BOB MENENDEZ
UNITED STATES SENATOR
FOR NEW JERSEY

2017 CORPORATE DIVERSITY SURVEY

Winter 2018

ACKNOWLEDEGMENTS

I would like to thank each and every one of the 61 participating companies in my survey. I know this is not the only survey you participate in, so your time and commitment to transparency is truly appreciated…

Table of Contents

FOREWORD 3

EXECUTIVE SUMMARY 4

INTRODUCTION: THE STATE OF AMERICAN CORPORATE DIVERSITY 10

ABOUT THE 2017 CORPORATE DIVERSITY SURVEY 22

- Methodology 22
- Terminology 23

COMPLETE FINDINGS 26

- Company Practices 26
- Diversity on Corporate Boards 33
- Diversity on Executive Teams 38
- Supplier Diversity 41
- Professional Service Diversity 47
- Capital Investment and Asset Management 48

WHAT WE HAVE LEARNED 50

ACTION PLAN FOR DIVERSITY AND INCLUSION 57

PARTICIPATING COMPANIES 61

NON-RESPONSIVE COMPANIES 63

FOREWORD

As Chair of the Senate Democratic Hispanic Taskforce and the highest-ranking Latino in the United States Congress, I believe the idea that anyone can make it in America is core to our national identity. We pride ourselves on being a country that rewards hard work, respects diversity, and offers opportunity to all. Unfortunately, we often avoid seriously grappling with the challenges that impede our ability to fully live up to these ideals, whether it be wage stagnation across our economy, or the systemic inequities that still face communities of color, or in this report's case, the stunning lack of diversity at the highest levels of corporate America.

The results of my 2017 Fortune 100 Corporate Diversity Survey suggest that corporate America still has a long way to-go towards representational diversity. This lack of progress comes not only at the expense of America's greatest ideals, but also at the expense of our ability to compete in the 21st century.

We know that two trends will likely shape American business in the years ahead. First, the American people are becoming more diverse, and in the coming decades we will have a majority-minority population. Therefore, companies that incorporate women and minority professionals into every level of their corporate hierarchies will be best positioned to reach an increasingly diverse pool of consumers. Second is that innovation and globalization are transforming our economy, and soon many of the greatest economic opportunities will lie in industries that traditionally lag behind in minority representation, like technology, professional services, international commerce, and new fields like digital manufacturing.

We cannot thrive as a diverse nation if we fail to break down barriers, if we fail to provide equal opportunity to all. The advancement of women and people of color in corporate fast-growing industries is therefore not only good for business but good for the country and vital to our long-term prosperity.

Sincerely,

BOB MENENDEZ
United States Senator

EXECUTIVE SUMMARY

My 2017 Corporate Diversity Survey – the fourth of its kind undertaken by my U.S. Senate office – examines demographic diversity among the top executives and corporate boards of America's most successful companies determined by Fortune Magazine. As in 2014, my latest survey focuses on the diversity and inclusion practices of the Fortune 100 – a subset of the high performing companies that top the annual Fortune 500 list. From Apple to Amazon to Nike to Johnson & Johnson, many Fortune 100 companies are household names. In some cases, their CEOs and board members have become synonymous with their brands. In most cases these executives remain best known within their own industry circles. What both of these groups have in common is that they are comprised of mostly white men.

I've long held that the need for greater diversity at every level of our economy is not an act of benevolence but a necessity for businesses looking to compete in a diverse 21st century America. According to Pew Research Center, the percentage of the U.S. population comprised of non-Hispanic whites will decline from 62% today to 46% by 2056. At that point, Pew estimates that the country will be approximately 24% Hispanic, 14% Asian, and 13% African American. One might assume that the diversification of the American people would automatically translate into the diversification of American corporate power. Yet economic disparities for women and people of color remain stubbornly persistent throughout our economy. Consider that researchers have found that African Americans comprise 10% of all U.S. college graduates but hold just 4% of senior executive positions, and that Hispanics comprise 8% of graduates and represent only 4% of corporate executives. In contrast, white executives account for nearly 85% of C-suite positions despite earning just 68% of higher degrees in the United States.

As you will see, the results of my 2017 Top 100 Corporate Diversity Survey reflect these deep-seated disparities.

<u>Key Findings for 2017:</u>

Diversity and inclusion have certainly made their way into the everyday lexicon of America's top performing companies. Every participating company in this survey included diversity among their guiding principles. Furthermore:

- Most companies (93.4%) reported actively considering diversity when recruiting board or executive team members.

- The majority of the participating Fortune 100 Companies 85.2% (52) have a Chief Diversity Officer (CDO).

- Similarly, most companies (90.2%) that engage an external executive search firm for board openings or senior management positions actively discuss the issue of diversity with the firm when recruiting.

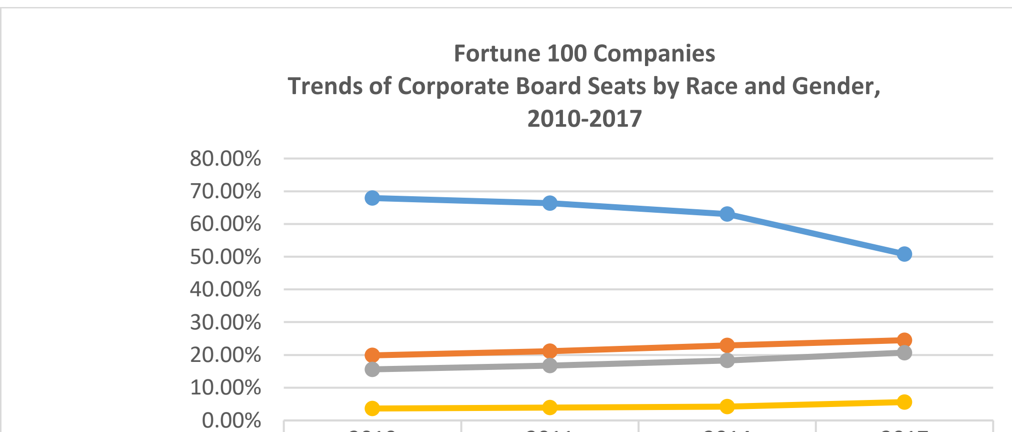
- Finally, 93.4% (57) of the companies reported having a formal written diversity strategy and implementation plan.

However, many companies “talk the talk,” without “walking the walk.” The vast majority of companies do not set tangible targets to deliver on their self-professed commitment to diversity:

- Only 37.7% (23) of the companies include numeric targets for diversity at the executive team levels and only 11.5% (7) companies set specific targets for diverse recruitment among their Board of Directors.

- Just over half (52.5%) of the participating companies have incentives or accountability measures to help their company evaluate, meet and exceed their diversity goals.

It is no surprise then, that while white men have seen a decline in corporate board representation, they continue to hold the majority of corporate executives and board member positions. Our survey results suggest that progress on diversity has been sluggish at best, with women and people of color only seeing an average 2-5% increase in overall representation since 2010. While these numbers demonstrate tangible progress, we cannot lose sight of the fact that women are half of the country’s population, people of color are more than a quarter, and the nation is only growing more diverse.



	2010	2011	2014	2017
White Men	67.92%	66.38%	63.02%	50.80%
Women	19.87%	21.10%	22.93%	24.50%
People of Color	15.60%	16.69%	18.28%	20.70%
Women of Color	3.63%	3.93%	4.23%	5.60%

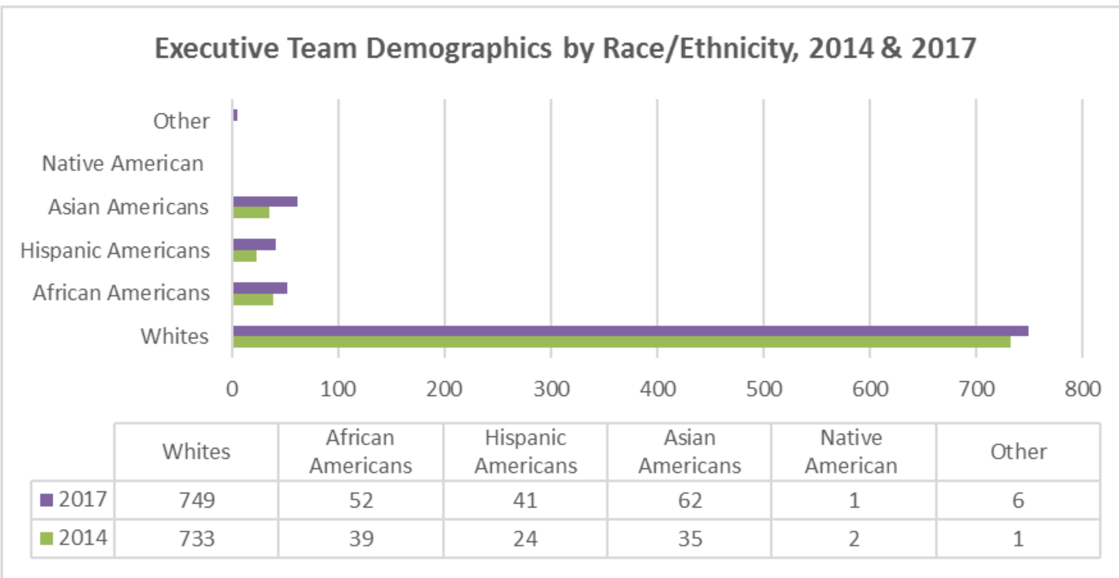
- White men continue to represent the majority of corporate board seats at 50.8% (380) and 53.4% (543) of all executive team positions.

- ➢ Among racial/ ethnic minorities, African Americans held the highest number of corporate board seats at 82 (10.9%), followed by Latinos with 37 (4.9%) and Asian Americans with 27 (3.6%). Native Americans did not hold a single board position (0.0%) among the sampled companies. One (1) board member identified as biracial.

- ➢ Women of color made up 5.6% of corporate board membership with 42 across all four racial/ ethnic categories (21 African American, 11 Asian American and 10 Latina women).

- ➢ Women made up 25.3% (257) of all executive team positions and racial or ethnic minorities were 16.3% (166) of the corresponding sample.

- ➢ When controlling for people of color, white men and women made up 73.7% of all executives at in our sample of Fortune 100 companies.



	Whites	African Americans	Hispanic Americans	Asian Americans	Native American	Other
2017	749	52	41	62	1	6
2014	733	39	24	35	2	1

The lack of diversity at the board and executive levels becomes more alarming when taking into account how little most Fortune 100 companies spend on small women-and-minority-owned businesses. While there are some signs of progress on this front, our ability to fully capture the latest trends with respect to diversity in procurement is hampered by corporations' lack of transparency on their reporting.

- ➢ Nearly every company had a supplier diversity program (96.7%) and more than half (58.9%) of the responding companies reported having specific spending goals for women-and-minority-owned businesses.

- ➢ However, on average companies only spent about 8.3% of their procurement of goods and services budget on small women-and-minority-owned businesses, which comes out to an average of $1.6 billion for the last reported fiscal year.

- Less than half of the sample, 47.5% (29) tracked expenditures on professional services – such as legal, consulting, and financial services contracts with women-owned businesses. Another 45.9% (28) tracked this type of spending with minority-owned businesses.

- Most companies either did not track (49.2%) or did not disclose (13.1%) capital investments with small women-and-minority-owned businesses. The rest did not even bother to answer these questions.

Key Recommendations

As our country undergoes tremendous demographic and economic change, it is time the leaders of America's most successful companies recognize that diversity is not just a buzzword – it's a deliverable. For that reason, I have included in this report a series of six recommendations for companies to accelerate their progress on diversity and inclusion.

