

Centre for the New Economy and Society

# Prioritizing Racial and Ethnic Equity in Business: Towards a Common Framework

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This briefing paper is launched concurrently with the Global Racial & Ethnic Equity Framework. The latter was developed simultaneously by the World Economic Forum's Partnering for Racial Justice in Business Initiative — a global, cross-industry group committed to advancing racial and ethnic equity.

The objective of this initiative is to provide context on current challenges and opportunities, and to identify pathways by which corporations can prioritize racial and ethnic equity through a whole-of-business approach. It originates from the World Economic Forum's Centre for the New Economy and Society, which is focused on shaping prosperous, resilient and equitable economies and societies that create opportunity for all.

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# Introduction

Recent years have seen increased uncertainty from social and economic challenges caused by a global pandemic, climate change and political unrest. Amid these challenges, the stark reality of inequality and the disproportionately worse impact of this “polycrisis” on marginalized populations has become more visible.

In 2020, protests worldwide erupted around the specific challenges Black and Brown people faced, triggered by incidents of disproportionate police brutality and broader structural racism. Global data highlighted the adverse outcomes of the pandemic for people with marginalized racial and ethnic identities. This reckoning has shed more light on and led to wider recognition of the unequal treatment and systematically worse outcomes – in all facets of life – for people with marginalized racial and ethnic identities.

In response to this global outcry, many corporations pledged to address systemic racism, advance racial and ethnic equity within their organizations, and increase funding to Diversity, Equity and Inclusion (DEI) programmes to renew their push toward more equitable opportunities in the workplace, acknowledging that the current systems were not designed for racial and ethnic equity and that progress was not moving fast enough.

The World Economic Forum’s Partnering for Racial Justice in Business initiative is a global coalition of 55 organizations and their C-suite leaders, launched in 2020 to leverage their individual and collective power to build equitable and just workplaces for professionals with marginalized racial and ethnic identities.

As a first step to making progress towards better visibility of current gaps at the organizational level, the Partnering for Racial Justice in Business initiative created a Global Racial and Ethnic Equity Framework, released in parallel with this paper. The framework supports businesses with a suite of options: to help identify, measure and analyse gaps and progress in their journey toward racial and ethnic equity; to underpin a coherent racial and ethnic equity strategy for the entire business ecosystem and a more equitable work environment and social footprint; and to support corporate leadership to address and mitigate systemic racism and ethnic discrimination.

This briefing paper accompanies the framework and is divided into four parts. The first part of the paper examines the dual economic and values case for racial and ethnic equity to create momentum across organizations, build the trust of racialized staff, and enhance credibility within racially and ethnically underrepresented groups worldwide. Second, the paper examines gaps within traditional DEI strategies in addressing systemic racism and how an evolution of DEI approaches, along with a racial and ethnic equity strategy, can address these gaps. The third section provides a whole-of-business approach to racial and ethnic equity, serving as background to the Guiding Principles within the framework. Finally, the paper looks at the role data plays in measuring gaps, progress and transparency on racial and ethnic equity, and places the self-assessment tool in the context of broader data gathering efforts. The appendix includes definitions of relevant terms.

1

# Building a dual case: combining economics and values

Evidence of systematic gaps in outcomes in the workplace for professionals with marginalized racial and ethnic identities exists globally. A survey conducted in the United States indicated that 49% of Black Human Resource professionals believe that racial inequity exists in the workplace, compared to only 13% of their non-Black counterparts. This difference in perception highlights the need for creating greater awareness and understanding of how widespread racial inequity is in the work environment.<sup>1</sup> In the United Kingdom, an independent report found that racialized people are not offered the same progression in their careers, facing unequal access to development opportunities and lack of mentorship.<sup>2</sup> Research in the European Union (EU) identified structural racism in the workplace, reflected in recruitment processes, unequal pay and over-representation of ethnic minorities in what are deemed less desirable jobs.<sup>3</sup> Significant racial income disparities exist in Latin America where Indigenous Peoples and populations of African descent earn less in Bolivia, Brazil, Chile, Ecuador, Peru, Paraguay and Guatemala – countries that account for 80% of the African-descent population in Latin America.<sup>4</sup> A study conducted in Germany found that, people of African descent have also faced income disparity, earning 25% less than the national monthly average.<sup>5</sup> In Singapore, survey results suggest ethnic Malay and Indian populations see systematically worse outcomes in the workplace.<sup>6</sup> An assessment of the top-level executives of companies in South Africa found that only 14.3% of the roles were held by Black South Africans, despite making up 81% of the entire population.<sup>7,8</sup>

