

Board Diversity

WHEREAS: First Community Bankshares, Inc. has one woman on its Board of Directors. Numerous studies have linked increased diversity to superior firm performance. Last year 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. Public pension plans from Massachusetts, New York, and Rhode Island have adopted proxy voting policies with minimum board diversity thresholds, resulting in votes against thousands of directors cumulatively. Proxy Insight, a leading source on global voting practices, reported that 60% of U.S. institutional investor proxy voting policy changes in 2018 related to board diversity. For example, BlackRock, the world’s largest asset manager, published updated responsible investment guidelines stating, “we would normally expect to see at least two women directors on every board.”

Legislation mandating board diversity has arrived in the U.S. California has enacted two pieces of legislation that mandate diversity on boards of companies with principal executive offices in that state. 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.” Benefits associated with board diversity include a larger candidate pool from which to pick top talent, better understanding of consumer preferences, a stronger mix of leadership skills, and improved risk management.

Resolved: Shareholders request that the Board of Directors prepare a report by February 2022, 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 inclusive of sex, race, ethnicity, age, gender identity, gender expression, and sexual orientation in Nominating and Corporate Governance charters;
- Committing publicly to include women and people of color in each candidate pool from which director nominees are chosen; and
- Disclosing in proxy statements the number of women and people of color nominated for or sitting on the board.