

What makes a racial equity audit?

Stakeholder Engagement

Transparent engagement with diverse stakeholders can help companies avoid litigation, boycotts, government investigations, and reputational damage related to potential civil rights violations and discrimination.² Engagement **can demonstrate accountability to BIPOC communities**, who may be part of the company's labor force and consumer base.

An audit should:

- Engage with stakeholders – including but not limited to civil rights and racial justice groups, environmental justice groups, and workers and consumers of color – to assess and evaluate the company's impact on BIPOC communities, including pressing risks and alleged claims of discrimination

Example: After commissioning Laura Murphy & Associates to conduct its 2016 civil rights audit, Airbnb launched Project Lighthouse, an initiative to uncover and address disparities in how people of color experience its platform.³ Designed to help Airbnb “innovate and design new products and initiatives that will increase acceptance and combat bias,” Project Lighthouse was launched in partnership with civil rights organization Color of Change and with input from nine other racial justice and technology equity organizations.⁴

Reviews Products and Services

A racial equity audit can generate knowledge and findings that **enable companies to build products and services that lead to more equitable outcomes**, thereby helping companies expand their business while fostering a more inclusive and prosperous economy.

An audit should:

- Evaluate the company's products and services for discriminatory impact and bias, including with respect to user experience, product design, accessibility, availability, and affordability
- Evaluate the company's marketing and advertising strategies for discrimination and bias, including algorithmic bias

Example: In 2022, Citigroup commissioned Covington & Burling LLP to conduct a racial equity audit of its Action for Racial Equity (ARE) initiative, Citi's \$1 billion commitment to help address the racial wealth gap.⁵ The audit uncovered that ARE had no initiatives targeting consumer credit scores even though “lower credit scores in Black and other minority communities are a critical driver of the racial wealth gap.”⁶ The audit recommended that Citi focus more on initiatives related to credit scores and consider additional efforts to promote credit building, credit score improvement, and alternative credit assessments.

Reviews Operations and Policies

Beyond workforce DEI, a comprehensive audit **examines all business operations and policies** for potential civil rights or racial equity impacts. This includes, but is not limited to, operations and policies related to corporate governance, pay practices, workers rights and human capital management, lobbying and political activities, investments and stewardship, corporate social responsibility, capital allocation, procurement and subcontracting, and data privacy.

An audit should:

- Assess the company's operations and policies and make recommendations for how they can be revised to further the goals of DEI and more effectively combat racial discrimination and bias

Example: In 2020, Facebook released the results of its civil rights audit, led by Laura Murphy and supported by Meghan Cacace, a partner at Relman Colfax.⁷ As a result of the audit, Facebook expanded its voter suppression policy to include threats that voting will result in adverse law enforcement consequences or statements that encourage coordinated interference in elections. The company also adopted a new policy prohibiting threats of violence relating to voting, voter registration, or the outcome of elections.

¹ Laura Murphy, *The Rationale for and Key Elements of a Business Civil Rights Audit*, October 2021, <https://www.civilrightsdocs.info/pdf/reports/Civil-Rights-Audit-Report-2021.pdf>, p. 12.

² Murphy, *The Rationale for and Key Elements of a Business Civil Rights Audit*, p. 26.

³ Airbnb, “Fighting discrimination and building inclusion – 2022 Update,” <https://www.airbnb.com/against-discrimination>, (accessed February 6, 2024).

⁴ Airbnb, “A six-year update on Airbnb's work to fight discrimination.” Newsroom, <https://news.airbnb.com/sixyearupdate/> (accessed February 6, 2024).

⁵ Citigroup, “Action for Racial Equity,” <https://www.citigroup.com/global/our-impact/diversity-equity-inclusion/action-for-racial-equity> (accessed February 6, 2024). Citi's audit did not meet Majority Action's criteria for a “comprehensive” racial equity audit because it was only limited to examining the company's ARE initiative. A comprehensive racial equity audit should include a review of all policies, practices, and products that could have a racial equity or civil rights impact.

⁶ Covington & Burling LLP, *A Report to Citi: On the Progress of Citi's Efforts to Address the Racial Wealth Gap Through Its Action for Racial Equity*, December 19, 2022, <https://www.citigroup.com/rcs/citigroup/storage/public/2022-audit-results.pdf>, p. 12.

⁷ Laura Murphy and Meghan Cacace, *Facebook's Civil Rights Audit – Final Report*, July 8, 2020, <https://about.fb.com/wp-content/uploads/2020/07/Civil-Rights-Audit-Final-Report.pdf>.

“The goal of a civil rights audit is to systematically examine significant civil rights and racial equity issues that may exist in a company and to develop a public plan of action to address them in a thorough, deliberate, timely, and transparent manner.”

— Laura Murphy

Criteria for a Racial Equity Audit: A high-quality racial equity audit should:*

- Be conducted by an independent third-party auditor with expertise in civil rights and racial justice
- Feature active engagement and cooperation from the company’s executive management and oversight by the Board of Directors, including granting the auditor access to necessary information and people
- Go beyond workforce DEI issues to include a comprehensive review of company policies, practices, and products
- Consult with a wide range of internal and external stakeholders and be transparent about which stakeholders were consulted. The company and the auditor should make a clear commitment that any stakeholder who engages in the audit will be protected from retaliation, intimidation, or disciplinary action
- Identify a clear plan of action and timeline for the company to implement audit recommendations, and publish a public report summarizing these findings
- Involve a process of ongoing review, revision, and oversight no less often than every 5 years, including periodic progress reports on implementation

Racial Justice Capital Strategies Table

Effective racial equity auditing requires direct engagement with impacted stakeholders. As Renaye Manley asserts, “having civil rights groups, activists groups, [and] community groups as a part of the dialogue with the company creates a different level of accountability.”⁸ In 2023, Majority Action and SEIU established the Racial Justice Capital Strategies Table (RJCST) along with other leading racial justice organizations Color of Change, Hip Hop Caucus, and United for Respect. RJCST connects organizations that work with communities of color most impacted by discriminatory corporate behaviors to pathways for advancing racial equity outcomes in the investor ecosystem. As companies continue to make public commitments to racial justice, formations such as RJCST will help to ensure that investors are holding issuers to their word.

*Adapted from Laura Murphy’s *The Rationale for and Key Elements of a Business Civil Rights Audit* and developed in consultation with Color of Change and SEIU

⁸ Ben Hurley, “Lack of outcomes shows organisations don’t value racial equity,” Top1000funds.com, September 30, 2022, <https://www.top1000funds.com/2022/09/lack-of-outcomes-shows-organisations-dont-value-racial-equity/>.