



3 Leadership and Board Skills

Disclaimer and Permissions

This is a living document intended to facilitate public feedback on draft business standards (the “draft standards”) developed by the Corporate Racial Equity Alliance (the “Alliance”), an initiative by PolicyLink, FSG, and JUST Capital. The primary goals of the draft standards are to promote and support the improved sustainability performance of U.S. businesses related to social issues, including advancing equity and inclusion, eliminating bias and discrimination, and ensuring equal opportunities for all, regardless of race, gender, ethnicity, socioeconomic status, or any other social category or characteristic protected by applicable law. The draft standards do not call for and should not be read as recommending or requiring businesses to make employment or other decisions based on any protected characteristic in violation of applicable law. Any such application constitutes a misuse of the draft standards.

The draft standards are the product of a multi-year process informed by, and incorporating, broad stakeholder feedback through multiple consultations. The draft standards are not final and remain subject to further review and revision. The draft standards were created based on a snapshot in time. Laws relating to these draft standards may evolve overtime. The Alliance makes no representations or warranties concerning any changes in laws or legal precedent as it relates to these draft standards and is not providing any legal advice. Although all information in the draft standards was obtained from sources believed to be reliable, no representations or warranties, express or implied, are made as to their accuracy or completeness. The Alliance shall not be liable for any claims or lawsuits from any third parties arising from the use or distribution of the draft standards. The draft standards are for distribution only under such circumstances as may be permitted by applicable law.

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Learn more about the Alliance and the draft standards in our latest report, *Introducing the Business Standards for 21st Century Leadership: Public Consultation Report and Draft Standards* available at <https://corporateraciaequityalliance.org/corporate-standards>.

Reviewing and Submitting Feedback

How to Navigate This Standard

Each draft standard begins with an overview, including:

- The outcome that the standard supports achieving
- The basic requirement of the standard
- A list of the currently proposed performance targets for the standard
- The value proposition of adopting the standard
- The most closely associated equity outcomes, showing how achievement of the standard contributes to positive societal impact
- A non-exhaustive list of related sustainability standards and frameworks

Following the overview is a glossary of key terms. Then, each performance target is presented with specific requirements, metrics, implementation guidelines, and resources. To support companies in getting started, suggested interim targets and metrics are included as well.

Navigation links are provided at the bottom of each page, beginning on page 5.

Submitting Feedback

This is a living document and your participation in strengthening this work is important to us. Alongside our ongoing research and testing with companies, we look forward to feedback on these questions:

- Is the standard clear and compelling?
- Do you agree that the performance targets for this standard cover critical ways for companies to address discrimination and exclusion, and advance socially responsible business practices within the given topic? If not, why not?
- Are there additional or alternative performance targets you recommend for this standard?
- What additional guidance, if any, would be helpful for a company to get started and/or make steady progress toward achieving this standard?

Submit your feedback by completing [this survey](#) (letter submissions will also be accepted) or attending one of our virtual roundtables. [Find more information here on providing your feedback.](#)

3

Senior leaders and Board members possess the skills to advance equity, inclusion, and socially responsible business.


Requirement

■ Senior leaders and Board members become competent and fluent in equitable, inclusive, and socially responsible business leadership.

Performance Targets

- P3.1** The Board annually engages in education on advancing equity, inclusion, and socially responsible business.
- P3.2** Senior leaders annually engage in professional development related to advancing equity, inclusion, and socially responsible business.
- P3.3** Senior leaders close connection gaps through direct experience of non-managerial roles.
- P3.4** Senior leaders are well-equipped to foster a culture of equity, inclusion, psychological safety, and belonging.

Associated Equity Outcomes

 Equitable Governance and Leadership

Key Connections

- SDGs 4.7 and 16
- ESRS 2: GOV
- IFRS S1

Business and Societal Value Proposition

Strong competency and fluency in equitable, inclusive, and socially responsible leadership are critical skills expected of business leaders and Board members today.

To effectively manage and oversee the ways in which the company impacts workers, customers, communities, and society-at-large—as well as adequately meet such stakeholders’ expectations—leaders and Board members should develop and hone these essential skills. This is particularly important in an increasingly diverse society and complex operating landscape.

While [85% of business leaders](#) view social issues as urgent concerns, companies tend to invest insufficient time and resources in developing leaders’ skills and expertise in these areas. The risks of underinvestment include increased exposure to discrimination claims, an inability to recognize and address toxic and underperforming workplaces, and higher costs (and a longer road) to achieving the company’s goals.

Companies that support their leaders and Board members in building these skills will be far ahead in attracting and retaining top talent from all backgrounds, boosting workforce health, identifying new market opportunities, and ultimately delivering greater value to all their stakeholders.

