

**Pearl Meyer**



On Point

TIMELY, ACCURATE, INSIGHTFUL

# Tracking and Reporting on Diversity, Equity, and Inclusion

Financial Industry Edition – January 2022



# Table of Contents

|  |    |
|--|----|
| ▪ <b>Introduction</b>  | 3  |
| ▪ <b>DE&amp;I Discussions at Board Level</b>                   | 4  |
| ▪ <b>Views of Progress: Gender Diversity</b>                   | 5  |
| ▪ <b>Views of Progress: Racial/Ethnic Diversity</b>            | 6  |
| ▪ <b>Measurement and Goal-Setting</b>                          | 7  |
| ▪ <b>Tracking and Reporting Diversity</b>                      | 8  |
| ▪ <b>Tracking and Reporting Equity and Inclusion</b>           | 9  |
| ▪ <b>DE&amp;I in Incentive Plans</b>                           | 10 |
| ▪ <b>Reasons for Not Including DE&amp;I in Incentive Plans</b> | 11 |
| ▪ <b>Communicating DE&amp;I</b>                                | 12 |
| ▪ <b>Demographics</b>  | 13 |
| ▪ <b>About Pearl Meyer</b>                                     | 15 |



## Introduction

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In 2021, Pearl Meyer conducted an On Point survey of how organizations are tracking and reporting on diversity, equity, and inclusion (DE&I). More specifically, the survey examined if and how participants track and report DE&I factors and to what degree DE&I goals are reflected in executive incentive plans.

A total of 421 companies provided input, 111 of which were in the financial industry. Of those participants in the financial industry, 57 represent public companies, 39 are privately held, and 15 are not-for-profit.

For both the full survey and the financial industry cut, our analyses indicate that boards are increasingly involved in DE&I discussions and organizations are beginning to implement more metrics. The challenge for all is to find measures that are more proactive versus those that are “look back.” We are also seeing organizations expanding communication around DE&I. With regard to incentive plans, we see a tentative approach to including DE&I measures; perhaps as organizations become more sophisticated in measuring both proactive actions and outcomes of DE&I, this will change. Including DE&I in incentive plans is not a “one size fits all” plan design—the best approach is tailored to the organization and connected to its strategic plan.

Please feel free to contact us with any questions.

