

Video Segment 3: How Racism Is Destroying Value for Shareholders

“Companies we’ve invested in are not doing a very good job creating an environment to be able to attract the talent of the future.” – John Streur, Calvert Research and Management

NOTE-TAKING GUIDE

John Streur says, “We think that companies’ ineptitude in terms of dealing with DEI well is destroying value for shareholders.” In a few words, what does this mean?

His company, Calvert Research and Management, went on to build the business case for more diverse workplaces. Read the definition of “business case” in the vocabulary. List some of the key parts of Calvert’s business case compelling companies to do a better job with DEI.

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We hear in this video segment that a root cause of inequality is the denial of access to opportunity. Companies like Calvert are trying to hold companies (like Tesla) accountable for unequal practices and encourage new policies around hiring and diversity. Think about DEI in other areas of your life, like school and your community. What is being done to promote cultural and racial diversity and inclusion? Can you think of any new policies or practices? What more could be done to improve opportunity for all people?

THE LANGUAGE OF BUSINESS

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Active Ownership: When shareholders that own equity in a business advocate for good corporate governance and actions that will improve the company's value.

Activist Campaign: A way that shareholders can influence a corporation's behavior by exercising their rights as partial owners.

Andrew Plepler: Global head of ESG at Bank of America, a large financial institution.

Business Case: A justification for a proposed project or operational change that is based on its benefit to the bottom line.

Climate Change: The long-term shifts in temperatures and weather patterns that are increasingly caused by human activity, like the burning of fossil fuels that release greenhouse gases into the atmosphere.

Company Policies: Guidelines set by a business that help both employers and employees understand the standards by which to operate and do their jobs. Policies are important to understand a company's values and mindset.

DEI: Diversity, Equity and Inclusion, it is an important movement in business. At the most basic level, diversity is who is in the room (what differences are represented around the table?); inclusivity is who has influence in the room (do all voices have the opportunity to contribute?); and equity is do we have fair practices for those in the room (for example, are men and women paid an equal wage?)

DEI Index: An index that measures how well a company is doing on diversity, equity and inclusion in the workplace.

DEI Transparency: Transparency in business is the basis for trust between a company and its customers, investors – all stakeholders. When a company is transparent, it is open and honest about communicating what happens behind the scenes with its operations, management and other business functions, including diversity, equity and inclusion.

Digital Economy: An economy based on digital computing technologies.

Disclosure: When a business is completely honest and open with what it reports to the public, like full disclosure of its factory emissions and its environmental impact. Disclosure in documents like annual reports and 10Ks allow investors to make informed decisions about their investment decisions because they know a company's authentic story.

Diverse Workforce: A workforce that reflects both similarities and differences among employees in terms of age, gender, cultural background, race, religion, sexual orientation and more.

Educational Attainment: The highest level of education that someone has completed.

EEO-1 Report: Mandatory annual data collection that requires companies to submit demographic workforce data, including data by race/ethnicity, sex and other criteria.

Empirical Evidence: Data gathered by experimentation and/or observation.

Employee Training and Development: A company's programs that help build the skills and knowledge of its employees and give them information to do their jobs more effectively.

Equity: Fairness and justice in the pursuit of giving people what they need to survive and thrive.

ESG: ESG stands for **Environmental, Social and Governance** and refers to a system for how to measure the sustainability of a company. It is an evaluation of a firm's beliefs and attitudes about social and environmental factors. Companies and all their stakeholders are thinking hard about how to incorporate ESG criteria effectively and intentionally into business strategies. And investors are turning to ESG rating firms and others to screen their investments on these various factors.

Firm: Another word for company.

Global Capital Market: A capital market – in this case across the globe -- is where funds are exchanged between the suppliers of capital and those who need to use that capital.

Inequality: Not equal in status, rights or opportunity.

John Streur: President and Chief Executive Officer of Calvert Research and Management, an investment management company that supports sustainable and responsible investing.

Proxy Fight: An unfriendly contest for control over an organization. Typically, a company's shareholders are fighting against management because they don't agree with how a company is being run.

Racism: Discriminating against people based on their race and ethnicity.

Shareholder Resolution: A proposal submitted by shareholders for a vote at a company's annual meeting. It's a recommendation to the board of directors of a public company to take some kind of action.

Skilled Labor: Highly trained, educated or experienced segments of the workforce.

Tesla Vote: Calvert Research and Management filed a shareholder resolution calling on Tesla to share details about the diversity of its workforce and efforts to address inequities in the workplace. Calvert, one of the oldest socially responsible investors, believed that Tesla, the electric vehicle company founded by Elon Musk, lagged behind its peers in DEI practices. Calvert won the shareholder resolution.

Transparency: Transparency in business is the basis for trust between a company and its customers, investors – all stakeholders. When a company is transparent, it is open and honest about communicating what happens behind the scenes with its operations, management and other business functions.

Workforce: All the workers employed by an organization.

Workplace: A place where people work, such as an office or a factory.

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