

September
2021

**CORPORATE
PROGRESS
AND
ACTION ON
DIVERSITY,
EQUITY, AND
INCLUSION**

Foreword

Investors, employees, customers, and society-at-large are demanding that companies not just shift but help lead a transformation on diversity, equity, and inclusion (DEI). Not since the civil rights campaigns of the 1960s have we seen such an urgent call for change. This moment's call for global equity and equality within the workforce – as seen through multiple movements including #MeToo, Black Lives Matter, and climate change activism – is comparable to those social movements of five decades past.

Corporations are at a pivot point, and their commitments and actions will profoundly dictate their level of success for years to come. Companies that embed and act on the principles of DEI will inspire trust, win the war on talent, and lead the markets of tomorrow. And those businesses that choose not to listen or that make only reactive changes to the DEI movement? They risk falling behind or may even cease to exist.

In the same way that sustainability and climate have moved from being sidebar conversations in the private sector to prominence in the C-suite given the degree to which they shape enterprise risk and opportunity, DEI issues have become material topics for corporate boards and executive leaders. *Corporate Action and Progress on Diversity, Equity, and Inclusion* shows that enterprise-wide, long-term strategies are necessary to correct systemic inequities and drive culture change. Successfully becoming an employer of choice requires strategies that permeate all dimensions of the organization and that go far deeper than just the employee hiring and onboarding experience.

All individuals and all companies are at different places in their DEI journey. There is not a single readymade solution or answer to the DEI needs of the day. In fact, I personally do not believe we even know all the questions.

I do know the challenge requires that businesses come together to share and find new paths forward. The SustainAbility Institute by ERM has undertaken this research to consolidate the best current thinking from corporate leadership around the world on how to move forward. The report presents recommendations and examples to prompt your thinking as you work to build and deliver a compelling DEI strategy. ERM believes in the value of DEI for organizations and society, and we look forward to continuing our own DEI journey while collaborating with others to make the world more sustainable and equitable.

Thank you for reading this report, and please don't hesitate to be in contact with any feedback.

Sincerely,



Tim Strawn
Regional CEO, Europe, Middle East,
Africa (EMEA), ERM
Executive Sponsor on DE&I

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Executive Summary

The events of 2020 spurred significant dialogue around diversity, equity, and inclusion (DEI) issues. They also fostered understanding that corporations have a significant role to play in creating equitable and inclusive organizations and building a more equitable society. Through desk research, focus groups, and interviews, this report delves into the key drivers behind the increased expectations for businesses, explores corporate progress to date, and examines common challenges companies face in implementing DEI initiatives. The report also provides best practice examples and case studies for how corporations are integrating DEI considerations into their workforce, products and services, and supply chains as well as supporting DEI in the communities where they operate.

Key drivers

Several factors are driving increased expectations on company commitments to DEI:

- » Employees favor employers who authentically address DEI issues both within the organization and in society.
- » Corporate leaders are acting on DEI issues and pledging significant resources.
- » Regulators worldwide are mandating more transparency and demanding more progress on diversity and pay equity.
- » Other stakeholders – from customers to investors – are more interested in corporate DEI ambitions and progress than previously and are calling for evidence of performance gains related to DEI.

Corporate progress

Corporations are responding to the drivers in a few key ways:

- » Corporations are formally adding “equity” into DEI language and programming, expanding their scope.

- » Companies are holding open and honest discussions with employees and other stakeholders that drive greater understanding and faster evolution of DEI initiatives.
- » DEI roles and teams inside companies are multiplying in number and growing in influence.
- » Corporations are exploring further areas for DEI impact including public advocacy, supply chain improvements, and product changes.

Challenges

Given the complexity of the DEI landscape, the report highlights common challenges including:

- » Ensuring that DEI is seen and understood as a multi-faceted global challenge that requires localized attention.
- » Accepting and managing the long-term strategies and longer time horizons needed to make meaningful systemic change.
- » Balancing employee interests and priorities as the scope of DEI expands.



Equity and environment

How corporations address environmental issues within the context of DEI, particularly through the lens of equity, has become increasingly important. This report explores the challenge of addressing environmental issues equitably and considers how thinking about DEI and environmental challenges together can lead to innovative, mutually beneficial solutions. These sections are called out with the symbol and title above throughout the report.

Corporate actions

Corporate Progress and Action on Diversity, Equity, and Inclusion compiles best practice examples for managing DEI across your organization. Those best practices inform the four-part DEI strategy framework below. Using the framework when developing a DEI strategy will help ensure a comprehensive approach within your organization.

Communication and disclosure

Communicating your DEI strategy and progress on DEI commitments is critical to key stakeholders, including your employees, investors, and customers. The report explores examples of best practice communications strategies including:

- » Why it is crucial to collect and report data that highlights progress and to present it along with stories about impact.

- » For internal communications, how leveraging multiple communication channels can help ensure that information travels both top-down and bottom-up.

What's next?

We expect increased pressure for companies to make continued progress on DEI commitments. Additional trends likely to emerge over the next few years include:

- » As more diverse voices and stories are amplified, corporations will expand their diversity programming, such as through increased focus on equitable access.
- » Increased scrutiny of corporate advocacy and rising expectations that corporations align their voice with their actions.

1. Workforce

- » Create equitable recruitment and hiring processes.
- » Enable flexible work and benefits.
- » Embed support and mentoring systems.

2. Products and Services

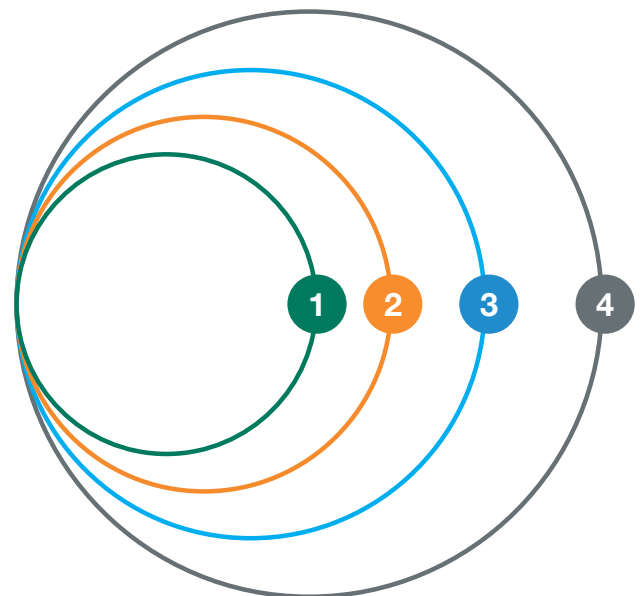
- » Consider how your customers experience your organization and products.
- » Design and test products with diverse customers.

3. Supply Chain

- » Work with diverse certification programs to expand the pool of diverse supplier options.
- » Develop mentor relationships with suppliers to support their growth.

4. Communities

- » Leverage core business assets to invest in longer-term solutions to address systemic challenges.



Introduction

Diversity, equity, and inclusion (DEI) topics have garnered increased attention globally over the last few years. Focus on sexism rose during the #MeToo movement, which took off in 2017, and the murders of George Floyd and other Black Americans in 2020 accelerated a global social justice movement focused on systemic racism. Combined with the way COVID-19 amplified the impacts of systemic inequities, DEI has become a far more central part of conversations in popular culture, politics, and workplaces.

While DEI has long been a material issue for business, how companies should demonstrate commitment to DEI and take actions that help create an equitable society has reached an inflection point. For corporate responsibility practitioners and other business leaders, this moment requires deliberate attention, evolution, and action.

This report explores the changing societal narrative around DEI and how that is influencing expectations of how companies address these topics within their organizations and beyond. The first three sections

of this report outline the drivers and trends changing the conversation around DEI in the corporate sector, as well as the common challenges that companies face as they develop and implement DEI strategies. The second half of the report details actions companies are taking to be more diverse, equitable, and inclusive of all of their stakeholders – from employees to customers and surrounding communities. The report also lists examples of current best practice and suggests ways to meet the rising demand for comprehensive corporate approaches to DEI.

Glossary

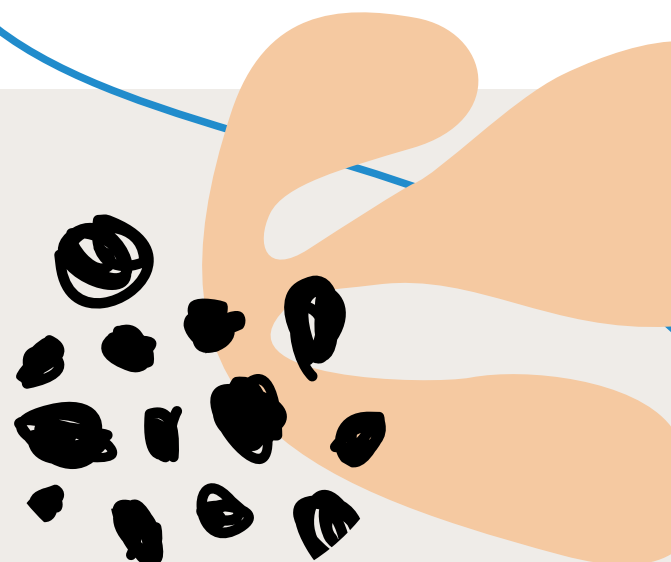
This report uses the following definitions for key terms, which were developed by the Centre for Global Inclusion:¹

- » **Diversity** refers to the variety of similarities and differences among people, often called diversity dimensions, including, but not limited to: gender, sex, gender identity and expression, ethnicity, race, native or indigenous identity/origin, age, generation, disability, sexual orientation, culture, religion, belief system, marital status, parental status, pregnancy, socio-economic status/caste, appearance, language and accent, mental health, education, geography, nationality, work style, work experience, job role and function, thinking style, and personality type. Representation of various diversity dimensions within organizations may vary by geography, time, or organization.
- » **Equity** is about fairness and justice. It is about taking deliberate actions to remove systemic, group, and individual barriers and obstacles that hinder opportunities and disrupt well-being. Equity is achieved through the identification and elimination of policies, practices, attitudes, and cultural messages that create and reinforce unfair outcomes. The difference between equality and equity must be emphasized. Although both promote fairness, equality achieves this through treating everyone the same, regardless of need and circumstances. Equity achieves this through treating people differently dependent on need, circumstance, and consideration of historical and systemic inequities.
- » **Inclusion** is a dynamic state of feeling, belonging, and operating in which diversity is leveraged and valued to create a fair, healthy, and high-performing organization or community. An inclusive culture and environment ensures equitable access to resources and opportunities for all. It also enables individuals and groups to feel safe, respected, heard, engaged, motivated, and valued for who they are.

DEI is the most common expression (and acronym, which is sometimes presented as DE&I) used to refer to the intertwined concepts of diversity, equity, and inclusion and the combined programs and policies used to address them within and outside of corporations. Unless referring to a specific concept, we use this acronym throughout the report.

Methodology


- » **Desk research:** We conducted a literature review encompassing recent studies around social sentiment on DEI, corporate actions, and recommendations from experts in the field.
- » **Data analytics:** We used Datamaran's patented technology to pull data on DEI-related regulations over the last decade and to highlight variations in reporting on DEI across regions.
- » **Focus groups:** We conducted focus groups with 17 members of the SustainAbility Transparency Network (STN) representing nine companies. STN members are corporate practitioners with experience and knowledge of DEI efforts at their organizations and across the field.
- » **Interviews:** We held interviews with an additional 12 experts and practitioners from companies, academia, non-governmental organizations (NGOs), and governmental experts in which we explored key drivers on DEI around the world, along with examples of actions and best practices companies are taking.





