



IIA Houston
Annual Conference

Raising DEI Awareness Through Internal Audit

Session Agenda

- ❖ Introduction
- ❖ DEI: The time is *now*
- ❖ Setting the stage for internal audit's (IA) role in DEI
- ❖ Internal audit's organizational position and role
- ❖ Illustrative assessments
- ❖ Driving an inclusive culture
- ❖ Questions

Setting the stage for internal audit's role in DEI

Why this matters

- The past few years have broadcast the ugliness of racism and social injustice, as well as the hidden biases and inequitable impact of the pandemic on working women
- It is paramount to have colleagues and leaders who demonstrate inclusive behaviors as a part of organizational culture
- Boards are reflecting on their responsibilities to support organizational equity and inclusion. IA should do the same



DEI: The Time is *Now*

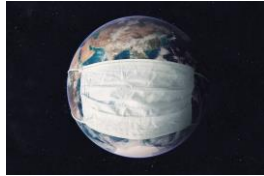
DEI: The Time is *Now*

DEI, and the related concepts of anti-oppression and belonging, mean different things to different people. Nonetheless, they are united in the goal of creating a culture where employees can be themselves and contribute their full complement of skills and experiences.

The call to action around **social justice** and the **COVID-19 pandemic** has accelerated companies' needs to **adapt to new concepts of work, workforce, and workplace**. And at the center of navigating this new reality are increasing **social and business imperatives for DEI**.

IN SOCIETY

Several pivotal events in recent years have exposed the many forms of inequity, discrimination, and social injustice in society. The revelation of **potential biases** and the **inequitable impact** of the pandemic on different demographics were among some of the forces that galvanized efforts to improve DEI within the workforce.



IN ORGANIZATIONS

56%
Increased workplace belonging can lead to a 56% increase in job performance.¹

36%
Women and minorities occupied 38.3% of Fortune 500 board. However, nearly 36% of those diverse board seats were occupied by persons on multiple Fortune 500 boards.³

50%
A pre-pandemic study found that increased workplace belonging can lead to **50% reduction in turnover risk**, and **75% decrease in employee sick days**.¹

94%
of CEOs report that diversity, equity, and inclusion are strategic priorities for them as CEOs.²

¹ BetterUp, "The Value of Belonging at Work: New Frontiers for Inclusion," pg. 11.

² Fortune/Deloitte CEO Survey No. 3, January 2021

³ Alliance for Board Diversity, "Missing Pieces Report: The Board Diversity Census of Women and Minorities on Fortune 500 Boards, 6th Edition," 2021, <https://www2.deloitte.com/us/en/pages/centerfor-board-effectiveness/articles/missing-pieces-board-diversity-census-fortune-500-sixth-edition.html>, accessed October 25, 2021.

Bolstering Business Performance

Having a diverse, equitable, and inclusive culture is a powerful component of business performance that motivates employees to bring their best self to work each day.



¹ BetterUp, "The Value of Belonging at Work: New Frontiers for Inclusion," pg. 11.
² Fortune/Deloitte CEO Survey No. 3, January 2021.

Common DEI Pitfalls

There are common DEI pitfalls that may prevent companies from realizing change and meaningful outcomes:

Talent data

Incomplete or inconsistent data inhibits rich analysis that uncovers root cause findings. Similarly, unwillingness to include certain data in analysis prevents needed analysis to drive a targeted approach

Company ambition vs. investment

Struggling with constraints on budgets and resources can make the best intentions and strategies fall short



Leadership engagement

Leaders need to set the tone at the top to ensure DEI values are embedded into organizational culture

Flash vs. impact

Focusing on visible gestures vs. long-term systemic change

The “HR problem”

Classifying DEI work as an HR Problem or responsibility, instead of a company-wide effort



Mistaking exploration for action

Performing assessments and explorations into organizational opportunities, but not building an action plan to address findings

Viewing DEI programmatically

Seeing DEI work simply as a program instead of embedding it within the organizational strategy

Setting the stage for Internal Audit's role in DEI

How Can IA Get Involved?

The Enterprise Initiative

DEI program assessment

- Analyze your organization's current DEI maturity across key activators (infrastructure, talent, etc.)
- Advise on key performance indicators (KPI) metrics associated with the organizations DEI goals to leverage in periodic maturity assessments



Specialized DEI internal audits

- Analyze your organization's current DEI strategy and goals, compare that to actual metrics and objectives as well as competitor strategies
- Perform "pulse checks" on whether the organization is achieving its stated DEI goals
- Identify root causes of inequitable programs or processes and advise on remediation steps



DEI-related metrics and disclosure testing

- Understand how data is utilized to identify, respond, track/trend, and analyze highlighted DEI risks
- Assess the process to confirm completeness and accuracy of relevant data



How Can IA Get Involved? (continued)

Within the IA function

IA-specific DEI program assessment

- Analyze your IA functions current DEI maturity across key activators (Infrastructure, Talent, etc.) and provide recommendations to help your IA department “walk the walk”
- Advise on KPI metrics specific to your IA department and associated with the organizations DEI goals to leverage in periodic maturity assessments



