
The Corporate
Racial Equity Alliance

PolicyLink



Corporate Performance Standards On Racial & Economic Equity: Developmental Approach and Methodology

Exposure Draft

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Executive Summary

Imagine a future free from racial and economic inequity—where all people enjoy a dignified standard of living for themselves and their families, build generational wealth, live in healthy communities of opportunity, participate in fair democratic processes, and access what they need to thrive as human beings. Imagine a future where all institutions, including businesses, are free of racial bias and dedicated to doing no harm, benefiting all stakeholders, and contributing to solutions for society’s toughest challenges.

Everyone belongs in this vision of equity, but today’s reality is very different. In America alone, [nearly 100 million people](#)—one in three—struggle to make ends meet and do not have equal opportunities to thrive. This is the day-in-day-out reality for over 40% of people of color and nearly 25% of white people in America. Globally, widening inequality and racial and ethnic discrimination are no less serious, threatening peace, social cohesion, and economic stability.

But an equitable and just future where everyone can participate, prosper, and reach their full potential is not beyond our reach, if we work together to redesign our systems and institutions with [equity](#) at the center. We believe that society collectively has more than enough resources, skills, and expertise to achieve racial and economic equity within one generation.

Along with civil society and government, the private sector has a powerful and essential role to play by redesigning business as usual to advance and accelerate racial and economic equity in our economy, our society, and our democracy. The effort requires sweeping change—from governance structures, to human resources, operations, products and services, investments, communications, lobbying, and corporate philanthropy.

United by this vision, [PolicyLink](#), [FSG](#), and [JUST Capital](#) co-founded the [Corporate Racial Equity Alliance](#), dedicated to deepening and accelerating the private sector’s role in advancing racial and economic equity as a critical component of achieving a just, equitable, and healthy society for all. The foundation of our work is the [2021 CEO Blueprint for Racial Equity \(Blueprint\)](#). The *Blueprint* offers business leaders actionable guidance on how to move from incremental improvement on racial equity to enterprise-wide transformation and lasting change within the company, in communities, and across society.

Building on this foundation, we are undertaking a multiyear effort to develop rigorous corporate performance standards on racial and economic equity, focused on the US to start. We seek to close a distinct gap in the landscape of corporate standards—where our research has found few racial equity standards and none as comprehensive as the *Blueprint* framework.

This effort will give corporate leaders and investors straightforward guidance on what equity looks like in action and what the private sector must do to achieve it. The standards we develop will also support other stakeholders, including workers, consumers, equity advocates, and the public in their efforts to influence corporate priorities on equity.

This report outlines our approach and methodology to developing the standards. We invite the public to review this report and share their feedback as part of a 60-day public comment period from April 5 to June 3, 2022. [Find more information on providing your feedback here.](#)

The report is organized in five sections. The first section provides an overview of the CRE Alliance and the model of systems change that guides our standards development. The second section shares our rationale for developing corporate performance standards on racial and economic equity. The third section details our guiding principles and approach to standards development. In the fourth section, we share the proposed scope and structure of the standards. And finally, in the fifth section, we outline our going-forward development plans and how to get involved.

Pathway to Equity

The standards will focus on **10 racial and economic equity outcomes** that *all* institutions, including companies, have a duty to contribute toward achieving and **18 levers of change that companies can pull** to fulfill their duty toward the outcomes. For each lever of change, the standards will include performance targets, interim targets, indicators, and metrics, creating a pathway for companies to achieve impact.



10 Racial and Economic Equity Outcomes

We envision a world in which these racial and economic equity outcomes are a reality:

1 Reckoning and Repair

Institutions proactively assess and acknowledge accountability for their contribution(s) to racial injustice; actively repair harm caused, including from institutionalized violence; and invest in the healing and safety of all those affected, including workers, customers, and communities.

2 Just Governance and Leadership

Racial and economic equity is recognized as material to a thriving economy and democracy and is therefore prioritized and embedded in the governance, design, and operation of all institutions.

3 Accountability Through Transparency

Across sectors, institutions increase transparency by collecting and responsibly sharing disaggregated and intersectional demographic data to foster accountability for achieving racial and economic equity.

4 Balanced Power

People of color and working-class people are proportionately represented in positions of power and leadership, and those most impacted by injustice are decision-makers in the design and implementation of equitable solutions.

5 Economic and Social Mobility

Poverty is eliminated and the racial wealth gap is closed; neither one's racial identity nor zip code predicts socioeconomic outcomes.

6 Thriving Multiracial Democracy

Our democracy is vibrant and strong, and the nation benefits from the full participation of people of color, low-income communities, and young people in just and fair democratic processes.

7 Health, Wealth, and Well-Being

People of color and low-income communities have equitable opportunities for quality education and career advancement in good jobs with family-sustaining wages, generational wealth building opportunities, and benefits, including access to high-quality health care.

8 Thriving Communities

Communities of color and low-income communities are invested in, benefit equitably from the full suite of public services (including constructed public resources and tax dollars), and enjoy self-determination, resulting in equitable economic opportunity and community health and well-being.

9 Spatial and Environmental Justice

People of color and low-income communities enjoy equitable access to the natural and constructed resources all people need to live and thrive, from clean water to safe housing.

10 Narrative Change

The brilliance, beauty, and humanity of people of color and working-class people are celebrated in our nation's storytelling through culture, print and digital media, and marketing.

Some readers may view these outcomes as highly aspirational, but many of the building blocks for this future are already in place—for all people to realize and fully enjoy it, we must focus on achieving racial and economic equity. The 10 outcomes encompass the fundamental shifts required to build a just, equitable, and healthy society where **all people** can participate, prosper, and reach their full potential.

A key premise of our methodology is that all institutions, including businesses, have a duty and obligation to contribute to realizing the racial and economic equity outcomes. This premise rests on the view that people of color and low-income communities have a right to be treated equitably by all institutions in our society.

18 Corporate Levers of Change

Of course, businesses may play a smaller role in some outcomes and a larger role in others. Accordingly, the 18 levers of change are attuned to the dimensions of corporate impact on racial and economic equity and the ways that businesses can fulfill their duties and obligations to people of color, low-income communities, and society at large.

We envision a world in which these 18 levers of change are embedded in the DNA of every company:

Within the Company

- 1 Equity is a core tenet of corporate governance embedded within the governing documents of the organization and the duties and responsibilities of all executive leaders and board directors. **(Just Governance and Leadership)**
- 2 The board and senior leadership are racially representative, possess strong equity leadership skills, and share accountability for racial equity as a core business strategy. **(Just Governance and Leadership)**
- 3 Regular and disaggregated data collection, analysis, internal reporting, and external disclosure reflect the company's efforts to meaningfully measure progress and continually improve equity practices and outcomes. **(Accountability Through Transparency)**
- 4 The company actively and regularly assesses, reckons with, and repairs past and ongoing harmful practices that affect workers, customers, communities, and other stakeholders. **(Reckoning and Repair)**
- 5 The company's core business strategy incorporates and prioritizes racial and economic equity, including: the company discontinues products and services that exacerbate racial inequities, ensures that products and services are accessible and beneficial to communities of color and low-income communities, and designs products and services to improve the lives of those communities. **(Relates to All Outcomes)**
- 6 The company contributes to an equitable supply chain by supporting the growth of small businesses and underrepresented suppliers of color and implementing fair procurement policies and practices. **(Thriving Communities • Economic and Social Mobility)**
- 7 The company establishes processes and practices and reorients its culture to center worker voice and share power equitably at all levels of the company. **(Balanced Power)**
- 8 The company adopts equitable and fair recruitment, hiring, retention, and advancement practices that facilitate employment opportunities and growth for historically excluded groups—including people of color, formerly incarcerated people, immigrants, people with disabilities, and young people—resulting in a representatively diverse workforce at all levels. **(Health, Wealth, and Well-Being • Economic and Social Mobility)**
- 9 All workers, including those who work part time and on contract, are treated fairly and receive equitable compensation, including fair wages and benefits that enable workers and their families to thrive and build a future. **(Health, Wealth, and Well-Being • Economic and Social Mobility)**
- 10 The company creates, tracks, and maintains an antiracist culture of belonging. **(Health, Wealth, and Well-Being • Accountability Through Transparency)**

Within the Community

11 The company regularly monitors its environmental impact on communities of color and low-income communities, mitigates harm, and incorporates an explicit focus on equity into its environmental sustainability strategies. **(Health, Wealth, and Well-Being • Reckoning and Repair • Spatial and Environmental Justice)**

13 The company regularly assesses its policy positions with an equity lens and avoids advocating for local policies that reinforce racial and economic inequities; and, within its spheres of influence, the company supports local policy changes that improve outcomes for workers, customers, communities of color, and low-income communities. **(Thriving Communities • Thriving Multiracial Democracy)**

12 The company contributes to equitable community development, assessing and disrupting how its business practices may contribute to racial and economic segregation, gentrification, and displacement, and co-creating solutions with the communities where it operates to create equitable and thriving local economies. **(Thriving Communities • Spatial and Environmental Justice)**

14 To the extent that a company engages in corporate philanthropy, its philanthropy addresses root causes of racial and economic inequity and allocates dollars equitably to organizations led by people of color. **(Thriving Communities)**

Within the Industry

15 The company collaborates across its industry to create norms, standards, and market conditions that support racial and economic equity. **(Relates to All Outcomes)**

Across Society

16 The company's external communications include narratives centered on voices of color (especially young people of color); disrupt, rather than reinforce, racial stereotypes and racism; and advance support for racial and economic equity in our national discourse. **(Narrative Change)**

18 Company investments and tax planning include equity considerations and contribute to an equitable flow of investment and capital to people of color and low-income communities. **(Thriving Communities • Economic and Social Mobility)**

17 The company contributes actively to building a flourishing multiracial democracy, including regularly assessing its national policy positions with a racial and economic equity lens, being fully transparent about its political activity, and supporting national policies that would create a more equitable nation and strengthen democratic processes. **(Thriving Communities • Thriving Multiracial Democracy)**

The Corporate Performance Standards

Together, the outcomes and levers of change lay the foundation for setting new norms for equity in business. Within each lever of change, we will develop performance targets that set a high bar for equity, interim targets to support the journey, indicators to show the way forward, and metrics to measure progress. To illustrate how this approach will work, this report includes three draft performance standards addressing components of:

- Equitable worker compensation
- Environmental justice
- Contributing to a healthy, multiracial democracy.

Here is a high-level summary of each draft standard. The report provides further details, including definitions for key terms, implementation and reporting guidance, and references to other relevant frameworks.

Illustrative Standard #1 — Equitable Worker Compensation

Lever of Change	#9: All workers, including those who work part time and on contract, are treated fairly and receive equitable compensation, including fair wages and benefits that enable workers and their families to thrive and build a future.
High-Level Mapping to Outcomes	Health, Wealth, and Well-Being • Economic and Social Mobility
Duty Owed and To Whom	Companies have a duty to provide fair compensation to all workers, including a living wage and benefits.
Performance Target (Bar for Equity)	100% of workers are paid at least a living wage.
Interim Target	Board-approved plan to achieve and maintain at least a living wage for 100% of workers.
Why This is Important	One of the strongest levers companies have to advance racial and economic equity is raising wages. In America, millions of people—predominantly women and people of color—work for only poverty wages in the private sector. Economically insecure workers call higher wages key to stabilizing their families and communities. The critical impact of wages on economic security, health, and wellness makes living wages highly material. Paying living wages to all workers also aligns with international norms, including the UN Global Compact.
Other Standards to Be Developed	Additional targets will be developed for this lever, including on fair treatment, pay equity, and wealth-building benefits.

Illustrative Standard #2 – Environmental Justice

Lever of Change	#11: The company regularly monitors its environmental impact on communities of color and low-income communities, mitigates harm, and incorporates an explicit focus on equity into its environmental sustainability strategies.
High-Level Mapping to Outcomes	Health, Wealth, and Well-Being Reckoning and Repair Spatial and Environmental Justice
Duty Owed and To Whom	Companies have a duty to ensure that their operations do not harm communities of color and low-income communities through their impact on the environment and use of natural resources.
Performance Target (Bar for Equity)	Zero untreated environmental waste and other hazards in communities of color and low-income communities.
Interim Target	Board-approved plan to regularly assess and reduce the amount of harmful materials created to zero by 2030.
Why This is Important	Cases of environmental racism are well documented. The hazardous materials that companies release into communities of color and low-income communities have tremendous impact on the environment and society. Given the importance of the environment to the health and well-being of individuals and communities, companies must work to mitigate and remediate the environmental injustices faced by communities of color and low-income communities.
Other Standards to Be Developed	Additional targets will be developed for this lever and may include equitable use of natural resources and engaging communities in siting new facilities or development projects.

Illustrative Standard #3 – Contributing to a Healthy, Multiracial Democracy

<p>Lever of Change</p>	<p>#17: The company contributes actively to building a flourishing multiracial democracy, including regularly assessing its national policy positions with a racial and economic equity lens, being fully transparent about its political activity, and supporting national policies that would create a more equitable nation and strengthen democratic processes.</p>
<p>High-Level Mapping to Outcomes</p>	<p>Thriving Communities Thriving Multiracial Democracy</p>
<p>Duty Owed and To Whom</p>	<p>Companies have a duty to their workers, communities, consumers, and society at large to strengthen fair democratic processes and ensure that their political activity promotes, rather than hinders, racial and economic equity.</p>
<p>Performance Target (Bar for Equity)</p>	<p>100% of the organization’s political activity is aligned with its board-approved policy embedding racial and economic equity in all political activity (e.g., lobbying and political donations) at the national level.</p>
<p>Interim Target</p>	<p>\$0 spent directly or indirectly on public policies that exacerbate racial and economic inequity.</p>
<p>Why This is Important</p>	<p>Corporate political influence affects society broadly and deeply— from influencing political candidates and their policy platforms, to labor laws, tax policy, and much more. After decades of unmoderated, profit-driven business influence over public policy and our regulatory systems, there is heightened corporate responsibility to support a healthy, multiracial democracy, including rebalancing political power toward the public interest, people, and communities.</p>
<p>Other Standards to Be Developed</p>	<p>Additional targets will be developed for this lever, including disclosing political activity and modes of supporting national policy to advance equity, tailored to company size, influence, and relative resources.</p>

Timeline for Development

After the current public comment period, we will develop the full set of draft performance standards, informed by stakeholder feedback on the 10 equity outcomes, 18 levers of change, and three draft standards. We anticipate making the full draft of performance standards available for public feedback for at least 60 days in the first half of 2023. Similar to the current public comment period, we will host virtual meetings and conduct a survey to collect feedback from a broad array of stakeholders.

Of course, building a just, equitable, and healthy society for all will require much more than new business standards. Other interventions are necessary, including strengthening our laws and regulations to increase business accountability and expanding learning and capacity across the business ecosystem.

Nevertheless, establishing a common language and framework for businesses to advance racial and economic equity is a critical and urgently needed component of transformation. Our standards will set a high bar for equity because we are developing standards with the future in mind, and that future demands bold leadership and dramatically stronger performance by companies.

Your Voice Matters—Join Us in Shaping the Standards for Equity in Business

We invite all stakeholders to join us in shaping the corporate performance standards on racial and economic equity. This is our collective moment to set the path forward and finally achieve our highest ideals—creating a future for all to thrive within a generation and making racial and economic equity a lasting reality across our society.

View the full report for greater detail about the standards and offer feedback on several critical questions, including:

- Whether we should consider additional outcomes and levers of change in the scope of the performance standards
- Whether the illustrative performance standards provide the guidance needed to take action to advance equity in those areas of impact
- Whether we should incorporate additional steps into our approach going forward to strengthen the standards
- Whether there are additional implementation approaches that would accelerate adoption of the standards among businesses and investors.

Submit your feedback by [completing this survey](#) (letter submissions accepted) or attending one of our roundtables. [Register and stay up to date here.](#)

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The Corporate Racial Equity Alliance

Guide for Providing Feedback

This section describes our vision and mission, the three organizations leading the CRE Alliance, and the model of systems change that lays the foundation for developing corporate performance standards on racial and economic equity. In this section, we seek feedback on these questions:

- ★ Do you find our model of systems change clear and compelling?
- ★ Would you add or refine anything to strengthen the model?
- ★ Do you believe that the model will lead to meaningful and significant changes in racial and economic equity within companies, in their supply chains, and in their relationships with communities and the wider society? Why or why not?

Submit your feedback by [completing this survey](#) (letter submissions accepted) or attending one of our roundtables.

[Register and stay up to date here.](#)

Our Vision

Achieving racial and economic equity is a defining opportunity of our time. In America alone, nearly 100 million people—one in three—struggle to make ends meet and are locked out of equal opportunities to thrive.¹ This is the everyday reality for over 40% of people of color and nearly 25% of white people in America, the richest country in history.² Globally, widening inequality and racial and ethnic discrimination are no less serious—threatening peace, social cohesion, and economic stability.³

Imagine a future free from racial and economic inequity—where all people enjoy a dignified standard of living for themselves and their families, build generational wealth, live in healthy communities of opportunity, participate in fair democratic processes, and access what they need to thrive as human beings. Imagine a future where all institutions, including businesses, are free of racial bias and dedicated to doing no harm, benefiting all stakeholders, and contributing to solutions for society’s toughest challenges. This is the equitable and just future that we all deserve and owe to our youngest generations and those yet to come—a future where no one is left behind.