Key Drivers

In 2020, Black Lives Matter and other protests against systemic racism around the world and online catapulted discussion of DEI into executive suites, spurring corporate action not only on racial inequities, but also gender identity and expression, disability, and other issues. This section explores the key drivers escalating DEI societally and driving demand for corporate action.



Employee expectations

Public protests have been echoed by employees looking for evidence of progress on addressing racism, sexism, and other systemic inequities from the organizations where they work. A recent survey by Gartner found that 87 percent of employees said businesses should take a public position on societal issues relevant to their business, with nearly three-quarters saying that businesses should adopt a public position even on social issues not directly relevant to their business.²

Much of that pressure comes from younger generations as Millennials and Gen Z become driving forces in the labor market, noted Maria Laura Belfiore, Corporate Sustainability Specialist, “In orientation sessions, new employees want to know what position that company takes on public issues, such as LGBTQ+ issues, and their broader corporate sustainability agenda.”



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Maria Laura Belfiore
Corporate Sustainability Specialist

Leadership commitment

The call for action is not limited to employees. Senior leaders are committing to address systemic inequities in public statements and with monetary commitments. In our June 2021 poll of STN member companies, all highlighted strong senior leadership support for advancing their company DEI strategy. Between May and October of 2020, United States Fortune 1000 companies committed \$66 billion to advancing racial equity, and one-third made public statements in support of racial justice.³ In Europe,

there is similar appetite from senior leaders to engage in internal and external dialogue on DEI. One corporate interviewee noted that there is “a lot of enthusiasm from senior leaders to talk about the topic.”

Although senior leader support has never been clearer or more prevalent than it is now, senior leaders are on their own DEI journey too, meaning many initial DEI efforts at companies are focused on hiring DEI experts and educating executives and the board.

Regulatory pressure

On the regulatory front, in March 2021, the European Commission presented a proposal to ensure that women and men in the EU get equal pay for equal work through pay transparency measures including pay information in job descriptions, gender pay gap reporting obligations, and internal transparency for pay levels.⁴ Following the 2017 Equality Act requiring gender pay equity reports, the UK’s Commission on Race and Ethnic Disparities proposed voluntary reporting on pay gaps among ethnic groups in April of this year.⁵

Financial regulators and stock exchanges are also putting pressure on companies to have diverse board and senior leadership. In August 2021, Nasdaq announced that firms listed on its exchange will need to have at least two diverse directors (e.g., one who identifies as female, and another from an underrepresented minority or LGBTQIA+) or explain why and share diversity statistics on their boards. Approved by the U.S. Securities and Exchange Commission, the plan will become binding in 2022. Similarly, the UK Financial Conduct Authority proposed annual “comply or explain” statements for reaching certain diversity targets, such as boards that are 40 percent female and include at least one member from a non-white background.⁶ In Cambodia, employers with over 100 employees must hire disabled workers to represent one percent of the total workforce or pay into a specific fund to support disabled communities, and there are similar laws in Thailand, Indonesia, and South Korea.⁷

Governments around the world are putting into law protections for diverse groups of people. For instance, Argentina, after passing landmark LGBTQIA+ rights legislation, included ‘x’ gender on official IDs, joining Canada, Bangladesh, Denmark, Australia, New Zealand, and India in doing so.⁸ This legislation enables companies to more openly support their diverse employees and provides new avenues for collaboration with the government.

In another potentially watershed moment in July 2021, California’s Department of Fair Employment and Housing filed a lawsuit against Activision Blizzard for creating a culture of gender discrimination, sexual harassment, and unequal pay. Walter Foster, a labor and employment lawyer at Eckert Seamans Cherin & Mellot, shared in an interview with CNN that, “the allegations brought by the California state department [are] seminal, and probably bellwether type legislation for this industry.”⁹

Our analysis of mandatory and voluntary regulations on DEI topics using the AI platform Datamaran found that Europe has seen more than 150 new mandatory regulations for a “Fair and Inclusive Workplace” since 2010 and that the United States has seen nearly 100 new regulations introduced on the same topic over the same timeframe. Across both Europe and the United States, there are dozens of new regulations around “Inclusive Products and Services” and “Social Inclusion” – topics that move beyond workforce-specific DEI efforts.

Stakeholder interest

In addition to new government regulations, external stakeholders, including investors, customers, and communities are looking for more transparency and evidence of DEI strategies and progress.

In the United States, shareholders are increasingly requesting that companies publicly disclose EEO-1 data (EEO-1 covers demographic workforce data including breakdowns by race/ethnicity, sex, and job categories).¹⁰ Additionally, the proxy firm Institutional Shareholder Services (ISS) found that shareholder proposals focused on DEI doubled in the last year, to 143.¹¹ Shareholder proposals ranged from requests to publish a DEI report, to racial equity audits,¹² to requirements to diversify boards.¹³

Consumers also expect companies to be transparent about their values. Though there is still debate on the significance to sales, the rise in consumer interest in and expectations regarding corporate responsibility means many companies now feel more pressure to take a stance rather than stay silent on issues – or risk as being tagged as complicit if they don’t articulate a position.¹⁴ Speaking out is a tightrope walk, as companies like Adidas have learned. In Adidas’s case, they experienced a sales decline in China (though not elsewhere) and a subsequent stock price decrease due to statements the company made declaring it would not source cotton from Xinjiang because of reports of human rights abuses committed there against Uyghur Muslims.¹⁵

Acknowledging the role of the supply chain on DEI commitments and performance, companies are implementing supplier diversity programs and requiring their suppliers to implement DEI programs and strategies as well. “In the business services sector, clients are expecting diverse teams to support their work regardless of the project type; lack of diversity is now a direct sales risk that the services sector needs to address,” described Steve Kenzie, Executive Director at the United Nations Global Compact Network UK.

All of these drivers mean that DEI is part of more and more conversations taking place in corporations, touching everyone from investor relations teams to people in marketing and HR, and that corporations must consider aspects of DEI in all decision-making processes and actions.



Corporate Progress

Addressing inequity and lack of diversity in and outside the workplace is not a new challenge for the corporate sector. Companies have been addressing these issues for years by running anti-harassment, unconscious bias, and micro-aggression training for employees, and by creating programs to develop more diverse talent pipelines and disclosing diversity statistics, for example. Over the past year, however, there has been a “marked increase in organizations taking the opportunity to be self-reflective and apply the lens of DEI to not only their workforce, but their products, supply chain, and how they do business in the community,” says Tasneem Chopra, an author, commentator, and cross-cultural consultant focusing on DEI.

Focus on equity

Since 2020, media, society, and corporations have found new words and phrases to express the challenges that marginalized groups face in and out of the workplace as well as the goals they need to set and the solutions they need to explore. There has been particular focus in the last year around the addition of the word “equity” into historically labelled “Diversity & Inclusion” programs. Lori Costew, Chief Diversity Officer at Ford, describes why Ford added “equity” to the title of its program: “At its most basic definition, equity is giving people what they need to be successful. In order to achieve a diverse and inclusive workplace centered on employee belonging, Ford has to recognize the unique needs of its workforce and remove barriers along the employee journey that may prevent equitable career development.” Each new concept added to the lexicon, most recently terms like equity, belonging, and justice, provides a different lens with which companies can evaluate their organization and their efforts across the value chain.

Open and honest discussions

Not only is the language used to explain DEI challenges and possible solutions expanding, but companies are also fostering safer and more honest conversations like never before.¹⁶ In the days following the murder of George Floyd, every member of eBay’s executive leadership team met with Black employees to learn about and from their lived experiences. Similarly, in the first half of 2021 eBay’s executive leadership team met with Asian/Pacific Islander employees to learn about their lived experiences as well as more broadly what was happening within their community. Beric Alleyne, Global Head, Diversity, Equity & Inclusion at eBay, elaborated, “We are being much more intentional in the conversations we have; spending the time not only to set up the structures, but having real and meaningful conversations that build empathy and help people recognize and internalize the value of a diverse, equitable, and inclusive workplace.” Although addressing inequities involves building or dismantling systems and quantifying progress, these topics rely on individuals relating to and understanding each other, and that starts with conversations.

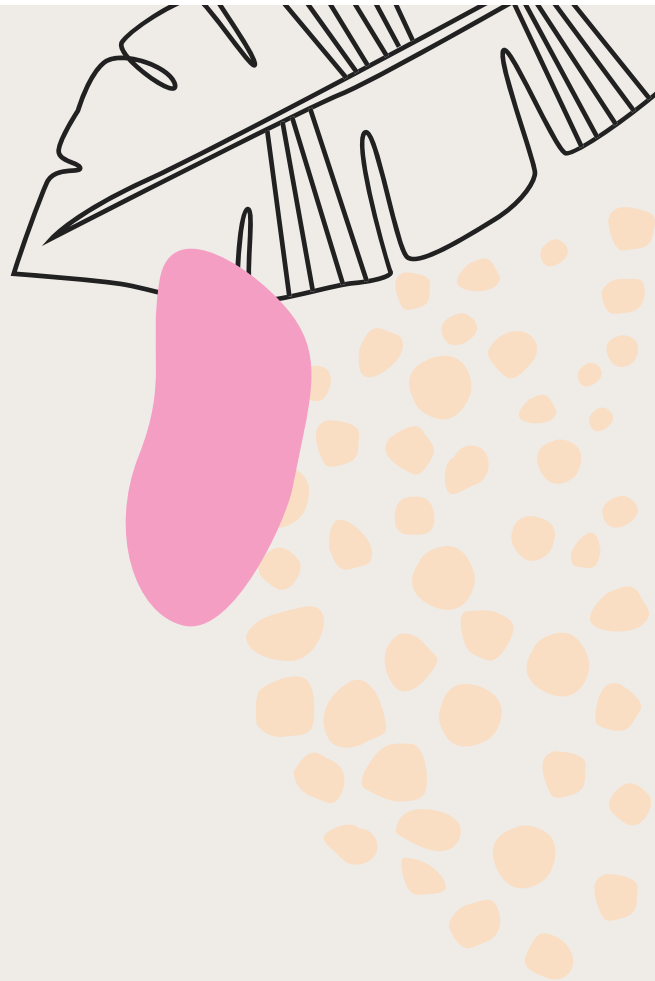
Frank Rodriguez, Global Leader, Our Race to Health Equity at Johnson & Johnson, noted that the level of engagement in internal conversations “has not and will not abate. For Johnson & Johnson the spaces for that internal dialogue will never go away, even as additional programs, actions, and goals are built around DEI.”



We are being much more intentional in the conversations we have; spending the time not only to set up the structures, but having real and meaningful conversations that build empathy and help people recognize and internalize the value of a diverse, equitable, and inclusive workplace.”

