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FOUNDATION

CORPORATE EQUALITY INDEX 2016

Criteria Updates & Toolkit for Success



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LETTER FROM HRC FOUNDATION PRESIDENT CHAD GRIFFIN

In the 2013 Corporate Equality Index, we — the Human Rights Campaign Foundation and our corporate allies — reached a critical tipping point in workplace equality. For the first time in history, a majority of the Fortune 500 afford both sexual orientation and gender identity employment protections.

And the progress did not stop there.

Over 400 major businesses implemented transgender-inclusive health care coverage and a majority have partner benefits. Record numbers of businesses stood with our community to endorse pro-equality legislation. In addition to the dozens that stood for marriage in the states and spoke out against the discriminatory Defense of Marriage Act, still more stood on the right side of history and on the principles of good business by advocating for passage of critical federal and state workplace protections.

Since assuming leadership of this organization, I have heard from business leaders, lawmakers and the community at-large on the critical role businesses have played in championing equality. And I am constantly asked, “What’s next? How do we seize on this momentum for the good of businesses and the community alike?”

Now it is with great excitement and confidence in the incredible work already taking shape within corporate America that I announce three key changes to the Corporate Equality Index scorecard, to go into effect in calendar year 2015.

All of the changes stem from one guiding principle: that discrimination has no place in a top-rated CEI business.

Under the new scorecard, a business must ensure that the principles of non-discrimination and LGBT equality include:

- a global non-discrimination policy and/ or global code of conduct that specifically prohibits discrimination on the basis of sexual orientation and gender identity;
- a requirement that suppliers and vendors must abide by the business's own fully inclusive non-discrimination policy; and lastly
- a requirement that a top-rated business does not contribute funding to organizations with a written policy or mission of discrimination on the basis of sexual orientation or gender identity.

Last fall, when we released the 2013 CEI, I had the pleasure of announcing an exciting trend crystallizing: businesses are implementing an ethos of LGBT inclusion that goes beyond US borders. As you will see, major businesses are ensuring that wherever they do business, here and abroad, LGBT people enjoy the same workplace protections. In addition, these same businesses are aligning their corporate values of LGBT inclusion with their suppliers, funders and within the community at large.

It's up to us to learn from these thought leaders and turn encouraging upward trend lines into the new best practices for corporate LGBT inclusion.

In the enclosed guide you will see detailed descriptions of these changes, information on what businesses are already doing and guidance on how to implement the changes. Our Workplace Equality team will be holding educational webinars, consultative calls and provide you with the resources you need to get to a 100 percent.

We have always worked together to lead change in corporate America, not by resting on our laurels, but by rising to the task of greater equality because it is the right thing to do and it is just, plain good business. Thank you.

Sincerely,



Chad Griffin
Human Rights Campaign Foundation President



2016 CEI CRITERIA CHANGES AT A GLANCE



Global Workplace Non-Discrimination Policy and/ Or Code of Conduct

Inclusive Non-Discrimination Requirements for Contractors and Vendors

Corporate Giving Guidelines

The Human Rights Campaign Foundation announces that for the 2016 Corporate Equality Index report, all businesses must:

- Have sexual orientation and gender identity non-discrimination protections explicitly included in all of its operations, both within the US and global operations.
- Require US contractors to abide by companies' existing inclusive non-discrimination policy.
- Implement internal requirements prohibiting company/ law firm philanthropic giving to non-religious organizations that have a written policy of discrimination on the basis of sexual orientation and/ or gender identity.

These criteria changes further bring into alignment, the most critical foundation of LGBT workplace inclusion – non-discrimination policies and diversity practices – throughout the operations of an employer.

HRC will be a partner in the education of our business allies to ensure we work together on updating existing best practices that a majority of our businesses have already implemented.