The performance targets for this Standard therefore focus on investing time and resources into essential skill-building, putting acquired knowledge into practice, and ensuring leaders are achieving positive results over time.

Glossary

Belonging

The values, practices, and policies that ensure no person is left out of the circle of human concern. As defined by the [Othering & Belonging Institute](#), belonging “means more than having just access, it means having a meaningful voice and the opportunity to participate in the design of political, social, and cultural structures.” [Learn more here](#).

Contingent workers

Individuals who are contracted to provide labor for the company, whether part-time, full-time, or on a temporary basis, such as gig workers, self-employed individuals, or workers from staffing agencies and other vendors.

Cultural Competency

Being aware of one’s own cultural beliefs and values, having awareness of and valuing cultural diversity, and effectively managing the dynamics of cultural difference, also known as intercultural competence. [Learn more here](#).

Demographics or demographic groups

Characteristics of a specific human population, such as geographic location, socioeconomic status, race, ethnicity, gender, sexual orientation, disability, and age.

Direct workers

Individuals who are in an employment relationship with the company, such as full-time and part-time employees.

Disaggregate

To collect and separate compiled data into smaller units or subcategories so that component parts can be isolated and examined for trends and patterns (e.g., data organized by specific racial and ethnic groups versus “people of color” as a

single grouping).

Disparity

A statistically significant difference in access, opportunity, use, or outcomes for one or more **demographic groups** that has no valid justification (i.e., cannot be explained by legitimate, nondiscriminatory business reasons). Disparities are indicative of unequal treatment and/or opportunities. In the context of the Standards, disparities can be addressed by adopting new systems, policies, and practices that promote fairness for all people regardless of their background.

Diversity

Of a group, possessing variation on the basis of social demographics, such as across race, ethnicity, gender, sexual orientation, disability, and age (e.g., a diverse workforce).

Equity

Just and fair **inclusion** into a society in which all can participate, prosper, and reach their full potential. When everyone is treated fairly according to their needs and no group of people is given special treatment.

Gap analysis

A comparative analysis of the current state of a set of quantitative or qualitative factors against a given Performance Target, including the Guidelines. Conducting such an analysis is step one across every Performance Target.

Impact

The effect the company has or could have on its **stakeholders** over the short, medium, or long term through its activities, including its operations, products, services, and business relationships, whether positive or negative, intended or unintended. This term is intended to be equivalent to the

defined term “impacts” in the [European Sustainability Reporting Standards](#) (ESRS).

Inclusion

The values, practices, and policies that ensure all people, across all social demographics, feel respected, safe, and valued, including and accommodating people who have historically been excluded such as due to their race, ethnicity, gender, sexual orientation, or disability. Inclusion values and leverages **diversity**, recognizing it as a source of strength for organizations.

Intersectionality

The interconnected nature of inequality across social categorizations, such as race, ethnicity, gender, sexual orientation, disability, and class, which in turn results in overlapping and interdependent systems of discrimination or disadvantage for a given individual or group of people. As described by professor [Kimberlé W. Crenshaw](#) of Columbia Law School, who coined the term over 30 years ago, intersectionality is “[a lens... for seeing the way in which various forms of inequality often operate together and exacerbate each other.](#)”

Leaders or leadership

Senior leaders, as defined below, plus:

- Middle management, including people managers who have oversight of, but are not directly managing, non-managerial workers; and
- Any other internal leaders with decision-making power over non-managerial workers.

Material decision

A decision made by the company that has or could have a significant **impact** on profitability/shareholder value and/or one or more of its stakeholder groups, including **direct workers, contingent workers**, indirect workers, customers, end users, communities, and society at large. This includes, among other things, the health and safety of the company's and its suppliers' workplaces; the health, safety, accessibility, and pricing of products and services; the environmental impacts of the company's and its suppliers' operations; and any practices that could result in excluding marginalized or underinvested groups from fair opportunities.

Non-managerial roles or workers

Independent contributors and other **direct workers** who do not oversee the company's operations or other workers, including but not limited to entry-level and frontline roles.

Psychological safety

The values, practices, and policies that effectuate a shared belief among members of a group (such as teams and organizations) that it is safe to express ideas, raise issues, ask questions, provide feedback, and admit mistakes without fear of retaliation or other negative consequences. [Learn more here](#) and [here](#). Team psychological safety is a term coined by professor [Amy C. Edmondson](#) of Harvard Business School based on 30-plus years of research.

Senior leaders or senior leadership

- Officers as defined in the company's bylaws;
- Named executive officers as defined under U.S. Securities and Exchange Commission reporting rules;
- C-Suite or equivalent senior leaders; and
- Leaders with overall ownership and responsibility for department or divisional budgets.

