AT THE INTERSECTION OF DE&I AND RETAIL

A review of the landscape and perspectives to inform engagement

April 2022

INTRODUCTION

Contextualizing the exploration of issues, stakeholders, and progress

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OUR APPROACH

WHO

Mozaic Strategies examined DE&I perspectives and activities relevant for the retail sector.

WHAT

- Landscape analysis
  - Review of NRF DE&I surveys and other materials
  - Commentary in top-tier media and relevant outlets over the past year
  - Scan of social media conversations and influencers
  - A review of notable research on DE&I
- Selection of in-depth interviews

WHY

- To level-set an understanding of key stakeholders, conversations, and emerging themes about DE&I and their relevance for NRF members
- To identify key qualities of strategies, approaches, and programs that are creating successful DE&I connections
- To understand opportunity gaps and perspectives on DE&I that are relevant for NRF members at different stages of their DE&I journeys

LANDSCAPE ANALYSIS

Summary of findings from a review of NRF DE&I materials, top-tier media coverage, social media conversations, and notable DE&I research

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KEY INSIGHTS

The confluence of the COVID-19 pandemic, continued calls for racial justice, the 24-hour news cycle, and the “Great Resignation” has placed sustained pressure at the intersection of business and society.

- **Expectations for engagement** on DE&I issues remain high in the U.S.
- **Stakeholders demand authenticity and action** be at the core of any messaging and engagement from leaders.
- There is **continued coverage of DE&I in media**—in top-tier, social, and specialty outlets—but visibility and momentum generally declined in the latter half of 2021.
- **Employees continue to drive activism**, and younger employees have high interest in DE&I and accountability.
- There is **a growing body of research and data** about DE&I in the workplace, and while it signals progress in some areas, it underscores significant opportunity gaps.

OBSERVATIONS ABOUT THE NRF DE&I WORKING GROUP

Since 2020, NRF has convened regularly to create learning and engagement opportunities for member companies.

- Gatherings began at a time of heightened tensions and expectations from a variety of stakeholders—NRF members, employees, customers, leaders, communities, etc.
- Members of the DE&I Working Group represent companies that are in different stages of their DE&I journeys.
- Meetings were initially structured as conversations and have evolved into a format for sharing strategic approaches and best practices, inviting outside presenters on specific topics, and creating a space for Q&A. Meeting topics have covered areas such as diversification of talent pipelines, development of DE&I programming, leadership in DE&I, and strategic partnerships, among others.
- There are over 160 members in the DE&I Working Group, but attendance on the monthly calls is significantly lower.

A SELECTION OF NRF WORKING GROUP SURVEY RESULTS

In 2020, members said...

- George Floyd's murder led to a more focused commitment to DE&I efforts.
- Efforts involving hiring, employee engagement, and training (inclusive of unconscious bias training and employee resource groups) were being prioritized.
- Many companies lacked internal resources and processes for implementing DE&I initiatives.

Note: Based on 92 full and partial responses

In 2021, members said...

- Recruiting diverse candidates, diverse representation in the workforce, and limited internal resourcing were significant barriers for some DE&I Working Group members.
- Diversity in hiring, employee education and training, and strategic partnerships were being prioritized by a majority of respondents.
- Many members were most interested in resources for recruitment, retention, and DE&I measurement.

Note: Based on 68 full and partial responses

OVERVIEW OF DE&I MEDIA COVERAGE

- **Authenticity continues to be a critical point of credibility** for DE&I engagement.
- Commentary largely moved away from proving why DE&I matters and towards **how companies are taking action to achieve it**.
- **Activist investors and stakeholders are continuing to play a large role** in the media, demanding more progress on diversity throughout the sector.
- **Organizations are swiftly criticized** for reacting to an event or stakeholder demand rather than engaging proactively.
- **The Great Resignation is driving a renewed focus** on employee engagement and issues such as workplace safety, employee benefits, and underrepresented minorities.

