

Ethnic Diversity Enriching Business Leadership

An update report from The Parker Review

Sir John Parker
The Parker Review Committee

5 February 2020

Principal Sponsor



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- Matthew Percival
- Arun Batra OBE
- Bilal Raja
- Kirstie Wright

Observers

- Sanu de Lima, Itiola Durojaiye, Katie Leinweber
- Department for Business, Energy & Industrial Strategy

Thanks to our contributors during the year and to this report

- Oliver Cover
- Alex Diggins
- Neil Golborne
- Orla Pettigrew
- Sonam Patel
- Zaheer Ahmad MBE
- Rachel Sadka
- Simon Feeke
- Simon Manterfield
- Dr Manjari Prashar
- Dr Fatima Tresh
- Latika Shah

Contents

Foreword by Sir John Parker	2
Foreword by the Secretary of State	6
Message from EY	8
Vision and Mission Statement	10
Current Profile of FTSE 350 Boards	14
FRC/Cranfield Research on Ethnic Diversity Reporting	36
Parker Review Recommendations	58
Company Success Stories	62
Closing Word from Sir Jon Thompson	65
Biographies	66
Appendix — The Directors’ Resource Toolkit	72

Key advisors and contributors to this report:





Foreword by Sir John Parker

Last month the United Kingdom embarked on a new journey. Whatever your views about this venture, one thing is unarguable. In a world facing disruption by novel technologies, unprecedented competition internationally, and demographic change at home, we will need to deploy every resource available to us as a nation if we are to sustain the economic prosperity on which our people depend, and which maintains our public services, for example, our schools and the National Health Service.

At the heart of our success lies the performance of our many great companies, many of them listed in the FTSE 100 and FTSE 250. There is no doubt that one reason we have been able to punch above our weight as a medium-sized country is the talent and inventiveness of our business leaders and our skilled people. Many of our leaders have risen from modest backgrounds. Despite the popular image of big business, I am frequently surprised at the unlikely origins of many business leaders – but I have come to believe that whilst there may not be as many “weirdos and misfits” amongst us as some would like, a great variety of backgrounds on Boards is itself a commercial plus.

I, for one, know that the Boards I have Chaired have benefited from having a variety of voices, backgrounds and experiences represented around the table. But my experience also tells me that in today’s world, gender and ethnic diversity in our Boards is a competitive advantage. And research report after research report supports this intuition.

Add to this that there are now global expectations on Boards – not least from our shareholders and many other stakeholders - to demonstrate that our leadership is responding to and reflecting to their changing customer base. As we pointed out in our first report, 75% of FTSE 100 revenues are earned outside of the UK, in markets which will include the nine countries, that will generate half of the world’s population growth between now and 2050 – five of which are in Africa and three in Asia.

The business imperatives which we originally set out could not be clearer:

1. Greater alignment with our customer base at home and overseas

2. Recognising the changes and growing talent pool of ethnically diverse candidates in our home and overseas markets which will influence recruitment patterns for years to come

Whilst we have made great strides in bringing female leaders into the boardroom, almost a majority of the Boards of our FTSE 100 companies remain all-white domains. As one who started life as a student apprentice in shipbuilding myself, one thing is evident to me, this is the moment when industry needs every hand on the deck (as this report lays out). We really should not be leaving so many talented people marooned on the dock side, without the chance to contribute.

Three years ago, at the request and with the support of the then Government, we set ourselves a challenge: to ensure that by the end of 2021, no member of the FTSE 100 would lack a person of colour as a director. We also encouraged FTSE 250 companies to meet this target by 2024. With less than two years to go to meet the first of these targets, it might seem that we are way off course. However, our report suggests that whilst we may not yet be up to speed, it could still be possible to complete our journey in time.

To start with, we should recall that in the previous and parallel drive to create greater gender diversity on company Boards, led by Lord Davies, of which I was a Member, it took some time to get the wind in our sails. Yet we hit the target of 25% within the five years we set ourselves.

Second, we know from work done by the better executive search consultancies that there are many more qualified and competent people from minority backgrounds out there in the UK

and Internationally than we often believe; we just don't meet them – and all too often our head-hunters aren't introducing them to us.

Third, the research conducted for this Review by Cranfield University for the FRC shows that compared to two years ago, many more company Boards are at least talking about their deficit in leadership, and a significant number have adopted positive policies. Most important a small number have actually gone beyond just talking about it; I am glad to say that 11 FTSE 100 companies which had previously never had a person of colour on their Boards have now made appointments that take them out of the all-white era. And intriguingly, our data shows that women of colour have, if anything slightly outpaced the men – though neither group is yet anywhere near being represented on FTSE 100 Boards in the numbers that their talents deserve.

Overall, I am encouraged that many of my colleagues in the FTSE 100 have also declared an intent to act. Some have done so. But too many of us, I fear, remain complacent that change will come about naturally through the passage of time. Most of us know that this never works in any other aspect of our businesses; and it won't work here. In particular, our survey shows that there are also too few people from ethnic minority backgrounds being prepared for elevation to Boards.

Our pipeline is far from full, and the suspicion is that our company cultures are not actively encouraging talented minority executives and non-executives to choose roles in our businesses when they feel they can leave corporate life and do just as well as entrepreneurs, without some of the responsibilities.

I want to be honest with my colleagues. I know that, even more than with gender, for every Chairman or CEO reading this report, this feels like dangerous territory. But we need to understand that in today's world, failure to act can be just as damaging to our companies' reputations, not to mention weakening shareholder and stakeholder confidence. This is not just a matter of social justice. Many of those who invest in us and trust us as our customers are now monitoring our performance on leadership diversity, because they see it as a sign of whether we are truly ready to face up to the challenge of the modern world.

To many, our continuing lack of ethnic diversity looks less like a failure on the part of minority communities to produce competent candidates, and far more like a choice on the part of business to settle for the familiar and traditional recruitment processes. But no one doing the same thing, over and over again, brings about a different result. We, as company Chairmen and Chairs of Nominations Committees need to be more assertive – not least by refusing to accept the head-hunter's excuse that "the candidates just aren't there". For my part, when I hear this message from my consultants, my next step is to find better consultants who can find the talent either at home or in our world of 7.7 billion people.

I am grateful to all those who have helped with this latest survey, in particular the teams at Cranfield and in BEIS who have supported our Steering Committee; and of course, the members of the Steering Committee themselves. Associated with this report is the summary of the National Equality Standard around which our principal sponsor EY has developed frameworks and action plans as part of their work to assist companies create comprehensive diversity plans, these are worthy of discussion and study.

I sincerely believe that, at a time when the UK needs business to make a crucial contribution, and when public confidence in the market economy is at best fragile, attaining our goal of "One by 21" is more than socially desirable. It is an essential element in our country's economic future, and the esteem in which our companies are held around the world. We can and must act without further delay.



Sir John Parker GBE, FREng





Foreword by The Rt Hon Andrea Leadsom MP

**Secretary of State for Business,
Energy & Industrial Strategy**

I am grateful to Sir John Parker and his Review Committee for their long-standing commitment to improving ethnic diversity in UK business leadership, and for all their efforts in producing this excellent report alongside EY, Cranfield University, the FRC and my colleagues at BEIS.

I'm conscious that this is my first foreword for the Parker Review as Secretary of State for BEIS, and I want to lay out my full, unreserved support for the Parker Review's work and ambition. Business in this country simply will not be the best it can be until it better represents the communities it serves.

I want to make the UK the best place in the world to work and to grow a business. Workplaces that are fair, inclusive and flexible are not only essential for good working practice - but for success. Research shows that diverse businesses are the highest performing businesses. And at this hugely exciting time in Britain's history, we need to make sure that UK business are tapping into all the talent and skills available at home and overseas more than ever, driving better company performance and supporting our competitive advantage in the world.

Three years on from the launch of the Parker Review report and recommendations in 2017, this second report is an important stocktake on the progress business has made against meeting the Review's key recommendations on increasing the ethnic diversity of UK Boards, developing candidates for the Board pipeline, and enhancing transparency and disclosure of company diversity policies.

The Review set a target for each FTSE100 Board to have at least one director of colour by 2021 and for each FTSE250 Board to have the same by 2024. This might sound unambitious, but at the time the Review began, 53 of our top 100 companies didn't have a single director from an ethnic minority background.

As the report highlights, attention paid within companies and by investors to business diversity and inclusion has grown, and there are some really commendable company initiatives on improving ethnic minority representation and supporting a diverse talent pipeline. However, we are now less than two years off the first of these target dates, and it is clear that not enough is being done by the FTSE100 as a whole to deliver.

We know from the experience of the Hampton-Alexander Review on FTSE Women Leaders that measuring progress is a key driver to encouraging change, and I welcome the Review's data gathering work over the last year which my colleague, Minister Kelly Tolhurst, has supported so strongly. It is essential that FTSE350 Boards continue to engage fully and constructively with this exercise.

I am committed to doing all I can to promote business leadership diversity and inclusion. This Government backs business, and backs the business community to do better. The business community must now pick up the challenges and recommendations of this Parker Review report and drive the changes necessary to improving ethnic diversity in UK Boards. Doing so will benefit our business and our economy.

Andrea Leadsom

Andrea Leadsom MP



Message from EY

Steve Varley, EY UK Chairman

We are pleased once again to be the principal sponsor to the Parker Review report, examining the progress that has been made on increasing ethnic minority representation on Boards since the first Review was published in 2017. While there has been some movement in reaching the targets and recommendations set in the 2017 report, overall progress among FTSE companies has not been as expected. As of 31 December 2019, 37% of companies surveyed in the FTSE 100 and 69% of FTSE 250 have not met the target of at least one ethnic minority director on their Board. The recommendations in today's report are vital to accelerate the pace of change.

The volatility and complexity of business and societal issues in today's world demands a more diverse Boardroom to help organisations drive successful outcomes for a wide range of stakeholders. Given its importance to creating a sustainable, high performing business, Diversity and Inclusiveness (D&I) needs to have its place permanently on the Boardroom agenda.

Like many of you, at EY, we see D&I as a business imperative and a key part of our future growth. We believe that fostering diverse talent and building a strong pipeline of talent is a continuous journey. In 2013, our EY UK LLP Board demographic was 11% female and had no ethnic minority. I am proud that our Board now constitutes 60% female members and 10% ethnic minority. However, we are clear more needs to be done to increase diversity at all levels.

The new recommendations outlined in today's report aim to help businesses do exactly that. The recommendations are forward thinking and have the potential to help businesses drive real change in the diversity of their Boards. Building a talent pipeline of high potential diverse leaders and senior managers and pursuing an open approach to reporting on the diversity of your Board can have a real impact on the long-term culture of your business. It is encouraging to note that the quality of Board diversity policy reporting has increased, and businesses are moving in the right direction.

Within EY, we have launched a new strategy to accelerate our approach and to prioritise D&I to the same degree as any other business objective. We have increased our focus on achieving a significant shift in the makeup of our partnership; our commitment is to double the proportion of BME and female talent in the UK partnership to 20% and 40% respectively by July 2025. As of 1 July 2019, the UK partnership stands at 11% BME and 22% female - an increase of 1% and 2% respectively since 2018. EY's new partner intake in the UK (over a three-year rolling average) has been 16% BME and 25% female.

In addition to setting ambitious targets to hold us to account, we are also doubling our investment in targeted programmes for our high-performing BME and female talent, including our Future Leaders Programme, CareerWatch, Navigator and Accelerate@EY.

I am also proud of our collaboration with other companies on these important issues, through initiatives such as the National Equality Standard.

14% of the UK population is non-white and this is expected to increase to 20% by 2030. To ensure businesses enable this pool of talent to thrive, alongside FTSE Boards, we are committed to implementing the recommendations of this report. We will also continue to share our experiences with the Parker Review Steering Committee and maintain our work through the National Equality Standard, to support other organisations.

Steve Varley

Vision and Mission Statement

Three years. That is the amount of time that has elapsed since the first publication of the “Report into the Ethnic Diversity of UK Boards” by Sir John Parker and the Parker Review Steering Committee at the end of 2017.

Less than two years is the amount of time remaining for FTSE 100 companies to respond to the recommendations made by the Parker Review Steering Committee.

“One by ‘21” seemed achievable in 2017, but as we enter 2020, while there are early signs of progress, the overall ambition looks very challenging.

Just to remind us of what the Parker Review asked of corporate Britain, specifically FTSE companies – at least one (just one) non-white director by 2021 for the FTSE 100, and at least one non-white director by 2024 for the FTSE 250. The Steering Committee also made recommendations about developing the internal pipeline and asked for enhanced transparency around diversity policies and reporting.

That was against a background at the end of 2017 where over 50% of FTSE 100 Boards were all white (51 to be exact), and where they were not all white, of the 85 total non-white individuals, about 20 were UK citizens (approximately 2% of the over 1,050 Board seats). Seven companies accounted for 40% of the total (34 people) – meaning 93 companies accounted for the remaining 60% (51 people).

These numbers were stark, and the need and case for change was clear – at least to us. Based on the latest information and nature of response detailed later in this document, we do not believe that sufficient progress has been made.

At the time of the publication of the Final Report, we stated:

“

[W]e believe that in order for corporate Britain to reflect the progress that is being made in diversity, equality and inclusion generally, changes are needed in the Boardrooms where leadership, stewardship and corporate ethics are of utmost importance ...

... [S]uccessful companies will need to attract, retain and promote the best talent available, irrespective of nationality, gender, religion, ethnic background or any other perceived difference from the ‘mainstream’. It is clear that in order to achieve this success, companies must reflect the values of their stakeholders (including employees, shareholders and the communities in which they sit) and also project those values externally (including to the consumers they are seeking to attract and the markets in which they operate).”

Upon publication of the Report, while the reception was generally positive; however, there was also an exasperated voice audibly saying, “yet another thing”. Refrains heard all too often were that it was “all just too hard”, and the “population was too small”, and the people were not “Board ready” and there was a concern about “fit”. Unfortunately, over the intervening period, the Steering Committee has become concerned that there are too few people within corporate Britain prepared to seize the opportunity to drive the corporate change we sought to encourage and embrace a talent pool that is Board-ready and truly global.

As individuals and as a Steering Committee, we have continued to engage with a broad range of stakeholders to encourage this change, and to make the case for the commercial imperative behind the Parker Review and the importance that diversity in its broadest sense can bring into the Boardroom and into an organisation.

We have experienced a fairly uniform acknowledgement of that, but to date, there has been little evidence of action beyond that acknowledgement – simply put, there is inertia.

We have thought deeply about these issues, and the source of them, and have two important observations to impart.

The first is to suggest that there may be long-standing talent bias, and that there is little interest in or appreciation of the benefits that ethnic diversity can bring into the Boardroom. The second is to recognise that race and ethnicity are the most difficult things to talk about in the United Kingdom, for good and bad reasons – they are just too hard and too sensitive.

In order to address the question of talent bias, we must first define what is meant. In this context, a talent bias refers to the institutional practices that have developed related to the identification, development and appointment of talent in the United Kingdom. For the avoidance of doubt, as a Steering Committee, we are not focusing on any single company or adviser, we are focused on the systemic practices and approaches taken to date.

At the core of the talent bias is the apparently inexorable logic of “that which has worked in the past will continue to work in the future” – So why change it? It follows, and has been evidenced since the publication of the Parker Review, that people in position to make change, have not yet. It is too risky – What if it all goes wrong?

The Steering Committee strongly believes that such a fear underestimates the breadth and depth of the available talent pool, and the benefits to be gained. It suggests an unwillingness to be open, to be inclusive and to value diverse experiences and perspectives. In fact, it could be seen as nothing short of an admission that difference based on race and ethnicity is not of sufficient value, and certainly not of the same value as experience borne out of gender. As a Steering Committee, we cannot accept that as being underpinned by sound commercial logic, fair to potential candidates or indeed true. The value is in the difference itself, and that is what must be understood and appreciated more fully than it is today.

