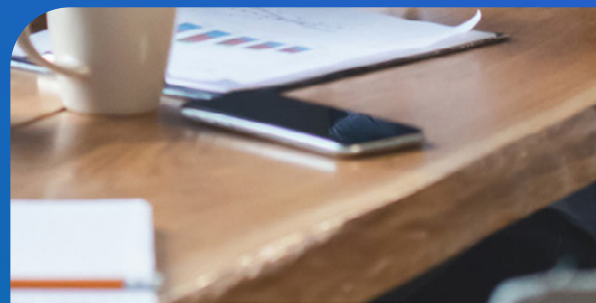


JULY 2024 EDITION

# Civil Rights Audit Standards

A new tool to promote  
nondiscrimination, win the trust of  
stakeholders, and advance responsible  
business practices



**PolicyLink**



## Acknowledgments

PolicyLink is deeply grateful to the leaders who have contributed to shaping the Civil Rights Audit Standards (the “Standards”) over the past year through their involvement on the Civil Rights Audit Standards Committee (the “Committee”). We are also indebted to the countless individuals and organizations whose innovative and courageous research, advocacy, and leadership on civil rights and racial equity have paved the way for this work and demonstrated the powerful role all institutions have in promoting and protecting the civil rights of all people. We continue to learn and draw inspiration from the field and look forward to continued collaboration.

In particular, we would like to thank the lead drafter of the Standards and this report, [Farhana Khera](#), a civil rights lawyer and civil rights audit expert. Her guidance on the creation of the Standards, and her facilitation of the Committee, led us to this point.

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Finally, this work and these Standards would not have been possible without the foresight and generous support of the [Ford Foundation](#).

## About the Secretariat

[PolicyLink](#) is a national research and action institute dedicated to advancing racial and economic equity by Lifting Up What Works®. For over two decades, PolicyLink has been dedicated to amplifying the expertise, wisdom, and resilience of people of color and low-income communities to make our social and economic systems work for all people.

PolicyLink is serving as the Secretariat for the Standards, which includes hosting the Standards, leading implementation strategy, and managing the Committee and other administrative matters. Together with our partners, we are working toward a future where everyone can participate fairly in our economy and democracy and access what they need to thrive. We know businesses have a powerful and essential role to play in making this positive future a reality and performance-focused tools like the Civil Rights Audit Standards are needed to guide the way forward. We invite companies, foundations, and other institutions who are interested in supporting this effort to join us.

Reach out to us at [CivilRightsStandards@policylink.org](mailto:CivilRightsStandards@policylink.org) for more information.



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## Disclaimer

The primary goals of the Standards are to promote and support the improved sustainability performance of U.S. businesses related to social issues, including advancing equity and inclusion, eliminating bias and discrimination, and ensuring equal opportunities for all, regardless of race, gender, ethnicity, socioeconomic status, or any other social category or characteristic protected by applicable law. The Standards do not call for and should not be read as recommending or requiring businesses to make any decisions based on any protected characteristic in violation of applicable law.

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# The Imperative for Civil Rights Audits

Today, there is an increased focus on companies upholding and advancing equitable and nondiscriminatory policies, products, and practices. To address this focus by investors, employees, customers, unions, civil rights organizations, government officials, and other stakeholders, there is a growing demand for comprehensive civil rights and racial equity audits. Indeed, a number of companies have already conducted civil rights and racial equity audits. To ensure consistency and credibility in these audits by companies conducting business in the United States, a group of stakeholders have come together to develop Civil Rights Audit Standards.<sup>1</sup>

## Purpose and Scope

In recent years, many companies renewed their focus on combating discrimination; ensuring equity, inclusion, and equal opportunities for all; and securing pay equity for all employees. At the same time, companies remain concerned about the risk of bias and discrimination, both in the workforce and in various aspects of how companies' products and services impact communities. In response to the demand for equity, inclusion, nondiscrimination, and responsible corporate action, some companies began to address these concerns by conducting civil rights audits. A civil rights audit typically involves a comprehensive review of a company's policies, practices, products, services, workforce, and community impact.<sup>2</sup>

The purpose of a civil rights audit is to ensure that the company is engaging in the following actions:

- Identifying and taking steps to **prevent or mitigate the risk of bias and discrimination** consistent with the principles embodied in federal and applicable local civil rights laws;
- **Advancing equity, inclusion, and equal opportunities for all** in every aspect of the company's operations and practices; and
- Addressing concerns of **key stakeholders such as employees, customers, investors, impacted communities, and regulators.**

<sup>1</sup> The Standards presented here use the term "company" or "companies" to refer to both public and privately held business entities, regardless of the nature of their specific legal structure. In addition, while these Standards are focused on companies, they, or the principles underlying them, could be a model for public agencies, nonprofit organizations, and other institutions.

<sup>2</sup> While some audits focus on race, or race and ethnicity, and thus are referred to as "racial equity audits," for purposes of these standards, "civil rights audits" will refer to both racial equity audits and broader civil rights audits.

While some civil rights audits may result from demands by company stakeholders—whether employees, investors, civil rights groups, or other key stakeholders—it is becoming increasingly common for companies to undertake a civil rights audit as a normal course of business to identify and address risks and issues proactively.

A civil rights audit is distinguishable from a workplace culture review, legal compliance assessment, or investigation into specific allegations of discriminatory or workplace conduct. A civil rights audit is an independent, objective assessment of a company's efforts to promote civil rights and to mitigate civil rights risks related to the company's policies and business practices. A credible, comprehensive, and effective civil rights audit considers various risks—legal, business, and reputational—as it expansively examines whether a company is preventing or reducing the risk of bias and discrimination and ensuring equity and inclusiveness for all in multiple aspects of its business operations. For example, a workplace equal employment opportunity compliance review typically covers personnel activities, such as hiring, recruitment, promotion, and/or pay, while a comprehensive civil rights audit commonly reviews the company's products, services, policies, practices, and community impact (e.g., activities such as philanthropy, political giving, and political advocacy). As part of this analysis, a civil rights audit examines whether the company has the proper systems, policies, processes, controls, staffing, and training in place to detect, address, and prevent or mitigate the risk of bias and discrimination.



A civil rights auditor is expected to conduct a diligent examination of relevant civil rights concerns or issues, including engaging key stakeholders, both internally and externally, and evaluating the impact of the company's activities on these stakeholders. Importantly, the auditor is not expected to investigate the legal merits of alleged violations of civil rights laws or anti-discrimination policies or regulations. Where issues arise that require an investigation for potential legal, policy, or regulatory violations, such an investigation would be separate and distinct from a civil rights audit.

In addition, the independent auditor and public reporting requirements for civil rights audits are akin to the public accountability requirements for financial audits of public companies. As set forth in detail in these Civil Rights Audit Standards, civil rights audits are similar to financial audits in that a) independence of auditors is critical, b) audits should be conducted in the normal course of business, and c) audit reports should provide a comprehensive picture of the company's risks and opportunities related to civil rights matters.

Finally, a civil rights audit is different from a human rights assessment. Human rights assessments are conducted pursuant to the standards set forth in the United Nations Guiding Principles on Business and Human Rights and operate under an international framework. In contrast, civil rights audits are rooted in an understanding of U.S. civil rights law and policy. Civil rights audits and human rights assessments exist in parallel and may even be mutually reinforcing; they are not mutually exclusive.