Shadow or shadowing

To observe and experience closely.

Stakeholders

Individuals and groups who have an interest in the policies and practices of companies not only because they are affected by them, but also because they have rights to be respected and protected by companies, e.g., workers' rights to fair wages, consumers' rights to safe products, suppliers' rights to transparency, investors' rights to be informed of material facts, communities' rights to clean and safe neighborhoods, and society's rights to a healthy environment, among others.

Stakeholder-informed decision-making

The action or process of making decisions, especially **material decisions**, informed by the needs, expectations, and rights of the company's stakeholders—including **direct, contingent**, and indirect workers; customers; end users; suppliers; shareholders; communities; and society at large.

Stakeholder-informed decision-making recognizes that each of the company's stakeholders is essential to its success and honors the company's fundamental commitment to deliver value to all of its stakeholders. This is the foundation of socially responsible business.

Sustainability

As defined by the [1987 United Nations Brundtland Commission](#), "meeting the needs of the present without compromising the ability of future generations to meet their own needs." In the business context, it means [a company's delivery of long-term value in financial, social, environmental and ethical terms](#). This includes recognizing and adhering to social thresholds, such as paying living wages across the workforce, in recognition of the essential role living wages play in cultivating and maintaining a healthy labor force and a stable society. It also includes ecological thresholds, such as limiting emissions and natural resource use, in recognition of the natural limits of our planet to support all life.

PERFORMANCE TARGET 3.1

The Board annually engages in education on advancing equity, inclusion, and socially responsible business.

Requirement

All Board members annually engage in education focused on advancing [equity](#), [inclusion](#), and socially responsible business.

Metric

Percentage of Board members annually engaging in education consistent with the guidelines.

Share Progress & Achievement

Annual disclosure available to the public of the percentage of Board members engaging in education consistent with the guidelines, either on the company's website or in an annual report (or other publicly available filing).

Rationale, Tips, and Guidelines

RATIONALE:

[Ongoing Board education directly supports the company's success](#). Supporting Board members in education related to advancing equity, inclusion, and socially responsible business is essential for the Board's effective oversight of such matters, as set forth in Standard 1. It is also [consistent with director fiduciary duties](#), which not only require boards to monitor company practices related to compliance with applicable laws (including civil rights and antidiscrimination laws) but also require proactive steps that promote the company's sustainable success.

IMPLEMENTATION TIPS:

1. The purpose of this Target is to support Board members in their oversight role of the company's equity, inclusion, and social responsibility efforts. In particular, this Target will support Board members in effectively embodying [stakeholder-informed decision making](#).
2. While there is flexibility in how the company meets this Target, the goal is for Board members to learn as a group, specifically tailored to the company's needs.
3. Board education also does not end with adopting this Target. Adopting Target 6.6 on worker-board connections will help build on Board members' education by fostering greater connection to, and learning from, [non-managerial workers](#).
4. For public companies, close coordination with the Board committee responsible for planning the Board's ongoing education will be important (typically, the nominating and governance committee).
5. From time to time, the learning topics set forth below may be updated.

GUIDELINES:

1. Build ongoing education into the existing Board calendar, which may involve an extended education session at a Board retreat or shorter sessions across regular meetings.
2. In designing the timing, content, and format of Board education, take the following concrete steps:
 - a. Ensure ongoing education includes live interaction and discussion with peers or fellow Board members, opportunities to ask questions of experts, and opportunities to put acquired knowledge into practice.
 - b. [Direct workers](#) at all levels should periodically be given the opportunity to provide input on the skills and topics that would be most meaningful to them for the Board's ongoing education.
 - c. If the company engages a third-party firm to deploy Board education, ensure the engagement is led and staffed by a seasoned and diverse team with demonstrated expertise in the topics below.
 - d. While some Board members may have expertise in the topics listed below and others may ask to waive ongoing education based on education undertaken through other Board service, achieving this Target requires all Board members to participate.
 - e. Incorporate one or more topics each year, though it may be helpful to repeat topics from time to time to go deeper or refresh past learning.
3. In selecting topics, tailor Board education to the company's and individuals' needs and, at a minimum, incorporate at least two of the following topics annually (topics (a) through (f) focus on building

knowledge and topics (g) through (j) focus on skill-building):

- a. The demographic make-up of the company's stakeholders beyond its shareholders (including workers, customers, end users, and communities affected by the company's products, services, and operations).
 - b. The actual or potential risks to people and planet associated with the company's products, services, and lines of business.
 - c. Historical and current DEI and sustainability challenges and opportunities in the company's industry.
 - d. The connection between DEI, civil rights, human rights, and sustainability.
 - e. The increased costs and other risks of superficial action (or inaction) on DEI, civil rights, human rights, and sustainability.
 - f. How championing DEI, civil rights, human rights, and social responsibility are aligned with director and officer fiduciary duties.
 - g. Fostering equity, inclusion, accessibility, and social responsibility in Board oversight and decision-making.
 - h. Cross-generational and [cultural competency](#).
 - i. Listening and being accountable to those most proximate to challenges.
 - j. Navigating backlash and resistance to change.
4. If the company is just beginning to invest in Board education on these topics, prioritize topics (a) through (d) and (g) in Guideline 3.