**This is reflective of coverage between May 2020 and February 2022.*

IN THE NEWS

DE&I continued to make headlines across major news platforms

POLITICO

Shareholders target 'white man's world' with record demands for diversity data

Harvard Business Review

Why You Need a Supplier-Diversity Program

Forbes

Diversity And Inclusion Are The Differentiators You Need To Beat The Great Resignation

AXIOS

Investors push retailers to strengthen sick leave policies

Vox

One year after #BlackoutTuesday, what have companies really done for racial justice?

MORNING BREW

Corporate America Scrabbles for CDOs Amid Diversity Push

Bloomberg Law

S&P 500 Opens Up on Diversity After Floyd as Investors Seek More

LEADERSHIP

There is a disconnect between growing demands for DE&I roles and what is needed to make them successful

54%

increase in DE&I job openings from pre-pandemic levels

HALF

of S&P 500 companies employ a Chief Diversity Officer

3 YEARS

is the average Chief Diversity Officer (CDO) tenure

ENGAGEMENT

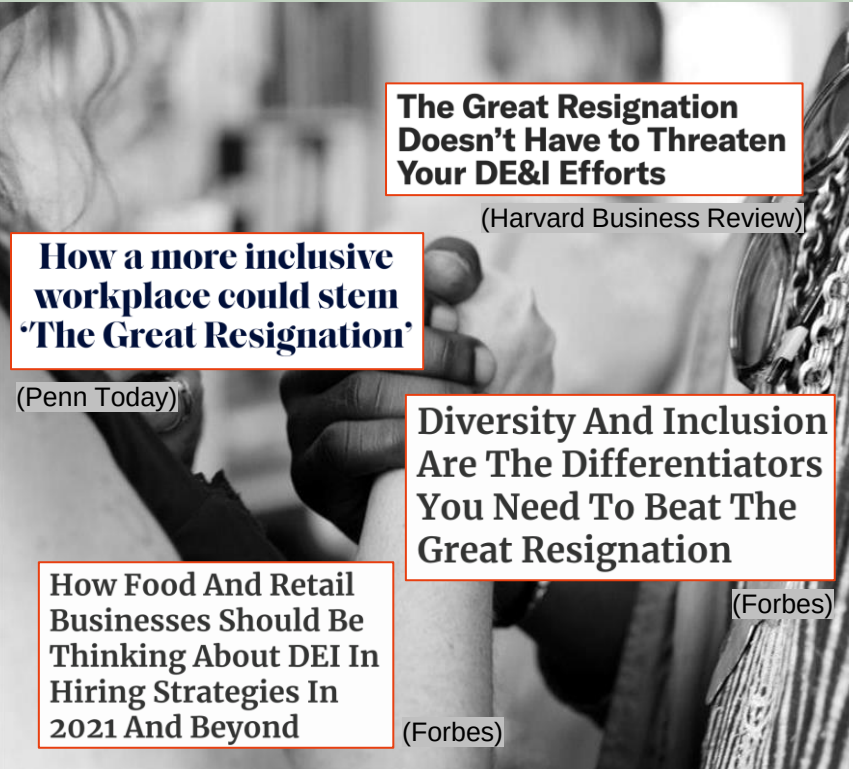
Public commitments to DE&I are commonly partnered with other strategic initiatives

In addition to financial support, corporates advanced the following:

- Internal and external DE&I councils / advisory groups
- Chief Diversity Officer (and new roles) in the C-suite
- Internal initiatives (employee resource groups, town halls, guest speakers, training, etc.)
- Talent acquisition strategies
- Training
- Recruitment of diverse board members

ENGAGEMENT

Hiring challenges continue to be a major focus for organizations



62%

of underrepresented job seekers observed bias in the hiring process

50%

reported having observed exclusionary language in a job posting

44%

of respondents said that candidates have turned down an interview or job offer due to a lack of diversity in the company's workforce

ENGAGEMENT

Corporations face an uphill climb in the race for talent acquisition and retention exacerbated by the Great Resignation

- Over 600,000 retail workers put in their notice in April 2021.
- Recruiters noticed high rates of attrition of hires from underrepresented communities.
- The Millennial and Gen Z generations are the most diverse pool of talent in our nation's history.