CURRENT RATING CRITERIA AND CHANGES

2016 CEI Changes are in **blue**.

1. **Equal employment opportunity policy includes:**
 - Sexual orientation (15)
 - Gender identity or expression (15)

2. **Tenets of EEO Policy that Prohibits Discrimination on the Basis of Sexual Orientation and Gender Identity Extend to:** (Points TBD)
 - A. Global Workforce:
 1. EEO Policy and/ or Global Code of Conduct includes Sexual Orientation and Gender Identity

 - B. Contractors
 1. Parity in supplier standards

 - C. Corporate Giving Standards
 1. Guidelines in place that prohibit national corporate giving to go to non-religious organizations with a written policy of discrimination (or permitted discrimination) against LGBT people (e.g. membership, volunteer structure)

3. **Employment benefits (35)**

To secure full credit for benefits criteria, each benefit must be available to all benefits-eligible U.S. employees. In areas where more than one health insurance plan is available, at least one inclusive plan must be available.

 - A. Equivalent spousal and partner medical benefits (15) (more info)

 - B. Includes parity between employees with different-sex spouses and same-sex partners or spouses in the provision of the following benefits: COBRA; dental; vision; legal dependent coverage; bereavement leave; employer-provided supplemental life insurance for a partner; relocation/travel assistance; adoption assistance; qualified joint and survivor annuity for partners; qualified pre-retirement survivor annuity for partners; retiree healthcare benefits; and employee discounts (10)

 - C. Equal health coverage for transgender individuals without exclusion for medically necessary care (10) (more info)

4. **Organizational LGBT competency (20)**
 - A. Competency training, resources or accountability measures (10)

Businesses must demonstrate a firm-wide, sustained and accountable commitment to diversity and cultural competency, including at least three of the following elements:

 - New hire training clearly states that the nondiscrimination policy includes gender identity and sexual orientation and provides definitions or scenarios illustrating the policy for each

- Supervisors undergo training that includes gender identity and sexual orientation as discrete topics (may be part of a broader training), and provides definitions or scenarios illustrating the policy for each
- Integration of gender identity and sexual orientation in professional development, skills-based or other leadership training that includes elements of diversity and/or cultural competency
- Gender transition guidelines with supportive restroom, dress code and documentation guidance
- Anonymous employee engagement or climate surveys conducted on an annual or biennial basis allow employees the option to identify as LGBT.
- Data collection forms that include employee race, ethnicity, gender, military and disability status — typically recorded as part of employee records — include optional questions on sexual orientation and gender identity.
- Senior management/executive performance measures include LGBT diversity metrics

B. Employee Group –OR– Diversity Council (10)

5. Public Engagement (15)

Businesses must demonstrate ongoing LGBT-specific engagement that extends across the firm, including at least three of the following:

- LGBT employee recruitment efforts with demonstrated reach of LGBT applicants (required documentation may include a short summary of the event or an estimation of the number of candidates reached)
- Marketing or advertising to LGBT consumers (e.g.: advertising with LGBT content, advertising in LGBT media or sponsoring LGBT organizations and events)
- Philanthropic support of at least one LGBT organization or event (e.g.: financial, in kind or pro bono support)
- Demonstrated public support for LGBT equality under the law through local, state or federal legislation or initiatives
- Supplier diversity program with demonstrated effort to include certified LGBT suppliers

6. Responsible citizenship (-25)

Employers will have 25 points deducted from their score for a large-scale official or public anti-LGBT blemish on their recent records. Scores on this criterion are based on information that has come to HRC's attention related to topics including but not limited to: undue influence by a significant shareholder calculated to undermine a business's employment policies or practices related to its LGBT employees; directing corporate charitable contributions to organizations whose primary mission includes advocacy against LGBT equality; opposing shareholder resolutions reasonably aimed at encouraging the adoption of inclusive workplace policies; revoking inclusive LGBT policies or practices; or engaging in proven practices that are contrary to the business's written LGBT employment policies.

POINT ALLOCATIONS

Businesses are rated on a scale from 0 to 100, with a certain number of points awarded for meeting each criterion. The HRC Foundation will continue to award partial credit to employers that have satisfied a portion of certain criterion.

The point system for the new criteria will be determined after the collection of data in the 2015 CEI to ensure a scoring mechanism that is fair and attainable.

WHY IS HRC DOING THIS NOW?

