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DIVERSITY, EQUITY, INCLUSION, AND BELONGING (DEIB) GUIDE

Breaking barriers.
How good DEIB
reporting can
drive performance

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CORPORATE DEIB LEADERSHIP DURING TURBULENT TIMES

The need for corporate leadership on DEIB has never been more crucial. The June 2023 US Supreme Court decision to roll back affirmative action and the transformative events in recent years – including the birth of #MeToo, the Black Lives Matter movement, ongoing attacks on people of colour and the LGBTQ+ community, and systemic inequality compounded by the climate crisis and Covid-19 – have all highlighted that change is long overdue. These events have brought us to a pivotal era pushing companies to recognise the need to do better as equitable and inclusive corporate citizens, prioritising the ‘S’ in ESG.

We believe that respect for all people is about fundamental human rights, not politics. It’s foundational to doing business in the 21st century and speaks to the culture, values and moral compass of any company and society. Luckily, DEIB is not only the right thing to do; it also has clear business value – diverse backgrounds and viewpoints lead to greater innovation, a broader skillset, increased creativity and a better company reputation, to name just a few. Given companies’ unique role in society, businesses have an exciting opportunity to help dismantle systemic barriers and fill the leadership void.

While this new legislation in the US threatens to disrupt efforts in building a more diverse talent pipeline, this is not the time for companies or universities to back down – but instead to think creatively on how to foster more equitable and inclusive workplaces and address barriers at the source, for example, by partnering with educators in underserved communities to cultivate the next generation of talent.

As a team of passionate sustainability experts who are also on our own journey to strengthen our DEIB efforts, we wanted to share the best practices that we’re seeing as part of our own work and the work we do with leading companies on DEIB, in the hopes it will inspire and lead to actions for a more inclusive and equitable society.



Sami Parsons

VP, strategy and reporting
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The business case for corporate DEIB programmes is clear. A more diverse and inclusive workforce unlocks more opportunities for innovation, creates access to new markets, attracts and retains key talent, builds brand trust and ultimately increases revenues and profits. The data speaks for itself.

Keep pace with evolving diversity, equity, inclusion, and belonging (DEIB) regulations, discover why organisations are increasingly investing time and resources into DEIB and which companies are taking DEIB to the next level.

Get in touch if you're looking for guidance.
We'd be happy to help.
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Audience expectations: the catalyst for change

With 120 million U.S. people not seeing themselves represented in ads, lack of diversity is impacting brand value and purchasing decisions.¹

- > 38% of consumers are more likely to trust brands showing diversity in their ads.
- > 34% of consumers have boycotted brands for not representing their identity in ads.
- > 40% of LGBTQ+ consumers favour brands with diverse advertising.
- > For 88% of consumers, authenticity is a key factor when choosing a brand, so companies need to make sure their efforts come from a genuine place.²

Good DEIB: the key to better business prospects

There's a wealth of data to support the theory that better diversity in companies yields better financial results – from opening up new markets to greater innovation.³

- > Diverse companies benefit from better overall financial performance.⁴
- > Companies with gender-balanced teams have a higher average return on equity and better average growth.⁵
- > More diverse management teams breed better innovation: 19% increase of total revenue from innovation for companies with above-average diversity, compared to those with below-average diversity.
- > Margins for companies with diverse management teams were nearly 10% higher than companies with below-average management diversity.⁶

Investors responding to call for DEIB awareness

Interest from investors around DEIB is growing fast, driven by leading figures in responsible investment, such as Principles for Responsible Investment (PRI), making the case.⁷

- > The latest paper on human rights from the PRI urges investors to integrate DEI into investment and ownership decisions.
- > Mentions of DEI in signatories' proxy voting policies increased from 6% in 2017 to 21% in 2020.⁸
- > Investment teams with diversity, particularly ethnic diversity, tend to generate better excess returns.⁹

- 1 [Adobe: Despite 25 Years of Ad Growth, Diversity Remains a Challenge.](#)
- 2 [Stackla: Post-Pandemic Shifts in Consumer Shopping Habits.](#)
- 3 [Forbes: Diversity confirmed to boost innovation and financial results.](#)
- 4 [Harvard Business Review: The other diversity dividend.](#)
- 5 [Credit Suisse Research Institute: The CS Gender 3000: Women in Senior Management.](#)
- 6 [Boston Consulting Group: How diverse leadership teams boost innovation.](#)
- 7 [Forbes: Investors are waking up to market potential of Diversity, Equity and Inclusion.](#)
- 8 [PRI: Diversity, equity and inclusion: Key action areas for investors.](#)
- 9 [WTW: Diversity in the asset management industry.](#)

DEI regulation on the rise

Investors, employees and consumers aren't the only stakeholders calling for greater DEIB focus; policymakers and regulators are also pushing companies to prioritise inclusivity.