At the same time, studies have shown economic benefits from accelerating racial and ethnic equity in the business sector. An ethnically diverse workforce allows for multifaceted skills and experience, a better understanding of customer needs, broadening creativity and problem-solving. In contrast, racial and ethnic inequity creates barriers limiting productivity, creativity and innovation, leading to negative economic consequences.<sup>9</sup> In the United States alone, companies lost \$172 billion between 2016 and 2021 due to employee turnover caused by unfair outcomes faced by employees with marginalized racial and ethnic backgrounds.<sup>10</sup> Re-evaluating businesses to include adequate representation of ethnic and racial diversity could lead to growth in GDP. A study evaluating the impact of racial inequity

in the United Kingdom found that fair racial and ethnic representation in the labour market could lead to an estimated annual growth of £24 billion in the UK economy.<sup>11</sup> The report also found that closing the wage gap would greatly impact the economy, as more racialized people enter the workforce. The gains in earnings would translate to additional corporate profits and federal tax revenues.<sup>12</sup>

These linkages between racial and ethnic equity and improved economic and financial outcomes suggest diversity and business financial health are closely interconnected.<sup>13</sup> These interconnections are important for building a strong case for investment and action. However, the business case provides only part of the picture. Research has shown that underrepresented groups feel less sense of belonging in organizations that only use the business case for improving racial and ethnic equity versus organizations that either offer no justification or a fairness justification for investing in and promoting diversity.<sup>14</sup> Emphasis on economic payoff can create an environment where underrepresented groups question the position of an organization on social issues and feel unaccepted. Additionally, the expectation of financial gains can create precarious conditions and additional pressure for racial and ethnic minorities.<sup>15</sup>

The values, or fairness, case presents an equally important perspective, focusing on the moral implications of racial and ethnic discrimination, how it connects to the core values and mission of a business, and the broader benefits of society. The values case for diversity argues that equitable work opportunities are the right and fair thing to do regardless of the benefits to a company's financial performance, removing the conditional nature of the business case justification.<sup>16</sup> The use of moral language, in comparison to the business case, has been shown to create space for employees to bring concerns forward to their employers, particularly on social issues, as it allows them to link back to the values and missions of an organization.<sup>17</sup> It also provides an opportunity to not only address racial and ethnic inequity at the organizational level but to address inequities at the broader societal level through corporate advocacy.

An adaptive and holistic racial and ethnic equity strategy includes tenets of both the business and values cases for racial and ethnic equity.

2

# Evolving beyond traditional DEI strategies

DEI strategies are a useful starting point to advancing racial and ethnic equity. Over the nearly 60-year history of DEI practice in public institutions and private corporations, there have been numerous gains globally. From increasing the representation of women in leadership to building more inclusive environments for LGBTQ+ employees to advocating for improved policies and provisions for people living with disabilities, DEI has been instrumental in reinterpreting the way the world does business. Yet, despite the many successes of DEI initiatives over the years, they have not always been successful at addressing the lingering effects of systemic racism, a particularly pernicious form of discrimination entrenched in laws, practices and systems.

The history of DEI within work environments can be traced back to civil rights movements in the United States in the 1960s. International anti-discrimination and human rights tools helped anchor anti-discrimination laws and practices in the workplace, including ILO C111 Discrimination (Employment and Occupation) Convention, the International Bill of Human Rights, and the United Nations Declaration on the Elimination of All Forms of Racial Discrimination. These tools effectively state that racial discrimination violates international human-rights law. Many countries have established domestic anti-discrimination laws, such as the UK's Race Relations Acts of 1965 and 1968, the Civil Rights Act of 1964 in the United States and Australia's Racial Discrimination Act of 1975. However, it was not until the 1990s that DEI tools and practices became more mainstream. The changes in workplace demographics, with more racialized people and women joining the workforce in countries like the United States and United Kingdom, made organizations more cognizant of workplace diversity. In addition, evidence has shown that the business case greatly improves for companies that adopt a DEI ethos. A 2019 study that surveyed 1,000 large companies across 15 countries showed companies with robust DEI frameworks financially outperformed those with little to no DEI programming.<sup>18</sup> Despite this progress in the expansion of DEI strategies and some increases to racial and ethnic representation in leadership, many gaps remain in addressing overall racial and ethnic equity within the corporate sector around the world.