- **CEOs must lead the way**. Fortune 100 CEO's are often the President and Chairman of the Board at their companies as well. It is imperative for a company that professes belief in the concepts of diversity and inclusion to have them mission driven from the very top.

- **Accountability matters**. Businesses lie or die by numbers. Measuring success with annual reviews is critical for tracking progress on diversity within workforce hiring and supplier and professional services expenditures.

- **Incentivize progress**. Meeting goals should be tied to bonuses as incentives to meet quarterly and annual goals.

- **Build the pipeline**. Having majority-group members in executive positions mentor minorities and women at mid-level positions could help eliminate biases between groups and facilitate the promotion of female and minority members into more senior levels.

- **Partner with Minority-Serving Institutions**. Fortune companies can build their pipeline of women and minority candidates by developing educational and internship experiences in partnership with Minority-Serving Institutions.

- **Embrace transparency.** As more companies open-up about their diversity and inclusion practices, consumers will be faced with the choice of sponsoring those that reflect their values and interest while shying away from companies that choose to remain homogeneous and non-transparent.

From nurturing a more diverse pipeline of talent to adopting metrics to tangibly track progress, my recommendations reflect a growing sense from leading researchers and experts in corporate governance that companies that incorporate women and minority professionals into every level of their corporate hierarchies will be better-positioned to succeed among an increasingly diverse customer base.

The bottom line is, it takes collective will and creativity to make America's top-performing companies look more like America itself. Ultimately, plans without benchmarks are sometimes no more than words on paper; Chief Diversity Officers without real decision-making power are no more than quota monitors; Supplier Diversity Managers who work for companies that refuse to set diverse supplier spending goals have no real metrics to evaluate their progress; and feel-good discussions about diversity are no replacement for bold leadership.

None of my recommendations for promoting greater diversity and inclusivity are radical in nature and in many cases, they reflect best practices across industry. Yet the fact remains that when it comes to diversity in America's leading companies, those that are doing it right, continue to do it right; companies that do not, continue to get it wrong.

The Role of Congress

I believe Congress has a responsibility to promote America's long-term economic interests, and breaking down the barriers that continue to impede women and minorities across every industry is undoubtedly a potent economic interest. Yet in the decades since the Civil Right Act, the focus of Congress and of government in general has shifted away from strongly enforced civil rights and equal employment opportunity laws toward voluntary efforts to realize diversity and its benefits. While this approach is certainly more palatable, it also means we have less stringent accountability.

The time to legislate for equal opportunity may be upon us once again. I strongly believe that the United States will not thrive as a majority-minority nation if a majority of Americans remain locked out of our greatest economic opportunities. If significant progress born out of voluntary action by America's most powerful corporations fails to materialize, we must move quickly to encourage greater diversity throughout every level of our economy and in doing so, secure America's long-term competitiveness in the 21st century.

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INTRODUCTION:
THE STATE OF AMERICAN CORPORATE DIVERSITY

Every year, Fortune Magazine releases a list of America's 500 most profitable companies based on revenues for their respective fiscal years. Together, "Fortune 500," companies represent two-thirds of the United States total Gross Domestic Product with $12 trillion in revenues, $890 billion in profits, and $19 trillion in market value. They employ 28.2 million people around the world,[1] including 17.5% of the total U.S. workforce.[2] Fortune Magazine itself has started researching diversity among these companies. They have found that out of this year's Fortune 500 list, 400 companies share no data about the gender or ethnicity of their employees. In fact, only 3.2% of the companies on that list release complete data on race and gender of their employees in each job category and management level.[3]

The Top 100 of these companies made over $27 billion in profits each, in 2017 alone. The most successful of them, Walmart for example, made over $485 billion in revenue. These companies are a testament to American ingenuity and the hard-working spirit of this country; they provide the foundation for our nation's economy. Many of the company leaders, their CEO's and corporate board members have become household names, synonymous with the brands and products they represent. Others are more obscure, known only to those in their respective circles or those who care to look. One thing, however, has stood true for the longest time, they are mostly white males.

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[1] A much read annual listing by the publication *Fortune* of the top 500 US industrial corporations, as measured by sales. See also Forbes 500. Retrieved from http://fortune.com/fortune500/
[2] Donnelly, G. (2017, June 7). *Only 3% of fortune 500 companies share full diversity data*. Fortune. Retrieved from http://fortune.com/2017/06/07/fortune-500-diversity/
[3] Ibid

Since 2010, I have surveyed the top performing American companies to inquire about their diversity and inclusion practices. This report reflects the results of my fourth survey. My first two surveys looked almost exclusively at personnel diversity at the highest levels of corporate management of the Fortune 500, including executive teams and corporate boards. In 2014, I narrowed the scope of my study to Fortune 100 Companies in order to take a deeper dive not just into the demographic makeup of their leadership but also how these companies invest in and procure from, women-and-minority-owned businesses. In other words, I evaluated the extent to which these companies' procurement practices helped to "spread the wealth" among businesses owned by people of color and women. I've found that procurement remains a more sensitive topic for many businesses. While most of the companies I survey have a formal supplier diversity program in place, many will not disclose this information publically.

Minority Procurement

I view minority procurement as one of the most important parts of my research, as America's Top 100 companies command tremendous economic power. The ability for women-and-minority-owned businesses to compete for a "piece of the pie" is therefore essential to their long-term growth and success. Consider that the top 100 companies in the United States earned more than $7.6 trillion in combined revenues in 2017 alone. This means that the average Fortune 100 Company made about $76 billion in revenues just last year.[4] By contrast, there were 29.6 million small businesses with less than 500 employees in the United States that same year, according to the latest available data. Out of the 29.6 million small businesses, women and racial or ethnic minorities owned approximately 16.3 million of them.[5] In the United States, they

[4] Manual calculation based on publically disclosed revenues. Retrieved from http://fortune.com/fortune500/list/
[5] United States Census Bureau (2012, February 23). *Statistics for All U.S. Firms That Were Family-Owned by Industry, Gender, Ethnicity, Race, and Veteran Status for the U.S.: 2012*. Manual calculation of total number of

grossed nearly $2.8 trillion in receipts – a fraction of the $7.6 trillion in revenues seen by the Fortune 100.[6]

Unfortunately, minority-owned small businesses continue to face greater barriers than non-minority-owned small businesses when accessing capital, according to the U.S. Hispanic Chamber of Commerce.[7] They face a 10:1 gap in combined gross receipts when comparing to their non-minority-owned counterparts.[8] Internal corporate resistance to break the established procurement processes is a contributing barrier for successful supplier diversity engagement.[9] Yet research suggests that it is still possible to create successful development initiatives promoting supplier diversity if there is an organizational commitment at the senior level, an emphasis on outreach activities with minority-firms, and close monitoring.[10] The Minority Business Development Agency estimates an additional 13 million jobs could be added to the American economy if Minority Business Enterprises (MBE) could match their proportionality with their overall population in the country.[11] This however takes a firm commitment to investing in these firms – from the public and private sector – which will ultimately unlock the true potential of our American economy.

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minority-owned business and white women-owned businesses. Retrieved from https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSCB04&prodType=table

[6] United States Census Bureau (2015) *Los Angeles County a Microcosm of Nation's Diverse Collection of Business Owners, Census Bureau Reports*. Press Release CB15-209. Retrieved from https://www.census.gov/newsroom/press-releases/2015/cb15-209.html

[7] 2018 Policy Platform. (2018, April) *U.S. Hispanic Chamber of Commerce*. Retrieved from https://ushcc.com/wp-content/uploads/2018/04/USHCC-2018-Policy-Platform-FINAL.pdf

[8] Minority Business Development Agency (ND) *The Minority Business Development Agency: Vital to Making America Great*. Accessed online at https://www.mbda.gov/page/minority-business-development-agency-vital-making-america-great

[9] Shah, M & Ram, M (2006) Supplier diversity and minority business enterprise development: Case study experience of three US multinationals. *Supply Chain Management (11),* 1, pp 75-81

[10] Ibid

[11] Ibid

Women and Minority Representation

As Chair of the Senate Democratic Hispanic Taskforce and the highest-ranking Latino in the United States Congress, I believe that a key measure of whether our nation is living up to our identity as a land of opportunity is the ability of women and people of color to obtain representation at every level of the American economic spectrum. My positions on the Senate Finance Committee and the Senate Banking Committee offer me a platform to protect America's economic interests -- a role I guard sacredly. I work to make sure U.S. workers and companies get treated fairly – whether it is promoting equitable access to our financial system or making sure that our trading partners live up to their international trade obligations. Nevertheless, American economic interest should not be guarded for a privileged few. Our economic power on the global stage was borne out of the promise of economic opportunity for all and the ability for anyone who worked hard to become part of a prosperous middle class.

The fair representation of women and minorities in corporate boardrooms and C-suite executive positions is not only good for business it is also good for our country. As one author noted, "the concepts of diversity and inclusion are rooted in social justice, which seeks to eradicate oppression by creating systems in which all people can participate equally and organizational resources are distributed equitably."[12] Since the landmark Civil Rights Act of 1964, companies have been required to address issues of exclusion and discrimination of protected groups by law. However, in the decades since, focus has shifted away from strongly

[12] Plummer, D.L. (2003, December) Overview of the field of diversity management. In Plummer, D.L (Ed) *Handbook of diversity management: Beyond awareness to competency based learning*. University Press of America, Inc. Lanham (MD) pp. 1-50

enforced civil rights and equal employment opportunity laws toward voluntary efforts to realize diversity and its benefits, which have less stringent accountability.[13]

I know firsthand what it means to look different in a homogenous industry. That is why I have dedicated my entire career to getting a proverbial seat-at-the-table, and helping others achieve this goal as well. I am one of four Latinos in the United States Senate. My colleague and dear friend Senator Cory Booker, from my home state of New Jersey, is one of three African American Senators. Therefore, out of 100 Senators, Latinos make up 4% of the workforce in my industry while African Americans represent 3%, despite Latinos and African Americans representing 17% and 12%, respectively, of the overall population in the United States. We are both proud to represent the only state in the union with two minority Senators, but we are not the rule; we are the exception. The corporate world is not much different. Consider that African Americans comprise 10% of U.S. graduates yet they hold only 4% of senior executive positions. Hispanics comprised 8% of graduates, but made up just 4% of executives. In contrast, white executives account for nearly 85% of C-suite positions despite comprising only 68% of U.S. graduates.[14] Similarly, the Alliance for Board Diversity, a coalition of organizations which tracks and promotes the inclusion of women and minorities on corporate boards, found in their most recent study that among Fortune 100 corporate board members, only 9.9% are African

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[13] Williams, J.B. (2017, October 1). Breaking down bias: Legal mandates vs. corporate interest. *Washington Law Review*, *92* pp. 1473-1513. Retrieved from https://scholarship.law.georgetown.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=2979&context=facpub

[14] Hunt, Prince, Dixon-Fyle & Yee (2018, January). Delivering through diversity. *McKinsey & Company*. Retrieved from https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity_full-report.ashx

American, 4.5% are Hispanic and 3.2% are Asian.[15] Women and people of color have been consistently sidelined from the top positions in the public and private sector.