IA-specific recruitment, training, and education

- Assess the risk of bias and potential inequities around attracting and retaining talent
- Identify potential DEI themes communicated via exit interviews, as resignations and the reasons behind them may offer clues if root causes for resignations reveal a pattern
- Assess managements processes to attract, recruit, hire, and retain diverse candidates
- Identify DEI-specific training and education opportunities for the IA function



Help determine IA-specific roadmap for DEI

- Understand how data is utilized to identify, respond, track/trend, and analyze highlighted DEI risks
- Assess the process to confirm completeness and accuracy of relevant data



Considering Program Risks

DEI programs often fail due to several common pitfalls including leadership constraints, incomplete talent data, and mistaking analysis for action. With its enterprise-wide view, internal audit is uniquely suited to help organizations identify and mitigate common risks to their DEI programs.

DEI requires a broad and interconnected approach throughout the organization that focuses on all parts of the business and incorporates change management.

DEI efforts can falter when diversity alone is considered.

Using an
incomplete
methodology



Focus too
narrowly



Relying
solely on a
top-down
approach



Seeking a
quick fix



Exclusively taking a top-down approach when initiating the audit plan can produce an incomplete picture of what needs to be examined.

Since DEI is a relatively new area for internal audit involvement, there may be a tendency to seek a one-size-fits-all framework or to rush the process of addressing audit issues identified during DEI implementation.

Internal Audit's Organizational Position & Role

Internal Audit's Role in Assessing DEI

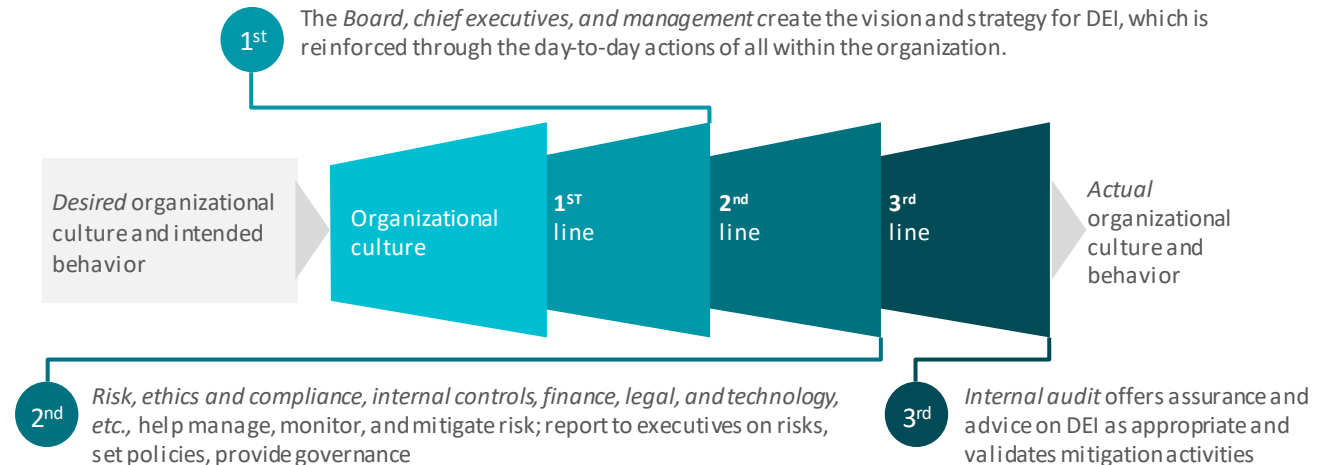
An adapted three lines model applied to DEI

Example areas to take action:

- Drive accountability and visibility while monitoring risks to the entity raised by social issues alongside DEI
- Enhance governance processes, controls, and policies
- Leadership communications and actions that promote desired culture and further the DEI strategy
- Training and guidance to operational teams and business units
- Escalation criteria and response capabilities actively mitigate threats

The Three Lines Model

Roles across the organization have a responsibility to manage DEI and drive organizational alignment:



How to Measure DEI Initiatives

Maturity assessment

Analyze the organization's DEI maturity across 8 key activators:

- Infrastructure
- Talent
- Culture
- Customer
- Community
- Brand
- Analytics
- Leadership

Talent lifecycle assessment

- Look at stages of the organization's talent lifecycle
- Assess the risk of bias and potential inequities around attracting and retaining talent
- Identify potential DEI themes communicated via exit interviews

Strategy assessment

- Review talent and culture survey results and understand the responsiveness of the organization to acknowledge and address gaps through development of a DEI roadmap and training programs, establishment of employee resource groups and inclusion councils, etc.

Data monitoring and reporting

- Where KPIs or external sustainability reporting exists, assess the process to confirm completeness and accuracy of relevant data
- Understand how data is utilized to identify, respond, track/trend, and analyze highlighted DEI risks

Illustrative Assessments

Illustrative example of a talent lifecycle assessment

Look at stages of the organization's talent lifecycle, assessing risk of bias and potential inequities around attracting and retaining talent. Identify potential DEI themes communicated via exit interviews:



Business units should focus on opportunities to lead while aligning with their broader organization.