### A Corporate Best Practice

During the last several years, a number of companies, spanning a range of industries—from banking to consumer goods and technology—have completed civil rights audits. Civil rights audits are quickly becoming a corporate best practice, and for good reason.

First, conducting a civil rights audit positions a company to proactively address potential civil rights issues in its business operations. Similar to a financial audit, a full and comprehensive civil rights audit can help identify potential legal and regulatory risks under relevant civil rights laws, as well as significant issues that may not rise to the level of legal and regulatory risks but may nevertheless raise reputational risks or otherwise affect a company's products, services, or practices. Second, conducting a comprehensive civil rights audit is an opportunity to lead: companies can be responsive to a changing environment; mitigate risk; and position the company as responsive to employees, customers, investors, or other important stakeholders as part of advancing the company's business objectives. Indeed, a well-executed audit can add great value to a company by creating or strengthening relationships with investors, employees, customers, civil rights groups, unions and worker groups, and other key stakeholders.

As civil rights audits have been completed, it has become clear that considerable variance in audit processes and final reports is emerging, and that consistency and clarity is needed. The Civil Rights Audit Standards (the "Standards") set forth below are intended to provide necessary consistency and clarity while still allowing sufficient flexibility to meet the specific circumstances of the audited company. The Standards also help ensure the quality of these audits, and meaningful results for companies and their various stakeholders.





## Development of the Civil Rights Audit Standards

The Standards were developed based on the experience of key stakeholders, including auditors with deep experience in civil rights and employment law, investigations, and in the conduct of these audits; companies that have undertaken these audits; and proponents of audits, such as investors, civil rights groups, unions and worker groups, and members of the U.S. Congress. These Standards are also informed by a review of the civil rights and racial equity audits completed and published through February 2024. The Civil Rights Audit Standards Committee, composed of some of these stakeholders, developed and approved these Standards.<sup>3</sup> Pursuant to the Committee’s operating charter, the Committee intends to review the Standards on a regular basis to ensure that they are meeting their intended purpose, namely, to ensure credible, comprehensive, and effective civil rights audits.<sup>4</sup>

## Applicability and Overview

The Civil Rights Audit Standards are general standards applicable to all companies. At a future date, the Civil Rights Audit Standards Committee may release additional standards specific to an industry, sector, or business function.

The nine generally applicable Civil Rights Audit Standards are (1) Comprehensive Scope; (2) Independent, Qualified Auditor; (3) Meaningful Engagement with Key Stakeholders; (4) Access to Critical Information; (5) Rigor and Objectivity; (6) Transparency; (7) Timeliness; (8) Regular Frequency; and (9) Board Oversight and Accountability.

Each Standard is set forth below and accompanied by an “Explanation” section and an “Implementation” section. The “Explanation” section provides background and context for the Standard. The “Implementation” section provides guidance on how to determine whether the audit has met that Standard.

<sup>3</sup> For more information about the Committee and its members, visit <https://www.policylink.org/civil-rights-audit-standards>.

<sup>4</sup> These Standards are also informed by the work of civil rights advisor and auditor Laura W. Murphy and her seminal guide to civil rights audits, *The Rationale for and Key Elements of a Business Civil Rights Audit*, October 27, 2021, <https://www.civilrightsdocs.info/pdf/reports/Civil-Rights-Audit-Report-2021.pdf>.



# Comprehensive Scope

- a. A comprehensive civil rights audit includes:
  - i. Examination of the key components of a company, including its policies, practices, products, services, workforce, and community impact, and evaluation across all such components of whether the company is:
    - 1. Identifying and taking steps to prevent or mitigate the risk of bias and discrimination, consistent with the principles embodied in federal and applicable local civil rights laws; and
    - 2. Advancing equity, inclusion, and equal opportunities for all effectively.
  - ii. Review of civil rights issues raised by stakeholders, including, if applicable, the parties requesting the audit.
  - iii. Identification of gaps in efforts to prevent or reduce the risk of bias or discrimination and to promote equity and inclusiveness, including the provision of specific, concrete, and actionable recommendations to remedy any such gaps or harms that may arise from them.
- b. Except under the circumstances stated in Standard 3(a)(i), the company and the auditor mutually agree on the appropriate scope of the civil rights audit.
- c. There may be circumstances where there is a credible rationale for the company undertaking a civil rights audit that is not comprehensive but is focused on more limited components of the company or a more limited set of potential civil rights risks and issues. Under such circumstances, the audit scope should nonetheless cover at least some, and ideally all, of the areas of focus set forth in section (a) of this Standard, but within the more narrowly defined company components or issues of focus, and the auditor should set forth in writing in the report the credible rationale for the limited scope of the review.
- d. In the event that the auditor identifies actual or potential violations of civil rights laws or anti-discrimination policies or regulations, the auditor should report these actual or potential violations to the company for possible further review and action.

## Explanation

First, a civil rights audit reviews civil rights concerns about the company brought to the auditor’s attention by the parties requesting the audit or other key stakeholders. Second, the auditor reviews each key aspect of a company’s operations, including its products, services, policies, practices, workforce, and community impact, to identify previously unknown bias or discrimination risks. The auditor then assesses whether the company has the proper structures, systems, policies, processes, controls, staffing, and training in place to detect, address, and prevent or reduce the risk of bias and discrimination. With either a comprehensive review or an agreed-upon limited audit scope, the auditor will use discretion to allocate time and resources to ensure the final audit is both achievable and sufficiently focused on the areas where the auditor sees the greatest risks and opportunities.

A civil rights audit focuses on risks of bias or discrimination based on certain characteristics protected by applicable federal or local civil rights laws, such as race, color, ethnicity, religion, national origin, age, disability, gender, gender identity, sexual orientation, and immigration status.<sup>5</sup> The analysis, however, does not end there. The civil rights audit also reviews whether the company is advancing equity, inclusion, and equal opportunities for all throughout the company, including its systems, structures, policies, practices, products, services, workforce, and community impact. For example, a company may have specific equity and inclusion aspirational goals for certain parts of its operations, and these aspirational goals should be evaluated as part of this review. The audit should identify areas that need improvement and recommend changes to policies, practices, products, and services to promote equity and inclusion for all and to prevent or mitigate the risk of bias or discrimination.

In conducting an audit, there is no “one size fits all” approach. Rather, the auditor will need to evaluate the key components of the company’s business operations to understand where the potential for bias and discrimination may arise, as well as reasonably identify and review known, credible concerns about bias or discrimination. For example, a review of a social media company could include a review of its content moderation policies, systems, and practices, as well as its artificial intelligence tools and their use and impact. In contrast, a review of a major bank could include a review of its consumer and commercial banking policies and practices and investment policies and practices while considering the racial wealth gap and history of discriminatory lending practices. It could also include a review of the bank’s use of artificial intelligence systems and tools in its business operations, including hiring and lending.

Further, auditors conducting audits limited to certain protected characteristics—or any other audit with a limited scope—should explain the rationale for the limited focus when conducting and reporting on the audit. For example, in response to the murder of George Floyd in 2020, some audit proponents sought racial equity-focused audits.

