

April 24, 2018

Dear First Republic Bank shareholder,

We are writing to urge you to VOTE “FOR” PROPOSAL #4 on the First Republic Bank 2018 proxy card, which asks the company to disclose workforce diversity metrics as well as diversity programs and policies. The shareholder proposal makes the following request:

Shareholders request that First Republic Bank prepare a diversity report, at a reasonable cost and omitting confidential information, available to investors including:

- 1. A chart identifying employees according to gender and race in major EEOC-defined job categories, listing numbers or percentages in each category;*
- 2. A description of policies/programs focused on increasing gender and racial diversity in the workplace.*

The Employment Information Report EEO-1, or EEO-1 Report, is an annual workforce data survey companies are required to file with the Equal Employment Opportunity Commission (EEOC). The report asks employers to report employment data categorized by race/ethnicity, gender and job category.¹ The chart provides ten pre-defined job categories and six race/ethnic categories.

This issue is of importance to shareholders because research from McKinsey and others found that **companies with highly diverse executive teams had higher returns on equity and earnings performance than those with low diversity**. We are concerned First Republic Bank is lagging behind industry peers like Bank of America, KeyCorp, PNC, Bank of New York Mellon and U.S. Bancorp who disclose and utilize comprehensive workforce diversity data to strategically advance diversity within their companies.

Rationale for a “Yes” Vote:

1. First Republic Bank’s diversity disclosures are vague and insufficient

- First Republic Bank currently reports summary workforce data based on gender and ethnic diversity. This level of disclosure lacks the detail the bank is required to submit to the EEOC. The EEO-1 chart calls for workforce data reported by ten pre-defined job categories and six race/ethnic categories. As a result, shareholders have

¹ <https://www.eeoc.gov/employers/eeo1survey/faq.cfm#About>

- insufficient information to determine if First Republic Bank has been successful in expanding diversity into various roles within the company.
- Due to the broad categorization of employees there is insufficient information to determine where the company should focus its efforts to achieve the greatest outcome.
 - Leading financial services firms such as Bank of America, US Bank, JP Morgan, and Bank of New York Mellon provide greater transparency of workforce statistics consistent with the EEO-1 Report. By providing detailed workforce data these companies are able to demonstrate the progress of diversity initiatives throughout their companies.
 - U.S. Bancorp states: “by providing this data publicly on an annual basis, we hold ourselves accountable to shifting these percentages over time.”²
 - BNY Mellon affirmed its commitment to transparency and accountability by providing annual EEO-1 data. As of 2015 women held 37% of vice president level manager roles at the company.³
 - In addition to disclosing annual EEO-1 data Bank of America states: “The diversity of our employees — in thought, style, sexual orientation, gender identity, race, ethnicity, culture, and experience — is essential to our ability to meet the needs of our diverse customers and clients.”⁴
 - Without detailed quantitative information we believe the company cannot persuasively demonstrate whether its diversity initiatives are successfully advancing women and people of color into varying ranks within the company. Therefore, investors cannot accurately determine if the company is capturing the potential business value associated with a highly diverse workforce.

2. Evidence finds that greater workforce diversity may lead to better business outcomes

- A McKinsey & Company 2016 report entitled *Why Diversity Matters* found companies with highly diverse executive teams had higher returns on equity and earnings performance than those with low diversity⁵.
- According to 2017 research by Morgan Stanley, companies with higher gender diversity tend to have better fundamentals and better risk-adjusted performance⁶
- McKinsey found that companies in the top quartile for gender or racial ethnicity are more likely to financially outperform national industry medians. Specifically, companies with greater ethnic diversity were 35% more likely to outperform those

² <https://www.usbank.com/careers/workforce-demographics.html>

³ https://www.bnymellon.com/us/en/_locale-assets/pdf/csr/bny-mellon-2015-csr-full-report.pdf

