The State of Sustainability in 2024

DEI Will Survive

Teneo Insights / October 2024

This is the second report in Teneo's 2024 ESG Series, analyzing 250 sustainability reports published by S&P 500 companies between January 1 and June 30, 2024 ("2024 sustainability reports"). Click here for the first publication in our series, which highlights the top 10 takeaways and key statistics from 2024 sustainability reports.

Annual sustainability reports remain a critical platform for companies to articulate their diversity, equity and inclusion (DEI) progress and objectives. We conducted an in-depth analysis of DEI disclosures to understand how they evolved in 2024. Our research included many of the topics being attacked by anti-DEI activists, such as goals, talent programs aimed at specific demographics, and supplier diversity initiatives. The following paper provides key insights and takeaways on how corporate DEI disclosure has evolved this year given the challenging environment.

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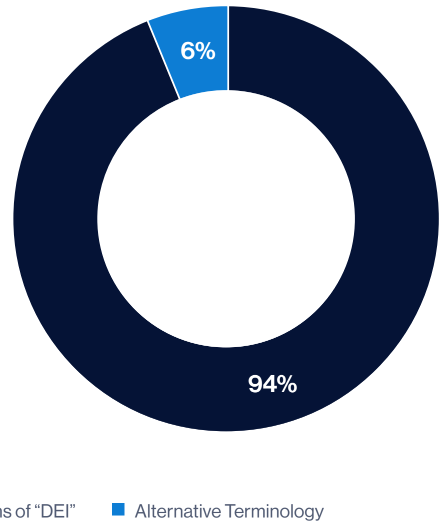
Are Companies Still Using the DEI Acronym?

Given the controversy around DEI, some companies are reassessing the use of the acronym to mitigate the risk of backlash. Last year, 99% of companies included some form of the acronym "DEI" in their sustainability reports. While still high, this figure has declined to 94% in 2024. Notably, of that 94%, the percentage of companies that now prioritize "inclusion" by placing it first in the acronym has risen. There has also been a noticeable addition of "culture" or "belonging" focused titling instead.

Figure 1: "DEI" Terminology



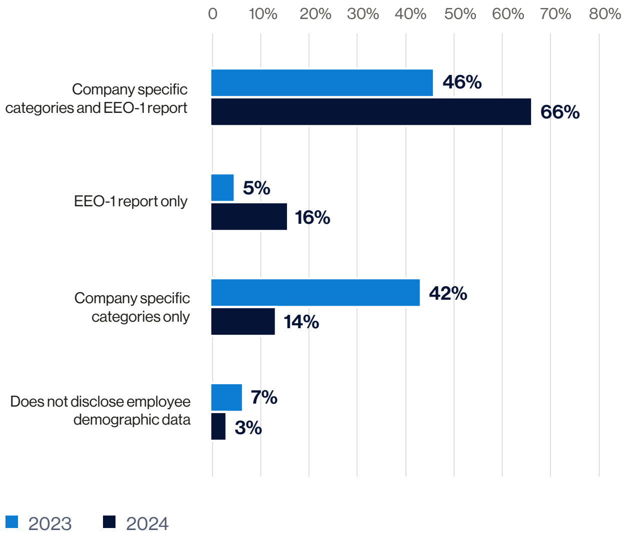
*Alternative terminology include language and titling such as:

- "Equity"-led
- "Culture"-led
- "Belonging"-led
- Miscellaneous terms

Are Businesses Continuing to Highlight Diversity in Their Workforces?

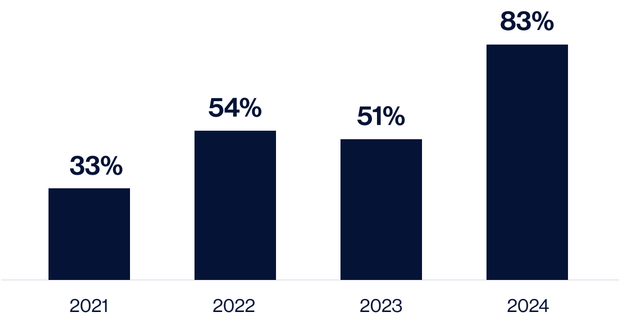
Demographic data disclosure remains strong with 97% of companies including this data in some format. Two-thirds of companies continue to use both company-specific demographic categories and Equal Employment Opportunity Commission (EEOC) classifications in their reports. Notably, there has been a significant rise in EEO-1 report disclosures (the annual report required by the EEOC capturing workforce demographic data), 32% higher than 2023. This shift may reflect a growing preference among companies to align with legally recognized disclosure frameworks, ensuring transparency while mitigating potential risks.

Figure 2: Employee Demographic Data Disclosure Methods



*Company-specific categories refer to an organization's unique definitions of key concepts like leadership and diversity, aligning with how the company measures and evaluates these metrics.

