management as well a healthy and productive work culture
  - Leaving it up to management to decide and communicate DE&I stance without board involvement is a mistake; a lot is at risk
  - How an organization handles DE&I can cause potential reputational risk as well as damage to the culture and ultimately to performance
  - It is important that boards/directors have a say on DE&I and its impact on the organization and help management discern the right actions and communication in this area

The Retreat from DE&I in Incentive Compensation Began Last Year

+ Pearl Meyer is reviewing 2025 proxy disclosures for DE&I trends (first 411 filers among S&P 500)
  - 2023 to 2024: 46% decline in explicit presence of DE&I in executive incentive plans
  - The drop is not related to company size, nor does industry appear to be a factor
  - Ten companies indicated *new* DE&I presence in their incentive plans

+ Important to note:
  - Data reflects 2024 actions and not 2025, so this is all *before* the new administration's efforts
  - Absence of DE&I language may not mean that DE&I has completely disappeared from incentive calculations

The Continuum of Response

1. **Firmly Committed:** Diversity, Equity, and Inclusion are “our values” not just a program

2. **Silent/Undecided:** No actions taken (as of yet)

3. **Publicly Compliant:** Follow the new administration but continue to be committed to DE&I privately (e.g., scrubbing websites, but still valuing and upholding DE&I internally); equivocating or saying one thing and doing another

4. **Firmly De-Committed:** DE&I seen as not fair, potentially breeding reverse discrimination, etc.

Potential Risks for Any Position Taken

1. **Firmly Committed:** Risk being targeted by government (e.g., healthcare organizations and threats of Medicare cuts); need to ensure effectiveness of programs

2. **Silent/Undecided:** Risk suspicion or lack of confidence from multiple stakeholders; failure to fulfill governance responsibilities

3. **Publicly Compliant:** Following new administration but acting as before risks coming off as disingenuous, not committed; can lose respect of employees for not being courageous; presents other reputation risks with customers, etc.

4. **Firmly De-Committed:** Risks reputational damage with employees, customers, suppliers; creates potential retention issues with employees and customers

Questions?

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Thank you