This of course, is the purpose of my survey, to ask our top performing companies to disclose who is sitting around their main table. This is no small feat. Corporate boards and executive teams at all levels in all industries can be notoriously secretive. No company wants to be singled out as having discriminatory hiring and promoting practices. Many organizations imply the value of racial and ethnic diversity through colorful and demographically diverse imagery in their marketing and recruiting materials, but a more careful eye will note that most state these values in race-neutral terms.[16] Susan Reed used the term “white-ceiling companies” to describe these companies who expound on their commitments to diversity but leave the formation and implementation of such policies to Caucasian executive officers.[17] These companies tend to have tokenistic levels of minorities at the executive levels which puts greater pressure on these employees to perform and exposes them to greater vulnerability.[18]

Even companies who take small steps towards diversifying their general workforce such as setting quotas or implementing the Rooney Rule, a rule named after Dan Rooney who implemented policies for diversifying senior operations at the National Football League, have sometimes met resistance. Case in point, Alphabet Inc., one of the largest technology companies in the world and the parent company of Google and YouTube, has two pending lawsuits for

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[15] Alliance for Board Diversity (2017) Missing pieces report: The 2016 board diversity census of women and minorities on Fortune 500 boards. Retrieved from http://theabd.org/2016%20Board%20Diversity%20Census_Deloitte_ABD_Final.PDF)
[16] Ibid
[17] Reed, S. (2011, August 29). The Diversity Index: The Alarming Truth About Diversity in Corporate America...and What Can Be Done About. *Amacom: New York*
[18] Ibid

discriminating against *white men*.[19] In a study of 1,900 tech-workers in the United States, Atlassian found that although 75% of their respondents believed that diversity and inclusion was important to the executives at their respective companies, and, about half of their respondents reported that their companies did not have to do more to improve race and gender diversity and inclusion. [20]

Despite this, every year, more industry leaders have engaged in efforts to promote diversity and inclusion. As noted by one author, "Diversity and inclusion has seen progress over the past few decades. The U.S. has gone from an era of EEO [Equal Employment Opportunity] and affirmative action laws and policies to a period where organizations no longer have to be convinced that diversity and inclusion is an asset. There has been an influx of programs and initiatives such as affinity and employee resource groups, diversity and inclusion councils, diversity and inclusion awareness training, and heritage month celebrations."[21]

An Increasingly Diverse Nation

This should come as little surprise since the future of America promises to be more diverse. The Pew Research Center projects that by 2065, Hispanics will make up 24% of the population (18% now) while Asians will represent 14% (6% now) and African American will comprise 13% (12% now) compared to a decline in non-Hispanic whites making up 46% of the

[19] Weber, L. (2018, March 14). White men challenge workplace diversity efforts. The Wall Street Journal. Retrieved from https://www.wsj.com/articles/white-men-challenge-workplace-diversity-efforts-1521036001
[20] Atlassian (2018, March). State of diversity and inclusion in U.S. tech: Stats summary. Retrieved from https://www.atlassian.com/diversity/survey/2018)
[21] Farmer, J.L. (2014) *Creating a kaleidoscope: An exploratory study of chief diversity officers' role in promoting and sustaining diversity and inclusion in organizations*. Dissertation submitted to the Graduate School of Education and Human Development at George Washington University

population (62% now).[22] From an economic standpoint, diversity and inclusion should be common sense amid increasing changes in our demographics. As a recent Chicago Tribune article noted, "I don't know of one company in America that sells to, employs or affects only middle aged white males."[23] Diversity and inclusion is no longer an issue of fairness in hiring but of strategy in the global marketplace.[24] However, while initiatives like advisory councils, awareness training and heritage month celebrations are important and will more than likely remain a part of diversity and inclusion plans, they merely scratch the surface. The real issue lies in creating a culture of diversity and inclusion that is sustainable regardless of CEO or CDO, company downsizing, company restructuring or market trends. [25]

One of the first steps in the process of building a more inclusive America is making the highest rungs of our most powerful corporations look more like America. But this requires a commitment from the C-Suite and the boardroom to assess where individual company's stand on diversity and what adjustments must be made to make them more inclusive and diverse. There is research to support this idea. Studies have found that the success of diversity and inclusion programs begin with senior leadership and mainly with the CEO.[26] Especially when you consider the fact that CEO's are the primary sources, transmitters, and maintainers of organizational culture.[27] The same can be said of corporate boards. Organizations need diverse boards because of the important functions the board serves. Specifically, the board makes strategic decisions,

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[22] Cohn, D. (2015, October 5) Future immigration will change the face of America by 2065. *Pew Research Center* (Retrieved from http://www.pewresearch.org/fact-tank/2015/10/05/future-immigration-will-change-the-face-of-america-by-2065/)
[23] Savage, T (2018, March 30). Let companies know you care about inclusion. *Chicago Tribune*. Retrieved from http://www.chicagotribune.com/business/sns-201803301733--tms--savagectnts-a20180330-20180330-column.html
[24] Ibid
[25] Ibid
[26] Moran, G. (2006, February 1) *The business case for diversity, fifth edition*. DiversityInc.
[27] Davis, S. M. (1984) *Managing Corporate Culture*. Cambridge, MA: Ballinger Publishing Company

develops links with external shareholders, and helps engage talent from the labor market.[28] Moreover, corporate boards and C-Suite level principals hold tremendous power over the decisions that affect their employees at-large, including who they procure from and where they direct company investments, the products they develop, and since the Supreme Court decision in Citizens United v. Federal Elections Commission, the shape of our political system through campaign donations.[29]

Transparency and measurement are key. I believe that if you know the numbers and are willing to subject yourself to be held accountable to them, you are more likely to take concrete steps in the right direction. Disclosure can also be good for business. In a globalized world where information is more freely and rapidly available to the average consumer, most of us want to spend our money on goods and services that reflect our interests and values. I believe that companies that become more open and transparent about their values and how they execute them will have an edge in the marketplace of the future.

Diversity is Good for Business

There is a growing body of scientific and business literature that make a strong case for diversity and inclusion. Diversity can help companies enhance their overall performance by securing the best talent, learning to grapple with larger employee issues such as fairness, and in some cases can increase workforce resilience.[30] For example, the latest international study of more than 1,000 companies in 12 countries conducted by McKinsey & Company in 2018, demonstrated how companies in the top quartile for gender diversity on their executive teams

[28] Ali, M., Ng, YL, & Kulik, CT (2014). Board age and gender diversity: A test of competing linear and curvilinear predictions. Journal of Business Ethics, 125, pp. 497-512
[29] 130 S. Ct. 879. Retrieved from https://www.supremecourt.gov/opinions/09pdf/08-205.pdf
[30] Ibid

were 21% more likely to have above average profitability in comparison to companies in the fourth quartile. McKinsey's research found that top quartile companies were 21% more likely than fourth quartile companies to outperform national industry peers on Earnings Before Interest and Tax (EBIT) margins and 27% more likely then bottom quartile companies to have industry leading performance on longer term value creation.[31] These results are consistent with other research that suggests that a gender-balanced board enjoys a mix of resources that can help it improve the operating revenue of an organization, leading to high employee productivity. Similar research with non-profit firms have linked greater board gender diversity leads to more effective governance practices, and gender diverse boards are more likely to have policies and practices related to diversity.[32]

In a study of 21,980 firms in 91 countries, researchers found a strong correlation between women at the C-suite level and firm profitability, and the magnitude of the estimated effects was not statistically insignificant. In their example, a profitable firm at which 30% of leaders were women could expect to add more than 1 percentage point to its net margin. This 1 percentage point increase represents a 15% boost to profitability.[33] Think about that, a 15% boost to profitability just by having one-third of your leadership structure be women. This should not be a hard decision to make – women make up most of the world's population. Similarly, the results of a 2014 Gallup study of 800 business teams in the retail and hospitality industries suggested that gender diverse teams perform better because they provide different viewpoints, ideas and

[31] Hunt, V.; Yee, L.; Prince, S.; Dixon-Fyle, S. (2018, January) Delivery through diversity *McKinsey&Company* Retrieved from https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity

[32] Buse, K., Bernstein, R.S. & Bilimoria, D. (2014) The influence of board diversity, board diversity policies and practices, and board inclusion behaviors on nonprofit governance practices. *Journal of Business Ethics*, 2016: 133, pp. 179-191

[33] Noland, M., Moran, T., & Kotschwar, B. (2016). Is gender diversity profitable? Evidence from a global survey. Retrieved from https://piie.com/publications/wp/wp16-3.pdf

market insights; they allow the company to serve a diverse customer base, and allow companies to attract and retain talented women.[34]

Although there is a smaller body of empirical evidence linking racial and ethnic diversity to greater profitability and firm performance, some studies show promising results. The highly cited McKinsey and Company report found that for ethnic and cultural diversity, top quartile companies were 33% more likely to outperform on profitability.[35] The study also found that companies with the most ethnically or culturally diverse boards worldwide are 43% more likely to experience higher profits.[36] These results remained consistent in their study, 3 years after they conducted their initial survey with a larger sample. Diversity research in the healthcare industry has made the case for greater diversity in the industry's leadership as a way to address racial and ethnic health disparities.[37] A recent article in the Harvard Business University argued that, "to stay competitive, businesses should always continue to innovate. One of the best ways to boost their capacity to transform themselves and their products may involve hiring more women and culturally diverse team members. The authors of that article concluded that, "Enriching your employee pool with representatives of different genders, races and nationalities is key for boosting your company's joint intellectual potential." [38] Diverse leadership dialogue forces a company to think differently, to question conventional wisdoms, to see things from a variety of views, to eliminate "yes-men" and achieve the infinite creativity and economic potential a

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[34] Badal, S.B. (2014). The business benefits of gender diversity. *Gallup Business Journal*. Retrieved from http://news.gallup.com/businessjournal/166220/business-benefits-gender-diversity.aspx
[35] Hunt, Prince, Dixon-Fyle & Yee (2018). Delivering through diversity. McKinsey & Company. Retrieved from https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Organization/Our%20Insights/Delivering%20through%20diversity/Delivering-through-diversity_full-report.ashx
[36] Ibid
[37] Dotson, E., Jeter-Nuru, Amani, Williams, D. (2012). Setting the stage for a business case for leadership diversity in healthcare: History, research and leverage. *Journal of Healthcare Management*, 57 (1), pp 35-46
[38] Rock, D. & Grant, H. (2016) Why diverse teams are smarter. *Harvard Business Review*. Accessed online at https://hbr.org/2016/11/why-diverse-teams-are-smarter

company has to offer. This is the business case for diversity and inclusion – a worthy goal with implications for our national economic interest.

With that said, I hope this study adds to the national conversation about why we need more women and people of color shaping the future of our economy and provides its readers with a snapshot on how the top 100 multibillion-dollar corporations in the United States are working to help advance equality among the rest of us.

ABOUT THE 2017 CORPORATE DIVERSITY SURVEY

My 2017 survey remained largely unchanged from the 2014 survey, where I take a deeper dive into board, executive team and C-Suite demographics, but also the use of minority-owned and women-owned businesses in contracting, investing and procurement practices by the top performing 100 companies in the United States. I did make minor changes to the 2017 survey, including: (1) adding a comments question at the end of every section instead of having one question at the very end of the survey to allow for comments. Consequently, respondents commented or elaborated on any additional information they may have had relevant to each section. (2) In Sections 3 and 4, we added a single question to identify non-citizens for board and executive team compositions, and a binary gender Male or Female option under each of the racial or ethnic categories. These last changes better ascertain: (a) data on how many women and men of color served within each company's executive teams and corporate boards and; (b) American diversity within an increasingly globalized corporate world. A 2009 study of the Fortune 100 Companies found, one third of minority executive officers were born beyond U.S. borders, suggesting that companies are using their global workers as a diversity asset here in the United States.[39]

Methodology

The data used in this survey come from a sample of the 2017 Fortune 500 list published by Fortune Magazine every year. The final 61 participating companies in my study were those who responded to our request out of the top 100 companies on Fortune's list. Initially, I distributed a copy of the survey along with a consent letter explaining the purpose of the survey

[39] Ibid

to the head of Federal Affairs at every Fortune 100 Company via email. I also included information detailing how I would use the data and explained my commitment to protecting their individual data. I sent out subsequent reminder emails periodically. Three months after my initial request, I mailed a copy of the survey and an additional request letter to each one of the Fortune 100 CEO's. I received completed questionnaires and additional data from participating companies between August 2017 and January 2018.