Unless corporate Britain is willing to confront that issue, well-trained, qualified people will continue to be overlooked by a system that has not been designed or trained to look for them, develop their commercial acumen or understand the diversity of experience and thought they bring – let alone appreciate it and see it as valuable.



Of course, that pool of yet untapped talent needs to be met half-way by people on the other side who are willing to understand and appreciate the talent that exists, and accept responsibility for driving change. It is clear to us that Board Chairs need to drive this change, and push past the institutional inertia that can exist where there is a pre-existing talent bias. Board Chairs need to start by changing conversations, changing practices, changing expectations, changing minds and ultimately changing organisations. The Parker Review asks them to be the agents of change and encourages them unreservedly.

Turning to the second issue, there is a clear discomfort related to discussing race and ethnicity in the workplace – there is no avoiding it. This is particularly true where we as a society have been told not to notice the colour of a person’s skin and that race/ethnicity should not matter.

While the Steering Committee understands where that has come from and why, we put forward the argument that to ignore or deny someone’s racial and ethnic identity is to ignore or deny them as a full person. It is no different than any of those other facets of human existence that make us who we are as individuals, each with value and significance.

Therefore, if race and ethnicity is not acknowledged as important in its own right, there is little chance that an individual can be fully understood or appreciated for the totality of what they have to bring to the Board table. Acknowledgement, understanding, appreciation and ultimately respect are what is needed, and never have any of those things been a source of discomfort. Our leaders, our Boards, our executives must learn to be comfortable talking about the way in which race and ethnicity may shape and informs a person’s lived experience. We must recognise that it is the experience which is important, and race/ethnicity is a proxy – just as is gender.

The Steering Committee believes that until there is a true appreciation of the importance of race and ethnicity to a person’s lived experience and we can have a conversation based on mutual respect and appreciation of difference based upon it, the ability of UK Boardrooms to change will be constrained. The question for corporate Britain is not about whether the non-white talent is there or ready, the question is whether it is willing to appreciate it, attribute commercial and competitive value to it and change the historical constructs operating currently in the Boardroom and more broadly in our corporate institutions.

Ultimately, the Steering Committee still firmly believes our recommendations continue to be underpinned by strong industrial logic and will enhance the ability of UK companies to be competitive in the increasingly challenging and diverse British and global marketplaces.

Therefore, for those that have not yet implemented the recommendations, we strongly urge you seriously reflect on the views discussed here and carefully consider your commitment to diversity, including in the form of race and ethnicity, across your organisation. In addition, we ask that all stakeholders (including regulators and shareholders) take the steps they are able to encourage or ensure that the Parker Review recommendations be taken forward, including the achievement of (at least) “One by ‘21”.

Without reservation, the Steering Committee thanks those Boards, Chairs and companies that have engaged with us and sought to embrace the recommendations – it is so very important to exhibit how constructive change can happen, and to highlight the lasting benefits accruing to those leading the charge.

The Parker Review Steering Committee

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Current Profile of FTSE 350 Boards

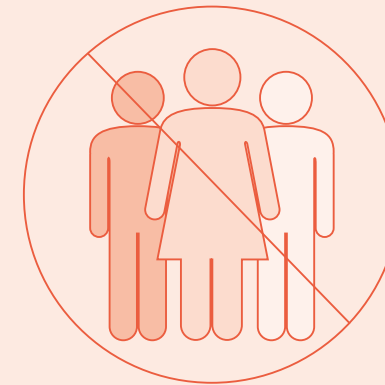


Key Findings

This iteration of the Parker Review was conducted through survey research of all FTSE 350 companies. Data presented is therefore self-reported by companies. As a result of GDPR restrictions, we have changed the mode of obtaining data from the previous method which involved imputing ethnicity classifications from open sources. In addition we have expanded the coverage beyond FTSE 100 companies, to include the FTSE 250.

The data obtained through survey responses has enabled us to determine whether 256 companies within the FTSE 350 have or have not met the Parker Review target of one director of colour on their Board.

Key Findings



150 companies out of **256**

companies (59%) **did not meet** the target of having at least one director of colour on their Boards, with less ethnic diversity observed on the Boards of FTSE 250 companies.

FTSE 100

31 of 83

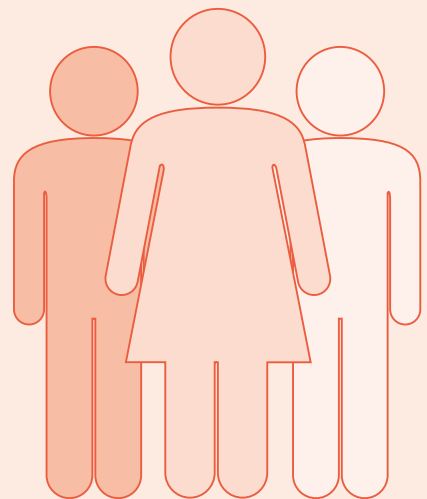
companies (37%)
did not meet the target

FTSE 250

119 of 173

companies (69%)
did not meet the target

There were



172 directors of colour in the FTSE 350 holding

178 director positions. This amounts to

7.5% of all FTSE 350 directors where we know the ethnicity of the individuals.

It amounts to **6.8%** of all FTSE 350 directors (including directors where we do not know their ethnicity).

FTSE 100

98

directors of colour

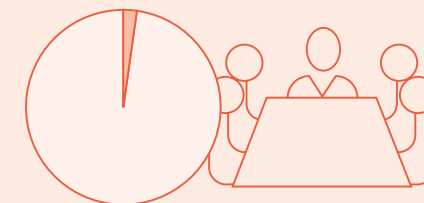
in post, **11.3%** out of directors of known ethnicity, **9.7%** when directors of unknown ethnicity are included.

FTSE 250

80

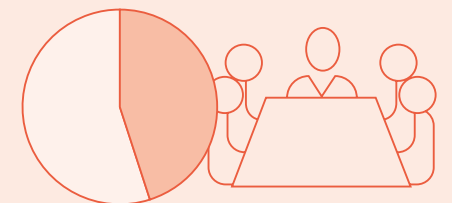
directors of colour

in post, **5.3%** out of directors of known ethnicity, **5.0%** when directors of unknown ethnicity are included.

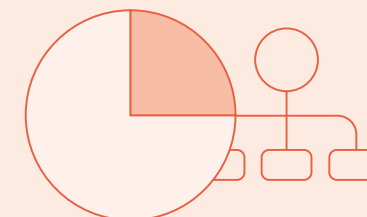


British citizens who are directors of colour held 61 Board posts across the FTSE 350,

representing **2.6%** of all those directors where we know their ethnicity, and **2.3%** of all directors (including directors where we did not know their ethnicity).

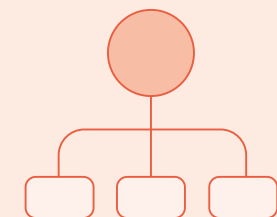


Considering Board positions held by directors of colour, across the FTSE 350, 43% are held by females, comprising 42% of director of colour positions in the FTSE 100 and 45% of director of colour positions in the FTSE 250.



There is a concentration of directors of colour in a small number of companies.

Eight companies account for nearly **25%** of the directors of colour.



Across the FTSE 350, there are only 15 directors of colour from the survey respondents who occupy positions of Chair or CEO.

These stats are based on data collected through surveys to the FTSE 350 and are self-reported. The above figures only take into account the responses received which had sufficient data to be able to tell if the company did or did not meet the target of having one or more director of colour on their Boards.

Profile of Companies

FTSE 350: Response Rates and Overall Findings

1. The number of responses to the survey, and associated response rate, are as follows:
 - i. FTSE 350: 299 out of 350 companies (85%).
 - ii. FTSE 100: 96 out of 100 companies (96%).
 - iii. FTSE 250: 203 out of 250 companies (81%).

These response rates reflect a high level of engagement with the Review, and in the case of the FTSE 100, display almost a 100% response. Data was collected between July 2019 and January 2020. It should be recognised that Board composition may have changed since then and the publication of this report.

2. **256** companies responded with sufficient data to be able to disclose if they met or did not meet the target of having one or more directors of colour on their Boards. This comprised **83** companies from the FTSE 100, and **173** companies in the FTSE 250.
3. Across the FTSE 350 responses with sufficient data to determine if the target was met, **150** of the 256 companies (**59%**) did not meet the target, while **106** of these 256 companies (**41%**) met the target.
4. **51** companies did not respond to the survey. This includes companies that only entered the FTSE 350 in October 2019. The October 2019 lists of companies in the FTSE 100 and FTSE 250 are used throughout this report. Unfortunately, there was insufficient time to survey the companies new to the FTSE 350 at that point. These companies are Airtel Africa PLC, Finabl PLC, Foresight Solar Fund Ltd, Sirius Real Estate Ltd, Trainline PLC, and Watches of Switzerland Group PLC.
5. It is unknown if **43** further companies in the FTSE 350 met the target, as they reported having no directors of colour



- but categorised one or more of their directors as ‘other’ or ‘prefer not to say’.¹
6. There may be a social desirability effect in play; that is, companies being less likely to respond if they have not met the target. It is feasible therefore that up to 244 companies in the FTSE 350 (**70%**) did not meet the target, when the 150 known ‘not met’ firms are added to the 51 companies who did not respond, and the 43 other unknown companies.

FTSE 100 and FTSE 250 Results

7. Considering only ‘known’ companies from the FTSE 100, **52** of **83** respondent companies (**63%**) met the target, and **31** of **83** respondent companies (**37%**) did not meet the target. This compares to 54 of 100 companies (54%) not meeting the target in 2018, and 51 of 100 companies (51%) not meeting the target in 2017.

8. Although this suggests an improvement over time, non-responders and otherwise unknown companies make comparisons between years unreliable. If all such companies have no directors of colour then 48 of the FTSE 100 (the 31 who have not met the target plus the 17 non-responders or otherwise unknown companies) would not have met the target. This is only a small improvement on prior years.
9. Considering only the ‘known’ companies in the FTSE 250, **54** of **173** respondent companies (**31%**) met the target, and **119** of **173** respondent companies (**69%**) did not meet the target. The picture may be considerably worse if a large proportion of the non-responder or otherwise unknown companies have no directors of colour. If this was the case for all such companies, then in total 196 companies (78%) of the FTSE 250 would not have met the target.

	FTSE 100	FTSE 250	FTSE 350
Companies Meeting Target	52	54	106
Companies Not Meeting Target	31	119	150
% Not Met (Base: Known Companies)	37%	69%	59%
% Not Met (Base: All Companies)	48%	78%	70%

¹The methodology deployed reflected the importance of self-identification. When directors preferred not to be identified in one of the Review’s ethnicity classifications, ‘director of colour’, or white European heritage’, and either preferred not to say or indicated preference for an alternative identity, it was not considered appropriate to place individuals into the Review’s classifications.

Investment Trusts

10. Within the FTSE 350, there are **58** investment trusts. Such trusts tend to have fewer overall numbers of directors than other companies and tend to have fewer employees. Of these 58 investment trusts, 18 chose not to respond to the survey resulting in a 69% response rate – lower than the overall FTSE 350 response rate of 85%. Five trusts are categorised as ‘unknown’ as they placed one or more directors in the ‘prefer not to say’ category.
11. For the **35** trusts with sufficient data (those that responded to the survey and responses that are ‘known’), **7** met the target and **28** did not meet the target. There is a possibility that a large proportion of non-responder and unknown trusts also did not meet the target. If all non-responder and unknown trusts have no directors of colour, as many as 51 of 58 investment trusts may not have met the target.
12. There is some argument, given their small scale, for excluding this sector in the figures because it could be argued that the overall results are significantly influenced by the Investment Trusts sector as they represent over 20% of FTSE 350 companies. However, for reasons of comprehensiveness we have included all these companies in the analysis.

Profile of Directors

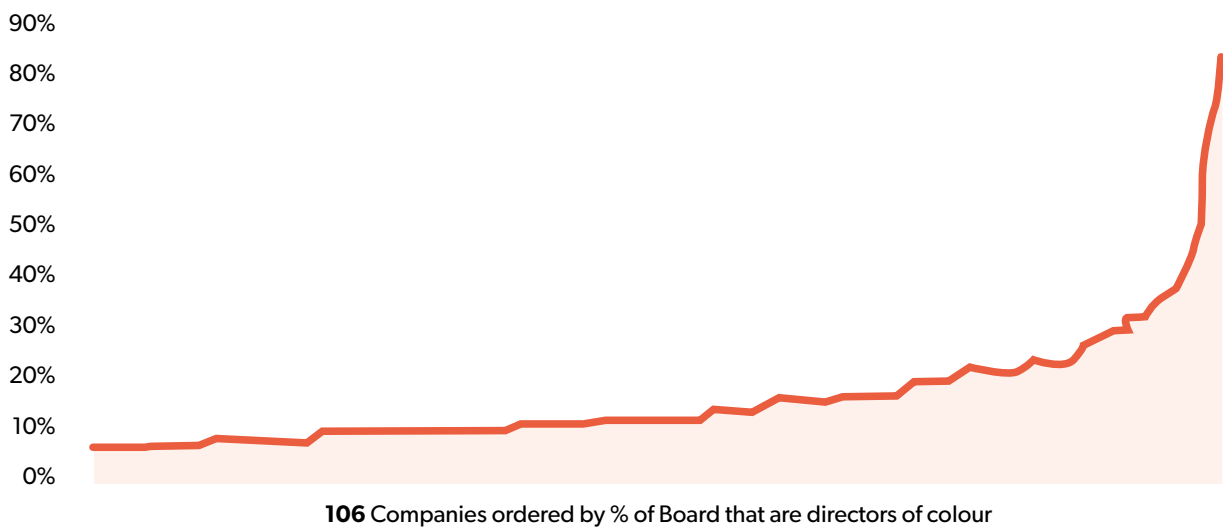
13. From the pool of respondents to the survey, there were **172** directors of colour in the FTSE. **Five** directors of colour sat on the Boards of more than one company in the FTSE 350.
14. Across the **FTSE 350**, the details of 2,625 director positions were recorded, 2,371 (90%) of which were categorised as those held by either directors of colour or directors of white European heritage, as opposed to those selecting ‘other’ or ‘prefer not to say’. Directors of colour held **178** of the positions, that is **7.5%** of positions within the two definitions used in this review, or **6.8%** of all positions including ‘other’ and ‘prefer not to say’ responses.

15. For the **FTSE 100** specifically, the details of 1,011 director positions were recorded, 868 (86%) of which were categorised as those held by either directors of colour or directors of white European heritage, as opposed to those selecting ‘other’ or ‘prefer not to say’. Directors of colour held **98** of the positions, that is **11.3%** of positions within the two definitions used in this review, or **9.7%** of all positions including ‘other’ and ‘prefer not to say’ responses.
16. This compares to 8% of director positions in the FTSE 100 being held by directors of colour in both 2018 and 2017, but non-response makes any comparison unreliable. If it is assumed that firms with fewer directors of colour are more likely not to respond, then a full dataset might result in a picture for 2019 broadly consistent with the results of previous years.
17. For the **FTSE 250** specifically, the details of 1,614 director positions were recorded, 1,503 (93%) of which were categorised as those held by either directors of colour or directors of white European heritage, as opposed to those selecting ‘other’ or ‘prefer not to say’. Directors of colour held **80** of the positions, that is **5.3%** of positions within the two definitions used in this review, or **5.0%** of all positions including ‘other’ and ‘prefer not to say’ responses.
18. As with the results from analysis at the company level, this suggests there is considerably less ethnic diversity among FTSE 250 companies than FTSE 100 companies.