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- [Gap analysis](#) conducted of current Board education practices.
- 75% or more of Board members engaged annually in education consistent with the guidelines.
- 90% or more of Board members engaged annually in education consistent with the guidelines.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with [senior leadership](#) and the Board.
- Annual Board calendar reflecting education consistent with the guidelines.
- Percentage of Board members annually engaging in education consistent with the guidelines.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

Resources

[Planning for a New Reality: Agenda for the Prepared Board](#) (Aspen Institute, Business & Society Program, November 2023)

[How to Accelerate Board Effectiveness Through Insight and Ongoing Education](#) (Steve Klemash and Jamie Smith, Harvard Law School Forum on Corporate Governance, May 2021)

[Climate, ESG, and the Board of Directors: "You Cannot Direct the Wind, But You Can Adjust Your Sails"](#) (Allison Herren Lee, U.S. Securities and Exchange Commission, June, 2021)

[ESG Governance: Board and Management Roles & Responsibilities](#) (Jurgita Ashley and Randi Val Morrison, Harvard Law School Forum on Corporate Governance, November 2021)

[Duty and Diversity](#) (Chris Brummer and Leo E. Strine, Jr., Vanderbilt Law Review, January 2022)

[Lead From the Top: Building Sustainability Competence On Corporate Boards](#) (Ceres, 2017)

[Five Ways Boards Can Unlock ESG's Strategic Value](#) (Ernst & Young, December 2020)

[Board Practices Quarterly: Diversity, Equity, Inclusion: One Year Later](#) (Veena Ramani, Deloitte, January 2022)

[Unconscious Bias Training That Works](#) (Francesca Gino and Katherine Coffman, Harvard Business Review, September–October 2021)

[Guidance Note: Board Duties in Ensuring Company Engagement with Affected Stakeholders](#) (Global Future Council on Human Rights, World Economic Forum, May 2022)

PERFORMANCE TARGET 3.2

Senior leaders annually engage in professional development related to advancing equity, inclusion, and socially responsible business.

Requirement

All [senior leaders](#) annually engage in professional development focused on advancing [equity](#), [inclusion](#), and socially responsible business.

Metric

Percentage of senior leaders annually engaging in professional development consistent with the guidelines.

Share Progress & Achievement

Annual disclosure available to the public of the percentage of senior leaders engaging in professional development consistent with the guidelines, either on the company's website or in an annual report (or other publicly available filing).

Rationale, Tips, and Guidelines**RATIONALE:**

Supporting senior leaders in developing greater competency and fluency in equitable, inclusive, and socially responsible leadership is essential to meeting the needs and expectations of the company's stakeholders. It also promotes more effective management of the ways in which the company impacts its stakeholders, their rights, and the resources they rely on for their well-being.

This Target also supports the company in ensuring senior leadership teams are fit-for-purpose for all of the company's strategies and goals—including that leaders possess the knowledge, skills, expertise, and behaviors that foster equity, inclusion, and social responsibility as strategic business priorities. Investing the time and effort to build and deepen these vital skills, especially at senior leadership levels, will have cascading positive benefits both for the company and its stakeholders.

IMPLEMENTATION TIPS:

1. The purpose of this Target is to support senior leaders in their management of the company's equity, inclusion, and social responsibility efforts. In particular, this Target will support senior leaders in effectively embodying [stakeholder-informed decision making](#).
2. For even greater positive impact, companies are encouraged to expand the implementation of this Target to all [leaders](#). Doing so will support success under a number of Standards, including Standards 4, 5, and 6 on culture, talent management, and job quality.
3. While there is flexibility in how the company meets this Target, the goal is for senior leaders to learn as a group, specifically tailored to the company's needs.
4. Senior leaders' professional development does not

end with this Target. Adopting Target 3.3 complements senior leaders' professional development with greater connection to, and learning from, [non-managerial workers](#).

5. Adopting Target 3.4 will help ensure senior leaders are successfully translating the knowledge acquired from professional development into positive results for the workforce and the business.
6. From time to time, the learning topics set forth below may be updated.