Beric Alleyne

Global Head, Diversity, Equity & Inclusion
eBay



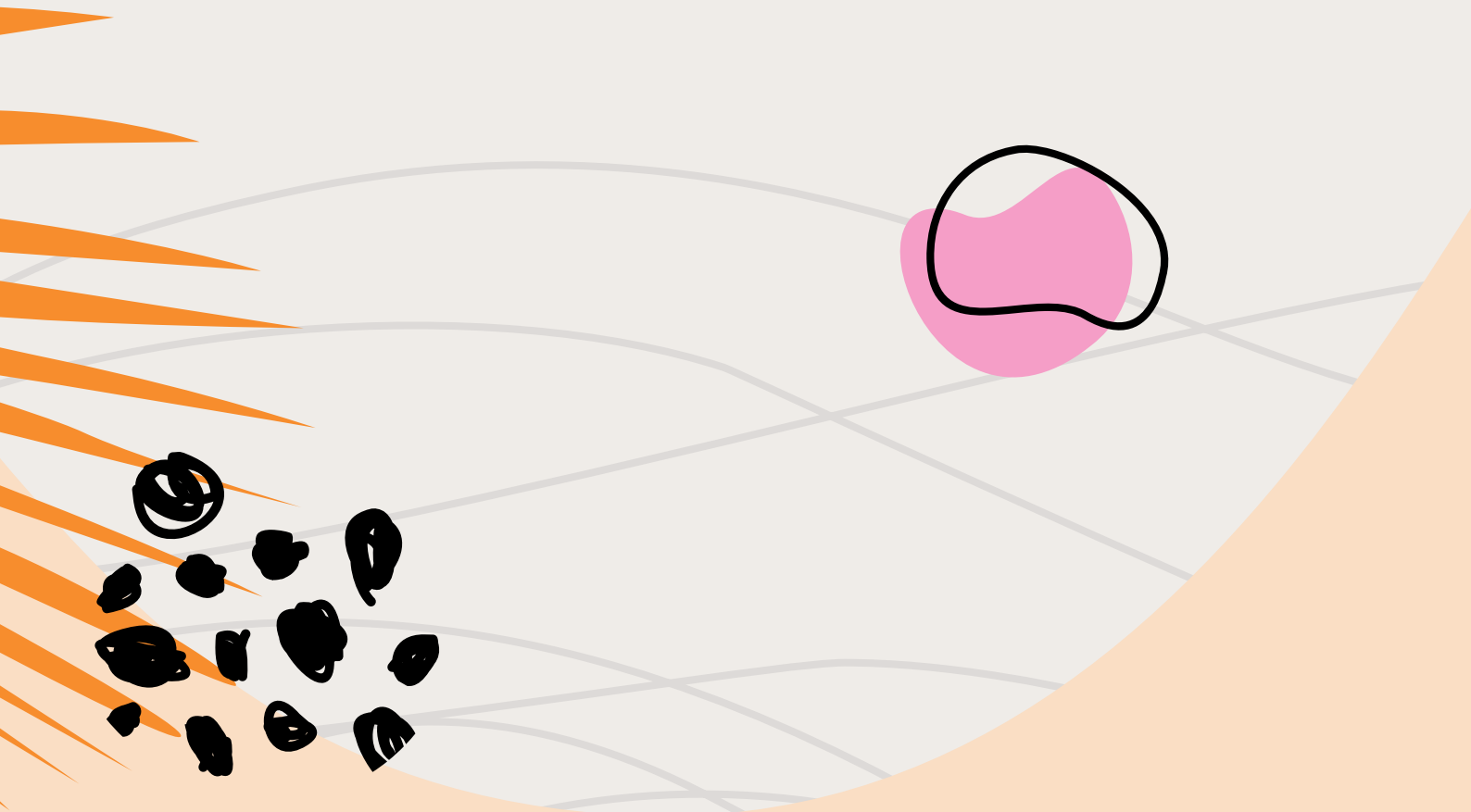
Expanded DEI roles

For the last few decades, organizational approaches to DEI have centered on creating a diverse and inclusive workplace. Ad hoc DEI-related initiatives have also emerged across organizations, such as in supply chain or community engagement efforts, often leading to the creation of part-time and/or volunteer roles related to this agenda. In order to reach their ambitions today, companies are building on existing structures and providing more resources, which often involves creating DEI-specific roles that span multiple business functions. LinkedIn reports that diversity roles are up 71 percent in the last five years, which includes a significant increase in DEI positions at leadership levels.¹⁷ These new DEI positions are responsible for an expanding DEI scope. An example of this is Ford, which created a new position – the Racial Equity Director – who reports to the Chief DEI Officer and is specifically focused on racial equity across the organization.

Broader scope

The increased scope of DEI includes evaluations and programs assessing everything from how companies are engaging within their supply chains, how they support their employees, how they design, manufacture, and market their products, and the ways they engage and advocate in the communities in which they have operations.

Especially in the last year, we have seen increased attention paid to whether and how companies publicly advocate on DEI matters, which has resulted in more companies taking bold public action in response to inequity. These decisions do not come without controversy, such as the decision by Major League Baseball to move the All-Star Game from Atlanta to Denver following the introduction of restrictive voting laws in Georgia that disproportionately affect minority communities.¹⁸ These types of decisions indicate a growing trend of companies embedding the principles of DEI into their behaviors and core decision-making processes.





Equity and environment

As companies and stakeholders apply an increasingly sophisticated and expanded lens to understand and address both their environmental and social impacts, the intersection between the impacts has come under increasing scrutiny. Historically, the connection between environmental and social issues has focused on minimizing negative environmental impacts affecting local communities due to corporate activities, for example, air, water, or noise pollution, or resource extraction and land destruction. It is well documented that those impacted are disproportionately low income and communities of color. The growing movement to address that inequity is known as “environmental justice;” however connecting that history and those efforts to broader DEI work is nascent.

The connection between DEI and environmental impact is strengthened in part by the explicit addition of “equity” to the DEI lexicon. In addition, the effects of climate change, from heatwaves in the United States’ Pacific Northwest, to flooding in Germany and China, make the need to understand and address inequities in both access to a clean environment and protection from environmental disasters more explicit.

As the impacts of climate change increase globally, companies are facing increased scrutiny and attention from investors, employees, and regulators regarding how they are managing their climate impacts and the equity issues that arise as a result.¹⁹

Energy companies like Shell have begun sharing their plans to transition away from fossil fuels, which include an “aim to manage and reduce effects they may have on the lives of our workers, local communities, and on the environment.”²⁰

At PG&E, Charles Mason Jr., Environmental and Social Justice Manager, is heading the development of an Environmental and Social Justice Framework to evaluate how “PG&E is serving its customers and communities, and guiding opportunities to strengthen its current approach.”

Although equity is beginning to be included in conversations around addressing environmental impacts, Karla Drpić, Project Manager, Business and Human Rights at the UN Global Compact Network UK, notes companies still “consider DEI and environmental issues as separate spaces, with few companies including ‘environmental justice’ or the ‘just transition’ in their DEI strategies.”

We call out examples of how companies approach the impact of environmental issues on equity challenges and vice versa throughout this report.

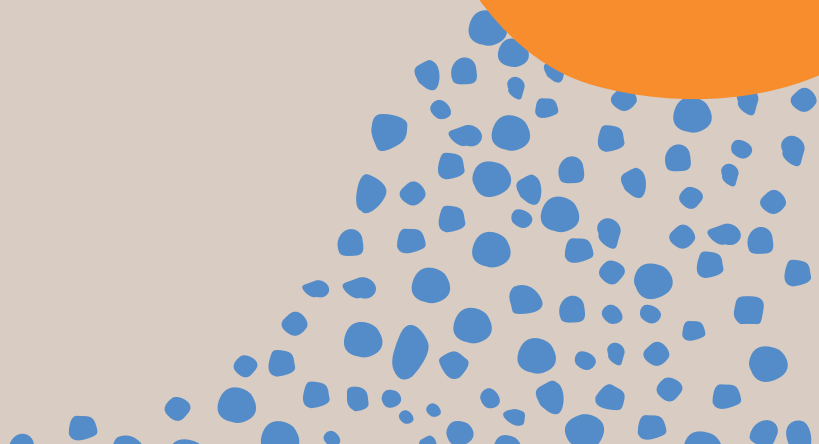
Corporate progress on DEI has not been linear, and, given the complexity of DEI, corporations face significant future challenges. The following section outlines a few of the more common and significant challenges faced by corporations as they embark on their DEI journey.

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3

Challenges

While corporate action and commitments have increased in pace and scope, the approach to supporting systemic societal change on DEI with private sector action comes with its challenges. We highlight three common issues that companies should plan for as they build DEI strategies.



1.

Diversity is a multi-faceted global challenge that requires localized attention

A significant amount of the emphasis internally at United States companies since 2020 has been on American racial diversity issues, with companies making unprecedented commitments and investments that focus on United States-specific actions. However, multi-national companies recognize that the scope of diversity commitments must be global.

The main challenge in applying a global lens to DEI is that diversity priorities are shaped by region, culture, and industry. For example, in the United States, race, ethnicity, gender, and sexual orientation are top priorities based on historical workplace and wider societal discrimination, while in most Asian countries, gender and sexual orientation are more commonly the focus of diversity initiatives.²¹ Other countries like Australia, Canada, and Brazil prioritize Indigenous populations in their DEI approaches, along with other minority groups.

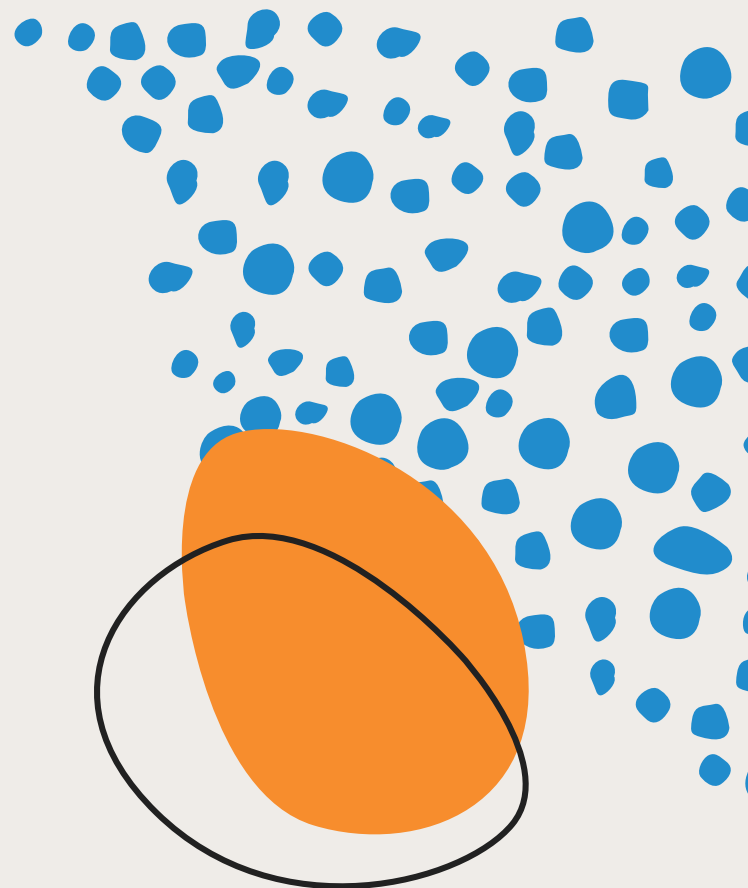
Evidence of varying approaches to diversity across regions can also be found in which topics are reported on, in what depth, by which companies, and in which regions. Our analysis using the AI platform Datamaran of DEI topics referenced within financial and non-financial reporting found that 91 percent of European companies and 95 percent of Oceania companies reported on the topic of “Fair and Inclusive Workplace” in 2020, contrasting with 75 percent of Middle Eastern and North African (MENA) companies, and 53 percent of companies in the Americas. See Figure 1 and Figure 2 on the next page for more details.