The 2017 survey remained voluntary and self-administered by a designated employee of the respective company. As in previous years, I assured participants that I would not publically report individual company data; only aggregated data is shown in the report. Respondents from every participating company except one returned their completed surveys via email. That one company returned their completed survey personally to my office.

This year, 61 companies participated in my survey, a drop-off of eight from my last survey in 2014. When comparing both 2014 and 2017 samples, in 2017, 12 companies were new to the Fortune 100 list versus in 2014, nine of these companies participated in my survey. Twelve companies who had previously participated in my 2014 survey declined to participate this year. Sixteen companies that declined to participate in 2014 declined to participate again this year. Only one company that declined to participate in 2014 participated this year. The most commonly cited reason for not participating was bandwidth.

Terminology

This study subscribes to the definition of "diversity" used in a 1999 study of the issue at AllState where it was defined as an employee base that is representative of the differences apparent in the broader society.[40] However, it is important to note that this definition of diversity can encompass a broad list of categories such as race or ethnicity, gender, sexual orientation, age and disability. Because of the limits of this study, my survey only looks at racial or ethnic and gender diversity among the Fortune 100 C-suite level and boardrooms in addition to procurement and investment practices. When describing inclusion I prefer Michálle Mor Barak's (2011) definition which views the concept as "the degree to which individuals feel part of the critical organizational processes, such as access to information, connectedness to co-workers and ability to participate and influence the decision making process."[41]

I used the term "people of color" interchangeably with "racial or ethnic minorities" throughout this report. When used in figures, tables, and findings, the term "people of color" refers to the combination of all racial and ethnic minority groups, including Hispanic Americans, African Americans, Asian Americans, Native Americans, and "other" racial or ethnic minorities, either as reported directly by companies or as an independently calculated sum. If board members or executive team members of participating Fortune 100 companies identify as more than one race or ethnicity, I instructed companies to count those individuals as "other" racial or ethnic minorities in the appropriate sections of the questionnaire.

The term "board" refers to a company's board of directors.

I use the terms "minority-owned businesses" and "Minority Business Enterprises (MBEs)" throughout the report in reference to firms predominantly owned and operated by racial or ethnic minorities. This is a widely accepted definition across numerous industries and aligns with the U.S. Census definition of a minority-owned firm, that is, one in which African

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[40] Wah, L. (1999, July–August). Diversity: A competitive weapon at Allstate. Management Review, 24–30

[41] Mor Barak, M.E. (2011) *Managing diversity: Toward a globally inclusive workplace*. Sage Publications, Thousand Oaks, CA

Americans, American Indians and Alaska Natives, Asians, Native Hawaiians and other Pacific Islanders, or Hispanics own 51% or more of the interest or stock of the business.

While some business and government sectors have expanded the use of the term "minority business" (and its iterations) to include firms owned by other socially or economically disadvantaged groups, the term "minority" refers exclusively to racial or ethnic minorities throughout this report. However, the data collected on MBEs in the 2017 survey may inadvertently reflect a broader definition used by companies that include other disadvantaged groups in their calculations pertaining to minority-owned businesses.

COMPLETE FINDINGS

Company Practices

Commitment to Diversity

We asked participating companies if they had an articulated commitment to diversity in their statement of core values and guiding principles. Just like in 2014, 100% of surveyed companies agreed that they did. More importantly, **93.4% (57) of the companies reported having a formal written diversity strategy and implementation plan.** Only four (6.6%) companies did not have such a plan.

These results have remained largely consistent since my 2011 survey when 94% of the participating companies had a formal written diversity strategy and again in 2014, where 95.6% of the companies reported having one.

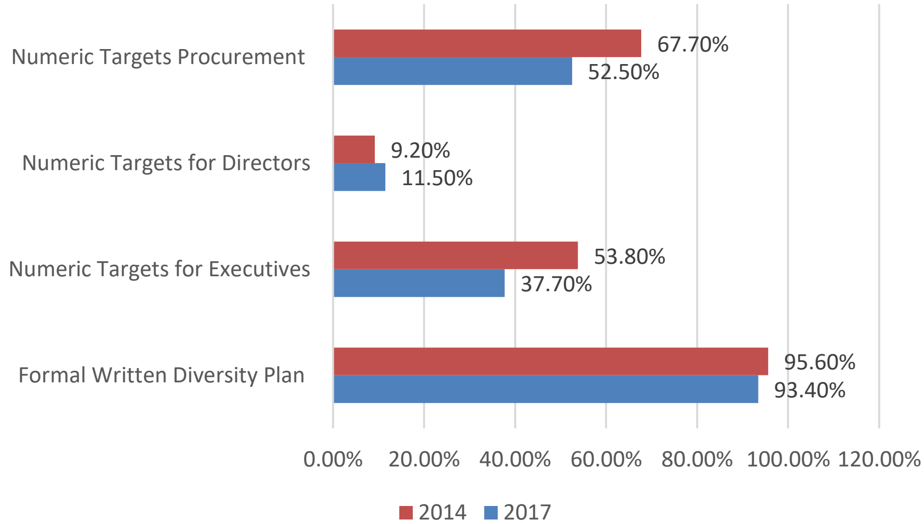
Setting Targets

Once again, this year we found that most companies with written diversity plans set numeric targets for diversity at their executive levels and in their procurement practices, in contrast to the boards of directors' level.

- **37.7% (23) of the companies include numeric targets for diversity at the executive team levels.** Another 36.1% (22) do not include these numeric targets in their written diversity plans. These figures represent a significant drop-off for companies that set numeric targets in my 2014 sample (53.8%), and a comparable amount in those that did not (38.5%).

- **52.5% (32) of the companies set numeric targets in their procurement practices of goods and services with diverse suppliers**. In contrast, 21.3% (13) of the companies did not set these procurement targets with diverse suppliers. This result shows a drop-off from the 67.7% (44) of companies that reported having procurement targets with diverse suppliers in 2014, and comparable to the 23.1% (15) of companies that did not set supplier diversity targets.
- The inverse is true when comparing our 2017 and 2014 samples regarding numeric targets for diversity on company board of directors. Most companies do not set numeric targets in their diversity strategy plans. **In fact, only 11.5% (7) companies in 2017 and 9.2% (6) in 2014, set specific targets for diverse recruitment among their boards of directors.**
- In 2014, 80% of the companies sampled in the Fortune 100 did not have numeric diversity targets at the boards of director's level. This year, 62.3% (38) did not have them.
- Sixteen companies (26.2%) failed to answer questions on whether their written diversity plans set numeric targets for diversity at the boards of directors and executive levels or in their procurement practices with women-and-minority-owned businesses.

Figure 1: Percentage of Companies with Numeric Diversity Targets within their Written Strategy



Most companies (93.4%) reported actively considering diversity when recruiting board or executive team members. This is a slight drop off from my 2014 sample, where 98.5% of the companies reported this consideration and one company abstained from responding. This year, three companies (4.9%) specifically reported that they did not consider diversity when recruiting board or executive team members.

Likewise, 90.2% (55) of the companies that engage an executive search firm for board openings or senior management positions actively discuss the issue of diversity with the firm. A 10% drop off from 2014, when every company reported discussing diversity with external executive search firms.

Assessing Progress

Forty-six companies reported periodically assessing the implementation of their diversity plans. **The majority, 63.9% (39) of the participating Fortune 100 companies assessed their strategic diversity plans on an annual basis.** Two companies (3.3%) assessed their plans on a semi-annual basis and four (6.6%) on a quarterly basis. One company responded assessing their diversity plans goals every three years.

Most companies, 67.2% (41) reported that their company tracked the progress of their diversity goals within every department. Five (8.2%) reported not tracking their diversity goals progress.

Forty-three companies, 70.5%, believed that their diversity plans actually improved the diversity of their company. Three companies (4.9%) were not sure if their plans improved diversity at their company.

Incentivizing Progress

More than half (52.5%) of the participating companies have incentives or accountability measures to help their company evaluate, meet and exceed their diversity goals.

About a third of the companies, 34.4% (21) did not tie performance on meeting diversity goals to their executive's compensation. Sixteen companies or about a quarter of the sample (26.2%) did not respond to questions about accountability or performance measures in their companies related to improving diversity.

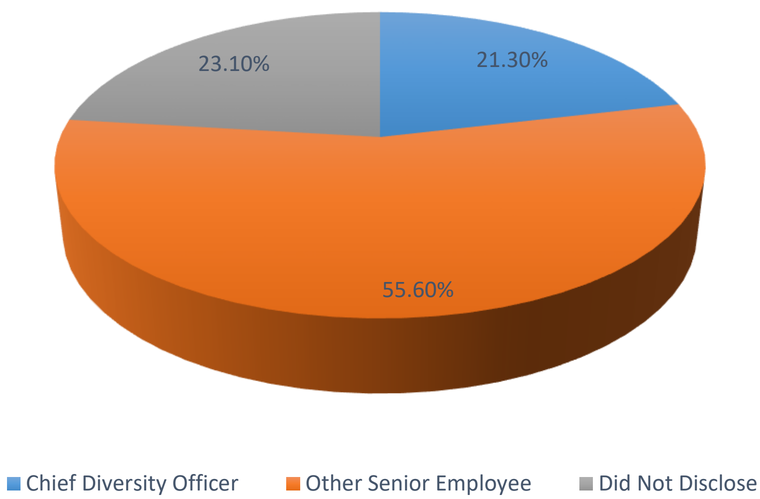
Diversity from the Top

The majority of the participating Fortune 100 Companies 85.2% (52) have a Chief Diversity Officer (CDO). This has remained consistent with my 2014 sample, where 91.2% (62) of the companies reported having a CDO. **Similarly, 95.1% (58) of the companies had a Director or Manager of Supplier Diversity, consistent with 2014, when 92.6% of companies reported having this position.** However, in the majority of the participating Fortune 100 companies, neither the Chief Diversity Officer nor the Supplier Diversity Manager were direct reports to their company's chief executive or board of directors.

In 37 companies, the Chief Diversity Officer (60.7%) reported regularly to a higher-ranking executive within the Human Resources department. Another 18% reported to some other executive. Only five companies (8.2%) had their CDO as a direct report to their Chief Executive Officers (CEO). Despite this, the Chief Diversity Officer was the highest-ranking employee to handle diversity issues in thirteen companies (21.3%).

In more than half of the companies 55.6% (34), the highest-ranking officer working diversity issues was a human resources executive (i.e. Chief Human Resources Officer, Executive/Senior Vice President of Human Resources).

Figure 3: Highest Ranking Employee Focused on Diversity



We asked companies to disclose the frequency in which the highest-ranking officer handling diversity reported to the CEO and Board of Directors on the issue of diversity, whether it be the CDO or some other executive.

- **50.8% of the companies reported that their highest-ranking executive handling diversity reported to their CEO on a quarterly basis;** 8.2% on an annual basis; 4.9% on a semi-annual basis; and one company (1.6%) reported that their highest-ranking executive handling diversity reported to their CEO every two years. One quarter of the sample, (26.2%) reported some "other frequency" such as monthly or need to know basis.

- **54.1% of the companies reported that their highest-ranking executive handling diversity reported to their Board of Directors on an annual basis**. Another 11.5% reported semiannually; 8.2% reported quarterly; and 3.3% reported on a biannual basis. Nine companies reported that their highest-ranking executive handling diversity reported to their Board of Directors some "other frequency" such as monthly or need to know basis.