In the midst of ever-increasing economic, social, and environmental challenges, a growing chorus of stakeholders across the globe is coalescing around this bold vision.⁴ Workers, social movement leaders, investors, consumers, business leaders, and the public sector recognize that business as usual cannot carry us safely into the future and, in fact, perpetuates racial and economic inequities in many ways.

Fortunately, an equitable and just future for all is not beyond our reach if we work together to redesign our systems and institutions with [equity](#) at the center.⁵ We believe that society collectively has an abundance of resources, skills, and expertise to achieve racial and economic equity within one generation. Along with civil society and government, **the private sector has a powerful and essential role to play by redesigning business as usual to advance and accelerate racial and economic equity—from governance structures, to human resources, operations, products and services, communications, investments, lobbying, and corporate philanthropy.**⁶



Our Mission and Who We Are

United by the vision of a just and equitable society for all and animated by the potential of this moment, PolicyLink, FSG, and JUST Capital co-founded the [Corporate Racial Equity Alliance](#) (CRE Alliance) in 2021. Our mission is to support the evolution of antiracist, equitable companies that can contribute effectively to achieving this vision.

The foundation of our work is the [2021 CEO Blueprint for Racial Equity](#) (*Blueprint*), which offers business leaders actionable guidance on how to move from incremental improvement on racial equity to enterprise-wide transformation and lasting change within the company, in communities, and across society.

Building on the foundation of the *Blueprint*, we are working to develop and launch rigorous corporate performance standards on racial and economic equity focused first on the US, but developed with an eye on the global context.

In the spirit of co-creation, this report offers an overview of our development approach and proposed standards methodology. We invite stakeholder feedback during a 60-day public comment period from April 5 to June 3, 2022 ([learn more here](#)).

Our effort to develop corporate performance standards on racial and economic equity aims to close a distinct gap in the landscape of corporate standards, support productive interrogation of ESG⁷ orthodoxy, and give corporate leaders and investors unequivocal guidance on what equity looks like in action plus what the private sector must do to achieve it.

Our three organizations bring to this effort complementary expertise in racial and economic equity, innovative strategies for effecting social change, data-driven tools and insights, and leading platforms for enabling stakeholders.



PolicyLink is a national research and action institute dedicated to advancing racial and economic equity by Lifting Up What Works®. For over two decades, PolicyLink has been building and leading the racial and economic equity movement in America, dedicated to amplifying the expertise, wisdom, and resilience of people of color and low-income communities to make our social and economic systems work for all of us, not just some of us.



FSG is a mission-driven consulting firm that supports leaders in creating large-scale, lasting social change. FSG brings over two decades of experience to helping business and foundation leaders set strategies, implement action plans, and evaluate organizational progress toward meaningful social impact.



JUST Capital is an independent nonprofit with a mission to tackle the most pressing social challenges of our time by galvanizing the collective power of corporate America and the private sector. Guided by the priorities of the public, JUST tracks, measures, and helps to improve corporate performance on the most important stakeholder issues.

Our combined capabilities and decades of experience give the CRE Alliance a unique perspective on how racial and economic barriers manifest and harm the most underinvested and historically excluded groups in our society, how to help companies adopt more equitable modes of operating, and how to use data and insights to engage all stakeholders in building a just and equitable society.

Model of Systems Change

The harmful effects of centuries of economic inequality and systemic racism cannot be remedied by a single tool or a few actors. To achieve a just, equitable, and healthy society for all, sweeping interventions are required across sectors. Our effort to develop corporate performance standards on racial and economic equity is intended to contribute to dismantling structural racism and its damaging effects, but it is only one piece of the puzzle. Other interventions are necessary and just as urgent, including building leadership capacity and strengthening our laws and regulations to incent the private sector to prioritize equity and increase accountability.

Nevertheless, establishing a common language and framework for businesses to advance racial and economic equity is a critical and urgently needed component of setting new norms for equity in business. Our work is grounded in the following model of systems change:

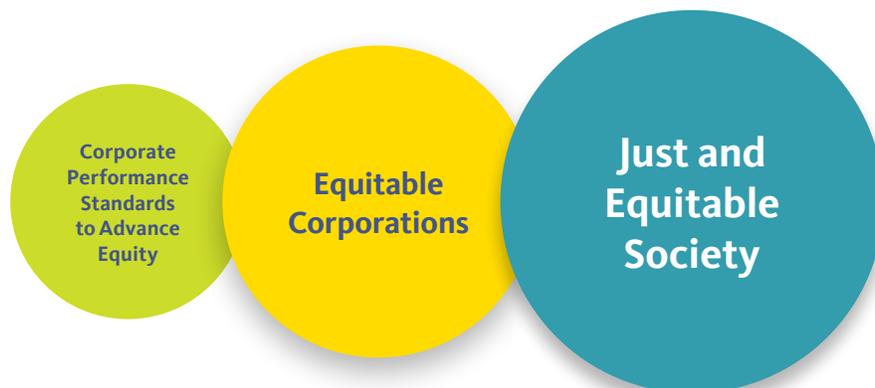
To achieve a just, equitable, and healthy society for all, it is necessary for companies to become champions of racial and economic equity by:

- Deeply understanding how businesses have historically contributed to racial and economic inequities and continue to do so, whether intentionally or unintentionally; and
- Embedding and operationalizing equity in their internal and external policies and practices—within the enterprise, throughout the value chain, in their industries, in the communities where they operate or have impact, and across society.

We aim to accelerate transformation on racial and economic equity by developing robust corporate performance standards that will:

- Support corporate efforts to understand and address racial and economic inequities within their spheres of influence and embed equity in their internal and external policies and practices;
- Establish a shared language and approach to planning, executing, assessing, and disclosing corporate equity efforts; and
- Lay the groundwork to give all stakeholders, inside and outside companies, the data and insights needed to influence corporate priorities and actions advancing equity.

Our model of systems change is anchored in our definition of equity, the concept of the [curb-cut effect](#), a commitment to setting new norms and assessing corporate performance against those norms, and a belief in the power of broad stakeholder engagement to motivate meaningful corporate change. The following discussion of these topics focuses on the US, which is the initial geographic locus of our standards development effort. Learn more about our rationale for focusing first on the US and our plans to expand our work to other regions in Section 4.



Our Definition of Equity

We define *equity* as just and fair inclusion into a society in which all can participate, prosper, and reach their full potential.⁸ Without equity, all of society suffers.⁹ As the US population grows more racially and ethnically diverse, equity points the way to a prosperous future for all and a healthy multiracial, multicultural democracy.

When we refer to *racial equity*, we mean both a process and an outcome. As a process, racial equity aims to ensure no one is left behind by targeting resources and investments to dismantle the barriers affecting historically excluded racial and ethnic groups. As an outcome, racial equity is when race and ethnicity no longer influence how one fares in society. It means the absence of discrimination based on race or ethnicity, the absence of racial disparities in all dimensions of society, and the presence of values and systems that ensure fairness and justice for all people.

Economic equity is similarly both a process and an outcome. As a process, economic equity aims to ensure no one is left behind in our economy by targeting resources and investments to historically excluded groups, including people of color and working-class people, so all people have good jobs, dignified and rising standards of living, and increased voice, power, and ownership in our economy. As an outcome, economic equity means the presence of values and systems that ensure fairness in the generation and distribution of economic wealth, tax liability, resources, and assets in a society.

Especially in America, racial and economic equity are closely connected. Of the nearly 100 million people living in or near poverty, more than half are people of color.¹⁰ In addition, the 100 million include nearly 25% of all white people in America trapped by the structural barriers that have held people of color back for centuries.

Advancing racial and economic equity collectively across all sectors of our society is the most practical approach to addressing racial exclusion and widespread economic inequality.¹¹ Adopting equity as a process also offers a superior model for sustainable economic growth that is just and fair for all.¹²

While forces perpetuate false and divisive narratives about racial equity, advancing equity is not about benefiting one group at the expense of another.¹³ Equity is not zero-sum.¹⁴ In fact, as explained below, tailoring smart, sustainable strategies to the needs of the most underinvested and historically excluded communities improves opportunities and results for all.¹⁵ In sum, equity brings us together and ensures that we all thrive and do not leave anyone behind.



The Curb-Cut Effect

Our focus on racial and economic equity as the pathway to unlocking greater opportunities and benefits across society is grounded in the concept of the curb-cut effect. This concept posits that targeting investments and addressing the barriers which affect the most underinvested and historically excluded groups have the power to cascade benefits upward and outward for the well-being of society.¹⁶

Curb-cut refers to the slope in street curbs advocated by the disability movement in America in the 1970's to improve mobility for people in wheelchairs. The disability movement's fight for mobility in turn benefited all of society—from parents pushing strollers, to workers pushing heavy carts, travelers wheeling luggage, runners, and everyone navigating our streets more safely. Today, we take those curb cuts for granted, and we still benefit from them. The power of the curb-cut effect has also been demonstrated in many other contexts—from flight attendants spearheading a national fight to end smoking on planes, to bicyclists demanding bike lanes, and adoption of the GI Bill.¹⁷

The curb-cut effect also posits that the reverse is true. When we fail to attend to the needs of those faring the worst in society, we inhibit economic health, threaten political stability, and harm national well-being.

As detailed below, the economically insecure among us feel the greatest impact of inequity. In the US, the majority of the 100 million people living in or near poverty are people of color—about 53% of the 100 million—despite the fact that people of color account for only 39% of the total US population (Figure 1).¹⁸ Members of the 100 million struggle to achieve even a basic standard of living and are often unable to pay for groceries, rent, utilities, medical bills, and other necessities.¹⁹

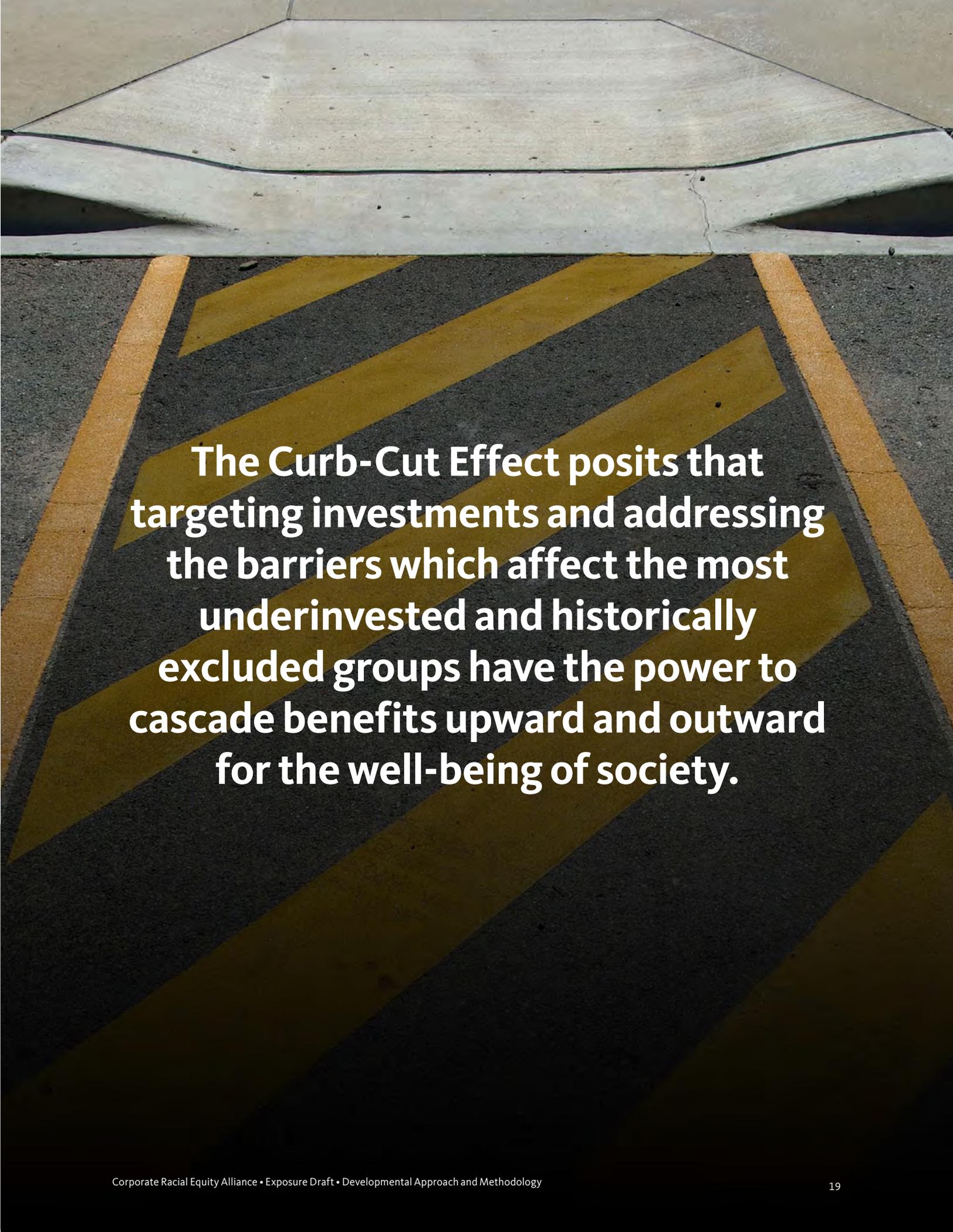
Accordingly, building a just, equitable, and healthy society for all of us means first addressing the barriers experienced by the most economically insecure and historically excluded groups among us. **Our effort focuses on designing standards that will address the challenges and achieve the aspirations of members of the 100 million, unlocking outsized benefits for all of society. As the curb-cut effect posits, advancing equity for those who are disproportionately economically insecure will advance equity for all of society.**²⁰

The term *people of color* includes all people who are of a race/ethnicity other than non-Hispanic white. This includes people who are Black, Indigenous (or Native American), Asian American and Pacific Islander, Latinx, Arab-Middle Eastern American, multiracial, and immigrants of color.

The term *communities of color* refers to groups of people of color within neighborhoods, cities, or regions.

The term *low-income communities* refers to communities where many residents are economically insecure, including white people and people of color.

Within these groups, and with an eye toward the next generation of business leaders and workers, our standards development explicitly aims to center young people 16-to-24-years-old, especially young people disconnected from school and work. See Appendix A for a glossary of additional terms.

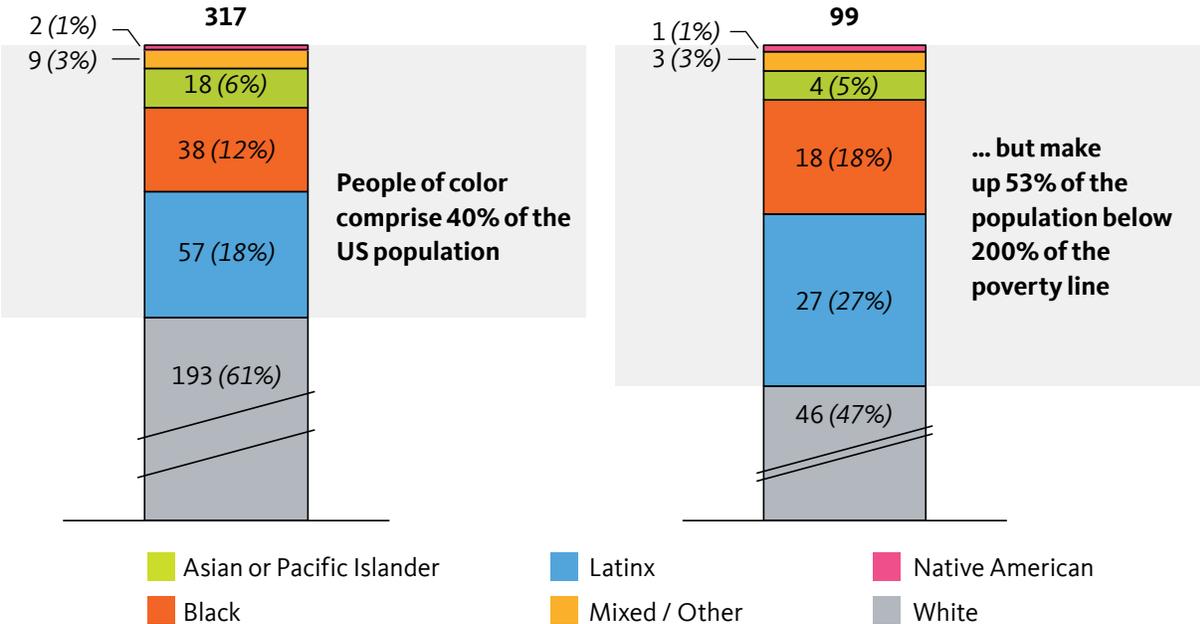
A photograph showing a concrete curb at the top with a visible crack. Below the curb is a road surface with yellow diagonal stripes. The text is overlaid on the road surface.

The Curb-Cut Effect posits that targeting investments and addressing the barriers which affect the most underinvested and historically excluded groups have the power to cascade benefits upward and outward for the well-being of society.

Figure 1: Nearly 100 million Americans live below 200% of the federal poverty line, with people of color comprising a disproportionate share

US population by race/ethnicity, 2019
Total people, millions

US population living below 200% of the poverty line, 2019
Total people, millions



Setting New Business Norms and Assessing Performance

Our model of systems change is anchored in setting new norms for equity in business and assessing corporate performance against those norms. We are accomplishing that by setting a common standard for equity for all companies that includes data-backed performance targets. Setting new business norms and assessing performance against those norms are essential to achieving collective impact and lasting change. They are also critical to establishing accountability and advancing business toward sustainable modes of operating.