<sup>5</sup> This list is not all-inclusive, and applicable laws may consider other protected characteristics (e.g., marital status is protected in the credit context and familial status is protected in the housing context under federal civil rights laws). Moreover, not every civil rights audit needs to review every single characteristic that is protected by federal or local laws, as long as the auditor and company (or audit requesters and company) agree on the appropriate areas of focus for a given audit.



A company, for other reasons, may decide to conduct a civil rights audit with a narrow scope. For example, after receiving a shareholder request, as well as engagement and assent by investors making the request, a company may narrow the scope of the audit to certain topics. Other reasons for a limited audit include the company responding to a crisis and deciding to prioritize its audit on the company operations at the center of that crisis. Constrained resources may also require the audit to be staggered in phases and begin with a narrow scope. However, a company that seeks to focus an audit on only “noncontroversial” business operations because it prefers to avoid potentially problematic areas of its operations may, in the end, only draw more attention, including to any publicly known civil rights concerns about the company that were not addressed in the audit.



As discussed under **Standard 3. Meaningful Engagement with Key Stakeholders**, these and other issues involving the scope of the audit should be discussed and agreed upon between the company and audit proponents, if any, or between the company and auditor, if audit proponents are not present, at the earliest stages of the auditor engagement.

## Implementation

The following actions demonstrate that Standard 1 has been met.

- A. A civil rights audit begins by identifying the civil rights concerns or areas of potential bias or discrimination raised by audit proponents, or other key stakeholders (such as employees, customers, investors, regulators, labor unions and their affiliates, and civil rights or community organizations), and reasonably examining those issues. Where no civil rights issues have been raised by audit proponents or other key stakeholders, the auditor will seek to identify any previously unknown bias or discrimination risks as part of the audit process.
  1. The auditor is expected to identify and review concerns from credible and trustworthy sources, including from key stakeholders such as the proponents of the audit.
  2. The auditor is not expected to identify and review every civil rights complaint implicating the company, nor is the auditor expected to conduct an investigation of any complaint alleging a legal, policy, or regulatory violation (such an investigation would be beyond the scope of a civil rights audit). Rather, the auditor should undertake a reasonable effort, based on the scope of the audit, to identify civil rights risks or issues that provide the auditor sufficient data, information, or insight to understand the actual or potential bias or discrimination risks for the business.



**B.** A comprehensive civil rights audit assesses whether the company has the proper controls, policies, practices, processes, staffing, structures, systems, and training in place to detect, address, monitor, and prevent or reduce the risk of bias and discrimination in the following key components of a company's business.

**1. Products and services:**

- a. Aspects of the product or service, from design and development to production (including sourcing and supply chain) to sale or launch and impact of the product or service on customers, users, a community, or the public
- b. The potential discriminatory impact of the product or service relevant to that industry

**2. Community impact:**

- a. Philanthropic gifts, grants, and activities that may advance or undermine civil rights, equity, and nondiscrimination
- b. Social impact (including investments in underserved communities and letters, public statements, legislation, legal actions, and amicus briefs that advance or undermine civil rights, equity, and nondiscrimination)
- c. Political activities and giving (including contributions to public officials, political candidates, 501(c)(4)s, and trade associations); issue advocacy; and campaigns that advance or undermine civil rights, equity, and nondiscrimination)

**3. Policies and practices (policies, practices, activities, plans, and strategies relating to the company's operations, including, but not limited to the following):**

- a. Investment policies and practices
- b. Financial policies and practices (including products and services of affiliated entities)
- c. Marketing strategies and activities
- d. Communications strategies and activities
- e. Community consultation and engagement strategies and activities
- f. Legal strategies and activities
- g. Employment and human resource policies and practices
- h. Information technology priorities and activities
- i. Corporate governance strategies, activities, and plans
- j. Affiliated corporate entities' policies, practices, and activities

- 4. Workforce:**
- a. Representation at all levels of the company (contractors, employees, senior managers, executives, board members)
  - b. Recruitment, hiring, retention, termination, training, mentoring, and advancement and promotion opportunities and success
  - c. Diversity, equity, inclusion, and belonging activities, policies, and programs
  - d. Civil rights staffing, training, policies, and practices
  - e. Pay equity policies and practices
  - f. Anti-discrimination, anti-harassment, and anti-retaliation complaint procedures, policies, and training materials
  - g. Complaints received (including nature and number of complaints, how addressed by the company, whether effectively addressed and resolved, and whether persistent or systemic issues persist)
  - h. Job descriptions and incentive structures (including reviewing whether job descriptions and incentive structures appropriately require key roles and functions to monitor, address, or evaluate bias or discrimination risk, equity, inclusion, or equal opportunities for all)
- C.** A civil rights audit analyzes whether the company is taking steps to prevent or reduce the risk of bias or discrimination consistent with the principles embodied in federal and any applicable local civil rights laws.
- 1. Civil rights laws include federal, state, and local civil rights laws.
  - 2. A civil rights audit reviews whether a company's activities carry the potential for bias or discrimination based on characteristics protected by applicable laws, such as race, color, ethnicity, religion, national origin, age, disability, gender, gender identity, sexual orientation, and immigration status.
- D.** A civil rights audit also analyzes whether the company is effectively advancing and promoting equity and inclusion for all.
- 1. In making this evaluation, the auditor should review and consider any equity and inclusion aspirational goals developed by the company for the relevant business operation.
  - 2. The audit evaluates whether there are areas of concern in the company's performance and makes specific, concrete, and actionable recommendations tied to the identified areas to improve the effectiveness of the company's efforts.
- E.** For racial equity and other noncomprehensive reviews, the auditor must set forth in writing in the audit report a credible rationale for the limited scope of the review.

# Independent, Qualified Auditor

- a.** The auditor exercises independent professional judgment and renders candid advice.
  - i.** The lead auditor, and all those conducting the audit, do not have a conflict of interest, or the appearance of a conflict of interest, to conduct the audit.
  - ii.** The lead auditor, and all those conducting the audit, have not previously defended the company against allegations of discrimination.
  - iii.** The lead auditor certifies their independence and that of the team conducting the audit in writing to the company and in the audit report, with such certification of independence including their candid professional judgment and the absence of any conflicts.
- b.** The lead auditor is a qualified person or firm with deep expertise in and commitment to civil rights and racial justice.
- c.** The lead auditor is complemented by individuals or firms with relevant expertise to ensure that the audit review is thorough and meaningful.



## Explanation

Independence and qualifications of the auditor are crucial to ensure objectivity and, ultimately, the credibility and validity of the civil rights audit. Specifically, as discussed below, this Standard requires independent, professional judgment; no actual or appearance of a conflict of interest; and auditor and audit teams with relevant expertise.

Although auditors are not required to be lawyers, the American Bar Association (ABA) Model Rules of Professional Conduct provide useful guidance for the conduct of civil rights auditors. Similar to the duty of candor for an advisor (Rule 2.1),<sup>6</sup> here the Standard requires the auditor to render independence, professional judgment and candid advice. In conducting the audit and advising the company, the auditor may refer to the law, as well as moral, business, economic, social, and political considerations, which may be relevant to the company's situation. The auditor should not be deterred from providing the company the auditor's candid assessment, no matter how unpleasant it may be. For example, the auditor should provide honest analysis and not temper advice that may be tough to receive because the auditor seeks to develop future business with the company.

