Internal audit’s role in driving diversity, equity, and inclusion (DEI)
Session agenda

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• 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
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Setting the stage for internal audit’s role in DEI

Why this matters

• Recent times have broadcasted 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
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- For each question, text your response (A, B, C, etc.)

- To change your response, text "clear" or "undo"
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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.

**INSOCIETY**

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.

**INORGANIZATIONS**

| 56% | 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. |
| 50% | Increased workplace belonging can lead to a 56% increase in job performance. |
| 94% | A pre-pandemic study found that increased workplace belonging can lead to 50% reduction in turnover risk, and 75% decrease in employee sick days. |

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

Increase in job performance: 56%

Reduction in turnover risk: 50%

Decrease in employee sick days: 75%

Of CEOs report that DEI are strategic priorities for them: 94%

Of CEOs plan to disclose DEI metrics to the public: 72%

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? (cont.)

### Within the IA function

<table>
<thead>
<tr>
<th>IA-specific DEI program assessment</th>
<th>IA-specific recruitment, training, and education</th>
<th>Help determine IA-specific roadmap for DEI</th>
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<td>• Analyze your IA functions current DEI maturity across key activators (Infrastructure, Talent, etc.) and provide recommendations to help your IA department &quot;walk the walk&quot;</td>
<td>• Assess the risk of bias and potential inequities around attracting and retaining talent</td>
<td>• Understand how data is utilized to identify, respond, track/trend, and analyze highlighted DEI risks</td>
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<td>• Advise on KPI metrics specific to your IA department and associated with the organizations DEI goals to leverage in periodic maturity assessments</td>
<td>• 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</td>
<td>• Assess the process to confirm completeness and accuracy of relevant data</td>
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<td>• Assess managements processes to attract, recruit, hire, and retain diverse candidates</td>
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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.

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

- **Seeking a quick fix**
  - 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.

- **Focus too narrowly**
  - DEI efforts can falter when diversity alone is considered.

- **Using an incomplete methodology**
  - DEI requires a broad and interconnected approach throughout the organization that focuses on all parts of the business and incorporates change management.
Internal audit’s organizational position and role
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Internal audit’s role in assessing 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:

1st line

The Board, chief executives, and management create the vision and strategy for DEI, which is reinforced through the day-to-day actions of all within the organization.

2nd line

Risk, ethics and compliance, internal controls, finance, legal, and technology, etc., help manage, monitor, and mitigate risk; report to executives on risks, set policies, provide governance

3rd line

Internal audit offers assurance and advice on DEI as appropriate and validates mitigation activities

Desired organizational culture and intended behavior

Organizational culture

Actual organizational culture and behavior

The Institute of Internal Auditors

Chicago
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How to measure DEI initiatives

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<tr>
<th>Maturity assessment</th>
<th>Talent lifecycle assessment</th>
<th>Strategy assessment</th>
<th>Data monitoring and reporting</th>
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| Analyze the organization’s DEI maturity across 8 key activators:  
  - Infrastructure  
  - Talent  
  - Culture  
  - Customer  
  - Community  
  - Brand  
  - Analytics  
  - Leadership | 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 | 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. | 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
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:
Deloitte has a **holistic, business-centered approach to DEI**, incorporating 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

**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

**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

**Example:**
Framework for unleashing human potential

The Institute of Internal Auditors Chicago
Driving an inclusive culture
Driving an inclusive culture

Leading practice for recruiting inclusive talent

1. 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.

2. 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.

3. 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.

4. 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.

5. 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 (cont.)

Leading practices for retaining and developing inclusive talent

1. Developing self-awareness
   - Allies should pay attention to their initial thoughts and be sensitive to how they engage and evaluate their teams.

2. Demonstrating curiosity and empathy
   - Curiosity is about being open to new and different ideas or experiences. Empathy is about understanding how others feel about situations.
   - Allies do not have to fully understand a colleague’s experience to empathize with them; they simply need to respect the uniqueness of the other’s experience and consider it compassionately.

3. Practicing micro-affirmations
   - Allies should practice micro-affirmations, which are small expressions that signal they value people and their contributions.

4. Delegating work and opportunities equally
   - Allies should share tasks, opportunities, and responsibilities related to DEI and career advancement, equitably.
   - This can be accomplished by proactively identifying diverse groups of candidates early for advancement opportunities, and actively providing them access to the skills, experiences, and roles on visible, important, and complex projects required to develop and advance.

5. Establishing mentorship and sponsorship programs
   - Employee affinity groups can be vital for networking and knowledge sharing. Sponsorships and mentorships, which offer one-on-one tutelage and advocacy, are also critical for providing equitable opportunities for career advancement.

6. Monitoring employee satisfaction
   - Allies should keep their fingers on the pulse of employees’ experiences, irrespective of their diversity, through both formal and informal feedback loops such as anonymous surveys, one-on-one meetings, and focus groups.
Questions?
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