- None of the Supplier Diversity Managers directly reported to the CEO's.

Building the pipeline

We asked companies about the types of activities they engaged in to build the diversity pipeline, such as structured mentoring programs for mid-level managers of color, and/or leadership and career development programs.

Most companies 68.9% (42) reported having a structured mentoring program in which mid-level managers who are women or people of color receive mentoring by the CEO or senior company leadership. This result has not changed since 2014, when 69.1% (47) reported having a similar program in place. The other 31.1% (19) did not have structured mentoring program.

Almost every company (98.4%, 60) with the exception of one, reported having some other program in place to help build a pipeline of diverse senior staff. Finally, every company with the exception of one reported having either an external or an internal council to help advice on issues of diversity.

Diversity on Corporate Boards

The sample of companies in my 2017 Fortune 100 Corporate Diversity Survey included 748 total board members. **The average number of members on a board was 12, with the lowest company having six board members and the highest having 28.**

Overall, there were 155 racial or ethnic minorities (20.7%) and 184 (24.5%) women in my sample. This is an average of 2.5 ethnic or racial minorities per board, and 3 women. The Board with the most women had nine, while the Board with the most minorities had seven. White men have seen a significant drop in representation on corporate boards from my 2014 survey, but continue to represent a majority of the corporate board seats at 50.8% (380).

On average there was less than one (0.49%) foreign-born board member in each Fortune 100 company, with 29 in all 61 companies and a maximum of six foreign born members at one company.

When broken down by race and ethnicity, African Americans held the highest number of board seats at 82 (10.9%), followed by Latinos with 37 (4.9%) and Asian Americans with 27 (3.6%). Native Americans did not hold a single board (0.0%) position among the sampled companies. One (1) board member identified as biracial.

- **Women of color made up 5.6% of corporate board membership with 42 across all four categories (21 African American, 11 Asian American and 10 Latina women, 0 Native American).**

Board of Director Demographics

Women continue to make modest gains in representation in corporate boards. This year women made up 24.5% of the surveyed companies corporate boards as compared to 22.9% in 2014 and 21.1% in 2011. The results show, that there was an average of 3.04 women on each board. In fact, 81.7% of the surveyed Fortune 100 had between 2-4 women sitting on their Board of Directors.

One company reported having zero (0.0%) women on their board - a drop off from my last survey in which every company had at least one woman as a Director, but an increase from 2011 when two companies reported having zero women on their Boards.

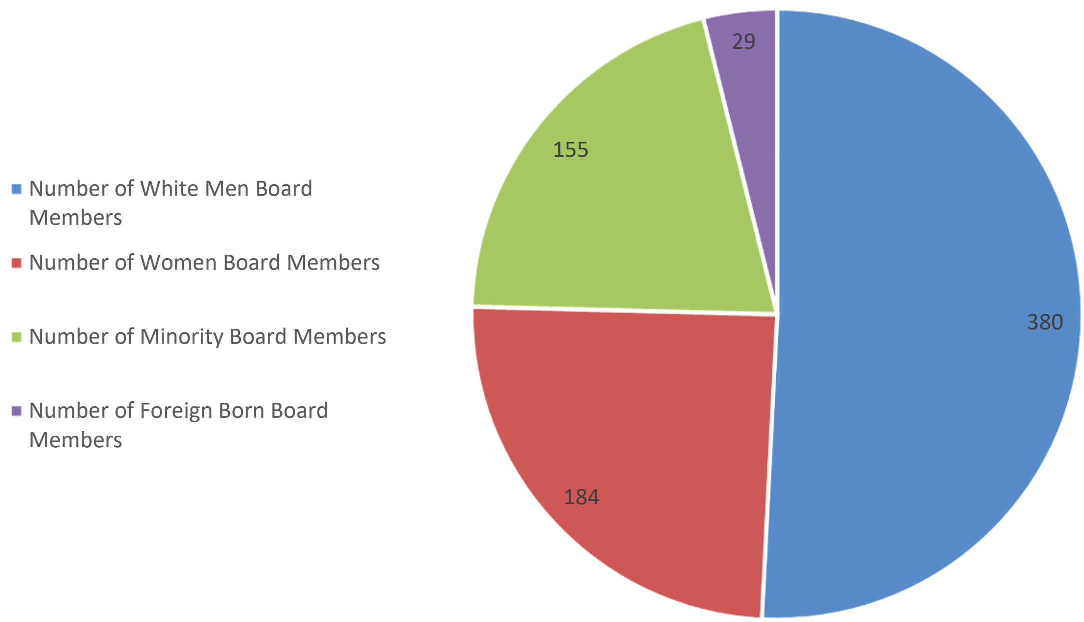
People of color have also faired a little better since my last survey. In 2017, race and ethnic minorities represented 20.7% of directors as compared to 18.3% in 2014 and 16.7% in 2011.

Two companies in my 2017 sample had zero people of color as opposed to four in my 2014 study. Similarly, we saw an increase in the maximum amount of people of color with some boards. **One company had seven ethnic or racial minorities sitting on their board and nine companies had at least five minority directors. This is a noticeable increase from my last survey, where only three companies had five minority directors; the highest number achieved that year.**

Women of color also saw a slight increase in representation among directors in 2017. Overall, 5.6% of the companies had at least one woman of color on their board compared to 4.2% in 2014. However, **no company had more than two women of color sitting on their**

board of directors. When broken down by **gender, race and ethnicity** the numbers are more revealing.

Figure 4: Corporate Board Diversity, 2017 (61 Companies)



African Americans represented 10.9% (82) of all corporate board members in 2017, but they are represented in 86.2% of the boards in the survey sample. This means that out of the 58 companies that responded to this question, only eight had zero African Americans on their boards. This is the largest representation out of any of the minority groups in my survey. Unsurprisingly, African American men represented the largest share of this number. Most of the companies sampled (72.4%) had at least one African American man sitting on their board, whereas only 29.3% had one African American woman. In fact, 70.7% of the companies sampled had zero African American women on their boards.

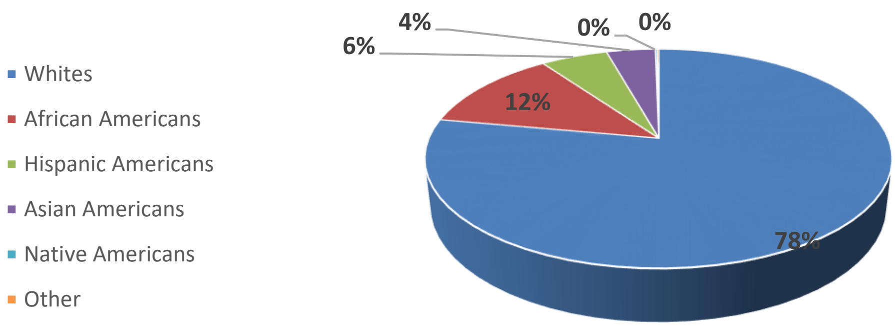
Latinos/as, come in a distant second on board representation. Hispanics represent 4.9% (37) of all board members in our sampled Fortune 100 companies. More than half (51.7%) of the companies participating in my survey had zero Hispanic members on their Boards. There were zero Hispanic men in 63.8% (37) and zero Hispanic women in 84.5% (49) on the Boards of the surveyed companies. With the exception of Native American women, **Latinas were the least represented female minority group on corporate boards, making up only 5.4% of all women board members and 1.3% of all corporate boards as a whole.**

Asian Americans made up 3.6% (27) of all corporate board members in our survey. They represent 37.9% (21) of our sampled corporate boards. None of the corporate boards surveyed had more than two Asian Americans serving on them. This group was the most evenly matched when comparing genders. Asian American men were present in 22.4% and Asian American women were present in 19% of the corporate boards sampled. However, none of the Boards sampled had more than one Asian woman and only 11 boards had one. Over all Asian women, represent 5.9% of all female board members.

Native Americans remain largely absent in Fortune 100 corporate boards. In all 61 participating companies, there were zero Native American men or women serving on them. This has been consistent since I first started these surveys back in 2010.

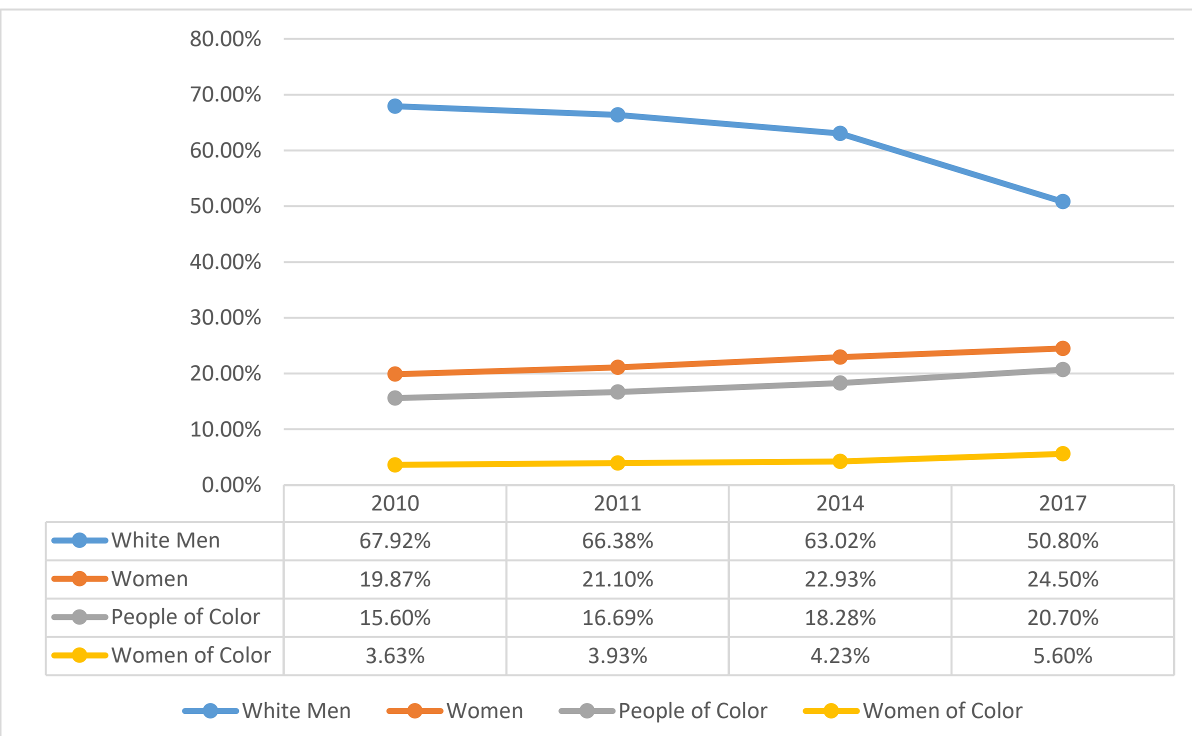
Only one man identified himself as biracial serving on the sampled corporate boards.

Figure 5: Percentage of Corporate Board Members by Race/ Ethnicity



Finally, we asked companies to disclose if the diversity among their Board Members had changed within the last year. **About half of the participating companies 50.9% (29) reported no change. Another 42.1% (24) reported an increase in their diversity**, while 7% (4) reported a decrease. Four companies did not respond this question.