Figure 3: Publications of EEO-1 Reports



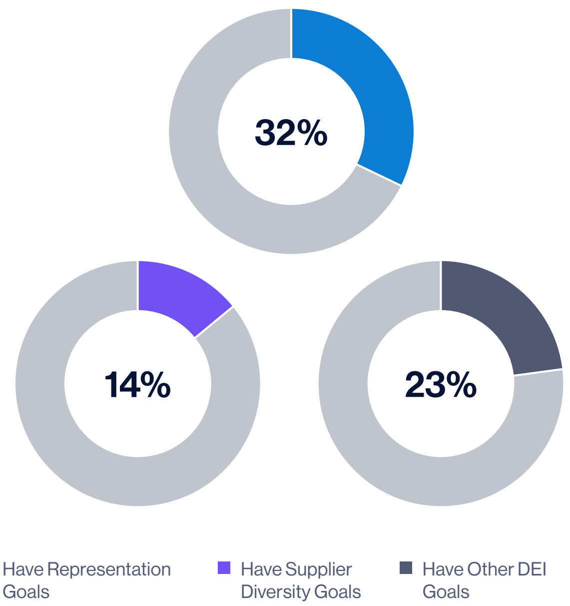
*Businesses often publicly disclose their EEO-1 reports, a mandatory submission capturing workforce demographic data for the government, to provide greater transparency and accountability in how they manage and report on workforce diversity.

Have Companies Ditched their DEI Goals?

A little under half (43%) of the S&P 500 continues to maintain and promote quantitative, time-bound DEI goals within their sustainability reports, with almost 80% of these goals remaining unchanged from last year. The most common are representation goals, present in one-third of companies, followed by supplier diversity goals (14%). 23% of reports also note other DEI goals such as goals for hiring from Historically Black Colleges and Universities (HBCU) and for investing in under-represented communities.

Given the criticism of DEI goals as discriminatory following the Supreme Court decision on affirmative action in higher education, the four-percentage point decrease in disclosure year-on-year is not surprising. Of the 250 companies analyzed, 24 omitted specific DEI goals from their disclosures, including 16 related to diverse representation, nine on supplier diversity and seven tied to diverse community investments. Conversely, 13 companies introduced new DEI goals, including eight on representation, two on supplier diversity and six on broader initiatives such as HBCU recruiting efforts and pay equity.

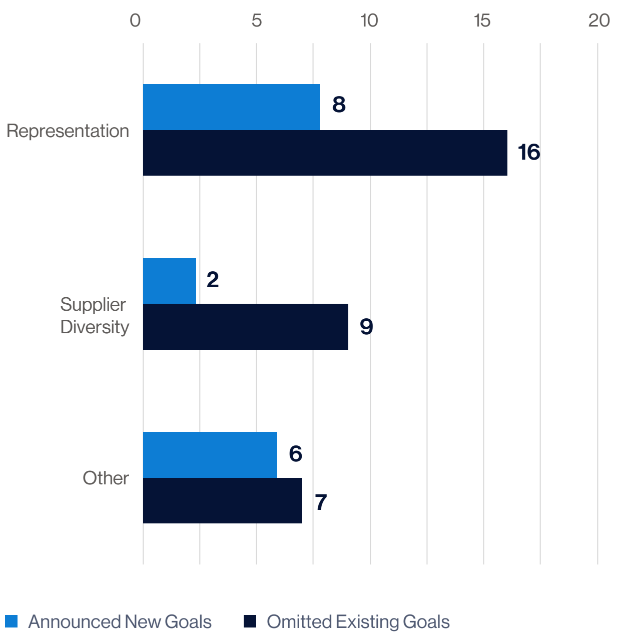
Figure 4: Key DEI Goals Disclosed



*Other DEI Goals include initiatives such as diverse grant commitments and HBCU hiring targets.

*This analysis is limited to DEI goals that are measurable and time-bound.

Figure 5: Adjustments in DEI Goal Disclosure (2023 – 2024)



*These numbers do not match the total company count because some companies adjusted multiple goal disclosures, which are reflected individually in the graph.

*This analysis is limited to DEI goals that are measurable and time-bound.

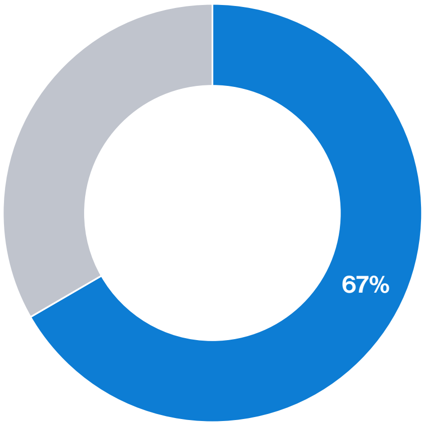
Are Corporations Scaling Back Targeted Talent Programs?

Talent programs such as mentorships, fellowships, internships and scholarships that focus on specific demographics are prominently featured in 67% of company reports. Despite some criticism of these initiatives as exclusionary, they are often framed as essential tools for reaching diverse candidates as part of a holistic recruiting strategy.