As explained in Section 3, statements of commitment and incremental enhancements to disclosure obligations are insufficient to achieve racially equitable outcomes. While many business leaders are coming to equity in historic fashion, most efforts to advance equity require greater breadth and depth. Accordingly, and in response to one of the most frequent questions from business leaders and investors about racial equity efforts—“*What does ‘good’ look like?*”—we are setting a high bar for performance on equity. Our approach is rooted in data and measurement and informed by the expertise, wisdom, and resilience of people of color and low-income communities.

Our approach in setting new norms for equity in business is guided by the view that people of color and low-income communities have the right to be treated equitably by all institutions in our society.²¹ Our performance standards will support companies in fulfilling their duties and obligations to these stakeholders in particular (but not exclusively) by providing a common standard of racial and economic equity for all companies.

In sum, achieving racial and economic equity is not a feel-good effort for business; it is a business imperative based on the rights of stakeholders and the duties that organizations have to address those rights.³⁰

Broad Stakeholder Engagement to Motivate Corporate Change

As explained in Section 2, the critical role companies play in society has outsized influence on the economic, political, social, and cultural dimensions of society. That makes corporate stakeholders a broad and diverse group. Informed stakeholders can play a powerful role in influencing companies to embed racial and economic equity in their policies and practices and accept greater accountability for the ways that they may perpetuate inequities.

Corporate stakeholders include all those affected by a company's policies and practices, including workers, executives, board members, suppliers, consumers, investors, lenders, regulators, communities, and society at large. Using a common language and framework, our standards will inform all such stakeholders about the full scope of meaningful corporate performance on racial and economic equity.

Currently, only some categories of stakeholders are well served or even considered by corporate reporting frameworks. Our standards aim to change that by engaging a broad array of stakeholders in both the development process and the design of implementation approaches. We seek to not only improve corporate behavior, but also foster transparency and increased disclosure so that all stakeholders are better informed and empowered. Figure 2 shows examples of how stakeholder groups can leverage the standards to influence organizations to embed equity in their strategies and everyday operations.

We define **corporate stakeholders** as the individuals and groups who have an interest in the policies and practices of companies not only because they are affected by them, but also because they have rights²² to be respected, protected, and fulfilled by companies, e.g., workers' rights to fair wages,²³ consumers' rights to safe products,²⁴ suppliers' rights to transparency,²⁵ investors' rights to be informed of material facts,²⁶ communities' rights to clean and safe neighborhoods,²⁷ and society's rights to a healthy environment,²⁸ among others.²⁹

Figure 2: Potential Applications of the Standards



Investors

Track company performance against the standards; inform voting, shareholder proposals, and corporate engagement; advocate to corporate boards to adopt the standards



Civil society

Advocate for change at companies doing harm to communities of color and low-income communities; use the standards as a roadmap for addressing harm caused and obtaining commitments to further advance racial and economic equity



Employees

Advocate internally for adoption of the standards and meaningful improvement over time; seek out employers that have adopted the standards



Business leaders

Adopt the standards to fulfill duties to stakeholders and achieve equitable outcomes; set targets and allocate resources where it matters most; embody equitable business leadership



Consumers

Support companies in line with their social values by purchasing from those that adopt and make progress against the standards



Corporate coalitions

Align participating organizations on adopting and making progress against the standards as a collective effort and baseline expectation of membership



Lenders

Incentivize better performance on equity by embedding performance targets in lending terms; enable more deeply informed due diligence and loan covenants



Business advisors

Align business guidance and recommendations with the standards; adopt equity as a core tenet of business guidance



Public voices and leaders

Celebrate companies that have adopted the standards as examples of best-in-class practice; align calls to action directed to the business community with the standards



Regulators

Adopt the performance targets as legal standards; create and enforce aligned policies, incentives, and legislation that drive racial and economic equity in the private sector

2

Rationale for Corporate Performance Standards

Guide for Providing Feedback

Many factors make advancing racial and economic equity a profound and urgent imperative. This section describes the key factors related to businesses. Together, these factors establish a strong rationale for developing corporate performance standards on racial and economic equity. In this section, we seek feedback on these questions:

- ★ Is our rationale for developing corporate performance standards on racial and economic equity clear and compelling?
- ★ Are we missing key data that would support or suggest refinements to our rationale?

Submit your feedback by [completing this survey](#) (letter submissions accepted) or attending one of our roundtables.

[Register and stay up to date here.](#)

The Imperatives for Equity in Business

As noted in the *Blueprint*, the Covid-19 pandemic and the long overdue global reckoning on racial injustice have highlighted the results of centuries of economic inequality and systemic racism. The pandemic and its accompanying economic devastation continue to hit people of color and low-income communities exceptionally hard.

The rationale for corporate performance standards on racial and economic equity is rooted not only in our current circumstances, but also in our long history of a racialized economy and the understanding that companies play (and will continue to play) a critical role in society, with outsized influence on its economic, environmental, political, social, and cultural dimensions. Other factors strengthen the argument for developing standards—notably, widespread stakeholder demand, the value creation opportunity that equity brings to diverse stakeholders *and* all of society, and the need for greater breadth and depth in corporate efforts to advance equity.

This section offers a high-level summary of research and data on these factors. We invite readers to learn more in Appendix B. Together, these factors underscore this historic moment: racial and economic inequities are systemic risks that all sectors must address to secure economic, social, and environmental sustainability. Companies, therefore, have a tremendous opportunity and responsibility to assume a productive role in building an equitable, just, and healthy society for all.

Long-Standing Structural Barriers and Socioeconomic Disparities

In order to know the way forward, we have to understand the past and acknowledge its connection to structural barriers today.³¹ Our economy was built on a legacy of land theft, slavery, racial segregation, disenfranchisement, and other explicit discrimination against Black people, Indigenous people and other people of color.³² The structural barriers and socioeconomic disparities experienced by people of color and working-class people today are inextricably tied to this history.

The bold vision we aim to achieve aligns with humanity's highest ideals, but contrasts starkly with the current reality, where widening inequality remains a defining challenge of our time.³³ This inequality drives inequity—harming communities; limiting economic mobility, especially for the most economically insecure; fostering social instability; and hampering a healthy economy.³⁴

As noted above, the economically insecure feel the greatest impact of inequity. In America, members of the 100 million live in financial insecurity, struggling to achieve even a basic standard of living and often unable to pay for groceries, rent, utilities, medical bills, and other necessities.³⁵ As in many parts of the world, inequality in America is linked inextricably with race, specifically with inequitable socioeconomic outcomes for people of color across income, wealth, health, and other measures.³⁶ The disproportionate impact of the pandemic on communities of color and the numerous deaths of Black Americans at the hands of police have heightened public consciousness of these longstanding issues.

Leaders of the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), and other political, corporate, and civil institutions around the world agree that socioeconomic disparities pose a grave threat to all of society.³⁷ Just 1% of the world's population holds half of the world's wealth.³⁸ Over the past 30 years, economic inequality has increased in most high-income countries, due primarily to the rapid rise in top incomes.³⁹

Meanwhile, research has demonstrated that failing to nurture and unleash the skills and talents of all people threatens economic productivity, sapping our economy’s strength and potential and putting society and democratic institutions at heightened risk of social and political instability.⁴⁰ Economic inequality limits the mobility of families, blocking their access to economic security and wealth accumulation.⁴¹ In sum, income and wealth shape the well-being and opportunities of people and their children and the generations that follow.

The available research and data on racial and economic inequity in the US point to the fact that racialized economic inequality is a moral and economic imperative that all sectors and institutions in our society must address. Without being trapped by our past, we must acknowledge the urgent moral and ethical imperative to achieve racial and economic equity, especially in America. Further, such inequities are not tenable for a strong and resilient economy. Therefore, companies have a vested interest in addressing inequality by advancing racial and economic equity in order to fulfill their moral and ethical obligations and continue enjoying strong profits, an economically secure consumer base, and a healthy labor force.

Other Critical Factors

Shifting Perspectives and Corporate Roles in Society

Perspectives on the role and impact of companies in society are shifting.⁴² In the 1970’s, belief in shareholder primacy (the pursuit of profits above all else) focused corporate efforts on creating value for shareholders.⁴³

But research shows that this single-minded focus suppresses worker wages, limits worker power to bargain for a greater share of corporate profits, and widens the racial wealth gap.⁴⁴ Research also finds that the benefits of increased share ownership and increased returns to shareholders have accrued almost exclusively to the overwhelmingly white, wealthy elite.⁴⁵ A growing number of companies are signaling their move away from shareholder primacy by stating publicly that their responsibilities extend to all stakeholders and that they must build an economy which serves all of society.⁴⁶

This shift in perspectives and discourse is critical because companies’ far-ranging impact on society—from creating household wealth to offering products that shape our daily lives and our national discourse—means that companies *must* play an essential role in achieving racial and economic equity.

Our standards development effort is responsive to this shift in perspectives and discourse. Our effort also rests on a foundational belief that **companies have a duty and obligation to all stakeholders and society at large to champion racial and economic equity by ensuring that policies and practices—enterprise-wide—advance equity, rather than hinder it.**

The Growing Movement for Racial and Economic Equity

In the summer of 2020, attention to advancing racial equity reached unprecedented heights and fueled stakeholder demand and unity of purpose for ending racial bias in all its forms. The momentum for advancing racial equity continues today, with stakeholders in the US and around the world increasingly demanding that companies lead on social issues and, specifically, make real progress toward achieving racial equity.⁴⁷

Almost three-quarters of Americans believe that eliminating racism is a goal we should try to achieve, and 60% of Americans think the best way to end racism is to pull together to recognize and fight it, rather than ignoring it.⁴⁸ Even the so-called “great resignation” in the US is connected inextricably to racial and economic inequities. People of color and working-class people, in particular, are refusing to accept business as usual any longer (e.g., poor pay, unsafe and unpredictable working conditions, poor management, insufficient opportunities to grow, lack of autonomy, and inhospitable business cultures).⁴⁹

Despite the heightened attention, most companies are not considering the full impact of their business-as-usual practices on racial and economic inequities. Rising stakeholder demand for corporate engagement on social issues is rooted in this deeper issue—namely, that prevailing corporate policies and practices continue to perpetuate racial and economic inequities.

As stakeholders demand corporate action on racial and economic equity, business leaders who recognize the myriad benefits of investing in equity, as well as their responsibility to contribute to a just and equitable society, increasingly seek guidance and support to meet the demand.⁵⁰ Corporate performance standards on racial and economic equity will give all stakeholders the guidance they need to engage and achieve their goals.

Value Creation Opportunity

Our standards development effort seeks to foster systemic change in the private sector that strengthens markets, removes barriers, balances power, and dramatically improves socioeconomic outcomes for people of color and the most economically insecure among us. Such systemic change will create economic value in local communities, translate our shared moral values into meaningful action, and benefit all of society—enabling our collective prosperity.

In addition to the value creation opportunity for society, companies will benefit by advancing racial and economic equity—including attracting and retaining more top talent, increasing productivity, decreasing costly turnover, unlocking new market opportunities, and building greater organizational resilience.⁵¹

The Need for Corporate Performance Standards on Racial and Economic Equity

While stakeholder demand and the imperative for racial and economic equity grow, most corporate efforts to advance equity require greater breadth and depth. Since the summer of 2020, many companies have responded like never before with commitments, donations, and collective interest in effecting change.⁵² But studies by the *Washington Post* and Creative Investment Research estimate that companies have invested in only a fraction of their commitments as they still grapple with how to convert their well-intentioned commitments into measurable and long-lasting positive impact.

Not surprisingly, few companies have embedded equity in their business models and reporting, as they have done with other ESG-related issues.⁵³ The absence of corporate performance standards on racial equity is also a distinct gap in the corporate standards landscape, despite unprecedented attention and resources devoted to social issues.⁵⁴ Companies also frequently tell us that they want and need more guidance on how to advance their equity efforts effectively. Accordingly, we have a critical opportunity to establish a deep and solid foundation, both in ESG discourse and corporate standards, that can align all stakeholders on how to approach, assess, report, and motivate achievement of racial and economic equity.

This foundation must include a common language and framework for translating corporate intentions and commitments into equitable outcomes—a framework that establishes new norms for action across industries. Our performance standards will meet this need by defining specific dimensions of equitable business practices and corporate execution of those practices.

The performance standards will also promote transparency and disclosure of progress toward equity goals. Sharing measurable, time-bound progress will boost trust and accountability among internal and external stakeholders. It will also equip investors, current and prospective employees, shareholders, and public stakeholders to judge, with confidence, how companies are fulfilling their equity commitments.

As detailed in Section 3, our research found several tools that support meaningful corporate action on racial equity, including the MLT Black Equity at Work certification⁵⁵ and the Fortune and Refinitiv Measure Up Initiative.⁵⁶ Our performance standards will aim to build on such existing tools and frameworks and stretch further to meet the comprehensiveness within the *Blueprint's* three domains (i.e., company, community, and society). In the spirit of building alignment, the performance standards will flag similarities and connections to such other tools and frameworks.

Among the major standards-setting organizations and ESG raters, we found very few disclosure frameworks or standards focused on racial equity. We concluded that comprehensive corporate performance standards on racial and economic equity, shaped by broad stakeholder engagement, are urgently needed and that the CRE Alliance can play a key role in filling this gap.



3

Guiding Principles & Approach to Development

Guide for Providing Feedback

This section describes the approach we have taken to develop our methodology, including the principles guiding our work, the process we followed, the landscape research we conducted, and our findings to date. In this section, we seek feedback on these questions:

- ★ Do our guiding principles create a solid foundation for our effort to develop the standards? What are we missing?
- ★ What other steps should we incorporate into our approach going forward to strengthen our work?

Submit your feedback by [completing this survey](#) (letter submissions accepted) or attending one of our roundtables. [Register and stay up to date here.](#)

Overview of Our Approach

Our effort rests on more than 20 years of research and action on racial and economic inequity, more than 20 years of social-sector consulting, and eight years of tracking and analyzing the performance of companies and their investors on addressing the public’s priorities. Our approach and standards framework build on the [2021 CEO Blueprint for Racial Equity](#), which offers business leaders guidance on critical actions to advance racial equity across the enterprise, throughout the value chain, in communities where they operate, in their industries, and across society.

Scope of the CEO Blueprint for Racial Equity

WITHIN THE COMPANY	WITHIN THE COMMUNITY	ACROSS SOCIETY
Governance and Leadership	Trust and Relationships	National Policy
HR Policies	Corporate Philanthropy	Investments
Worker Power and Voice	Local Policy	Communications
Products and Services	Environmental Justice	
Operations and Supply Chain		

We began the standards development effort in 2020 by formulating our guiding principles and launching a multi-phase process to develop our methodology. This section presents our guiding principles and describes the development effort to date. The next section outlines how the standards will reflect the breadth and scope of the *Blueprint*, as well as our guiding principles.

Guiding Principles for Developing the Standards

Six foundational principles guide our development effort:

1. Achieving equitable outcomes and results

Our performance standards will be ambitious because they must address the root causes of racial inequity across the dimensions of corporate influence and produce systemic change that benefits the most underinvested and historically marginalized. In the US, this means that the nearly 100 million people living in or near poverty must be better off as a result of our work.

2. Following equitable processes to achieve equitable results

We will be rigorous in centering racial equity, knowing that we cannot achieve equitable outcomes without a diverse team that executes equitable processes. This includes having a standards development team led by people of color, conducting robust stakeholder engagement that prioritizes the voices of stakeholders of color, especially members of the 100 million, and taking a critical approach to decision-making that ensures equity.

3. Lifting up what works

We will innovate from the ground up, informed by the expertise, wisdom, and resilience of people of color and low-income communities.

4. Championing transparency

Disclosure and transparency are core behaviors of equity. Accordingly, our standards development process will be transparent and open to all. In addition, the performance standards we develop will include robust transparency and disclosure requirements.

5. Building a big tent and robust standards that stand the test of time

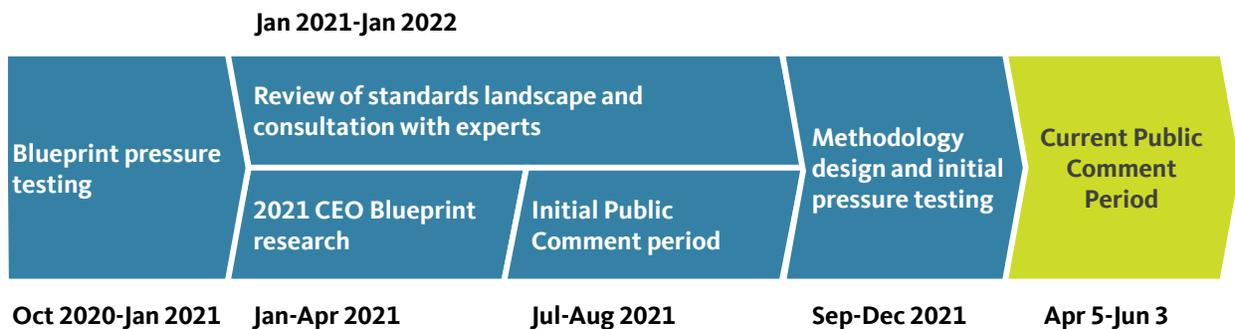
Our performance standards will evolve as circumstances change, new data and practices emerge, and the potential of an equitable world reaches new heights. We will capitalize on opportunities to harmonize metrics and frameworks, breaking silos where we can through our partnership strategy. But we will not do so at the expense of achieving equitable outcomes, pursuing increased transparency, or prioritizing the voices of stakeholders of color.