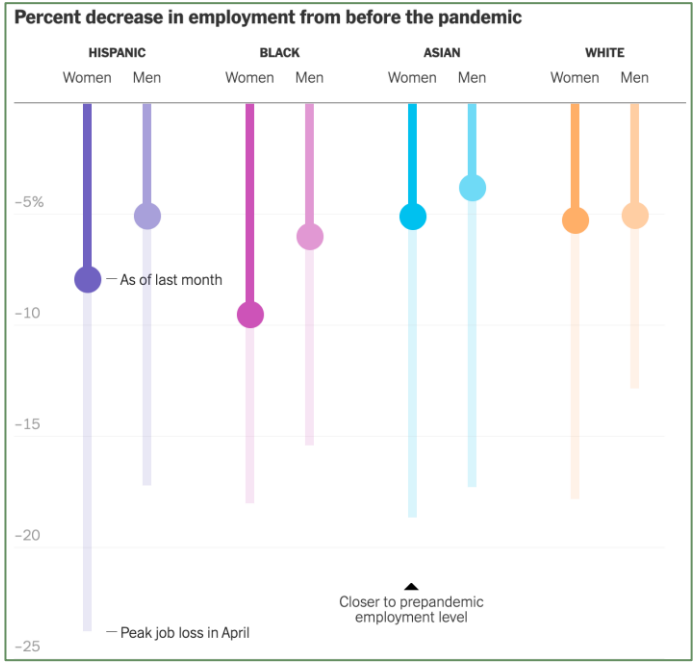


Image from New York Times

COMMUNICATIONS

DE&I data disclosure is surfacing as a key issue that may lead to change

Demands include:

- Data collection and assessment of issues that cut across identities, e.g., pay equity for women of color
- Boardroom and senior management diversity and equity data
- Standardized and mandated data disclosure
- Professional development and workplace conduct

Investors Seek More Information About Companies' Struggles to Hire, Retain Staff

Rattled by high turnover rates, stock pickers push employers to show workforce data

(Wall Street Journal)

"The [SEC] is working on requirements for companies to disclose the diversity of their boards and potentially their workforces. Proposals are expected to come early this year."

—Bloomberg (February 2022)

VALUE

Diversity in the supply chain continues to be seen as a pathway for transforming value in the retail sector

Diversified supply chains have a multiplier effect on DE&I goals:

- Generate opportunities in disadvantaged communities >> Diverse suppliers often reinvest in their communities
- Promote competition and supply chain resilience
- Support the labor market >> Small businesses account for the majority of new jobs created
- Improve employee engagement

Why Diverse And Inclusive Supply Chains Are Needed And Three Tips To Make It Happen (Forbes)

The Importance of Diversifying Your Supplier Base (Total Retail)

Why You Need a Supplier-Diversity Program (Harvard Business Review)

SOCIAL MEDIA ACTIVATED FOR THE WORKFORCE

Hashtags are being leveraged to raise awareness and engagement around workforce issues

400+

Companies participated in the #ShowUsYourLeave campaign by posting their paid leave policies to social media

Employers, it's time to #ShowUsYourLeave.

