



October 2022

# Leading on diversity, equity, and inclusion

Here's how a DE&I data focus can help corporate directors  
oversee this critical issue

Well-meaning boards may think reserving a spot for diversity, equity, and inclusion (DE&I) topics on their agenda is enough to drive eventual change. It's not.

In PwC's *2022 Annual Corporate Directors Survey*, more than half (52%) of director respondents think that metrics related to diversity and inclusion should be included in executive compensation plans. With the culture of the organization and the ability to attract top talent at stake, boards should be active in their oversight of DE&I initiatives. And, as with any other business initiative, having measurable outcomes in place is required to achieve successful results.

Don't delay getting started: Every day, talented individuals are deciding whether to join—or leave—your organization.

To achieve progress on DE&I issues, companies and boards should treat them as they do other strategic initiatives. That involves starting with the facts, understanding the goals and milestones along the way, and critically assessing the programs and efforts that can drive success. Keep your eye on the endgame: Providing transparent disclosure that demonstrates how important these initiatives are to the organization and how they help attract leading talent. Here's where the board should start.

## Discover the facts that demonstrate the organization’s baseline and then develop dashboard reporting

The organization should determine the minimum set of metrics to provide regularly to cover diversity (data), equity (pay and opportunity), and inclusion (engagement and belonging) goals. Management should track to the most detailed metrics, while the board will receive a subset of data. Boards need to confirm they are receiving the right DE&I metrics—an inclusive dashboard—from management, and they should decide the frequency that makes sense for regular review.

Having this data can help the board focus on the organization’s strategic plan to improve diversity. It can give them a view of where the organization stands in composition today, the impact of ongoing initiatives, and the insights to help shape the story that the company will share with stakeholders. In the appendix, you’ll find an illustrative dashboard that provides a view of what’s possible, but every organization should determine the key metrics that are relevant to their business, their culture, and their employees.

## Know where you stand: Getting your arms around your DE&I data

As an organization gathers data for both board and management dashboard views, here are some considerations for board directors to consider:

- What is the company’s agreed-upon definition of diversity (for example, does it encompass race, ethnicity, gender, and sexual orientation)?
- Do the metrics cover requisite areas of diversity, equity, and inclusion?
- Does the board receive talent flow data (such as hiring data) for significant management levels, broken out by appropriate diversity categories?
- Can the board clearly see diversity promotion results so they understand where possible “leakage” in the promotion pipeline may occur (groups may not be promoted at similar rates)?

## Getting the data you need to oversee DE&I initiatives

Look at DE&I metrics from three important vantage points:

- Company-wide metrics (such as workforce statistics and hiring and turnover data)
- Company-driven initiatives (such as the percentage of gender-neutral restrooms and able-bodied versus disabled accessible entrances)
- Metrics and initiatives external to the company, such as supplier diversity efforts

It won’t be possible to regularly and reliably collect all data. For example, some countries restrict organizations from requiring employees to provide certain personal information. And other important categories—such as sexual orientation, veteran status, and an individual’s disabilities—can only be provided voluntarily by employees. Most organizations will likely need to develop an internal communications campaign to help employees understand how leadership will view the data and why it’s helpful information for employees to disclose.

The company should capture as much as possible of this broader universe of diversity data. Even though you may only get a partial picture back, without a view into these groups, any discussion of the organization’s DE&I efforts is likely incomplete.

## Closely monitor diversity results and progress

Oversee DE&I as you would any other key strategic initiative: Once the board has the requisite data, it should focus on monitoring. It should determine the key performance indicators that will demonstrate success and hold management accountable for achieving them. This will require a balanced perspective: Directors should realize that change takes time, but they also should act with urgency to understand root causes and confirm management enacts solutions.

Another key issue involves determining the right place on the board to monitor DE&I. The full board will want to understand the strategic plan and receive updates on progress, but it may be better to focus oversight at a committee level, closely linking DE&I efforts to other talent management oversight responsibilities. Where the oversight should take place depends on the board structure. Given the importance of this topic and the interest of many stakeholders—including investors and employees—it's essential to transparently disclose the board's oversight efforts.



### Questions the board should ask when reviewing and monitoring data

- Does the company have clearly articulated and innovative diversity recruiting strategies—and do they work? Are there changes in the pipeline of new hires?
- What other inclusion programs does the company have in place, and how are they faring?
- Has management taken a fresh look at the organization's diversity initiatives in the current climate?
- Is the company sharing diversity data internally and focusing the culture on inclusiveness?
- How is the company addressing any possible "leakage" in the promotion pipeline (groups may not be promoted at similar rates)?
- How is success being monitored at all levels of management?
- Does the company's leadership team reflect the diverse state that's desired? Can this be thoughtfully addressed to set the tone for the rest of the organization?
- How is management being held accountable? Have diversity goals been incorporated in executive compensation plans?
- How will the company go public with its diversity information? What's the timeline?
- How are diversity disclosures being linked to other human capital and environmental, social, and governance (ESG) reporting by the organization?