Country-specific regulations also play an important part in the way companies approach measuring and managing DEI metrics. Regulations like the General Data Protection Regulation (GDPR) restrict companies from collecting data on topics like ethnicity and sexual orientation from any employees based in the European Union without their consent.²²

The end result is that it is nearly impossible for companies to apply a DEI framework globally, especially in the context of race and ethnicity. As one corporate interviewee noted: “It would be difficult to have a metric that tells a meaningful story across the board. There is a big legal challenge in setting a target for a particular ethnicity because in some countries you are not allowed to collect that kind of information.”

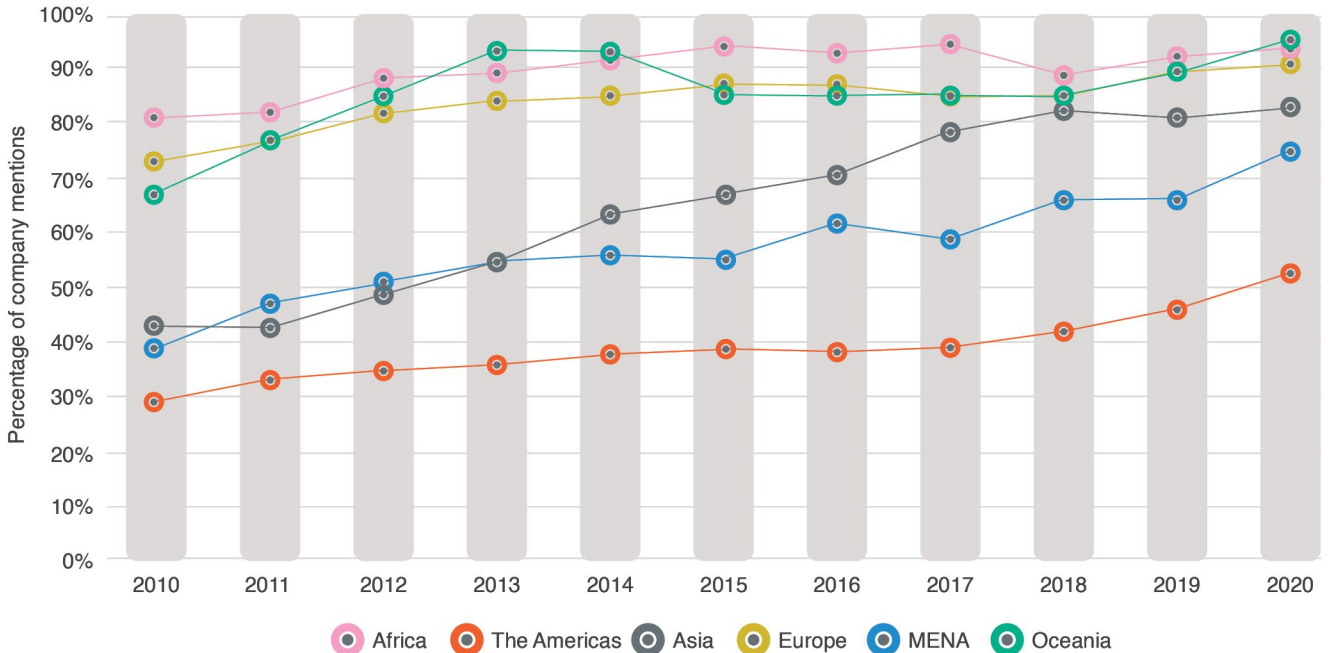
Recommendations:

DEI should not be approached as a one-size-fits-all initiative for all regions and cultures. Some of the companies we interviewed and researched have appointed regional leads and networks to drive relevant programs that roll-up to broader global commitments. For example, Heineken trained 100 local volunteer ambassadors in the Netherlands, Brazil, and New Zealand to help develop and share best practices specific to the unique aspects of DEI in their regions.²³



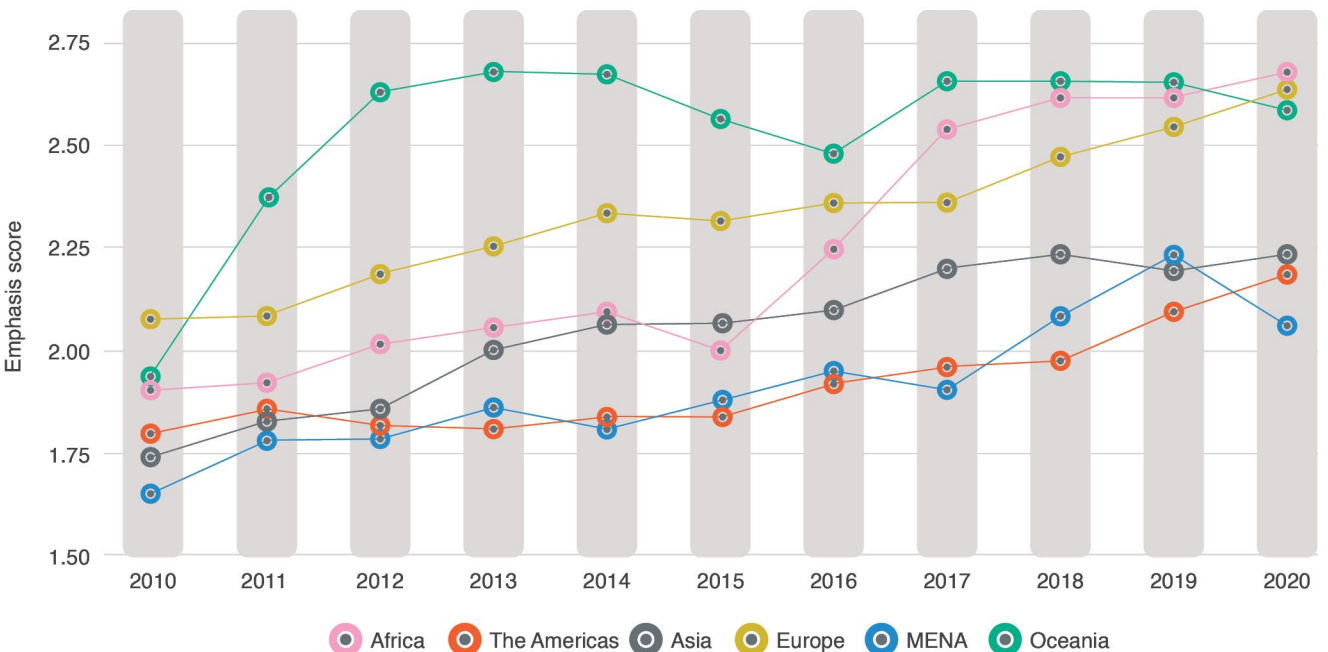
DEI topics and depth in reporting vary by region

Figure 1: Percent of company mentions for the topic “Fair and Inclusive Workplace” in financial and non-financial reports split regionally between 2010 and 2020



Source: Datamaran. Percentage of sustainability reports with mentions of the topic “Fair and Inclusive Workplace” have increased in most geographic regions from 2010 to 2020. Read more about Datamaran on page 43 of this report.

Figure 2: Emphasis scores for the topic “Fair and Inclusive Workplace” in financial and non-financial reports split regionally between 2010 and 2020



Source: Datamaran. Emphasis scores for the topic “Fair and Inclusive Workplace” in sustainability reports in Datamaran’s database have increased in most geographic regions between 2010 and 2020. The emphasis score is calculated from the number of related terms that have been identified in the analyzed corporate reports and where those disclosures were made, with a reference in the Chairman’s letter receiving greater weight than a footnote, for instance. Read more about Datamaran on page 43 of this report.

Insights in DEI around the world



In the United States, watching George Floyd’s murder on film for nine minutes was a racial reckoning that acted as a mobilizing point for corporations to focus on Black communities. In recent years, the #MeToo movement has focused on United States cultures enabling sexual harassment of women among other gender inequities.”

Kellie A. McElhane
Professor, Haas School of Business
UC Berkeley



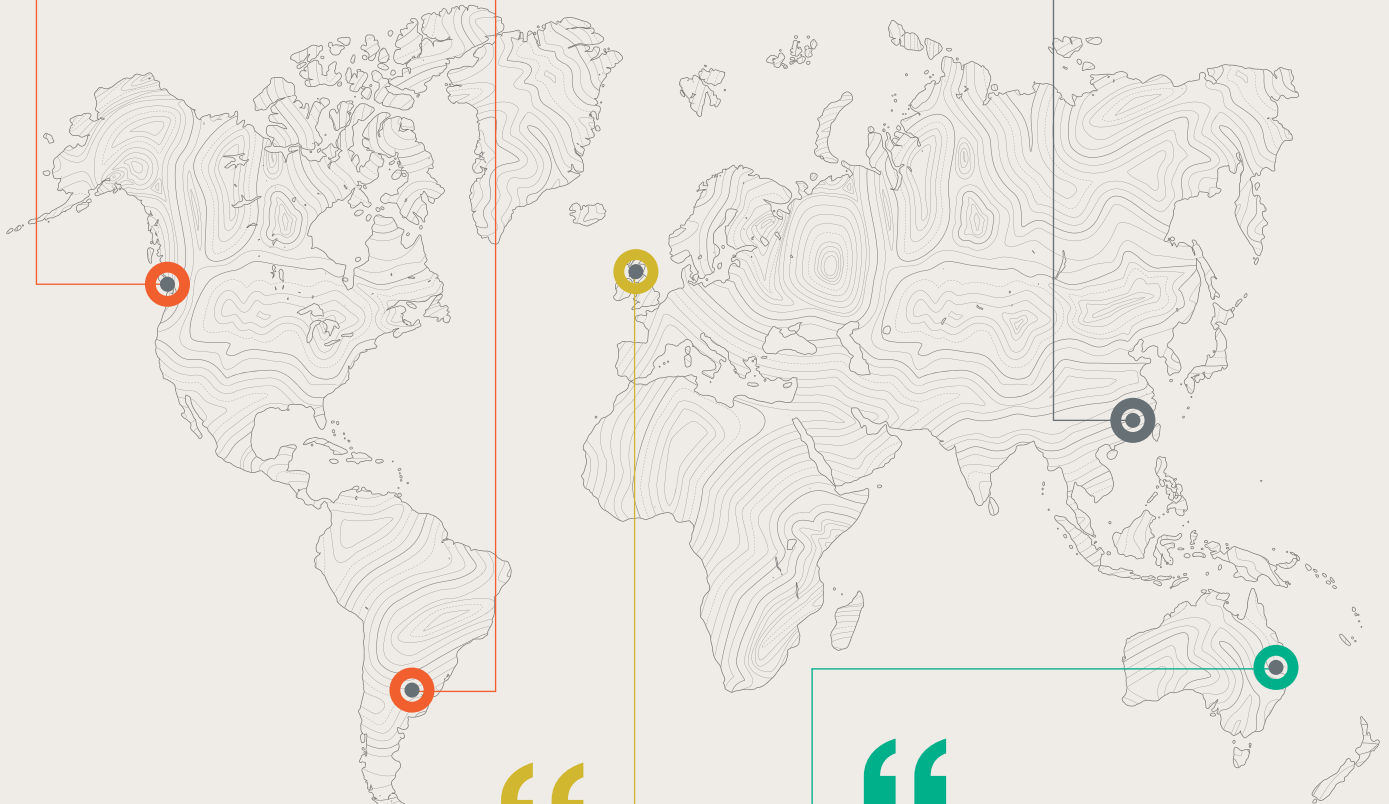
The United States lens and language around the topics of social justice, equity, and human rights may not translate to Latin America, and Argentina in particular, due to the political history of the country. There are local efforts underway to connect human rights to corporate DEI strategies, while navigating a different historical context than in the United States.”