AN EXAMPLE OF INTERSECTIONAL ENGAGEMENT

Calls for racial justice paved the way for other large-scale DE&I campaigns in retail

27.7

MILLION

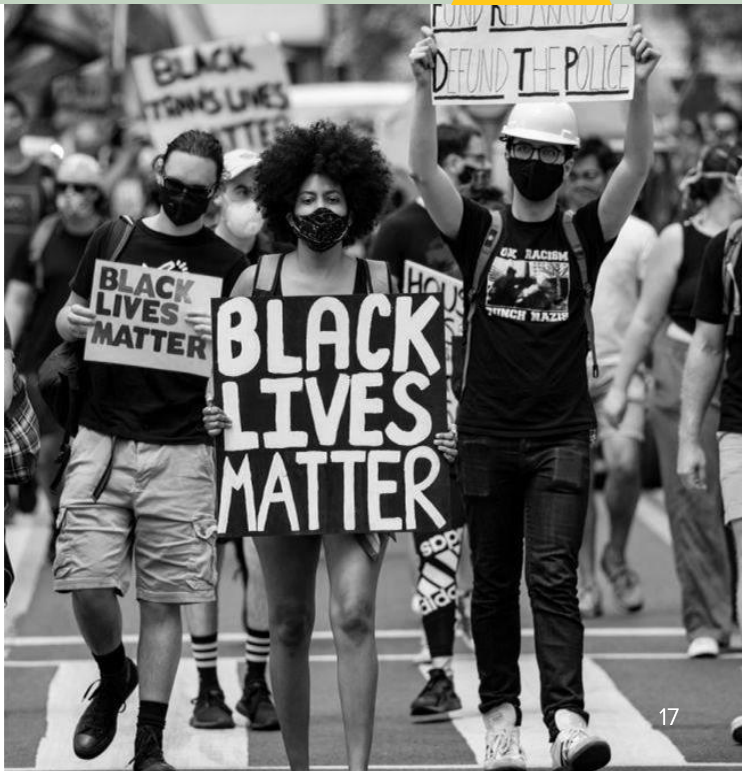
Instagram posts have used #BlackLivesMatter

POPULAR RETAIL HASHTAGS ON INSTAGRAM INCLUDE:

#blackownedbusiness
(>15 million posts)

#blackowned
(8.3 million posts)

#buyblack
(>3 million posts)



LEVERAGING PLEDGES FOR ACTION

Businesses mobilized around key social commitments

Pledges responded to public calls to action:

- **Fifteen Percent Pledge**
  28 retailers signed the 15% pledge, dedicating 15% of their shelf space to Black-owned businesses and generating almost $10 billion in revenue.

- **Voting Rights**
  CEOs publicly joined the campaign to protect voting rights after the proposal of restrictive voting rights bills.

fifteen percent pledge

RESEARCH OVERVIEW

We reviewed eight DE&I-focused research reports published from 2021 to 2022 and found an emphasis on the following:

- DE&I needs to be embedded into an organization's strategy and sustained over time.
- Board- and management-level diversity is progressing slower than at other levels.
- Organizations should be willing to challenge assumptions and change behavior in tandem in order to achieve substantive and sustainable change.
- Culture change needed to achieve DE&I in the workplace requires commitment paired with innovation.
- Greater inclusion is an opportunity to drive business success.
- Calls for action are growing stronger with younger generations.
- Businesses can demand the same level of commitment to DE&I from their partners and networks.

THE EQUITY IMPERATIVE

Deloitte - February 2021

The ideas, insights, and perspective in this report were informed by interviews with a diverse group of "Changemakers"—leaders in the public, private, and social sectors—as well as recommendations from strategic advisors.

94%

of Gen Z expect companies to take a stand on important social issues, and 90% are more willing to buy products that benefit the environment or society.

72%

of Gen Z believe racial equity is the most important workplace issue today, and nearly 50% believe employers should be doing more to promote inclusion.

Read Report

THE DIVERSITY IMPERATIVE IN RETAIL

McKinsey & Company - January 2021

Consumers are expecting more from brands than ever before, and the cost is high for retailers that don't take action on racial equity, diversity, and inclusion.