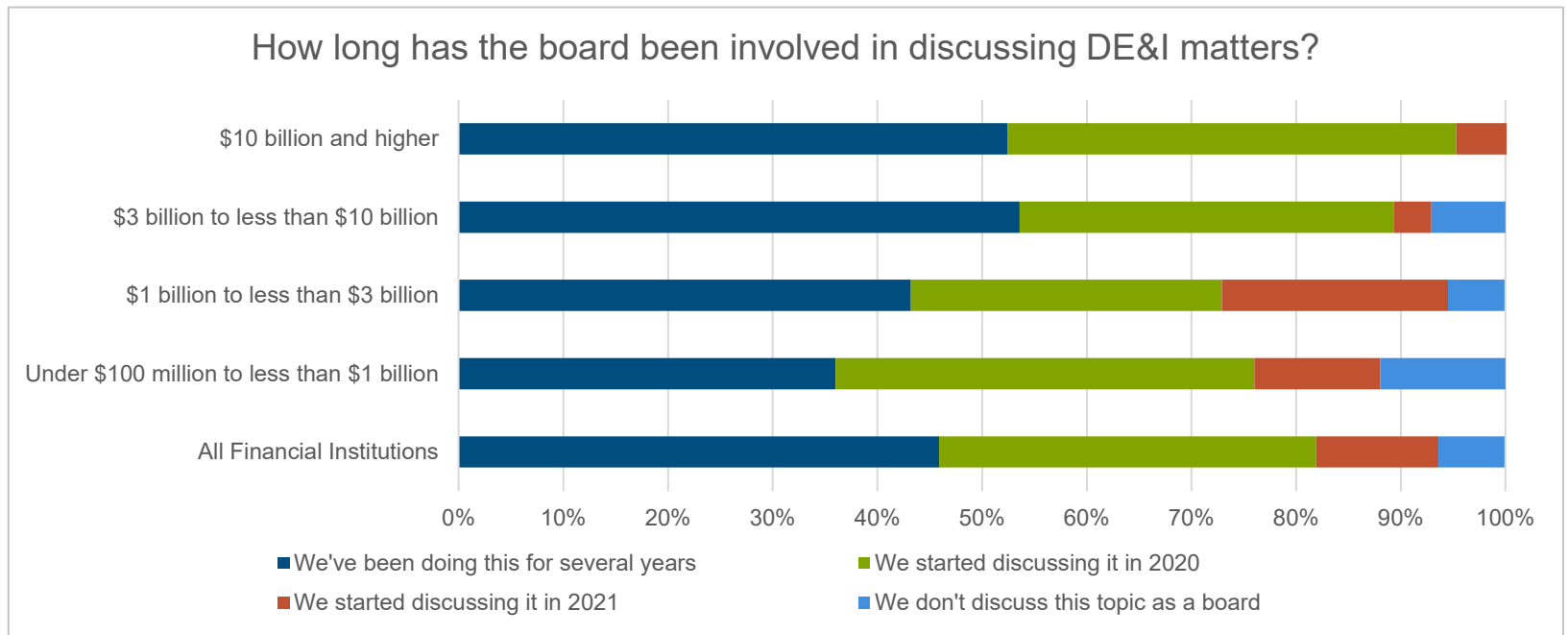
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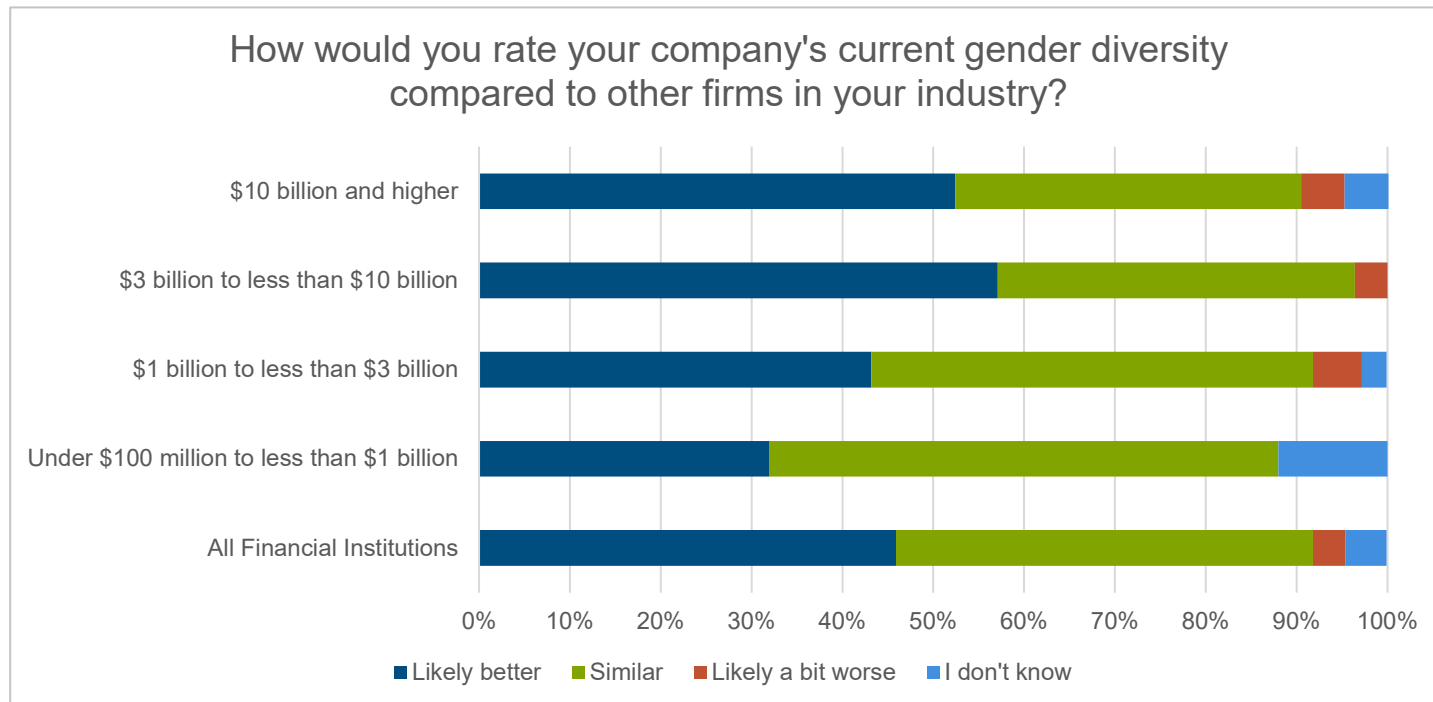
## DE&I Discussions at Board Level

- Overwhelmingly, respondents say their board discusses DE&I issues (94%) and slightly less than half (46%) indicate they have been doing so for several years.
  - For slightly less than half of the financial firms in the survey, the board has been involved in discussing DE&I for several years and has gained prominence in discussions since 2020 for 48% of survey respondents. This pattern is similar to the all industry response. Smaller financial institutions lagged in discussions prior to 2020 but many (40%) began discussing DE&I in 2020. There are only 6% of firms where the board does not discuss and none in the \$10B and higher asset size classification.
  - Sixty percent of financial industry respondents report that their firm tracks and reports diversity metrics to the board, nearly the same as all-industry.



