

# Refocusing on IDE

## Considerations for boards in Luxembourg

### KPMG Board Leadership Centre

**In an environment where companies continue to face interrelated challenges and uncertainty, 2025 will keep testing the skills and experience of board members. From economic and geopolitical turbulence to ESG commitments, talent management, and advances in AI and its regulation, failing to adapt to unpredictable developments could place a board's strategy in serious jeopardy.**

**One truth remains constant, however – talent will always be the backbone of any company. But while there is broad agreement that nurturing talent is critical to business growth, differing views on Inclusion, Diversity, and Equity (IDE) practices and investments are likely to add further complexity to the already long list of issues boards face this year.**

For context, according to [KPMG Luxembourg's 2024 CEO Outlook](#), 40% of CEOs identified competition for talent as a top concern over the next three years. The report also highlights that 70% believe that organizations should invest in skills development and lifelong learning within communities to safeguard access to future talent, while none stated that outsourcing would be a major role in their strategy. Against this backdrop, how can IDE help meet these expectations?

The purpose of focusing on IDE is not only to strengthen the workforce and culture but also to drive profitability and innovation. It should be viewed as a long-term strategy for organizations to manage and leverage the full breadth of the talent pool while fostering fair, inclusive cultures where people can thrive.

IDE practices have evolved over the last years but have consistently been regarded as a key component of how companies build sustainable businesses, capable of attracting stakeholder confidence and investment. And as with many initiatives focused on talent management and cultural change, tangible benefits can only be fully realized through sustained, long-term commitment.

This long-term commitment must withstand today's unpredictable world. Boards should therefore ensure they are prepared to both anticipate and capitalize on shifting political, legal, and demographic landscapes, while consistently maintaining objective and fair assessments of legal and reputational risks – particularly for businesses with an international presence.

With all this in mind, here are some considerations on this evolving topic:

### Do your current IDE plans for the board and organization, continue to support strategic growth?



Boards should take time to review their IDE strategy to ensure it aligns with their strategic goals.

- Do current IDE initiatives support, or have they met the organization's strategic direction and talent management goals?
- Consider the last time the IDE initiatives were articulated – do they explain and justify the business rationale?
- Has the board engaged with the nomination committee on the progress of their IDE plans and areas of focus for the board, and likewise with the Head of HR/People/IDE for the IDE plan and initiatives for the workforce, with evidence to demonstrate desired outcomes have been achieved? (e.g. data that shows increase in equality of opportunity and progression, strong pipeline of talent, feedback from employee engagement surveys and those not in under-represented groups, costs, impact and benefits).
- Has the Board looked at itself and whether it has the requisite mix of skills and backgrounds needed to provide oversight of IDE.
- Has the board reviewed the direction of regulation on IDE in the countries the business operates in?

- Has the board considered making a statement about their ongoing commitment to creating a representative workforce and an inclusive culture, using data and evidence, feedback from employee resource groups and using legal and comms teams as a sounding board to create a compelling narrative? Consider broader reporting commitments too e.g. whether you will continue to voluntarily submit data to 'government led' reviews on diversity characteristics and the impact of not doing so..
- Is the board prepared to be challenged on IDE initiatives (from both pro- and anti-IDE activists/shareholders etc.)? Has the board established parameters for the CEO as the voice of the company on IDE and when the CEO should speak out? Also consider the implications of staying silent – which could also be considered as 'taking a position'.



## Reevaluating IDE

Companies considering their approach to IDE, whether scaling down or ending initiatives, will need to think through their rationale.