6. Embedding accountability in processes and outcomes

We will weave accountability into the fabric of the performance standards through our governance and decision model. We will also embed accountability in the standards via assurance mechanisms that will support corporate accountability for achieving racial and economic equity outcomes.

Overview of the Development Process

We organized the development effort into multiple phases:



Research for the 2021 CEO Blueprint for Racial Equity

The research for the *Blueprint* laid the foundation for developing the performance standards. Many of the sources leveraged in this research appear in the lists below. Our research also included one-on-one pressure-testing with 40 C-suite leaders across the nation. We explored their internal and external sources of pressure on racial equity, potential levers for change, and their greatest needs for guidance on centering equity and justice in their companies, communities, and society. Our May 2021 report [Corporate Insights into the CEO Blueprint for Racial Equity](#) summarizes our findings.

Review of the standards landscape and consultation with experts

We spent 2021 researching the standards landscape and engaged various standards experts, including representatives of standards-setting organizations. The research included reviewing initiatives and tools for influencing corporate action on racial equity and norms for setting standards. Key sources consulted include:

Corporate impact on society

- *Race and the Work of the Future: Advancing Workforce Equity in the United States*, PolicyLink, November 2020 ([link](#))⁵⁷
- *The Drivers of Economic Inequality: A Backgrounder for Oxfam's Inequality Campaign*, Oxfam America Research Backgrounder series, 2014 ([link](#))⁵⁸
- “A new look at how corporations impact the economy and households,” McKinsey Global Institute, May 2021 ([link](#))⁵⁹
- *Race and Gender Wealth Equity and the Role of Employee Share Ownership*, *The Aspen Institute*, Rutgers School of Management and Labor Relations, Democracy at Work Institute, 2021 ([link](#))⁶⁰
- *The Racial Rules of Corporate Power: How Extractive Corporate Power Harms Black and Brown Communities and How Race-Conscious Solutions Can Create an Inclusive Economy*, The Roosevelt Institute, November 2019 ([link](#))⁶¹

Norms for setting standards

- ISEAL, “ISEAL Credibility Principles” ([link](#)) and “Codes of Good Practice” ([link](#))⁶²
- Mark McElroy, *Making Materiality Determinations: A Context-Based Approach*, December 2019 ([link](#))⁶³
- European Financial Reporting Advisory Group, *Stream A2 Assessment Report: Possible Input from Existing Initiatives*, February 2021 ([link](#))⁶⁴
- The Centre for Global Inclusion, *Global Diversity, Equity & Inclusion Benchmarks: Standards for Organizations Around the World*, 2021 ([link](#))⁶⁵
- Center for Sustainable Organizations, “About Context-Based Sustainability” ([link](#)) and *Best Practices in Context-Based Sustainability*, September 16, 2020 ([link](#))⁶⁶
- Mark McElroy, “Can Performance Reporting for Different Companies Be Both Context-Based and Comparable?,” *Sustainable Brands*, October 3, 2017 ([link](#))⁶⁷
- Peter Utting with Kelly O’Neill, *Corporate Sustainability Accounting: What Can and Should Corporations Be Doing?*, United Nations Research Institute for Social Development (UNRISD) and the Center for Social Entrepreneurship Studies, August 2020 ([link](#))⁶⁸
- US Government Accountability Office, *Public Companies: Disclosure of Environmental, Social, and Governance Factors and Options to Enhance Them*, July 2020 ([link](#))⁶⁹

Selected tools, disclosure standards, frameworks, and ratings

- B Impact Assessment ([link](#)) and B Corp Certification ([link](#))⁷⁰
- Bloomberg Gender Equality Index ([link](#))⁷¹
- Context-Based Sustainability ([link](#))⁷²
- Fair Trade Certification ([link](#))⁷³
- Global Impact Investing Network (GIIN) IRIS+ Platform ([link](#)), Catalog of Metrics ([link](#)), and Racial Equity Theme ([link](#))⁷⁴
- Global Reporting Initiative (GRI) Standards ([link](#))⁷⁵
- Human Rights Campaign Corporate Equality Index, “Corporate Equality Index 2021,” January 2021 ([link](#))⁷⁶
- Impact Management Platform ([link](#)), including Thresholds and Allocations ([link](#))⁷⁷
- National Equity Atlas ([link](#))⁷⁸
- UN Sustainable Development Goals (SDGs) ([link](#))⁷⁹
- Value Reporting Foundation SASB Standards ([link](#))⁸⁰
- World Benchmarking Alliance Social Transformation Framework ([link](#)) and Social Transformation Baseline Assessment ([link](#))⁸¹

See Appendix C for a broader list.

Insights into the perspectives, aspirations, and needs of the 100 million

- Robert Francis and Elizabeth Talbert, *Sampling the Extreme Poor: Notes from a Systematic and Venue-Based Study*, The Poverty & Inequality Research Lab, JHU, 2015 ([link](#))⁸²
- PolicyLink, *100 Million and Counting: A Portrait of Economic Insecurity in the United States*, 2018 ([link](#))⁸³
- PolicyLink, *Many Fires This Time: We the 100 Million*, a documentary film produced by PolicyLink, directed by Jason R. A. Foster, and featuring the poet and activist A Scribe Called Quess?, 2021 ([link](#))⁸⁴
- Poor People’s Campaign, “The Poor People’s Campaign Jubilee Platform,” 2021 ([link](#))⁸⁵
- Liberation in a Generation, “Liberation in a Generation Policy Platform,” 2020 ([link](#))⁸⁶
- Black Census Project ([link](#))⁸⁷

Tools and resources for assessing companies on racial equity criteria

- As You Sow Racial Justice Scorecard ([link](#))⁸⁸
- Black Dollar Index ([link](#))⁸⁹
- Fortune and Refinitiv Measure Up Initiative ([link](#))⁹⁰
- JUST Capital Racial Equity Tracker ([link](#))⁹¹
- MLT Black Equity at Work Certification ([link](#))⁹²
- Shift Project, *Black Lives Matter: Putting Human Rights at the Heart of Corporate Responses*, July 2020 ([link](#))⁹³

All three of the organizations leading the CRE Alliance (PolicyLink, FSG, and JUST Capital) belong to various networks of organizations that share the mission of advancing racial and economic equity, including through corporate action. Over the past year, we have consulted many of these organizations as we developed our approach and methodology.

Initial public comment period

From July through August 2021, we conducted an initial public comment period to collect broad stakeholder perspectives on critical factors in holding companies accountable for their commitments to racial equity and the potential benefits of corporate performance standards on racial equity for their work and their communities.

Responses

We received more than 90 responses, about 41% from the private sector (business leaders, workers, and investors), 60% from people of color, 70% from women, and 97% from people based in the US.

Feedback

Respondents reported that they would like the racial equity standards to influence companies to prioritize advancing racial equity, improve corporate accountability for impact on people of color, and create alignment on the corporate practices and disclosures that have the greatest impact on racial equity. Respondents called these outcomes most important in corporate governance, HR policies, and worker power and voice.

See Appendix D for more detailed results.

Key Findings

We synthesized our research results into the preliminary methodology design described in the next section. Six key insights from our research and consultations shape our approach and proposed methodology.

1. Standards-setting is an important part of systems change, but it is not the complete solution and sometimes involves more art than science

There is a rich history of standards-setting for business and investors globally. Businesses and investors often measure and monitor performance by setting standards and making assessments against them. Standards-setters such as the International Standards Organization (ISO) customarily establish standards for businesses beyond legal compliance obligations and recommend that companies consider social, cultural, environmental, and political issues in their operations, recognizing companies' fundamental duty to do so as part of their social responsibility.⁹⁴

The work of standards-setting, however, is complementary to and not meant to replace other important interventions—from strengthening our laws and regulations to building leadership capacity. In certain instances, standards-setting involves more art than science, and the ways of doing so are contested arenas in corporate governance, law, regulation, and strategy.⁹⁵ Unlike standards for assessing financial performance, setting standards to inform corporate strategy and assess performance on social issues is still highly emergent.

While we are entering the corporate standards space with a deep appreciation of the complexity of our effort and clear-eyed that our grounding in performance assessment is emergent, we remain ambitious in our goals. We will draw on our collective experience. In addition, the [National Equity Atlas](#)—America’s most detailed report card on racial and economic equity, with dozens of deeply disaggregated equity indicators and unique metrics about the potential economic gains from equity—will anchor our efforts. PolicyLink and the USC Equity Research Institute have spent more than a decade building and maintaining this uniquely valuable resource. Our ongoing development effort will also have an intentional focus on academics, public intellectuals, thought leadership, community organizers, equity advocates, and other social movement leaders to understand their perspectives on what ought to be included—in process, substance, and structure—to ensure our work has the power to lead to equitable outcomes and avoids the merely performative arena.⁹⁶

2. Few ESG tools and disclosure frameworks focus on racial equity

The *Blueprint* framework includes actions that address 360° of corporate influence, internal and external to the organization. Our review of existing racial equity tools and resources available to companies found that few match the breadth and none match the depth of the *Blueprint*. Most focus inside the company, excluding or addressing the community and society only cursorily. Some groups, including B Lab (a CRE Alliance Flagship Partner), are in the process of building on existing justice, equity, diversity, and inclusion standards.⁹⁷ Others, including the World Economic Forum, have announced efforts to “eradicate racism in the workplace and set new global standards for racial equity in business.”⁹⁸

3. Few tools include performance targets that can provide visibility into what is needed to achieve racial equity

Most of the racial equity tools and resources available to companies track current corporate commitments and actions or provide guidance on incremental improvement based on diversity outcome metrics, such as increasing the percentages of people of color at the executive level. In contrast, our standards will provide guidance on the cascading performance levels needed to achieve equity, and we will contextualize the standards within evidence-based bounds (or thresholds) of sustainable practice across all dimensions of corporate impact on racial and economic equity.

4. Companies are at different stages of advancing racial equity and would benefit from help understanding the path to achieving racial equity and the targets they should aim to meet along the way

Our pressure-testing of the *Blueprint*, multiple workshops, and direct engagement with business leaders while developing the methodology highlighted that, beyond setting aspirations for target performance levels, companies are far from realizing their racial equity aspirations. They need guidance on the pathway to reaching those targets. In addition, recent research by JUST Capital found: “Workers and employers diverge in their perspectives on whether their organizations have established a formal DEI program with clearly defined goals (49% workers compared to 69% employers). Additionally, one in four workers say they are ‘not sure’ how much progress the organization has made.”⁹⁹ Our standards will bridge this gap by including performance targets and interim targets that reflect real progress toward achieving racial equity.

5. Companies publicly disclose limited data on racial equity, but stakeholders want and need greater visibility

Today's corporate disclosures on workforce and board diversity focus largely on gender. A growing number of companies disclose board diversity data, but very few provide robust racial and ethnic workforce data. JUST Capital and Refinitiv track these disclosures; and, in February 2022, JUST Capital found that 45% of Russell 1000 companies still do not provide any racial or ethnic workforce data.¹⁰⁰ For the 55% of Russell 1000 companies that do provide some type of racial and ethnic workforce data, the data still lacks robustness.¹⁰¹

Some efforts to increase disclosure of racial-equity-related corporate data are underway, like the US Securities and Exchange Commission's effort to enhance human capital disclosures and the racial equity and civil rights audits of business models promised or conducted by a few large US companies and financial institutions.¹⁰² But companies need additional incentives to enrich the data landscape significantly.¹⁰³

6. Research into the saliency and risks of ongoing racial and economic inequities (including diversity, equity, and inclusion issues) is limited, and the risks are not universally accepted as material to companies and society

Global consensus is growing among governments, regulators, investors, and corporate decision-makers on the scientific bases and significant risks of climate change. In part, this is driven by the wealth of data and insights on the issue. Though no less urgent, similar consensus around the saliency and significant risks of racial and economic inequities has yet to emerge among governments, regulators, investors, and corporate decision-makers in the US.¹⁰⁴ This is due, in part, to the lack of sufficient resources dedicated to studying the issue. And, while our US-specific approach to racial and economic equity is relevant in many parts of the world, similar consensus has yet to emerge globally, and modifications to account for local context will undoubtedly be required.

4

Methodology for Developing the Standards

Guide for Providing Feedback

This section describes our methodology for developing corporate performance standards on racial and economic equity, including the application of our guiding principles, the proposed structure of the standards, three illustrative standards, our approach to materiality, and key factors for further consideration. As we continue refining our work, we look forward to feedback on these questions:

- ★ Does the design of our standards align well with our guiding principles and vision for equity?
- ★ Is the scope of the performance standards sufficient? Should we consider any additional outcomes and/or levers of change?
- ★ Do the illustrative performance standards provide the guidance business leaders need to take action to advance racial equity in those areas of impact? What dimensions are we missing?
- ★ Will our approach to materiality help companies, investors, and other stakeholders determine what to prioritize to advance racial equity?

Submit your feedback by [completing this survey](#) (letter submissions accepted) or attending one of our roundtables.

[Register and stay up to date here.](#)

How Our Guiding Principles Are Embedded in Our Design

Our guiding principles outlined in Section 3 anchor the standards design:

1. Achieving equitable outcomes and results

We will set the highest bar for equity within a framework for continuous improvement that incorporates context-based sustainability principles.

Our approach sets a high bar for performance to (1) define clearly what equity means and what strong performance on equity looks like, (2) ensure long-term corporate investments and their allocation to the areas that will make a meaningful difference, and (3) most importantly, ensure that the standards developed improve socioeconomic outcomes and shift power to members of the 100 million.

In order to achieve equitable outcomes, it is critical that we establish new sustainability norms for equity in business and then measure corporate performance against such norms.

In the social context, determining what is sustainable (and responsible) in business means defining behaviors and practices that contribute to preserving, cultivating, and supporting our precious human capital (e.g., workforce well-being), social and relationship capital (e.g., community well-being), economic capital (e.g., opportunities to prosper), political capital (e.g., fair democratic processes) and the natural and constructed capital on which we all rely to live (e.g., clean water and housing).¹⁰⁵ We will contextualize the standards within evidence-based bounds (or thresholds) of sustainable practice across all dimensions of corporate impact on racial and economic equity.¹⁰⁶

We will signify and enable measurement of corporate impact by setting performance targets (high bars for equity) and interim targets within each standard. Each standard will describe the underlying corporate duty to meet such targets and the stakeholders to whom companies owe such duty.

We do not anticipate that many companies will hit all the high bars for performance on equity at first. In fact, companies may take years to achieve the targets. Nevertheless, we are committed to clearly defining the breadth and depth of business shifts needed to consistently measure progress and ultimately achieve racial and economic equity.

2. Following equitable processes to achieve equitable results

We will prioritize the voices of people of color, members of the 100 million, and young people in determining the substance and scope of the standards.

This will be accomplished through our investment in robust stakeholder engagement, including making deep investments of time and resources (including compensation) to incorporate broad input from people of color, members of the 100 million, and young people in our development process. Section 5 details our approach during the current public comment period.

Together with the members of the 100 million, we are prioritizing the voices of young people as they represent the next generation of business leaders and workers in our society.

After the current and subsequent public comment periods close, we will explain in our synthesis of stakeholder feedback how we are prioritizing feedback from people of color, low-income communities, and young people, and incorporating their feedback into our standards development.

Weighting toward lived experience is the key to our success, and we look forward to further developing and sharing our approach in the subsequent public comment period.

3. Lifting up what works

Our performance targets and indicators align with the outcomes that the racial and economic equity movements have pursued for decades.

The performance targets and indicators will map to key racial and economic equity outcomes that all businesses should contribute to achieving. The key outcomes we have identified are not only rooted in data, but also inspired by, and aim to align with, the outcomes that countless racial and economic equity advocates have championed for decades and continue to fight for today. See Appendix E for a few of our sources of inspiration.

These sources of inspiration are key to our commitment to innovate from the ground up, informed by the expertise, wisdom, and resilience of people of color and low-income communities.

4. Championing transparency

The standards will include assurance measures based on disclosure and transparency inside and outside the company.

Because disclosure and transparency are central behaviors of equitable companies, the performance standards will include robust disclosure and transparency requirements. We envision setting a timeline for companies to publicly disclose a subset of material data that supports enhanced corporate disclosure norms and shows the impact on racial and economic equity companies are having. We want the standards to accelerate transparency and disclosure around performance and progress toward equity goals.

5. Building a big tent and robust standards that stand the test of time

We will map our indicators (and performance targets, where applicable) to leading ESG frameworks, showing how adoption of our standards builds on existing efforts or fills a clear gap.

To encourage alignment and adoption of the standards, we will indicate within each standard any relevance to other tools and frameworks. Recognizing that the market is moving toward increased standardization, we hope that showing such connections will build consensus around our efforts and ease corporate reporting burdens.

6. Embedding accountability in processes and outcomes

Incorporating a framework for continuous improvement and assurance measures based on enhanced disclosures will support stakeholders inside and outside companies in increasing corporate accountability for racial and economic equity outcomes.