GUIDELINES:

1. Integrate the professional development within regular meetings, off-site retreats, or other leadership learning initiatives to support full participation.
2. In designing the timing, content, and format of professional development, take the following concrete steps:
 - a. Ensure professional development includes live interaction and discussion with peers or colleagues, opportunities to ask questions of experts, and opportunities to put acquired knowledge into practice.
 - b. [Direct workers](#) at all levels should be given the opportunity to provide input on the skills or topics that would be most meaningful to them for the company's investment in senior leaders' professional development.
 - c. If the company engages a third-party firm to deploy the professional development programming, ensure the engagement is led and staffed by a seasoned and diverse team with demonstrated expertise in the topics below.
 - d. While some senior leaders may already have

expertise in the focus areas listed below, achieving this Target requires all senior leaders to participate.

- e. If the company chooses to require senior leaders to obtain DEI and/or other social responsibility credentials, ensure such programs include live discussion with peers and opportunities to put acquired knowledge into practice.
 - f. Incorporate one or more topics each year, though it may be helpful to repeat topics from time to time to go deeper or refresh past learning.
3. In selecting topics, tailor senior leaders' professional development to the company's and individuals' needs and, at a minimum, incorporate at least two of the following topics annually (topics (a) through (f) focus on building knowledge and topics (g) through (o) focus on skill-building):
 - a. The demographic make-up of the company's stakeholders beyond its shareholders (including workers, customers, end users, and communities affected by the company's products, services, and operations).
 - b. The actual or potential risks to people and planet associated with the company's products, services, and lines of business.
 - c. Historical and current DEI and sustainability challenges and opportunities in the company's industry.
 - d. The connection between DEI, civil rights, human rights, and sustainability.
 - e. The increased costs and other risks of superficial action (or inaction) on DEI, civil rights, human rights, and sustainability.
 - f. How championing DEI, civil rights, human rights, and social responsibility are aligned with director and officer fiduciary duties.
 - g. Fostering equity, inclusion, accessibility, psychological safety, and belonging in everyday interactions and decision-making.
 - h. Understanding the meaning of intersectionality and how to take it into consideration in the business context.
 - i. Combating bias, discrimination, and subtle action of exclusion (also known as microaggressions).
 - j. Supporting diverse strengths and the importance of skills-based hiring and advancement.
 - k. Diagnosing and effectively addressing work avoidance and learned helplessness in DEI, civil rights, human rights, and sustainability work.
 - l. Cross-generational and [cultural competency](#).
 - m. Listening and being accountable to those most proximate to challenges.
 - n. Navigating backlash and resistance to change.
 - o. Empathetic communication in times of crisis.
 4. If the company is just beginning to invest in senior leaders' professional development on these topics, prioritize topics (a) through (d) in Guideline 3 **and** the topics that direct workers have indicated would be most meaningful to them.

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- [Gap analysis](#) conducted of current professional development policies and practices for senior leaders.
- 75% or more of senior leaders engaged annually in professional development consistent with the guidelines.
- 90% or more of senior leaders engaged annually in professional development consistent with the guidelines.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with senior leadership.
- Documentation of annual professional development plans incorporating the guidelines.
- Certificates or other evidence of completion of professional development consistent with the guidelines.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

Resources

[Study Finds that 62 Percent of Organizations Devote Little to No Resources to Diversity, Equity, and Inclusion](#) (BCSSW News, Boston College School of Social Work and SHRM, December 2022)

[The Business of Belonging: Why Making Everyone Feel Included is Smart Strategy](#) (Julie Coffman, et al., Bain and Company, November 2023)

[The Labor-Savvy Leader](#) (Roy E. Bahat, Thomas A. Kochan, and Liba Wenig Rubenstein, Harvard Business Review Magazine, July–August 2023)

[Fighting Backlash to Racial Equity Efforts](#) (Rosalind M. Chow, et al., MIT Sloan Management Review, June 2021)

[Operational Recommendations Ethnic Diversity & Inclusion](#) (B4IG, Business for Inclusive Growth, October 2022)

[National Center for Civil and Human Rights: DEI Experiences](#) (National Center for Civil and Human Rights, accessed May 2024)

[Listen to Lead: Raise Retention and Boost Business](#) (Ford Foundation and Provoc, 2023)

[The Six Signature Traits of Inclusive Leadership](#) (Juliet Bourke, Deloitte Insights, April 2016)

[How to Promote Racial Equity in the Workplace](#) (Robert Livingston, Harvard Business Review Magazine, September–October 2020)

[Why Every Leader Needs to Worry About Toxic Culture](#) (Donald Sull, et al., MIT Sloan Management Review, March 2022)

[Belonging Drivers & Elements: Primer](#) (Genevieve Smith, Jasmine Sanders, and Ishita Rustagi, Berkeley Haas Center for Equity, Gender & Leadership, 2022)

[The NLI Guide: How Culture Change Really Happens](#) (David Rock, Heidi Grant, and Mary Slaughter, Neuroleadership Institute, 2022)

[U.S. Surgeon General's Framework for Workplace Mental Health & Well Being](#) (Office of the U.S. Surgeon General, U.S. Department of Health and Human Services, 2022)

[Unconscious Bias Training That Works](#) (Francesca Gino and Katherine Coffman, Harvard Business Review, September–October 2021)

PERFORMANCE TARGET 3.3

Senior leaders close connection gaps through direct experience of non-managerial roles.