We take criteria changes very seriously and we have seen a growing appetite from our corporate partners to translate their success in the CEI to other aspects of their business operations. For a 100%-rated company, there can be no room for inconsistencies when it comes to protections against discrimination based on sexual orientation and gender identity. These changes ensure that policies and practices are consistent across all business operations, and represent the natural extension of vetted and accepted best practices for corporate LGBT diversity and inclusion.

TIMELINE

What is the timeline for rolling out these changes and resources?

- **Spring 2013:** Criteria Change Announcement; HRC Foundation releases Toolkit for Success and conducts webinars
- **Spring 2013:** CEI 2014 is fielded
- **Fall 2013:** CEI 2014 report released
- **Winter 2014:** HRC Foundation continues educational and consultative outreach to businesses
- **Spring 2014:** CEI 2015 is fielded
- **Fall 2014:** CEI 2015 released and participants receive preliminary scorecard based on criteria updates
- **Spring 2015:** CEI 2016 is fielded
- **Fall 2015:** CEI 2016 report released with new scoring

What is the work plan for successfully moving businesses to meet these requirements?

- **Winter/ Spring 2013:** Conduct webinars and corporate forums; site visits; media outlets
- **Further outreach:** Ongoing, including consultative calls

NON-DISCRIMINATION

Where federal laws protect people from workplace discrimination on the basis of race, color, religion, sex (including pregnancy), national origin, age (40 or older), disability and genetic information, no such federal law protects workers from workplace discrimination on the basis of sexual orientation and gender identity.

Some states have passed laws and ordinances to establish workplace protections for lesbian, gay, bisexual and transgender employees, but it remains legal in 29 states to discriminate against job applicants and employees because of their sexual orientation, and in 34 states because of their gender identity.

Despite this patchwork of state laws, private sector employers have implemented fully inclusive non-discrimination policies at rates that are leaps and bounds ahead of lawmakers. Today, 98% of CEI participants protect their U.S. employees on the basis of sexual orientation, and 89% protect on the basis of gender identity.

Corporate America's leadership recognizing the basic necessity of non-discrimination for all of their employees, a natural extension of this demonstrated success is to ensure that these standards apply across all business operations.



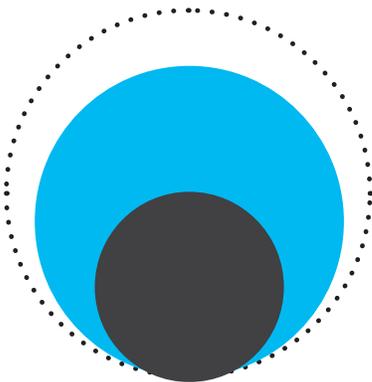
GLOBAL NON-DISCRIMINATION POLICIES AND CODES OF CONDUCT

BACKGROUND

The majority of businesses surveyed in the CEI — 64 percent of rated employers — have operations outside of the United States. For the ninth year in a row, the CEI included questions on employers' levels of LGBT inclusion within their global operations.

Eighty-five percent of employers report that their non-discrimination policies apply across each of their global operations, and 54 percent have distinct global codes of conduct that specify expectations on workplace inclusion and non-discrimination standards along the lines of sexual orientation and gender identity.

While global policies or codes of conduct are important, individual human resource policies are often decentralized, making it critical that there be clear non-discrimination policies in every operating location. Whether an employee is being relocated internationally, or merely traveling internationally on business for a finite period of time, the non-discrimination protections that they are afforded by their CEI-rated U.S. employer must be portable. Sexual orientation and gender identity protections must be consistently upheld either by global company policy, or must be ensured by the operating U.S. entity in a global partnership sponsoring the traveling employee.



85% CEI-Rated Employers report that their non-discrimination policies apply across each of their global operations

54% CEI-Rated Employers have distinct global codes of conduct or employment standards that are inclusive of both sexual orientation and gender identity

Q&A

What does the current CEI data show us about the feasibility of many businesses doing this?

Based on the most recent 2015 CEI data, 85% of CEI-rated employers with global operations (64% of the total) report that their own US non-discrimination policies are applicable throughout their global operations. Of the 64% of businesses reporting global operations, 54% have global codes of conduct.