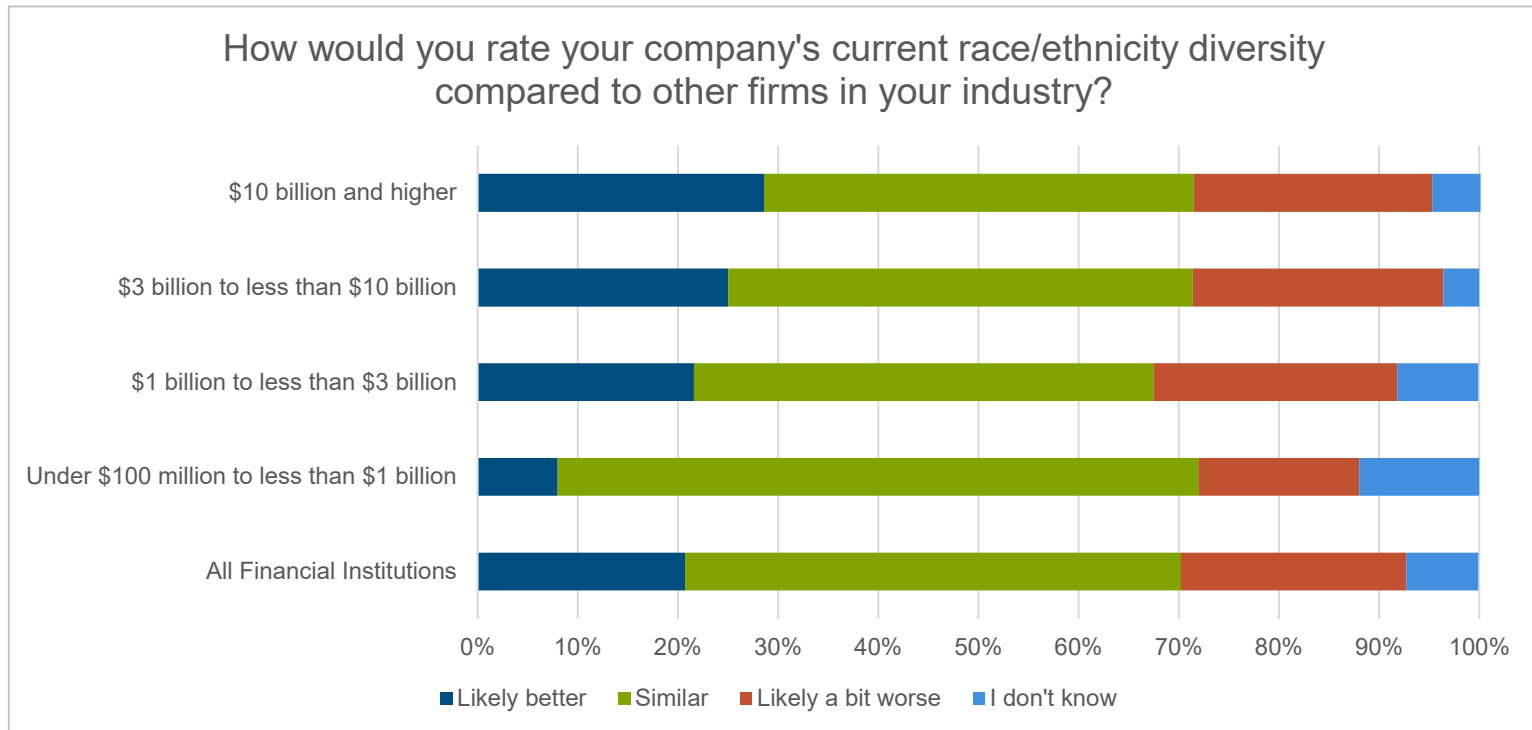
## Views of Progress: Gender Diversity

- Forty-six percent of financial institutions report that they are likely better on gender diversity compared to other firms in the industry. Slightly less than half of respondents believe they are similar to other firms in gender diversity.
- The percentage who believe they are likely better than other firms in the financial industry increases as the asset size category increases.