To ensure independence, this Standard also requires that the auditor and members of the audit team not have previously defended the company against allegations of discrimination. This requirement ensures that the auditors do not have a preexisting bias toward particular personnel, systems, processes, or have possibly even advised on a matter that has now evolved into an audit matter.

Furthermore, this Standard requires that the auditor and all members of the audit team do not have a conflict or an appearance of a conflict of interest to conduct the audit. The Standard does not define examples of actual or potential conflicts of interest but instead refers to existing professional requirements and rules, such as the ABA Model Rules of Professional Conduct, as guidelines. In the event that the auditor identifies a potential conflict of interest, the auditor should take steps to avoid an actual conflict of interest. In the legal profession, for example, ethical walls are routinely used to address potential conflicts of interest. Standard procedures for ethical walls include informing the individuals working on a matter if there are walled individuals, as well as informing walled individuals, and explaining how the ethical wall will operate; prohibiting communications about the matter between individuals on either side of the ethical wall; and using IT and other systems to limit access to data and files regarding the matter to non-walled individuals. The Standard requires that the lead auditor certify in writing, both to the company and in the public audit report, that the audit team conducting the audit did not have any conflicts of interest, as well as the requisite independence and qualifications.

<sup>6</sup> American Bar Association, Model Rules of Professional Conduct, Rule 2.1, at [https://www.americanbar.org/groups/professional\\_responsibility/publications/model\\_rules\\_of\\_professional\\_conduct/rule\\_2\\_1\\_advisor/](https://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/rule_2_1_advisor/).



Finally, it is also important that the lead auditor be someone with a commitment to civil rights and racial justice grounded in U.S. civil rights laws and values. This individual would ideally have civil rights and anti-discrimination law and/or policy expertise but could have other relevant expertise, such as diversity, equity, inclusion, artificial intelligence/technology bias risk, or equal employment opportunity experience. If the lead auditor does not have deep civil rights legal or policy expertise, it is essential that others on their team have such expertise and are in positions of authority on their team. This is just one of the ways the lead auditor may be complemented by other individuals or firms that bring needed expertise specific to the audit scope to ensure a fulsome and meaningful analysis. As an additional example, the auditor may need to include outside experts such as a technologist, data scientist, or ethicist to assist with an artificial intelligence system analysis.<sup>7</sup>

## Implementation

The following actions demonstrate that Standard 2 has been met.

- A. The lead auditor provides a certification in writing to the company and as an appendix to the audit report that affirms the following:
  1. The lead auditor, and all those conducting the audit under the lead auditor's supervision, exercised independent professional judgment and rendered candid advice.
  2. The lead auditor, and all those conducting the audit under the lead auditor's supervision, have not previously defended the company against allegations of discrimination.
  3. The lead auditor, and all those conducting the audit under the lead auditor's supervision, did not have an actual or potential conflict of interest to conduct the audit. (If a potential conflict of interest was identified, the lead auditor took prudent steps to ensure an actual conflict of interest did not arise.)
- B. The lead auditor provides the following biographical material as an appendix to the audit report:
  1. The lead auditor's biography highlighting the lead auditor's expertise in civil rights or racial justice relevant to the audit.
  2. Biographies of the audit team members and relevant experts involved in the audit review.

<sup>7</sup> This Standard is not intended to create or conflict with legal or other ethical obligations for legal teams retained by companies in cases where (a) the company has received allegations of discrimination, bias, or violations of civil rights at the company or related to the company's practices; and (b) either the allegations implicate senior management or board directors and/or there are allegations that the issues were previously raised to senior management or the board and not handled appropriately. Such circumstances necessitate a legal investigation, not a civil rights audit.

# Meaningful Engagement with Key Stakeholders

- a. In cases where a party has requested in good faith that the company conduct the audit, the following should occur:
  - i. The company and the party requesting the audit should make best efforts to reach mutual agreement on the scope and timeline for the audit.
  - ii. The company and the party requesting the audit make best efforts to reach mutual agreement on the selection of the auditor.
  - iii. The auditor meaningfully engages with the party requesting the audit, including meeting with the party requesting the audit at the beginning of the audit and before recommendations are finalized to share proposed recommendations.
- b. In all cases, the auditor identifies and meaningfully engages identified key stakeholders, inside and outside the company, during the audit process.
  - i. Depending on the scope of the audit, key stakeholders may include board members, senior executives, employees, contractors, vendors, business partners, customers, consumers, government regulators, investors, labor unions and their affiliates, and civil rights groups.
- c. The auditor should have unlimited access to interview all employees who, the auditor determines, possess relevant knowledge about matters within the scope of the audit, and employees should be empowered to give candid interviews. To mitigate the risk of employees facing potential retaliation, the auditor, working with the company, should implement a communication channel to ensure confidentiality between the auditor and employees and the anonymity of employees.
  - i. Senior management may be excluded from the anonymity standard.
  - ii. The company and the auditor take steps to keep the identity of any employee(s), except senior management, who participate in the audit confidential or keep the recipients of such information very limited to mitigate any risk of retaliation.



### Explanation

Depending on the scope of the audit, there are various potential internal and external stakeholders. At a minimum, the auditor should engage with the individuals and/or groups who requested the audit. A credible audit must also include engagement with the specific civil rights advocates, employees, unions, or worker groups who brought civil rights concerns to the company's attention. The auditor may also decide to engage with investors, asset managers, unions, and other shareholders. The scope of the audit will determine additional, relevant external stakeholders, which may include customers, users, suppliers, business partners, public officials, community groups, or grant recipients.

Depending on the scope of the audit, key internal stakeholders may include members of the board of directors; chief executive officer (CEO); senior management; and members of the human resources, legal, compliance, marketing, policy, corporate philanthropy, social impact, and relevant business product and services teams. In engagement with employees, the auditor and company should explore ways to keep the identities of individuals who are not senior management confidential, or limit the availability of such information to minimize the risk of retaliation.

Where a party has requested a civil rights audit, the most effective audit processes conducted to date have involved audits where the company and the proponent(s) requesting the audit have come together and reached agreement on the scope of the audit. This is crucial to ensure that the audit is useful and effective and to build trust with key stakeholders, which is helpful throughout the audit process. Therefore, an audit that is designed and conducted without consultation—before, during, and/or at the final stages of the audit—with the individuals or groups requesting the audit likely lacks buy-in and credibility.

Further, whether the audit is requested by a party or conducted proactively by the company, engaging key stakeholders allows the auditor and the company to open communication channels with and receive input from important individuals and groups who may be directly or indirectly affected by the company's actions. Community engagement, especially in situations involving groups alleging they have been negatively affected by the company from a civil rights perspective, is vital to developing a holistic understanding of corporate impacts. Engaging key stakeholders, inside and outside the company, is important for building trust and goodwill, which will be needed throughout the audit process.



## Implementation

The following actions demonstrate that Standard 3 has been met.