	FTSE 100	FTSE 250	FTSE 350
Directors of colour in post	98	80	178
% of directors of known ethnicity	11.3%	5.3%	7.5%
% of directors of known and unknown ethnicity	9.7%	5.0%	6.8%

19. Of the 106 companies in the FTSE 350 who met the target, there is a concentration of directors of colour in a limited number of companies. **Eight** companies account for nearly 25% of the directors of colour. These include mining companies owned / founded in Central and Southern America and commercial institutions with roots in Asia and Africa.
20. The below graph shows the proportion of directors of colour against total number of directors on the Board in the 106 companies who met the target. Only **38** companies have more than one director of colour. The other 68, although meeting the target, have only one director of colour. The negative skew towards the right-hand side of the graph shows that only in a small number of companies do directors of colour comprise a considerable proportion of the overall Board.

% of Board that are directors of colour



Analysis by Gender

21. Considering Board positions held by directors of colour, across the FTSE 350, **43%** are held by females, comprising **42%** of director of colour positions in the FTSE 100 and **45%** of director of colour positions in the FTSE 250.
22. In the 2017 Parker Review report, it was found that 37 of the 85 Board positions held by directors of colour in the FTSE 100 were held by females (44%). This proportion is broadly consistent with the findings across the FTSE 350 presented here, though missing data in the survey due to non-response or ‘other’ and ‘prefer not to say’ responses means that comparison can only be indicative.

	FTSE 100	FTSE 250	FTSE 350
Board Positions held by directors of colour	98	80	178
Board Positions held by Female directors of colour	41	36	77
% of directors of colour Positions held by Females	42%	45%	43%



UK Citizens

23. **Fifty-seven** of the 172 directors of colour across the FTSE 350 whose details were recorded were UK citizens. They held **61** director positions across the FTSE 350, reflecting **2.6%** of the 2,371 directors recorded as directors of colour or white European heritage, or **2.3%** of the 2,625 directors in total whose details were recorded (including 'other' and 'prefer not to say' responses).
24. British directors of colour held **32** FTSE 100 positions out of the 868 recorded as being held by directors of colour or directors of white European heritage (**3.7%**). This proportion reduces to **3.2%** when set against all 1,011 director positions recorded in the survey, which includes 'other' and 'prefer not to say' responses. This is a small increase on the 2018 and 2017 numbers, which indicated that 2% of the FTSE 100 director population was held by British directors of colour.
25. The 56 British directors of colour held **29** FTSE 250 positions out of the 1,503 recorded as being held by directors of colour or directors of white European heritage (**1.9%**), falling to **1.8%** of the 1,614 total directors whose details were recorded (which includes 'other' and 'prefer not to say' responses).

Chair and CEO Positions

26. Across the FTSE 350, there are only **15** directors of colour from the survey respondents who occupy positions of Chair or CEO. This applies to **6** directors of colour in the FTSE 100 and **9** from the FTSE 250.
27. Data from 2018 and 2017, which applies only to the FTSE 100, suggested there were 9 and 6 directors of colour in post that held these positions respectively. Consequently, the 6 directors of colour in the FTSE 100 identified in the survey as Chairs or CEOs be considered to represent a step backwards. Non-respondent and otherwise unknown companies mean we cannot be certain of this, however.
28. Eleven companies in the FTSE 100 moved from 'not met' to 'met' since the last Parker Review report was published in 2017². They are BAE systems PLC, Barratt Developments PLC, BT Group PLC, Centrica PLC, Experian PLC, Johnson Matthey PLC, Mondi PLC, Rentokil Initial PLC, RSA Insurance Group PLC, SSE PLC, and Tesco PLC. Two companies have gone from 'met' to 'not met' they are Ashtead Group PLC and Royal Bank of Scotland Group PLC.

²Sixty-eight companies in the FTSE 100 were present in the FTSE 100 when the last Parker Review report was published in 2017. Of these, 55 (82%) maintained their status of meeting or not meeting the target. 33 companies maintained a 'met' outcome, and 22 maintained an 'not met' outcome."

FTSE 100 Companies – Parker Review Target

	Company	Met ¹	Not Met ²	Unknown ³	Did Not Respond ⁴	Other
1	Anglo American PLC	✓				
2	Antofagasta PLC	✓				
3	AstraZeneca PLC	✓				
4	BAE systems PLC	✓				
5	Barclays PLC	✓				
6	Barratt Developments PLC	✓				
7	BHP Group PLC	✓				
8	British American Tobacco PLC	✓				
9	BT Group PLC	✓				
10	Carnival PLC	✓				
11	Centrica PLC	✓				
12	Coca-Cola HBC AG	✓				
13	Compass Group PLC	✓				
14	Diageo PLC	✓				
15	Experian PLC	✓				
16	Fresnillo PLC	✓				
17	GlaxoSmithKline PLC	✓				
18	Halma PLC	✓				
19	Hikma Pharmaceuticals PLC	✓				
20	Hiscox Ltd	✓				
21	HSBC Holdings PLC	✓				
22	InterContinental Hotels Group PLC	✓				
23	Intertek Group PLC	✓				
24	ITV PLC	✓				
25	Johnson Matthey PLC	✓				
26	J Sainsbury PLC	✓				
27	Just Eat PLC	✓				
28	Kingfisher PLC	✓				
29	Melrose Industries PLC	✓				
30	Mondi PLC	✓				
31	National Grid PLC	✓				
32	Pearson PLC	✓				
33	Prudential PLC	✓				
34	Reckitt Benckiser Group PLC	✓				

Company	Met	Not Met	Unknown	Did Not Respond	Other
35 Rentokil Initial PLC	✓				
36 Rightmove PLC	✓				
37 Rolls-Royce Holdings PLC	✓				
38 Royal Dutch Shell PLC	✓				
39 RSA Insurance Group PLC	✓				
40 Sage Group PLC	✓				
41 Schrodgers PLC	✓				
42 SEGRO PLC	✓				
43 Smith & Nephew PLC	✓				
44 Smiths Group PLC	✓				
45 SSE PLC	✓				
46 Standard Chartered PLC	✓				
47 Tesco PLC	✓				
48 Unilever PLC	✓				
49 United Utilities PLC	✓				
50 Vodafone Group PLC	✓				
51 Wm Morrison Supermarkets PLC	✓				
52 WPP PLC	✓				
53 3i Group PLC			x		
54 Admiral Group PLC		x			
55 Ashtead Group PLC		x			
56 Associated British Foods			x		
57 Auto Trader Group PLC			x		
58 AVEVA Group PLC		x			
59 Aviva PLC		x			
60 Berkeley Group Holdings PLC			x		
61 BP PLC			x		
62 British Land PLC		x			
63 Bunzl PLC		x			
64 Burberry Group PLC		x			
65 CRH PLC		x			
66 Croda International PLC		x			
67 DCC PLC		x			
68 DS Smith PLC		x			

Company	Met	Not Met	Unknown	Did Not Respond	Other
69 EVRAZ PLC				x	
70 Ferguson PLC			x		
71 Flutter Entertainment PLC		x			
72 Glencore PLC		x			
73 Hargreaves Lansdown PLC		x			
74 Imperial Brands PLC			x		
75 Informa PLC		x			
76 International Consolidated Airlines Group SA		x			
77 JD Sports Fashion PLC				x	
78 Land Securities Group PLC		x			
79 Legal & General Group PLC			x		
80 Lloyds Banking Group PLC		x			
81 London Stock Exchange Group PLC		x			
82 Meggitt PLC			x		
83 Next PLC				x	
84 NMC Health PLC			x		
85 Ocado Group PLC		x			
86 Persimmon PLC		x			
87 Phoenix Group Holdings PLC		x			
88 Polymetal International PLC		x			
89 RELX PLC			x		
90 Rio Tinto PLC			x		
91 Royal Bank of Scotland Group PLC		x			
92 Scottish Mortgage Investment Trust PLC (IT)		x			
93 Severn Trent PLC		x			
94 Smurfit Kappa Group PLC				x	
95 Spirax-Sarco Engineering PLC		x			
96 St. James’s Place PLC		x			
97 Standard Life Aberdeen PLC		x			
98 Taylor Wimpey PLC		x			
99 TUI AG			x		
100 Whitbread PLC		x			
Total	52	31	13	4	0

1. This denotes companies that reported they have a director of colour on their Board.
2. This denotes companies that reported that they don’t have any directors of colour on their Board.
3. This denotes companies who reported having no directors of colour but categorised one or more of their directors as ‘other’ or ‘prefer not to say’.
4. This denotes companies that did not respond to the request to submit their data.
IT: This denotes the Investment Trust companies.

FTSE 250 Companies – Parker Review Target

	Company	Met ¹	Not Met ²	Unknown ³	Did Not Respond ⁴	Other
1	Avast PLC	✓				
2	BBA Aviation	✓				
3	Big Yellow Group PLC	✓				
4	Bodycote PLC	✓				
5	Britvic PLC	✓				
6	Capital & Counties Properties PLC	✓				
7	Centamin PLC	✓				
8	Charter Court Financial Services Group PLC	✓				
9	Cineworld Group PLC	✓				
10	Coats Group PLC	✓				
11	ContourGlobal PLC	✓				
12	ConvaTec Group PLC	✓				
13	CYBG PLC	✓				
14	Dixons Carphone PLC	✓				
15	Domino's Pizza Group PLC	✓				
16	Drax Group PLC	✓				
17	Edinburgh Investment Trust PLC (IT) ⁵	✓				
18	Electrocomponents PLC	✓				
19	Essentra PLC	✓				
20	Fidelity China Special Situations PLC (IT)	✓				
21	FirstGroup PLC	✓				
22	G4S PLC	✓				
23	HarbourVest Global Private Equity (IT)	✓				
24	Hastings Group Holdings PLC	✓				
25	IG Group Holdings PLC	✓				
26	Inmarsat PLC	✓				
27	Intermediate Capital Group PLC	✓				
28	Investec PLC	✓				
29	IP Group PLC	✓				
30	JPMorgan American Investment Trust PLC (IT)	✓				
31	KAZ Minerals PLC	✓				
32	Man Group PLC	✓				
33	McCarthy & Stone PLC	✓				
34	Mediclinic International PLC	✓				

	Company	Met	Not Met	Unknown	Did Not Respond	Other
35	Morgan Advanced Materials PLC	✓				
36	Network International Holdings PLC	✓				
37	PayPoint PLC	✓				
38	Petrofac Ltd	✓				
39	Plus500 Ltd	✓				
40	Polypipe Group PLC	✓				
41	Quilter PLC	✓				
42	Rank Group PLC	✓				
43	Senior PLC	✓				
44	Softcat PLC	✓				
45	Spirent Communications PLC	✓				
46	Synthomer PLC	✓				
47	Tate & Lyle PLC	✓				
48	Temple Bar Investment Trust PLC (IT)	✓				
49	TP ICAP PLC	✓				
50	Tullow Oil PLC	✓				
51	Ultra Electronics Holdings PLC	✓				
52	Vietnam Enterprise Investments Ltd (IT)	✓				
53	Vivo Energy PLC	✓				
54	Witan Investment Trust PLC (IT)	✓				
55	3i Infrastructure PLC (IT)		x			
56	4imprint Group PLC		x			
57	Aberforth Smaller Companies Trust PLC (IT)				x	
58	A.G. Barr PLC		x			
59	Aggreko PLC		x			
60	Airtel Africa PLC					New to Index
61	Aj Bell PLC			x		
62	Alliance Trust PLC (IT)		x			
63	Apax Global Alpha Limited (IT)		x			
64	Ascential PLC		x			
65	Ashmore Group PLC			x		
66	Assura PLC		x			
67	Aston Martin Lagonda Global Holdings PLC			x		
68	AVI Global Trust PLC (IT)		x			

	Company	Met	Not Met	Unknown	Did Not Respond	Other
69	B&M European Value Retail SA				x	
70	Babcock International Limited		x			
71	Baillie Gifford Japan Trust PLC (IT)		x			
72	Bakkavor Group PLC		x			
73	Balfour Beatty PLC			x		
74	Bank of Georgia Group PLC		x			
75	Bankers Investment Trust PLC (IT)			x		
76	BBGI SICAV SA		x			
77	BCA Marketplace PLC ⁵				x	
78	Beazley PLC		x			
79	Bellway PLC		x			
80	BlackRock Smaller Companies Trust PLC (IT)		x			
81	BMO Commercial Property Trust Ltd (IT)				x	
82	BMO Global Smaller Companies PLC (IT)				x	
83	Bovis Homes Group PLC		x			
84	Brewin Dolphin Holdings PLC		x			
85	Cairn Energy PLC		x			
86	Caledonia Investments PLC		x			
87	Capita PLC			x		
88	Card Factory PLC		x			
89	City of London Investment Trust PLC (IT)				x	
90	Clarkson PLC		x			
91	Close Brothers Group PLC		x			
92	CLS Holdings PLC		x			
93	Cobham PLC			x		
94	Computacenter PLC		x			
95	Countryside Properties PLC		x			
96	Cranswick PLC		x			
97	Crest Nicholson Holdings PLC		x			
98	Daejan Holdings PLC ⁶		x			
99	Dechra Pharmaceuticals PLC		x			
100	Derwent London PLC		x			
101	Diploma PLC		x			
102	Direct Line Insurance Group PLC		x			

	Company	Met	Not Met	Unknown	Did Not Respond	Other
103	Dunelm Group PLC		x			
104	EasyJet PLC			x		
105	Ei Group PLC		x			
106	Elementis PLC		x			
107	Energean Oil & Gas PLC				x	
108	Entertainment One Ltd		x			
109	Equiniti Group PLC				x	
110	Euromoney Institutional Investor PLC		x			
111	F&C Investment Trust PLC (IT)				x	
112	FDM Group (Holdings) PLC		x			
113	Ferrexpo PLC		x			
114	Fidelity European Values PLC (IT)		x			
115	Fidelity Special Values PLC (IT)		x			
116	Finablr PLC					New to Index
117	Finsbury Growth & Income Trust PLC (IT)		x			
118	Foresight Solar Fund Ltd (IT)					New to Index
119	Future PLC				x	
120	Galliford Try PLC		x			
121	Games Workshop Group PLC		x			
122	GCP Infrastructure Investments Ltd (IT)		x			
123	GCP Student Living PLC				x	
124	Genesis Emerging Markets Fund LTD (IT)				x	
125	Genus PLC				x	
126	Go-Ahead Group PLC		x			
127	Grafton Group PLC		x			
128	Grainger PLC		x			
129	Great Portland Estates PLC		x			
130	Greencoat UK Wind PLC (IT)			x		
131	Greencore Group PLC		x			
132	Greene King PLC		x			
133	Greggs PLC		x			
134	GVC Holdings PLC			x		
135	Hammerson PLC		x			
136	Hays PLC		x			

Company	Met	Not Met	Unknown	Did Not Respond	Other
137 Herald Investment Trust PLC (IT)		x			
138 HG Capital Trust PLC (IT)		x			
139 HICL Infrastructure PLC (IT)		x			
140 Hill & Smith Holdings PLC		x			
141 Hilton Food Group PLC		x			
142 Hochschild Mining PLC				x	
143 HomeServe PLC			x		
144 Howden Joinery Group PLC		x			
145 Hunting PLC		x			
146 Ibstock PLC		x			
147 IMI PLC			x		
148 Inchcape PLC		x			
149 IntegraFin Holdings PLC		x			
150 International Public Partnerships Ltd (IT)		x			
151 IWG PLC			x		
152 James Fisher and Sons PLC		x			
153 J D Wetherspoon PLC				x	
154 John Laing Group PLC		x			
155 John Wood Group PLC			x		
156 JPMorgan Emerging Markets Investment Trust PLC (IT)				x	
157 JPMorgan Indian Investment Trust PLC (IT)				x	
158 JPMorgan Japanese Investment Trust PLC (IT)				x	
159 Jupiter European Opportunities Trust PLC (IT)		x			
160 Jupiter Fund Management PLC		x			
161 Kainos Group PLC		x			
162 Lancashire Holdings				x	
163 Law Debenture Corp PLC			x		
164 LondonMetric Property PLC		x			
165 Marks & Spencer Group PLC		x			
166 Marshalls PLC			x		
167 Marston's PLC		x			
168 Mercantile Investment Trust PLC (IT)				x	
169 Merlin Entertainments PLC ⁷				x	
170 Micro Focus International PLC			x		