Maria Laura Belfiore
Corporate Sustainability Specialist



At eBay, we have a global strategy with regional fit. For instance, when I talk to the team in the Asia Pacific region, the focus is mainly around age and gender equity, rather than race or ethnicity.”

Beric Alleyne
Global Head, DE&I
eBay



The Black Lives Matter protests in the United States sparked similar conversations in the United Kingdom, though not to the same degree given our different histories. The impacts of the Brexit decision have also had a huge impact on how the United Kingdom thinks about its workforce.”

Gamiel Yafai
Managing Director
Diversity Marketplace



Events in the United States have elevated what is currently happening in Australia, particularly the gross mistreatment of Indigenous populations, such as Indigenous women’s incarceration rates being higher than anywhere else in the world per capital.”

Tasneem Chopra
Author, commentator, and cross-cultural consultant focusing on DEI

2.

Systemic change requires long-term strategies and even longer time horizons

Demand for action on the diversity agenda is at an all-time high. However, systemic challenges like racial and gender inequity require both immediate and long-term attention. We heard from multiple interviewees that one of the main challenges they are facing in successful implementation of DEI work is increased scrutiny from key stakeholders on the pace of progress.

External stakeholders can be impatient and critical of company timelines and actions. As a result, while companies are generally praised for being transparent in their DEI initiatives and progress, some are starting to face scrutiny for not showing results fast enough. For example, even before the 2020 Black Lives Matter protests, technology companies, in a historically white-male-dominated industry, were being called out for not making progress on diversifying their workforces quickly enough, especially compared to other types of businesses. Apple, Facebook, Google, and Microsoft all published DEI reports in 2014 making commitments to increase gender and racial diversity. Four years later, they had only made minimal progress. Maxine Williams, Facebook's Global Chief Diversity Officer, shared an explanation, as summarized by Sara Harrison: "Some of the company's efforts have yielded results, but it has taken time to figure out what works and what does not. Plus... these are long-term investments. Tech companies have to wait until those high school and college students graduate and apply for jobs to reap the benefits of these programs."²⁴

At the same time, consumers have become skeptical of public statements made by corporations and whether those statements align with private sector actions. Younger consumers especially have taken to social media platforms to call out companies' Pride Month statements that contradict their political donations and lobbying against LGBTQIA+ rights.²⁵ According to one report, at least 25 companies with 100 percent scores from the Human Rights Campaign's 2020 Corporate Equality Index also donated significant amounts of money to lawmakers that support anti-trans legislation.²⁶ On the other hand, silence has consequences as well.

According to a 2021 study published by Porter Novelli, nearly 60 percent of Americans say it is not acceptable for companies to be silent on social justice issues, and a further 49 percent say they assume companies that remain quiet on social justice issues do not care.²⁷

Recommendations:

Transparent, authentic, and aligned corporate communications across multiple channels can help ensure that stakeholders have sufficient access to the latest information about your company's DEI commitments, actions, and progress. When talking about the topic of DEI, Karla Drpić, Project Manager, Business and Human Rights at the UN Global Compact Network UK recommends being especially sensitive to communications that could be viewed as inauthentic. She warns, "If a company hasn't talked about diversity topics previously and suddenly they're doing it, they might get some backlash from consumers and media."



If a company hasn't talked about diversity topics previously and suddenly they're doing it, they might get some backlash from consumers and media."

Karla Drpić

Project Manager
Business and Human Rights
UN Global Compact Network UK



Increasing diversity in sustainability profession

If you read a company's sustainability report today, you will likely see DEI featured prominently and covered by in-depth management approaches and metrics. However, despite the prominence of DEI as a material sustainability topic, the sustainability profession itself has been slow to diversify its own ranks.

In a June 2021 survey from GlobeScan and The SustainAbility Institute by ERM analyzing the state of DEI among sustainability professionals, only 42 percent and 29 percent of respondents identified as female or belonging to any type of minority group respectively.²⁸ While these percentages varied by region (women compose a larger proportion of North American sustainability professionals, for example), they highlight a substantial gap in a profession committed to equity as part of the sustainable development agenda.

There are signs that the DEI gap in the sustainability profession is shrinking. Among the growing number of Chief Sustainability Officers (CSO) at publicly traded companies, women held 54 percent of these positions in 2021, up from 28 percent in 2011.²⁹ Still, as the GlobeScan and The SustainAbility Institute by ERM survey shows, more work needs to be done to increase representation among underrepresented groups.

It is not enough for a company to just say they are open to hiring or would like to hire more diverse candidates for sustainability positions says Michael Harvey, co-founder of Diversity in Sustainability.

Instead, he argues that "companies need to be more proactive in their hiring practices by reviewing and updating relevant policies, conducting outreach



Companies need to be more proactive in their hiring practices by reviewing and updating relevant policies, conducting outreach with diversity-focused groups and networks, and partnering with schools like the Historically Black Colleges and Universities in the United States."

Michael Harvey

Co-founder
Diversity in Sustainability

with diversity-focused groups and networks, and partnering with schools like the Historically Black Colleges and Universities in the United States." There is also a tremendous opportunity to support the diverse talent already present within sustainability and work to ensure they do not feel as if they do not have opportunities in the field. Given the time lag to develop the skills and experiences needed to be promoted to senior positions, it is critical that companies support diverse individuals today so that they are ready to be leaders who can have a direct role in driving change tomorrow.

We cover more strategies companies can pursue to increase diversity within their organizations in the Corporate Actions section below.

3.

As the scope of diversity expands, managing employee interests and priorities becomes more challenging

One complexity raised in interviews with companies was the tension between expanding notions and categories of DEI and the groups of people who may feel some actions and initiatives leave them out. This type of backlash can come from a seeming majority group of a company, as in the case of the 2017 memo circulated by then-Google employee James Damore. In the memo, he argued that the lack of women in leadership at Google was due to biological differences rather systemic discrimination, and that Google should do away with much of its diversity programming.³⁰

More subtle pushback in the form of resistance to and skepticism of DEI programs is also common. Magdaline L. Biawogei, DEI Project Manager at Vanguard summarized one part of the challenge, “In order to achieve our mission for DEI, we have to broaden mindsets and shift behaviors to foster a culture of inclusion.” Taking this mindset into account can be helpful. In fact, Kellie A. McElhaney, Professor, Haas School of Business, UC Berkeley sees such points of tension as a positive rather than negative: “It is better when people vocalize it so we know the sentiment exists, and so we can have a discussion. In these instances, I like to focus on inclusion.”

Recommendations:

It is essential that a company’s DEI commitments are rooted in a culture that is inclusive and fair for all. The way the company articulates its purpose should focus on shared benefits. As one example, “Ford Motor Company’s DEI North Star is ‘We are family. We celebrate our differences. We all belong,’” shared Claudya Arana Sanchez, Sustainability Reporting & Integration Manager. Tasneem Chopra, author, commentator, and cross-cultural consultant on DEI, recommends that companies think about how DEI is represented in the company’s culture: “Ask whether your change and commitment is embedded in your constitution and strategic principles. When it is embedded, people can be held accountable.”



In order to achieve our mission for DEI, we have to broaden mindsets and shift behaviors to foster a culture of inclusion.”


Magdaline L. Biawogei
DEI Project Manager
Vanguard

Despite the challenges corporations face, many are taking significant actions across their organizations to create greater inclusion and equity. We explore examples of corporate action in the workforce, relating to products and services, throughout the supply chain, and in communities in the next section.



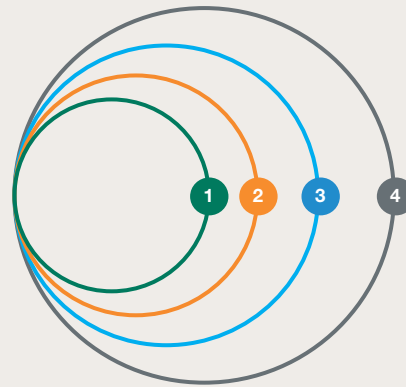
Corporate Actions

Many policies, programs, actions, and governance structures go into building an effective and comprehensive DEI strategy. Below we outline key actions that companies are taking to diversify their workforces, evaluate their products, and engage communities and partners in their supply chains in more equitable ways. We hope the examples below help you evaluate your business' current practices and spark ideas and actions within your own organization.



Workforce

Companies have placed considerable attention on internal DEI activities. As employees and other stakeholders upped pressure on this topic in the last year, more transparent conversations have sparked further ideas, actions, and programs within organizations.



1. Workforce
2. Products and Services
3. Supply Chain
4. Communities

Creating equitable recruitment and hiring processes

Diverse hiring practices are critical to building a diverse workforce, and companies are taking a deeper look at essential parts of the process. Notable examples include removing gendered or racialized terms from job descriptions that might deter certain applicants, adding more transparent salary bands, and redesigning interview processes to ensure all candidates have the accommodations they need. Google’s Candidate Accommodations team, for instance, works with interviewees to ensure they have all the accommodations (such as sign language interpreters, extended time if needed, etc.) required to ensure equitable treatment for all applicants.³¹

Certain industries, such as construction, with well-developed apprenticeship models, have long acknowledged that employees do not need significant formal education to start and/or grow in positions. This enables them to hire from a broader talent pool and then invest in in-house training to help employees learn needed technical skills. The financial services and tech sectors are now adopting a similar approach, acknowledging that not every job requires a specific type of formal education. State Street, Hilton, and Penguin Random House have removed college requirements from certain job descriptions to broaden the applicant pool, hoping this will draw in more candidates from underserved communities.³² This approach is coupled with strong in-house training opportunities and greater recognition of the many ways people can learn the skills needed for jobs (e.g., online certifications, etc.).

Referral programs are also being re-evaluated. As Gamiel Yafai, Managing Director at Diversity Marketplace, states, “Referral schemes have the



Referral schemes have the potential to create significant echo chambers at organizations, with instances of everyone coming from the same college or region.”

Gamiel Yafai
Managing Director
Diversity Marketplace

potential to create significant echo chambers at organizations, with instances of everyone coming from the same college or region.” Redirecting funds from referral programs to alternative recruitment programs or expanding referral programs to include candidate recommendations from non-employee stakeholders throughout the value chain are suggested ways of rethinking the approach.

A further means of reimagining the design of the recruitment process is to focus on diverse lenses or different viewpoints throughout. Procter & Gamble (P&G) launched an initiative called “Widen the Screen” which seeks to address the systemic bias in advertising and media by advancing the inclusion of Black storytellers and stories in advertising, film, and television.³³ By specifically allocating resources and opportunities to Black creators in their own advertising and beyond, P&G is supporting the diversification of a field and creating pipelines to support the development of diverse talent in and outside its organization.

