

The  
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The Economic Club of New York

113<sup>th</sup> Year  
574<sup>th</sup> Meeting

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Melody Hobson  
Co-Chief Executive Officer and President  
Ariel Investments, LLC

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Webinar

Moderator: Marie-Josée Kravis  
Chair Emerita, The Economic Club of New York  
Senior Fellow, Hudson Institute

## Introduction

Vice Chairman Peter Henry

Good afternoon and welcome to the 574<sup>th</sup> meeting of The Economic Club of New York in our 113<sup>th</sup> year. My name is Peter Henry. I'm Vice Chair of the Club and Professor and Dean Emeritus at the Leonard N. Stern School of Business at NYU. Before we begin, on behalf of the Club, I would like to thank our healthcare workers, our frontline workers, and all those in public positions that are helping to make our lives safer and easier during this time.

I would also like to take a moment to recognize those of our 312 members of the Centennial Society attending today as their contributions continue to be the financial backbone of support for the Club and help us to offer wonderful, diverse programming now and in the future. A special welcome to members of the ECNY Class of Fellows, the Class of 2020 – a select and very diverse group of rising next-generation business thought leaders. And I make special note that any applications for the 2021 Class of ECNY Fellows is now open. Any member interested in nominating a fellow can visit our website for more details. We'd also like to welcome students from Rutgers University, Princeton University, Columbia Business School, the Gabelli School of Business at Fordham University, the CUNY Graduate Center, and the Medgar Evers School of Business.

The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues. Our mission is as important today as ever as we continue to bring people together as a catalyst for conversation and innovation. Particularly during these challenging times, we proudly stand with all communities seeking inclusion and mutual understanding.

To put those words into action, the Club kicked off its Focus on Racial Equity Series where we have been leveraging our platform to bring together prominent thought leaders to help us explore and better understand the various dimensions of racial inequity and highlight strategies, best practices and resources that the business community can use to be a force for change. We will be cataloguing, publishing and sharing these insights broadly. We're not doing this work alone and would like to give special thanks to our corporate partners – Bloomberg, Mastercard, PayPal, Taconic Capital, and S&P Global as well as the many members, speakers and subject matter experts who are engaged in this work.

And with that, I would now like to welcome our special guest today, Mellody Hobson, CEO and President of Ariel Investments, LLC, who for almost 30 years I've been proud and honored to call my friend. Mellody is responsible for management, strategic planning and growth for all areas of Ariel Investments outside of research and portfolio management. Additionally, she serves as Chairman of the Board of Trustees of the Ariel Investment Trust – the company's publicly traded family of mutual funds. Prior to being

named Co-CEO, Mellody spent nearly two decades as the firm's President.

Outside of Ariel, Mellody is a nationally recognized voice on financial literacy. She has conducted extensive research on minority investing patterns and pens a column for *Black Enterprise Magazine*. Her leadership has also been invaluable to corporate boardrooms across the nation. She currently serves as Vice Chair of the Board of Starbucks Corporation and a director of JPMorgan Chase. She previously served as Chair of the Board of DreamWorks Animation until the company's sale and was also a long-standing board member of the Estee Lauder Companies.

Mellody's community outreach includes her role as Chair of After School Matters, a Chicago non-profit that provides area teens with high-quality after school and summer programs. Additionally, she is Vice Chair of World Business Chicago, co-Chair of the Lucas Museum of Narrative Art, and a board member of the George Lucas Education Foundation and Bloomberg Philanthropies. She also serves on the board at the Los Angeles Museum of Art, and Mellody is a member of the American Academy of Arts and Sciences, The Rockefeller Foundation Board of Trustees, and serves on the executive committee of the Investment Company Institute.

Mellody earned her undergraduate degree from the Princeton University Woodrow Wilson School of International Relations and Public Policy, and in 2019 she was awarded the University's highest honor, the Woodrow Wilson Award, presented

annually to a Princeton graduate whose career embodies a commitment to national service.