⁴ <http://about.bankofamerica.com/assets/pdf/Bank-of-America-2015-ESG-Report.pdf>

⁵ <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁶ <https://www.morganstanley.com/ideas/gender-diversity-investment-framework>

without ethnic diversity while companies in the top quartile for gender diversity were 15% more likely to outperform.⁷

- First Republic Bank reports that minorities represent 46% of the total workforce, however without more detailed information investors cannot determine if ethnically diverse employees are represented at all levels of the company. The EEO-1 report groups employees by gender and also by six ethnic/race categories: white, black or African American, Native Hawaiian or Pacific Islander, Asian, American Indian or Alaskan Native, or two or more races. By summarizing this data in such a vague manner, the company prevents investors from fully understanding and evaluating the company's commitment to diversity and progress over time.
 - Research from McKinsey found: **“for every 10 percent increase in racial and ethnic diversity on the senior-executive team, earnings before interest and taxes (EBIT) rise 0.8 percent.”**⁸
- Without more detailed metrics investors cannot determine whether women and people of color are widely represented at all levels of the firm. By only disclosing total workforce and senior leadership by gender, the company fails to effectively answer this question.
- There is ample evidence that the financial services sector has not been successful in incorporating gender and racial diversity into senior roles. As a member of this industry, it is incumbent upon First Republic Bank to demonstrate convincingly that this is not an issue for the company.
 - An analysis by Morgan Stanley found that while at first glance the financial services sector has larger representation of women than other sectors, it appears that gender diversity is not evenly distributed throughout companies. “This suggests a drop-off in diversity moving from support jobs updates and thus a potentially missed opportunity for financial services.”⁹
 - Other asset management firms have begun acknowledging the lack of gender diversity in senior roles. In August, 2016 seven global asset managers including BlackRock, Capital Group, and Fidelity, shared diversity statistics which show, on average, that women represent nearly one-half of their workforces but represent just one-quarter of senior staff.¹⁰
- A successful diversity strategy should establish clear goals and objectives driven from the current workforce demographic. McKinsey suggests establishing a “fact base” before creating targeted initiatives.¹¹

⁷ <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁸ <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁹ Zlotnicka et al, Gender Diversity: Profile of the Financial Sector. Morgan Stanley Research. 2017

¹⁰ <https://www.ft.com/content/2e3a7dbe-5b09-11e6-9f70-badea1b336d4>

¹¹ <http://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

3. The Proposal's request is not cost prohibitive

- First Republic Bank is required by law to submit the EEO-1 Report to the Equal Employment Opportunity Commission. The chart identifies employees according to gender and race in multiple EEOC-defined job categories, listing numbers or percentages in each category. To satisfy the proposal First Republic Bank would simply need to make this chart publicly available. This means that disclosing the company's EEO-1 chart would not be cost prohibitive. In fact, the cost should be minimal.

For all the reasons provided above we strongly urge you to VOTE "FOR" PROPOSAL #4.



Brianna Murphy
Vice President, Shareholder Advocacy
Trillium Asset Management, LLC
bmurphy@trilliuminvest.com
617-532-6662

IMPORTANT NOTICE: The cost of this communication is being borne entirely by Trillium Asset Management, LLC ("Trillium"). The foregoing information may be disseminated to shareholders via telephone, U.S. mail, e-mail, certain websites and certain social media venues, and should not be construed as investment advice or as a solicitation of authority to vote your proxy. The cost of disseminating the foregoing information to shareholders is being borne entirely by Trillium. Proxy cards will not be accepted by Trillium. To vote your proxy, please follow the instructions on your proxy card. These written materials may be submitted pursuant to Rule 14a-6(g)(1) promulgated under the Securities Exchange Act of 1934. Submission is not required of this filer under the terms of the Rule, but is made voluntarily in the interest of public disclosure and consideration of these important issues. The views expressed are those of the authors and Trillium as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the authors on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is for informational purposes and should not be construed as a research report.