Regulation around DEIB topics is not new. US EEO-1 data collection and UK Gender Pay Gap regulations requiring companies to collect and share DEIB data have been in place for many years.

In line with the growing trend toward increasing regulation around transparency across ESG topics, we're seeing governments around the world introducing legislation for businesses and investors that incorporate DEIB. The UK's Financial Conduct Authority (FCA) is introducing disclosure requirements around diversity on listed company boards and executive committees. Similarly, the EU's Sustainable Finance Disclosure Regulation – a set of ESG metrics created to facilitate comparison of various investment funds in terms of sustainability – incorporates metrics that cover gender diversity.

This increased regulation around DEIB transparency aims to serve as a driving force for positive change, transforming reporting into a strategic exercise that empowers companies to reflect on their progress to date and make improvements.

The DEIB space is evolving quickly, with growing expectations and ever-changing definitions.

Diversity

The inclusion of people with different characteristics in a group. This can be in respect to age, class, ethnicity, gender, health, physical and mental ability, race, sexual orientation, religion, physical size, education level, job and function, personality traits and other human differences.

Equity

Making individual adjustments based on inequalities and barriers to give people equal access to opportunities.

Inclusion

The intentional actions taken to make people feel seen, heard and accepted at work, such as fostering a safe work environment where everyone can speak up without fear. Inclusion also relates to flexible work models that honour different schedules and responsibilities.

Belonging

The feeling of security and support and a sense of acceptance, inclusion, and identity for a member of a certain group. It is when an individual can bring their authentic self to work.

From equality to equity

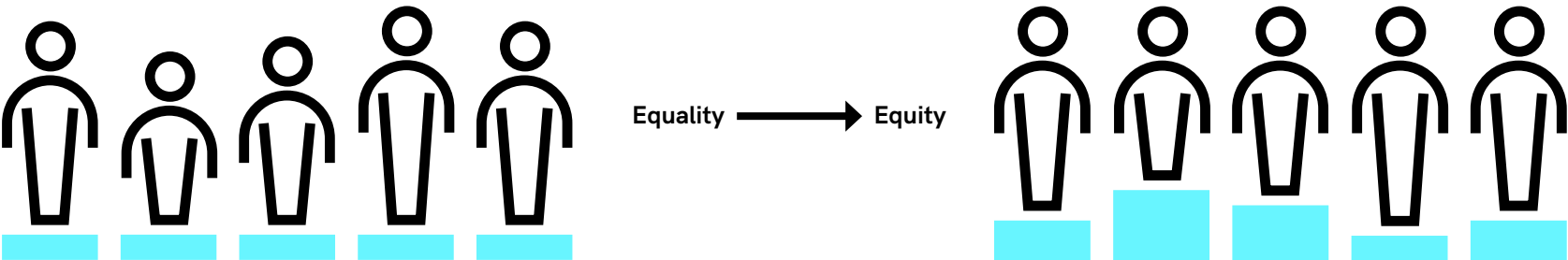
Historically, equality has been a major buzzword in workplaces – one that means making sure all people have the same resources and opportunities. Equity takes this a step further. Equity places equality as the outcome and focuses on eliminating the specific and varied barriers that prevent certain people or groups from thriving at work.

DEIB and human rights

Providing equal opportunities to thrive, treating employees without bias and protecting them from harassment based on any part of their identity are all key elements of DEIB and of respecting human rights more broadly. This is why DEIB is a crucial component of how companies respect human rights and why it should be part of a broader human rights strategy.

However, DEIB will always need to be considered in its local context, taking into account the history and specific societal challenges of where it is being explored. For example, racial injustice in the US¹⁰ is a pressing current issue, while in the UK, class and socioeconomic status are the leading barriers to opportunity and social mobility.¹¹

10 Connor, D.S. and Storper, M. (2020): [The changing geography of social mobility in the United States.](#)
11 KPMG UK Social Mobility Progression Report 2022: [Mind the Gap.](#)



DEIB is complex and nuanced, with cultural and societal influences impacting what's relevant for each company. To help move organisations towards a better approach, we've put together what we see as best practice.