So with that, I want to turn the floor over to Marie-Josée, our former Chair of ECNY. And the conversation today will be between the two of them and I want to remind you that any questions that were sent to the Club from members in advance of today's conversation were shared with Marie-Josée, our Chair Emerita. We'll be ending promptly at 3:15 p.m., and as a reminder, this conversation is on the record as we do have media on the line. Marie-Josée, Mellody, over to you.

#### Conversation with Mellody Hobson

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: Thank you, Peter, and thank you for that introduction. As you were introducing Mellody, I just wondered if you ever sleep, Mellody, or if you have a clone somewhere because you do so much and I have to say that I'm a great admirer. One of the things that you've said time and time again, and especially recently this year with the pandemic and the George Floyd and Breonna Taylor issues, that it's time to become comfortable with the uncomfortable conversation about race. And I think that's going to be a big part of our conversation today and let's hope that we don't shy away from the uncomfortable.

And I'm wondering, Mellody, just to start off if you could tell us do you think this time is

different? Do you think we will continue to have these ongoing conversations and search for solutions and that it will be long-lasting, that it will not just be a reaction to recent events?

MELLODY HOBSON: Well, let me start by first of all thanking you for having me, Marie-Josée. You know I'm a huge fan of yours and have been so fortunate to be able to call you a friend, someone that I admire so much. And Peter Henry and I have been friends since we were basically about 20 years old so it's really great to be with him and to see all the leadership he has had in his career. On this question of is this time different, I have to say that I've been calling this Civil Rights 3.0. I think 1.0 was the Emancipation Proclamation. I think 2.0 was what we saw in the 1960s with the Voting Right Act and the Civil Rights Act. And I think this 3.0 version is very different because unlike before where government was taking the lead, it's corporate. And this problem is at the feet of corporate America as many societal problems are at the feet of corporate America now.

And when people really challenged me on that, I said, listen, years ago we weren't doing live shooter drills in companies. We weren't worried about health benefits related to mental health and now we have these issues around race that have directly affected the bottom line. We've seen that in terms of the economic equality of how that has spilled out into our streets and literally stopped businesses in some major metropolitan areas, but just in general in terms of what is happening not only in conversations but in terms of the compositions of companies in America. So I do think this time is different. I

think this time is different because it is a corporate issue now.

CHAIR EMERITA MARIE-JOSÉ KRAVIS: So you think that this commitment of corporations is here to stay?

MELLODY HOBSON: This is the way I would say it. I think for a long time corporations have been talking about diversity. And the interesting thing is, it's the only area where you can talk a lot about something, not make any progress, and still have your job. Everything else we do in corporate America, if we don't get results we get fired. If we don't make earnings, if we don't hit our profit projections, if that product launch doesn't happen when it was supposed to, whatever it might be, if there are breakdowns like that, we don't have our job. But in corporate America, I quote my husband, who I call Yoda's dad, he always says, do or do not, there is no try. There's been a lot of try around diversity. People talk about the fact that they're working on it.

At Ariel we read annual reports for a living and I can tell you there are pages on diversity and inclusion in the annual reports and you go to the back of the book and you see very homogeneous groups of people working inside of the company. So I've been saying we need less lip service and we need more elbow grease. And so I think this time will be different because we live in a society that is holding us accountable, mostly virtually, but our employees are holding us accountable, our customers are holding us accountable, and rank and file people on the street are holding us accountable. And I

think there is no way to escape actually having real results now. People are watching.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So you, as an investor and also your fellow investors, are you now setting metrics for the corporations that you investigate or examine or in which you invest in terms of these performance ratios and performance measures?

MELLODY HOBSON: So what we would say, we would not call it metrics, but at Ariel, since our inception we were the first minority investment firm ever started in the United States 37 years ago, soon to be 38 years ago this January. We've always felt that in order to be a world-class company you wanted to have; you need to have diverse people around the table. So we have often, as an investor, particularly as a very large investor of the small and medium-sized companies that we own, we very often probe around diversity particularly at the board level because we think those things start at the top, and we think it's very important for the board to first recognize the need to be diverse and that hopefully then creates a ripple effect through the corporation.