Company	Met	Not Met	Unknown	Did Not Respond	Other
171 Mitchells & Butlers PLC		x			
172 Moneysupermarket.com Group PLC		x			
173 Monks Investment Trust PLC (IT)				x	
174 Murray International Trust PLC (IT)				x	
175 National Express Group PLC		x			
176 NB Global Floating Rate Income Fund Ltd (IT)		x			
177 NewRiver REIT PLC		x			
178 NextEnergy Solar Fund Ltd (IT)		x			
179 OneSavings Bank PLC		x			
180 Oxford Instruments PLC				x	
181 PageGroup PLC		x			
182 Pantheon International PLC (IT)		x			
183 Paragon Banking Group PLC		x			
184 Pennon Group PLC		x			
185 Perpetual Income & Growth Investment Trust (IT)		x			
186 Pershing Square Holdings Ltd (IT)				x	
187 Personal Assets Trust PLC (IT)		x			
188 Pets at Home Group PLC			x		
189 Playtech PLC			x		
190 Polar Capital Technology Trust PLC (IT)			x		
191 PPHE Hotel Group Ltd				x	
192 Premier Oil PLC				x	
193 Primary Health Properties PLC (IT)		x			
194 Provident Financial PLC		x			
195 PureTech Health PLC				x	
196 PZ Cussons PLC		x			
197 QinetiQ Group PLC		x			
198 Rathbone Brothers PLC		x			
199 Redrow PLC		x			
200 Renewables Infrastructure Group (IT)		x			
201 Renishaw PLC				x	
202 Restaurant Group PLC		x			
203 RHI Magnesita NV				x	
204 RIT Capital Partners PLC (IT)				x	

Company	Met	Not Met	Unknown	Did Not Respond	Other
205 Riverstone Energy Ltd (IT)			x		
206 Rotork PLC		x			
207 Royal Mail PLC		x			
208 Sabre Insurance Group PLC		x			
209 Safestore Holdings PLC		x			
210 Sanne Group PLC			x		
211 Savills PLC		x			
212 Schroder AsiaPacific Fund PLC (IT)			x		
213 Schroder Oriental Income Fund LTD (IT)				x	
214 Scottish Investment Trust PLC		x			
215 Sequoia Economic Infrastructure Income Fund Ltd (IT)		x			
216 Serco Group PLC				x	
217 Shaftesbury PLC			x		
218 SIG PLC		x			
219 Sirius Minerals PLC		x			
220 Sirius Real Estate Ltd					New to Index
221 Smithson Investment Trust PLC (IT)		x			
222 Sophos Group PLC				x	
223 Spectris PLC			x		
224 Sports Direct International PLC		x			
225 SSP Group PLC		x			
226 St. Modwen Properties PLC		x			
227 Stagecoach Group PLC		x			
228 Syncona Limited		x			
229 TalkTalk Telecom Group PLC		x			
230 TBC Bank Group PLC			x		
231 Telecom Plus PLC			x		
232 Templeton Emerging Markets Investment Trust (IT)		x			
233 TI Fluid Systems PLC				x	
234 TR Property Investment Trust PLC (IT)		x			
235 Trainline PLC					New to Index
236 Travis Perkins PLC				x	
237 Tritax Big Box REIT PLC		x			
238 UDG Healthcare PLC				x	

Company	Met	Not Met	Unknown	Did Not Respond	Other
239 UK Commercial Property REIT Ltd (IT)				x	
240 Unite Group PLC		x			
241 Vesuvius PLC				x	
242 Victrex PLC				x	
243 VinaCapital Vietnam Opportunity Fund Ltd (IT)				x	
244 Watches of Switzerland Group PLC					New to Index
245 Weir Group PLC			x		
246 WHSmith PLC			x		
247 William Hill PLC		x			
248 Wizz Air Holdings PLC		x			
249 Workspace Group PLC				x	
250 Worldwide Healthcare Trust PLC (IT)		x			
Total	54	119	30	41	6

New to Index: Company new to FTSE 250 in October 2019 and therefore was not sent survey

1. This denotes companies that reported they have a director of colour on their Board.
2. This denotes companies that reported that they don't have any directors of colour on their Board.
3. This denotes companies who reported having no directors of colour but categorised one or more of their directors as 'other' or 'prefer not to say'.
4. This denotes companies that did not respond to the request to submit their data.
5. BCA Marketplace : No longer listed as at November 2019.
6. Dajeon Holdings: All directors also identified as 'other', noting that they are Jewish. As they are all also included in the white European heritage category the company has been categorised as not having met the target.
7. Merlin - Taken private in November 2019.

IT: This denotes the Investment Trust Companies

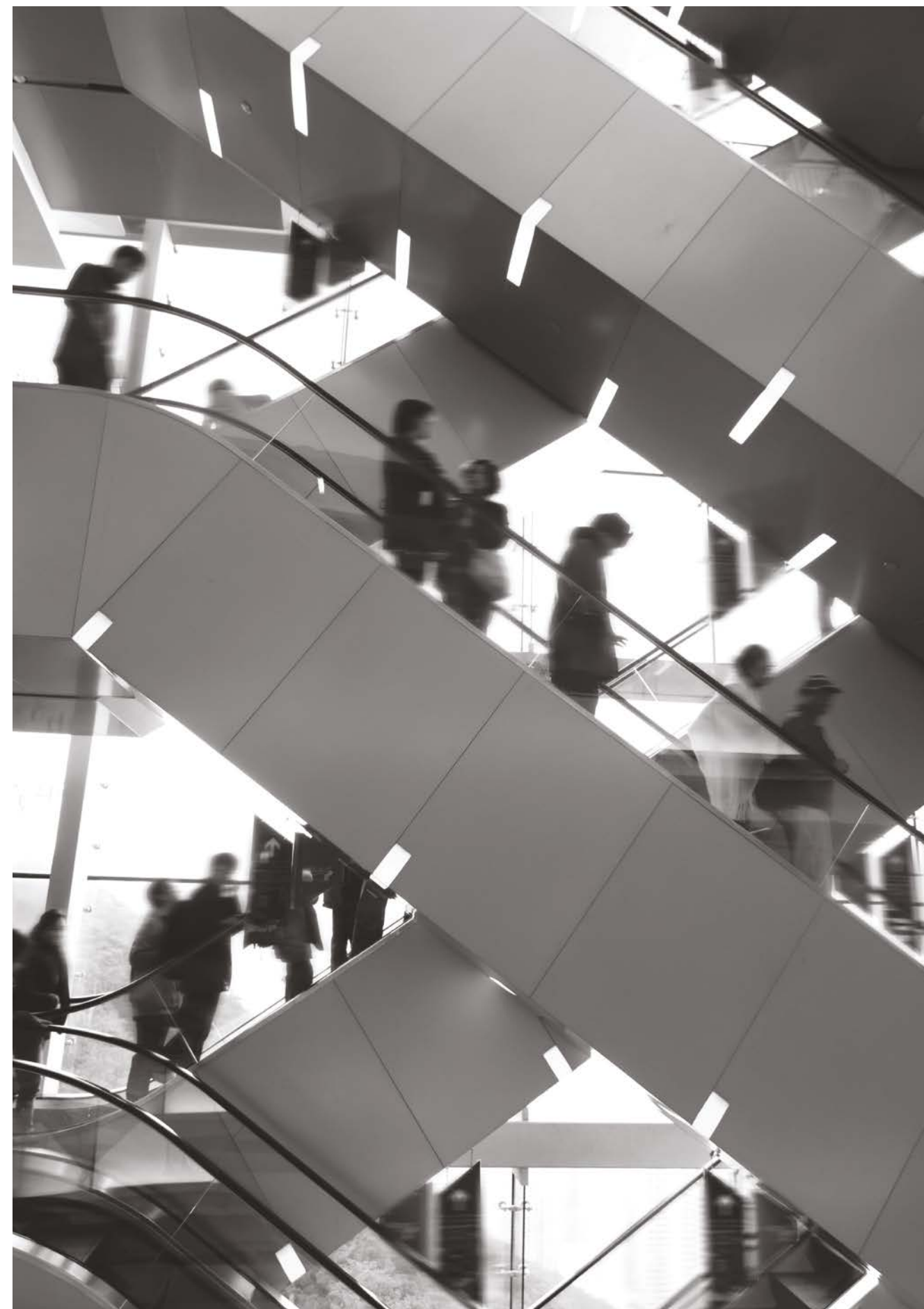


Methodology

29. Data on companies' directors was obtained through an online survey of FTSE 350 firms. A letter was addressed to the Chair of each company, and links to survey were sent to company secretaries, HR directors, and other relevant contacts. Ongoing engagement with companies was undertaken to promote maximum response.³ Data was collected between July 2019 and January 2020.
30. Questions in the survey covered a screening question to ensure directors had consented to their information being processed in line with a Privacy Notice which set out how data would be used; company details; the total number of directors and the self-identified ethnicity of each; and, for directors identifying as directors of colour, questions to record their name, function, gender, nationality, and any other FTSE 350 Boards on which the director sits.
31. The ethnicity categories offered to respondents were: director of colour, director of white European heritage, other (inviting respondents to specify preferred ethnic identities), and a prefer not to say category.
32. Directors are defined as all non-executive and executive directors appointed to the Board. Directors of colour are defined as those "who identify as or have evident heritage from African, Asian, Middle Eastern, Central and South American regions."⁴
33. Results are not fully comparable to previous years as this methodology differs from the one used to collect data for the 2017 Parker Review report, and the 2018 press release, for which the methodology relied on analysis of director names, photographs, biographic data from databases, and, where necessary, additional data obtained from open sources. This mode of obtaining data is no longer used due to GDPR restrictions.
34. In the methodology used for this report, the availability of 'other' and 'prefer not to say' categories, and the option for companies to simply not respond mean that some data is unavailable or unable to be categorised in one of the ethnicity categories used.

³On occasion companies responded via correspondence and provided only the details of directors of colour. When this was the case, external data sources were used to identify total numbers of directors on particular company Boards.

⁴There was sometimes pushback from companies on this terminology, which prompted responses in the 'other' and 'prefer not to say' categories.



3



Reporting on Ethnic Diversity in the Boardroom

Introduction

The Team at the Cranfield School of Management have undertaken some research on behalf of the Financial Reporting Council to assess the current extent and manner of reporting by FTSE 100 and FTSE 250 companies on ethnic diversity at Board and senior management levels in their annual reports.

Since 1999, Cranfield's annual Female FTSE benchmarking report has provided a regular measure of the number of women executive directors on the corporate Boards of the UK's top 100 companies. The UK Corporate Governance Code developed by the Financial Reporting Council (FRC) provides a set of Principles that emphasise the value of good corporate governance to long-term sustainable success and includes Board diversity in its provisions. Monitoring how companies apply the Code helps gauge its impact. Building on Cranfield's expertise in gender reporting, we have produced this report on quality of reporting on ethnic diversity at Board and senior management levels for the FRC.

Data for this report was collected from companies' annual reports published as at 22 July 2019. This review partially replicates the analysis of reporting on diversity at senior management levels by FTSE 100 and FTSE 250 companies in their annual reports prepared by the University of Exeter for the FRC⁵ in *Board Diversity Reporting*, September 2018. Here, we focus on ethnic diversity exclusively.

⁵Board Diversity Reporting, September 2018, University of Exeter Business School

FRC/Cranfield Research on Ethnic Diversity Reporting

The UK Corporate Governance Code was revised in July 2018 and is effective for accounting periods from 1 January 2019. Whilst some of the companies included in this report may have been “early adopters” we think the vast majority have produced their reports according to the 2016 Code. Therefore, as context for the present analysis, we reference both the 2016 and 2018 Codes⁶.

In relation to diversity, the 2016 UK Corporate Governance Code states in section B.2.4 and B.6:

B.2.4 *A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to Board appointments. This section should include a description of the Board’s policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.*

B.6 *Evaluation of the Board should consider the balance of skills, experience, independence and knowledge of the company on the Board, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.*

The 2018 UK Corporate Governance Code strengthens the focus on Boardroom diversity and states in Principles J and L:

J. *Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.*

L. *Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives.*

Provision 23 (2018) states:

The annual report should describe the work of the Nomination Committee, including:

- the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline;*
- how the Board evaluation has been conducted, the nature and extent of an external evaluator’s contact with the Board and individual directors, the outcomes and actions taken, and how it has or will influence Board composition;*
- the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and*
- the gender balance of those in the senior management and their direct reports.*

Methodology

Data for this report was collected from the Annual Reports of FTSE 100 and FTSE 250 companies published as at 22 July 2019. The list of FTSE 100 and FTSE 250 companies used was supplied by the BoardEx database, as at the same date. We analyse the FTSE 100 and FTSE 250 separately because, traditionally, more spotlight has been placed on the FTSE 100 in terms of advancing diversity, and we want to assess whether the degree of progress is as great for the FTSE 250.

This report examines the extent of companies’ reporting on ethnic diversity at Boardroom and senior management levels in their Annual reports. Therefore, it may not be a full representation of all the interventions and activities companies are undertaking and which they may publish elsewhere⁷.

We replicated the methodology applied in Board Diversity Reporting, September 2018, investigating eight of the original sixteen questions, focusing on ethnic diversity. We also added an additional question (c) about the Parker Review.

Key Theme	Research Question	Yes/No	None/Some/More
a) Board Diversity Policy	i. Is there a clear policy on Boardroom diversity?		N/S/M
	ii. Does it specifically mention ethnic diversity?	Y/N	
b) Monitoring Board Ethnic Diversity	i. Does the company set measurable objectives for Board ethnic diversity?	Y/N	
	ii. Do they report any progress against those measurable objectives for Board ethnic diversity across time?	Y/N	
c) Parker Review	If measurable objectives are set, are those objectives in line with the Parker Review recommendations for at least one director from an ethnic minority background by 2021 for the FTSE 100 and by 2024 for the FTSE 250?	Y/N	
d) Diversity in Succession Planning	Is ethnicity specified in director succession planning?	Y/N	
e) Diversity in Board Evaluation	i. Is diversity mentioned as part of the Board evaluation disclosure?		N/S/M
	ii. Does the disclosure specify ethnic diversity?	Y/N	
f) Focus on the Pipeline	Does the company have stated initiatives for increasing ethnic diversity at senior management levels?		N/S/M

⁶Due to variations in reporting style, we were unable to distinguish reliably between companies who prepared their reports based on the 2016 Code from those who reported based on the 2018 Code.

⁷Some companies directed readers to further information on their website, however, to ensure a fair comparison and consistency with the 2018 analyses we limited our analysis to information as published in Annual Reports.

We searched for references to ethnic diversity in the full Annual Reports. First, we concentrated our analyses in the Strategic Report, the Chairman’s Statement, the Directors’ Report and the Corporate Governance Report, including the Nomination Committee Report as the research questions are predominantly concerned with reporting on ethnic diversity at Board level. Once these sections of the report had been searched, a search of the entire Annual Report was conducted using the following keywords: ethnic, divers*, race, colo*, succession, evaluation and Parker, including visual scanning of the whole Report in case key sections on ethnic diversity had been missed by the focused search.

Interrater reliability of coding was ensured by adopting three processes:

- 1. Agreement of parameters prior to data collection with ongoing liaison between the research team
- 2. Frequent moderation of others’ analysis for cross-checking consistency
- 3. Final interpretation of data and conclusions agreed as a team

The companies analysed in the FTSE 100 and FTSE 250 in 2019 may not be the same as those analysed in 2018 due to changes in the composition of the index listing.