Does HRC have any expertise in global non-discrimination policies and practices?

Yes. Since 2004 we have been asking companies about their international policies and then expanded to benefits that affect LGBT employees. In 2010 we co-published the landmark Anchoring Equality report with Out & Equal and CGE; we first published our findings about global LGBT practices in the CEI in 2011; and, staff has been exchanging expertise through programming and talks with the World Bank, Inter-American Development Bank and other major institutions in addition to the vast existing corporate network.

But there are multi-nationals, international, LLC and LLP configurations — many decentralized offices, how can a policy cover all?

This mandate is one solid step in the right direction of consistent global equality. We have deliberately built in the options of a non-discrimination policy as well as a global code of conduct to cover the diversity of businesses in the CEI. Furthermore, we are working with experts to ensure cultural context is accounted for (e.g. terminology in Latin America is often “sexual diversity” instead of or in addition to “sexual orientation”).

For those businesses that are global partnerships, the best practice is global alignment from the global corporate governance leadership, but they will not be penalized if the entity in the CEI is limited to the US firm.

But does this guarantee LGBT employees are comfortable being out everywhere?

No, much as is the case in the US, there is often a disconnect between policy and everyday experiences. While a majority of the Fortune 500 offer gender identity and sexual orientation protections, we know that over 50% of LGBT employees remain closeted on the job.

This disconnect does not lessen the importance of having policies in place as they are articulated standards and expectations for the workplace, and empower LGBT employees to take action when something negative occurs. We often explain that fair and inclusive policies are necessary, but not sufficient for complete workplace equality.

What about social, cultural and legal barriers?

Cultural and social barriers to workplace inclusion exist from Texas to Turkey as do opportunities for change and evolving legislation. Dozens of countries have explicit laws protecting LGBT people from discrimination and our legal counsel couples with case study examples show no prohibition on these workplace policies. Staff will closely monitor developments on this front and would, as always, never penalize a business for working within the law.

For context, when the CEI was launched in 2002, the legislative landscape in the US for LGBT workers was rather grim:

- In lieu of federal workplace protections, LGBT people could be denied a job or fired for their sexual orientation in 37 states and in 44 because of their gender identity.
- The landmark Lawrence v. Texas decision that would strike down sodomy statutes had not been decided, leaving certain homosexual acts liable to criminalization.
- No state had same-sex marriage, while the Defense of Marriage Act (DOMA) went unchallenged.
- States such as Florida had bans on LGBT people adopting children.
- Hate crimes on the basis of sexual orientation and gender identity were not federally recognized as hate crimes against other minority groups were defined.
- LGBT people in the Armed Forces faced discharges under Don't Ask, Don't Tell or had to hide themselves.

Still, within this climate the CEI was launched as the cornerstone of an ambitious strategy to transform American workplaces by communicating directly with major private sector employers, developing a roadmap and assessment of policies, practices and benefits that would be more inclusive of LGBT employees. The CEI bridged business goals of recruiting and retaining top talent with that of LGBT equality.

What about businesses not headquartered in the US?

Those businesses have actively been working with HRC and the CEI for years and the mechanisms for change will be largely be the same. Staff will continue to work one-on-one with corporate contacts to effect change via the US entity completing the CEI survey.

What recourse do employees have if they experience workplace discrimination in another country?

Mediation, HR and other processes vary business to business (as they do in the US) and in this regard, this proposed standard is not dissimilar.

Title VII (and the proposed ENDA bill) covers US workers abroad – it is standard business practice for workplace protections to be portable when employed by a US employer abroad.

We are simply extending these long-held standards to LGBT inclusion.

CONTRACTOR AND VENDOR STANDARDS

BACKGROUND

A business typically relies on other businesses for goods or services. In order to ensure that suppliers act in a manner that adheres to a business' own standards, many businesses have already established standards of conduct that set expectations for behavior of their suppliers. In the 2015 CEI, 61% of rated employers reported that their suppliers were required to adhere to the company's own non-discrimination policy.