Corporate action on racial and ethnic equity must evolve beyond traditional DEI strategies in order to specifically address gaps at the systemic level.

Traditional DEI aims to implement equal opportunities focusing on the workforce, yet a more holistic approach is needed to address racial and ethnic equity gaps in an organization. This creates the need for a wider set of strategies targeting racial and ethnic equity more broadly across different organizational functions, including research and development, marketing and supply chains.<sup>19</sup>

A second challenge to a traditional DEI approach is the absence of data to inform decision-making. Regulations on data collection and reporting on race and ethnicity vary geographically. While the collection of statistics on race and ethnicity exists in countries like Canada, the United States and the United Kingdom at an institutional level, collecting data on race and ethnicity is barred in two-thirds of countries within the EU, where it is considered taboo due to the unethical use of race data in the past, particularly during the Second World War. As an alternative, in France, for example, a "colour-blind" approach is employed, using geographic location and socioeconomic factors to guide policy-making. Yet surveys in France have shown that this may not adequately capture the experience of racialized and ethnic groups in the country, particularly when seeking employment.<sup>20</sup>

Thirdly, a racial and ethnic equity strategy should ideally focus on the systemic nature of outcome gaps within an organization, including through the creation of accountability mechanisms, such as organizational self-assessments. There is a growing trend to develop organizational assessment tools to gauge the effectiveness of DEI strategies; recently, global assessment tools have been developed to address workplace LGBTQ+<sup>21</sup> and gender gaps.<sup>22</sup> However, there are limited assessment tools available for measuring racial and ethnic equity within the corporate space, and there are no standardized tools available at the global level – a gap which the Global Racial & Ethnic Equity Framework is designed to address.

The subsequent sections propose pathways to expand racial and ethnic equity strategies beyond the workforce and consider ways of keeping track of progress.

3

# Expanding the scope of action: guiding principles

The concept of advancing racial and ethnic equity within a business focuses on actively and regularly identifying, analysing, critiquing and addressing all instances of policy, practice and ideas that lead to systematic outcome gaps.<sup>23</sup> This concept has been applied to issues around talent recruitment, where racial and ethnic diversity is most visible. Since DEI practice began to become more prevalent within the corporate space, businesses have put much more effort into proactively hiring qualified people across diverse sexual, racial, ethnic and gender demographics to better reflect the communities in which they operate.<sup>24</sup> Studies have shown that companies that proactively hire racially and ethnically diverse staff are 35% more profitable than companies that do not adopt this practice.<sup>25</sup>

Despite slightly improved demographics on racial and ethnic recruitment and the racial and ethnic diversification of suppliers over the last 20 years, the statistics indicate that more needs to be done. At the same time, when racial and ethnic equity strategies are only applied to recruitment and workplace diversity, they tend to leave out issues related to retention, communications, marketing tactics, outreach and feelings of belonging, to name a few more systemic aspects. The World Economic Forum's Global Racial and Ethnic Equity Framework, published simultaneously with this paper, is designed to support businesses to consider all their business functions and identify where their racially and ethnically focused strategy should begin. Working with the framework can be a first step in advancing racial and ethnic equity and will allow corporations to work towards proactive, lasting and meaningful organizational transformation.

This type of planning will also ensure that the responsibility of racial and ethnic equity does not only reside with those responsible for human resources or DEI implementation but takes an all-hands-on-deck approach from entry-level to the C-suite, improving productivity and profitability, as well as enhancing employee engagement, organizational culture and social ethics.

The 10 Guiding Principles included in the Global Racial & Ethnic Equity Framework integrate the dual economic and values case to guide a whole-of-business approach to tackling racial and ethnic equity gaps. These principles cover the entire business ecosystem and include the following:

1. **Leadership commitment:** Leadership's commitment to racial and ethnic diversity throughout a business network.
2. **Employee networks:** Giving support to racial and ethnic employee resource or affinity groups for newly recruited or existing racially or ethnically marginalized staff.
3. **Work environments:** Ensuring that the workplace is a psychologically safe space and a thriving environment for racially and ethnically marginalized staff.
4. **Policies and procedures:** Applying a racially and ethnically equitable lens to policies and standard operating procedures.
5. **Branding, communications and marketing:** Ensuring that messaging, branding and marketing is inclusive of viewpoints of all races and ethnicities, while being racially and ethnically sensitive.
6. **Innovation and product design:** Making research and the design process for products inclusive of the perspectives and experience of racially and ethnically marginalized groups.
7. **Recruitment, retention and development:** Examining and applying racial and ethnic equity to hiring practices, as well as proactively tracking the career progression and development of racially and ethnically marginalized staff.
8. **Knowledge sharing and training:** Focusing on learning and training staff for continued improvement on issues related to racial and ethnic equity.
9. **Technological fairness:** Analysing and addressing issues such as algorithmic bias and how they affect external stakeholders of colour.
10. **External stakeholders and social impact:** Giving opportunities to racially and ethnically diverse suppliers and evaluating a corporation's social impact on racially and ethnically diverse populations in the communities in which they operate.

By taking action across these key business areas, businesses can address the gaps in traditional DEI approaches, vastly expanding their impact on racial and ethnic equity gaps.

4

# Advancing data collection, self-assessment and transparency

Measuring and tracking success and progress according to the above 10 principles is essential to developing next steps within any institution. Without data, it is impossible to analyse how equitable an organization is for racially and ethnically underrepresented staff and other stakeholders. Without self-assessment, a corporation cannot effectively move towards closing racial and ethnic equity gaps. Without transparency, it is difficult to build wider momentum and positive competition.

When it comes to data, there is no globally standardized process for collecting information on race and ethnicity.

In the United States, racial data collection has been a standardized institutional practice since the inception of the Equal Employment Opportunity Commission (EEOC) in 1964. The EEOC requires companies with 100 or more employees operating in the United States to submit workforce demographic data related to race, sex and job category.<sup>26</sup> Thus, companies with operations in the United States and its territories automatically collect data on the racial demographics of their workforce, building a foundational basis for which to begin the self-assessment process.

Conversely, of the 38 Organisation for Economic Co-operation and Development (OECD) countries, as many as 20 do not collect racial or ethnic data.<sup>27</sup> Of the 20 OECD countries that do not collect data on ethnicity, 14 are EU Member States.<sup>28</sup> Much of the reticence around racial and ethnic data collection is related to well-justified concerns based on history, from the Spanish Inquisition of the late 15th century to the targeting of Jews and other ethnic minorities during the Second World War. Ethnically specific data collection in the European context is thus deeply challenging, and the very term “race” is mired in controversy. In the aftermath of World War II, the United Nations Educational, Scientific and Cultural Organization (UNESCO) declared “*racial discrimination and racial hatred as unscientific and false, as well as ugly and inhuman.*”<sup>29</sup> Since then, most institutions and businesses have eliminated formal categorization around race across the continent.

However, the need for disaggregated race data

to help guide policy was highlighted recently during the COVID-19 pandemic, where the lack of data prevented several countries in Europe from getting a precise understanding of the impact the pandemic had on racially and ethnically marginalized communities.<sup>30</sup> Some countries do ask questions on migration status and linguistic grouping in their national censuses. For instance, in France and Germany, which have the strictest parameters around data collection on ethnicity and house the fourth- and fifth-highest number of Global 500 companies, respectively,<sup>31</sup> data is collected on an individual's or their parents' migration status.<sup>32</sup> Hence, proxy information on ethnicity may be gleaned from responses to these types of questions. However, for informed decision-making by public and private actors, governments need to further advance approaches that allow for the ability to track data on race and ethnicity.

Efforts are already underway in the European Union with the introduction of the Anti-Racism Action Plan in 2020-2025. The plan highlights the challenge of collecting disaggregated race and ethnicity data and acknowledges the need for such data to inform policy. As a result, the European Commission recommends that Member States improve their policies on the collection of data on race and ethnicity as well as plans to launch action for a more consistent approach to equality data collection overall.<sup>33</sup> While this is a step in the right direction, momentum from both the private and public sectors is needed to ensure these recommendations are implemented.

Finally, beyond the United States and Europe, equality data frameworks globally are highly diverse, and data collection regulations are complex. A study that examined ethnic classifications in 138 national census questionnaires found that only 87 of the countries, or 63%, collected data on ethnicity.<sup>34</sup> When reviewing the results at the regional level, North America, South America and Oceania were found to include ethnicity enumeration at the highest levels; 83%, 82% and 84%, respectively. Europe and Africa had the lowest percentage of ethnic enumeration at 44%, whereas Asia had a rate closest to the average at 64%.<sup>35</sup> This discrepancy in ethnic data collection is often related to the complex categorization of ethnicity.