Findings from the FTSE 100 and FTSE 250

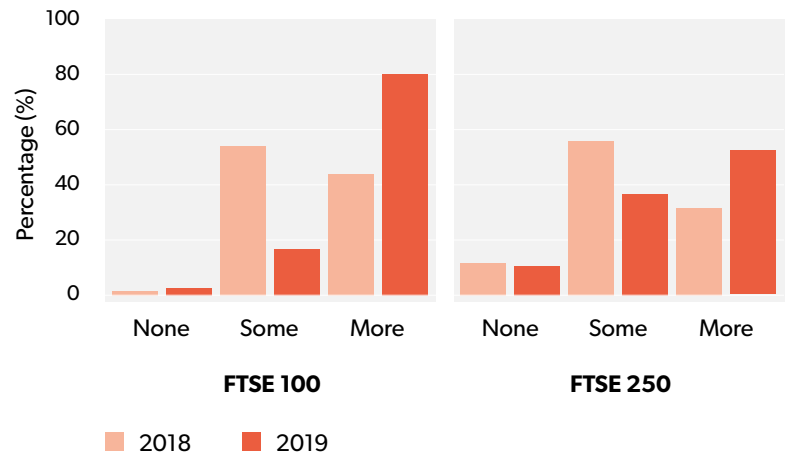
a) Board diversity policy

We searched for references to companies’ Board diversity policies to identify the extent to which i) clear policies have been established and ii) specific references to ethnic diversity occur.

- i. We followed the categorisations for ‘none,’ ‘some’ and ‘more’ used in the 2018 report. Reports were categorised as ‘none’ if no Board diversity policy was included in the report or if companies explicitly stated that they did not have one. Reports were categorised as ‘some’ if they made specific reference to a Board diversity policy, but provided little elaboration beyond some acknowledgement of the value of Board diversity. Reports were categorised as ‘more’ if they provided more detail about their policy, and included at least two or more of the following elements:
 - Board level diversity statistics;
 - Board diversity targets;
 - showing support of published reports on diversity;
 - referencing diversity characteristics other than gender or ethnicity (e.g. age, disability, social or educational background); and
 - articulating a view on the benefits of diversity at Board level (e.g. to introduce different perspectives into Board debate and decision-making).



Is there a clear policy on Boardroom diversity?



For FTSE 100 companies we identified 80% as having a diversity policy categorised as ‘more’ (compared to 44% in 2018) and this was 52% for the FTSE 250 (compared to 32% from 2018). These percentages represent a notable increase from 2018. However, on further examination of those organisations categorised as ‘more’, we observed that some just described their diversity policy and approach to ethnic diversity, which we call “positioning”, while others took a more proactive approach by also outlining their actions. Those we describe as taking an “actioning” stance on ethnicity, that is, reporting their actions/ activities/deeds in relation to improving ethnic diversity in their organisation⁸.

		Is there a clear policy on Boardroom diversity?			Does it specifically mention ethnic diversity?	
		None	Some	More	Yes	No
FTSE 100	2018	2%	54%	44%	33%	67%
	2019	3%	17%	80%	69%	31%
FTSE 250	2018	12%	56%	32%	30%	70%
	2019	11%	37%	52%	48%	52%

⁸Some of the companies that took an “actioning” stance also reported on initiatives for diversifying their pipeline. Reporting on the pipeline is addressed specifically in section (f) later on.”

- ii. We also examined specific references to ethnicity in diversity policies. Again, we observed significant improvements compared to 2018 with respect to specific mention of ethnicity in companies' reporting of Board diversity policies increasing from 33% to 69% for the FTSE 100 and 30% to 48% for the FTSE 250. Although reference to ethnicity specifically has increased, gender is still the predominant lens through which Board diversity is reported by the FTSE 100 and FTSE 250.

Further, we found that some companies in reporting on their Board diversity policy referred to national/regional/geographic/cultural diversity without reporting on ethnic diversity.

b. Monitoring Board ethnic diversity

We examined companies' monitoring of Board ethnic diversity to identify the prevalence of reporting on Board-level, ethnic diversity objectives set by FTSE 100 and FTSE 250 companies and their commitment to measuring change.

We identified whether or not companies:

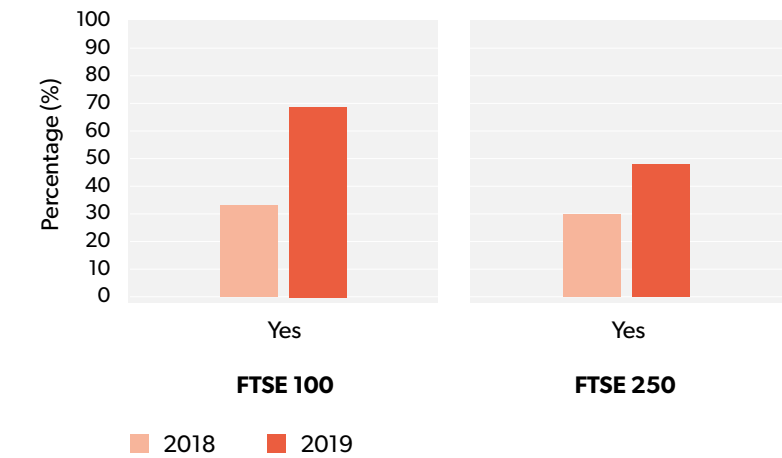
- i. set measurable objectives for Board ethnic diversity and
- ii. reported any progress against those measurable objectives for Board ethnic diversity across time.

By 'measurable objective,' we refer to the companies who have set either an explicit target as well as those reporting a commitment, ambition, or intention to comply with an ethnic diversity target. All the measurable objectives identified were to increase ethnic minority representation at Board level.

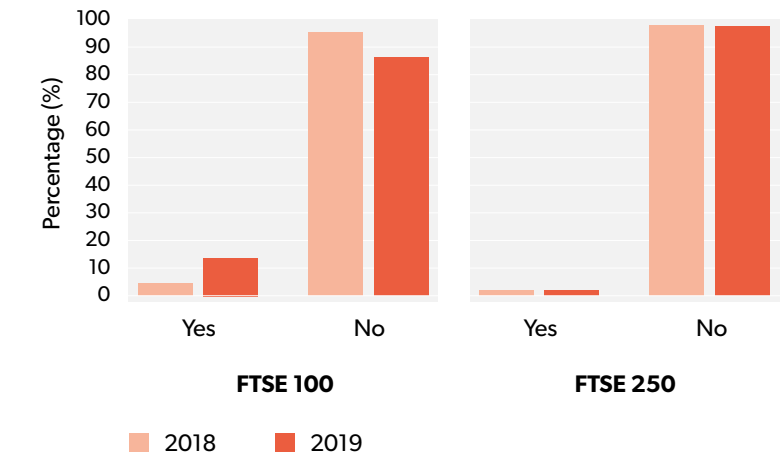
FTSE 100 companies have made some limited improvement over the past year in setting objectives for Board ethnic diversity, increasing to 14% of companies from 4% in 2018. The FTSE 250 has made no improvement, staying at only 2%. And, *none* of the companies in the FTSE 100 or FTSE 250 is reporting progress against those measurable objectives on ethnic diversity, even less than in 2018 when only 3% of the FTSE 100 reported against their measurable objectives.

We also observed that whilst some companies mention both gender and ethnicity in their diversity policy they only disclose gender targets.

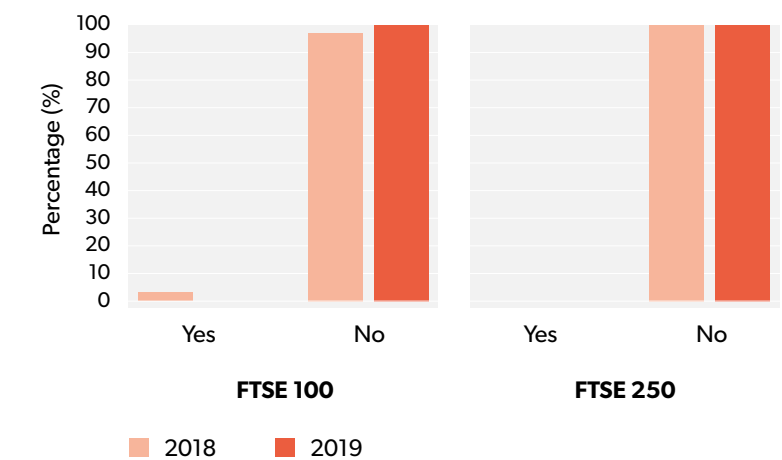
Does the Board Diversity Policy specify ethnicity?



Does the company set measurable objectives for Board ethnic diversity?



Do they report any progress against those measurable objectives for Board ethnic diversity across time?



WEIR



Success Profile: Charles Berry

Chairman

When I was young my heroes were not great individuals but great teams. I have always admired the ability to work together towards a common goal, utilising each other's talents and abilities. It is what I love about sport and it is what inspires me about business. We can all be tempted to surround ourselves with similar people but that is a temptation that should be avoided. In the Boards I have been part of or led, the best discussions have always been informed by a variety of experiences. These don't happen by accident. They need to be nurtured, preferably through a culture of inclusivity and diversity that permeates the whole organisation.

And that, for me, is one of the greatest challenges we face in business. In a time where trust in institutions seems to be eroding, we have an opportunity to show our relevance by better reflecting the communities we rely on to be successful. That is why the Parker Review is such an important catalyst for change, not just in the Boardroom but throughout organisations. At Weir, a global engineering business with facilities in more than 50 countries, we have appointed 15 I&D Ambassadors from around the world to drive improvement. We are providing training to each of our 15,000 employees asking everyone to play their part in making Weir more inclusive and diverse. We have more work to do but we are fully committed to achieving the positive change that is at the heart of the Parker Review recommendations.

c) Parker Review

For the companies that reported on setting measurable objectives, (14% of the FTSE 100 and 2% (5 companies) of the FTSE 250), we examined whether those objectives were in line with the Parker Review recommendation that each FTSE 100 Board should have at least one director of colour by 2021; and each FTSE 250 Board should have at least one director of colour by 2024.

		If measurable objectives are set, are those objectives in line with the Parker Review recommendations?	
		Yes	No
FTSE 100	2019	93%	7%
FTSE 250	2019	100%	0%

The proportions of ‘yes’ responses are high because, of the relatively few companies that do set objectives, perhaps unsurprisingly the majority of these are in line with the Parker Review recommendation.

Further, although they were excluded from the count above because they did not report a *measurable* objective around Board ethnic diversity, we found two sub-themes around companies’ reporting of measurable objectives for ethnic diversity across the FTSE 100 and FTSE 250:

1. Many companies *acknowledge* the Parker Review recommendation without commitment to implementing an objective to increase Board ethnic diversity.
2. Some companies report *meeting* or *surpassing* the Parker Review target but do not set this as an ongoing measurable objective.



Examples of referencing the Parker Review target and reporting that it has been met:

“In relation to ethnic diversity and the Parker Review recommendations, the Company already complies with that in relation to Board representation and also on its executive committee.”

B&M European Value Retail SA, 2018 Pg. 32, FTSE 250

“The Board is pleased to confirm that it already meets the recommendation of the Parker Review for all FTSE 100 Boards to have at least one director of colour on the Board by 2021.”

Barratt Developments PLC, 2018 Pg.77, FTSE 100

Sainsbury's



Success Profile: Jean Tomlin OBE

Non- Executive Director

As a proud, confident black woman I believe I have forged a successful career to become known in business circles as a woman with outstanding people, team and leadership skills, delivering to exceptional standards

within complex and seemingly impossible situations. Most notably as the HR Director for the London 2012 Olympic and Paralympic Games, accountable for the mobilisation of the UK’s largest peace-time workforce of 200,000, including the world-acclaimed 70,000 Games Makers, I am proud to have been instrumental in staging the most diverse and inclusive Games that captivated the nation.

I took my first step on the career ladder as a graduate as the first black woman at Ford Dagenham. I developed my people and negotiation skills with shop stewards and assembly-line workers against a backdrop of inequality and wild cat strikes, “Equal opportunity was a construct recognised by a few...it was sink or swim for us all but there was always that added layer.” Undeterred I joined the Prudential and successfully led three major change programmes to radically transform the salesforce structure, then became Sales and Operations Director of Prudential Direct, culminating my career there as the HRD and a founder member of Egg: the UK’s first online bank. I became HRD at Marks and Spencer – where I transformed the contribution the HR function made to the business agenda. In 2013, I founded Chanzo, where as CEO, I took on global challenges mobilising hundreds of experienced professionals to support other countries to successfully deliver major sporting and cultural events. I am a non- Executive Director of J Sainsbury PLC; Capri Holdings (combining the brands of Michael Kors, Versace, Jimmy Choo) and the Holdingham Group.

My experience as a black woman in business is peppered with colourful stories of how in the face of adversity and unconscious bias, my belief in my own abilities, personality and resilience enabled me, with an intuitive support network, to overcome any obstacles I have encountered. For me the impossible challenges have been the opportunity!

And so it continues... !



d) Diversity in Succession Planning

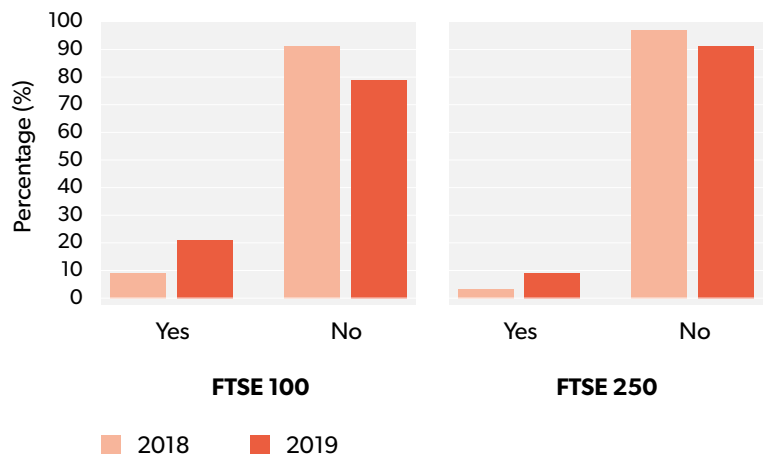
In line with the 2018 report, we also examined the extent to which companies considered ethnic diversity for strategic and on-going refreshing of the Board. We analysed the extent to which Annual Reports made specific references to ethnicity in succession planning.

Encouragingly, more companies in the FTSE 100 and FTSE 250 are specifically mentioning ethnicity in succession planning compared to 2018. However, given the large increases in reporting ethnicity in diversity policies (an increase from 33% to 69% and an increase from 30% to 48% for the FTSE 100 and FTSE 250 respectively; described in section (a) above), we were surprised by the relatively small increases in specific references to ethnicity in succession planning.

Broader diversity or 'gender and diversity' were most frequently reported in succession planning. Reports also frequently referred to aspects of cognitive diversity such as filling skills or knowledge gaps on the Board, as opposed to sociodemographic diversity such as ethnicity, age, or sexual-orientation.

Limiting succession planning to cognitive diversity in Board reporting overlooks the value that sociodemographic diversity may bring to company reporting and performance.

Is ethnicity specified in succession planning?



		Is ethnicity specified in director succession planning?	
		Yes	No
FTSE 100	2018	9%	91%
	2019	21%	79%
FTSE 250	2018	3%	97%
	2019	9%	91%

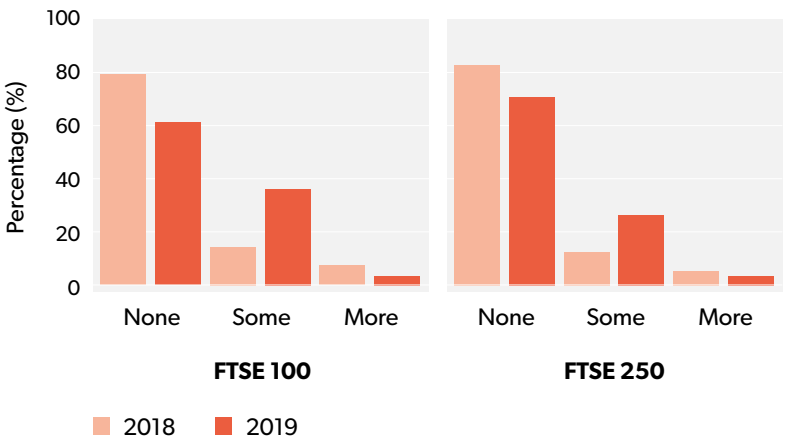
e) Diversity in Board evaluation

Companies' reporting on their Board evaluations provides an opportunity to assess whether companies associate the ethnic diversity of the Board with performance objectives and outcomes. Therefore, we examined whether companies assessed reporting on their i) diversity, and ii) ethnic diversity, as part of their annual Board evaluation.