Step 1

Listen and take stock

Creating an inclusive environment starts with listening to your stakeholders and asking for honest feedback. These conversations need to include your full value chain and diversity in all its forms, from the visible (for example, race and age) to the non-visible (for example, neurodiversity, religion, and some kinds of disabilities).

Step 2

Prioritise and define your strategy

Once you have identified areas where DEIB can be strengthened, establish a clear strategy to define your focus areas and what you want to achieve.

Step 3

Take action to embed DEIB

Take steps to embed DEIB throughout your value chain so that it becomes a part of your day-to-day and fosters DEIB champions and allies.

Step 4

Report and communicate

Make sure you are fully transparent about your progress and areas where you need to do more. Prioritise progress over perfection. Even if your strategy isn't 100% finalised, stakeholders should know you are taking DEIB action seriously and already starting to work towards your goals.

<u>Step 1</u> Listen and take stock	<u>Step 2</u> Prioritise and define your strategy	<u>Step 3</u> Take action to embed DEIB	<u>Step 4</u> Report and communicate
Level 1: Getting started			
> Analyse existing data metrics to understand your current workforce, customer and supplier diversity demographics.	> Outline your overarching ambition for DEIB and identify focus areas to prioritise resources. > Establish time-bound long-term goals with intermediate targets and KPIs to track progress.	> Set clear expectations on DEIB internally by integrating diversity into company values, ensure your company code of conduct covers non-discrimination, equal opportunity, and DEIB, as well as setting out clear policies on topics such as a non-discrimination that are grounded in human rights. > Ensure legal compliance with all relevant local DEIB legislation. > Drive initial efforts to enhance workforce diversity by reviewing and updating relevant HR policies.	> Communicate your new strategy, goals and targets internally and externally. > Begin disclosing and communicating progress where possible, for example, within an existing sustainability, ESG or annual/integrated report, or as a standalone DEIB report.

<u>Step 1</u> Listen and take stock	<u>Step 2</u> Prioritise and define your strategy	<u>Step 3</u> Take action to embed DEIB	<u>Step 4</u> Report and communicate
Level 2: Always evolving			
> Review existing policies and practices that might impact DEIB progress such as HR, supply chain, product and service development, marketing and advertising to assess your current level of maturity and identify areas of strength and opportunities to do more.	> Ensure your strategy is holistic in its approach, rather than issue-based, that it moves the needle past equality to equity and covers diversity in all its forms, including socioeconomic background, disabilities etc. > Establish clear DEIB governance and accountability with a Diversity Officer to oversee and implement strategy.	> Establish substantive partnerships that go beyond philanthropy, focused on areas where you need to go further. > Assess the accessibility and inclusivity of your products and services, including how you advertise and promote them, and work with relevant teams to incorporate changes. > Implement robust supplier diversity programmes to help broaden your organisation’s supplier base to promote economic inclusion for minority-owned businesses. > Establish companywide DEIB training as well as specialist training for specific teams that have been identified as key in delivering the strategy. > Establish employee resource groups to increase DEIB visibility and inclusion. > Ensure investments address key barriers to equity that align with commercial aims, including access to jobs and education, fair wages and environmental justice.	> Disclose robust data while acknowledging shortcomings. > Launch an internal campaign to raise awareness of DEIB importance, educate employees and demonstrate commitment. > Produce an annual DEIB progress report – either through a standalone DEIB report or as a robust, defined section of existing ESG/ sustainability reporting.

<u>Step 1</u> Listen and take stock	<u>Step 2</u> Prioritise and define your strategy	<u>Step 3</u> Take action to embed DEIB	<u>Step 4</u> Report and communicate
Level 3: Systemic change			
> Engage in conversations with individuals across your organisation to understand existing barriers. > Set up data collection and reporting mechanisms for self-identification to establish a positive and open culture where individuals are not restricted in how they can identify themselves.	> Create a culture where everyone is responsible and accountable for DEIB – led from the top by cross-business leaders. > Develop a global principles-based strategy with country-specific goals and data that recognise the context and history of discrimination of minorities in each country and that take evolving legal requirements into account.	> Link compensation and bonus structures to DEIB performance. > Ensure diverse representation at the highest levels of the company including on the board and authentic CEO leadership, and establish an advisory board for DEIB. > Be authentically responsive and proactive to global events and local communities, making changes for the long-term towards social advocacy. > Tackle systems transformation, partnering with relevant governmental bodies, peers, the education system or NGOs to address problems at their root cause.	> Share your progress in an honest way and strive for constant improvement. > Provide radical transparency – even when things aren’t perfect. > Publish accessible reports and imagery that reflect your actual employees, customers and suppliers. > Align with existing best practice frameworks such as Global Reporting Initiative, Bloomberg Gender Equality Index and the World Economic Forum.