The interim targets will support companies' continuous improvement along the path to achieving racial and economic equity, while ensuring accountability for continued progress. Embedding continuous improvement also aligns with the principle that equity is both a process and an outcome.

The standards will establish a common language for how to approach, assess, and disclose corporate equity efforts. This shared language will enable investors, lenders, current and prospective workers, consumers, and other stakeholders to play a supportive role in advocating for companies to adopt the standards and, when they do, in holding companies accountable for measurable and time-bound progress on racial and economic equity.

Structure and Format of the Standards

Grounded in the *Blueprint* and our guiding principle of *lifting up what works*, we will design the standards around:

10 racial and economic equity outcomes that all institutions, including companies, have a duty to contribute toward achieving

These outcomes reflect the shifts required to build a just, equitable, and healthy society where all people can participate, prosper, and reach their full potential.

18 levers of change for companies to pull to fulfill their duty to contribute to the 10 outcomes

The levers of change map thematically to the 10 outcomes and the spheres of corporate influence outlined in the *Blueprint*—company, community, and society, as well as the company's industry in recognition of the power of collective action. The mapping between outcomes and levers of change is not intended to be mutually exclusive or substantively exhaustive. For each lever of change, the standards will include performance targets, interim targets, indicators, and metrics, creating a pathway for corporations to achieve impact.

We seek broad stakeholder feedback on the 10 equity outcomes, 18 levers of change, three illustrative draft standards, and the overall structure of the standards, including the thematic mapping. After the current public comment period, we will develop the full set of performance targets, interim targets, indicators, and metrics for each lever of change and offer similar opportunities to provide feedback.



10 Racial and Economic Equity Outcomes
All Institutions Have a Duty to Contribute To Achieving



18 Corporate Levers of Change
Company • Community • Industry • Society



Pathway to Achieving Impact Within Each Lever of Change

- Performance targets that set the bar for equity
 - Interim targets to support the journey
 - Indicators to show the way forward
 - Metrics to measure progress
- Guidance and more to support adoption

10 Racial and Economic Equity Outcomes

1

Reckoning and Repair

Institutions proactively assess and acknowledge accountability for their contribution(s) to racial injustice; actively repair harm caused, including from institutionalized violence; and invest in the healing and safety of all those affected, including workers, customers, and communities.¹⁰⁷

2

Just Governance and Leadership

Racial and economic equity is recognized as material to a thriving economy and democracy and is therefore prioritized and embedded in the governance, design, and operation of all institutions.¹⁰⁸

3

Accountability Through Transparency

Across sectors, institutions increase transparency by collecting and responsibly sharing disaggregated and intersectional demographic data to foster accountability for achieving racial and economic equity.¹⁰⁹

4

Balanced Power

People of color and working-class people are proportionately represented in positions of power and leadership, and those most impacted by injustice are decision-makers in the design and implementation of equitable solutions.¹¹⁰

5

Economic and Social Mobility

Poverty is eliminated and the racial wealth gap is closed; neither one's racial identity nor zip code predicts socioeconomic outcomes.¹¹¹

6

Thriving Multiracial Democracy

Our democracy is vibrant and strong, and the nation benefits from the full participation of people of color, low-income communities, and young people in just and fair democratic processes.¹¹²

7

Health, Wealth, and Well-Being

People of color and low-income communities have equitable opportunities for quality education and career advancement in good jobs with family-sustaining wages, generational wealth building opportunities, and benefits, including access to high-quality health care.¹¹³

8

Thriving Communities

Communities of color and low-income communities are invested in, benefit equitably from the full suite of public services (including constructed public resources and tax dollars), and enjoy self-determination, resulting in equitable economic opportunity and community health and well-being.¹¹⁴

9

Spatial and Environmental Justice

People of color and low-income communities enjoy equitable access to the natural and constructed resources all people need to live and thrive, from clean water to safe housing.¹¹⁵

10

Narrative Change

The brilliance, beauty, and humanity of people of color and working-class people are celebrated in our nation's storytelling through culture, print and digital media, and marketing.¹¹⁶

The term **people of color** includes all people who are of a race/ethnicity other than non-Hispanic white. This includes people who are Black, Indigenous (or Native American), Asian American and Pacific Islander, Latinx, Arab-Middle Eastern American, multiracial, and immigrants of color. The term **communities of color** refers to groups of people of color within neighborhoods, cities, or regions. The term **low-income communities** refers to communities where many residents are economically insecure, including white people and people of color. Within these groups, and with an eye toward the next generation of business leaders and workers, our standards development explicitly aims to center young people 16-to-24-years-old, especially young people disconnected from school and work.

18 Corporate Levers of Change

Within the Company

Corporate leaders and board members have many levers to pull within the company. The standards will include indicators of diversity and inclusion but will go further to embed racial equity across governance, leadership, operations, products, services, and more.

- 1 Equity is a core tenet of corporate governance embedded in the governing documents of the organization and the duties and responsibilities of all executive leaders and board directors.¹¹⁷ **(Just Governance and Leadership)**
- 2 The board and senior leadership are racially representative, possess strong equity leadership skills, and share accountability for racial equity as a core business strategy.¹¹⁸ **(Just Governance and Leadership)**
- 3 Regular and disaggregated data collection, analysis, internal reporting, and external disclosure reflect the company's efforts to meaningfully measure progress and continually improve equity practices and outcomes.¹¹⁹ **(Accountability Through Transparency)**
- 4 The company actively and regularly assesses, reckons with, and repairs past and ongoing harmful practices that affect workers, customers, communities, and other stakeholders.¹²⁰ **(Reckoning and Repair)**
- 5 The company's core business strategy incorporates and prioritizes racial and economic equity: the company discontinues products and services that exacerbate racial inequities, ensures that products and services are accessible and beneficial to communities of color and low-income communities, and designs products and services to improve the lives of those communities.¹²¹ **(Relates to All Outcomes)**
- 6 The company contributes to an equitable supply chain by supporting the growth of small businesses and underrepresented suppliers of color and implementing fair procurement policies and practices.¹²² **(Thriving Communities • Economic and Social Mobility)**
- 7 The company establishes processes and practices and reorients its culture to center worker voice and share power equitably at all levels of the company.¹²³ **(Balanced Power)**
- 8 The company adopts equitable and fair recruitment, hiring, retention, and advancement practices that facilitate employment opportunities and growth for historically excluded groups—including people of color, formerly incarcerated people, immigrants, people with disabilities, and young people—resulting in a representatively diverse workforce at all levels.¹²⁴ **(Health, Wealth, and Well-Being • Economic and Social Mobility)**
- 9 All workers, including those who work part time and on contract, are treated fairly and receive equitable compensation, including fair wages and benefits that enable workers and their families to thrive and build a future.¹²⁵ **(Health, Wealth, and Well-Being • Economic and Social Mobility)**
- 10 The company creates, tracks, and maintains an antiracist culture of belonging.¹²⁶ **(Health, Wealth, and Well-Being)**

Within the Community

The community levers of change reflect the power of companies to make meaningful contributions in the communities where they operate and have impact, and address the ways that they reinforce barriers to advancement and prosperity.

11 The company regularly monitors its environmental impact on communities of color and low-income communities, mitigates harm, and incorporates an explicit focus on equity into its environmental sustainability strategies.¹²⁷
(Health, Wealth, and Well-Being • Reckoning and Repair • Spatial and Environmental Justice)

12 The company contributes to equitable community development, assessing and disrupting how its business practices may contribute to racial and economic segregation, gentrification, and displacement, and co-creating solutions with the communities where it operates to create equitable and thriving local economies.¹²⁸
(Thriving Communities • Spatial and Environmental Justice)

13 The company regularly assesses its policy positions with an equity lens and avoids advocating for local policies that reinforce racial and economic inequities; and, within its spheres of influence, the company supports local policy changes that improve outcomes for workers, customers, communities of color, and low-income communities.¹²⁹ **(Thriving Communities • Thriving Multiracial Democracy)**

14 To the extent that a company engages in corporate philanthropy, its philanthropy addresses root causes of racial and economic inequity and allocates dollars equitably to organizations led by people of color.¹³⁰ **(Thriving Communities)**

Within the Industry

Collective action is a powerful force for long-lasting change. This lever of change focuses on company efforts to influence, act with, and bring others along in their industries.

15 The company collaborates across its industry to create norms, standards, and market conditions that support racial and economic equity.¹³¹
(Relates to All Outcomes)

Across Society

While actions at the company, community, and industry levels have ripple effects in society, other levers enable direct contributions to achieving racial and economic equity across society at scale. Business leaders are also civic leaders who have substantial influence on our economy and democracy.

16 The company's external communications include narratives centered on voices of color (especially young people of color); disrupt, rather than reinforce, racial stereotypes and racism; and advance support for racial and economic equity in our national discourse.¹³² **(Narrative Change)**

18 Company investments and tax planning include equity considerations and contribute to an equitable flow of investment and capital to people of color and low-income communities.¹³⁴ **(Thriving Communities • Economic and Social Mobility)**

17 The company contributes actively to building a flourishing multiracial democracy, including regularly assessing its national policy positions with a racial and economic equity lens, being fully transparent about its political activity, and supporting national policies that would create a more equitable nation and strengthen democratic processes.¹³³ **(Thriving Communities • Thriving Multiracial Democracy)**

Our development of the outcomes and levers of change is based on desk research, consultation with experts (including members and leaders of the 100 million), our expertise, and the deep body of research and insights developed by many other racial and economic equity advocates and organizations. The endnotes reference a selection of the resources on which our work rests, but the references are not exhaustive. We will publish the full evidence base of our work, together with the draft performance standards, for the next public comment period.

The thematic mapping included above is high-level and not intended to be mutually exclusive or substantively exhaustive. We invite stakeholders to comment on additional connections between the outcomes and levers of change, and opportunities to add clarity or refinement that would be helpful.

Format of the Standards and Key Definitions

Unlike disclosure standards that only state reporting guidance or requirements, our standards will include performance targets that companies should strive to achieve. The performance targets will contextualize the bounds (or thresholds) of sustainable practices across all dimensions of corporate impact on racial and economic equity. We believe this approach will enable companies to better understand their impact on racial and economic equity and develop policies and practices that can make meaningful contributions to achieving equitable outcomes for people of color, low-income communities, and society at large.

The following proposed format for each performance standard shows how this approach will work.

- **Lever of Change:** We will organize the standards by the 18 levers of change, with relevant performance targets, interim targets, indicators, and metrics specified for each lever.
- **Mapping to the 10 Racial and Economic Equity Outcomes:** Each lever of change will reference the most relevant equity outcomes. If appropriate, we will note where a lever of change may have an impact on all 10 outcomes.
- **Duty Owed and to Whom:** Each lever of change will include a clear, concise statement of the duty or obligation owed by a company to a given stakeholder group relative to the given lever.
- **Performance Targets:** We will include one or more performance targets within each lever of change. The targets represent the level of impact that companies should achieve, internally and externally, to contribute to achieving racial and economic equity. Put another way, the performance targets set the bar for equity.¹³⁵ The targets will set bold new norms for equity in business and will support planning, measuring, and assessing the impact of organizations on the resources necessary for achieving and maintaining racial and economic equity, both internally and externally. Accordingly, each target will have associated indicators and metrics, as described below.
- **Interim Targets:** We will include interim performance targets within each lever of change to promote continuous improvement when the organization does not yet meet the related performance target (the bar for equity). Interim targets will provide the pathway for organizations to ultimately meet the bar for equity. Interim targets may take the form of a percentage improvement over an initial performance level within a prescribed period of time or an absolute performance level, regardless of the starting point. We are considering tailoring interim targets to company size (for example, annual revenue ranges to recognize the scale of corporate duty and resources available).
- **Indicators:** We will include one or more indicators in connection with each performance target. To show the way forward for organizations, the indicators will typically be activities and outputs of the organization intended to achieve the associated performance target.

- **Metrics:** We will include one or more metrics to measure progress on each indicator. Metrics are methods of measuring the activity or output of the organization that is intended to achieve the associated performance target. The standards will typically use two types of metrics:
 - **Policy, activity, and practice screens** that evaluate an organization’s adoption of internal policies and practices, adherence to particular processes or required actions, or positions on specific external policies that advance racial and economic equity.
 - **Quantitative measures** that determine empirically an organization’s impact on resources (i.e., activities, outputs, and outcomes) relative to the associated performance target.
- **Additional Metrics for Interim Targets:** For each interim target, we will include one or more metrics to support organizations in measuring progress toward meeting the interim target.
- **Assurance:** To support accountability and meet the transparency needs of stakeholders, each indicator will include one or more methods for organizations to demonstrate achievement of or progress toward meeting the performance or interim targets. The standards will typically use two types of assurance:
 - **Disclosure**—specific, detailed, and replicable ways to report corporate performance, internally and externally.
 - **Audits**—external compliance reviews of an organization’s policies, activities/practices, outputs, and outcomes relative to performance, measurement, and disclosure standards.
- **Definitions:** To promote alignment of corporate efforts and consistent measurement across organizations, we will define key terms used in the targets, indicators, and metrics.
- **Guidance:** To facilitate adoption, we will provide guidance, including the evidence base, best practices in applying the standard, links to helpful tools, and references to case studies of companies or other organizations that have demonstrated strong performance on the standard (when available).
- **Relevance to Other Frameworks:** Each standard will list references to other standards and frameworks that address similar issues, use similar indicators, and/or define common terms to support consensus and standardized reporting across companies (e.g., reference to the relevant UN Sustainable Development Goals associated with the standard).

Three Illustrative Standards

With this framework in mind, we developed three draft performance standards to illustrate the output of our methodology. After the current public comment period, we will develop the full set of draft performance standards, informed by stakeholder feedback on the 10 outcomes and 18 levers of change.

Illustrative Standard—Within the Company

Lever of Change #9:

All workers, including those who work part time and on contract, are treated fairly and receive equitable compensation, including fair wages and benefits that enable workers and their families to thrive and build a future.

Mapping to the 10 Racial and Economic Equity

Outcomes:

Economic and Social Mobility | Health, Wealth, and Well-Being

Duty Owed and to Whom:

Companies have a duty to provide fair compensation to all workers, including a living wage and benefits.

Performance Target (Bar for Equity):

100% of workers are paid at least a living wage

Interim Target(s):

Board-approved plan to achieve and maintain at least a living wage for 100% of workers

Indicator:

Whether or not a living wage is paid to all workers

Metric:

% of workers paid at least a living wage, disaggregated by gender and race/ethnicity

Additional Metric(s) for Interim Target(s):

- % progress toward the Bar for Equity expressed as overall % reached, not less than % targets by company size (ranges to be determined)
- % progress toward the Bar for Equity for workers of color, with % progress not less than overall rate of progress

Assurance: Annual public disclosure in formal compliance filing(s) (e.g., SEC filings), board-approved ESG report, or independent third-party audit with compliance disclosure. Disclose current year and last three years.

This is only one of several targets that we will develop for this lever of change. Others will include targets on fair treatment, pay equity and wealth-building benefits. We understand that current market dynamics and regulatory complexity may create tensions here; see the societal standard below for how companies can contribute to making both better support their efforts.

Definitions:

- **Living wage:** the amount of remuneration, based on a standard work week, needed for a worker and their family to cover the cost of essentials where they live, including food, childcare, health insurance, housing, transportation, and other necessities like clothing and personal care items (excludes tips and non-cash pay or benefits, e.g., grants of equity securities). A living wage is not necessarily the same as the local minimum wage.
- **Workers:** full-time employees, part-time employees, and other workers (e.g., temporary) contracted to work for the organization on an effectively full-time basis. If contract workers are engaged through a third-party vendor, the organization must verify vendor compliance in a manner no less stringent than its own compliance.

Guidance:

▪ Instructions:

- **Calculators:** [MIT Living Wage Calculator](#) for the US and [Anker Methodology](#) or [WageIndicator](#) for non-US.¹³⁶ The MIT calculator uses a detailed market-based approach and geographic data to determine minimum costs for food, childcare, health insurance, housing, transportation, and other basic necessities (e.g., clothing, personal care items) in the US. For non-US regions / regions that the MIT calculator does not address, detail the organization's living wage calculation and sources used in accordance with the international resources above.
- **Calculation:** % of workers paid at least a living wage calculated as the number of workers paid at or above the living wage divided by the total number of workers. Apply a household type of two working adults and two children.

▪ Context for Developing This Standard:

One of the strongest levers companies have to advance racial and economic equity is by raising wages. In America, millions of people—predominantly women and people of color—work for only poverty wages in the private sector.¹³⁷ Economically insecure Americans call higher wages key to the broader solution they seek, especially important to stabilizing their families and communities.¹³⁸ The critical impact of wages on economic security, health, and wellness justifies classifying living wages as material and, in alignment with the UN Global Compact,¹³⁹ setting the bar for equity at 100% of workers earning at least a living wage. We are considering including a time-based component in the interim target based on company size and relative resources.

