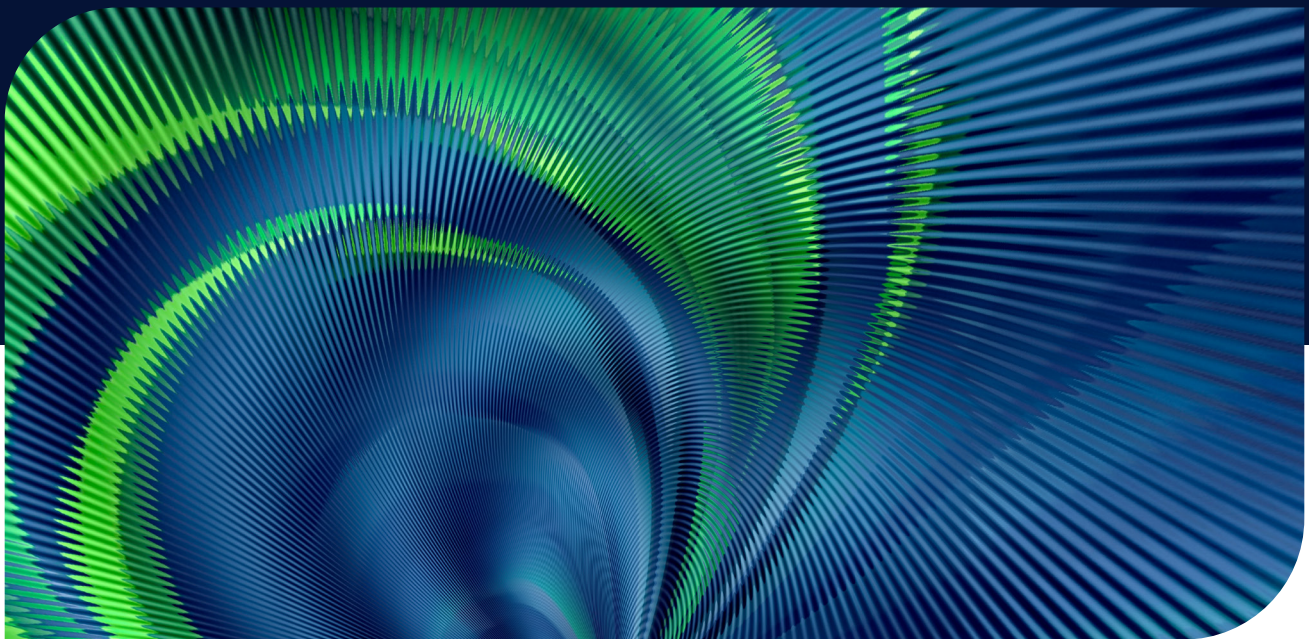


Teneo '23 & ESG Series

Under Pressure – DE&I

Teneo Insights / September 2023



This is the second report in Teneo’s '23 & ESG Series analyzing 250 sustainability reports published by S&P 500 companies between January 1-June 30, 2023 (“2023 sustainability reports”). Please [click here](#) for the first publication in our series highlighting the top 10 takeaways and key statistics of 2023 sustainability reports.

Corporate diversity, equity and inclusion (DE&I) programs are currently facing growing scrutiny with no crystal ball of what the future may bring. As pressure increases in tandem with the upcoming U.S. presidential election, supporters and critics alike are re-thinking corporate communications around DE&I that safeguard their vested interests. And as annual sustainability reports serve as a main channel for companies to communicate on their DE&I initiatives, recent ambiguity also leaves the future of DE&I disclosures within 2023 sustainability reports in unknown terrain. To illustrate how this climate has already impacted DE&I reporting in sustainability reports, the following piece provides insights on how companies communicate their DE&I initiatives in 2023 sustainability reports, including employee demographic data, diverse representation goals, pay gap disclosures and inclusive benefits.