So where our conversations often start is about board diversity. And we say you can't be a world-class, 21<sup>st</sup> century company in this world today and not have a diverse board and really understand that that is a mission critical issue. And that doesn't mean we don't buy companies, that we will avoid a company that does not have a diverse board, but they know we're going to probe on that subject matter and push on the issue and

ultimately that will lead us to other questions and other conversations when it comes to diversity as it relates to the board. But it's all in the interest of outcomes and particularly the success of the company. So some people see this as a, you know, do-gooderism effort. Yes, it is the right conversation to have given the fact that we have that much power and influence, but it's more about realizing shareholder value for our investors.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: Now I'm sure you've heard and I'm sure you've experienced it yourself where you hear corporate leaders say, well, I just can't find a candidate. And we know, we all know from experience that people tend to hire themselves. And so if the candidate isn't similar to them in terms of whether it's their appearance or their ideas and so on, that candidate often gets overlooked. They don't have a diverse network in other words. So are you see that changing or, I know that you're a catalyst in terms of changing that? How are you going about it?

MELLODY HOBSON: Well, interestingly, there's been a lot more outrage. I think there's been some recognition, particularly at the CEO level, that they have to do better and they're asking really smart and important questions about how can I make this time different in terms of the success of the effort. Because people can point to a lot of diversity and inclusion efforts inside of corporate America but they can't point to a ton of success yet.

And so if I just use myself as one small example, this summer I think we counted that I

had somewhere in the neighborhood of 35 CEO conversations where CEOs reached out to me to say can you talk to me about our efforts and what we're doing in our network. And they would say we can't find this or we can't find that, and I joked Ariel could be a search firm because we spent so much time putting together bios and lists for people to really see these candidates are out there, it's all about your, where you are looking and who your network is.

I tell people this all the time, it's a very simple point. There are 330 million Americans. I'm not even counting the rest of the world. If you're looking for someone to fill the job, I promise you there is someone, someone out there qualified to do the job. They literally do exist. I'm not saying it's always easy to find them, but I'm telling you they are, they exist in this society. And so the question is how do you go about making sure that you find them in a different way? It's tapping into minority networks. We tend to know each other.

And when I've gone back to those CEOs, I've said what about this person, what about that person, they've been amazed that they didn't know the people. And they'd be high up in organizations or doing amazing work as entrepreneurs and they'd walk away saying I just didn't even realize. So maybe that eye-opening experience alone tells them that there's a broad group of talent out there and it's just a question of tapping it. And it isn't always about stealing them from the competitor because again there's a wide network of people that are out there.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So do you think that part of it is the outreach to the wrong – I shouldn't say the wrong, but just a limited number of schools or colleges or just not reaching out to, I mean you mentioned these different networks, but also there are different schools and so on that provide more diverse student bodies? Are they just absent? Have they just overlooked them?

MELLODY HOBSON: I don't focus on the pipeline. And I know that sounds counterintuitive, because a lot of people have focused on the pipeline. I want to go where, what I'm calling the black spaces and so, you know, the turn on the white-space issue. And the reason I say that is, and John Skipper when he was at ESPN, he said something that I thought was very profound. He talked about the fact that people focus on the pipeline because it's the most non-threatening thing to focus on when you're a senior person.

And I've often said focusing on the pipeline doesn't give us the senior people at the top that that young pipeline could see and say I can be that person, which is the power of a firm like Ariel that makes diversity a competitive advantage for us where people could say she was an intern and became the co-CEO. There's an opportunity for me or someone like me there. So that's very, very important.

I think part of what has happened is I tell people, okay, the pipeline is important but let's also look at the top. Where are there senior leaders that you can put at the top? So

they'll tell me, in Silicon Valley. We can't find engineers. I'm like, but we go to law school, you can find Black and Brown lawyers and I can give you lots of other examples of things like that.

The other thing that I say is tapping into your own Black network. And this is something that is super interesting and a comment that I learned from the former CEO of AT&T. He was telling me how he said he would go to his executives and say if you are Black, I want you to bring your Black friends to this company or your Latinx friends to this company, which is the opposite of how a lot of African-Americans feel inside of these companies, feeling as if we're recommending our Black and Brown colleagues, they're going to typecast us. And he said, no, that is my expectation of you as a person. If you think we're a great company, where are your friends? And he said, I specifically call out my minority board members and say I want you to bring that leadership into this company. So giving people permission I think is also super important in terms of finding those individuals.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So tell us a little bit more about the intern who became a co-CEO. You've certainly encountered more than your share of slights and injustices and I know that going from intern to co-CEO, one of the elements was that you work harder than anybody else. But that's not enough. Tell us a little bit about that journey.