Figure 6: Trends of Corporate Board Seats by Race and Gender, 2010-2017



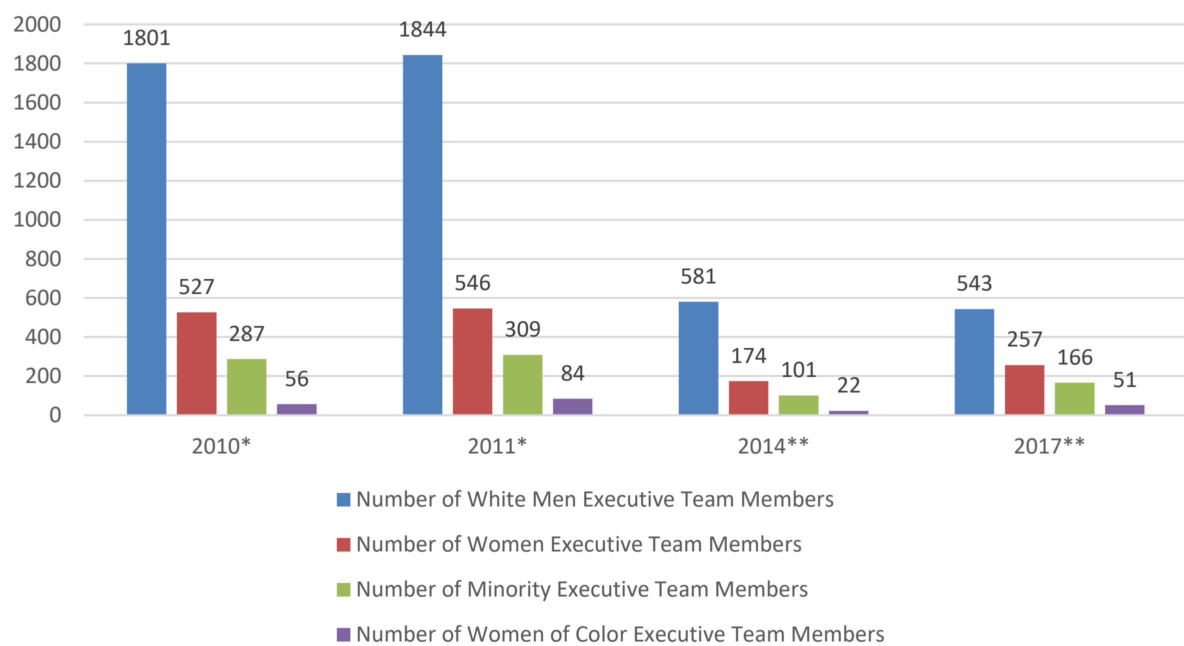
	2010	2011	2014	2017
White Men	67.92%	66.38%	63.02%	50.80%
Women	19.87%	21.10%	22.93%	24.50%
People of Color	15.60%	16.69%	18.28%	20.70%
Women of Color	3.63%	3.93%	4.23%	5.60%

<u>Diversity on Executive Teams</u>

As with my previous surveys, I asked companies to disclose how many women and people of color they counted among their senior executive teams. This means C-Suite level and other high-level executives. However, as in previous years it is possible that companies provided data for a broader definition of executive leadership than the survey intended. The sample of 61 Companies on my 2017 Fortune 100 Companies included 1,015 executive team members. These are comprised of C-Suite executives and the CEO's direct reports.

The average number of executive team members per company was 16.92. This is an increase from 12.3 executives per company in my 2014 sample. However, one company this year had a marked outlier with 265 people across company subsidiaries reporting to the CEO. The company with the least executive team member reported having five.

Figure 7: Fortune 100 Company Executive Team Demographics, 2010-2017



*2010-2011 Fortune 500 Sample ** 2014-2017 Fortune 100 Sample

Executive Team Demographics

White men saw a decrease in my 2017 sample, representing 53.4% (543) of all executive team positions. This is a drop from 69.7% in my 2014 sample. **When controlling for people of color, white men and women made up 73.7% of all executives at Fortune 100 companies – a drop off from 87.9% from my 2014 sample.**

Women made up 25.3% (257) of all executive team positions of the corresponding sample. This is an increase from 20.9% in 2014. The average company had 4.28 women on their executive teams. Two companies reported having zero women on their executive teams, and the highest number of women executives in a company below the outlier of 92, was eight.

In 2014, more than half of the surveyed companies 52.9% (36) had two or less women on their executive teams. This year 53.3% (32) of the survey companies had between three and five women on their executive teams. However, **women of color continue to struggle for representation among C-level and senior executives at Fortune 100 companies. In 2017, they represented only 5.0% mark, which is an increase from 2.7% in 2014.**

People of color made up 16.3% (166) of executive team members - an improvement from the 12.1% in my 2014 sample. **Three years ago, thirteen companies reported having zero (0) minorities on their executive teams and another 28 reported having only one. This year, ten companies had no minorities on their teams and only 11 reported having one.** On average, there were 2.77 racial or ethnic minorities per executive teams.

Asian Americans, **in contrast to their demographic representation on corporate boards, are the best-represented racial or ethnic group among executive teams. Asian Americans represent 6.1% of all executives in our sample.** Of the 58 companies that provided race/ ethnic data for their executive teams, 43.1% (30) did not have a single Asian American among their ranks. Asian men fared much better than Asian women did on executive teams. More than half 53.6% (30) of the executive teams did not have a single Asian man in contrast to 85.7% (48) without a single Asian woman.

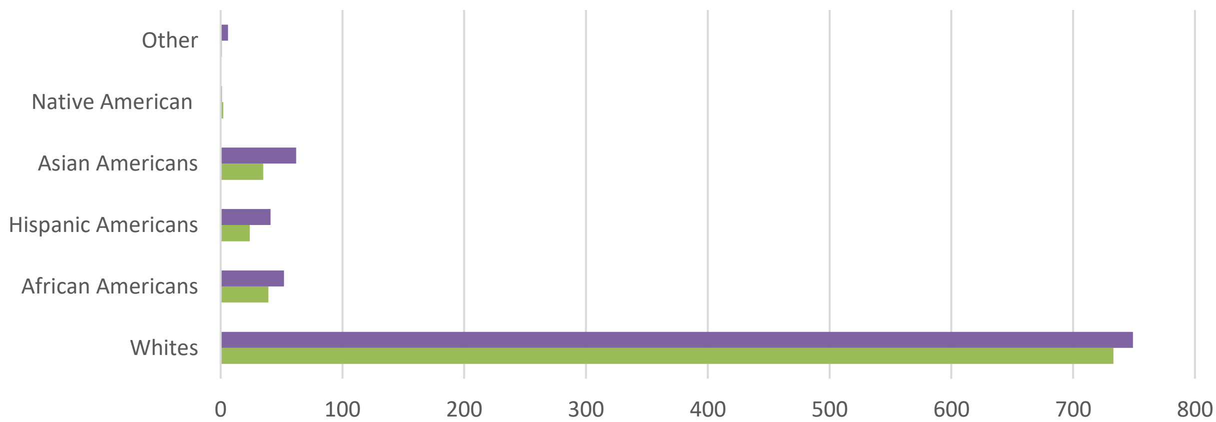
African Americans represent 5.1% of all executives, a small bump from 4.7% in 2014. However, more than half, or 53.4% of sampled Fortune 100 Companies did not have a single African American among their executive ranks. Thirty-one companies reported not having a single African American person in their executive teams, which is eight companies less from the thirty-nine in 2014. When broken down by gender, the numbers become more revealing. African American men were absent in 66.7% (38) of Fortune 100 executive teams, whereas African American women were absent from 73.7% (42) of them.

Latinos/as, continue to lag in representation in executive teams as well. **Only 4% of all executive team members were Hispanic, a slight increase from 2.9% in 2014, but overall still at the bottom of the major racial/ ethnic groups in the United States.** Similarly, 60.3% (35) of the companies surveyed did not have a single Hispanic among their executive ranks. This is a moderate improvement from the 66.2% in my 2014 survey. Hispanic men were absent from 64.9% of all executive teams, with another 28.1% of the teams having only one Hispanic male. **Latinas were missing from 89.5% (51) of all executive teams, with the rest of the companies having only one**.

Native Americans are virtually non-existent in America's Fortune 100 executive teams. Only one company had a single Native American woman among their executive ranks. This is a drop off from 2014 and 2011 when two Native Americans were counted among the sampled companies.

Under the **Other Racial or Ethnic Minority** category, companies reported having six executives, two men and four women. Unfortunately, participants failed to disclose how these six individuals identified.

Figure 8: Executive Team Demographics by Race/ Ethnicity in Fortune 100 Companies



	Whites	African Americans	Hispanic Americans	Asian Americans	Native American	Other
2017	749	52	41	62	1	6
2014	733	39	24	35	2	1

2017 2014

We also asked companies to disclose whether their executive teams had experienced any changes in diversity in the last year. **Similar to corporate boards, about half 49.1% (28) of the companies had not experienced any changes in diversity. Another 40.4% (23) reported an increase**, while 10.5% (6) reported a decrease in diversity among their senior executive teams. Four companies did not respond this question.

<u>Supplier Diversity</u>

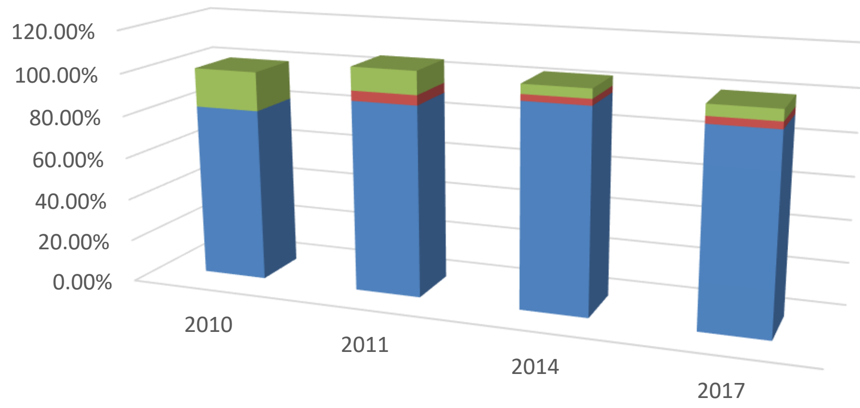
I asked companies to use their most recent financial data from the corporate fiscal year extending from July 1, 2016 through June 30, 2017. If that data was not available, I asked companies to use data from their most recent 12- month period in order to answer our supplier diversity questions. This year, 52 participating Fortune 100 Companies disclosed the combined dollar amount and percentage of total procurement spent with women-and-minority-owned businesses. This is consistent with my 2011 survey but a drop from 60 in my 2014 data.

The average expenditures spent with women-and-minority-owned businesses was $1,607,033,512 or $1.6 billion. This is slightly larger than my 2014 result of $1.5 billion despite the fact that eight less companies answered this question in my current survey. The lack of these eight companies might also account for the overall drop in the total amount expenditures in 2014, which was $19.2 billion whereas in 2017, that amount equaled to approximately $8.4 billion.

- The company that spent the least amount of money procuring goods and services from women-and-minority-owned businesses spent approximately $45 million, whereas the company that spent the most spent $14.2 billion.
- Seventeen companies (32.6%) in the sample spent over $1 billion on outside procurement with women-and-minority-owned businesses.

Forty-seven companies disclosed the total percentage of procurement dollars spent on women-and-minority-owned business as compared to the total amount of procurement dollars spent overall. **On average, companies spent about 8.3% of their procurement expenditures for goods and services on women-and-minority-owned businesses in 2017.** This is a slight increase from the 7.9% spent in 2014. The company that spent the least in our sample spent about 2.7%, whereas the company that spent the most spent 25% of their total procurement expenditures on women-and-minority-owned businesses.