## Views of Progress: Racial/Ethnicity Diversity

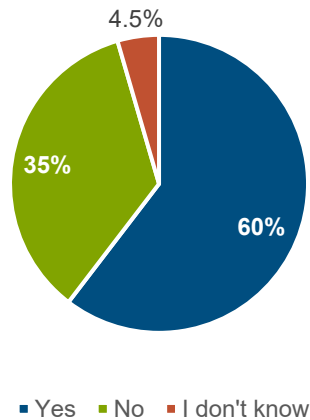
- With respect to race/ethnicity diversity, just over 20% feel that they are likely doing better than other organizations in the financial industry.
- As with gender diversity, the percentage of organizations who perceive they are likely better on race/ethnicity diversity increases by asset size category.



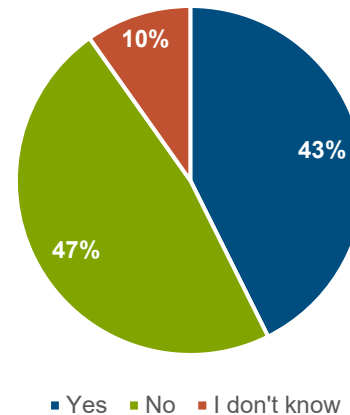
# Measurement and Goal-Setting

- DE&I measurement is evolving, but of those that track DE&I metrics, just 43% set quantitative goals.

Does your firm track and report diversity metrics to the board?

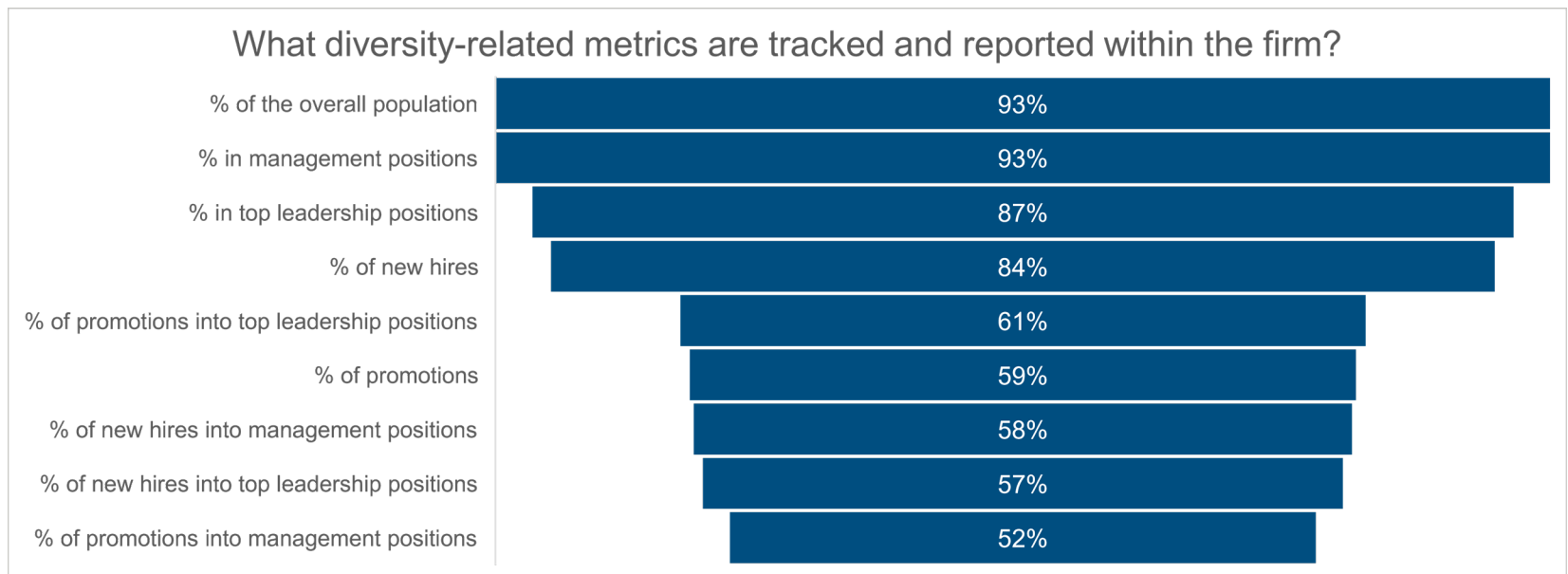


Does your organization set quantitative goals with respect to any of the metrics?