Enabling flexible work and benefits

In order to attract and retain a more diverse workforce, employers are looking for ways to provide greater flexibility in how, when, and where employees perform their work. The pandemic acted in some sense as a forcing function in terms of moving companies to embrace more remote work. Now, as companies consider whether and how they will transition back to the office, many are discussing the implications for diverse groups at their organizations. One company leading in this area is Sodexo. The company implemented flexible work a few years ago under its Flexibility Optimizes Work (FLOW) initiative, setting themselves up for success during and after COVID-19. Employees can request changes to their schedule, location, or the way their work is done (e.g., job sharing, remote work, or flex time), and then they work with managers to find solutions that work for them and the business.³⁴ Especially as remote work positions are more often preferred by women, Gen Z, Black, and Latino workers, offering more flexibility is an opportunity for leaders to continue to diversify their workforce as the pandemic subsides.³⁵

Companies can also provide specific benefits that support a more diverse workforce. In a recent interview with *Human Resource Executive*, Sean Woodroffe, Chief Human Resources Officer at TIAA, suggests, “Benefits leaders need to focus on providing a comprehensive benefits program that meets the needs of a diverse workforce, provides access to quality health, wellness, and protection at an affordable cost for associates and for the firm; promotes long-term savings to prepare associates for retirement readiness; and engages and educates associates to be informed consumers of the benefits available to them through their employer.”³⁶

At PayPal, the Employee Financial Wellness Initiative launched in 2019 focuses on pay equity through the lens of net disposable income. It provides alternative avenues for building financial wellness such as access to PayPal stock, wellness stipends for working at home, early access to earned income, and financial health support.³⁷ This helps employees at various stages of economic financial stability at every level and across all positions at the company.

Embedding support and mentoring systems

Companies are building strong networks and mentoring systems that can be critical to ensuring people feel supported and seen at work. Employee Resource Groups (ERGs) play an increasingly critical role at many organizations by creating safe spaces for conversation, sharing, and brainstorming. ERG leaders might run webinars, host events, and develop mentoring programs for the multiple diverse communities found in an organization. Some companies like LinkedIn, Justworks, and Twitter, recognizing the additional labor needed to support such programming, announced they would weave ERG leadership into an employee’s role description, compensate ERG leads, and build ERG work into annual performance reviews.³⁸

Other DEI efforts focus on providing mentorship and supporting minority groups. KKR invested in WinPE (Women in Private Equity), a nonprofit dedicated to increasing the participation of women in private equity in India through a variety of avenues including mentorship and engagements. KKR, recognizing the lack of gender diversity in the private equity field, is committed to partnering with a number of nonprofits beyond just WinPE to increase gender diversity, especially in leadership.³⁹





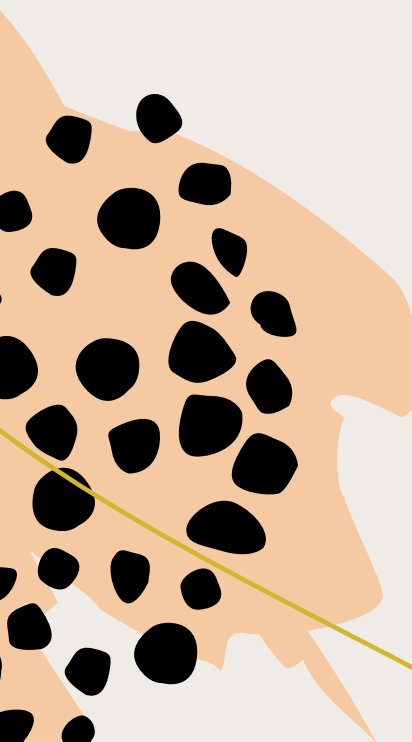
Equity and environment

How your company addresses environmental impacts is inextricably linked with how companies support employees. For instance, in creating hybrid or remote work options to support more diverse employee needs, companies must consider potential carbon and waste implications. Remote work may decrease carbon emissions related to commutes but increase other emissions, for example, if employees use more energy to heat their individual homes or choose to move to larger houses.⁴⁰ It is incredibly important that, in redesigning work policies, companies consider not only employee desires, but also quantify and consider changing environmental footprints.

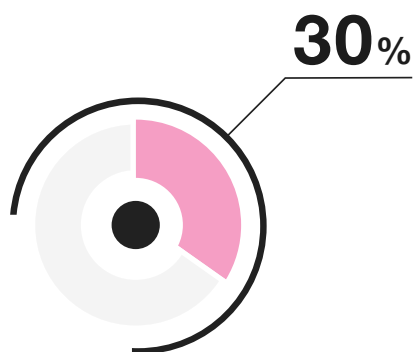


Case Study:

Suzano links leadership diversity targets to bonds



Suzano's sustainability targets tied to sustainability-linked bond



or more of women in leadership positions by the end of 2025 from a 2019 baseline.

Suzano, the largest eucalyptus pulp manufacturer in the world and one of the largest paper producers in Latin America, has taken various approaches to align its sustainability strategy with different areas of its business. In 2020, for example, the company linked the variable pay of its leadership, both at the executive and functional levels, to progress against its long-term sustainability goals. In its continuous effort to integrate sustainability and priority goals into its business model, the company added diversity metrics to the two latest sustainability-linked bonds.

Issued in June and September of 2021, these bonds, amounting to \$1.5 billion, comprise company sustainability targets, including reaching 30 percent or more of women in leadership positions by the end of 2025 from a 2019 baseline of 16 percent⁴¹, an increase of 88 percent over the six-year period. The results must be verified by an external third party, and failing to meet this goal results in a coupon step-up (increasing the cost of capital for Suzano).

The sustainability framework used for these transactions was verified by a voluntary second party opinion signed by ISS, which considered that the metrics selected by Suzano were credible and the associated target is sufficiently ambitious. The goal related to DEI also aligns with the United Nations Global Compact Brazil (Equity is a Priority) target suggestion of reaching 30 percent female leadership by 2025.

Suzano had identified DEI as a priority and, by issuing two sustainability-linked bonds aligned with this commitment, the company as a whole is now accountable for its goal in a financially-material way. “The bond issued last year brought gains to Suzano, which raised funds at a more competitive cost, and to investors, who associated its activities with the achievement of tangible goals, and to the planet. Therefore, it encouraged several other companies to issue bonds with this profile. Now, we hope that this new transaction will have the same impact at this time, promoting the diversity and inclusion agenda within companies,” said Julio Raimundo, Finance Director, on the sustainability linked bond issued in June 2021.

Case Study:

Shell leads on the just transition

For certain industries, such as oil and gas, addressing climate change will require large shifts in how business is done. Shell's energy transition approach acknowledges how the transition will both create new employment opportunities and adversely affect workers and communities where traditional products may be phased out.

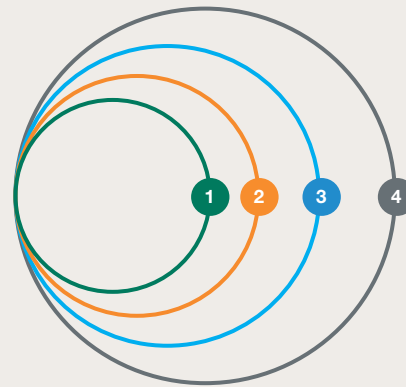
To cite one example, as Shell transitions the Pulau Bukom manufacturing site in Singapore to producing lower-carbon products, the staff number there will decrease from 1,300 to 800 people. In partnership with the Singapore Shell Employees' Union, the

company launched a Joint Capability Council, which will develop courses for employees in areas such as digital literacy and data analysis. The initiatives will help employees develop new skills to transition to future roles.⁴³

Shell also looks to support access to electricity to 100 million consumers in emerging markets in Africa and Asia by 2030, but aims to do so by investing in companies that are developing renewable energy solutions including solar home systems and mini-grids.⁴⁴

Products and Services

There are business benefits to evaluating and improving how a company designs, creates, and sells products through a DEI lens. Even those not directly engaged with end consumers can benefit from thinking about how their organization's products and services may help or harm progress towards a more equitable, inclusive, and just society.



1. Workforce
2. **Products and Services**
3. Supply Chain
4. Communities

Some companies have doubled down on commitments to increase diversity in product testing to ensure that their products are safe and effective for all people. When a 2019 study found that women drivers are 17 percent more likely to die in a car crash and 73 percent more likely to be injured, Volvo publicly shared 40 years of research they had already completed on how to improve car safety across different genders and sizes. Their goal is to move the whole industry towards safer cars for everyone.⁴⁵ Zoom spent the last year working with leading organizations in web accessibility to design a more accessible platform that ensures their products are fully keyboard accessible. This led to them creating keyboard shortcuts, developing and enabling closed captioning, and enabling adjustments to their platform through accessibility settings.⁴⁶

Other companies have focused on how the customer experience can be improved by including DEI. When a Target store in Minneapolis was looted in 2020, Target took time to talk with the local community through Zoom town halls about their needs and requests in order to redesign a store to better serve local customers. Examples of the results of the consultation included moving the pharmacy to the front of the store to make it easier to access for elderly customers as well as adding a greater variety of spices.⁴⁷

As company workforces themselves become more diverse, they are able to more accurately represent the communities they sell to and thus able to attract and retain more diverse customer bases. “A more diverse organization is something that customers want to see too,” says Ron Wages, Director, Diversity and Inclusion at Duke Energy. “Our customer surveys show our customers want to interact with employees that look more like them. We are committed to building a diverse workforce that more closely mirrors the communities we serve.”



Our customer surveys show our customers want to interact with employees that look more like them. We are committed to building a diverse workforce that more closely mirrors the communities we serve.”

Ron Wages
Director, Diversity and Inclusion
Duke Energy



Equity and environment

One of the biggest criticisms of a movement towards more environmentally-friendly and ethically-made products is how cost-prohibitive they can be for most of the population.⁴⁸ To counter that challenge, companies like eBay have leveraged their business model as an online commerce platform to support and highlight “recommerce,” the reselling of pre-owned goods.

Presently, eBay is building a market that is capable of providing a source of income for anyone with used goods, ensures affordable options for buyers, and promotes a circular economy.⁴⁹ Finding those kinds of synergies will be incredibly important in ensuring equitable access to more sustainable products and services for more people.

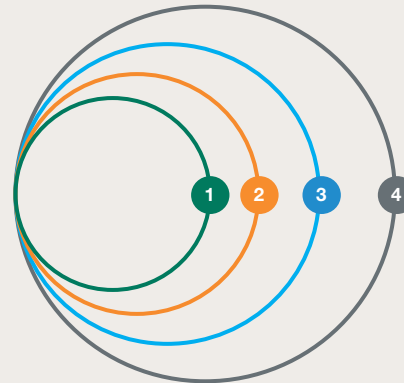
Industries shifting their business models significantly to adapt to climate change also face equity challenges relating to whether and how they charge consumers for that shift. For instance, in the United States, lower income households and minority

neighborhoods pay more for energy due to functions such as inefficient heating and lighting infrastructure; while people in such neighborhoods pay 10-20 percent of their wages for those bills, wealthier families pay just 1-3 percent.⁵⁰ Working with local and state governments, utilities across the United States are offering solutions including community solar gardens, wind energy subscriptions, and tiered pricing to decrease cost impacts in the transition to green energy and to open multiple avenues for customers who may want to pursue green energy at a faster pace.⁵¹

Supply Chain

More than ever, companies are being pushed to look beyond their own four walls and apply the same policies to their suppliers as they do for their immediate business operations. In the case of DEI, focusing on activities in the supply chain offers an opportunity to extend your company’s influence on DEI strategies.