Figure 9: Fortune 100 Average Expenditures on Diverse Suppliers 2010-2017



	2010	2011	2014	2017
Minority Owned Businesses	18.34%	10.97%	4.50%	5.19%
Women Owned Businesses* *		4.69%	3.00%	3.32%
All Other Suppliers	81.66%	90.01%	95.60%	91.49%

** Information on Women-Owned Suppliers not collected in 2010.

When asked to breakdown **the total percentage of procurement dollars spent only on women- owned firms, 44 companies responded spending an average of 3.32%**. This is a slight increase from 2014 where companies disclosed spending an even 3%, but still lower than my 2011 survey where the average was 4.7%.

Out of the 44 companies that disclosed how much they spend procuring from women-owned businesses, 77.3% spent less than 5% of their procurement budget, a drop from 2014 when 84.6% of the companies spent less than this amount. I asked the same question involving Minority-Owned firms. **Forty-three companies spent 5.1% of their total procurement of goods and services on minority-owned businesses**. This is an increase from my 2014 survey, which averaged 4.8%.

This year, there was an increase in the number of companies that spent more than 5% on procuring goods and services from minority-owned businesses. In 2014, 67.3% (35) of the companies spent less than 5%. That number has reduced to 51.2% (19).

Only 32 companies tracked the percentage of procurement expenditures by race and ethnicity. Out of these, every category saw a modest increase in expenditures with the exception of African American businesses.

Asian-owned businesses received the highest average amount of procurement dollars from participating companies, at 1.8%. This is a slight increase from the 1.7% spent in 2014, but a decrease from the 2.3% spent in 2011.

- The company that spent the most procuring from Asian-owned businesses spent 6.51% of their total procurement budget.
- 34.4% of companies spent less than 1% procuring goods and services from Asian-owned businesses.

Latino-owned businesses also saw a modest increase in procurement dollars with an average of 1.39% spent from participating companies. This is the largest increase out of minority groups surveyed, up from 0.9% in 2014 and a comparable result of 1.4% in 2011.

- The company that spent the most procuring goods and services from Latino-owned businesses spent 7.9% of their total procurement budget.
- 50.0% of the surveyed companies spent less than 1% on Latino owned businesses.

African American-owned businesses saw a modest decrease in the total amount of procurement dollars over previous years. On average African American-owned businesses received about 1.46% of Fortune 100 procurement dollars - a drop off from 1.5% received in 2014 and 2011.

- The company that spent the most procuring goods and services from African American-owned businesses spent 5% of their total procurement budget.

- 37.5% of surveyed businesses spent less than 1% procuring goods and services from African American-owned businesses.

Native American-owned businesses saw a modest increase in procurement dollars spent by Fortune 100 companies. On average Fortune 100 Companies spent .25% of their procurement budget on these businesses. This is up from 0.20% in 2014 but down from 0.40% in 2011.

- The company that spent the most procuring goods and services from Native American-owned businesses spent 2% of their total procurement budget.
- 93.9% of surveyed businesses spent less than 1% procuring goods and services from Native American-owned businesses

Lastly, Fortune 100 Companies spent 0.29% of total procurement dollars on "other minority-owned businesses" on average. Although other was not defined in the survey, the most commonly cited type of businesses were LGBTQ and Military Veteran owned businesses.

- 87.5% of surveyed businesses spent less than 1% procuring goods and services from "other" minority-owned businesses.

Supplier Diversity Programs and Spending Goals

Similar to 2014, nearly every company had a supplier diversity program (59). Only two companies failed to provide this information. Also consistent with my 2014 findings, **58.9% of the responding companies reported setting specific spending goals for women-and-minority-owned businesses**. This average remains unchanged from my 2014 survey. Most companies however, did not have separate spending goals for women-owned businesses (80.3%) and minority-owned businesses (77%). The few, who did, set modest spending percentages. For example, the average target percentage for procuring goods and services from women-owned businesses was 5.08%. Only two companies set their goals at 10% of their procurement budget.

For minority-owned businesses, the average target percentage for procuring goods and services was 6.8%. Four companies reported setting their goals at 10% or higher. Almost half of the participating companies 42.6% (20) reported an increase in the amount of diverse suppliers from which they procured. This is a slight drop off from my 2014 results where 44.1% saw an increase in diverse suppliers.

The more alarming change from 2014 to now was the decrease in diverse suppliers. **In 2014, 11 companies, or 16.2% of the respondents to that question, reported a decrease in diverse suppliers. That number jumped to 19 companies or 40.4% in my 2017 study.** While 17% (8) said, they had the same number of women-and-minority-owned businesses supplying them as in their last year in comparison to 25% of my 2014 study.

When asked if their supplier spending on women-and-minority-owned businesses had changed over the last year, 66.7% (32) of respondents said their spending had increased. This was a slight increase over our 2014 sample where 66.2% (45) saw an increase in spending with diverse suppliers. Another 10.4% (5) said their spending had stayed the same from the previous year, compared to 16.2% in 2014.

However, the average number of companies that saw a decrease in diverse supplier spending nearly tripled between 2014 when it was 7.4% (11) to about 22.9% in 2017. Although this is consistent with the reduction in the number of diverse suppliers, it remains an alarming fact.

<u>Professional Service Diversity</u>

Approximately one-third 31.1% (19) of the sample did not respond professional service diversity questions. Another 21.3% (13) specifically answered that they do not track spending on professional services with women-owned businesses and 23% (14) did not track this type of spending with minority-owned businesses. However, **almost half of the sample, 47.5% (29) did track expenditures on professional services with women-owned businesses and another 45.9% (28) tracked this type of spending with minority-owned businesses.**

This number significantly dropped when we asked if companies specifically tracked professional service expenditures on minority-owned businesses by race and ethnicity. In other words, fifteen companies (24.6%) did not track professional service expenditures with Latino, African American or Asian American owned businesses. Seventeen (27.9%) did not track this information with Native American owned businesses, and another 24 (39.3%) did not track the information with "other minority-owned businesses."

Of the companies that answered questions on professional service expenditures with minority-owned businesses, twenty-two (36.1%) tracked with Latino, African American, and Asian American-owned businesses and 20 (32.8%), also tracked spending on professional services with Native American owned businesses.

Overwhelmingly, companies did not disclose percentage expenditures on individual professional services such as financial, consulting, legal and accounting services with women-and-minority-owned businesses. On average, over 50 companies out of the 61 did not answer these questions.

Seventeen companies (27.9%) disclosed the total percentage amount spent on professional services with women-and-minority-owned businesses.

- Out of these 17 companies, 88.2% spent less than 5% on professional services with women-owned businesses. The company that spent the least on professional services spent .01% and the company that spent the most, spent 14.9% on professional services with women-owned businesses.
- In contrast, 58.8% spent less than 5% on professional services with minority-owned businesses. The company that spent the least on professional services spent .05% and the company that spent the most spent 15% on professional services with minority-owned businesses.

The data did reveal however, that the most commonly used professional service that Fortune 100 Companies contracted with women or minority-owned businesses were consulting services, with 13 companies (21.3%) using women-owned businesses and 12 (19.7%) contacting minority owned businesses. The least used professional service was financial advisory services with two companies spending less than 0.01% on women and minority-owned businesses.

Capital Investment and Asset Management

In the last two sections of my survey, I asked companies to disclose whether they invested in women-and-minority owned businesses and whether they provided women-and-minority-owned fund managers with capital or equity allocations. Unfortunately, most companies either did not track (49.2%) or did not disclose (13.1%) capital investments.

The same situation occurred with disclosures in asset management by women-and-minority-owned fund managers, where 41% of the companies did not track and 11.5% did not disclose this information.

The rest of the companies left these sections of the questionnaire in blank.

WHAT WE HAVE LEARNED

It's clear that since 2010 when I first started undertook this effort, the concept of diversity had already permeated the corporate consciousness even as the progress seen thus far is sluggish at best. As in previous years, the results of my 2017 Fortune 100 Corporate Diversity Survey Report vary due to the changes in companies that make the list from year to year. Some companies merge, some are bought-out, some outperform while others underperform, and of course, as with any voluntary survey, some companies that participated in the past chose not to do so this year, and vice-versa. While these changes limit our ability to track individual companies' progress, the purpose of my survey is not to name-and-shame individual companies for their lack of progress or commitment to the issue. Rather, my aim with this survey is to create a snapshot of how todays leading companies are performing when it comes to diversifying their leadership and spending practices in a way that is more equitable to women and communities of color. After all, irrespective of who makes the Fortune 100 on any given year, those that do, represent the country's top economic sphere.

Although there is no formula, on how many women or minorities should sit on a corporate board or at the C-Suite that will actually make a company more successful. A homogeneous white male corporate board and C-Suite however, does not sound like a winning formula either. After all, what Fortune Company sells only to white males?

As a Member of Congress, I believe diversity is about more than just what is good for business, it is also about what is good for the people of our country. It is about creating opportunities for segments of our society too often denied them – that for social and historic reasons have been marginalized from our society's top economic spheres. At the same time, diversity is not an act of benevolence. The bottom line is, when you understand the cultural intricacies' of your customer base, you increase your company's potential to expand its carve-out of the market share and reap its profits. Having a diverse team of culturally competent decision makers gives corporations a deeper understanding of an ever-changing national and global market.

What We Found

My study's findings suggest that women and people of color are making only modest representational gains on America's leading corporate boards and executive teams, and are therefore consistent with similar corporate diversity initiatives (Diversityinc, 2018; Alliance for Board Diversity, 2016). Progress has been made, but we are a long way from fair and equitable representation.

Diversity and inclusion have certainly made their way into the everyday lexicon of our top performing companies. This is demonstrated by the fact that: every participating company in our survey reported having a commitment to diversity in their core values and guiding principles; 90.2% actively discussed diversity with executive recruitment firms; 85.2% have a Chief Diversity Officer and 95.1% have a Supplier Diversity Manager. Similarly, all except one (98.4%) have some form of leadership development program in which women and minorities can participate in; and, most of them (93.4%) have a formal written plan to improve diversity within their companies. Most of these numbers have remained consistent since I began surveying Fortune 100 companies close to a decade ago.

In the past three years, while the average number of board members on Fortune 100 companies has remained consistent at 12, women and minorities have seen marginal increases overall with an average of 3 women and 2.5 minorities per Board. Percentage wise, women and people of color have seen an average 2% increase in overall representation since 2014. However, in real world terms their numbers still come out to one out of every four corporate board members is a woman and one out of every five is a person of color.

Women have made the biggest gains among executive teams since my 2014 survey, with an increase of 4.4%. In 2014, more than half of the surveyed companies 52.9% (36) had two or less women on their executive teams. This year, 53.3% (32) of the surveyed companies had between three and five women on their executive teams. People of color also saw an increase of 4.2% in on corporate executive teams. Three years ago, thirteen companies reported having zero (0) minorities on their executive teams and another 28 reported having only one. This year, ten companies had no executive minorities and only 11 reported having one. These numbers demonstrate tangible progress, but we cannot lose sight of the fact that women are half of the country's population and people of color are more than a quarter, and those numbers are increasing.

Despite this, more than half of the surveyed companies reported no changes in the demographic makeup of their corporate boards and executive teams. Progress for women of color and Native Americans remains unaccountably slow. They have the longest way to go for their equitable share of "seats at the table." To be clear, the Census Bureau estimates there were close to 5.4 million people with American Indian or Native Alaskan roots in the United States in 2016. Only one woman of Native American heritage sat on an executive team among my surveyed companies, and this was a drop from two Native Americans in 2014.

Fewer companies in 2017 reported setting numeric targets when recruiting or promoting diverse candidates to their executive teams and their procurement practices. On both counts, we saw average 15.5% decrease in the number of companies setting numeric targets from my previous survey. Although some of the variance is attributable to sampling differences, the opposite was not true of the percentage of companies that did not set these targets.