- A. For purposes of this Standard, “party” refers to a single party or multiple parties.
- B. To the extent that the party requesting the audit is outside the company and in good faith requested that the company conduct a civil rights audit, the company should consult with its legal team, and as appropriate, inform and consult with the party who requested the audit, including any party who sponsored and/or filed a shareholder resolution calling for the audit.
  - 1. The company and requesting party are both expected to act in good faith and to use best efforts to reach mutual agreement on the scope and timeline for the audit.
  - 2. The consultation shall be meaningful, allowing the requesting party to provide to the company the names of suggested auditors and any other matters regarding the design and implementation of the audit.
  - 3. The company shall make best efforts to reach mutual agreement on the selection of the auditor with the party that requested the audit.
  - 4. The requesting party should have at least two additional check-in meetings with the auditor during the process, including at least one meeting at the initiation of the audit and at least one meeting prior to the completion of the audit to review the proposed recommendations before they are finalized.
- C. Where more than one party has requested the audit, the company’s and auditor’s obligations extend to each party who has requested the audit.
  - 1. For any audit that is the result of a good faith third-party request, the auditor should engage the external stakeholder (shareholder or other third party). In the event the external stakeholder is a shareholder who has filed a good faith resolution seeking a civil rights audit, the company is encouraged to negotiate with the shareholder over the scope and other terms of the audit, as outlined in section B above.
  - 2. In meeting their obligations to a party or multiple parties under this Standard, the company and auditor may communicate with a representative of the party or parties where necessary and reasonable.





- D. The scope of the audit will guide the key internal stakeholders to be engaged.
  - 1. If the audit involves a company's workforce, the key internal stakeholders should include key members of the human resources, DEI, legal, and compliance teams, as well as contractors, franchisees (including franchisee employees), employees, and employee resource groups affected by the discrimination or equity challenges that are the focus of the inquiry, plus the CEO and board of directors.
  - 2. If the audit involves a particular business product or service, the key internal stakeholders should include the relevant product or service leads, as well as any policy, legal, compliance, and/or risk assessment teams.
  - 3. If the audit involves corporate philanthropy, political advocacy, or social impact, the key internal stakeholders should include the legal, policy, and relevant philanthropy or social impact teams.
- E. The scope of the audit will determine relevant external stakeholders, which may include customers, users, suppliers, business partners, public officials, civil rights or community organizations, unions, investors, asset managers, or grant recipients.
- F. The auditor must engage with the specific civil rights advocates, if any, who brought civil rights concerns or requests for the audit to the company's attention. The auditor shall engage the civil rights advocates at least twice, to ensure sufficient input is provided, during both the learning and recommendation phases of the audit process.
- G. The company and the auditor take steps to keep the identity of anyone, other than senior management, who participates in the audit confidential or keeps the recipients of such information very limited to mitigate any risk of retaliation.
  - 1. The company should consider providing a hotline or other method for employees to reach out affirmatively to the auditor to provide information.



# Access to Critical Information

- a. The auditor requests from the company all information the auditor reasonably determines is needed for a comprehensive and meaningful audit, and the company and the auditor cooperate to identify and provide the auditor the requested information in an accessible and timely manner.
- b. The auditor requests from the company access to individuals with knowledge of the company data, documents, policies, practices, and systems, as well as the concerns, issues, and problems identified, within the scope of the audit, and the company provides the auditor timely, unrestricted access to these individuals.
- c. The auditor collects additional, necessary information from outside the company to inform the auditor's review.
- d. The auditor engages outside stakeholders to collect their specific experiences, issues, or potential recommendations within the scope of the review.
- e. The auditor engages experts, as needed, to analyze data, conduct focus groups and surveys, or other support that allows the auditor to have a full and comprehensive understanding of the issues and potential recommendations.



## Explanation

Every civil rights audit requires access to information to understand the policies, practices, systems, and processes that will be evaluated. It is essential for the company and the auditor to work together in a collaborative fashion to identify the data sources that will give the auditor sufficient information to conduct a meaningful review, while also not presenting an undue burden or expense for the company. This will be a balancing exercise. A company that is undergoing an audit should then share the identified and agreed-upon information with the auditor to allow the auditor to understand the issues that are the focus of the inquiry and to make a full and informed assessment of whether actual or potential bias or discrimination exists in a product, policy, or practice. This information may include the company's confidential and proprietary information.<sup>8</sup>

The company and the auditor should also work together to identify the appropriate employees, executives, contractors, and/or vendors with knowledge of the pertinent policies, practices, risks, or issues, sufficient for the auditor to obtain the insights necessary for a meaningful review. This information or access to individuals needed may evolve as the auditor learns more through the review. The company and the auditor should continue to collaborate to ensure the auditor has sufficient information and access in light of those learnings.

At the same time, the auditor should not rely solely on the company for all data and information. From customer experiences to expert analysis, the auditor may need to reach outside the company to collect data and information, speak with individuals with relevant information, or engage experts.<sup>9</sup> For example, an auditor may consider conducting a survey of employees and contract with an outside firm to conduct the survey, or the auditor may seek the expertise of a data scientist to advise on the development process for a generative artificial intelligence product. Depending on the nature of the business and scope of the audit, and in coordination with the company, the auditor will need to determine whether to access these additional outside resources.

The auditor should also consider gathering and analyzing information in the public domain, such as news reports; social media; legal actions; legislative activities; and complaints by civil rights groups, employees, consumers, customers, regulators, unions, users, or others. The company should also grant the auditor access to the information necessary for the audit review that is not publicly available.<sup>10</sup> If there are gaps in the data or data analysis, then the auditor should note that in the audit report with the reasons for any such gap.



<sup>8</sup> As a condition of access to the confidential and proprietary information, the auditor may need to sign a confidentiality or non-disclosure agreement with the company.

<sup>9</sup> For a discussion of the importance of mixing quantitative analysis with qualitative analysis in racial equity audits, see Monica L. Wang, Adam Shamsi, and Hannah McKinney, "Who's Going to Check Them? Racial equity audits can help corporate America keep its promises to address systemic racism," Boston Globe, March 13, 2023, <https://www.bostonglobe.com/2023/03/13/opinion/whos-going-check-them/>.

<sup>10</sup> For a discussion of the kinds of documents that an auditor may need to review, see Murphy, *The Rationale for and Key Elements of Business Civil Rights Audit*, p. 23.

## Implementation

To demonstrate that Standard 4 has been met, the following information should be provided to the auditor, depending on the scope of the audit.