To be a true leader in DEIB, companies have to go beyond the basic requirements and make meaningful changes – not only in their own work culture, but in the communities they support and serve too.

With ever-evolving legislation, companies truly leading the way for DEIB will need to stay ahead of the curve – continually seeking new ways to foster inclusive and diverse business practices in an authentic way.

Here are some examples of companies taking DEIB to the next level.

HP
Inclusive innovation
– designs for everyone

In pursuit of its aim to be the world's most sustainable and just technology company, HP is leveraging its technical expertise and global scale to create more equitable access to digital resources. Their goal is to accelerate digital equity for 150 million people by 2030.

Focusing on creating more possibilities for those with disabilities, HP is committed to helping everyone achieve their full potential through innovative digital products. They are continually expanding their product offering, with products tailored to different demographics and designed for advanced accessibility. Accessible features range from tactile functionality and auditory alerts for those with visual disabilities, to incorporating video capabilities with American Sign Language and tools for low-hearing for individuals with auditory disabilities.

For those with physical disabilities, many HP products feature voice commands, adjustable displays and easy-to-use controls. And, to cater for those with cognitive disabilities, HP has created a range of product features such as read-out-loud options, pictographic instructions and simple language, and intuitive navigation tools.

HP has numerous comprehensive goals working towards multiple areas of DEIB. By publicly stating these goals, including key targets, they can measure meaningful progress and share it in a transparent way. This has allowed them to increase representation substantially across their global team.

As well as having a designated DEI section in their [Sustainable Impact Report](#), there is a full chapter on Digital Equity – one of their key DEI pillars. The section touches on not only their focus areas, but the groups they are actively supporting – including women and girls, people with disabilities and ageing populations, and historically disconnected and marginalised groups.



NIKE
**Advancing access
to sports for all**

NIKE’s purpose is to move the world forwards through the power of sport. To do this, they are levelling the playing field for more people to benefit, bringing inspiration and innovation to every athlete¹² in the world.

The company is taking a three-pronged approach to tackle systemic inequality:

- > increase girls’ participation in play and sport
- > recruit and train more representative coaches
- > support diverse leaders who reflect the communities they serve.

In particular, NIKE has set out to break down the barriers that leave girls and children from marginalised communities on the sidelines of sports. Through investments, collaboration with influential female athletes and coaching institution partnerships for inclusive training tools, they helped nearly 760,000 kids to move in 2022 – 50% of whom were girls.

NIKE has set clear goals to battle racial inequality in sports and the wider community through its Black Community Commitment. Since launching in June 2020, NIKE, Inc. has invested \$28.9 million across 53 non-profit organisations that focus on economic empowerment, education, innovation and social justice reform.

They also incorporate inclusion into product design. Using insights from the disability community, NIKE FlyEase sneakers are designed to be put on with no hands or with limited interaction. FlyEase models are available for various sneaker styles and price points, making more products accessible for people with disabilities.

One of the ways NIKE is getting it right in their reporting is by covering both DEIB efforts in their own business and across their wider supply chain, as well as the communities and customers that they reach. This assures readers that they are taking a holistic approach to DEIB that recognises the impact they have beyond their own direct operations.

Using feature pieces and case studies from athletes they collaborate with, they create space for diverse voices in sport and allow these individuals to share their stories and inspire others.

¹² Since the beginning, NIKE has defined the word ‘athlete’ through the lens of equality: ‘If you have a body, you are an athlete.’



Target Championing Black-owned businesses and products

One of the key aspects of Target's work to support an equitable and regenerative future is their REACH strategy – a holistic approach to inclusivity. Through REACH, Target commits to increase Black representation internally and fuel economic prosperity in Black communities externally.

Target is committed to retaining talent and offering meaningful opportunities for career advancement – especially in roles where representation is currently lacking. The ultimate goal is to build an inclusive work environment for team members.

For customers, Target wants to create an inclusive guest environment for Black Americans. As part of this, they want to make it easier for guests to find diverse-owned and -founded brands. By adding new icons in the 'details' section of their product pages, Target now highlight Black-, Latino-, Asian- and woman-owned suppliers.