Are Businesses Phasing Out Their Supplier Diversity Programs?

Supplier diversity initiatives remain a critical element of corporate DEI strategies, with 78% of companies continuing to disclose these efforts. This ongoing focus highlights the strategic business value that diverse partnerships bring in building supply chain resilience and fostering innovation.

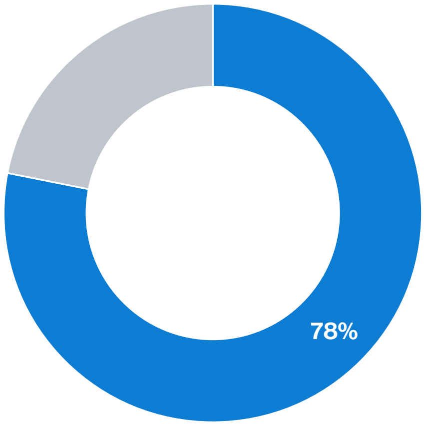
Figure 6: Companies with Targeted Talent Programs



■ Have Talent Programs Focused on Specific Demographics

*Targeted talent programs are designed to attract and develop individuals from specific demographic groups, typically with a focus on gender or race.

Figure 7: Companies with Supplier Diversity Programs



■ Have Supplier Diversity Programs

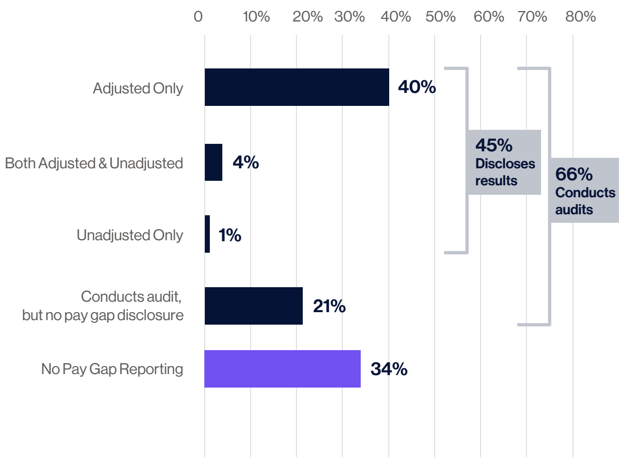
*Supplier diversity programs aim to diversify the supply chain by connecting underrepresented group-owned businesses with opportunities that meet the company's specific needs.

Are Companies Moving Away from Pay Gap Disclosures?

In last year's analysis, we believed that pay gap reporting had potentially stagnated, yet 2024 sustainability reports indicate that these disclosures are continuing to rise. Nearly two-thirds of 2024 sustainability reports mentioned conducting pay gap audits, yet only 45% disclosed the results of these audits. The most disclosed were global gender pay gaps and U.S. race/ethnicity pay gaps, both reported by 40% of companies. The percentage of companies using third-party assurance for these audits increased from 33% to 42%, a trend we are also seeing in ESG reporting more broadly. As a practice that has largely remained outside the focus of anti-DEI activism, we are seeing more companies invest in and report on pay gap disclosures.

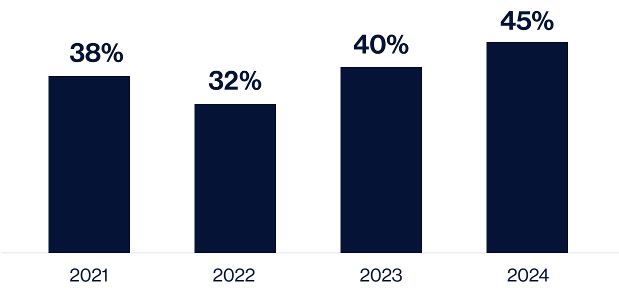
An adjusted pay gap measures the difference in compensation between employees that undertake the same or similar responsibilities and is adjusted to reflect a range of factors like experience, tenure, local cost of living, etc. This approach is often described as "like for like" or "equal pay for equal work." An unadjusted or "raw" pay gap measures the difference in median total compensation without adjusting for any factors.

Figure 8: Pay Gap Reporting Disclosures (2024)



*This data refers to companies that disclose pay gap information for gender, race, or both. Of those, 80% report both globally for gender and in the U.S. for race, while 20% only report on gender.

Figure 9: Pay Gap Analysis Disclosures (2021 – 2024)



*This data refers to companies that disclose pay gap information for gender, race, or both. Of those, 80% report both globally for gender and in the U.S. for race, while 20% only report on gender.

Looking Ahead

DEI communications are being scrutinized by a broad range of stakeholders. To better navigate different and often conflicting perspectives, ESG reports should clearly demonstrate how DEI efforts align with business priorities and highlight measurable outcomes. Although the impact of changes to DEI programs are not yet apparent, some stakeholders, including affected employees, will be interested in understanding any changes communicated or implied in ESG reports. Since many companies established DEI as financially material in prior 10-Ks and ESG reports, a decision to unwind or adjust these initiatives will likely need to be addressed with investors as well.

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