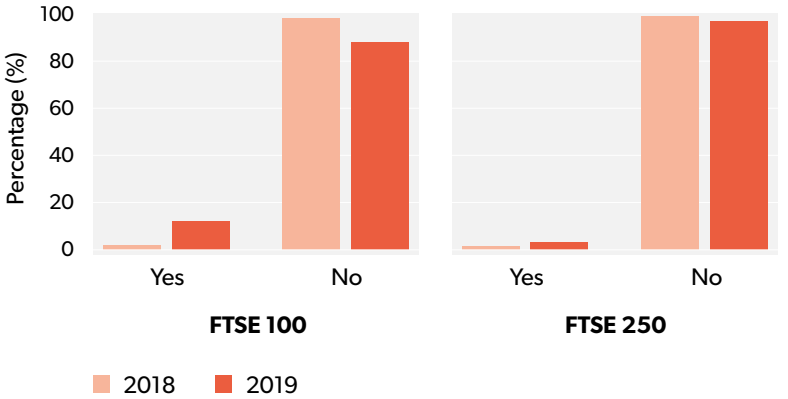
We followed the 2018 categorisations of 'none,' 'some,' and 'more' in relation to the quality of reporting on diversity in companies' Board evaluation. Reports were categorised as 'none' if diversity was not mentioned in the Board evaluation. Reports were coded as 'some' for reporting on Board evaluations in which a cursory mention was made of diversity as either a) a topic of focus or b) a finding/ outcome of the evaluation. Reports were coded as 'more' there was evidence of greater importance accorded by giving detail of challenges acknowledged and/ or a focus on actions to address the issues in reporting on the Board evaluation.

We found that, compared to 2018, there has been more than a 50% rise in mentioning diversity as part of the Board evaluation: coded as 'some'. Specifically, mentioning ethnic diversity in Board evaluation has increased in the FTSE 100 and FTSE 250 but these changes from a relatively low base, with an increase from 2% to 12% in the FTSE 100 and only 1% to 3% in the FTSE 250. And, the proportion of companies reporting on diversity in Board evaluations, coded as 'more' has fallen slightly in both the FTSE 100 and FTSE 250.

Is diversity mentioned as part of the Board evaluation disclosure?



Does the disclosure specify ethnic diversity?



		Is diversity mentioned as part of the Board evaluation disclosure?			Does the disclosure specify ethnic diversity?	
		None	Some	More	Yes	No
FTSE 100	2018	79%	14%	7%	2%	98%
	2019	61%	36%	3%	12%	88%
FTSE 250	2018	83%	12%	5%	1%	99%
	2019	71%	26%	3%	3%	97%

“ A ‘best practice’ example classified as ‘more’ and of ‘actioning’ that effectively links diversity to effectiveness in evaluation reporting:

A review of the committee’s effectiveness was carried out internally this year as part of the Board’s evaluation. The review concluded that the committee was fulfilling its duties effectively. In particular there had been improved reporting and insight into a number of strategically important areas such as talent, diversity, leadership and succession planning across the businesses. The Board felt that this focus should continue, with one of the key actions from the review being that the committee should build upon their oversight of the inclusion and diversity strategies across the Group, including monitoring key performance indicators and action plans... We will continue to support the work which is being undertaken on senior management succession planning and talent pipelines. Inclusion and diversity at all levels throughout the business will be a key focus area. The committee will review the changes arising from the new 2018 UK Corporate Governance Code, where the focus is on the increased importance of high- quality Board composition and diversity.”

Go-Ahead, 2018, Pg. 74, FTSE 250

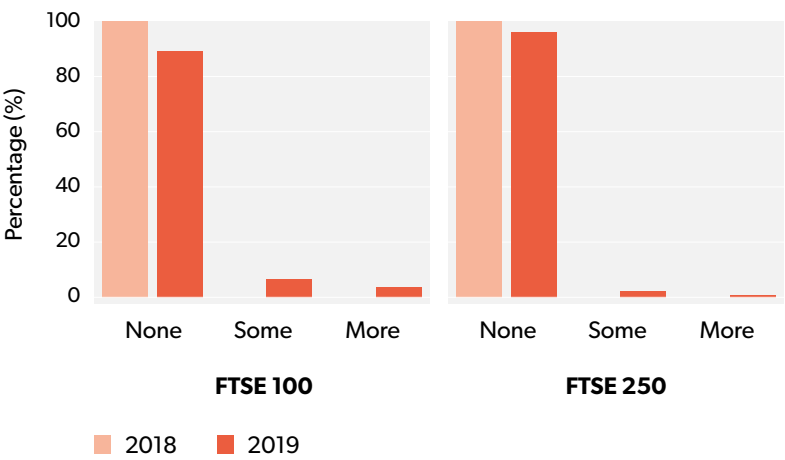
A common feature of reporting on Board evaluation was considering diversity but not linking it to effectiveness. If Nomination Committees are evaluating their Board’s diversity and are drawing conclusions regarding the Board’s effectiveness as a result, we would expect that companies would incorporate and report this as part of their Board evaluation. We observed that many organisations evaluate diversity through their Nomination Committee but do not report the outcome of these evaluations.

An example of a Nomination Committee’s evaluation of diversity:

“ The Nominations Committee regularly reviews the composition of the Board and the Board Committees. It frequently considers a skills matrix for the Board, which identifies the core competencies, skills, diversity and experience required for the Board to deliver its strategic aims and govern the Barclays Group effectively.”

Barclays, 2018, Pg. 40, FTSE 100

Does the company have stated initiatives for increasing ethnic diversity at senior management levels?



		Does the company have stated initiatives for increasing ethnic diversity at senior management levels?		
		None	Some	More
FTSE 100	2018	100%	0%	0%
	2019	89%	7%	4%
FTSE 250	2018	100%	0%	0%
	2019	96%	2%	1%

Example of a stated initiative for improving ethnic diversity in senior leadership:

“ We have a comprehensive Ethnicity Strategy to help us meet our goals, which focus on attracting and retaining talented BAME colleagues; building cultural awareness at all levels; and increasing visibility of authentic role models from a wide range of ethnic backgrounds. By the end of the year 6.4 per cent of senior managers were BAME colleagues, compared with 5.6 per cent in 2017.”

Lloyds Banking Group, 2018, Pg.22, FTSE 100

f) Focus on the pipeline

To assess whether companies are reporting on whether they are looking within their own talent pipelines to increase ethnic diversity at senior management and Board level, we examined whether companies reported on stated initiatives focused on increasing ethnic diversity at senior management levels.

To classify reporting as ‘none,’ ‘some,’ or ‘more’ for stated initiatives for increasing ethnic diversity at senior management levels, we followed the coding of the 2018 report. Reporting was categorised as ‘none’ if no specific initiatives for progressing ethnic diversity were mentioned. Reporting was categorised as ‘some’ if it mentioned an initiative but without detailing how intentions were being implemented. These companies either a) had a stated initiative (e.g. general mentoring programmes) supporting ethnically diverse progression but this did not specifically mention senior leadership representation or b) stated an aim to increase the ethnic diversity of their senior leadership without describing a specific initiative. Employee resource groups or networks were not counted as these are often initiated and managed by minority ethnic employees. Reports were coded as ‘more’ if they went beyond stating a vague aim to increase diversity through the organisation and instead articulated how they were implementing their intentions (e.g. the company described a specific initiative for increasing ethnic minority representation in their senior leadership).

As with setting measurable objectives and succession planning, very few companies are reporting on actions that they are taking to implement initiatives for increasing ethnic diversity in their senior management teams.



Recommendations and Conclusion

In summary, reporting on Board diversity and ethnic diversity specifically has improved since 2018. Overall, we found that:

1. There is an increase in the quality of Board diversity policy reporting, including greater focus on ethnicity, although gender remains the predominant lens through which 'diversity' is reported.
2. Reporting on monitoring of ethnic diversity has increased in the FTSE 100 but not the FTSE 250. Hardly any companies in the latter reported measurable objectives in 2018 and therefore it is understandable perhaps that they are not able to report progress. However, for many of the companies who *do* set measurable objectives, these are in line with the Parker Review recommendation.
3. Specific reference to ethnicity diversity in reporting on succession planning has increased in the FTSE 100 and FTSE 250 since 2018. However, references to broader diversity, including diversity of skills, were more prevalent in companies' reporting of succession planning compared to specific references to ethnicity.
4. More companies are referencing diversity in their reporting of Board evaluations compared to 2018 in both the FTSE 100 and FTSE 250. However, our assessment is that the quality of reporting on diversity in Board evaluations, even for those classified as 'more', has reduced slightly. Given the improvements in *positioning*, or reporting on Board diversity policies, it raises the question of whether companies are *actioning* their commitment to the business case for ethnic diversity.
5. More initiatives aimed at increasing ethnic minority representation through the pipeline are being reported, but these are often unlikely to ethnic diversity in senior management in the short run. The number of stated initiatives is still very low, and mostly focus on general progression rather than specifically increasing ethnic diversity in senior management.

Insights and Recommendations

Beyond the comparative analysis of the ethnic diversity questions from the 2018 analysis by the University of Exeter, a number of considerations emerged from our review of Annual Reports. The sections below outline further thinking inspired by our analyses. We offer recommendations for improved reporting of ethnicity on Boards, in line with the FRC's UK Corporate Governance Code, to encourage Boards to ensure that their practices promote the extent of their commitment to ethnic and broader diversity:

- **Report diversity of culture, geography, and nationality alongside (rather than as a proxy for) ethnicity.**

We observed the use of constructs as proxies for ethnicity in Annual Reports. For example, we found references to culture, geography and nationality, often without reference to ethnicity. We did not use these terms as proxies for ethnicity (see Methodology). To be faithful to the intent behind the Parker Review and ethnic diversity in Board reporting, we recommend that FTSE 100 and FTSE 250 adopt *unambiguous* language when referring to race and/or ethnicity. Alternatively, we recommend that companies with multiple priorities use the range of terms (including ethnicity) and distinguish clearly between how they are using them.

Some companies reported that their intention was to represent the geography and nationalities of their client base on their Board. In this instance, best practice would include ethnicity as well as geography/ nationality, and not replace it.

Example of ‘best practice’ focus on multiple priorities (e.g. race/ethnicity and nationality):

“The Board acknowledges the benefits that a diverse pool of talent can bring to a Boardroom. Among other things, a diverse Board encompasses diversity of experience, social background, education and training, life skills, personal attributes, as well as differences in age, nationality, race and gender.”

Weir Group, 2018, Pg.86, FTSE 250

- **Focus on ethnic diversity at the Board level *and* in the pipeline.**

The focus on the pipeline for succession when reporting on ethnic diversity was very low, despite increasingly sophisticated Board diversity policies. We observed many Annual Reports that specifically referred to ethnicity in their Board diversity policy but did not provide any information on how they planned to increase ethnic diversity throughout the pipeline. Further, there were several instances of the reverse - with many companies describing initiatives (e.g. race networks) more broadly in the organisation but with little or no reference to ethnicity in their Board diversity policy. Many pipeline initiatives for increasing diversity in senior management only refer to diversity more broadly. Where a Board diversity policy specifically states a commitment to increased ethnic diversity, this should be reflected in pipeline initiatives for ethnic diversity in senior management. We have seen, for gender, how the combined work on the Davies and the Hampton-Alexander Reviews spotlight similar issues that contribute to lower gender representation at the most senior organisational levels.



Example of ‘best practice’ ethnic diversity initiative for senior management:

“UK-based employees will be participating in Cross-Organisational Mentoring Circles starting in January 2019. The Circles aim to support the progression and impact of Black, Asian and Minority Ethnic (“BAME”) employees and address their current under-representation at senior levels.”

Essentra, 2018, Pg. 25, FTSE 250

Example of ‘best practice’ diversity in Board evaluation by reviewing previous evaluations and ‘actioning’ outcomes:

“The following actions were identified during the 2017 evaluation: continued focus in meetings on diversity... 2018 evaluation actions: we have received regular progress updates on the Group’s internal diversity programme from the newly appointed Diversity and Inclusion Lead ... Some of the areas that will be actioned in 2019 include: executive search process – ensure the Board’s diversity and inclusion requirements form a key part of the role specification.”

Moneysupermarket.com Group, 2018, Pg. 56, FTSE 250

- **Include diversity in the Board evaluation to assert the Board’s position that diversity is good for performance.**

Of the diversity policies coded as ‘some’ or ‘more’, the majority of these stated that the Board recognised the value of demographic and other diversity in its composition. However, this stated value was not duplicated in their Board evaluation. If Boards endorse the business case for diversity (i.e. that diversity is linked to improved performance), then a logical way of measuring the effectiveness of the Board would be to assess its diversity. We found that this was often not the case. The business case for diversity was endorsed in positioning diversity, but it was much less likely to be evidenced in their actioning.
- **Meritocracy is not the opposite of diversity – both priorities should go hand in hand.**

Discouragingly, we observed that many instances of reporting classed as ‘some’ or ‘more’ on Board diversity policies associated their commitment to diversity (including ethnic diversity) with a reassurance that this would be implemented without compromising on merit. We suggest that this common conflation of diversity with reassurance of merit is an indicator of subtle bias that associates diversifying Boards with ‘lowering the bar’.

Overall, the evidence that diverse teams, when managed and led well, outperform homogenous teams, is robust. We suggest that the responsibility for managing performance associated with greater gender and ethnic diversity rests not with the recently appointed ‘diverse’ director, but with the leadership team, and ultimately the Chair.



Looking Ahead

The Government has committed to improving outcomes for minority ethnic groups in the UK workforce. The new UK Corporate Governance Code facilitates this ambition, promoting diversity as central to Board appointments, succession planning, Board evaluation, and a link between diversity policy and company strategy. Below we discuss how two initiatives discussed in a small number of Annual Reports – the Race at Work Charter and the Ethnicity Pay Gap – may work alongside the Parker Review to drive change going forward.

Race at Work Charter

The Race at Work Charter comprises five principal actions for organisations to take action towards tackling recruitment and progression barriers for minority ethnic people. These actions are⁹:

1. Appointing an executive sponsor for race
2. Capturing ethnicity data and publicising progress
3. Commitment at Board level to zero tolerance of harassment and bullying
4. Making clear that supporting equality in the workplace is the responsibility of all leaders and managers
5. Taking action that supports minority ethnic career progression

⁹From Business in the Community Race at Work Charter

Ethnicity Pay Gap

The Government closed their ethnicity pay gap consultation in January 2019. To date, ethnicity pay gap reporting remains optional. In our analyses, we found that five companies reported that they either voluntarily report their ethnicity pay gap, they intend to report, or that they contributed to the Government’s ethnicity pay gap consultation. The numbers are currently too small to analyse the effects of voluntary pay gap reporting statistically, but mandatory reporting will facilitate companies’ identification of their key barriers to closing the ethnicity pay gap. We expect to see improvements across reporting on diversity policy, monitoring diversity, succession planning and pipeline initiatives with mandatory ethnicity pay gap reporting.

Concluding Remarks

There have been measurable changes in reporting on ethnic diversity at Boardroom and senior management levels since 2018. We observed many references to the Parker Review, including endorsement of the Review, endorsement of its recommendation, or meeting/ surpassing the recommendation. We also observed some reports that mentioned ethnicity without making overt reference to the Parker Review, and reporting of setting a target without referring to the Review. We suspect that the impact of the Parker Review on how Boards view ethnic/race diversity at director level, and other parts of the organisation, may be greater than documented. We are pleased to report, in particular, improvements in the way that Board ethnic diversity is valued in reporting on diversity policies and considered in planning for the future, as reported by these companies.