These might suggest a retrogression in the three years since my last survey, but the numbers become more revealing upon closer inspection. For example, sixteen companies or a quarter of my sample, failed to answer questions on whether their written diversity plans set numeric targets for diversity at the board of directors and executive levels, or in their procurement practices with women-and-minority-owned businesses. It is unfortunate that companies with diversity strategies on the books declined to engage about their contents, including whether or not they set numeric diversity targets. I believe this speaks volumes about the potential efficacy of their diversity plans and cast doubt on whether these companies are creating metrics at all. To be clear, my concern is not with fulfilling quotas, it is about setting goals and holding yourself accountable to those goals.

Promoting diversity among our nations corporate leadership is only half of the equation in building a more equitable society. The other half is ensuring that our countries' biggest and most successful businesses are also helping uplift our smallest. Three years ago, I expanded my survey to take a deeper look into how Fortune 100 Companies spent their money on Small Women-Owned Business Enterprises and Minority-Owned Business Enterprises. So once again, we asked surveyed companies to disclose how they spent on outside procurement with women-and-minority-owned businesses, whether it be on goods, professional services or capital investments.

Our results show that almost every participating company in our survey had a supplier diversity manager and overall spending on women-and-minority-owned businesses has increased, both in the amount of real dollars spent and as a percentage of companies total procurement expenditures. However, 41.1% of the companies lack specific spending goals on women or minority-owned businesses. They also do not track spending with individual minority groups. Companies who tracked procurement expenditures on women-and-minority-owned businesses saw mixed results in the amount of diverse suppliers they contracted and the amount they spent.

About 40.4% of the companies that tracked their procurement expenditures saw a decrease in the number of diverse suppliers they procured from. Similarly, we saw the percentage of companies that reported a decrease in spending on diverse suppliers triple from 7.4% to 22.9% between 2014 and 2017. These results are concerning, and might suggest decreased engagement with women-and-minority-owned small businesses.

In contrast, the majority of the companies (66.7%) actually reported spending more on women-and-minority-owned businesses over the previous year. Certainly, market forces play a key role in the needs of big businesses versus the ability of small businesses to supply them, but this will always be the case. If every company has a supplier diversity manager, then determining their impact demands metrics. As noted by the Minority Business Development Agency, "minority business enterprises represent 29% of all firms but only 11% have paid employees. If MBE's were to obtain entrepreneurial parity the U.S. economy would realize 13 million more jobs."[42]

A different and often overlooked form of procurement in the context of women-and-minority-owned businesses are contracts for professional services such as financial or legal

[42]Ibid

advisory, accounting services, consulting firms, or even the food and cleaning services providers that make our everyday work life a lot smoother. Unfortunately, similar to my 2014 findings, most Fortune 100 Companies do not track or do not disclose these contracting practices. Less than half of the companies tracked or disclosed spending on professional services with women-and-minority-owned businesses overall and about a third tracked this information with specific minority groups (i.e. African American, Latino, and Asian American businesses).

Companies that tracked spending on professional services spent on average less than 5% of their professional services budgets on women-and-minority-owned businesses. The most commonly contracted service was consulting. Finally, another disappointing finding in this year's survey is that companies do not track or disclose their capital investments with women-and-minority-owned funds. This is the second time our survey has tried to collect this information, but most companies leave this information in blank. This unfortunate lack of transparency makes it difficult for stakeholder oversight.

To conclude, in 1961, President John F. Kennedy signed an Executive Order 10925 that used the phrase "affirmative action" for the first time. A phrase that Susan Reed says became synonymous with an active effort to change an ingrained pattern of institutionalized segregation and discrimination in America.[43] We have, and continue to make much progress since then. Nevertheless, plans without benchmarks are sometimes no more than words on paper; Chief Diversity Officers without real decision-making power are no more than quota counters; Supplier Diversity Managers who work for companies that refuse to set diverse supplier spending goals have no real objective standard of measurement on which to evaluate progress; and it takes more

[43] Ibid.

than just discussing diversity with search firms and advisory councils to make real change. It only takes a glance at DiversityInc's Top 50 lists since 2001[44] to see the same companies named repeatedly throughout the years. The bottom line is that when it comes to diversity in America's leading companies, those that are doing it right, continue to do it right; companies that do not, continue to get it wrong.

[44] DiversityInc (2018) Diversityinc Top 50 lists since 2001. Accessed online at https://www.diversityinc.com/st/Top_50_All_Lists

ACTION PLAN FOR DIVERSITY AND INCLUSION

I have seen moderate progress since I started researching this issue in 2010, and yet companies have had since the 1960's to course correct. The Civil Rights Act of 1964 has been the law of the land for 54 years. A year after it became law, we created the U.S. Government's equal rights watchdog, the Equal Employment Opportunity Commission (EEOC), to eliminate discrimination in the workplace. Since 1966, the "EEOC has required employers with at least 100 employees or government contractors with 50 employees to fill out the EEO-1 Private Sector Report annually. This report is a snapshot of how many racial and ethnic minorities and women are working in a company. The report profiles 25 million employees as well as 45,000 employers or approximately 50% of the country's private payroll workers."[45] As a U.S. Senator, it is my job to advocate for policies that promote economic opportunity for all, and I believe that legislating diversity could benefit both companies and the public. As I noted before, without civil rights and equal employment opportunity laws, diversity has become a voluntary exercise without accountability or transparency.

In the meantime, I have outlined six common sense solutions that if implemented thoughtfully, could help every Fortune 100 Company become a more diverse and inclusive place to work. Many of these recommendations have been published in my previous reports. They are the product of my previous working group on diversity, voluntary recommendations made by companies through their responses to my surveys, and the published literature on diversity.

[45] U.S. Equal Employment Opportunity Commission (n.d.) Accessed online at https://www.eeoc.gov/eeoc/history/35th/milestones/1966.html

1. **CEOs must lead the way**- Diversity will only improve when leadership makes diversity a priority. Our survey uncovered that 85.2% of Fortune 100 Companies have a Chief Diversity Officer, but only 8.2% of these were direct reports to the Chief Executive Officer. The latter of these results must improve if we want to see real change within a corporate culture. As I stated before, CDO's without any real decision-making power are destined to become quota-counters – a box checked off. Fortune 100 CEO's are often the President and Chairman of the Board at their companies as well. It is imperative for a company that professes belief in the concepts of diversity and inclusion to have them mission driven from the very top.
2. **Accountability matters** – We found that most companies (67.2%) tracked the progress of their diversity goals within every department, and assessed that progress annually. Similarly, 70.5% of the participants believed that their diversity plans actually improved the diversity of their company from the year before. When you know your numbers and are willing to be held accountable to them, you lay the groundwork for tracking your success. Businesses lie or die by numbers. Measuring success with annual reviews is critical for tracking progress on diversity within workforce hiring and supplier and professional services expenditures.
3. **Incentivize progress -** Most companies (60.6%) in my sample neither tied meeting diversity goals to their executive's compensation nor reported on taking such actions. However, a key component to ensuring tracking measures work is to tie the results of these benchmarks with manager bonuses. Meeting goals should be tied to bonuses as incentives to meet quarterly and annual goals.

4. **Build the pipeline** - Most companies 68.9% (42) reported having a structured mentoring program in which mid-level managers who are women or people of color receive mentoring by the CEO or Senior Company Leadership. Mentors can be positive advocates for their mentees, especially when it comes to intervening on a mentees' behalf for promotions. Research has found that Whites are favored for promotions even when factors such as education and training are taken into consideration (James, 2000)[46]. Having majority members in executive positions mentor minorities and women at mid-level positions could help eliminate biases between groups and facilitate the promotion of female and minority members into more senior levels.
5. **Partner with Minority-Serving Institutions** – Almost every company, 98.4% (60) surveyed with the exception of one, reported having some other program in place to help build a pipeline of diverse senior staff. However, for many corporate leaders getting to the top means starting somewhere else. One of the ways Fortune Companies can build their pipeline of women and minority candidates is by developing educational and internship experiences in partnership with Minority-Serving Institutions. The Department of Education has a robust list of all Minority-Serving Institutions – higher education institutions with a combination of minority groups that exceeded 50% of its total enrollment – in each State[47]. By forming ties with institutions of higher education that enroll underserved communities, corporations will be laying the groundwork to uncover the future leaders of this nation.

[46] James, E.H. (2000). Race-related differences in promotions and support: Underlying effects of human and social capital. *Organization Science*, 11(5) pp. 493-508
[47] U.S. Department of Education (2007) Postsecondary Minority Institutions from IPEDS Spring 2007 survey. Accessed online at https://www2.ed.gov/about/offices/list/ocr/edlite-minorityinst-list-tab.html

6. **Embrace transparency** – Most companies will not disclose any diversity information publicly. Many are hesitant to share this information with my office despite my promise of privacy of individual data. Less than half of the sample, 47.5% (29) tracked expenditures on professional services and most companies either did not track (49.2%) or did not disclose (13.1%) capital investments with women-and-minority-owned businesses. Some of the secrecy can be understandable given that many of these companies compete for similar resources. However, there is another reason companies will not disclose their diversity information – because they have no diversity.

PARTICIPATING COMPANIES

WALMART	BERKSHIRE HATHAWAY
EXXON MOBIL	UNITED HEALTH GROUP
CVS HEALTH	GENERAL MOTORS
AT&T	FORD MOTOR COMPANY
AMERISOURCEBERGEN	GENERAL ELECTRIC
VERIZON	J.P. MORGAN CHASE
FANNIE MAE	BOEING
EXPRESS SCRIPTS	BANK OF AMERICA
WELLS FARGO	ANTHEM
MICROSOFT	COMCAST
CITIGROUP	JOHNSON & JOHNSON
STATEFARM INSURANCE	TARGET
PROCTER & GAMBLE	DELL TECHNOLOGIES
FREDDIE MAC	AETNA
METLIFE	ARCHER DANIELS MIDLAND
PEPSICO	INTEL CORPORATION
UNITED PARCEL SERVICES	ALBERTSONS
PRUDENTIAL FINANCIAL	HUMANA
THE WALT DISNEY COMPANY	FEDEX
LOCKHEED MARTIN	DOW CHEMICAL
HP, INC.	THE COCA-COLA COMPANY
HCA HOLDINGS, INC.	AMERICAN AIRLINES GROUP

NEW YORK LIFE INSURANCE

NATIONWIDE

CIGNA

HONEYWELL INTERNATIONAL

MASSACHUSETTS MUTUAL LIFE

TIAA

TYSON FOODS

EXELON

CHARTER COMMUNICATIONS

MERCK

BEST BUY

MORGAN STANLEY

GOLDMAN SACHS GROUP

ORACLE

UNITED CONTINENTAL HOLDINGS

CHS

CAPITAL ONE FINANCIAL

NON-RESPONSIVE COMPANIES

APPLE	MCKESSON
AMAZON	CARDINAL HEALTH
COSTCO	WALGREENS
KROGER	CHEVRON
HOME DEPOT	PHILLIPS 66
VALERO ENERGY	LOWES
UNITED TECHNOLOGIES	MARATHON PETROLEUM
PFIZER	AIG
SYSCO	HEWLETT-PACKARD ENTERPRISES
CISCO SYSTEMS	CENTENE
DELTA AIRLINES	CATERPILLAR
LIBERTY MUTUAL INSURANCE	ENERGY TRANSFER EQUITY
ALLSTATE	PUBLIX SUPERMARKETS
AMERICAN EXPRESS	TJX
NIKE	GENERAL DYNAMICS
RITE AID	GILLEAD SCIENCES
3M	TIME WARNER
NORTHWESTERN MUTUAL	FACEBOOK
TRAVELERS COS.	