Under the new criteria, where supplier mandates currently exist with respect to non-discrimination, these mandates must explicitly include sexual orientation and gender identity alongside other named categories. In other words, we would not be imposing an LGBT carve-out, but instead establishing that where these supplier standards exist, they should include sexual orientation and gender identity alongside other relevant categories such as race, gender, etc.

Q&A

How can a business control a contractor's policies?

Why would it matter?

Businesses of the size included in the CEI (a minimum of 500 full time US employees) typically have set standards and guidelines already embedded in their procurement. This simply ensures consistency in the corporate policies and values of non-discrimination between the employer and its contractors – those it decides to reward with its business. Also, many worksites have employees from different businesses working side by side. For example, a large defense form may be made up of three separate private contractors working together on the same project. This change makes the expectations and policies in the workplace more consistent.

Why is HRC scoring on the basis of US, but not global contractors?

The guiding principle of the CEI has always been that the scorecard be both fair and attainable. HRC is laying the groundwork for the ultimate goal of complete non-discrimination provisions across the global supply chain by starting with two manageable and fair criteria changes – updates to the global employee non-discrimination policy so that it includes sexual orientation and gender identity and non-discrimination provisions embedded in to the U.S. procurement process.

CORPORATE GIVING GUIDELINES

BACKGROUND

The Corporate Equality Index has a systematic tradition of holding companies accountable for what kinds of organizations receive their philanthropic dollars. A company would be contacted, and potentially receive a 25 point deduction if HRC found instances of foundational corporate giving to any organization whose explicit mission included efforts to undermine LGBT equality.

We are now widening this framework to hold companies accountable for any giving to a non-religious organization with an explicit policy of discrimination against LGBT people (e.g. The Boy Scouts of America).

Corporate America has policy precedents setting the standards around responsible foundational giving.

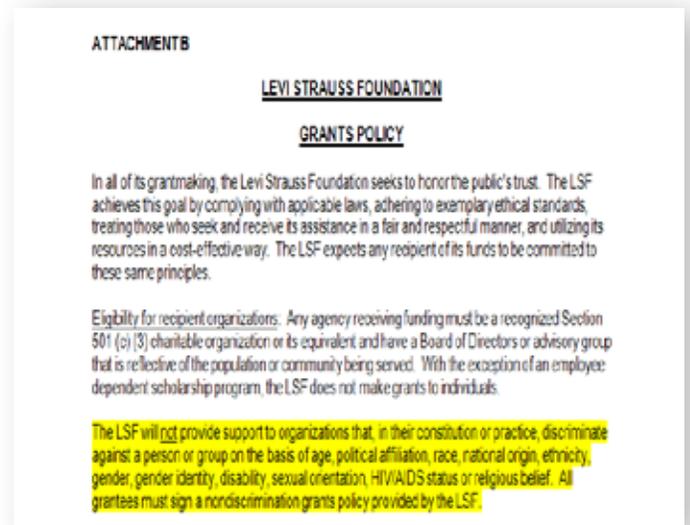
The requirement is that a top rated business must: Implement internal requirements prohibiting company/ law firm philanthropic giving to non-religious organizations that have a written policy of discrimination on the basis of sexual orientation and/ or gender identity and /or have a policy explicitly permitting its own chapters, affiliates, etc. to discriminate.

While a best practice, businesses will not be required to have non-profits receiving their funding implement these protections since some are faith-based. As long as there is no explicit discriminatory language or practice found in its operations or membership requirements, and organization can receive funding and the company receive full credit on the CEI.

Q&A

What does this look like?

Levi Strauss & Co. submitted their grants policy to the HRC Foundation as an example of the types of guidelines we will be looking for under the new criteria:



What companies are doing this?

Companies that have their giving policies readily available online include (but are not limited to): Alcoa Inc., BAE Systems Inc., CSX Corp., Exelon Corp., Hilton Worldwide Inc., Intel Corp., Lexmark International Inc., Lockheed Martin Corp., Merck & Co. Inc., Nike Inc., Textron Inc., TD Bank N.A., Tyson Foods Inc., United Parcel Service Inc., The Walt Disney Co., Wells Fargo & Co.

How can a business know if a non-profit receiving funding discriminates against LGBT people?