Supplier diversity programs are not new, with companies like General Motors and IBM establishing some of the first baseline corporate supplier diversity programs in the 1960s in response to the civil rights movement in the United States.⁵² But it is only in the last decade that we now see more meaningful movement in the space with the expansion of different types of diversity included as well as increased focus on building capacity with diverse suppliers. For instance, at Salesforce, diverse suppliers can be 51 percent owned by people in the following categories: LGBTQ, persons with disabilities, minorities, veterans, women, or be considered a small business in their industry.⁵³ There is also significant growth in diversity certifications



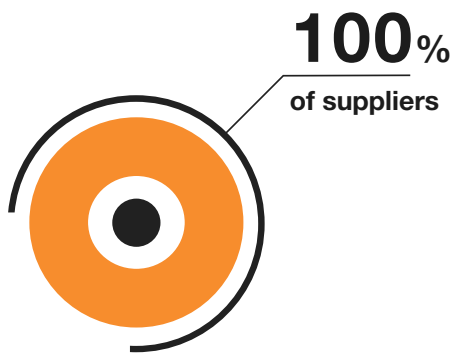
- 1. Workforce
- 2. Products and Services
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to help suppliers and business connect and work together more efficiently, such as the National Minority Supplier Development Council and the Women’s Business Enterprise National Council.⁵⁴ Companies like Salesforce partner with these organizations to help find and develop diverse supplier relationships.

Ford provides programs to help suppliers develop skills and grow their businesses. In its “Mentor Me” program, diverse suppliers are partnered with a team of senior executives from Ford to assess their organizations, evaluate current challenges, and discuss future strategies.⁵⁵

Case Study:

Target pledges to buy from and support diverse suppliers



will have policies and programs to advance gender equity by 2025.⁵⁷

\$2 billion

spend committed to Black-owned businesses by

2025

For Target, increasing supplier diversity is not only about creating economic opportunities but also creating a more equitable experience for their customers (called “guests” by the company). Both are key components of how Target aims to accelerate opportunity and equity as part of its new sustainability strategy, Target Forward.

Target Forward aims to co-create an equitable future with guests, partners, and communities. In the plan, diversifying its supply chain is interconnected with fostering inclusion within its stores and communities. In 2020 Target established a Racial Equity Action and Change (REACH) committee composed of senior leaders from across the company to guide and support internal and external efforts. As part of the REACH strategy, Target committed to using its scale and resources to advance racial equity across the value chain. This includes a pledge to spend over \$2 billion with Black-owned businesses by 2025 by increasing the number of products from Black-owned businesses that it offers and by spending more with Black-owned companies. It also includes increasing its media budget spend with Black-owned publishers and funding programs like Forward Founders to support Black-owned vendors in scaling their businesses in mass retail.⁵⁶

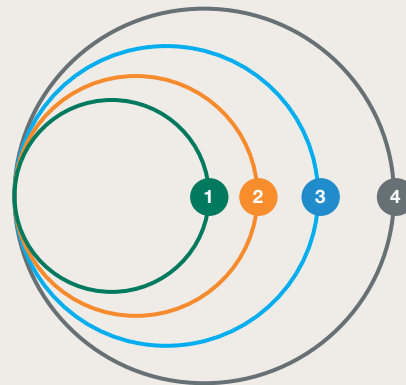
Target’s strategy for creating a more inclusive supply chain is not only focused on sourcing from diverse suppliers, but also making sure that the suppliers themselves are promoting an inclusive environment. One company goal is for 100 percent of suppliers to have policies and programs to advance gender equity by 2025.⁵⁷

Target is pushing forward on its commitment to DEI through a variety of initiatives across the company. Events like Black-Owned Business Vendor Fairs and on-site or virtual summits give additional exposure to diverse suppliers and support the local community. Recent campaigns include Black Beyond Measure, which features products made by and for the Black community.⁵⁸ Target employees give their time and skills, with over 10,000 pro bono consulting services hours logged to support Black and people-of-color-owned small businesses in the local community. The company also sponsors programs like Women Owned in Retail to support women-owned business in navigating the retail space.

Communities

For many companies, an increased focus on DEI in communities has led to more innovative or ambitious initiatives that emphasize building systemic solutions in addition to or instead of making local philanthropic donations. In recent years, companies have given more attention to how to leverage core business assets to invest in longer-term solutions that address systemic challenges including the racial wealth gap.

One such example is the NinetyToZero initiative, a partnership supported by Goldman Sachs, Starbucks, the ACLU, the University of Pennsylvania's Wharton School, and others that will invest in training for Black workers and Black-owned businesses with a goal of closing the racial wealth gap.⁵⁹ With a similar goal, Netflix has created the Black Economic Development Initiative and is using the \$25 million fund to partner with The Change Company to help increase Black homeownership across the United States and to improve social and racial equity in banking and lending.⁶⁰



1. Workforce
2. Products and Services
3. Supply Chain
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In the financial services sector, some companies are elevating their focus on financial inclusion and well-being to broaden and deepen their reach with historically underserved communities. For example, Wells Fargo has pledged to invest \$50 million in equity capital to support Black-owned banks and Minority Depository Institutions.⁶¹ This type of business investment will expand lending and deposit-taking capacity in minority communities.

Case Study:

Johnson & Johnson looks at inequities in public health

Launched in 2020, Johnson & Johnson's (J&J) new Race to Health Equity commitment prioritizes community, partnership, and workforce inclusivity. Recognizing and using its scale and unique positioning, J&J "aspires to help eradicate racial and social injustice as a public health threat by eliminating health inequities for people of color."⁶²

A critical first step that J&J took was to define and narrow the scope of the issues it is trying to address.



There is an urgent need to take on the inequities rooted in systemic racism that threaten health in communities of color across the United States. That's why Johnson & Johnson is focusing its efforts and committing \$100 million to address racial and social injustice as the critical public health issue that it is."⁶³


Alex Gorsky
Chairman and CEO
Johnson & Johnson

J&J clearly lays out the inequities it is looking to solve through studies and polling that finds that Black and Latino Americans are more likely to face barriers in getting quality healthcare.⁶² Alex Gorsky, Chairman and CEO, notes that: "There is an urgent need to take on the inequities rooted in systemic racism that threaten health in communities of color across the United States. That's why Johnson & Johnson is focusing its efforts and committing \$100 million to address racial and social injustice as the critical public health issue that it is."⁶³

Following the definition of the challenge, J&J has outlined a suite of community programs they have or are looking to implement in the near future. For instance, J&J is supporting people of color in medical, scientific, and health professions through scholarships and mentoring opportunities. J&J is also looking to opportunities to increase access and participation in clinical trials for diverse populations and increased access to healthcare through new technology and mobile clinics.⁶³




The approaches to creating a more diverse, inclusive, and equitable workforce and society explored in this report represent current best practice. In the next chapter, we explore changing expectations and approaches to communicating progress on DEI initiatives.



Communication and Disclosure

Communicating corporate ambitions and progress on DEI serves multiple purposes: first, it ensures the success of programs through employee buy-in and understanding, and second, it provides external stakeholders with the information they need to make decisions. How, when, and where companies communicate to different stakeholder groups, including employees and investors, is evolving to meet growing expectations.



Multiple avenues of communication critical for employee buy-in and trust

A corporate DEI strategy can only be successful if employees know about it, understand it, and buy into its goals. As DEI strategies are often developed centrally, communicating with frontline workers can prove challenging. Janine Tamboli, Director of Diversity, Equity, and Inclusion at Maple Leaf Foods, noted, “In cascading our DEI message down from leadership to the frontline, it is hard for us to know how well a DEI message may resonate, especially for potentially complex topics.”

With DEI covering such a broad range of issues, corporations must use multiple avenues to communicate and embed a culture of equity and inclusion. This could include tactics such as annual trainings, DEI moments during regular meetings, or signage in break rooms. ERGs are vital avenues to communicate progress and receive feedback from across the organization. They provide opportunities for employees to coalesce around the different aspects of diversity that are most important to them, and, as they are employee-led, to increase the engagement of local champions across the organization.

Many companies are looking for new and innovative ways to meet employees where they are. At eBay, the company is investing in telling the stories of its people as well as the communities they serve. The majority of content is shared on LinkedIn, given that the majority of potential and current employees are already on that platform. Sharing rich and engaging content by using videos, animation, pictures, and stories highlights the company’s DEI initiatives on LinkedIn, which Beric Alleyne, Global Head of DE&I at eBay, says, “gives both external stakeholders, but also our own employees, insights into the work we are all doing.”

Recommendations:

Varied communications approaches, both formal and informal, are critical to embedding DEI within your organization. Equally important is ensuring communication can be two-way, and that communication channels up to leadership are known and available, for instance, through ERGs or leadership listening sessions designed to capture feedback on the DEI approach.

DEI reporting grows and differentiates

Much like broader sustainability reporting, where companies choose to report DEI information varies depending on current governance structures, maturity level, and the amount and nature of stakeholder pressure faced.

One trend is the increasing prevalence of DEI-specific reports and webpages. Separate DEI reports can take many different forms, with some just presenting relevant data, while others include descriptions of management systems, goals, case studies, and ambitions. A separate DEI report can be useful in helping companies prioritize DEI transparency, providing increased real estate to describe initiatives, offering flexibility to discuss DEI context or additional metrics, and making it easier for all types of stakeholders to find information on a company’s progress. Because DEI is also part of the “S” in ESG, some companies have started to create tailored ESG reports for investors that include high-level information and/or directly link to the various topic-specific documents on DEI.

Stakeholders are particularly focused on tangible evidence of corporate progress in diversifying their workforces. To present such evidence, many corporations collect and share diversity data, a useful first step in understanding and measuring progress on DEI initiatives. But it is critical to be clear with employees about why you are collecting information and how that “hard” data, as well as “soft” data from employee climate surveys and various forms of feedback, will support the organization on its DEI journey. Tasneem Chopra, author, commentator, and cross-cultural consultant on DEI, notes that when collecting data from employees “leadership needs to say we want the data because we value you. Diversity strengthens our organization, and knowing and understanding our diverse skillsets and backgrounds will make our organization more resilient and sustainable.”

Recommendations:

Making information about DEI performance readily available is critical to building the organization’s voice on DEI. This can come in many forms depending on the resourcing, stakeholder needs, and maturity of your program.



