



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

May 11, 2021

President Joseph R. Biden, Jr.
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Biden:

I commend you for issuing Executive Order 13985, Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, on January 20th, in which you established a whole-of-government initiative to address racial equity and support underserved communities and also directed federal agencies to conduct an assessment of federal policies and programs.

Diversity, equity, and inclusion are critical for the future growth and sustainability of our country and while we have made strides in New York City, we cannot fully achieve these goals without the cooperation of government at all levels. I would appreciate an opportunity to meet with you or your designee to share our experience and work together with the Administration on key initiatives that will drive diversity, equity, and inclusion.

As Comptroller of the City of New York, I serve as the City's chief fiscal officer and I am the investment advisor to, and custodian and a trustee of, the New York City Retirement Systems, which collectively have \$248 billion in assets under management. As the federal government conducts its assessment, I ask that the Administration consider a number of recommendations, many based on successful initiatives pursued by my office that have had an impact on both the public and private sectors.

Increase Access by Diverse Managers to Federal Institutional Capital

Diverse asset managers often face disproportionate challenges to accessing institutional capital even though they frequently outperform other managers. Federal institutional investors, such as retirement plans, endowments and insurance programs administered or overseen by federal entities ("Federal Investment Funds"), collectively manage more assets than any public pension fund in the nation but underutilize minority and women-owned assets managers. The New York City Retirement Systems have increased allocations to top-performing diverse managers by 88% since 2014 and expanded our programmatic reach to early stage and emerging managers as well as established diverse managers. Federal Investment Funds should seek to increase their utilization of top-performing diverse managers and require information about diversity in their

diligence and monitoring of managers. Strengthening executive leadership commitment as well as organizational accountability to diversity at Federal Investment Funds can improve opportunity as well as investment performance.

Implement a “Rooney Rule” for Federal Hiring

To attract the talent our nation needs, the Administration should implement a version of the “Rooney Rule” appropriate for federal hiring. Pioneered by the National Football League, the Rooney Rule does not dictate who should be hired, but instead widens the talent pool and requires consideration of diverse candidates. Over the past year, in response to our office’s Boardroom Accountability Project 3.0, more than thirty of our large, public portfolio companies have adopted and disclosed a version of the Rooney Rule requiring consideration of qualified women and people of color when selecting new directors and, unprecedented at the time - for CEOs. During 2021, we have negotiated similar policies governing the hiring of all senior executives with additional portfolio companies.

Require Diversity and Equity Disclosures from the Boardroom to the Shop Floor at U.S. Public Companies

In order to provide standardized and consistent diversity and equity disclosures at U.S. public companies, the Administration should call on the SEC to adopt transparency and disclosure reforms. In the first instance, the absence of disclosure requirements concerning the racial and ethnic diversity of board composition has made it challenging for investors to make informed investment and proxy voting decisions. In the words of SEC Commissioner Lee, “[G]iven that women of color hold just 4.6% of Fortune 500 board seats and less than one percent of Fortune 500 CEOs are Black, it’s time to consider how to get investors the diversity information they need to allocate their capital wisely.”ⁱ The Administration should urge the SEC to expeditiously approve and extend to all public companies the NASDAQ proposal that would require companies listed on the NASDAQ stock exchange to disclose standardized diversity statistics regarding their board of directors and require companies to have, or explain why they do not have, at least two self-identified diverse directors.

To increase transparency and strengthen accountability beyond the boardroom, the SEC should mandate that all public companies disclose the EEO-1 report which they annually submit to the federal government; the report details the composition of a company’s U.S. workforce by race and gender across employment categories and levels. In July 2020, my office launched a successful national campaign asking companies to match their public statements in support of racial equity diversity and inclusion with concrete action by publicly disclosing their EEO-1 demographic data. In response to the initiative, a substantial majority of S&P 100 companies are now committed to disclosing their EEO-1 report. Full public disclosure will provide investors and other stakeholders standardized, quantitative, relevant and comparable employment data across companies and industries, so that we can assess the representation and progress of Black employees and other employees of color and women at various levels of the corporation.ⁱⁱ

I understand the SEC is considering enhancing Environmental Social and Governance (ESG) disclosures and enforcement and has announced a Climate and ESG Task Force. Diversity and equity issues should be important components of any ESG analysis by corporations and their shareholders. In connection with this welcome initiative, the Administration should urge the SEC to prioritize diversity and equity in any required disclosures.

Address Barriers to Government Procurement and Contracting at the State and Local Level

Finally, I recognize that Section 7 of your Executive Order on Racial Equity seeks to address the barriers that underserved communities and individuals may face in accessing federal procurement and contracting opportunities. This is crucial at the state and local level as well. In 2016, the U.S. Minority Business Development Agency (MBDA), which reviewed 100 state and local disparity studies from across the country, highlighted that lack of enforcement and accountability are common issues plaguing programs designed for minority- and women-owned businesses (M/WBEs). As a result, the MBDA reported that “the needle has not moved with respect to overcoming disparities.” This is especially true in New York City, where my office has shown that M/WBEs still only receive five percent of contract dollars. Thus, I urge the Administration to use its executive power, where possible, to address the systemic biases that M/WBEs face, not only at the federal level, but also within states and municipalities across the nation.

Your willingness to acknowledge, address, and correct institutionalized biases shows extraordinary leadership and can propel us toward a truly equitable society. We look forward to discussing our initiatives with the White House and working together on the critical challenges facing our nation.

Most respectfully,



Scott M. Stringer
New York City Comptroller

ⁱ <https://www.sec.gov/news/speech/lee-cii-2020-conference-20200922>.

ⁱⁱ Two of the leading independent investor research firms, Bloomberg and MSCI, have recently begun to facilitate improved research and analysis using the EEO-1 report data disclosed by public companies.