Requirement

All [senior leaders](#) dedicate one or more days annually to take on or [shadow non-managerial roles](#).

Metric

Percentage of senior leaders annually taking on or shadowing non-managerial roles consistent with the guidelines.

Share Progress & Achievement

Regular disclosure to the workforce of senior leaders' learnings from the experiences.

Annual disclosure to the Board of senior leaders' learnings from the experiences and concrete actions being taken to improve job quality and/or workplace culture.

Rationale, Tips, and Guidelines

RATIONALE:

By virtue of their positions and without intentional effort, senior leaders generally do not have significant interaction with entry-level, frontline, and other non-managerial workers across their organizations. This can hinder their understanding of what is actually happening in the business. Adopting a regular practice of spending time with and experiencing entry-level, frontline, and other non-managerial roles in the business can broaden senior leaders' field of vision, build empathy, surface hidden issues, and ultimately pay dividends both for workers and the business. Doing so also promotes a better understanding of how non-managerial workers persevere through challenges and what they need to be their best.

Lack of understanding and fractured trust between senior leaders and non-managerial workers, including entry-level and frontline workers, is a common issue. Between workers who work in an office and those who do not (such as frontline workers), [the latter group feels least protected, has the least amount of trust in senior leaders, are least likely to report meaningful progress on DEI, and do not feel trusted by senior leaders](#).

Achieving the company's [impact](#) goals, including attracting and retaining diverse talent, building a more empathetic workplace, and increasing trust, will require closing the gap between what senior leaders read and hear about in their meetings, and the day-to-day reality for non-managerial workers, especially frontline workers. This Target aims to support senior leaders in doing just that. [Many senior leaders also already engage in this practice, finding it indispensable to their leadership](#).

IMPLEMENTATION TIPS:

1. This exercise can be deployed in multiple ways, from shadowing workers and teams to directly stepping into

non-managerial roles.

2. If the company is new to this practice, take time to learn from peers and other companies that already institutionalize this practice, [including in the retail and healthcare sectors](#). See more examples in the Resources list.
3. For even greater positive impact, companies are encouraged to expand the implementation of this Target to all [leaders](#). Doing so will support success under a number of Standards, including Standards 4, 5, and 6 on culture, talent management, and job quality.
4. This Target complements senior leaders' professional development (as set forth in Target 3.2) with greater connection to, and learning from, non-managerial workers.
5. Adopting Target 3.4 will help ensure senior leaders are successfully translating the learning and experience acquired from this practice into positive results for the workforce and the business.

GUIDELINES:

1. If the company has a large [contingent workforce](#) in frontline or non-managerial roles, such workers are deemed included in the definition of non-managerial workers for purposes of this Target.
2. In designing the process and parameters of this practice, take the following concrete steps:
 - a. Initially focus on roles where visibility is the lowest, turnover is highest, and/or annual compensation is within the lowest quartile of compensation within the company.
 - b. Co-create the parameters, mutual expectations, and goals of the exercise with the teams and workers who will be involved well in advance

(during their paid time). This will help combat exercises that are performative and mitigate overtaxing the team's and workers involved.

- c. Ensure senior leaders focus on learning from the experience for the long-term, versus only focusing on trying to solve immediate issues they may see or experience.
3. In translating the experiences into action, take the following concrete steps:
 - a. Senior leaders should take time to reflect on and share their learnings from the experience, including how it may influence their leadership.
 - b. Invite, but do not require, the same from the non-managerial workers involved.
 - c. Share learnings with all leaders, the broader workforce and the Board. This may include reporting out in leadership team meetings, Board meetings, town halls, and/or departmental meetings.
 4. After each experience (or at least annually), obtain feedback from the non-managerial workers involved to learn what worked and what did not, and solicit their ideas to improve on the practice. Obtaining such feedback on an anonymous basis will help ensure it is candid and provided without fear of retaliation.

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- **Gap analysis** conducted of current practices connecting senior leaders and non-managerial workers.
- 50% or more of senior leaders dedicate one or more days annually to taking on or shadowing non-managerial roles and sharing their learnings.
- 75% or more of senior leaders dedicate one or more days annually to taking on or shadowing non-managerial roles and sharing their learnings internally.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with senior leadership.
- Documentation of shadowing plans with goals, clear parameters, and mutual expectations.
- Percentage of senior leaders annually taking on or shadowing non-managerial roles and sharing their learnings internally.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards and frameworks that address similar issues.