## Tracking and Reporting Diversity

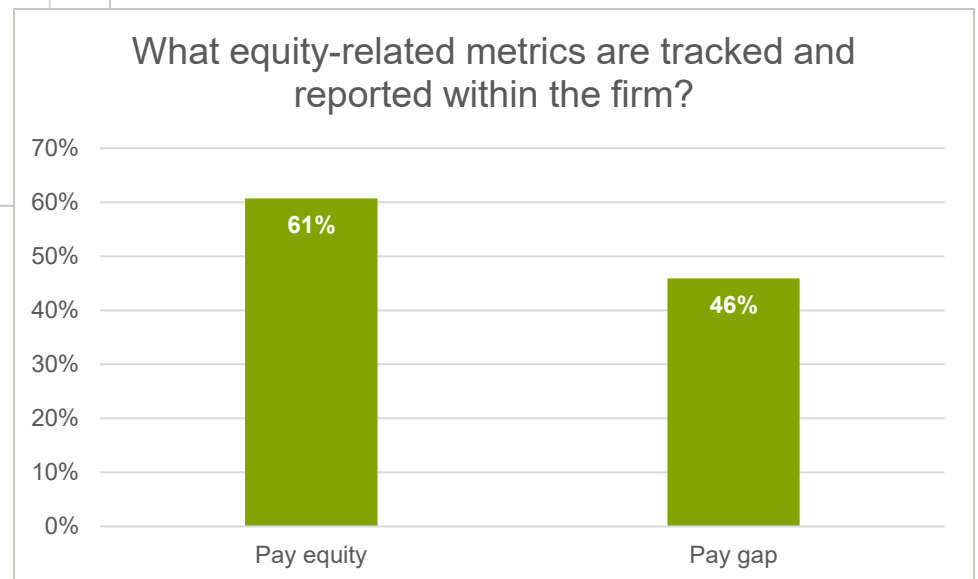
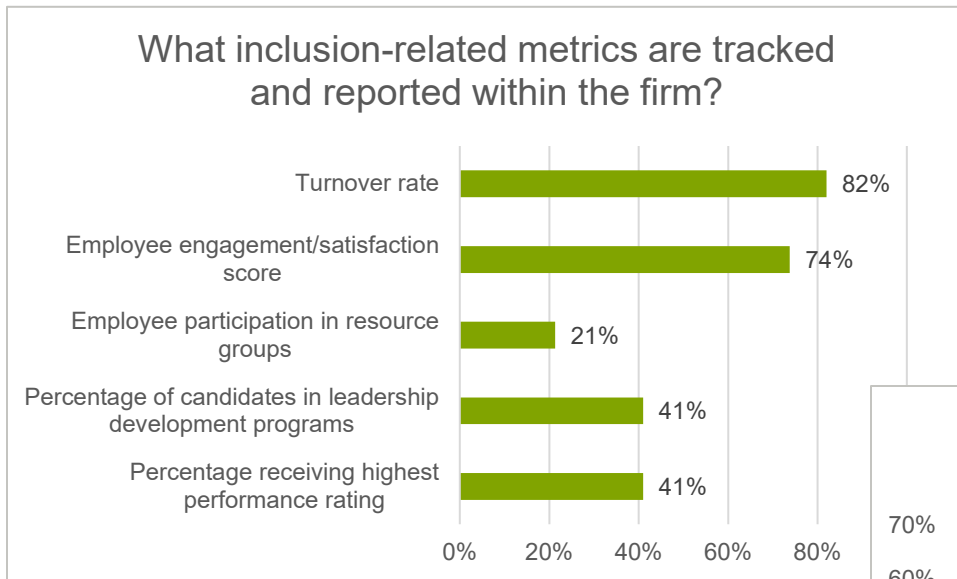
- Of those that track DE&I metrics, “lagging” measures (i.e., things that have already happened) related to diversity are the most common. This varies only slightly by asset size.
  - The highest levels of measurement are for percent of overall population and percent in leadership and management positions with 85% - 90% of firms measuring these metrics.
  - Close to 60% of respondents measure diversity in promotions with just over 80% measuring diversity in hiring.