MELLODY HOBSON: Well, it's been an amazing journey. I tell people my life is a miracle. It has really been, just if I had an out-of-body experience and watched my own career, I'm in amazement. I've exceeded every expectation that I had and have but I also am still climbing and I'm still very, very ambitious about the things that I want to accomplish and I'm not in any way, I have no problem with saying that. I think that the miracle of my life was I had the opportunity to have this amazing mom. I was born the last kid, six in my family. My mom was a single mom, a working mom.

We grew up in a very challenged situation, but that's the story of America, a lot of people. America gives you the opportunity, which is why I love our country. We used to get evicted and our phone used to get disconnected and our lights used to get turned off, but I loved school and I had a very singular focus. I realized my brain was all I had. And so I wanted to go to the best schools and I did get that opportunity even though my family to this day doesn't know or even knew what Ivy League schools were. I was the first in my family to go to college and graduate from college.

And then ultimately went, when I met John Rogers, who founded Ariel, the company was eight years old, I passed up the big Wall Street firms and went to Ariel because I said I get to sit at the feet of the person making the decision and he can teach me a lot even though it's a really small company. And I took on all the assignments that no one wanted. Literally, I'd volunteer because my mother, because we had such an up and down existence in my childhood, she said just make yourself indispensable so you can't

get fired. And that was my only point, just do the work, be really, really excellent. Don't worry about any money or titles. I was just excited to be able to pay my bills, literally. I was that person.

I was so insecure about that, that when I was right out of college, when my phone bill would come, if it was \$50, I'd send in \$500. I actually gave the phone company the float because I said to myself, if I lose my job, I have ten months of phone. That is the mindset I had. And so I worked really, really hard and I do have a competitive advantage. My superpower is I can out-work other people. And I stayed focused on the work and slaved away seven days a week, literally, in our office, working on one side of John and moved up the organization. When I was 30 years old, I became president.

And one funny story on that, super quick, I'm 25 years old, John reaches out to Jack Bogle, the very famous leader of Vanguard, he was on the board of Princeton with him. And he said, Mellody, I want you to go and meet Jack Bogle. I go and meet him and he said, you know, ride a train with us, from New York to Philadelphia. And he's spending time with this kid, right, at John's request. And we get on the train and John said I wanted her to meet you because she's going to be president of Ariel, but our board said she has to be 30. So he told me when I was 25 years old I was going to be president and he spent all that time grooming me.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: That's amazing. I know that you tell the

story also about when you wanted the CEO of Starbucks to keep you in mind for the board. You actually wrote to him and you talk about dripping, just being present. Can you tell us a little bit more about that?

MELLODY HOBSON: Well, I had gotten this call, Bill Bradley had run for president and I had worked alongside of him during that effort. And Bill is a super important person in my life, he walked me down the aisle when I got married. I met him when I was 17 years old and trying to decide between Princeton and Harvard, and he changed my life.

And we weren't successful with the presidential campaign and I did two jobs while he was running for president. I worked at Ariel from 6:00 in the morning until 3:00 in the afternoon and I worked for him from 3:00 until 9:00 at night every day for 18 months. And he called me one day and he said, listen, you don't even know this, but we've been on the phone with Howard Schultz a ton and I'm going on the board of Starbucks and I'm going to take you with me. And I'm shocked. I'm, you know, just in my early 30s. So I go to meet with Howard and he said, you know, you're really young, but we're going to, you know, this will take some time. We'll think about you. And I said, I'll just wait. I said whenever you're ready for me, I'm ready.