Target is also investing in building a diverse supply chain with a commitment to spend more than \$2 billion with Black-owned business by the end of 2025. This involves working more with Black-owned companies (such as marketing agencies and construction companies), increasing the number of products sourced from Black-owned businesses, and engaging with historically under-resourced entrepreneurs.

In their [report](#), they provide a clear dashboard with diversity statistics making it easy for readers to get a full picture of their company demographics. This is supported with detailed data within the body of the report as well as in the appendix, for those who want to delve deeper.

Using case studies to highlight their key DEIB initiatives and imagery with diverse representation, they create an authentic picture of how they are driving real change.



Companies can share DEIB information and data in a variety of ways – from standalone DEIB reports and dedicated chapters within annual ESG or sustainability reports to annual integrated reports, dedicated content on corporate websites and independent microsites.

The latest US Supreme Court ruling has the potential to affect US regulation in the near future – although only time will tell. What is clear is that, globally, DEIB reporting is evolving, with new localised trends and regulations emerging. As of yet, there is no global standard, and given the changing regulatory landscape, it's important to consult your legal team when developing a DEIB programme or report.

Here's an overview of some of the key regulations impacting DEIB strategies and disclosure:

Workplace
demographics

Diversity data
transparency

Board diversity

Gender
pay gap

United Kingdom

Listed companies must disclose the sex or gender identity and the ethnicity of the board, senior board and executive management within their annual reports.

Listed companies must explain their approach to collating diversity data, including the method, source, whether data is from self-reporting, and if so, what questions were asked.

Listed companies must report on the diversity of boards and executive management. The Financial Conduct Authority has stipulated targets on a ‘comply or explain’ basis:

- > at least 40% of the board must be women
- > at least one senior board position must be held by a woman
- > at least one board member must be from a minority ethnic background.

Companies with 250 employees or more are required to publish an annual Gender Pay Gap report disclosing the difference between men and women’s average earnings in the organisation.

United States

Private sector employers and federal contractors with 50 or more employees meeting certain criteria must annually submit demographic workforce data, including data by race/ethnicity, sex, and job categories via the EEO-1 Component 1 report.

Companies listed on the Nasdaq Capital Market need to publicly disclose board-level diversity statistics annually using a standardised template. They also need to have, or explain why they do not have, diverse directors.

Although there's no single reporting framework for companies to follow, various resources are available regarding what to disclose and best practices for reporting.

Here's an overview of some of the resources available:

- > [Global Reporting Initiative](#):
2 General Disclosures, 401 Employment, 405 Diversity and Equal Opportunity, 406 Non-discrimination, 414 Supplier Social Assessment, 417 Marketing and Labeling
- > [UN Sustainable Development Goals](#): 5: Gender equality, 8: Decent work and economic growth, 10: Reduced inequalities
- > [Sustainability Accounting Standards Board](#)
- > [The World Economic Forum](#): People metrics: Dignity and equality
- > [Bloomberg Gender Reporting Framework](#).

Because there is no global standard for DEIB data disclosure - in fact, DEIB data collection is illegal in some jurisdictions - companies are left to decide what data points and in what regions to report.

This means that many global companies end up reporting data in just one location, which doesn't give the full picture and doesn't account for the unique challenges and contexts in relation to human rights and protection of minorities around the world. As the 'S' in ESG continues to evolve, Flag will continue to support our clients in identifying and disclosing the appropriate global and regional DEIB data in an efficient manner.

When it comes to understanding and disclosing workplace demographics data, it's important to prioritise progress over perfection. Enhancing a culture of DEIB is a journey, not a destination, and any information should be disclosed in an authentic and honest way.

It's also worth noting that while regional variation in data regulations may restrict what companies can collect and disclose, companies should be proactive in nurturing a culture of self-identification and employee engagement.

Data plays a key role in telling your DEIB story. As well as collecting the right data, your story needs to be robust, transparent and true – grounded in human rights and brought to life through real-people imagery and compelling, real-life case studies.

Authentic allyship for diverse communities needs to be consistent – not just when it's on trend or convenient. In a time where human rights and respect are constantly being challenged, it's more important than ever to get creative and think of new ways to cultivate DEIB across your organisation.

Flag has experience helping leading companies develop goals, KPIs, and robust reporting and communications to advance DEIB. As well as strengthening your approach, we can advise you on writing and designing for accessibility using inclusive, authentic imagery and working with diverse artists on report illustration.

Get in touch if you're looking for guidance.
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