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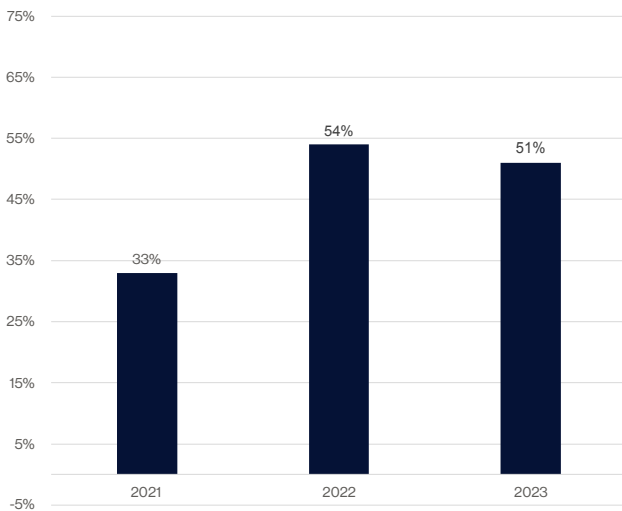
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Tell It Like It Is: Disclosing Employee Demographic Data

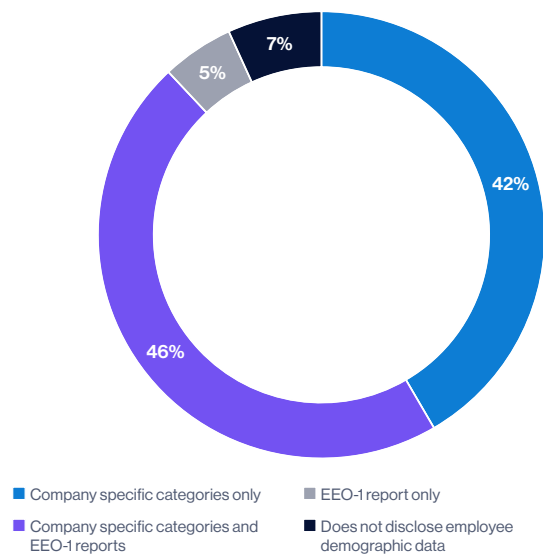
93% of 2023 sustainability reports included employee demographic data in some form – a 2% increase from last year. 88% of these companies disclose demographic data through categories of leadership, race/ethnicity and gender that most accurately represents their workforce and organizational structure. The share of companies disclosing their complete Equal Employment Opportunity report (EEO-1 reports) to supplement other disclosed employee demographic data has increased from 33% in 2021 to 51% this year, making it easier for shareholders to track and compare data across companies and over time. While this includes a 3% decrease from 2022, we expect this decline is a result of an Equal Employment Opportunity Commission (EEOC) filing delay and not an indication that companies are changing course on sharing this data. Companies most often publish employee demographic data in multiple ways, with 46% of companies disclosing employee demographic data in their own format but also linking to their latest EEO-1 report.

Figure 1: Publications of EEO-1 Reports (2021-2023)



Over half of the assessed S&P 500 companies continue to disclose EEO-1 data, providing a uniform framework for employee demographic disclosure.

Figure 2: Employee Demographic Data Disclosure Methods (2023)

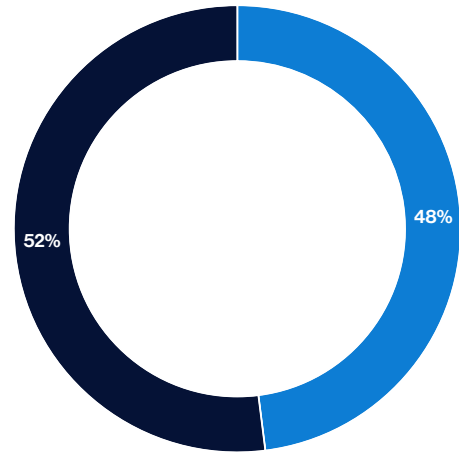


88% of companies disclose demographic data through categories of leadership, race/ethnicity, and gender that most accurately represents their workforce and organizational structure.

Running Up That Hill: Diverse Representation Goals

Nearly half (48%) of 2023 sustainability reports disclosed time-bound and/or quantitative diverse representation goals. Companies often aim to reflect the communities they operate in and serve, frequently resulting in goals to increase the representation of women and underrepresented racial and ethnic groups (URGs) at the total workforce and/or leadership-levels. These representation goals are facing scrutiny from conservative legal groups following the Supreme Court's affirmative action decision impacting higher education institutions. Although some companies are closely monitoring the legal ramifications of the decision, we do not expect most companies to meaningfully de-prioritize their diverse representation goals or DE&I strategy. Companies are balancing these legal risks with potential reputational, business and workforce impacts.