However, there is considerable progress to be made on ethnic diversity reporting and the current analyses capture the start of this process. We are encouraged by the ongoing Government-based and internal organisational initiatives aimed at facilitating the representation of minority ethnic individuals at senior management and Board levels. We encourage Boards to focus on *actioning*, rather than *positioning*, so that the UK-listed firms, which represent some of the largest global corporations, harness the wide, diverse talent that is available across ethnic heritage.

The Race at Work Charter was launched in October 2018. In our analyses, we found that seven companies *reported* that they were signatories of this Charter. There are currently over 200 signatory firms¹⁰. Due to the relatively recent implementation of the Race at Work Charter, it is unlikely to have had any impact on companies’ 2019 reports and therefore we did not determine the relationship between signing the Charter and the quality of reporting on Boardroom ethnic diversity at this stage. However, a clear commitment to capturing ethnicity data and publicising progress is likely to lead to an improvement in ethnic diversity reporting at Board and senior management levels. In the 2018 Board Diversity Reporting research, statistically significant differences were found between signatories of the Women in Finance Charter and other FTSE 350 companies in their diversity reporting scores. We expect to observe the same benefits for the Race at Work Charter.

¹⁰Race at Work BITC

FRC/Cranfield Research on Ethnic Diversity Reporting - Author's Biographies

The report was written by the following four people:

- Dr Doyin Atewologun
- Professor Susan Vinnicombe CBE
- Dr Manjari Prashar
- Dr Fatima Tresh

As Dr Doyin Atewologun and Professor Susan Vinnicombe CBE are members of the Parker Review Steering Committee their biographies have been included on pages 68 and 70.

Below are the biographies for Dr Manjari Prashar and Dr Fatima Tresh.



Dr Manjari Prashar
(Cranfield School of Management)

Dr Manjari Prashar is a visiting fellow at Cranfield School of Management, participating in the Gender, Leadership & Inclusion Centre, and Researcher. Manjari has over 20 years of experience in cross-cultural training and executive coaching, supporting women into senior leadership in global organisations. Manjari’s research focuses on gender, ethnic and cultural diversity. Manjari also works with Cranfield’s Centre for Executive Development as a coach and facilitator for clients across legal, engineering, IT, consulting and healthcare sectors.



Dr Fatima Tresh
(School of Psychology, University of Kent)

Fatima has conducted research to produce academic and practitioner reports with a focus on organisational diversity. Co-author of a review of the effectiveness of unconscious bias training for the Equality and Human Rights Commission, she has also co-authored a report for the Black British Business Awards on the barriers to progression for talented ethnic minority individuals to senior leadership in the UK. Most recently, she advised and formulated on the Black British Business Awards’ response to the government’s ethnicity pay gap consultation, drawing on her expertise in ethnic diversity, intersectionality and advanced statistics. Fatima has also supported the recent ‘Fair to Refer?’ research report on over-representation of minority ethnic doctors in the Fitness-to-Practise process as commissioned by the General Medical Council, regulators of UK doctors and co-authored Cranfield’s ‘Woman to Watch’ list for 2019.



4

Parker Review Recommendations

The recommendations in our first report in 2017 remain the key targets and actions to be implemented, and are as pressing now in 2020 in light of our survey results and the research commissioned by the FRC.



In summary the 2017 Parker Review Recommendations included:

1. Each FTSE 100 Board should have at least one director of colour by 2021; and each FTSE 250 Board should have at least one director of colour by 2024;
2. Nomination Committees of all FTSE 100 and FTSE 250 companies should require their internal human resources teams or search firms to identify and present qualified people of colour to be considered for Board appointment;
3. The relevant principles of the “Standard Voluntary Code of Conduct” for executive search firms be extended to apply to the recruitment of minority ethnic candidates as Board directors;
4. CEO’s should develop mechanisms to identify, develop and promote people of colour within their organisations in order to ensure over time that there is a pipeline of Board capable candidates and their managerial and executive ranks appropriately reflect the importance of diversity to their organisation;
5. Board directors of the FTSE 100 and FTSE 250 should mentor and/or sponsor people of colour within their own companies;
6. Companies should encourage and support candidates drawn from diverse backgrounds, including people of colour, to take on Executive roles internally, as well as Board and trustee roles with external organisations (e.g., educational trusts, charities and other not-for-profit roles);
7. A description of the Board’s policy on diversity should be set out in a company’s annual report, and this should include a description of the company’s efforts to increase, amongst other things, ethnic diversity within its organisation, including at Board level.

In light of the responses to our survey and in consideration of the latest research on company diversity reporting, the Steering Committee has further recommendations in relation to measuring Board level diversity and to building a pipeline for ethnically diverse Board candidates:

Measurement and
Transparency

- 1. At the early stages of the Hampton-Alexander Review, there were challenges in overcoming resistance to measuring gender representation at Board level. **Similarly for this Review, it should be deemed unacceptable that FTSE 350 companies should not engage constructively with reporting the ethnic diversity of their Boards.** As this report shows, unfortunately, a small number of companies did not respond to our survey.
- 2. **We urge companies to report fully on their ethnic diversity policies and activities as part of their Section 172 reporting requirements and in complying with principles J and L of the UK Corporate Governance Code,** and ideally with reference to supporting the recommendations of the Parker Review. This should cover the Board appointment processes and the work of the Nomination Committee.

Building a Pipeline

- 3. In applying their voluntary code of conduct, **Executive Recruiters should be much more proactive in marketing highly talented ethnic minority candidates,** as has been successfully done in support of the Hampton-Alexander Review.
- 4. **There should be a developed pool of high potential ethnic minority leaders and senior managers as part of a cross-sector sponsorship/mentoring programme** to be sponsored by CEOs across the FTSE 350 through a well-structured and facilitated scheme.

This report also contains an excellent and broad-ranging toolkit developed by EY for companies and those responsible for recruitment to help with implementing many of our recommendations. Refer to the Appendix for The Directors’ Resource Toolkit.



Company Success Stories

These case studies have been selected to demonstrate the range of good practices in which organisations are engaged that may make it easier to meet the Parker Review targets. The information collated is based on data primarily as reported in the company's annual reports and supplemented by publicly available information. The examples were selected to offer a range of initiatives from a selection of companies across the FTSE 100 and FTSE 250.



Board accountability to Employee Resource Groups: An example from Moneysupermarket.com.

Moneysupermarket.com recognises that they do not currently have sufficient diversity in their Executive Management and their direct reports. As part of the Group's 2018 Diversity Action Plan they established employee resource groups ('ERGs') to support grass roots diversity and inclusion initiatives including 'Represent', an ERG focused on supporting the development and advancement of women and ethnic minorities into more senior roles. Moneysupermarket.com reports there will be close links between this employee-led resource group and the Board; members of the ERG will be briefed on the approach the Board takes to increase diversity in future Board recruitment processes.



A multipronged approach to diversifying ethnicity in leadership: An example from National Grid.

National Grid have embarked on several initiatives directly targeting under-representation in ethnicity across the talent pipeline. Interruptions to the status quo include 'blind' talent and selection processes, development interventions, an ethnicity pay gap review and a mandatory requirement for a diverse candidate pool for Board appointments. National Grid is also part of the 6th cohort of Business in the Community's BAME Cross Organisational Mentoring Circles Programme. National Grid has reported increases in ethnic minority representation across their employee population, including two directors of colour on their Board.



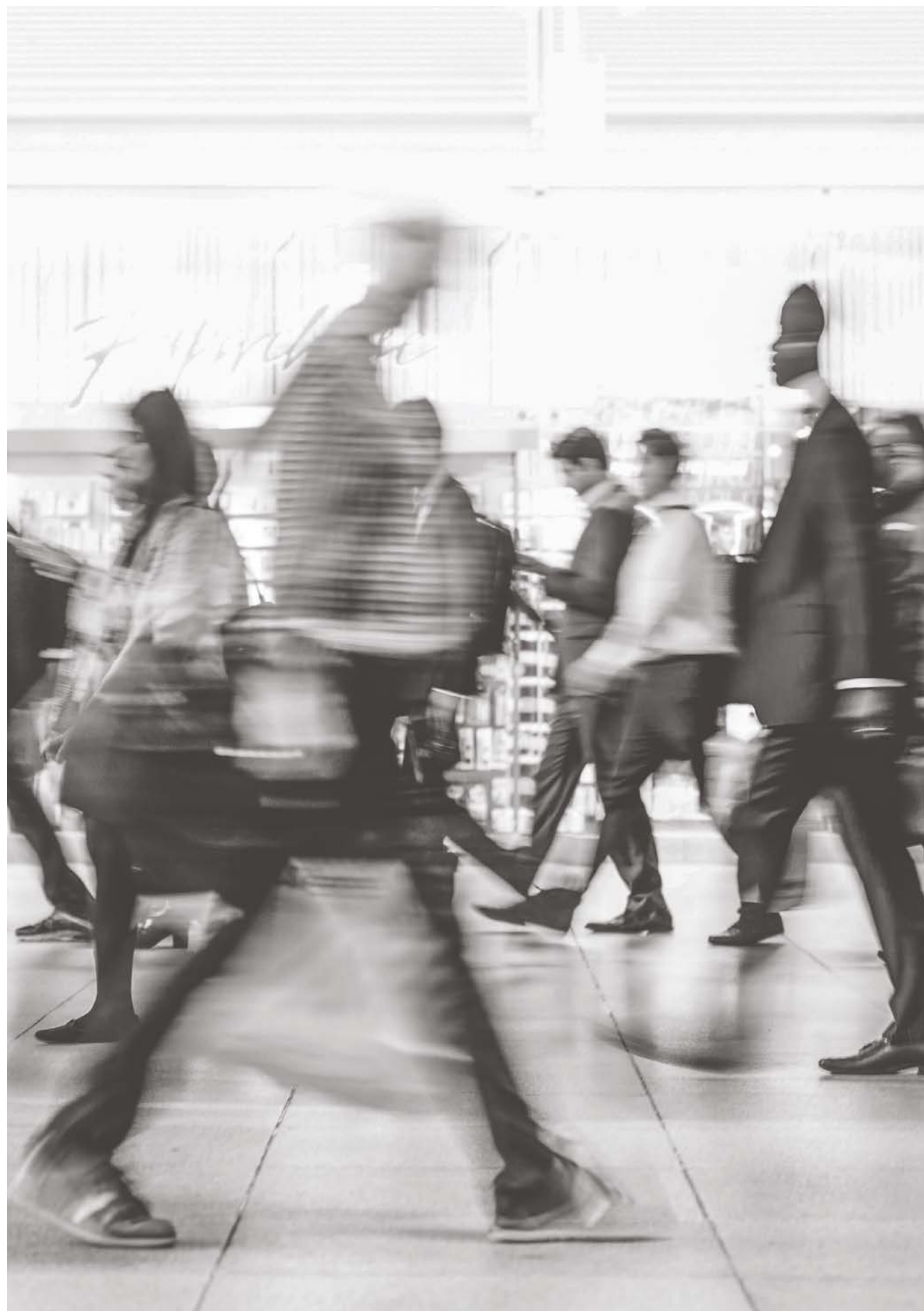
Globally-relevant employee networks: The case at HSBC.

Employees at HSBC are participating in global employee networks for gender, ethnicity, LGBT+, ability, working parents & carers, age, faith and HSBC Communities which cover a wide range of common interest groups. HSBC's Embrace network for ethnicity provides opportunities for colleagues to speak up about internal and commercial issues and opportunities, make connections, and learn from each other. Together the networks help attract, retain and engage a more diverse range of talent, and educate on inclusion to support a more ethnically diverse and multicultural workforce. Ethnic diversity is reflected at Board level, with five Board directors reported with an ethnic minority background. HSBC is committed to monitoring and reporting on its progress towards meeting the Parker Review targets annually.



Public commitment to race targets: The case of Lloyds.

In 2018, Lloyds Banking Group became the first FTSE 100 company to set a public target to increase representation of Black, Asian and Minority Ethnic (BAME) colleagues in senior management and more broadly across the workforce. The Group committed to BAME representation of 8% at senior management and 10 % for the total workforce by 2020. Lloyds Banking Group's ethnicity strategy towards meeting this target includes building cultural awareness across the business and increasing visibility of authentic role models from a wide range of ethnic backgrounds. The organisation also has programmes to foster authentic leadership in senior managers and enable career progression for middle managers. By the end of 2018 6.4% of senior managers were BAME colleagues, compared with 5.6 % in 2017, while BAME colleagues made up 9.5 % of total workforce, compared with 8.3 % in 2017.



Closing Word from Sir Jon Thompson

CEO, Financial Reporting Council

I am personally hugely committed to business leadership diversity and so it gives me great pleasure to welcome and support this second Parker Review report on ethnic diversity in FTSE 350 company Boardrooms.

Our research collaboration with Cranfield University highlights the gaps in company reporting on ethnic diversity. Companies must focus much more on ethnicity in their diversity policies and report better on it if we are to see real positive change in UK Boardrooms and senior management.

The UK Corporate Governance Code, and now the Stewardship Code too, place important requirements on companies and investors alike to pay due attention to promoting diversity and inclusion in business. For future corporate reporting the FRC expects to see better and fuller presentations, not only of company diversity policies, but of the outcomes these achieve.

Diversity in the Boardroom is a component of Board effectiveness and thus how well our companies are run and managed – and that drive for constant improvement must be a goal that we can all share.

Sir Jon Thompson

CEO, Financial Reporting Council

Biographies



Sir John Parker GBE, FREng

Sir John was born into a farming family in County Down (Northern Ireland). He studied Naval Architecture and Mechanical Engineering at the College of Technology and Queens University, Belfast and joined the ship design team at Harland & Wolff in 1964 and subsequently had extensive ship design, research and engineering experience.

Sir John is currently Chairman of Pennon Group PLC and The Laing O'Rourke Group. He is a Non-Executive Director of Carnival Corporation.

He has chaired five FTSE 100 companies, including Anglo American, National Grid PLC, P&O Group PLC, RMC Group and Lattice Group. He was Deputy Chairman of DP World (Dubai) and Joint Chairman of Mondi PLC. He chaired the Court of the Bank of England and was a Member of the Prime Minister's Business Council of Britain, Chancellor of the University of Southampton and immediate Past President of The Royal Academy of Engineering.



David Tyler

David is currently Chairman of two companies: Hammerson PLC (a listed company) and Domestic and General Group (private equity-owned). Previously, he has chaired J. Sainsbury PLC, Logica PLC and 3i Quoted Private Equity PLC, and has been a Non-Executive Director at Experian PLC, Burberry Group PLC and Reckitt Benckiser Group PLC.

David's executive career was spent in financial and general management in Unilever, NatWest, Christie's and GUS. He has an MA in Economics from Cambridge University, and is a Fellow of the Chartered Institute of Management Accountants and a Member of the Association of Corporate Treasurers.



Dr Doyin Atewologun

Dr Doyin Atewologun (Chartered Business Psychologist; Reader & Director at Cranfield School of Management's Gender, Leadership & Inclusion Centre) is one of the UK's foremost experts on leadership, diversity, and intersectionality. Doyin is an evidence-based consultant, award-winning researcher and a regular contributor to the mainstream media.

Doyin is the Lead Academic Adviser for the Parker Review since its inception and has published widely in academic peer-reviewed and trade journals on leadership and diversity. Recently, Doyin co-authored a review of the effectiveness of unconscious bias training for the Equalities & Human Rights Commission.

Doyin is past Deputy Chair of the British Psychology Society's Diversity & Inclusion at Work Group, a voluntary professional group of academic and practitioner members committed to implementing evidence-based approaches to maximise positive outcomes in diverse workspaces.



Sanjay Bhandari

Sanjay is the Chair of Kick It Out, an English football's equality and inclusion organisation. He was previously a partner in EY and member of EY's UK & Ireland Tax Leadership Team. He was also the partner sponsor for EY's diversity and inclusiveness strategy for race, and partner champion for many of EY's award winning race initiatives.