### A. Internal company information.

1. All written or existing company policies, practices, and procedures, and other agreed-upon communications and data related to an examination of any actual or potential bias or discrimination in the company's products or services, sufficient to allow the auditor to conduct a meaningful review.
2. All written or existing company policies, practices, and procedures, and other agreed-upon communications and data related to an examination of any actual or potential bias or discrimination in the company's workforce, including employees, contractors, and its board of directors, including, but not limited to, such information related to the following:
  - a. Demographic representation at all levels of the company (contractors, employees, senior managers, executives, board members)
  - b. Recruitment, hiring, retention, and advancement opportunities and success
  - c. Diversity, equity, inclusion, and belonging activities, policies, and programs
  - d. Pay equity policies and practices
  - e. Grievance procedures, policies, and training materials
  - f. Anti-discrimination, anti-harassment, anti-retaliation procedures, policies, and training materials
  - g. Complaints received (including nature of complaints, how addressed, whether effectively addressed and resolved, and whether persistent or systemic issues persist)
3. All written or existing company policies, practices, and procedures, and agreed-upon communications and data related to an examination of any actual or potential bias or discrimination in the company's philanthropic, social impact, or political advocacy activities.
4. A selection of identified employees, executives, board members, employee resource groups, vendors, contractors, suppliers, partners, grantees with knowledge of the information outlined in sections A(1)-A(3), above, agreed-upon by the company and the auditor.
5. Information received by the auditor from within the company was accurate, comprehensive, and meaningful, allowing the auditor to learn, analyze, and understand the full scope of the issues and develop recommendations.

**B. External information.**

1. Identified potential credible and relevant sources of information for civil rights concerns about the company are considered, including but not limited to news reports; social media; legal actions; legislative activities; local, state, or federal public officials and regulators; and statements and complaints by civil rights groups, consumers, customers, users, unions, and others.
2. Information received by the auditor from external sources was accurate and meaningful, enhancing the auditor's understanding of the issues, key stakeholders, and potential solutions.

**C. Failure to gain access.**

1. If the auditor failed to gain access to relevant information material to the audit review, the auditor should state in the audit report the nature of the information gap and the reasons for the information and/or analysis gap.



# Rigor and Objectivity

- a. The auditor diligently examines each aspect of the company's operations within the scope of the audit review.
- b. The auditor's examination includes original data, documents, policies, practices, and procedures, including internal company data underlying the basis for any decisions, reports, representations, or statements relating to bias, discrimination, or commitments to equity, inclusion, nondiscrimination, and/or racial justice.
- c. The auditor interviews individuals from relevant levels of the organization and from key internal or external stakeholders with first-hand knowledge of the company operations or with issues or risks facing the company, within the scope of the audit review.
- d. The auditor conducts the review objectively and issues a report that reflects candor and objectivity.
- e. In the methodology section of the final audit report, the auditor sets forth in detail the steps taken to demonstrate that the auditor conducted a thorough, meaningful review of relevant information within the scope of the audit.
- f. The auditor attests that the audit has been conducted, and the audit report has been prepared, in accordance with these Standards.
- g. The company supports the auditor in meeting this Standard.





## Explanation

Civil rights audits require a rigorous review. They require the auditor to examine, diligently and thoroughly, all the key issues within the scope of the review. The auditor’s work should be conducted with candor and objectivity. The auditor is not an advocate for the company, an investor, a group of employees, or any other stakeholder. The auditor is a neutral expert bringing their expertise to review issues and risks and then advising the company on how it can improve its systems and processes to create a business environment for its stakeholders that advances equity, inclusion, and nondiscrimination for all.

A diligent review requires the auditor to take a “trust but verify” approach. This means that the auditor cannot rely on representations from stakeholders, or company officials or employees, and must go deeper than a simple, cursory review. The auditor should review the original data, documents, policies, and procedures; explore the activities and practices; and assess their actual impact and outcomes. When reviewing reports, the auditor may also need to review the underlying data or research and not accept conclusory statements. The auditor may also need to review data and resources, and interview or consult individuals with experiences and knowledge both inside and outside the company to ensure a fulsome and objective analysis. A rigorous review also means that the auditor analyzes the findings and develops comprehensive, meaningful recommendations to address the findings.

To meet these expectations, the company should cooperate and provide expeditiously the data and information, as well as access to company employees and representatives, requested by the auditor.

## Implementation

The following actions demonstrate that Standard 5 has been met.

- A. The auditor requests the relevant data, documents, policies, practices, and procedures relating to each aspect of the company within the scope of the review.
- B. The auditor probes the company for the basis for any data or conclusions regarding its performance relating to matters within the scope of the review.
- C. The auditor lists the steps taken—including materials accessed and reviewed and individuals interviewed—in the methodology section of the final audit report with sufficient detail to allow stakeholders to understand that this standard requiring rigor was met.
  - 1. To understand whether Standard 5 and Standard 3 have been met, the auditor should identify the names of the audit requestors consulted during the audit process, as well as the name of other key internal and external stakeholders. If those key stakeholders are employees, customers, suppliers or other parties who could face retaliation for participating in the audit process, the auditor should not disclose their identities and instead describe their role in general terms.
  - 2. An audit that over-relies on external stakeholders who receive financial support from the company can compromise objectivity and this Standard.
- D. The audit report reflects candor and objectivity in its findings, analysis, and recommendations, except that the company excludes attorney-client privileged information as set forth under Standard 6.
- E. The auditor indicates if the company did not cooperate with providing critical information for any aspect of the review.
- F. The auditor includes an attestation in the report that the auditor has conducted the audit, and prepared the audit report, in accordance with these Standards.



# Transparency

- a. The company publicly announces that it has decided to conduct a civil rights audit, the name of the lead auditor, and the proposed timeline for the audit.
  - i. This announcement is made as soon as practicable but no later than 30 days after a lead auditor has been secured and timeline finalized.
- b. The audit process concludes with a public report that shares the audit's scope, methodology, findings, and recommendations.
- c. The report is publicly announced and made available to the public in an easily accessible location on the company's website.
- d. The report's scope and findings are sufficiently detailed, identifying all relevant civil rights issues reviewed during the audit process.
- e. The report's recommendations set forth a plan of action for the company to address the civil rights issues identified in the report's scope and findings in a timely and meaningful manner.
- f. The report's recommendations are specific, concrete, and measurable and tied to the civil rights issues identified in the scope and findings.
- g. If civil rights issues identified during the audit process reveal legal risk to the company, the company is not expected to share those findings or actions taken or to be taken by the company in any level of detail that exposes the company to further legal risk. However, to the extent the company can share such issues in a way that does not further expose the company, it should do so for transparency and accountability, which helps build trust and goodwill with key stakeholders.
  - i. Where aspects of the civil rights audit are withheld from a public report to preserve the attorney-client privilege, the company should work with the auditor to provide sufficient non-privileged information to allow stakeholders to assess whether the civil rights audit met its stated objectives and whether the company has a plan to address identified issues.

## Explanation

Transparency builds trust and goodwill with the public and key stakeholders. A crucial step in building that trust is notification that the audit is taking place: key stakeholders should be notified when a company has decided to conduct a civil rights audit and given details on the timeline for the audit and who will be leading the audit. Public disclosure of the lead auditor is especially important for employees, or other stakeholders, who may fear retaliation or other repercussions for raising civil rights concerns through formal or informal processes and, thus, might prefer to contact and speak with the auditor directly. As noted in Standard 3, providing a hotline or mechanism for employees and others with concerns to reach out directly to the auditor, once identified, is advisable.

The civil rights audit process concludes with the public release and publication of any non-privileged portions of the report, which is made available in an easily accessible location on the company's website. The report contains at least four key sections: scope, methodology, findings, and recommendations. The report provides a clear roadmap of what the auditor reviewed, how the auditor conducted the review, what the auditor found, and next steps such as the auditor's recommendations for how the company can address any gaps in its efforts to mitigate the risk of bias and discrimination and to advance equity and inclusion. The report should convey that the auditor conducted a rigorous audit: it was thorough, diligent, and objective.