- How would any change in approach to IDE align with the business purpose, values and fairness?
- How will a change in approach effect succession planning and developing the talent pipeline for boards to ensure there are different voices are at the boardroom table?
- Does the board feel under pressure to end IDE practices to prepare for a change in legislation in different country they operate in or is the company taking the opportunity to evolve its approach to IDE? If the former – how does this decision align with the businesses' purpose and values? How much engagement has the board had with the Head of HR/People and Head of IDE on this approach and what is the feedback from employee resource groups (ERG)/networks? If the latter, are you clear on what is 'new and improved' (not just removed/cancelled) and how they provide equal access to opportunities, skills development, whilst not giving special advantages to one person or group over another? Perhaps more importantly, how progress be maintained, monitored and demonstrated in the future? Provide clarity on whether these initiatives create inclusivity or inclusive cultures
- Consider how fairness and equality of opportunity will be maintained if you remove IDE related programs / policies? What merit-based systems are in place? Is the board able to demonstrate they work with clear evidence on how talent is recognized and rewarded, and processes are systematically bias free?
- Have you considered the risks from a legal, financial, operational, reputational perspective, and the opportunities? Removing protections against discrimination may enable behaviors that may expose the company to legal and reputational challenges.

- Has the board considered asking the company's legal counsel to engage in a robust review of the company's IDE-related policies and practices, and stay alert for changes in the law and applicable regulation? The board should be informed of the management's processes and results of the review. The General Counsel or other legal counsel should provide the board with a refresher on the anti-discrimination laws that apply to the company with respect to hiring, firing, promotion decisions and other employment-related initiatives?
- Have management considered linking the appetite for the company's public profile on IDE with the company's broader ERM and risk framework.
- If you end your IDE initiatives how will this affect your ability to win contracts with countries where IDE is a pre-requisite for procurement?
- Would years of work to create the right culture and trust be undone? How would this impact employee morale?



## Scenario planning

Scenario planning and crisis readiness around IDE is critical, as is saving time on the board's agenda to revisit the issues as they evolve.

- Will the company be ready if it receives a letter threatening legal action or investigation?
- Who is monitoring for changes in the external environment and how will management decide how or whether to react?
- Are crisis plans fit for purpose in the event of significant IDE-related publicity involving the company? (See also 'Communicating Change' below)
- Given the current environment, companies should consider add IDE-related incidents to their list of known situations for which they need to be ready, both as a matter of risk and as potential opportunity.



## Communicating change

Many organizations have publicly stated their commitments to IDE in their annual reports, websites, social media and other media. Consider how any departure from this commitment might impact trust with board members, the workforce, especially those from under-represented groups who might be feeling vulnerable and wider stakeholders.

- How and when will you communicate the changes internally and externally to all your stakeholders?
- Have the messages (and language used especially if discontinuing the use of IDE) been tested with the board, legal, internal comms and external affairs teams? Instead consider whether describing diversity-related goals in the context of talent management and how these might help the company progress on its strategy might enable richer more meaningful conversation

- Have you considered how this will impact the brand, reputation and attracting talent? Consider messages on websites and social media etc.
- Also consider if ending IDE activity impacts your adherence to compliance, and how that might impact stakeholders' views on the integrity of your business practices and business value?
- If the business has international presence how will a decision to end IDE in one country due to legislation affect your business in another location? E.g. what is the impact on your brand and reputation?
- Has the board considered how they will communicate to all stakeholders, including suppliers and investors?
- Without IDE initiatives, how will progress be reported in the annual report and ESG reporting?

## Looking ahead



As companies face an evolving IDE landscape, the board's role in providing steady leadership during uncertainty and guiding management becomes paramount. By aligning initiatives with the company's mission and values, understanding and helping management prioritise conflicting stakeholder needs, and staying informed and engaged, boards can help companies navigate this environment.



# About the KPMG Board Leadership Center

The KPMG Board Leadership Center (BLC) champions outstanding corporate governance to drive long-term value and enhance stakeholder confidence. Through an array of insights, perspectives, and programs, the BLC promotes continuous education and improvement of public and private company governance. BLC engages with directors and business leaders on the critical issues driving board agendas—from strategy, risk, talent, and sustainability to data governance, artificial intelligence, audit quality, proxy trends, and more. Learn more at [kpmg.lu](https://kpmg.lu)

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