Resources

- [CEOs Have Lost Touch with Frontline Workers](#) (Bill George, Harvard Business Review, November 2022)
- [Creating Pathways to Quality Jobs: Why It Pays to Listen to Your Workers](#) (Katie Bach and Sarah Kalloch, Forbes, 2019)
- [Taking Leadership Rounds to the Next Level](#) (Adrienne Boissy, Cleveland Clinic, 2018)
- [Hospital Impact: What One Health System Executive Learned from Shadowing Frontline Staff](#) (Scott Kashman, Fierce Healthcare, 2017)
- [Uber CEO Dara Khosrowshahi's Undercover Boss Moment Led to a 'Why We Suck' All-Hands](#) (Sissi Cao, Observer, September 2023)
- [The Emotional Toll of Frontline Labor](#) (Ania G. Wieckowski, Harvard Business Review, November 2022)
- [Listen to Lead: Raise Retention and Boost Business](#) (Ford Foundation and Provoc, 2023)
- [2023 Edelman Trust Barometer Special Report: Trust at Work](#) (Edelman, 2023)
- [The Labor-Savvy Leader](#) (Roy E. Bahat, Thomas A. Kochan, and Liba Wenig Rubenstein, Harvard Business Review Magazine, July–August 2023)
- [Why Every Leader Needs to Worry About Toxic Culture](#) (Donald Sull, et al., MIT Sloan Management Review, March 2022)
- [The Case for Good Jobs](#) (Zeynep Ton, Harvard Business Review Press, 2023)

PERFORMANCE TARGET 3.4

Senior leaders are well-equipped to foster a culture of equity, inclusion, safety, and belonging.

Requirement

Annual [senior leadership](#) performance assessments reflect that (a) all senior leaders feel confident in their abilities to foster a culture of [equity](#), [inclusion](#), [psychological safety](#), and [belonging](#) and (b) 80% or more of [direct workers](#) across [demographic groups](#) feel represented, respected, and valued by their managers.

Metrics

Percentage of senior leaders who annually report feeling confident in their abilities to foster a culture of equity, inclusion, safety, and belonging.

Percentage of direct workers who annually report feeling represented, respected, and valued by their managers, disaggregated across demographic groups.

Share Progress & Achievement

Annual disclosure to the workforce of aggregate results and any actions being taken to improve results over time, including any concrete actions being taken based on the results.

Annual disclosure to the Board of performance assessment results and progress toward achieving the Target, including (i) current and last three years' aggregate results, disaggregated across demographic groups and departments, (ii) any [disparities](#) across groups, including within specific departments and by job level, and (iii) any concrete actions being taken to improve performance.

In both cases, avoid sharing disaggregated demographic data when group sizes are too small to ensure individual anonymity (typically $N < 25$).

Rationale, Tips, and Guidelines**RATIONALE:**

Nurturing an organizational culture where the workforce feels safe, treated fairly, meaningfully listened to, and ready to give their best is a fundamental component of business success. It is also one of the most important ways to invest in and retain a diverse workforce. [With the workplace now among the most important sources of community for workers](#), it is more important than ever for companies to measure whether senior leaders are well-equipped to foster a culture of equity, inclusion, safety, and belonging.

IMPLEMENTATION TIPS:

1. This Target aims to measure senior leadership performance on matters related to culture. It is closely related to, but distinct from, Target 4.4 on culture and engagement surveys. If the company uses a survey for this Target, it may do so in tandem with Target 4.4.
2. The guidelines below may be incorporated into

existing annual performance assessment practices or culture and engagement surveys.

3. If the company connects executive incentive compensation to DEI or social responsibility goals, consider including achievement of this Target in such plans. That said, successful performance here should be considered an essential aspect of any senior leaders' job, not a "nice to have" (see Targets 1.4 and 6.4 for more on this).
4. For even greater positive impact, companies are encouraged to expand the implementation of this Target to all [leaders](#). Doing so will support success under a number of Standards, including Standards 4, 5, and 6 on culture, talent management, and job quality.
5. Sample performance assessment questions consistent with the guidelines below will be included with this Target upon the launch of the final Standards.