At the company level, data on race and ethnicity is a crucial and foundational component to taking stock of progress on closing racial and ethnic equity gaps. It is also necessary for transparency to shareholders and the public. Businesses have increasingly been committing to racial equity audits to address the public and shareholders' calls for transparency – by using independent analyses, usually conducted by a third-party firm, of a company's business practices identifying and determining methods that may have a racially or ethnically discriminatory effect. Racial equity audits have existed, primarily in the United States, since 2016, and shareholders have called on corporations to show the progress made against their pledges. Following the events of the summer of 2020, many US businesses, including at least 12 public companies, have submitted racial equity audits over the last two years. The practice is expanding beyond the US border, with companies such as the Toronto Dominion Bank, Canada's largest bank, and snack and confectionary company Mondelez International announcing such audits.<sup>36</sup>

While not all corporations may be at a stage to submit to a third-party racial equity audit, cultural competency organizational assessments or internal diversity audits are forms of self-assessment that allow a company to analyse and plan for both short- and long-term policies and practices related to racial and ethnic equity.<sup>37</sup>

Implementation of a standardized self-assessment tool may help address ethnic and racial equity gaps by measuring progress and developing greater accountability, while allowing for tailored approaches. The Global Racial and Ethnic Equity Framework accompanying this paper aims to support business in their efforts to assess their progress and address their weaknesses across the entirety of their operations.

# Conclusion

Accompanying the context provided in this paper, the framework offers a suite of practical options, including identifying areas for improvement, measurement and progress, serving as the next practical step for a company to expand beyond traditional DEI initiatives. However, businesses have a powerful platform to address racial and ethnic inequity more broadly. They can build meaningful community engagement, taking into consideration the lived experiences and concerns of the affected communities in their decision-making.<sup>38</sup> Businesses also have the influence and resources to work with local governments and communities through corporate philanthropy to address structural inequalities. These activities could include investing

in initiatives that benefit marginalized communities and advocating for policies that help advance racial and ethnic equity in society. How a company chooses to respond to racial and ethnic inequity leads to increased trust and credibility – or enhances reputation risks and concerns.<sup>39</sup> Broad engagement on racial and ethnic equity is therefore an essential component for business leadership, dynamism and purpose.

The Partnering for Racial Justice in Business Initiative invites new members to join its efforts and encourages a more equitable, holistic and accelerated approach to achieving racial and ethnic equity.

# Appendix:

# Glossary of Terms

Term	Definition
Anti-Racism	Anti-racism encompasses a range of ideas and political actions which are meant to counter racial prejudice, systemic racism and the oppression of specific racial groups. Anti-racism is usually structured around conscious efforts and deliberate actions which are intended to provide equal opportunities for all people on both an individual and a systemic level. <sup>40</sup>
Caste	Caste is a form of social stratification characterized by endogamy, hereditary transmission of a style of life which often includes an occupation, ritual status in a hierarchy, and customary social interaction and exclusion based on cultural notions of purity and pollution. <sup>41, 42, 43</sup>
Dominant Group	A group with power, privileges and social status. Another related definition is a social group that controls the value system and rewards in a particular society. The dominant group is often, but not necessarily, in the majority. <sup>44</sup>
Employee Resource Group	Employee resource groups are voluntary, employee-organized communities that foster connections between employees that share similar interests, characteristics or backgrounds. Most commonly, employees of similar ethnicities, gender identities or sexual orientations form employee resource groups to give them a space to discuss their experiences at work. <sup>45</sup>
Ethnicity	Ethnicity is, broadly defined, a shared understanding of the history and territorial origins (regional and national) of an ethnic group or community and particular cultural characteristics such as language and/or religion. <sup>46</sup>
Indigenous Person or People	Indigenous peoples are culturally distinct ethnic groups whose members are directly descended from the earliest known inhabitants of a particular geographic region and, to some extent, maintain the language and culture of those original peoples. <sup>47</sup>
Institutional Racism	Policies, rules, practices, etc. that are a usual part of the way an organization works and that result in and support a continued unfair advantage to some people and unfair or harmful treatment of others based on race. <sup>48</sup>
Interpersonal Racism	The bias that occurs when individuals interact with others and their personal racial beliefs affect their public interactions. <sup>49</sup>
Islamophobia	Fear, prejudice and hatred of Muslims or non-Muslim individuals that leads to provocation, hostility and intolerance by means of threatening, harassment, abuse, incitement and intimidation of Muslims and non-Muslims, both in the online and offline world. Motivated by institutional, ideological, political and religious hostility that transcends into structural and cultural racism which targets the symbols and markers of a being a Muslim. <sup>50</sup>
Marginalized Group	Different groups of people within a given culture, context and history at risk of being subjected to multiple forms of discrimination due to the interplay of different personal characteristics or grounds, such as sex, gender, age, ethnicity, religion or belief, health status, disability, sexual orientation, gender identity, education or income, or geographic locality. <sup>51</sup>
Microaggression	Microaggression is a term used for commonplace daily verbal, behavioural or environmental slights, whether intentional or unintentional, that communicate hostile, derogatory or negative attitudes toward stigmatized or culturally marginalized groups. <sup>52</sup>
Person or People of Colour	Person or People of Colour denotes a racial group(s) identified by individuals who see themselves different from the white race or those of European ancestry. <sup>53</sup>
Prejudice	Prejudice refers to irrational or unjustifiable negative emotions or evaluations toward persons from other social groups, racial groups, sexual orientation and/or religion, and it is a primary determinant of discriminatory behaviour. <sup>54</sup>
Psychological Safety	The belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns or mistakes, and that the team is safe for interpersonal risk-taking. <sup>55</sup>