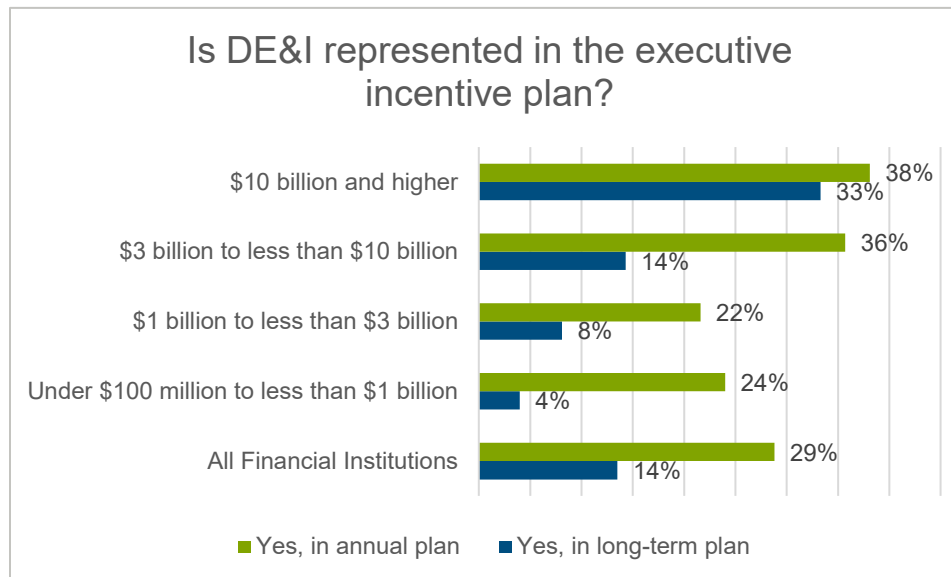
# Tracking and Reporting Equity and Inclusion

- Measures of inclusion and equity are also frequently tracked and reported.