And so I wanted him not to forget me so I would just, every time I read or saw something about him, I'd write him a note. But I'd write him these funny notes that would say things like, wow, that *Fortune* story was really amazing, but the picture on the cover

was awesome. And it was just a way of keeping myself top of mind for Howard and we had just a remarkable time together on the board. So I'm on the board of Starbucks and remained there, it's been over 15 years now and Starbucks has been, learning from Howard was one of the, you know, really great gifts of my life.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: So that's a wonderful lesson to people. You've never had this perception that you were a token.

MELLODY HOBSON: No.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: I've heard it very much from women also who say, well, it's tokenism, I'm the only one on the board. And you've, I'm sure, heard it both from a racial standpoint and from a gender standpoint. And I've never felt that I was a token. I felt if I'm there, I'm going to show that I belong there. And so you've never had that issue?

MELLODY HOBSON: No, because, I told this story once. My first day at Ariel, first day, I'm 22 years old. I've just graduated from college. John Rogers takes me out to lunch. He sits me down and he says you are going to be in rooms with people who make a lot of money and who have very big titles, but it doesn't mean they have better ideas, and I want to hear your ideas. He gave me permission to have a voice on the first day. And I thought he meant it, and so I believed him. And so I walked in with a point of view and I

was never shy about sharing that point of view. It didn't mean that I was right. I always talk about, at Ariel there is the truth with a small "t", not a capital "T." Your truth has a small "t."

And so I would speak my version of the truth and then when I got into boardrooms, first and foremost, I would do the work. I still do. I want to make sure I'm super-prepared. And being prepared gives you a lot of confidence. And then when you have that confidence, you speak, and you put your ideas on the board, on the table. And so I never felt as a token, but I also have always worked with people who welcomed my opinion. The rooms I've been in have been enlightened, progressive, thoughtful people who wanted to know what I thought. And that, it's a two-way street.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: Well, one of the ways to prepare, of course, is financial literacy and you've devoted a lot of time and energy and ideas to promoting and enhancing financial literacy. How are you going about that?

MELLODY HOBSON: Well, we're doing it in a number of ways. So the first and foremost, we're 20 years in, in this grand experiment. We have a school and it's called Ariel Community Academy. It's a public school in Chicago because it was started before there were charter schools in Illinois. The mayor of Chicago, Richard Daley, gave nine institutions the opportunity to run what he called was the Small School Initiative. Arne Duncan worked at Ariel before he was Secretary of Education, running our foundation.

And he went to John Rogers and said we should start a school. So we did, which is crazy, but we did.

We started this school. We named it after Ariel because our mayor said, I want it to be a testament to a Black company. And while this is highly unusual, schools are usually named after people, we want it named after your company mostly because it'll, like tie you to us forever. So we started the Ariel Community Academy. There's a saving and investment curriculum. We give every first-grade class \$20,000 real dollars to invest and the money follows them through their grade school career with the students taking over increasing responsibilities for managing it. By sixth grade, they're managing a quarter of the portfolio. By eighth grade, they're managing the whole amount. And ultimately, they give \$20,000 back to the incoming first-grade class when they're graduating and they make a class gift because our kids are – 80% of our kids are on free or subsidized lunch so we want them to be philanthropists, not just the recipients of philanthropy.

And for those students, we'll put their portion of the profits into a 529 Plan. We match it another \$500 to teach them never walk away from the free money and socialize them to that idea of what will happen when they have a 401K plan. So it's been a super exciting initiative where we're trying to teach the language of investing, serious investing. They have a Bloomberg terminal in their classroom that they start very, very young and therefore are socialized to that, then we create wealth in the Black community. So we've done that.

We've done surveys around Black investing. There was no data at all. And we've done groundbreaking work with a number of organizations, including Schwab, on Black investing, and Aon Hewitt. And that work has really revealed a lot about the differences when it comes to races, when it comes to saving in a 401K plan or where we are when it comes to investing. And ultimately we've used that work to try to move the needle in our society on that issue to create more of a democratized situation and that has actually happened. For example, now you can go and open an investment account at so many companies for just dollars versus before there were big barriers to entry.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: Just a question, they've never, no class has ever lost its \$20,000 over the time period?