Example framework for unleashing human potential

There are many examples of frameworks to leverage – this example incorporates 8 interconnected activators to mitigate risk of bias and realize the business benefits of both a diverse workforce and an inclusive organization.

Infrastructure

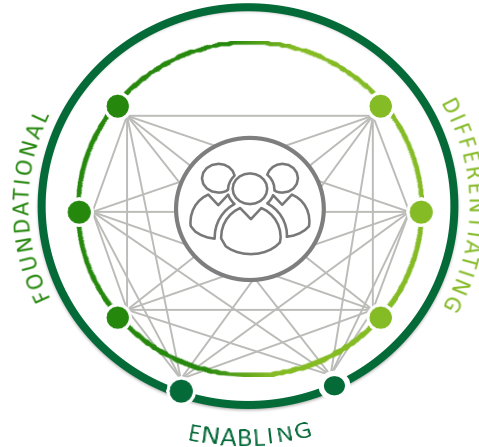
Set the groundwork required to promote, support, and activate inclusive strategy, culture, and behavior

Talent

Create an equitable playing field for employees of all identities and backgrounds to succeed through talent programs and processes that mitigate bias

Culture

Decentralize the approach for cultivating culture, relying on natural influencers to activate a culture that sparks diversity of thought and invites complex identities to work together and spur innovation



Customer

Match insides to outsides by engaging business leaders in inclusive decision-making to reflect insights about and values of customers and partners

Community

Unite with purpose – align values to partnerships and community action to maximize mutual benefit and support broader goals

Brand

Look inside out and outside in to define an aspirational brand rooted in DEI values, touting inclusion consistently and widely

Analytics

Drive organizational accountability using analytics that paint a picture of the organization's inclusion practices that maximize human potential

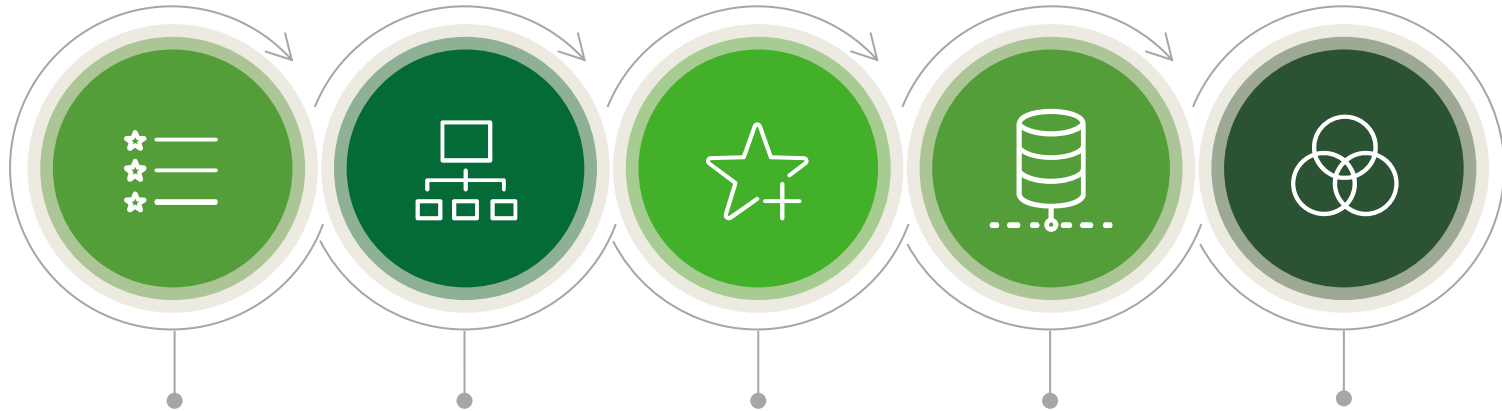
Leadership

Ignite leaders' inner transformational activist and sponsor self expression, driving authentic connection and innovation

Driving an Inclusive Culture

Driving an Inclusive Culture

Leading practice for recruiting inclusive talent



Go beyond familiar sources

One effective way to achieve greater diversity is to source candidates from a variety of places, rather than from a handful of familiar sources.

Use blind resumes and gender-neutral language

This reduces unconscious bias by eliminating personal information and ensures that the language in the job description is completely applicable to the position.

Interview the whole way through

The idea is to be open to different circumstances. Give each candidate a full and fair shot to communicate their experience and qualifications.

Evaluate everyone based on consistent criteria

Consistency is key to understanding the true value a candidate can bring to the organization. This means evaluating everyone based on the same criteria.

Close the loop, not the door

Recruiters and managers should consistently inform all candidates of their decisions. This is important not only for providing closure but also for leaving the door open for future opportunities.

Driving an Inclusive Culture

Leading practices for retaining and developing inclusive talent



Questions?

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