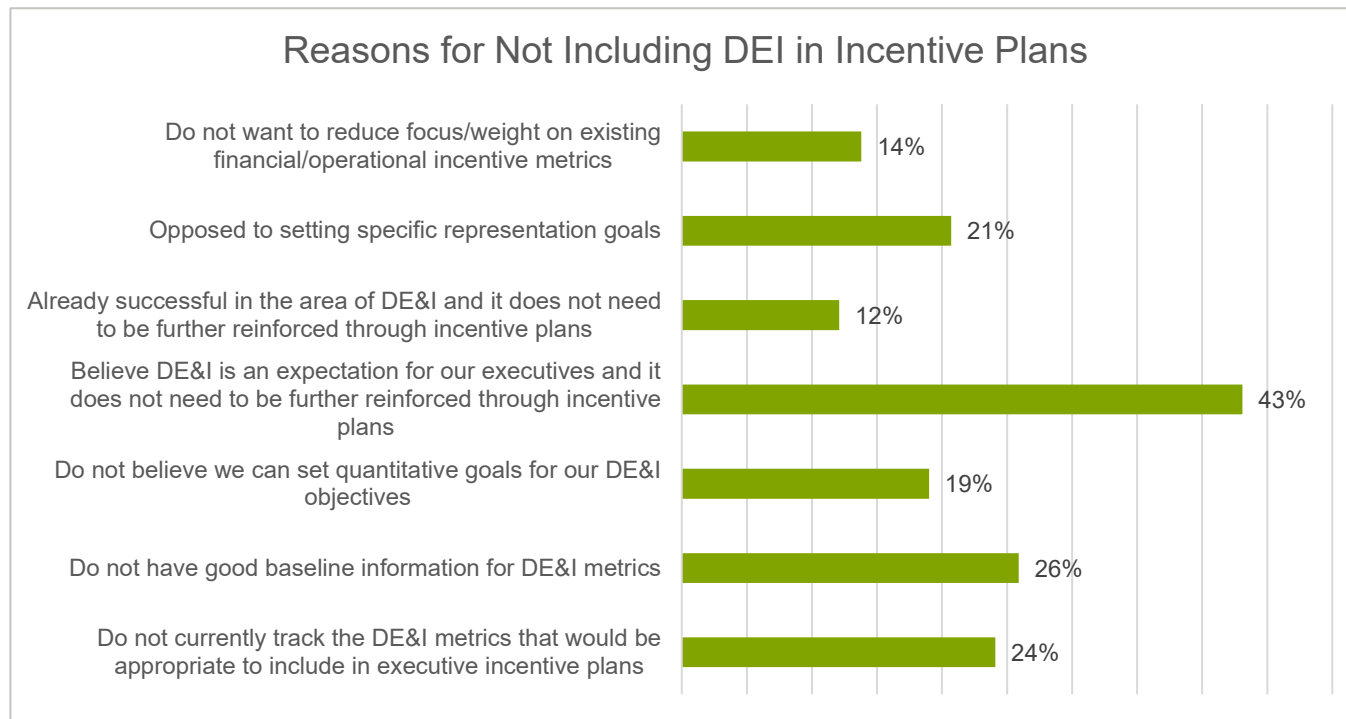
## DE&I in Executive Incentive Plans

- Close to 30% of financial institutions in the survey reported that DE&I are included in annual incentive plans with a smaller percentage (14%) including in long-term incentive plans.
  - Inclusion in incentive plans tends to vary by asset size with the larger financial institutions (\$3+ billion) including in annual incentive plans at close to 40% and close to one third of largest banks including in long-term incentive plans.
- Over 85% of financial industry respondents report that they feel little, no pressure or are neutral about putting DE&I measures in incentive plans, while all industry response was closer to 75% in those categories. Approximately 65% say that it is somewhat or very unlikely that they will include in FY22 plans as compared to 53% in all industry.



# Reasons for Not Including DE&I in Incentive Plans

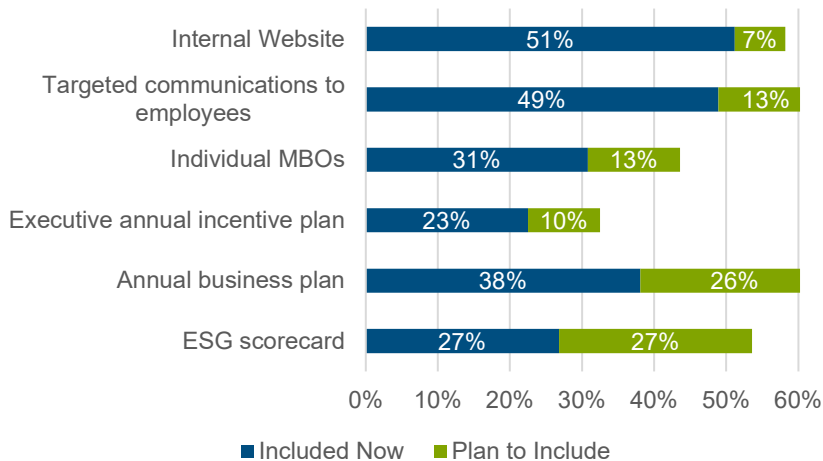
- For those financial institutions that do not include DE&I in incentive plans, they identified the following reasons:



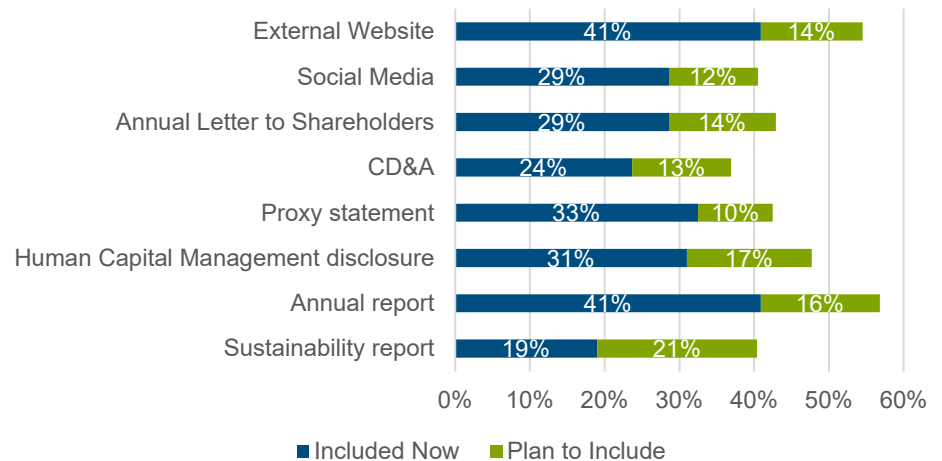
# Communicating DE&I

- DE&I metrics are discussed in a variety of ways – both internally and externally.
  - The most used internal communication vehicles are the annual business plan, targeted communication to employees and internal website.
  - Externally communication vehicles most commonly used are external website and annual report.
  - The financial industry utilizes ESG scorecards at a lower percentage than all industry respondents; included now at 27% vs 44% and with 46% of financial industry respondents reporting that they have not and do not plan to utilize ESG scorecards to discuss DE&I metrics.