MELLODY HOBSON: Yes, once, so it'll be very interesting. The 2008 Class that graduated that year, because of the financial crisis that year, they were negative. And we said that that's also its own learning because this isn't a six-week stock market class. This is an entire elementary career class, which is very, very important. And it'll be interesting to see the class that graduated in June, I think they were in that situation because they got hit with the stock market being crushed, right, towards the end of the year, even though there was that recovery starting in April or May.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: So I'm glad that you mentioned the financial crisis because I'd like you to talk about it with Ariel. And you withstood the crisis

because of, in fact, in large part because of your long-term perspective and commitment – you and John Rogers – to the equity of the company. Could you talk about that a little bit?

MELLODY HOBSON: Well, the financial crisis was a harrowing moment for our firm, and it's important to just be really direct and honest. We feel that we underperformed the Ariel promise. We had outperformed in all other down markets. We had fantastic performance during the crash of '87 and coming out of the dot-com bubble bursting, you know, top decile, top one percentile numbers. But in '08, we underperformed dramatically in our flagship product. And David Rubenstein is the person who taught me, as goes the flagship goes the firm. And so it was a very, very difficult time for us and we saw our assets drop very dramatically during that period. And we were committed to doing better.

And so we both took 100% responsibility for the outcome. John looked at me and said I let you down, I picked the stocks. I looked at him and I said I've let you down, I didn't explain it well to our clients. But we looked at each other and we said, we are going to dig ourselves out of this hole or die trying. And that's exactly what happened. Coming out of that period, John was number one in his category in both Morningstar and Lipper, through now in fact, from the market bottom. And it's really a testament to the power of our long-term, patient approach to investing, but also a testament to the contrarian way in which we invest. We're willing to buy and lean in, in really, really harrowing times,

which is what we did then. People thought we were crazy in some of the stocks that we bought. And the same thing happened earlier this year during the pandemic. We leaned in very, very hard during that period. We're hundreds of basis points over our benchmarks because of the decisions we made then.

During those very tough moments, we talk about the fact that we're shopping for years of future returns. And that is what we've learned from reading Buffett and learned from Graham and Dodd and David Dreman and the great value investors that are out there, John Templeton, who was a great investor. We really do respect and admire those individuals. And whenever we are in those moments, we go back and we read and re-affirm how you make money. As has been said by Sir John Templeton, you have to be greedy when others are fearful and fearful when others are greedy.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: So you mentioned the pandemic and I'd like to go back to the issue of race disparity, racial disparities. The African-American community has been hit so much harder than other communities in our country. I wonder how you feel in terms of public policy, public health, what can be improved? What can we do differently to, in part remedy this situation, but avoid a repeat?

MELLODY HOBSON: Let's start with the fact that I don't want to make this about politics. I just want to make this about humanity.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: That's why I said policy rather than politics.

MELLODY HOBSON: Yes, you don't repeal the Affordable Care Act in the middle of a pandemic. You know it did provide healthcare for tens of millions of Americans. And taking that away right now would only exacerbate a very bad situation. So let's start with that. Let's also recognize, and I do encourage Congress, both sides of the aisle, to put a stimulus plan in place ASAP because of what is sunseting will create a dramatic situation. You, Marie-Josée, are an economist. You know all too well you can dig a hole so deep that it'll be very hard to dig out of it economically. And we don't want to put ourselves into that kind of very, very bad situation. And then recognize, of course, that those who are most impacted are Black and Brown Americans. And that's why you see the Covid numbers be higher for us because we are frontline workers and essential workers. And so recognizing that this is not right, it just is not right.

And so from a public policy standpoint, we have to be more thoughtful about how we equalize some of these situations, first and foremost, with healthcare, but certainly with economic opportunity in this country. And we're going to have to be thoughtful about everything from infrastructure spending that will create jobs for people, but also creating opportunities for individuals to have training and development and new ways and new industries in ways that we have not had before. It is not a fair fight.

And I can say that as someone who's been in the fight. I know the difference between

the life I live today and the life that I lived when I was a child. And I can't help but to think, and it always makes me a little emotional, that if I were seven years old today and in a pandemic, we'd probably live in a car. And that is not right in the richest company, in America. So we can do better and hopefully we all recognize, and I know there are so many generous people in New York and in our society that have done so much for so many communities. But we have to lead in to the policies on this and the public policy specifically which is where the real change will come.