▪ Additional Resources:

- [UN Global Compact – Living Wage](#)¹⁴⁰
- [International Labour Organization Global Wages](#)¹⁴¹
- [Global Living Wage Coalition Resource Library](#)¹⁴²
- [Fair Wage Network – Living Wage Database](#)¹⁴³
- **Case Studies** (these links offer examples of how some companies are taking action on equitable worker compensation)
 - » [How both the Company and Employee Benefit from Higher Pay. Higher pay isn't just a cost. The data shows that the employers that pay the best outperform their peers.](#)¹⁴⁴
 - » [Why Costco pays its 180,000 workers way more than the minimum wage](#)¹⁴⁵

Relevance to Other Frameworks (not intended to be exhaustive; see Appendix C for links):

- National Equity Atlas Economic Vitality Pillar
- SDG Indicator 1.2
- GRI 401
- IRIS OI4724
- SASB FB-RN-310a.2
- WDI 5.7
- United Nations Research Institute for Social Development (UNRISD) Living Wage Standard (to be published soon)
- JUST Capital Rankings¹⁴⁶
- MLT Black Equity at Work Rubric Employee Compensation pillar¹⁴⁷

Illustrative Standard—Within the Community

Lever of Change #11:

The company regularly monitors its environmental impact on communities of color and low-income communities, mitigates harm, and incorporates an explicit focus on equity into its environmental sustainability strategies.

Mapping to the 10 Racial and Economic Equity Outcomes:

Health, Wealth, and Well-Being | Reckoning and Repair | Spatial and Environmental Justice

Duty Owed and to Whom:

Companies have a duty to ensure that their operations do not harm communities of color and low-income communities through their impact on the environment and use of natural resources.

Performance Target (Bar for Equity):

Zero untreated environmental waste and other hazards in communities of color and low-income communities

Interim Target(s):

Board-approved plan to regularly assess and reduce the amount of harmful materials created to zero by 2030

Indicator:

Whether or not the organization creates or emits harmful or hazardous materials in a way that adversely affects communities of color or low-income communities

Metric:

Amount of harmful or hazardous materials (e.g., effluents, emissions, chemicals, and waste) created with negative impact on communities of color and low-income communities

Additional Metric(s) for Interim Target(s):

- % progress toward Bar for Equity expressed as overall % reached, not less than % targets by company size (ranges to be determined)
- Amount and rate of change in harmful materials created by census tract, with a decrease of at least % each year (to be determined based on company size)

This is only one of several targets that we will develop for this lever of change. Others may include managing use of natural resources and engaging communities in siting new facilities or development projects.

It is worth noting as well that companies should not emit harmful or hazardous materials in any communities, but powerful systems of protection are often in place to protect affluent predominantly white communities—including zoning laws that prioritize safety and health and prevent property values from declining.

Assurance: Annual public disclosure in formal compliance filing(s) (e.g., SEC filings), board-approved ESG report, or independent third-party audit with compliance disclosure. Disclose current year and last three years.

Definitions:

- **Harmful:** causing or likely to cause harm, which is loss of or damage to a person's rights, property, or physical or mental well-being.
- **Hazardous materials:** effluents, emissions, chemicals, and waste, among others.
- **Communities of color:** a census tract where 50% or more of residents are non-white.
- **Low-income communities:** a census tract with a poverty rate of at least 20% or a median family income 80% or less than the area it is benchmarked against (metropolitan area for metropolitan tracts, state for rural tracts).

Guidance:

▪ Instructions:

- Consider hazardous materials including, but not limited to:
 - » Emissions: [187 air pollutants](#) defined by the US Environmental Protection Agency (EPA)¹⁴⁸
 - » Chemicals and Waste: waste subject to the US Resource Conservation and Recovery Act (RCRA), [Subtitle C \(RCRA §§3001-3023\)](#)¹⁴⁹
- Detail the amount of each hazardous material produced in all relevant census tracts that have:
 - » A poverty rate of at least 20%; and/or
 - » A median family income 80% or less than the area it is benchmarked against (metropolitan area for metropolitan tracts, state for rural tracts).
- Organizations may measure and disclose on a facility-by-facility basis.
- The chain of responsibility does not sever the organization's obligations.

- **Context for Developing This Standard:** Cases of environmental racism are well documented, and companies must work to mitigate and remediate the environmental injustices faced by communities of color.¹⁵⁰

We reviewed research by the Center for Air, Climate and Energy Solutions that modeled and analyzed EPA data. Studies show that, on average, people of color breathe more particulate air pollution, across income levels and regions. The studies also find racial and ethnic disparities across almost all major emission categories that have serious public health implications, as greater exposure to pollution can increase health issues such as lung and heart problems. Further, affluent predominantly white communities are often shielded from such hazardous living conditions due to the political capital of such communities to secure zoning protections that prioritize safety and health and prevent property values from declining.¹⁵¹

The hazardous materials that companies release into communities of color and low-income communities have a tremendous impact on the environment and society. The importance of the environment to the health and well-being of individuals and communities led us to set the bar for equity at zero and to require companies to develop a time-bound plan for mitigating any harmful effects found by regular assessments.

We recognize that environmental circumstances are not static and that other dynamics like zoning challenges are in play. We look forward to stakeholder feedback on how to ensure that companies contribute to the desired outcomes related to this lever of change.

▪ Additional Resources:

- [Study Finds Exposure to Air Pollution Higher for People of Color Regardless of Region or Income](#)¹⁵²
- [Toxic Waste and Race in Twenty-First Century America](#)¹⁵³
- **Case Studies** (these links offer examples of how some companies are taking action on environmental justice)
 - » [Fighting for the Future: Shopify Invests \\$5M in Breakthrough Sustainability Technologies](#)¹⁵⁴
 - » [Carbon Removal Corporate Action Tracker](#)¹⁵⁵
 - » [Q&A with LanzaTech on Prioritizing Environmental Justice in Carbon Management Projects](#)¹⁵⁶

Relevance to Other Frameworks (not intended to be exhaustive; see Appendix C for links):

- National Equity Atlas Connectedness Pillar
- SDG Indicator 12.4
- GRI 305-4, 305-6, GRI 306-2
- IRIS OI1346
- SASB EM-IS-150a.1
- As You Sow Racial Justice Scorecard

Illustrative Standard—Across Society

Lever of Change #17:

The company contributes actively to building a flourishing multiracial democracy, including regularly assessing its national policy positions with a racial and economic equity lens, being fully transparent about its political activity, and supporting national policies that would create a more equitable nation and strengthen democratic processes.

Mapping to the 10 Racial and Economic Equity

Outcomes:

Thriving Communities | Thriving Multiracial Democracy

Duty Owed and to Whom:

Companies have a duty to their workers, communities, consumers, and society at large to strengthen fair democratic processes and ensure that their political activity promotes, rather than hinders, racial and economic equity.

Performance Target (Bar for Equity):

100% of the organization's political activity is aligned with its board-approved policy embedding racial and economic equity in all political activity (e.g., lobbying and political donations) at the national level

Interim Target(s):

\$0 spent directly or indirectly on public policies that exacerbate racial and economic inequity

Indicator:

Whether or not the organization embeds racial and economic equity in all political activity (e.g., lobbying and political donations) at the national level

Metric:

Board-approved policy consistent with the model policy on equitable political activity (to be developed through stakeholder consultation and updated periodically)

Additional Metric(s) for Interim Target(s):

- Total \$ amount of all direct and indirect spending on political activity
- % of total direct and indirect spending on political activity that promotes racial and economic equity

This is only one of several targets that we will develop for this lever of change. Others will include disclosing all political activity and modes of supporting national policy in support of equity, tailored to company size, influence, and relative resources. A similar target for local and state political activity will be developed within the community sphere.

Assurance:

Annual public disclosure in formal compliance filing(s) (e.g., SEC filings), board-approved ESG report, or independent third-party audit with compliance disclosure. Disclose current year and last three years.

Definitions:

- **Direct spend:** cash, time, and any other business resources spent directly by the organization to influence the adoption, implementation, preservation, or defeat of a policy
- **Indirect spend:** cash, time, and any other business resources spent by or through another entity, hired by or with which the organization is affiliated, to influence the adoption, implementation, preservation, or defeat of a policy
- **Political activity:** actions by or on behalf of (or supported by) the organization related to the adoption, implementation, preservation, or defeat of a local, state, or national public policy

Guidance:

▪ Instructions:

- Develop an enterprise-wide, board-approved policy consistent with the model policy on equitable political activity (to be developed by the CRE Alliance through stakeholder consultation), including the organization's:
 - » Commitment to support public policies that advance racial and economic equity with enumerated modes of demonstrating such commitment
 - » Guiding principles setting the parameters for the specific public policies that the organization will support and those it will not support
 - » Commitment to avoid or stop supporting public policies (e.g. engaging in public policy development and lobbying) harmful to communities of color and low-income communities
 - » Process for key transparency and ethical practices, including regularly disclosing all direct and indirect political activity and robust controls on “revolving-door” hiring
 - » Regular review and monitoring process to ensure compliance, including through industry and other affiliations, and prompt resolution of conflicts
 - » Support of grassroots organizations working to protect our democracy
 - » Commitment to and scope of executive ownership and accountability
- Disclose cash spent and time and other business resources invested as follows:
 - » Total monetary value of financial or in-kind spending by cause/campaign and recipient/beneficiary
 - » Specify the focus and purpose of all spending

- » Where applicable, utilize relevant accounting rules to standardize and enhance disclosures

- » Estimates of monetary value of in-kind contributions should be verifiable

- **Context for Developing This Standard:** We reviewed research on the history of business influence on public policy, including the formulation of policy, the allocation of public resources to the public interest versus private interest, and the close relationship between business leaders and public leaders. Corporate influence extends from political candidates and their policy platforms, to regulations, labor laws, tax policy, and much more.

Our findings highlight the importance of heightened corporate responsibility to support a healthy, multiracial democracy after decades of unmoderated, profit-driven business influence over national public policy and our regulatory systems. Our findings also suggest that “corporate political responsibility” must mean much more than simply doing social good; it must include rebalancing political power toward the public interest, people, and communities after decades of harmful lobbying and influence.

Corporate political activities at the local and national levels affect society broadly and deeply, making them material, according to our materiality principles. The significant impact of corporate political activity on society led us to set the bar for equity as having a board-approved policy that embeds racial and economic equity in all political activity.

To support companies on achieving the targets, we will develop a model policy on equitable political activity, informed by our research and stakeholder consultation, and with a view toward updating it periodically (e.g., every three years). The instructions above set forth the basic components of the model policy, which may also include a slate of equity-focused policies that companies should support, a list of the most harmful policies that companies should stop supporting, a rubric to help companies’ ongoing determination of equitable

versus inequitable public policies, and a sliding scale for engagement and resource allocation appropriate to company size and impact (i.e., certain industries have more political influence and/or more impact on members of the 100 million).

For the interim targets, we are exploring allocations based on relative company size and resources (e.g., companies with revenue greater than \$X billion should adopt Y level of engagement and resource allocation; micro businesses, on the other hand, could contribute in other ways relative to their resources and impact, and do more as they grow).

▪ **Additional Resources:**

- [Corporate Political Responsibility: The Missing Link in Companies' ESG Strategies](#)¹⁵⁷
- [OECD: Lobbyists, Governments, and Public Trust](#)¹⁵⁸
- [Companies Face a New Era of Scrutiny on Political Activity](#)¹⁵⁹
- [Corporate Political Spending is Bad Business](#)¹⁶⁰
- [Reforming Regulation: Policies to Counteract Capture and Improve the Regulatory Process](#)¹⁶¹
- [Corporate Capture Threatens Democratic Government](#)¹⁶²
- [Advancing Racial Equity and Transforming Government: Resource Guide](#)¹⁶³

- [M4BL Vision for Black Lives: Public Financing of Elections and the End of Money Controlling Politics Through Ending Super PACs and Unchecked Corporate Donations](#)¹⁶⁴
- **Case Studies** (these links offer examples of how some companies are using their political influence on important racial justice issues)
 - » [2021 CEO Blueprint for Racial Equity: What companies can do to advance racial equity and combat systemic racism in the workplace, communities, and society](#)¹⁶⁵
 - » [Ben & Jerry's Wants Incarcerated People #FreeAndSafe from COVID-19](#)¹⁶⁶
 - » [Responsible Business Initiative Advocates for Clean Slate in Multiple States](#)¹⁶⁷
 - » [MLB Moving 2021 All-Star Game from Atlanta over Georgia Voting Law](#)¹⁶⁸

Relevance to Other Frameworks (not intended to be exhaustive; see Appendix C for links):

- SDG Indicators 16.5, 16.6, and 16.7, among others (can be said to serve all SDG Goals)
- GRI 305-4, GRI 305-6, GRI 415-1
- IRIS FP3774
- SASB FN-AC-510a.1

These illustrative performance standards aim to set the highest bar for equity to meet the need and demand for sustainability on social dimensions. Each high-performance bar:

- Defines clearly what equity means and what strong performance on equity looks like;
- Ensures that organizations invest time and resources for the long term and allocate investments to the areas that will make a meaningful difference; and
- Most importantly, ensures that the performance standards improve socioeconomic outcomes and shift power to members of the 100 million.

We look forward to stakeholder feedback on the illustrative standards. We believe that the combination of high performance targets and interim targets will facilitate measurable, systemic change, and positive impact on people's lives today and tomorrow.

Approach to Materiality

The concept of materiality is key to our development of corporate performance standards on racial and economic equity. We base each outcome, lever of change, and performance standard on what is material to a company. We consider issues material to a company—relevant to performance measurement, management, and reporting—when:

- The issues correspond to duties or obligations owed by the company to its stakeholders in order to manage its impact on vital capitals in ways that can, do, or should affect stakeholder well-being.¹⁶⁹
- The issues relate, in particular, to the economic, environmental, or social impacts that the company has on resources that people of color and low-income communities rely on for their well-being and to relationships that the company may have with people in those groups and communities.¹⁷⁰

This approach to materiality is grounded in context-based sustainability principles commonly used to determine materiality in sustainability reporting.¹⁷¹ Another term for this approach is **stakeholder materiality**—we are identifying the breadth and depth of duties and obligations owed by companies to their stakeholders, including but not limited to shareholders, and focused on racial and economic equity.

Our research indicates that the outcomes and levers of change on which the standards rest are material to all companies, regardless of location or industry. Similarly, we will use performance targets that we deem material to all companies, regardless of location or industry (but focused initially on the US), which are especially relevant to people of color, low-income communities, and society at large. While the interim targets may vary to fit a company's particular context (e.g., company size or industry), the accompanying indicators will contribute to full understanding of corporate impact on racial and economic equity.

Vital capitals include human capital (e.g., workforce skills, health, and safety), social and relationship capital (e.g., an organization's activities and business processes and the surrounding community's shared values), economic capital (e.g., opportunities to prosper), political capital (e.g., fair democratic processes), and the natural and constructed capital that we all need to live (e.g., clean water and housing).

Key Factors for Ongoing Consideration

Our further development of corporate performance standards on racial and economic equity will take several other factors into account. We look forward to engaging with stakeholders on these topics during the public comment period and sharing more of our thinking as our work evolves.

Time-based Goals

Some of the standards will include time-based goals based on the criticality of the issue, company resources, and alignment with global goals that many companies are already working toward, such as the UN Sustainable Development Goals meant to be achieved by 2030.

In addition, to support collective impact and greater transparency, we are exploring establishing a common timeline for public disclosure of some material data that can enhance corporate disclosure norms and show the racial and economic equity impact that companies are having per the assurance component of the standards (i.e., public disclosure and third-party audit). For example, we might select a set of standards for reporting by all companies (or large private and public companies) within two years of launching the standards.

We invite stakeholder comments on whether this approach, including the time frame for collective compliance, might boost adoption of the standards.

The Importance of Intersectionality¹⁷²

While our performance standards focus on racial and economic equity, we recognize the importance of understanding the impact of intersecting identities—the intersection of racial and economic equity with other protected classes in the US (sex, sexual orientation, gender identity, disability, national origin, religion, and age).

In our next development phase, we will embed intersectional considerations in key standards—for example, by gathering and disclosing disaggregated workforce data. As our work evolves, we will consider how best to deepen intersectional considerations, not only in the substance of the standards but also in our implementation efforts, such as racial equity overlays on other frameworks. We look forward to engaging with stakeholders on this topic in the current public comment period and throughout the development process.

Gaining Alignment With Leading Standards-Setters

The recent formation of the International Sustainability Standards Board by the International Financial Reporting Standards Foundation (IFRS) is a significant development that we are following, along with several other ESG-reporting consolidation efforts. As discussed in the next section, our standards implementation approach includes developing overlays of our work on leading frameworks, building relationships with other standards-setters, and supporting the drive to build consensus.

We expect that progress will take time, including the time needed to secure more widespread adoption of stakeholder materiality and context-based sustainability standards. But we hope that our effort to develop context-based performance standards on racial and economic equity will help accelerate the overall pace of change, while filling a distinct gap in the corporate standards landscape (both content and process).

US versus Global Focus

Heightened attention to and the urgent market need for meaningful guidance on ESG in general and racial equity in particular led us to prioritize a US focus in developing the initial standards. But we recognize that developing standards with the global context in mind is critical because:

- The largest and most powerful US companies operate multinationally.
- Standards-setting is consolidating globally.
- Systemic racism, especially anti-Black racism, is a global issue nuanced across geographies.
- Economic inequality is also a systemic risk globally.

Accordingly, in the coming years, we aim to expand our focus to the global need. This may require expanding our initial standards or tailoring them for other regions. This may also involve forging partnerships with other standards-setters. For now, we are considering providing guidance in each standard on global application approaches and making definitions as broad as possible to fit other key jurisdictions. In this way, we will support multinational companies as they work toward achieving the standards today.