Race	Race is a social construct used to group people, constructed as a hierarchal human-grouping system, generating racial classifications to identify, distinguish and marginalize some groups across nations, regions and the world. Race divides human populations into groups often based on physical appearance, social factors and cultural backgrounds. <sup>56</sup>
Racism	Racism is the belief that groups of humans possess different behavioural traits corresponding to inherited attributes and can be divided based on the superiority of one race over another. It may also mean prejudice, discrimination or antagonism directed against others because they are of a different race or ethnicity. <sup>57</sup>
Racial and Ethnic Equity	Racial or ethnic equity is a process of eliminating racial disparities and improving outcomes for everyone. It is the intentional and continual practice of changing policies, practices, systems and structures by prioritizing measurable change in the lives of people of colour. <sup>58</sup>
Racialization	The act of giving a racial character to; categorizing, marginalizing or regarding according to race. <sup>59</sup>
Socioeconomic Status	Socioeconomic status indicates one's access to collectively desired resources, be they material goods, money, power, friendship networks, healthcare, leisure time or educational opportunities. And it is access to such resources that enable individuals and/or groups to prosper in the social world. <sup>60</sup>
Systemic and Structural Racism	Systemic and structural racism are forms of racism that are pervasively and deeply embedded in systems, laws, written or unwritten policies, and entrenched practices and beliefs that produce, condone and perpetuate widespread unfair treatment and oppression of people of colour, with adverse consequences. <sup>61</sup>
Underrepresented Community or Group	A community that is not represented in the majority. Within this tool they are usually categorized with respect to race, ethnicity or, possibly, national origin. <sup>62</sup>
Unconscious Bias Training	Unconscious (or implicit) biases are learned stereotypes that are automatic, unintentional, deeply ingrained, universal and able to influence behaviour. Unconscious bias training programmes are designed to expose people to their unconscious biases, provide tools to adjust automatic patterns of thinking and ultimately eliminate discriminatory behaviours. <sup>63</sup>

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## World Economic Forum

### **Asha Nooh**

Specialist, Racial Justice in Business,  
Centre for the New Economy and Society

### **Kimberly Bennett**

Lead, Racial Justice in Business,  
Centre for the New Economy and Society

### **Silja Baller**

Head, Diversity, Equity and Inclusion,  
Centre for the New Economy and Society

### **Saadia Zahidi**

Managing Director, World Economic Forum and Head,  
Centre for the New Economy and Society

## Members of the Partnering for Racial Justice in Business Initiative

A.P. Møller-Maersk A/S	Ingka Group
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World Economic Forum  
91-93 route de la Capite  
CH-1223 Cologny/Geneva  
Switzerland

Tel +41 (0) 22 869 1212  
Fax +41 (0) 22 786 2744

[contact@weforum.org](mailto:contact@weforum.org)  
[www.weforum.org](http://www.weforum.org)