It is rare for non-profits to enshrine discrimination into its mission and policy statements. HRC has historically monitored charitable donations to organizations with a specific mission of undermining LGBT equality. This criteria change extends that monitoring to the relatively small group of non-religious organizations such as the Boy Scouts of America that have an explicit written policy of discrimination (e.g., The Boy Scouts of America do “not grant membership to individuals who are open or avowed homosexuals.”)

What about religious organizations?

HRC has always supported religious exemptions in legislation and at the programmatic level where appropriate. This will continue for corporate giving.

What about United Way giving?

HRC will not score on the basis of United Way giving, but rather on direct organizational contributions.

What about local gifts that are hard to manage from headquarters?

This requirement is intended to apply to national, centralized giving. Independent small, local giving is out of the scope of the CEI.

Do these policies only apply to corporate foundations?

While giving guidelines typically refer to corporate foundational giving, these giving standards should apply to corporate in-kind donations and employee matching-gift programs as well. This consistency in policy will be required for credit.



GENERAL FAQs

What is the change in CEI criteria?

Currently, to score a 100 percent, a business must have sexual orientation and gender identity in its US non-discrimination policy.

- The update to the criteria means that this policy must be explicitly included in all of the employer's operations, including global operations, in addition to the US.
- The second change means that contractors would be required to adhere to the business's own inclusive non-discrimination policy.
- Lastly, the change means that a 100 percent rated business does not contribute funding to organizations with a written policy or mission of discrimination on the basis of sexual orientation or gender identity.

When will it go into effect?

Businesses will be scored on the new criteria in the 2016 Corporate Equality Index report, released in calendar year 2015.

What are the point designations?

HRC Foundation will determine the fair point designation in calendar year 2013 and will provide all CEI businesses with a preliminary scorecard (sent to each employer, but not publicized) in the fall of 2014, one year before scores based on the new criteria will be published.

Why is the scorecard changing?

The announced changes to the scorecard offer a clearer, more robust path forward on how businesses can and should implement a tenet of non-discrimination and LGBT workplace equality. The underlying principle is clear: There is no place for discrimination in a 100 percent rated business.

Furthermore, as the data trend lines show, a majority of the CEI rated businesses are already implementing these best practices.

It is true to our mission of leveraging major businesses' in support of impacting far reaching change and giving real meaning to the designation of 100%.

This holistic change conveys a succinct message and resolves our companies' questions regarding corporate social responsibility and global operations with one cohesive message and accompanying resources.

Will businesses get to see a preliminary scorecard before the changes go into effect?

Yes, all CEI participants will receive a preliminary scorecard in calendar year 2014 to give ample time to make changes ahead of the 2015 public scorecard. HRC Foundation staff will be available for individual consultation and can provide businesses with additional model guidelines and educational resources to meet the new CEI standards.

Won't this be a stretch for a lot of businesses?

No, in fact the new criteria are natural extensions of the established trend lines amongst CEI-rated businesses.

Current data on each of the criteria are as follows:

- EEO/ Non-Discrimination Policy (US-based employees)
 - 98% CEI rated employers include “sexual orientation” and
 - 89% CEI rated employers include “gender identity” in U.S. non-discrimination policies
- Global Workplace Protections
 - 85% of the CEI rated employers with global operations (64% of total CEI participants) report that their own US non-discrimination policies are applicable throughout their global operations.
- Contractors (US-based)
 - 61% of CEI rated employers require its suppliers and vendors to abide by their non-discrimination policy protections.
- Funding Recipients
 - It is an established best practice to have corporate giving guidelines, and dozens of employers already have inclusive language written into these guidelines. Several discontinued funding to discriminatory organizations, such as the Boy Scouts of America a decade ago.

Is HRC over-reaching in its requirements of businesses?

These changes are a natural extension of the best practices a majority of the CEI businesses and Fortune 500 have already implemented, namely inclusive non-discrimination policies. Non-discrimination lays the foundation for LGBT equality. These updates to the scorecard reflect back to those businesses that have not made the tenets of non-discrimination consistent, a path and rationale to doing so.