Industry and Regional Focus

Because we recognize the importance of industry and regional context, we will enrich the initial standards with greater industry and regional considerations, starting with the industries and regions where racial and economic inequity most affects members of the 100 million. This means that additional standards will be appropriate for certain industries and regions. But this should not deter any company from adopting the initial standards when we release them.

Due Process and Governance

We will seek extensive and transparent stakeholder engagement as we develop the initial performance standards. At the end of each public comment period, we will share all stakeholder feedback received on an anonymous basis, but we may synthesize similar comments. We will indicate whether and how we plan to incorporate feedback and will explain our rationale for not incorporating any specific feedback. We reserve the right to refrain from publishing or responding to feedback that is defamatory or diminishes the humanity of any person or group of people.

We will explain how stakeholders can communicate with us about any disagreement with, or concerns about, our responses, development approach, or substance of the standards. As described in the next section, we plan to update the performance standards as circumstances change and our work evolves, so we welcome stakeholder feedback outside of public comment periods.

Finally, we are in the process of determining the long-term home of the standards. Our goal is to put decision-making in the hands of the people most harmed by racist practices, systems, and institutions—people of color and low-income communities.

5

Timeline and Plan for Further Development

Guide for Providing Feedback

This section describes our standards development timeline going forward, including plans for engagement with a broad array of stakeholders, further development of the standards, a pilot of the standards, and other implementation approaches. In this section, we seek feedback on these questions:

- ★ Is anything missing from our plan for further development and publication?
- ★ Should we consider other implementation approaches or expansion avenues to build adoption of the standards by businesses and investors?

Submit your feedback by [completing this survey](#) (letter submissions accepted) or attending one of our roundtable. [Register and stay up to date here.](#)

Public Comments on Our Methodology and Framework

In line with current best practices for developing standards, we are inviting public comments on this report, especially the development methodology and framework outlined in Section 4. We believe that understanding and incorporating the perspectives of stakeholders, especially those whom the standards aim to benefit the most and others whom the standards will affect directly, will greatly strengthen our work.

The public comment period for this report will run from April 5 to June 3, 2022 and will employ at least four feedback channels: a public survey, a public webinar, multiple stakeholder roundtables, and weekly drop-in sessions that prioritize reaching members of the 100 million.

Channel	Dates	Target Participants	Access
Survey	April 5 – June 3, 2022	All	Access survey here Letter submissions also accepted through the survey
Webinar	April 5, 2022	All	CRE Alliance website
90-minute Roundtables	Select Tuesdays and Thursdays from April 19 - June 2	All	See schedule and register here Video conference link provided to registrants
60-minute Roundtables	One evening per week, on Tuesdays or Thursdays from April 21 – June 2	Financially insecure Americans, including young people	See schedule and register here Video conference link provided to registrants

Draft Standards and Subsequent Public Comment Period

After the current public comment period, we will summarize the comments and questions received, release a synthesis of our responses to the comments, and explain how we incorporated feedback into our standards methodology and framework. We will post the summary and synthesis on the CRE Alliance website no later than the publication date of the draft performance standards.

We will lead the effort to draft the full performance standards, incorporating the feedback provided during the current public comment period and ongoing stakeholder engagement and consultations. We will then publish a report with the draft standards and launch another public comment period to collect broad stakeholder input.

We anticipate making the draft of the full performance standards available for public feedback for at least 60 days in the first half of 2023. If our timeline changes, we will post updates on the CRE Alliance website. As in the current public comment period, we will host virtual meetings and will conduct a survey and webinar to collect feedback from a broad array of stakeholders.

Implementation Plans

Initial Pilot

After publishing the draft of full performance standards, we will pilot their initial implementation. The pilot will test the standards with a small cohort of companies that will commit to:

- Sharing the data needed to assess and verify their performance
- Convening a senior-level team to drive transformation aligned with the standards
- Sharing learnings from the pilot publicly
- Engaging with us closely throughout the pilot, across all levels of workers and other key stakeholders, internal and external.

The pilot will have both short- and long-term objectives:

Short-Term Objectives

- Learn what companies need to operationalize the standards, including understanding:
 - Which internal stakeholders should participate in setting up the internal data infrastructure to assess company performance against the standards and activate change aligned with the standards
 - How to best support alignment, strategy development, and activation across the enterprise
 - How the company's ESG team engages with the standards and what it takes to embed the standards in ESG reporting
- Test the performance targets and interim targets to:
 - Ensure clarity (i.e., have we successfully defined what good is?)
 - Understand whether the indicators prompt substantive changes in company behavior

- Surface challenges and roadblocks, so we can better support companies in adopting the standards and achieving results
- Assess the efficacy of the draft interim targets (e.g., are they ambitious enough, too easy, or out of reach? Are they motivating lasting change?)
- Capture early learnings about what it takes to implement individual standards

Long-Term Objective

- Capture learnings about how to implement and sustain the practices described in the performance standards in order to improve the support available to companies and refine future iterations of the standards.

Pilot Deliverables

We will synthesize and publish our learnings to create guidance for companies and other stakeholders on operationalizing the standards. In addition, we will develop a self-assessment tool to accompany the standards, a prototype of which may be developed for and tested during the pilot process.

In the coming months, we will share more information about the pilot, including how companies can raise their hand to participate. Stay up to date at <https://corporateraciaequityalliance.org/corporate-standards>.

Additional Implementation Plans

We aim to launch the draft standards in the US in the first half of 2023, together with an organizational assessment tool for companies that are ready to set targets and track their performance. We also aim for the draft standards release to include guidance on how companies can begin incorporating disclosures regarding their standards performance into their ESG reporting.

We will work with investors, lenders, and public sector leaders who are interested in incorporating the standards (specifically, the performance targets) into the frameworks and tools they use to screen investments and track and measure corporate performance.

One or more members of the CRE Alliance may also engage in public policy advocacy for racial and economic equity to be recognized as a material issue for all US companies and, therefore, important to incentivize and include in mandatory corporate disclosure frameworks aligned with our performance standards.

Our implementation strategy includes partnering with standards-setters and others to produce overlays of our standards on other leading frameworks and standards. For example, in October 2020, we completed the development of [prototype racial equity metrics for investors](#) based on the *Blueprint* in partnership with CRE Alliance Flagship Partners [Global Impact Investing Network](#) and [CapEQ](#). Our overlay approach aims to increase both adoption of the standards and accountability by enabling disclosure of racial and economic equity performance to investors and other stakeholders who rely on disclosure frameworks.

Approximately every three or four years, we plan to review and revise the standards and again invite public comment on the updated standards. After several years of standards implementation in the US, if not sooner, we will explore adapting the standards to other regions across the globe.

Potential Efforts to Expand Adoption

After initial publication of the performance standards, we will explore two potential expansion efforts.

Establishing an index (or rating/ranking)

Focusing on a subset of the standards, we may establish an index anchored in publicly disclosed data on indicators relevant to racial and economic equity and apply the index to a predetermined set of companies (e.g., Russell 1000). The index would help companies understand their performance relative to peers and inform decisions by stakeholders, including prospective employees, consumers, and investors.

Launching a certification

We may launch a certification or partner with one or more other parties with existing certification programs. We would award a certification level to applicant companies that reflects their commitment to and actual progress toward meeting the highest bar for equity set by the standards. Certification based on achievement of the performance standards would require disclosure of extensive internal company data to an independent third-party assessment team.

We plan to make implementation decisions on these potential initiatives over the course of 2022 and 2023, informed by stakeholder input and our pilot insights.



Your voice matters—help us shape the standards for equity in business

The case for addressing racial and economic equity in the US and around the world is strong and argues for urgent action. Companies that embrace their responsibility to transform our economy, democracy, and society to serve all stakeholders, not just shareholders, will be well positioned to lead the charge in the private sector. Our standards will provide a clear pathway for leading-edge businesses to set targets, measure progress, and achieve long-lasting results.

Ultimately, this effort is about setting new norms for the long-term prioritization of racial and economic equity in business. Sustaining norms for equity in business will undoubtedly require a new model of business leadership, where equity is every business leader's job, repeated failure on equity without accountability is no longer acceptable, and continuous improvement and dedication to achieving equitable outcomes are the table stakes for a just, equitable, and healthy society.

Our methodology sets a high bar for equity because we are developing standards with the future in mind. The equitable future we aspire to demands bold leadership and dramatically stronger performance by companies. While the standards alone cannot get us there, they are an important step forward.

We invite all stakeholders to join us in shaping the corporate performance standards on racial and economic equity. This is our collective moment to set the path forward and finally achieve our highest ideals—creating a future for all of us to thrive within a generation and making racial and economic equity a lasting reality across our society. This is how we will win on equity.

Appendices

Appendix A—Glossary

Allocation: Assignment to organizations (or other groups) of fair, just, and proportionate shares of the responsibility for producing or maintaining a resource at or above the level set by social or ecological thresholds.¹⁷³

Audits: External compliance reviews of an organization’s policies, activities/practices, outputs, and outcomes relative to performance, measurement, and disclosure standards.

Bar for equity: Another term for performance target, which means the level of impact that companies should achieve, internally and externally, to contribute toward achieving the racial and economic equity outcomes.

Disclosure standard: Specific, detailed, and replicable ways to report on an organization’s performance, internally and externally.

Equity: Just and fair inclusion into a society in which all can participate, prosper, and reach their full potential.¹⁷⁴

Economic equity: As a process, economic equity aims to ensure no one is left behind in our economy by targeting resources and investments to historically excluded groups, including people of color and working-class people, so all people have good jobs, dignified and rising standards of living, and increased voice, power, and ownership in our economy. As an outcome, economic equity means the presence of values and systems that ensure fairness in the generation and distribution of economic wealth, tax liability, resources, and assets in a society.

Racial equity: As a process, racial equity aims to ensure no one is left behind by targeting resources and investments to dismantle the barriers affecting historically excluded racial and ethnic groups. As an outcome, racial equity is when race and ethnicity no longer influence how one fares in society. It means the absence of discrimination based on race or ethnicity, the absence of racial disparities in all dimensions of society, and the presence of values and systems that ensure fairness and justice for all people.

Inequality: The state of not being equal, especially in status, rights, and opportunities.¹⁷⁵

Inequity: The quality of being unfair or unjust; something that is not fair or equal.¹⁷⁶

Low-income communities refers to communities where many residents are economically insecure, including white people and people of color. In the US, economic insecurity means living on incomes below 200% of the federal poverty level which is equivalent to \$25,760 annually per person in 2021.¹⁷⁷

Measurement standards: Tools, methods, and metrics used to assess performance in accordance with an organization’s performance standards:

- **Indicators:** Activities, outputs, or strategies that the organization undertakes to achieve the associated performance target or interim target. Indicators show the way forward and signify the “thing” we want to measure; metrics are how we measure.
- **Metrics:** Methods of measuring the activity or output of the organization that is intended to achieve the associated performance target. The standards will typically use two types of metrics:
 - **Policy, activity, and practice screens** are evaluations of an organization’s adoption of internal policies and practices, adherence to particular processes or required actions, or positions on specific external policies that advance racial and economic equity.

- **Quantitative measures** are empirical determinations of an organization’s impact on resources (i.e., activities, outputs, and outcomes) relative to the associated performance target.

People of color and communities of color: the term people of color includes all people who are of a race/ethnicity other than non-Hispanic white. This includes people who are Black, Indigenous (or Native American), Asian American and Pacific Islander, Latinx, Arab-Middle Eastern American, multiracial, and immigrants of color. The term communities of color refers to groups of people of color within neighborhoods, cities, or regions.

Performance standards: The level of impact for organizations to achieve, internally and externally, to fulfill their duty to contribute to achieving racial and economic equity. Performance standards support planning, measuring, and assessing the impact of organizations on the resources necessary for achieving and maintaining racial and economic equity, both internally and externally.

- **Performance targets** are another term for performance standards but focused on a specific type and level of impact to be achieved by the organization (e.g., 100% of workers earning a living wage). We also refer to performance targets as the bars for equity to be achieved within each lever of change. We use the term performance target with the indicators to motivate and rally organizations. We use the term performance standard to refer to each grouping of a specific target, with its associated indicator(s), metric(s), assurance mode, and interim target(s). Some may also call this a sustainability norm.
- **Interim targets** are interim performance targets to promote continuous improvement in instances when the organization does not yet meet the related performance target. Interim targets provide the pathway to ultimately meet the bar for equity. Interim targets may take the form of a percentage improvement over an initial performance level within a prescribed period of time or an absolute performance level, regardless of the starting point.

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

Systemic racism: includes institutional and structural racism.¹⁷⁸

- **Institutional racism** occurs within institutions and involves unjust policies, practices, procedures, and outcomes that work better for white people than people of color, whether intentional or not.¹⁷⁹
- **Structural racism** is racial inequities across institutions, policies, social structures, history, and culture. Structural racism highlights how racism operates as a system of power with multiple interconnected, reinforcing, and self-perpetuating components which result in racial inequities across all indicators for success. Structural racism is the racial inequity that is deeply rooted and embedded in our history and culture and our economic, political, and legal systems.¹⁸⁰

Appendix B—Rationale for Corporate Performance Standards

This appendix provides additional detail on the factors discussed in Section 2.

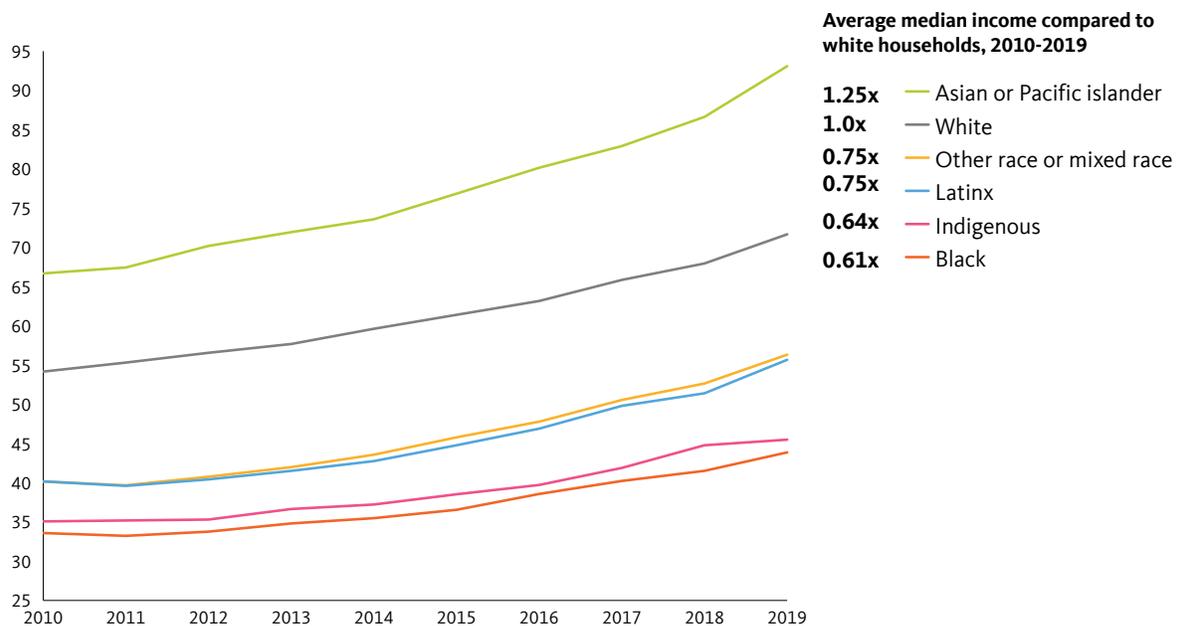
Structural Barriers and Socioeconomic Disparities

For much of US history, racially biased laws and policies, power dynamics, and a culture of race-based exclusion have created tremendous barriers for people of color and have figured prominently in slow economic growth, political instability and civil conflict, and threats to democratic institutions.¹⁸¹ In the 21st century, economic inequality in the US—measured by income or wealth—continues to widen. A Pew Research study finds that, as of 2016, upper-income families enjoyed 7 times more wealth than middle-income families and 75 times more wealth than lower-income families. In 1983, those disparities were 3 and 28 times, respectively.¹⁸²

Economic inequality in the US follows racial lines:

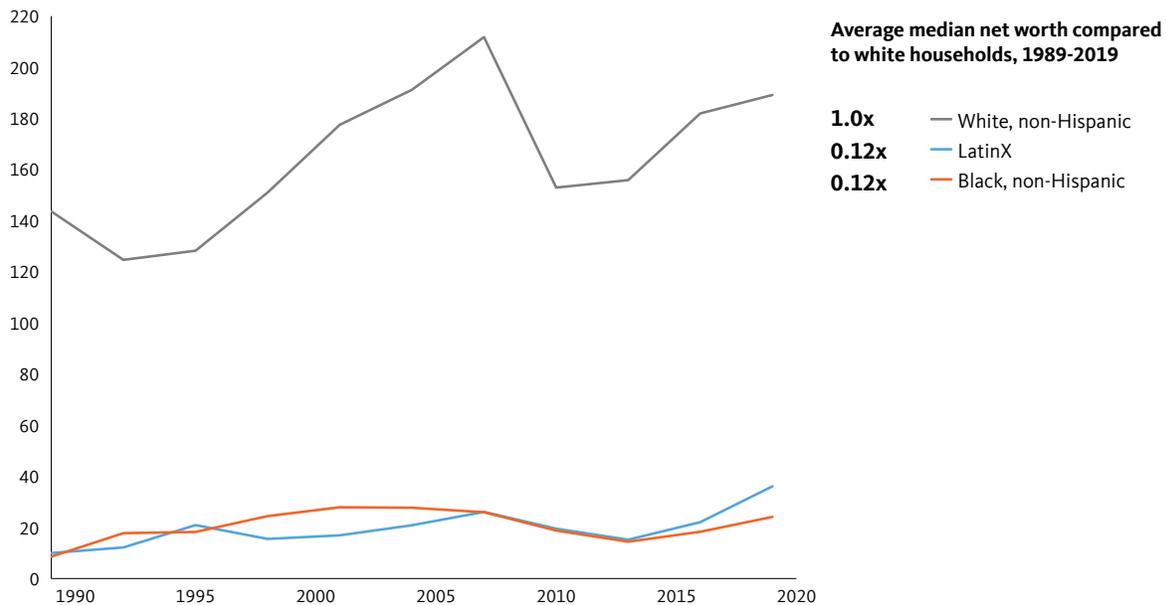
- The large income gaps between Black and white Americans have narrowed only modestly (6-8%) in recent decades, while the median family wealth gap continues to widen (0.5 times from 1992 to 2016, from \$100,000 to \$154,000).¹⁸³
- The income gap between Hispanic and white Americans has grown 10% since 1970.¹⁸⁴

Figure 3: Median household income 2010-2019 by race/ethnicity,¹⁸⁵ \$ thousands



Source: U.S. Census American Community Survey, 2010-2019

Figure 4: Median household net worth 1989-2019 by race/ethnicity,¹⁸⁶ \$ thousands



Source: U.S. Census American Community Survey, 2010-2019

The research literature shows multiple causes of rising inequality.¹⁸⁷ These include the high skills premium associated with technology and education, globalization, and government policies on corporate deregulation, de-unionization, and taxation.