## Plan now for how the organization will share its journey

To fully embrace and gain traction on DE&I issues, a company should embed it into its culture. Signal the importance of DE&I through enhanced training and emphasis during talent reviews, as well as by embedding it in leadership messaging. Nurturing the right culture is critical to the success of a strategic DE&I plan.

This information is a significant component of the social part of ESG issues. Investors and other stakeholders are interested in how organizations are managing talent. While a company may not be ready to disclose its DE&I data externally today, there should be a plan to begin releasing some data in the near future.

Don't expect to be at the end state out of the gate. For many companies, this will likely be a continual work in progress; stretching the organization to share some of this information and aspirational goals could be a good start. However, organizations that wait longer may be more heavily scrutinized than those that dive in early and acknowledge that they have a long journey ahead of them.

Boards should recognize that stakeholders will be watching for progress. So thinking through the strategic plan to improve results can be more important than simply disclosing data. Execution of a realistic plan and showing results will be critical.

## A final note for consideration

The right tone and actions should be demonstrated from the top. For example, should the company expand its executive leadership team in order to demonstrate a focus on diversity? To achieve board diversity, it's important to have a succession plan that includes a DE&I lens. And, rather than waiting for natural refreshment to occur, you may want to address these diversity issues immediately. Optics matter.

## Contacts

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# Tracking your diversity, equity, and inclusion progress

Developing a DE&I dashboard

## DE&I metrics reported to the board

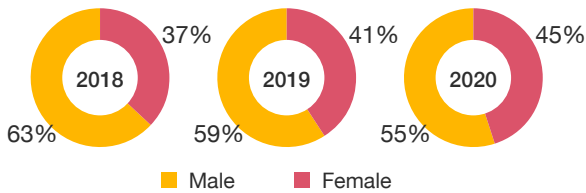


## Company-wide metrics

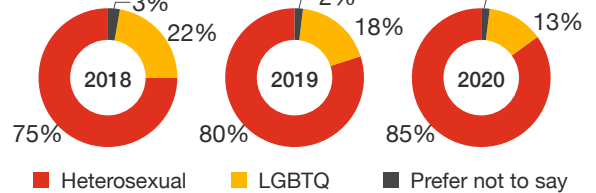


### Current workforce

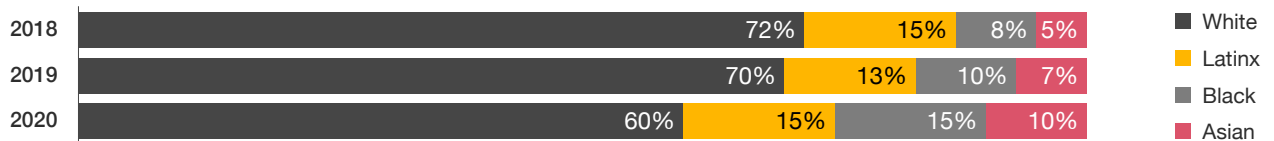
#### Gender



#### Sexual orientation\*



#### Ethnicity\*



#### Disabled



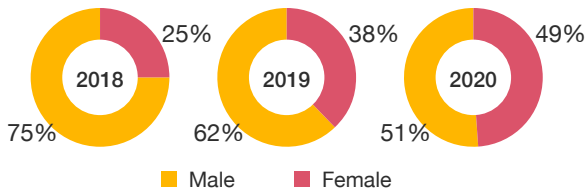
#### Veteran



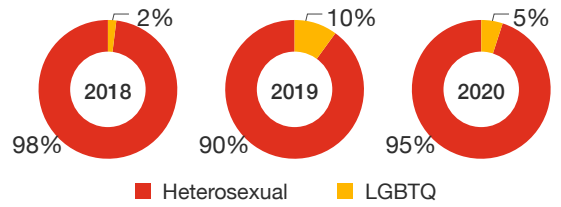
\*Employees are not obligated to provide this information as per the Equal Employment Opportunity Commission (EEOC)