Diversity in DEI reporting

Booz | Allen | Hamilton*

Booz Allen Hamilton's report includes a DEI timeline highlighting key milestones they have achieved during their 30-year DEI journey.⁶⁴



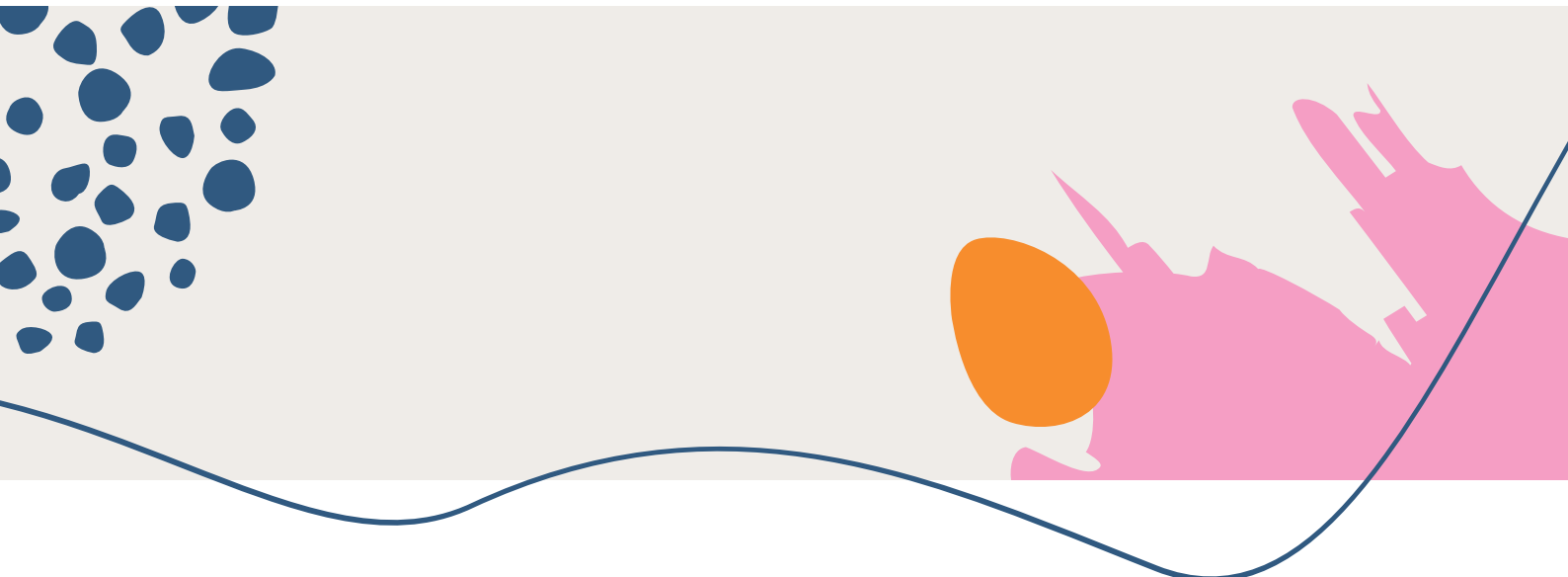
Google structures their report around key insights and subsequent actions, backing them with case studies and data.⁶⁵



Coca-Cola European Partners posts a DEI factsheet that is structured as an FAQ, enabling them to share example actions from each country where they operate.⁶⁶ Coca-Cola European Partners shares key workforce diversity metrics along with two pages of high-level management commentary on DEI in its annual integrated report, which links to a more detailed DEI factsheet.⁶⁷



Johnson & Johnson's Health for Humanity Report includes workforce diversity metrics, goals, progress, and management descriptions, and it links to a 47-page detailed impact review.⁶⁸

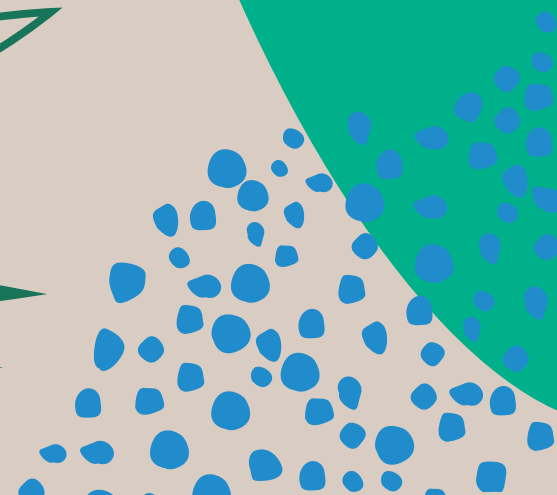


As sustainability practitioners shape future DEI strategy and communication plans, the final chapter of this report explores what is on the horizon for diversity, equity, and inclusion in the next three to five years and what sustainability practitioners should anticipate and prepare to address.



What's Next?

Momentum on corporate action on DEI has passed a threshold and will continue to evolve and advance in the coming years and decades. Based on our research and our interviews with thought leaders, we foresee a few trends likely to impact the way companies approach DEI in the future.



Pressure will grow for companies to make greater progress on DEI commitments

The experts we spoke with for this research agreed on one thing: The momentum we've seen on DEI will not reverse course. Companies should expect that employees, consumers, investors, and the general public will continue to hold them accountable for making their workplaces, products, and communities more fair and equitable. "I don't see the pressure slowing down, particularly employee pressure," shared Kellie McElhaney of UC Berkeley. "There are more people of color in positions of leadership now, and we're going to have a different set of decision-makers internally. People are also voting with their jobs now, choosing positions based on whether DEI is a priority at the organization."



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Kellie A. McElhaney

Professor, Haas School of Business
UC Berkeley

From the perspective of those working internally on DEI initiatives, there is no sign of a slow down or reversal of commitment. For example, Lori Costew, Chief Diversity Officer at Ford noted: "We respect that people are at different stages along the DEI journey. We are committed to providing our employees with ongoing educational and engagement opportunities to enable them to continue their growth. Our culture is based on the

belief that we must care for each other and that means we will continue to do the work needed to sustain a culture of belonging at Ford. We also know that DEI cannot be leader-dependent, so we are ingraining DEI into the business, including our people policies, systems, and processes."

DEI categories of focus will continue to expand

DEI efforts vary across region and industry, but are generally focused on gender, race and ethnicity, and sexual orientation. In the coming years we expect to see more areas receiving attention. One category that is likely to see increased focus is disabilities. As one early signal, The Disability Equality Index, a tool benchmarking global corporate action on disability inclusion, saw a 29 percent increase in participation in 2021 versus 2020.⁶⁹

We also heard from some interviewees that COVID-19 work arrangements highlighted potential opportunities to help those with a variety of disabilities. "It's historically been more of a compliance mindset around disabilities," shared Janine Tamboli, Director of DEI at Maple Leaf Foods. "People have been thinking mostly in terms of what do we need to do to be accessible, but one of the positive things about remote work during the COVID-19 pandemic was that there was a greater inclusion for people with disabilities through the use of technology."

Socio-economic background may emerge as another factor of DEI in the coming years. "Class-based bias, just like gender- and racial-based biases, can seep into workplace systems and artificially hinder the career success of those groups," write Joan C. Williams, et al. in a Harvard Business Review article on DEI.⁷⁰ Some class inequities begin with unpaid entry-level internship roles – more than 40 percent of internships in the United States are unpaid at for-profit companies – effectively requiring higher socio-economic backgrounds for people to be able to participate, which can have a significant impact on career progression.⁷¹ According to a study by the Society for Human Resource Management, "U.S. workers from lower social-class origins are 32 percent less likely to become managers than are people from higher origins."⁷² While some elements of socio-economic background intersect with race and may be addressed through other DEI programs, focusing on socio-economic background independently as a diversity category will help eliminate bias based on class and create a more inclusive workplace.

Advocacy on DEI will be critical to being seen as a leader in corporate sustainability and ESG

Over the last few years, we have witnessed a broadening trend of companies using their corporate voice to take a stand on various ESG issues. According to the 2021 Edelman Trust Barometer, business is viewed as more trusted than any other institution – and the only institution that is perceived to be both competent and ethical. Of the Edelman survey respondents, 86 percent expect CEOs to speak out on societal issues, and 66 percent think that CEOs should take the lead on influencing societal change rather than waiting for government to impose change on them.⁷³

DEI is likely to be at the top of the list of issues that companies are expected to address, and it will be increasingly intertwined with other societal issues. Voting rights in the United States is an example of a topic where companies have received pressure from employees and the public to support. Companies including Coca-Cola, Apple, and JP Morgan Chase, for example, all issued statements speaking out against Georgia’s election law, SB202, which was criticized by many as enabling voter suppression.⁷⁴

Gen Z is likely to push demand for advocacy on DEI even further. According to a 2020 Tallo poll of more than 5,000 United States college students, 69 percent said they would “absolutely” be more likely to apply for a job that had recruiters and materials that reflected an ethnically and racially diverse workplace.⁷⁵

Conclusion

This report has explored the shifting landscape of DEI, including the innovative ways companies are responding to increasing demand to play a role in addressing broader systemic inequities related to gender, race, sexual orientation, and disabilities. We are encouraged by the progress made by corporations in the last few years to create more diverse, inclusive, and equitable workplaces, and we look forward to continued progress and greater impact in the coming decade. We hope this report sparks new ideas and actions for how your company can drive positive change on DEI both internally and externally.

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Acknowledgments

This report was developed with support from the members of the SustainAbility Transparency Network (STN), a group of global companies, convened by the SustainAbility Institute by ERM, which explores how transparency, stakeholder engagement, and integration accelerate progress toward a more sustainable future. A key benefit of the network is access to our annual research output, which focuses on topics and challenges of relevance in members' roles as sustainability practitioners. Members contributed to the research by selecting the topic and by sharing ideas through interviews, focus groups, and ongoing discussions.

We would like to thank our SustainAbility Transparency Network members for their time and insight and for sharing their direct experiences on the opportunities and challenges involved in starting and participating in sustainability collaborations. We could not have created this report without their input and support as members of the network.

Many other organizations helped inform our thinking on this topic. We would like to thank all the interviewees. We appreciate their sharing of time, insights, and experience with us as we conducted research for this report.

In addition, we gained valuable corporate disclosure insights from Datamaran. Datamaran is the only software analytics platform in the world that identifies and monitors external risks, including ESG.

Trusted by blue-chip companies and top tier partners, it brings a data-driven business process for external risk and materiality analysis. In house – at any time. Datamaran's patented technology offers real-time analytics on strategic, regulatory and reputational risks, specific to your business and value chain. Companies worldwide use Datamaran to:

- » Gain a clear view of risks and opportunities tied to ESG, geopolitical, technology and emerging issues – with the power of patented technology.
- » Monitor these material and emerging risks through live dashboards.
- » Strengthen risk management, Board oversight and annual reporting with credible data and real-time insights.



Interviewees

- » Abbott*
- » AEP*
- » Diversity in Sustainability
- » Diversity Marketplace
- » Duke Energy*
- » eBay*
- » Ford Motor Company*
- » Johnson & Johnson*
- » Kellie A. McElhaney, Professor, Haas School of Business, UC Berkeley
- » Legal & General*
- » Maple Leaf Foods
- » Maria Laura Belfiore, Corporate Sustainability Specialist
- » PG&E*
- » Shell*
- » Tasneem Chopra, author, commentator, and cross-cultural consultant focusing on DEI
- » UN Global Compact Network UK
- » Vanguard

* Denotes member of the SustainAbility Transparency Network

SustainAbility Transparency Network Members

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About the SustainAbility Institute by ERM

The SustainAbility Institute is ERM's primary platform for thought leadership on sustainability. The purpose of the Institute is to define, accelerate, and scale sustainability performance by developing actionable insight for business. We provide an independent and authoritative voice to decode complexities. The Institute identifies innovative solutions to global sustainability challenges built on ERM's experience, expertise, and commitment to transformational change.

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