

Board Diversity

WHEREAS: First Community Bankshares, Inc. has one woman on its Board of Directors. Numerous studies have linked increased board diversity to superior firm performance. Recently an article, co-authored by a Federal Reserve Board Economist Judit Temesvary, found “that banks with more gender diversity on their board perform better once the composition of these boards reaches a critical level of gender diversity....” The article also found “some evidence suggesting that increasing gender diversity....is associated with fewer regulatory enforcement actions.”

Numerous Institutional Investors believe that diversity on boards is an indicator of good corporate governance. Three of the four board diversity resolutions that went to a vote in the proxy season ending June 2021 garnered majority support including one filed at this Company, which was supported by over 70% of its shareholders. Many public pension plans and asset managers, including the world’s largest—BlackRock, Fidelity Investments, State Street Global Advisors, and Vanguard—increasingly vote against directors and support shareholder proposals on board diversity at companies deemed to be making insufficient progress.

U.S. regulation and legislation to accelerate progress on board diversity is on the rise. In August 2021, the Securities and Exchange Commission approved Nasdaq’s proposed board diversity rule requiring listed companies to meet diversity thresholds or explain their failure to do so, as well as to disclose diversity statistics. California and Washington have passed legislation mandating minimum board diversity thresholds and other states may follow suit.

Corporate leaders recognize the strong business case for broader board diversity. The Guiding Principles of Corporate Governance of the Business Roundtable, state: “Diverse backgrounds and experiences on corporate boards, including those of directors who represent the broad range of society, strengthen board performance and promote the creation of long-term shareholder value. Boards should develop a framework for identifying appropriately diverse candidates that allows the nominating/corporate governance committee to consider women, minorities and others with diverse backgrounds as candidates for each open board seat.”

Despite recent progress, women and people of color remain significantly underrepresented on U.S. corporate boards. Women and people of color account for 26.5% and 17.5% of the directorships in the Fortune 500, respectively, relative to 48% and 41% of private industry jobs.

Resolved: Shareholders request that the Board of Directors prepare a report by February 2023, at reasonable expense and omitting proprietary information, on if and how the Company is taking steps to enhance broader diversity. In its discretion, the Board could consider:

- Embedding a commitment to diversity explicitly inclusive of sex, race, ethnicity, age, gender identity, gender expression, and sexual orientation in the Governance and Nominating Committee charter;
- Committing publicly to include women and people of color in each candidate pool from which director nominees are chosen;
- Disclosing in proxy statements the number of women and people of color nominated for or sitting on the board; and
- Detailing board strategies to reflect the diversity of the company’s workforce, community, and customers.