Figure 3: Diverse Representation Goals (Time-Bound and/or Quantitative) (2023)



■ Yes ■ No

48% of companies have announced workforce representation goals that are time-bound for delivery and/or include a quantitative metric.



[Working] 9 to 5: Pay Gap Reporting

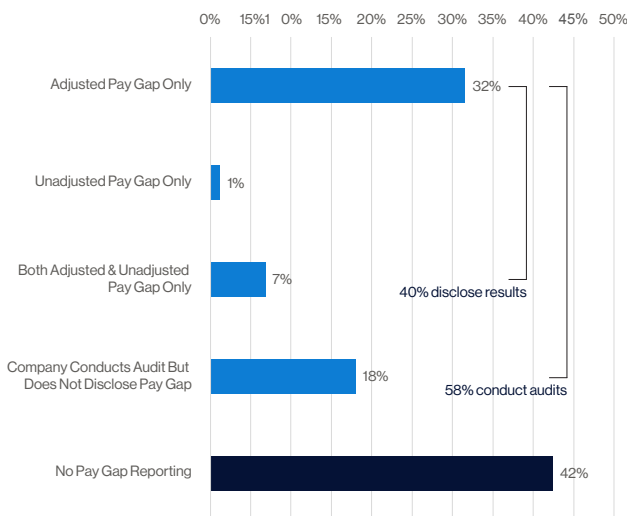
Almost 60% of 2023 sustainability reports mentioned conducting pay gap audits, but only 40% included the results of these audits in the reports. Companies most often (32%) measured and shared adjusted pay gaps for gender among global employees and race/ethnicity for U.S. employees. A minority of companies (7%) report both adjusted and unadjusted pay gaps. Together, adjusted and unadjusted pay gaps provide the greatest transparency into a company’s compensation practices and overall state of equity.

Although the number of companies reporting pay gap results has stagnated in recent years, the topic continues to be top-of-mind for investors and regulators – illustrated by 11 shareholder proposals requesting pay gap audits that received considerable support this proxy season. This year also saw a 4% increase in the number of companies using third parties to assure their pay gap audits – a signal that companies are investing in a higher standard of rigor and validation.

An **adjusted pay gap** measures the difference in compensation between employees that undertake the same or similar responsibilities and is adjusted to reflect a range of factors like experience, tenure, local cost of living, etc. This approach is often described as “like for like” or “equal pay for equal work.”

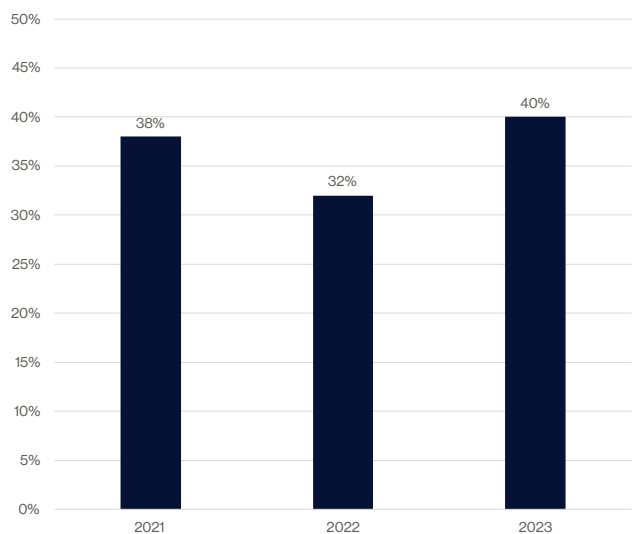
An **unadjusted or “raw” pay gap** measures the difference in median total compensation without adjusting for any factors.

Figure 4: Pay Gap Audit Disclosures (2023)



58% of companies report conducting pay gap audits in 2023 Sustainability Reports; 40% disclose results from said audit whereas 18% do not share outcomes. Most often (32%), companies measured and reported adjusted pay gaps which assesses “equal pay for equal work.”