Where is DE&I reported internally?

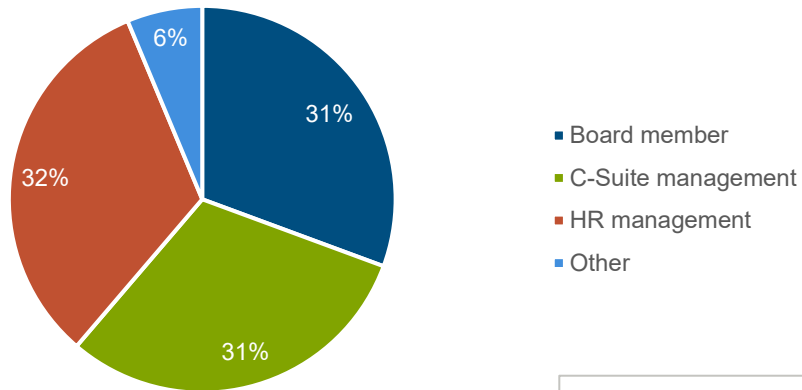


Where is DE&I reported externally?

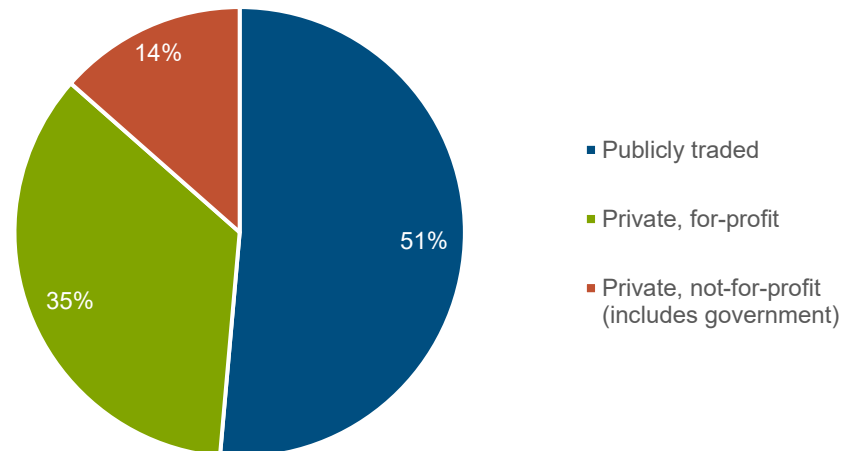


# Demographics

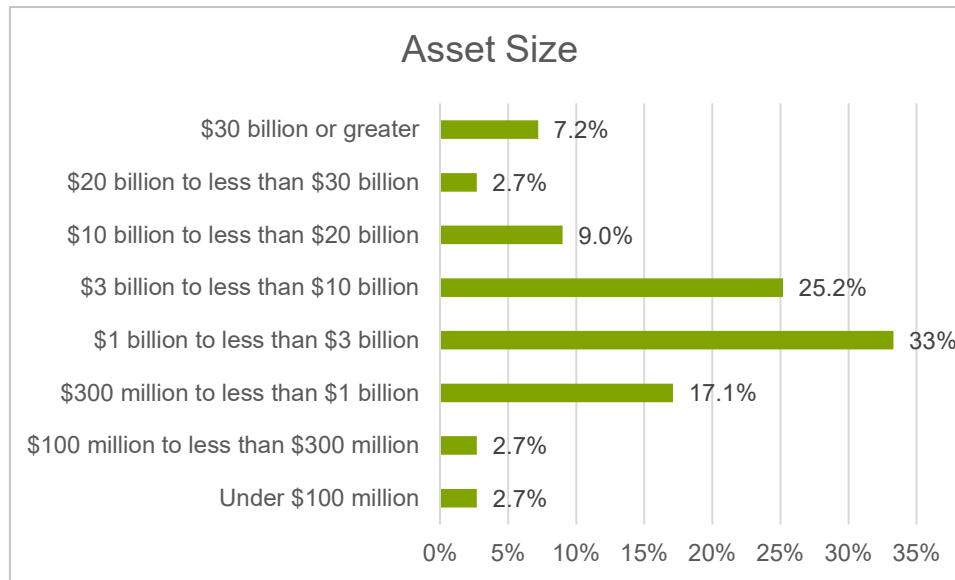
### Respondents' Roles



### Type of Organization



## Demographics (cont.)





## About Pearl Meyer

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Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Rochester, and San Jose.



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