 Hiring

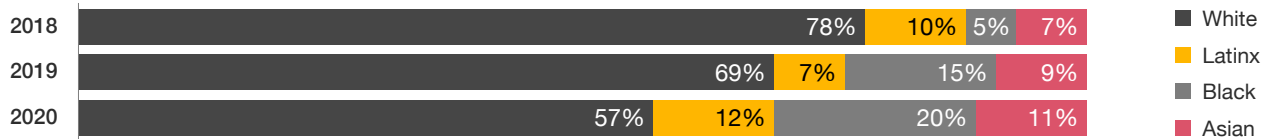
**Gender**



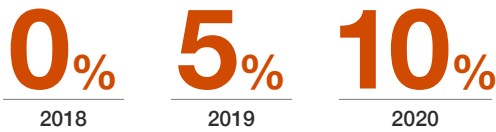
**Sexual orientation\***



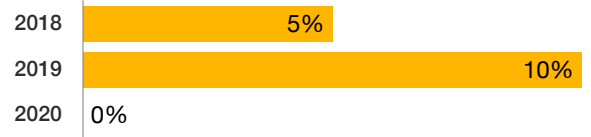
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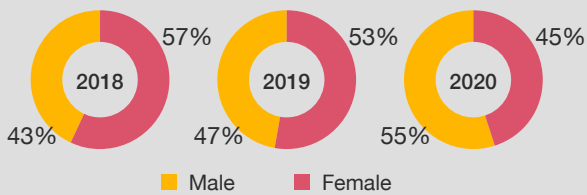