Studies also demonstrate the disproportionate impact of these factors on people of color who face structural barriers to education, employment, and financial stability.¹⁸⁸ These barriers include:

- Under-representation in the highest-growth geographies and the highest-paying industries
- Over-representation in low-growth geographies and in frontline jobs that tend to pay less and face greater risk of disruption by automation
- Limited opportunities to advance into management roles and lack of support for advancement.¹⁸⁹

The US has lost an estimated \$16 trillion in GDP over the past 20 years thanks to these disparities between Black and white Americans.¹⁹⁰ And according to a 2021 study, on our current trajectory, Black employees will need about 95 years to reach parity (or 12% representation) across all levels in the private sector.¹⁹¹

In sum, racialized economic inequality is not tenable for a strong and resilient economy. Corporations therefore have a vested interest in addressing inequality through racial equity in order to continue to enjoy strong profits, an economically secure consumer base, and a healthy labor force.

Shifting Perspectives and Corporate Roles in Society

The shift in stakeholder perspectives on corporate responsibility is critical because companies' far-ranging impact on society—from creating household wealth to offering products that shape our daily lives and our national discourse—means that companies must play an essential role in achieving racial and economic equity.

A 2021 McKinsey study showed that companies in OECD economies account for 72% of GDP.¹⁹² The study maps how economic value flows from companies to households, across supplier payments, direct investment, taxes, capital income, labor income (wages), consumer surplus (when the price that a consumer pays for a product or service is less than the price the consumer is willing to pay), and positive and negative spillovers (when corporate actions create additional positive and/or negative effects).

The study shows that the direct flows for wages and consumer surplus to households are the largest, followed by indirect flows through supplier firms. This analysis implies that among the strongest economic levers corporations have to drive racial equity and reduce economic insecurity are raising wages, offering products and services that serve people of color, increasing consumer surplus, incorporating more businesses owned by people of color into the supply chain, and spending more on those businesses.

While the analysis highlights the flow of economic value from companies to households, it does not capture other critical dimensions of corporate influence on individuals, communities, and society, such as spending on politics and legislation, investing, influencing cultural norms and values, and affecting natural resources and the environment.

Political activity warrants particular attention. Special-interest lobbying has more than doubled over the past 20 years, from an estimated \$1.45 billion in 1998 to \$3.50 billion in 2020.¹⁹³ Its influence extends from political candidates and their policy platforms, to regulations, labor laws, and tax policy. A 2021 report by the Tax Justice Network, a non-profit launched by the British House of Parliament in 2003, shows that governments around the world are losing some \$483 billion each year to tax avoidance and evasion as companies and wealthy individuals shift their money to tax havens.¹⁹⁴ The money lost to this tax evasion—an estimated \$100 billion a year— would be enough to reduce mother, infant, and child mortality by almost eight million people and educate 124 million children.¹⁹⁵

In addition to wielding political influence, companies exert enormous influence on society through their products, advertising, working norms and expectations, and corporate policies and practices. While difficult to quantify, the total impact includes the dramatic changes in work and life triggered by the shift from the industrial revolution to the digital revolution.¹⁹⁶ For example, US companies spend \$250 billion a year on advertising to influence consumer purchasing behavior; and people see many of these ads on social media, where they spend an average 65 minutes per day.¹⁹⁷ These significant investments in advertising, of both corporate money and individual time, reflect the growing influence of corporations on daily life; social media ads influence 48-75% of consumer buying decisions.¹⁹⁸

The diverse roles that companies play in society (see Figure 5) reflect the breadth of corporate power and influence and highlight questions for corporate leaders to consider as they embrace their responsibilities to all stakeholders, internal and external. Their answers to these questions will have significant implications for their efforts to advance racial and economic equity.

Employer

Who does the company hire? Does the company pay living wages? Are the wages paid across the enterprise equitable and fair? Is equity embedded in the values that guide the company in how it classifies its workers?

Value creator and innovator

For whom do company products create value? In what areas does the company innovate? Is innovation equitable? Do the company's products and services harm anyone directly or indirectly?

Buyer

Does the supply chain include vendors from underrepresented groups? Does the company source from the communities where it operates? Are workers across the value chain paid living wages and treated fairly?

Wealth creator

Who are the target beneficiaries of the company's approaches to distributing capital income? Are all workers able to build wealth?

Taxpayer

What values and principles guide the company's tax policies? How does equity figure in company policies? Do local communities benefit or suffer from the company's tax practices?

Political influencer and power broker

Do the company's special interests and policies lobbied for, including advocacy efforts, advance or impede racial equity? Does the company allocate resources to advocate for public policies that would support justice and equity for its workers and their families?

Cultural influencer

What do marketing and other communications say about whom the company values? Is the company changing or reinforcing inequitable narratives? Is the company perpetuating harmful stereotypes?

Environment shaper

Do company operations have an adverse impact on the environment and/or the natural resources relied upon by people of color and low-income communities?

Investor

Is business reinvestment equitable? Outside of business reinvestment, what local and social causes does the company invest in? Do company investments address dismantling structural barriers for people of color and low-income communities?



Some companies are recognizing the economic opportunities of designing products and services to meet the needs of people of color and investing in communities to unlock hundreds of billions of dollars in sales and tap massively underutilized talent. A 2021 McKinsey study finds that expanding local access to goods and services and creating offerings better tailored to the needs and preferences of Black households represent a \$300 billion opportunity.¹⁹⁹ With the US set to become a majority people-of-color country by 2045, this opportunity will only grow.²⁰⁰

Despite the heightened attention, most companies are not considering the full impact of their business-as-usual practices on racial and economic inequities. Given the wide-ranging impact of businesses on society, racial and economic equity performance standards are a necessary tool for accountability, transparency, and guidance so all stakeholders can help ensure that companies reduce harm and increase benefits to all.

Value Creation Opportunity

Our standards development effort seeks to foster systemic change in the private sector that strengthens markets, removes barriers, balances power, and dramatically improves socioeconomic outcomes for people of color and the most economically insecure among us. The value creation opportunity for society, companies, and investors is significant. By the same token, all face serious risks if we fail to prioritize and achieve racial and economic equity.

For example, corporations stand to benefit by advancing racial equity—from attracting and retaining more top talent, to increasing productivity, decreasing costly turnover, unlocking new market opportunities, and building greater organizational resilience.²⁰¹ For example, in the past year, absenteeism due to unfair treatment based on race or ethnicity cost businesses \$54 billion, and productivity lost to unfair treatment based on race or ethnicity cost them \$59 billion.²⁰² Further, turnover due to unfair treatment based on race or ethnicity cost employers \$172 billion over the past five years.²⁰³ Even the so-called “great resignation” in the US is connected inextricably to racial and economic inequities. People of color and working-class people, in particular, are refusing to accept business as usual any longer (e.g., poor pay, unsafe and unpredictable working conditions, poor management, insufficient opportunities to grow, lack of autonomy, and inhospitable business cultures).²⁰⁴

As our standards development work evolves, we will continue to share research and findings. Together, this body of research underscores that companies have a tremendous opportunity and responsibility to adopt a productive role in building an equitable, just, and healthy society for all.

Appendix C—Relevant Tools, Disclosure Standards, Frameworks, and Ratings

As You Sow Racial Justice Scorecard ([link](#))

B Impact Assessment ([link](#)) and B Corp Certification ([link](#))

Black Dollar Index ([link](#))

Bloomberg Gender Equality Index ([link](#))

Catalyst Award ([link](#))

CDP companies scores ([link](#))

CEO Action for Diversity and Inclusion Racial Diversity & Inclusion Self-Assessment ([link](#))

Centre for Global Inclusion Global Diversity, Equity & Inclusion Benchmarks ([link](#))

Climate Disclosure Standards Board ([link](#))

Committee for Better Banks, “Advancing Racial Justice” ([link](#))

Context-Based Sustainability ([link](#))

Coqual Black Equity Index ([link](#))

Equity in the Center’s: Awake to Woke to Work ([link](#)) and Race Equity Cycle Pulse Check ([link](#))

Fair Trade Certification ([link](#))

Fortune and Refinitiv Measure Up Initiative ([link](#))

FSG’s Six Conditions of Systemic Change ([link](#))

Future Fit Business Benchmark ([link](#))

GIIN IRIS+ Platform ([link](#)), Catalog of Metrics ([link](#)), and Racial Equity Theme ([link](#))

Global Reporting Initiative (GRI) Standards ([link](#))

Good Jobs First “Violation Tracker” ([link](#))

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JUST Capital Racial Equity Tracker ([link](#))

JUST Capital Rankings ([link](#))

KnowtheChain Benchmark ([link](#))

Movement for Black Lives Divest-Invest Platform ([link](#))

MSCI ESG Rating ([link](#))

MLT Black Equity at Work Certification ([link](#))

National Equity Atlas ([link](#))

Racism as a Root Cause Framework ([link](#))

Ranking Digital Rights Index ([link](#))

S&P Global ESG Ratings ([link](#))

Science-Based Targets ([link](#))

ShareAction “Workforce Disclosure Initiative” (WDI) ([link](#))

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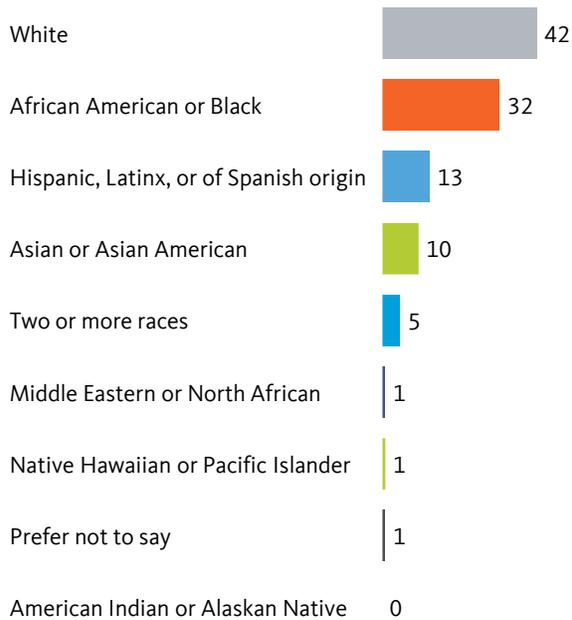
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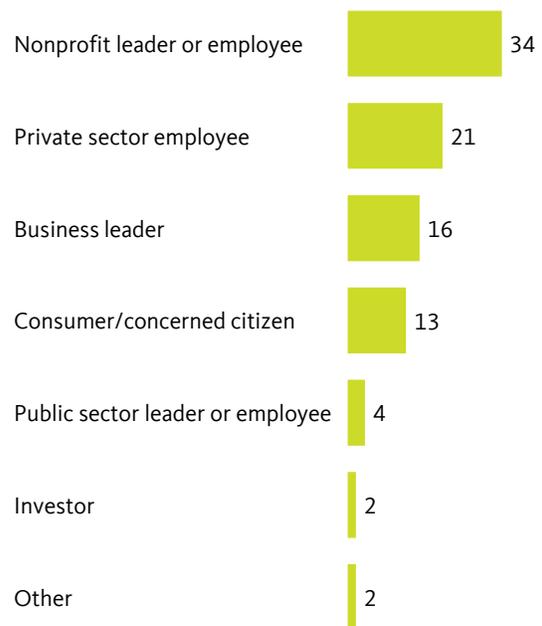
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Appendix D—2021 Public Comment Period Results

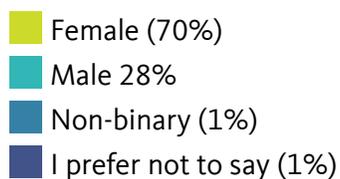
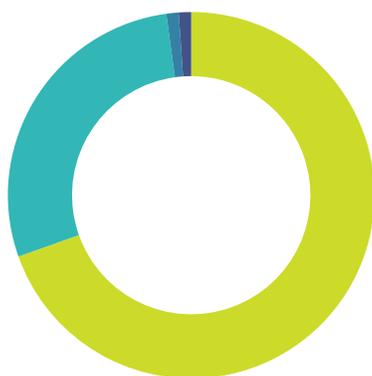
RACE/ ETHNICITY



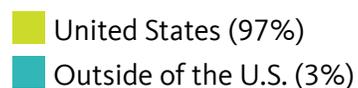
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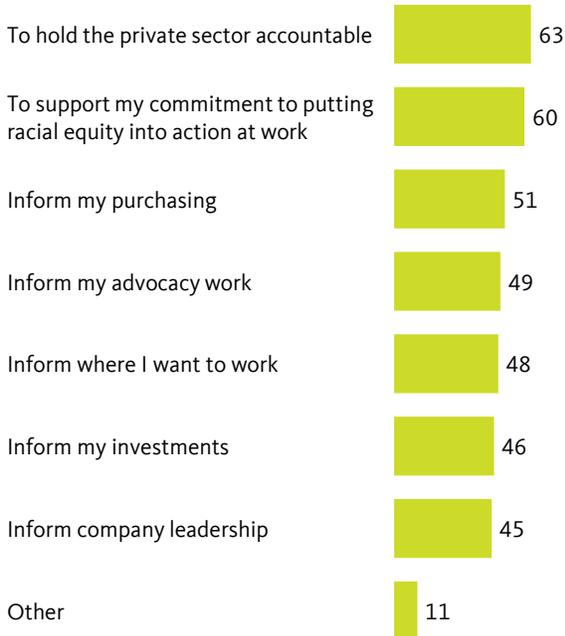


GEOGRAPHY



Question 1:

Why are corporate standards for racial equity important to you?



Question 2:

From your perspective, what would be the most important outcome from this effort?



Question 3:

In what area(s) is it most important to you that we set clear performance standards?



Question 4:

Is there anything else you would like us to be aware of as we continue this work?

Approach	“Be realistic and full of intent,” “be bottom up and top down”
Belonging	“Dignity, Justice, and Belonging offers a more hospitable portal from which to enter this work.”
Collaboration	Connect to other movements
Diversity	Be “representative of (the) surrounding environment”
Equitable investment	“Have a shared vision, and leverage all partners in a community”
Harm	“We need new formulas and new leadership”
Legal restitution	“There are not enough legal resources available to victims of discrimination”
Seek other models	“Take cues from the world of ethics and compliance”
Transparency	“Continue publishing the work and its positive impacts”
Worker voice	“Corporate donations should be informed by what people are demanding”

Appendix E—Bold Visions the CRE Alliance Shares

The 10 racial and economic equity outcomes that anchor our performance standards are inspired by, and aim to align with, the outcomes that countless racial and economic equity advocates have championed for decades and continue to fight for today. We share a few of our sources of inspiration below and note that this list is far from exhaustive. These sources of inspiration, and many others, are a key part of the foundation on which we are innovating from the ground up, informed by the expertise, wisdom, and resilience of people of color and low-income communities.

- [Climate Justice Alliance's Just Transition Framework](#)
- [Liberation in a Generation Policy Platform](#)
- [M4BL Red Black and Green New Deal](#)
- [M4BL Vision for Black Lives](#)
- [New Orleans Youth Alliance Policy Platform](#)
- [Opportunity Youth United Policy Platform](#)
- [Poor People's Campaign Moral Justice Jubilee Platform](#)
- [Race Forward, People's Action, the National Congress of American Indians, PolicyLink, the National Urban League, Demos, UnidosUS, Asian & Pacific Islander American Health Forum, and Rights & Democracy: Principles For Racially Equitable Policy Platforms](#)

Endnotes

Chapter 1: The Corporate Racial Equity Alliance

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