13%

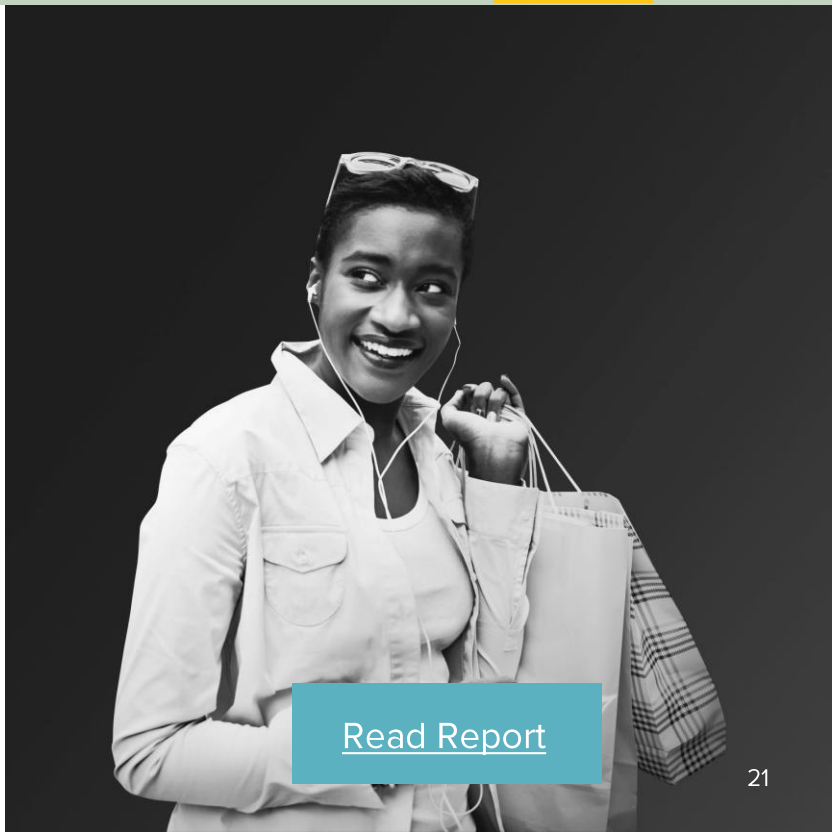
of executive positions were held by ethnically diverse individuals in the retail sector in 2019.

75%

of Gen Z consumers will end relationships with companies that run ad campaigns perceived as macho, racist, or homophobic.

52%

of people of color will not work for a company that fails to speak out on racial inequality.



Read Report

NRF National Retail Federation

KEY TAKEAWAYS

Recap of best practices

LEADERSHIP

Visibility matters.

There are significant trust gaps despite a desire to see leaders do more.

ENGAGEMENT

Action matters.

Employees and the public want action on issues at the intersection of business and society.

COMMUNICATIONS

Credibility matters.

Stakeholders want more transparency and accountability from leaders.

VALUE

Progress matters.

In order for DE&I to be sustainable, progress needs to be measurable over time.

IN-DEPTH INTERVIEWS

Summary of findings from in-depth interviews with a selection of NRF DE&I Working Group members

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PARTICIPANTS AND INTERVIEW FORMAT

Mozaic Strategies interviewed **10 individuals.**

Participants were selected by the chairs of the NRF DE&I Working Group based on recommended qualifiers which included company, role, diverse representation, and engagement in the Working Group.