Companies that have leaned into transparency have benefited with greater trust and goodwill, including with stakeholders who previously criticized their business operations. "A public report should be issued that identifies civil rights concerns and addresses the areas where the company has or will take action"<sup>11</sup> to address those concerns.

### As researchers at the Boston University Center for Antiracist Research found:

"Organizations that use open communication between leadership and employees on things like processes, expectations, setbacks, and outcomes cultivate trust and satisfaction. Communicating relevant findings from racial equity audits (including strengths and weaknesses) and highlighting detailed plans for new goals and next steps with employees, stakeholders, and, wherever relevant and possible, the public, is one strategy to demonstrate accountability and actionable commitment to racial equity."<sup>12</sup>

It is plausible that a company may have legitimate concerns about opening itself to potential legal exposure arising from, for example, demographic disparities in workforce composition at particular levels or within certain roles. That is why a civil rights audit may be a useful tool: it can help the company minimize the risks of any such disparities by ensuring it has the proper systems, policies, procedures, staffing, and training in place to monitor for such disparities and to promote equity and inclusion in hiring and advancement opportunities. To be clear, the purpose of the civil rights audit is not to conduct a pay equity, disparate impact, or other detailed analysis of the employee data, but the auditor can review and examine general patterns or trends in the employment data to determine actual or potential risks of bias or discrimination.

<sup>11</sup> Murphy, *The Rationale for and Key Elements of Business Civil Rights Audit*, p. 25.

<sup>12</sup> Wang, et al., "Who's Going to Check Them?"





A company should rigorously review all relevant areas. If the auditor is aware of a specific allegation of discrimination in violation of the law, or other matters of actual or potential legal exposure, then the auditor and the company should work together to determine a form of report that provides sufficient transparency to meaningfully inform stakeholders and the public while mitigating legal risk concerns.

## Implementation

The following actions demonstrate that Standard 6 has been met.

- A.** The company issues a public announcement about the commencement of the audit.
  1. This announcement included the proposed timeline for commencement and completion of the audit and the name of the lead auditor.
  2. The company issued the announcement as soon as practicable but no later than 30 days after the lead auditor was retained and the timeline was finalized.
- B.** The audit report is publicly announced and placed on the company's website in an easily accessible location.
  1. If material has been withheld under the attorney-client privilege, then a public version of the audit report with the non-privileged information is placed on the company's website.
- C.** The audit report includes the audit's scope, methodology, findings, and recommendations.
  1. The audit report recommendations contain a level of detail that are specific, concrete, and measurable.
  2. Each civil rights concern, harm, issue, or problem flagged in the scope or findings has a corresponding recommendation.
  3. If the audit reveals legal risk, the company is not expected to share those findings or actions taken or to be taken by the company in any way that exposes the company to further legal risk. However, to the extent the company can share such issues in a way that does not further expose the company, it is expected to do so. The company is expected to work with the auditor to share sufficient non-privileged information to allow stakeholders to assess whether the civil rights audit met its stated objectives and whether the company has a plan to address identified issues.
- D.** If the auditor identifies actual or potential violations of civil rights laws or anti-discrimination policies or regulations, the auditor should report these actual or potential violations to the company for possible further review and action and should work with the company to determine whether non-privileged information can be shared in the report to allow stakeholders to assess whether the civil rights audit met its stated objectives and whether the company has a plan to address identified issues.

# Timeliness

- a. The civil rights audit is completed within one year from the time that the auditor is retained, unless the scope of the audit or availability of resources necessitate more time. If exceptional circumstances arise, the company, auditor, and requesting party, if any, may mutually agree that additional time beyond the one year or other agreed upon timeline is required to complete the audit.
- b. If a party has not requested the civil rights audit, the auditor and company agree on a timeline for the audit process and for completion of the audit.

## Explanation

Civil rights audits should be conducted promptly once the auditor has been retained. In most instances, the audit should be completed within a year from the time of retention to the issuance of the final audit report. If the company is large and the scope of the audit is extensive, more than one year may be needed to conduct a thorough review. Exceptional situations may require the parties to extend the time, upon mutual agreement of the company and the party requesting the audit (or the auditor, if no parties requested an audit). These circumstances may include a significant change in personnel or business operations, such as mergers with another entity, reorganizations, layoffs, or leadership transitions.

If a situation requires an extension of the original timeline, the company, the party requesting the audit, or auditor should immediately initiate conversations to determine a reasonable extension of time. If the extension of time is significant—e.g., several months—and a party requested the audit, the auditor should consider issuing a public progress report to update stakeholders at the one-year mark, in addition to the final audit report.

## Implementation

The following actions demonstrate that Standard 7 has been met.

- A. The audit report should state clearly the date of retention of the auditor and date of publication of the final audit report.
- B. If a significant extension of time is required beyond a year or if the company and auditor otherwise agree upon a longer time frame, then the auditor should consider whether it would be prudent to issue a progress report on or about the one-year mark, particularly if the audit was requested by a party.



# Regular Frequency

- a.** The company should conduct a civil rights audit on a regular basis. When determining the appropriate cadence, the company should consider (1) the scope of the preceding audit, (2) the nature of the preceding recommendations, and (3) the company's progress implementing the recommendations.
- b.** The following circumstances may require the company to conduct a more frequent audit:
  - i.** The auditor specifically recommends a more frequent audit.
  - ii.** The severity of problems to be remedied justifies more frequent audits.
  - iii.** An identified remedy is not successfully implemented or achieved.
  - iv.** A significant issue arises that was not identified during the prior audit that justifies a more frequent audit.
  - v.** The type of business presents a degree of risk or harm that justifies more frequent audits.





## Explanation

Civil rights audits are quickly becoming a corporate best practice. A comprehensive audit is only a snapshot in time of a company's progress toward its commitment to equity, inclusion, and nondiscrimination for all. Audits should be conducted on a regular basis to ensure that a company is continually making progress. Many civil rights audits, as first-time audits, however, may be deep and wide-ranging and take a year or more to complete. While financial audits are conducted annually, the circumstances generally do not require, at this time, that civil rights audits take place annually. At the same time, measuring meaningful progress against the remedies and solutions recommended by an audit will vary, from company to company, and may take some time for implementation depending on the severity of the problems identified that need to be addressed. That is why, at this time, these Standards do not specify a certain timeframe for frequency of civil rights audits. It will depend on the particular facts and circumstances for that company and the status of its audit and progress.

### The regularity of an audit should take into consideration a number of factors.

**First, the scope: To what extent did the first, or prior audit, cover the company comprehensively?**

If key business operations were omitted from the audit, or the audit scope was narrowed in another way, then that fact may be a consideration in determining that the next audit should take place sooner than later.

**Second, what are the nature of the recommendations?**

For example, if the recommendations called for, and the company implemented, internal civil rights staffing and monitoring systems change to address bias or discrimination risks and that new staffing structure is effectively doing its work, including working in a public and transparent manner with external stakeholders, then these factors may indicate that the company should be provided ample time to implement the recommendation before another audit is conducted.