CHAIR EMERITA MARIE-JOSÉÉ KRAVIS: Without going into politics, what would be the priorities that you would set? And again I'm saying – without being political – but you seem to be, you're referring to issues of access, you're talking about access to health and public health, access to better education, better schools, access to safe neighborhoods, what would be your priorities? For the private sector also, how can the private sector enhance...

MELLODY HOBSON: Well, listen, I think the private sector is part of the silver bullet here. Government has been slogging away at this. And that's why I say, this Civil Rights 3.0 is the private sector. To the extent we have more economic opportunity up and down the food chain in corporate America, we change the map for our country in terms of economic inequality. That is a fact. And so we have to recognize, as corporations, when we look throughout our organizations and understand we don't have the diversity that we need that's representative of our society.

You know there are lots of examples of where there's been tremendous efforts around philanthropy. And I want to say that those same philanthropists – with true humility and not in any way being condescending or reprimanding – what about your own, what trees do you plant in your own organization? If I walked into your organization, what would I see? And, you know, I get giving scholarships to Black and Brown kids, I've benefitted from that. But also we need to make sure those people have jobs inside of some of these offices in corporate America. So I think, when I think about how we can move the needle, it's very specifically. People are always looking outside of their house. What can government do? What can this one do? What can that one do? I'm just saying what can we, as business leaders, do today that can make a huge difference?

CHAIR EMERITA MARIE-JOSÉÉ KRAVIS: So we've talked about giving jobs. We've talked about the board and starting at the top? What about supply chains? Because that's a very important component of what business does and diversifying their supply chains, I think, is an imperative for corporations. Do you see that happening? I mean you have a really good, you have really good insights into what's happening in the corporate world.

MELLODY HOBSON: This is one I'm studying so much. This is a great question, Marie-Josée. I think this is one of the barriers to entry and one of the areas that we can really change. So, first of all, let me start off with the fact that I think the whole idea of procurement is a last century term. And when people talk about procurement, they're

talking about last century types of businesses when it comes to minority suppliers. And we need to change that language. So John and I have been really promoting this idea in our Black Corporate Directors Conference, which brings together the Fortune 500 Black directors in this country and a few years ago we also added the Latinx directors as well in the spirit of diversity. We've been talking about procurement, not procurement, we talk about purchasing, and specifically, business diversity.

So Fortune 500 companies today spend about 2% of their spend with minority vendors, 2%. It represents about \$125 billion. However, their stated intention is to spend 12%-15%. They can't get there doing what they're doing. So they have to re-think their spend and re-think how they can create Tier 1 suppliers in the society on a going-forward basis in the biggest areas of corporate spend – professional services, financial services, technology. Because when they think about corporate spend, they're thinking about things like, again, construction, janitorial services, things that I didn't go to college to do and most people who are going to college didn't go to college to do. It's not to denigrate those professions in any way or those areas, but just saying we have to go where our economy and our society is going.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: And do you, just in closing I'd like you to comment, you mentioned philanthropy and you mentioned people being very generous, not always living the values that they try to promote through their philanthropy, but you've often referred to philanthropy as another leg in that stool of people, you know,

purchasing and philanthropy. Do you find that, have you looked at ways of being more effective in terms of achieving those outcomes that you strive to achieve?

MELLODY HOBSON: So we talk about the three Ps at the Black Corporate Directors Conference. And the conference is to put the civil rights agenda right on the table and talk about what is our responsibility, what are our responsibilities as people of color when we're in the boardroom?

People, I talked about in terms of thinking about the diversity of the organization from top to bottom, creating incentives for the leaders. You get what you incent. Tying pay to performance of that outcome, like we tie pay to performance of all other outcomes that matter inside of corporate America. If it really matters, it counts to start counting. And as I like to say, math has no opinion. The purchasing issues around business diversity, which I've already mentioned, looking at your spend across all areas, every single vertical. What do you do when it comes to minority vendors as opposed to having one big vendor that's does something.