Interviews were structured as 45-to-60-minute conversations focused on four key areas:

- Roles and experience in DE&I
- Workplace culture
- Organizational approach and engagement in DE&I
- NRF DE&I Working Group experience

SUMMARY OF INSIGHTS

- DE&I leaders are seeing **a sharper focus, increased urgency, and direct CEO engagement in DE&I** since the racial reckoning of 2020.
- **DE&I approaches are closely aligned with core company values**, but there is broad acknowledgment that work remains to fully scale adoption across companies.
- In the current environment, there are **elevated expectations to deliver impact on DE&I** in ways that are visible, authentic, and measurable as retailers aim to lead comprehensive cross-functional efforts.
- Regardless of where retailers see themselves on their DE&I journey, there is broad acknowledgment that **DE&I is an ongoing and iterative effort** that requires significant collaboration.
- Most DE&I leaders are **proximate to the CEO and C-suite** and view the engagement of CEOs favorably.
- **Data is considered an essential tool** to drive the DE&I strategy and build consensus, but retailers are using it to varying degrees.
- **Retailers are using internal communications** channels to drive DE&I engagement but there is a notable challenge in communications and connection with employees in middle management and store associate levels.
- There is a strong continued **interest in focusing on talent acquisition and training and development** for the Working Group meetings.
- There is **an opportunity for the NRF DE&I Working Group** to refine focus and deliver a greater value proposition through meeting content that accounts for evolving issues, provides networking opportunities, and offers a platform to easily access information after meetings.

PERSPECTIVES: ORGANIZATIONAL STRUCTURE, VALUES, AND CULTURE

Feedback and Observations

- There is broad alignment between leadership, approach, and engagement in DE&I and the company's workplace culture and values.
- A majority of leaders noted that a focus on DE&I was accelerated by issues that surfaced in in 2020.
- Many organizations describe their DE&I strategy as "holistic" in structure, goals, and activities. Those in earlier stages of their DE&I journey, expressed that a comprehensive approach is an aspiration they are working to develop.
- Most DE&I leaders and programs are situated in Human Resource functions – reporting to CHROs or Chief People Officers.
- All retailers view securing buy-in for DE&I across the business as critical for ensuring it is integrated in business priorities, company culture, and/or the customer experience and some are making strides on this— but not all.
- CEO engagement is viewed favorably—and most companies see the proximity of senior leaders to DE&I as a visible pivot since 2020.
- Despite strides to build and strengthen DE&I engagement, some leaders face challenges in garnering internal support—particularly in middle management—and many are working to bridge connections to frontline retail workers.

PERSPECTIVES: STRATEGIC APPROACHES TO DE&I

Feedback and Observations

- Most DE&I leaders have been in their current roles for less than 3 years – although most are not new to DE&I.
- Several DE&I leaders were recruited for their current roles, signaling that companies are investing in hiring external, high-caliber DE&I professionals.
- DE&I journeys range in maturity from companies that are formalizing their teams and do not yet have a strategy to retailers that have established comprehensive strategies and are regularly reporting progress.
- Companies with comprehensive approaches to DE&I have plans with a defined vision, internal and external strategies, a team, goals/metrics, structured programming, and CEO engagement.
- Companies with more mature DE&I journeys acknowledge that their DE&I engagement efforts began well before 2020 and recognize the need for continued and substantive iteration of plans.
- Retailers in earlier stages of a DE&I journey have hired DE&I leaders within the past 18 months and are in the process of prioritizing the development of a comprehensive strategy and securing buy-in across their company.
- The CEO-level engagement and willingness to serve as a spokesperson on DE&I issues is viewed as the new normal.
- Employee Resource Groups (ERGs) and DE&I-focused councils and committees are common networks and platforms driving internal DE&I engagement among members.

PERSPECTIVES: STRATEGIC APPROACHES TO DE&I

Feedback and Observations

- Hiring and retention are ongoing challenges for most retailers–at store and corporate levels–so DE&I leaders to continue a focus on talent acquisition and training and development opportunities.

- Members are using a variety of internal and external data to conduct audits, identify opportunity gaps, and inform strategies and pivots. Retailers cited the following types of data to be of interest or use in their work: *U.S. Census, talent demographics, employee surveys, human development/brain science, supply chain, net promoter scores, and other proprietary business data*.

- All companies articulated that they have made/are making progress on gender and LGBTQ+ representation, particularly in leadership.