**Finally, another factor in the consideration of frequency is the company's commitment to the audit and progress in implementing its recommendations.**

For example, if a company is not making meaningful progress, it could indicate that another audit is appropriate.



The frequency of a company's civil rights audits may also depend on the type of business and the particular degree of risk or harm presented by that line of business. For example, companies operating in rapidly evolving industries with heightened civil rights risks may need to conduct civil rights audits more frequently than a company operating in a more static industry. On balance, most companies would likely fall someplace in between or closer to the static business operations example, requiring an audit every four to five years.

To be clear, the act of a party, inside or outside the company, requesting an audit does not automatically trigger the requirement that the company conduct an audit.

## Implementation

To determine whether Standard 8 has been met, consider the following.

- A. The timing of the completion of the company's prior civil rights audit and the length of time it took to be completed.
- B. The scope of the company's prior audit.
- C. The nature of the company's prior audit recommendations.
- D. The status of the company's commitment to and implementation of the audit recommendations.
- E. Whether the auditor recommended when to conduct a subsequent audit.
- F. The degree and severity of the problems identified, the complexity of the remedies that need to be implemented, and whether those remedies have been completed.
- G. Whether a significant civil rights issue has arisen since the prior audit that justifies conducting a civil rights audit sooner than planned or previously indicated.
- H. The type of business and degree of risk or harm it presents.

# Board Oversight and Accountability

- a. The board of directors oversees the civil rights audit directly or via a designated committee.
- b. The auditor interviews the board of directors at least once as a part of the assessment and has regular communications with the board of directors or its designated committee.
- c. The executive management team manages the civil rights audit and implementation of the audit recommendations.
- d. The company agrees to have an independent, third-party auditor return to evaluate whether the company has successfully implemented the recommendations from the civil rights audit.
- e. The independent, third-party auditor evaluates whether the company has successfully implemented the recommendations from the civil rights audit.

## Explanation

From the experience of auditors, the support and active engagement of the board of directors and senior executives, including the CEO, is essential for a successful audit process.<sup>13</sup> As auditor Laura Murphy noted, “The CEO and/or the board of directors should be the primary sponsor of the audit to ensure sufficient support and cooperation from senior executives within the company.”<sup>14</sup> In other words, to be truly effective, senior executives and the board should feel ownership over the audit and its recommendations.

The board of directors may create a special committee to oversee the audit, or may have its executive committee or audit committee oversee the audit. The board of directors, or its designated committee, should meet with the auditor at least once during the audit process and should receive regular updates on the audit from executive management.

A member of the executive management team is likely to be appointed the “executive sponsor” to work with the auditor. Companies should designate someone in a position of authority who has the ability to compel cooperation with the audit from all business divisions. The designated executive sponsor should be given authority and support to carry out the role, especially if the audit will encompass matters beyond the executive sponsor’s normal scope of responsibility. The executive sponsor should ensure the auditor has access to the company’s relevant internal stakeholders and data, documents, policies, practices, and products, throughout the review process.<sup>15</sup>

Once the audit is complete, the board and executive management are responsible for overseeing the implementation of the audit recommendations. The board should consider specific performance goals and metrics for the CEO, and the CEO, in turn, should consider performance goals and metrics company-wide and for the executive team, cascading down to the relevant managers responsible for completion of the audit recommendations.

Once the recommendations are completed, the company should consider re-engaging the same auditor to evaluate whether the commitments were met. (If the same auditor is unavailable, then the company should retain another independent, third-party auditor.) A “report card” from an independent third party documenting progress can provide important credibility for the company with its many stakeholders.

<sup>13</sup> Murphy, *The Rationale for and Key Elements of Business Civil Rights Audit*, p. 20.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid., 24.





## Implementation

To determine whether Standard 9 has been met, consider the following.

- A. The auditor and/or executive management provides regular updates to the board of directors throughout the audit process on the status of the audit.
- B. The board of directors may have delegated oversight of the audit to a board committee or created a special committee of the board to oversee the audit.
- C. The board of directors or board committee assigned to oversee the audit meet at least once with the auditor.
- D. The CEO is actively engaged, providing input or helping to shape the audit scope.
- E. The company has designated a member of the executive management team or other senior leader to be the “sponsor” working closely with the auditor to ensure a smooth audit process and access to relevant information needed by the auditor.
- F. During the auditor’s discussion of the audit recommendations with the board and management, the auditor discusses implementation and ways to monitor implementation effectively.
- G. After completion of the audit recommendations, the company retains either the same auditor or another independent, third-party auditor to review whether the recommendations from the audit were successfully implemented, or meaningful and good faith progress has been made toward full implementation.



# Additional Background

## The Civil Rights Audit Standards Committee

The Committee is a diverse, cross-sector group of 11 professionals, including business executives, civil rights experts, investors, and worker advocates. Over the course of 12 months, the Committee developed and approved the Standards through a collaborative process, with the guidance and support of Farhana Khera (advisor to the Committee), CapEQ, and PolicyLink. Committee members serve in their individual capacity, not as representatives of their employers or other institutions.

The Committee was organized around several principles, guided by the goal of inspiring confidence and credibility with the key parties whose buy-in will be needed for the Standards to be durable and effective—namely, the companies being audited, the stakeholders requesting audits, and the auditors conducting audits.

On at least an annual basis, the Committee will review the Standards to ensure they continue to meet their intended purpose and goals of supporting credible, comprehensive, and effective civil rights audits.

Any updates made to the Standards by the Committee will be publicly announced and published by PolicyLink. The current membership of the Committee can be viewed at <https://www.policylink.org/civil-rights-audit-standards>.

## Building the Ecosystem of Civil Rights Auditors

Alongside supporting the development of the Standards, CapEQ successfully designed and executed a first-of-its-kind pilot training program for aspiring auditors in the spring of 2024. With the launch of the Standards, PolicyLink and CapEQ will partner in carrying out ongoing civil rights auditor training programs to continue building the ecosystem of qualified independent auditors well-versed in these Standards.

PolicyLink and its partners look forward to supporting the field of civil rights auditors, including the learning and development of aspiring auditors. Continuing in the fall of 2024 and the spring of 2025, additional auditor training programs will be offered. In time, a directory of independent civil rights auditors who are well-versed in the Standards will be released to support businesses in identifying potential auditors.

## Learn More About Our Sister Initiative

The Civil Rights Audit Standards are a core component of the Corporate Racial Equity Alliance's [Business Standards for 21st Century Leadership](#)—a sister initiative among PolicyLink, FSG, and JUST Capital, and for which PolicyLink is also the Secretariat. Businesses and auditors can look to the Business Standards for a performance-focused roadmap grounded in principles of nondiscrimination and social responsibility to further guide the scope of audits and inform next steps coming out of an audit.

Taken together, the Civil Rights Audit Standards and the Business Standards take the guesswork out of how to conduct a robust gap analysis and what to aim for in addressing identified gaps.

For updates about the Civil Rights Audit Standards and more information about the Committee and our efforts to build the ecosystem of civil rights auditors, visit <https://www.policylink.org/civil-rights-audit-standards>.



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# Civil Rights Audit Standards



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