**Veteran**

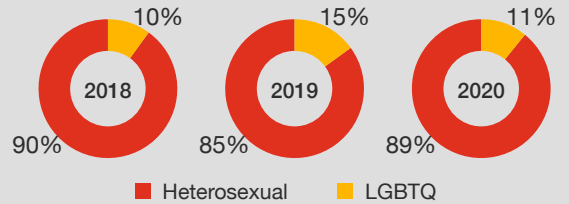


 Turnover

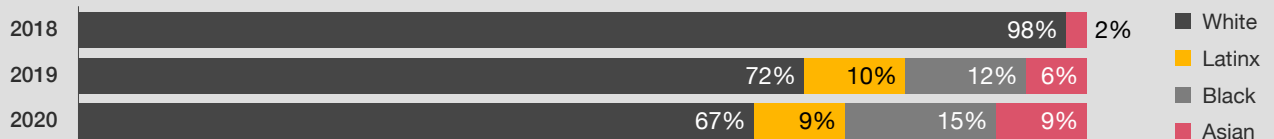
**Gender**



**Sexual orientation\***



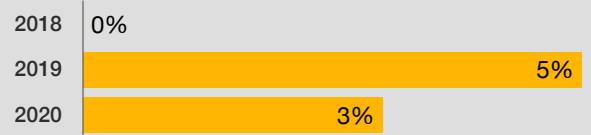
**Ethnicity\***



**Disabled**



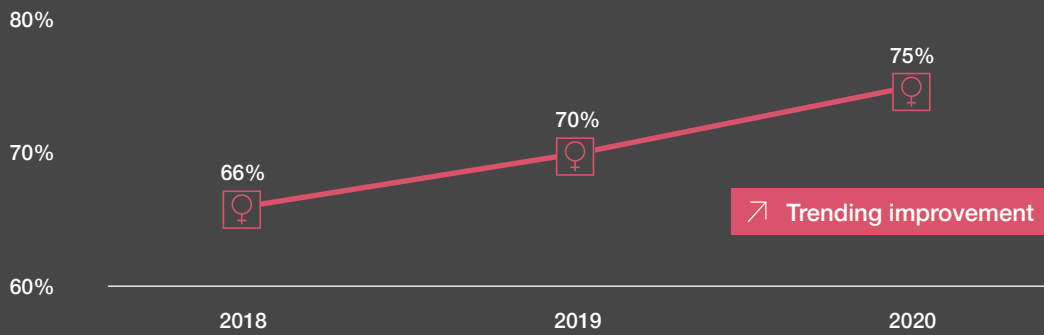
**Veteran**



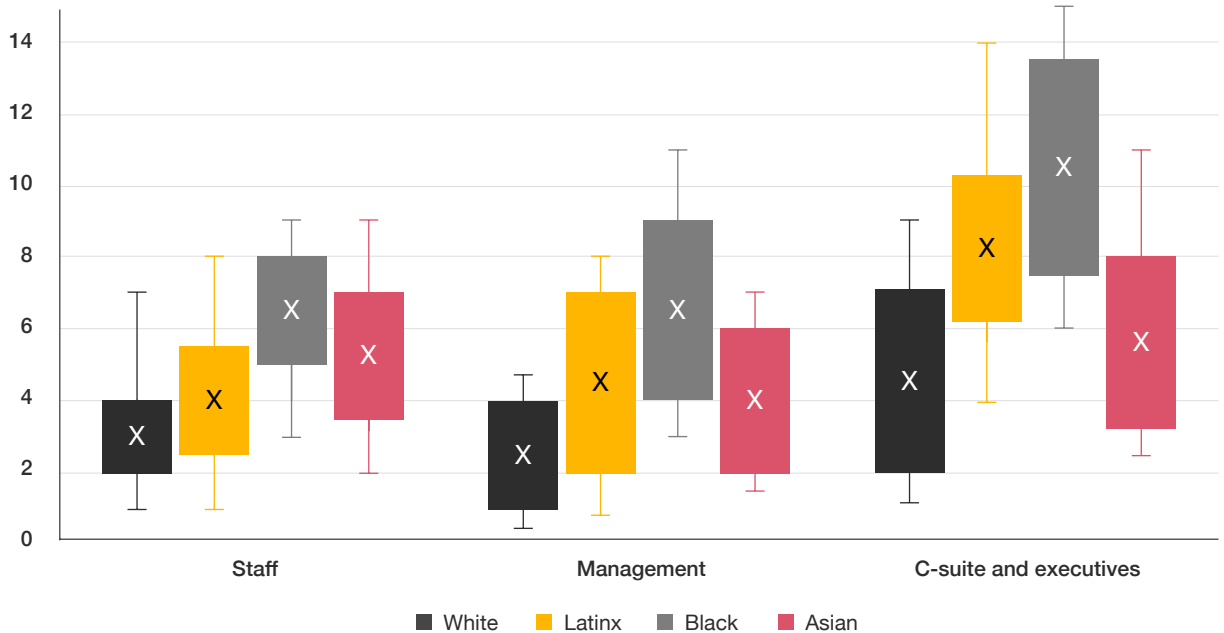
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## Pay equity (women's earning as a percentage of men's)



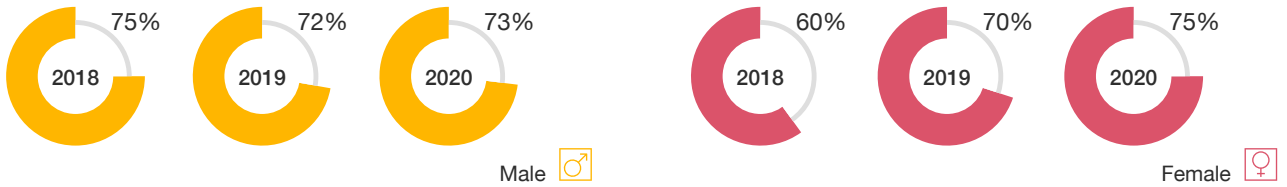
## Promotion to next level



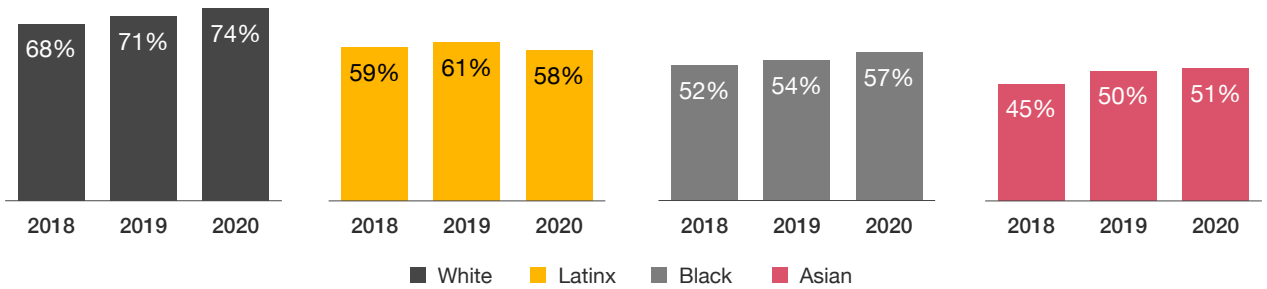


## Employee satisfaction scores

### Gender



### Ethnicity\*



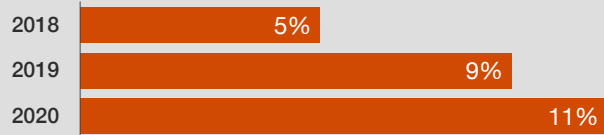
## Outside company metrics



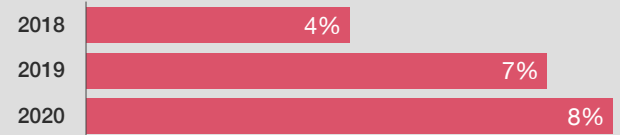
### Supplier diversity

Type of diversity:

#### Ethnic



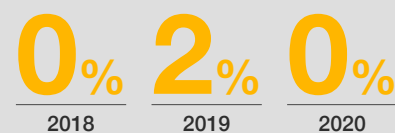
#### Female



#### LGBTQ



#### Veterans



#### Disability



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