- Nearly all companies indicated that they are continuing to have difficulty making progress on representation by race and ethnicity, particularly at corporate management levels despite having significant representation of people of color at the store and associate levels.

- Several retailers indicated that tracking what is happening in society is essential to the ongoing development of their DE&I plans.

- Nearly all DE&I leaders indicated that they are members of various DE&I-focused networks, partnerships, and coalitions and have varying degrees of involvement.

- Only one of the retailers interviewed said that DE&I has been established as a metric in individual performance objectives.

PERSPECTIVES: COMMUNICATIONS ABOUT DE&I ACTIVITIES

Feedback and Observations

- Several organizations have seen progress leveraging internal communications platforms —intranet, email, company-wide updates, internal newsletters, Slack, Yammer, quarterly executive reports, senior leadership meetings, and team store-level meetings.

- CEOs, DE&I leaders, and store managers are viewed as instrumental communicators and ERGs are viewed as essential platforms for disseminating DE&I information. There are also established timings for communications — weekly, monthly, and quarterly.

- Most organizations have established a regular cadence for external DE&I communications, including shareholder meetings, DE&I annual reports, ESG reports, executive communications, and company websites.

- Several retailers indicated that they are working on how to make communications more accessible at the store-level.

- Reporting on DE&I is recognized as a best practice but there is a broad spectrum of public reporting—from retailers that provide baseline demographic data and information on DE&I plans to a few that participate in submitting data for recognition lists. It is important to note that several retailers are mindful of potential federal disclosure mandates.

PERSPECTIVES: ENGAGEMENT IN THE NRF DE&I WORKING GROUP

Feedback and Observations

- DE&I professionals who have joined NRF DE&I Working Group monthly meetings report positive reaction to the meeting content, and several have actively participated with presentations or during Q&A segments.
- DE&I leaders who have not engaged with the Working Group indicate that they do not have an existing relationship with the DE&I Working Group or fully understand the value proposition and/or are new to their roles.
- Nearly all retailers found the highest value in the sharing of best practices in the Working Group meetings—as presenters and as audience members.
- DE&I leaders viewed the guest speakers and practitioners who have presented to the group favorably and indicated that they would like to see more of that—particularly, perspectives from more brands and adjacent sectors/industries.
- Respondents at different stages of their DE&I journey indicated that they would like to have an opportunity to network with colleagues in the DE&I Working Group.
- Members generally believe that the Working Group can provide information that is useful for where they currently are on their DE&I journey but acknowledge time constraints impede them from participating as consistently as they would like to.

DE&I WORKING GROUP MEETING IDEAS

The following list was shared with interviewees to gather a sense of what they believe should be a priority for the DE&I Working Group monthly meetings.

Potential Areas of Priority:

- Leadership in DE&I
- Talent Acquisition
- Training and Development for a Diverse Workforce
- DE&I Communications
- Strengthening DE&I Performance and Reporting
- DE&I Best Practices and Resources

Feedback and Observations:

- All areas on the list were viewed as worthy of being considered for the monthly meetings.
- Talent Acquisition and Training and Development for a Diverse Workforce were areas prioritized by most participants.
- DE&I Best Practices and Resources was the area least prioritized by interviewees.

STRATEGIC CONSIDERATIONS

As the NRF DE&I Working Group looks to enhance the experience and support for members, it will be important to:

- Establish a **foundational connection** with members - particularly those who are new to their organizations.
- Ensure meeting content that aligns with expressed **ongoing interests** but also offers a space to explore newer or evolving issues.
- Invite Working Group members and guest speakers to present insights on best practices for developing and sustaining DE&I engagement in ways that are **visible, actionable, credible, and measurable** for retailers at varying stages of their DE&I journeys.
- Create opportunities for Working Group members to **network and connect with one another** on DE&I issues.
- Provide members a platform to **easily access information and stay connected** to the Working Group when attendance at monthly meetings is not possible.

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