Figure 5: Pay Gap Results Disclosures (2021-2023)



Year-over-year data on pay gap results suggests that transparency on the subject has possibly stalled.

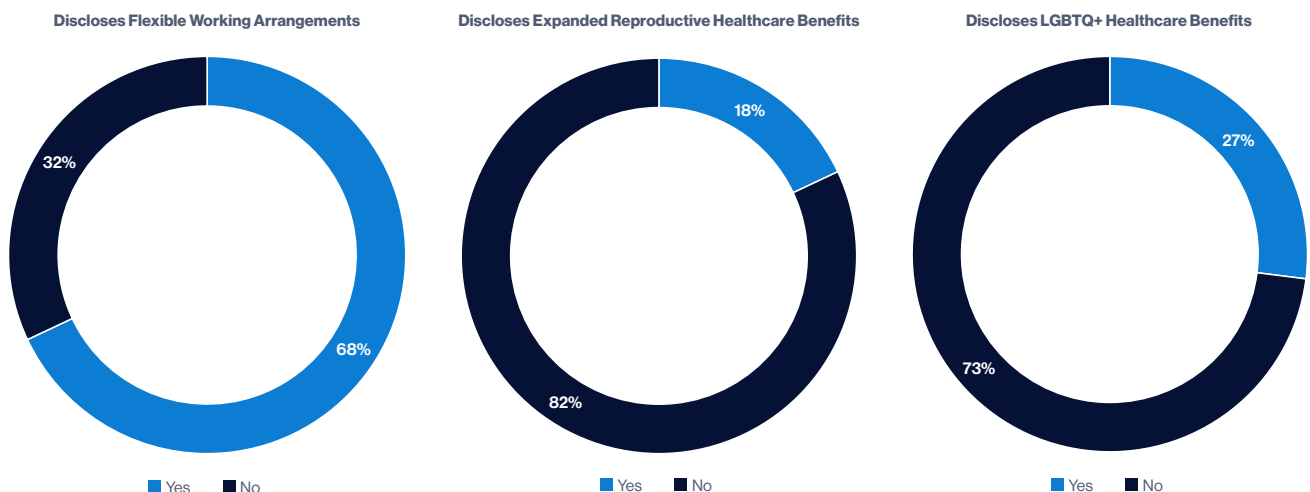
Simply Irresistible: Inclusive Benefits

Many companies have been relatively lenient about return-to-office mandates following the colossal shift brought on by the pandemic, yet recent headlines suggest this is trickling to an end. While reports of CEOs instructing team members to return to the office are on the rise, flexible work seems to be here to stay, and companies are promoting these benefits in their ESG disclosures. Almost 70% of 2023 sustainability reports highlight hybrid or remote working arrangements, citing the benefits that flexibility provides to recruit and retain a broader spectrum of talent.

Continuing to respond to social changes, demographic shifts, as well as pressure from employees and advocacy groups has led companies to offer new benefits in the wake of laws restricting reproductive and gender-affirming healthcare. 18% of 2023 sustainability reports mentioned abortion-related travel benefits and 27% disclosed LGBTQ+ healthcare benefits.* Though sustainability reports often feature benefits that were recently added, new and evolving benefits such as menopausal support were not included in 2023 sustainability reports. We expect companies will continue to promote total reward packages that distinguish them against peers until there's a tipping point and these benefit offerings become the norm.

*For this analysis, LGBTQ+ healthcare benefits refer to gender-affirming healthcare coverage for trans and non-binary employees, dedicated LGBTQ+ concierge services and/or specified healthcare benefits to same-sex couples.

Figure 6: Inclusive Benefits Disclosures (2023)



Companies continue to respond to social and political pressures by expanding employee wellbeing and benefit programs.

Looking Ahead

Although the recent Supreme Court decision on affirmative action does not directly impact corporate DE&I, it is the most recent factor fueling anti-DE&I activists across the U.S. Companies should continue preparing for increased scrutiny regarding their DE&I programs and disclosures in the coming months. Clearly communicating the connection between DE&I, business priorities and outcomes within 2024 sustainability reports will be essential.



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