And then last, but not least, corporations talk about their philanthropy. Now there I'm very pleased to see all of the philanthropic donations that have been made especially this year for civil rights institutions and Black organizations because I think that's the right thing to do. But I want to make sure that philanthropy is not the tail that wags the dog. That at the end of the day, as I said, you can't fix your house from with-out, you

have to fix it from within. And so making sure that that philanthropy, while important, does not give you cover for these other changes that I think become really, really meaningful and ultimately potentially more important over the long term.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: What about the messaging that media, I think I've lost you...

MELLODY HOBSON: No, I'm here.

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: Oh, you're there, okay. The image is gone. What about the messaging that's coming from media, whether it be social media or more traditional media and entertainment?

MELLODY HOBSON: The messaging around diversity or the messaging around...

CHAIR EMERITA MARIE-JOSEÉ KRAVIS: Around diversity, around racial issues and so on. We hear a lot of slogans, but we don't necessarily see a number of Brown and Black people at the top giving that message.

MELLODY HOBSON: Yes, a lot more has to be done. And again, I think this is where everything has changed. You're noticing. That means a lot of rank and file people are noticing. I think corporations will be held accountable. And so I expect to see significant

change. One area of change that I know we're going to see year over year is board seats. I think, you know, look at what the Nasdaq did yesterday, fantastic. To state that we're basically not going to let you be a Nasdaq member if you don't have a diverse board. Goldman did that and said that they weren't going to bring companies public. Again, I think these things are, we're going to have a situation of continual improvement because it will be demanded. But we also have to, as individuals, be intellectually honest and hold ourselves accountable.

CHAIR EMERITA MARIE-JOSÉE KRAVIS: And you're not worried that social media has tended to exacerbate the differences rather than trying to...

MELLODY HOBSON: Sure. I am terribly worried about that. It's frightening in many ways and I'm not one to be scared. But I think we have a beast there that we haven't figured out how to tame. My husband and I were just talking about it this morning. And he's like it would have been great when the internet was started if you had, if you could not be anonymous. He said it would have changed the whole dialogue because we all know, we won't say things directly to someone that we can say anonymously. It just doesn't, it doesn't happen. And it probably would have been a more civil engagement. But there's no turning back that clock. And so now we have to ask ourselves what kind of standards are we going to put on our own engagement when it comes to social. And it's going to take some real leadership there and I'm expecting the best.

CHAIR EMERITA MARIE-JOSÉÉ KRAVIS: So just to close the loop, we started out talking about the uncomfortable. Do you find that these conversations have become a little more comfortable or at least a little bit more open?

MELLODY HOBSON: I'm not sure that they're more comfortable for people. It's comfortable for me. I joke with my White friends; Black people talk about race every day. We talk about it all the time.

CHAIR EMERITA MARIE-JOSÉÉ KRAVIS: Well, you have to, you're reminded of it every day.

MELLODY HOBSON: Correct, but I think what is, the part, they're hard. And, you know, in America we tackle hard stuff. So just because it's hard doesn't make it, you know, we do that every day at work. We do it in our families. So we just have to continue to press through.

CHAIR EMERITA MARIE-JOSÉÉ KRAVIS: Well, I'm sure you will. And I just want to thank you for sharing your views with us and also for your contagious energy. And so, bravo for all that you're doing and continue, and continue to inspire us. Peter, to you.

VICE CHAIRMAN PETER HENRY: Bravo to you, Marie-Joséé, and to you, Melody, for really just an extraordinary conversation. We thank you for your insights. We thank you

for sharing your time with us. We don't take it for granted. We really appreciate it. I'm pleased to report that we have a few more great speakers lined up this month. And, as always, we encourage you to invite guests to our events. Next week, we have Kenneth Chenault, former CEO and Chairman of American Express on December 8. Following Ken, we have David Steward, Founder and CEO of World Wide Technology on December 9. And on December 17, we have a G30 Report on "Mainstreaming the Transition to a Net-Zero Economy" with Mark Carney, U.N. Special Envoy on Climate Action and Finance and the former Governor of the Bank of England. Stay tuned for announcements of our 2021 events, including Fed Chair Jay Powell who is confirmed for February 10. Thank you. Thank you for joining us and have a great day.