GUIDELINES:

1. On at least an annual basis, assess senior leadership performance on workplace culture by taking the concrete steps outlined below related to deploying the assessment, evaluating the results, and taking meaningful follow-up action where needed.
2. In developing and deploying the performance assessment, take the following concrete steps:
 - a. Assess whether senior leaders feel confident in their own abilities to foster a culture of equity, inclusion, psychological safety, and belonging.
 - b. Assess whether direct workers across demographic groups, including at least across race, ethnicity, gender, sexual orientation, disability, and age, feel represented, respected, and valued by: (i) their direct manager; and (ii) each level of senior leadership (e.g., VPs,

- SVPs, EVPs, C-suite).
- c. If deploying the assessment via a survey, follow the best practices for such surveys set forth in Target 4.4.
 - d. If deploying the assessment via 360-degree performance reviews, ensure responses are fully anonymous to the same extent as the best practices in Target 4.4.
3. Meeting this Target requires the following conditions to be met:
 - a. 100% of senior leaders provide positive or strongly positive responses to the assessment questions applicable to them in Guideline 2;
 - b. 80% or more of direct workers within a given senior leaders' business unit or department (including indirect reports) and across demographic groups, provide positive or strongly positive responses to the assessment questions applicable to them in Guideline 2; and
 - c. 80% or more of all direct workers across demographic groups provide positive or strongly positive responses to the assessment questions applicable to them in Guideline 2.
 4. Concrete action is required if (a) one or more leaders do not feel confident in their skills, (b) less than 80% of direct workers provided positive or strongly positive responses at the company-level or department level, or (c) there are any disparities in scores at the company-level or department level. The company should determine the most appropriate course of action based on its circumstances, which may include:
 - a. Analyzing the data to determine whether there are any trends, such as higher or lower scores within a particular business unit, department, or

location, or associated with a particular job function or type, remote versus in-office workers, or frontline versus desk-based roles.

- b. Ensuring senior leaders are accountable for improvement where needed. This may include providing such senior leaders constructive feedback, developing a tailored action plan for improvement, and investing in coaching and ongoing professional development (see Target 3.2). This may also include providing the same support to leaders on the senior leader's team. Notwithstanding providing leaders with the time and resources to improve over time, ensure that recurring issues or significant problem areas are addressed right away. One of the fastest ways to erode trust and increase risk is to leave ongoing issues unaddressed.
5. When sharing results with senior leaders avoid sharing disaggregated demographic data when group sizes are too small to ensure individual anonymity (typically $N < 25$). Also take great care to foster productive conversations that support leaders in improving over time as well as ensure workers continue to feel safe in providing their candid feedback without fear of retaliation.
 6. When sharing results with the Board, share first with the committee that has oversight of talent practices, typically the compensation committee. (See Targets 1.2 and 1.3 on Board oversight.)
 7. Though this Target applies to direct workers, if the company has a large [contingent workforce](#), it should also measure the sentiments of such workers, though it may do so via alternative means if there are legal impediments to including contingent workers in the same survey as direct workers.

Example Interim Targets

Note: these examples are not intended to be exhaustive. At launch, guidance on setting interim targets will be available.

- [Gap analysis](#) conducted of leadership performance assessment practices and past results.
- New or updated 360-degree performance assessment templates for senior leaders consistent with the guidelines.
- 70% or more of senior leaders report feeling confident in their abilities to foster a culture of equity, inclusion, safety, and belonging.
- 70% or more of direct workers report feeling represented, respected, and valued by their managers.

Example Interim Metrics

Note: some metrics may apply to more than one Example Interim Target; not necessarily one-to-one alignment.

- Record of gap analysis results shared with [senior leadership](#).
- Documentation of new or updated leadership performance assessment templates consistent with the guidelines.
- Percentage of senior leaders who annually report feeling confident in their abilities to foster a culture of equity, inclusion, safety, and belonging.
- Percentage of direct workers who annually report feeling represented, respected, and valued by their managers.

Relevance to Other Frameworks

Coming with the launch of the final standards: mapping to other standards / frameworks that address similar issues.

Resources

[In the Market: How to Harness the Benefits of Corporate Diversity](#) (Paritosh Bansal, Reuters, June 2023)

[Listen to Lead: Raise Retention and Boost Business](#) (Ford Foundation and Provoc, 2023)

[2023 Edelman Trust Barometer Special Report: Trust at Work](#) (Edelman, 2023)

[The Labor-Savvy Leader](#) (Roy E. Bahat, Thomas A. Kochan, and Liba Wenig Rubenstein, Harvard Business Review Magazine, July–August 2023)

[Why Every Leader Needs to Worry About Toxic Culture](#) (Donald Sull, et al., MIT Sloan Management Review, March 2022)

[State of the Global Workplace 2023 Report: the Voice of the World's Employees](#) (Gallup, 2023)

[Six Leader/Worker Disconnects Affecting Workplace Well-Being](#) (Jen Fisher, Jay Bhatt, and Amy Fields, Deloitte Insights, 2023)

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