He is an active and recognised leader of equality, diversity and inclusion practice, and was a member of the Premier League's Equality Standard Independent Panel for four years.



Helen Mahy CBE

Helen is Chair of The Renewables Infrastructure Group and is deputy Chair of Primary Health Properties PLC. She is also a Non-Executive Director of SSE PLC and a Norwegian Energy company, Bonheur ASA. Helen is an Equality and Human Rights Commissioner and a patron of the Social Mobility Business Partnership. She was, between 2003 and 2013, Company Secretary and General Counsel of National Grid PLC where she was also executive sponsor of inclusion and diversity, about which she is passionate. She is a former supervisory Board Member of Opportunity Now.

Helen has also been a Non-Executive Director of Aga Rangemaster Group PLC, Stagecoach Group PLC and SVG Capital PLC as well as being a former Chair of the GC 100 Group. She was born and brought up in Guernsey and qualified as a barrister and was also an associate of the Chartered Insurance Institute. Prior to joining National Grid she was General Counsel and Company Secretary of Babcock International Group PLC.



Sir Kenneth Olisa OBE

Ken is Founder and Chairman of boutique technology merchant bank, Restoration Partners. Ken's technology career spans over 40 years commencing with IBM and then as a senior executive at Wang Laboratories working in the UK, Belgium and the USA.

He has considerable public company Board-level experience on both sides of the Atlantic. The first British-born black man to be appointed as a Director of a FTSE 100 company (Reuters) he has also served on the Boards of Open Text, Thomson Reuters, Eurasian Natural Resources Corporation and several AIM-listed businesses.

Ken is equally committed to public service and has been an NHS Trust Director, an inaugural member of regulators, Postal Service Commission and IPSA (Independent Parliamentary Standard Authority); and a Governor of the Peabody Trust. He is the founder of the Aleto Foundation; President of Thames Reach (for which he received an OBE in 2010); Chairman of Shaw Trust; and President of London Youth. In 2011 he and his wife endowed the Olisa Library at his alma mater – Fitzwilliam College, Cambridge and in 2015 Her Majesty the Queen, appointed him as her Lord-Lieutenant of Greater London. He was knighted in 2018 for services to business and philanthropy.



Matthew Percival

Matthew is the People & Skills Policy Director at the CBI. He is responsible for policy development and campaigns on the interactions between employers and their workforce on behalf of the 190,000 businesses that the CBI represents. This work aims to ensure that the UK is a great place to create jobs and invest in people. It includes campaigns on education, training, employee engagement, diversity & inclusion, pay, pensions and employment law.



Trevor Phillips OBE

Trevor Phillips is a writer and television producer. He is the co-founder of the data analytics consultancy Webber Phillips, and Chairman of Green Park Interim and Executive Search.

He is the Chairman of the global freedom of expression campaign charity Index on Censorship; a Senior Fellow at the Policy Exchange think tank; and a Vice-President of the Royal Television Society.

He was the President of the John Lewis Partnership Council until 2018 and founding Chair of the Equality and Human Rights Commission.



Tom Shropshire

Tom is a Partner in the Corporate department of the global law firm, Linklaters LLP, and a member of its Executive Committee in his role as Global Head of the US Practice. Tom is also co-head of the firm's Operational Intelligence Group. Tom has been based in London for over 20 years. Tom advises on M&A and equity capital markets transactions in the US, Europe, Asia and South Africa. Tom also regularly advises UK and global corporates on governance, sustainability, enterprise risk and regulatory change.

From 2011-2014, Tom was a member of Linklaters' Partnership Board. Tom is also the past-Chair of Linklaters Global Corporate Responsibility Committee. Tom is currently a Trustee of Comic Relief and Prostate Cancer UK and has been noted as one of the top ethnic minority executives in the UK and US. Tom is a UK and US citizen, a graduate of the University of Southern California, and obtained his Juris Doctor and Masters of Business Administration (Finance & International Business) from New York University.



Yvonne Thompson CBE

For the last 30 years, Yvonne, as an entrepreneur has worked in the Communications, Marketing and PR industry. During this time she has advised corporates, public sector, educational establishments and government, developing a stellar reputation as being an activist and a campaigner for supporting women and minorities in business, as well as tirelessly championing equality and diversity, particularly in the workplace.

In 2003 she received a CBE in Her Majesty Queen Elizabeth II Birthday Honours List for her work with small business, women and minorities. In 2005 she received a doctorate for her work with women and minorities in small businesses and supporting entrepreneurs from London Metropolitan University, and in 2015 she received her second doctorate for work in Global Diversity and Equality from Plymouth University.

In 2015 she published her first book, "7 Traits of Highly Successful Women on Boards". A book promoting greater gender diversity in company Board rooms, it charts the rise to the top of 22 female Boardroom executives, distilling seven key traits of their success in the process. An Amazon Best Seller in 3 categories before it was released, Dr Thompson has since gone on to inspire thousands of women careerists in public, private, educational and charitable sectors globally.



Professor Susan Vinnicombe CBE

Susan's research interests focus on the lack of women in leadership and specifically on corporate Boards, women's leadership behaviours and the issues involved in women developing their executive careers. She and her co-authors produce the annual Female FTSE Board Report, which she launched in 1999. She has written ten books and over one hundred articles, reports and conference papers.

Susan receives regular recognition worldwide and was honoured in 2016 by the International Women's Forum in Washington as a woman who has "Made a Difference" in the world and become a Companion of the Chartered Management Institute in the UK. Susan was also named in the HR Magazine Most Influential Thinkers, 2016, 2017, 2018 and 2019.

Susan has been presented with the Richard Whipp Lifetime Achievement Award by the British Academy of Management. She was a member of The Lord Davies Steering Committee on Women on Boards between 2010 and 2015 and is on the Advisory Board of the Sir Philip Hampton/Dame Helen Alexander Review on the lack of women in the executive pipeline and that of Sir John Parker's Review of the lack of ethnicity on FTSE 100 and FTSE 250 Boards. Susan was awarded an OBE for her Services to Diversity in the Queen's New Year's Honours List in 2005 and subsequently awarded a CBE for her Services to Gender Equality in the Queen's Birthday Honours, 2014.



Arun Batra OBE

Arun is the Chief Executive Officer and founder of the UK National Equality Standard, is a Partner at EY and has held numerous leading national diversity roles including Diversity Director for the Home Office, Diversity Director for the Greater London Authority for two former Mayors as well as an advisor to the former Attorney General, Baroness Scotland.

He won the prestigious HR Consultant of the Year accolade for making "a significant difference to UK society" and has been repeatedly recognised as one of the UKs most influential Asians in the Asian Power List.

In February 2018 Arun accepted an invitation from the Prime Minister to join a Board to help tackle race disparity in the UK and was recently awarded, on the recommendation of the PM, an OBE for services to Equality, Diversity & Inclusion.



Bilal Raja

Bilal Raja is a Director at EY where he provides assurance services to several top-end FTSE companies across various industry sectors. He has lived and worked in four countries and has been based in London since 2010. He is also a fellow member of the Association of Chartered Certified Accountants.

Bilal completed EY's two year Accelerated Leadership Programme and was also part of the firm's Future Leaders Programme focused on the development of EY's high-performing Black and Minority Ethnic talent.

He has driven EY's contribution to the Parker Review activities, working closely with Sir John Parker, BEIS and other members of the Steering Committee.



Kirstie Wright

Kirstie is an Advisory Manager at EY, working with a range of companies within the Oil and Gas industry to provide advice on performance improvement within Finance. Previously, Kirstie was an Audit Manager with EY within the Energy practice. Kirstie is a member of The Institute of Chartered Accountants in England and Wales.

Kirstie is part of EY's Edge Programme, which is focused on progression of diverse, high performing leadership talent within the firm. Kirstie has assisted Bilal Raja in EY's contribution to the Parker Review and is committed to supporting EY's diversity objectives.

Appendix

The Directors' Resource Toolkit



Introduction to The Directors' Resource Toolkit

Following a robust analysis and consultation process, we have identified the recommendations which we consider to be the most impactful for employers to improve ethnic diversity on Boards and which we believe, if implemented effectively, will drive change in the immediate term.

The world of work is rapidly changing with an expectation from all stakeholders that businesses demonstrate how they are contributing more broadly to society by creating long term value for all. Financial performance is no longer the only demonstration of success and there is an expectation from regulators to see rapid progress in the field of diversity and inclusion. The revisions to FRC UK Corporate Governance Code, alongside increased director responsibilities under Section 172 of the Companies Act, updates to the UK Stewardship Code and increasing demands for gender and ethnic pay reporting, all provides a strong indication of current market sentiment.

The main Parker Review recommendations should be viewed side by side with our recommendations below and McGregor Smith's extensive list of recommendations which have been designed to drive BAME diversity overtime across the workforce.

We know that short term targets can be impactful at propelling change in the

immediate term, however, we advise that this be accompanied with long term planning.

Through our work with the UK National Equality Standard we have, insight from 150+ organisations on D&I strategies, action plans and measurement approaches and have identified that the more recommendations are tailored and bespoke to unique business and sector challenges, the more likely these recommendation are to have a measurable impact.

All organisations should ensure they are working to identify the barriers which are unique to their business and tailoring the recommendations to develop solutions which will drive the most change.

Arun Batra, OBE

EY Partner

Chief Executive Officer of the National Equality Standard (NES)



nationalequalitystandard.com

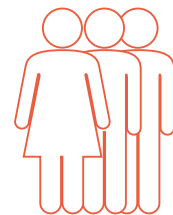
Considering BAME Employees Across The Whole Employee Lifecycle:

Key Questions

Organisations looking to address BAME representation and drive long term change should forensically examine practices and behaviours in relation to:

1. Leadership and culture
2. The employee life-cycle.
3. Data tracking and reporting

Below, we have outlined some examples of the key questions companies should ask themselves to drive a top down strategic approach, which looks at broader aspects of an inclusive culture. We consider each stage of the employee life-cycle in relation to the approach to strengthen the BAME talent pipeline. This should also be underpinned by a systematic approach to data tracking and reporting.



1

Leadership and Culture

Strategy and Business Case

- Does the HR /diversity strategy align with the Parker Review recommendations? Is there a clear action plan for achievement?
- Has the organisation outlined a business case for a more diverse Board?

Culture

- Have efforts been made to improve racial fluency?
- Has work been done to ensure the culture is open and inclusive, with an awareness of the barriers BAME employees face?

Governance

- Are the Board reporting on the processes in place to promote a diverse talent pipeline?
- Are leaders held accountable for identifying and developing BAME talent?

2



Talent Processes

Talent Attraction

- Are Board roles advertised in a way that are open, transparent and visible to all?
- Has any work been done with peers /wider industry networks to create a stronger pipeline?
- Has the employee value proposition been articulated effectively to attract BAME candidates?
- Have recruitment partners been selected with diverse talent sourcing in mind?

Recruitment & Selection

- Has the data from recruitment stages been analysed for BAME drop off?
- Has the eligibility criteria for Board level roles been reviewed to re-define what it means to be 'Board ready'?
- Are name-blind CV approaches being trialled?
- Do hiring managers have the necessary support and training to mitigate bias and apply a contextual recruitment approach?
- Are panels diverse?
- Have positive action approaches been considered?

On Boarding

- Has consideration been given to the package of support /sponsorship required to fill any capability gap which may exist for BAME new-joiners?
- Are BAME networks helping to develop the onboarding process?
- Do messages portray an inclusive culture which understands the diverse background of its employees?

Development

- Has an approach to supporting high performing BAME talent been developed with sponsorship and clear career progression pathways?
- Have top BAME talent been given the critical experiences required to progress?
- Have the performance management processes been reviewed for bias?

Retention

- Are networks engaged to ensure internal communications are inclusive?
- Has employee engagement data been analysed to understand challenges of BAME employees?
- Has reward and recognition data been analysed and has the BAME pay gap been examined?

Exit

- Are exit interviews conducted and analysed to understand any disparity in experience for BAME employees?
- When making redundancies, are efforts made to ensure ethnic minorities are not disproportionately effected?

External

Internal

3



Data Tracking and Reporting

Data Capture and Analysis

- Is BAME data being captured at crucial stages of the employee life-cycle? And has consideration been given to the range of approaches applied to gain a comprehensive set of BAME data?
- Is this data being analysed and reported on?
- Is any disproportionality being addressed?

Reporting / Regulations

- Is key data and progress being reported on in line with the Parker Review, The Companies Act and the UK Corporate Governance Code

Key Examples of Impactful Initiatives

In order to drive genuine impact across all parts of an organisation, companies should apply a holistic approach. The National Equality Standard (NES) framework is outlined on the following page as a guide on the key areas which should be incorporated into a structured and methodological approach to BAME talent. The 35 competency model has been developed by industry and government to drive change and increase representation.

As part of a holistic approach to improving BAME representation, we have outlined what we believe to be some examples of the most impactful initiatives. These have been selected based on our consultations with business leaders and best practice insight. The examples have been highlighted on the following page from a selection of some of the 35 competencies within the NES framework.

National Equality Standard Framework



Apply a cultural assessment to identify particular barriers, causes of different cultural experiences which have an impact on recruitment and retention of BAME employees. Based on the cultural assessment findings, collaborate with BAME staff to develop targeted interventions to improve inclusion and increase retention and progression.

Develop a training programme to build cultural awareness, bring insight into the myth of meritocracy, race fluency and enable managers / leaders to better support BAME staff.

Publish a full breakdown of employee data by race and by grade on the website and annual report and begin to report on annual improvements.

1	2	3	4	5	6	7
Core Components of EDI	Your Talent	Your Business	Your People	Your Leadership	Your Relationships	Review & Measurement
1.1 Culture	2.1 Talent attraction	3.1 Strategy	4.1 Feedback mechanism	5.1 Commitment & accountability	6.1 External relationships & CSR	7.1 Pay gap
1.2 Policies & practices	2.2 Recruitment and on boarding	3.2 Bias	4.2 Mental health & wellbeing	5.2 Visibility & messaging	6.2 Supplier relationships	7.2 Data analysis
1.3 Engagement survey	2.3 Appraisal & performance monitoring	3.3 Business case	4.3 Flexible working	5.3 Inclusive leadership	6.3 Customer insight	7.3 Action planning and implementation
1.4 Targeted training	2.4 Career progression	3.4 Governance	4.4 Adjustments & accessibility	5.4 Senior level scrutiny	6.4 Industry insight & regulations	7.4 Review
1.5 Communications	2.5 Learning & development	3.5 Setting priorities	4.5 Caring responsibilities	5.5 Middle management	6.5 Human rights & modern slavery	7.5 Measurement

Targeted, bespoke interventions should be developed to replenish and strengthen the pipeline. This can be supported by a formalised career framework, with transparent progression opportunities and a clearly defined pathway to the Boardroom.

Internal reverse sponsorship schemes can be developed with structured content and a focus on race/ cultural fluency.

Organisations should encourage employees to provide diversity data, they can select 'prefer not to say', however they should be prompted to fill in the content of the key diversity questions. This data should be tracked. Data should be captured across recruitment and progress stages, this will build a deeper understanding of progress, barriers and drop-offs and allows for more targeted BAME interventions.

Key Questions for the Board

Below we have consolidated the key questions for Board leaders designed to accelerate progress in order to meet the Parker Review recommendations and in part required by the UK Corporate Governance Code. We are confident that organisations who address the key requirements below can drive increased BAME representation.

Question	Required By	Applies To
1 Is there a separate section of the annual report to describe the work of the Nomination Committee, including the process it has used in relation to Board appointments? Does this section should include a description of the Board’s policy on diversity, including gender, and ethnic minorities any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives?	UK Corporate Governance Code (B.2.4)	FTSE 350
2 Does any evaluation of the Board consider the balance of skills, experience, independence and knowledge of the company on the Board, its diversity, including gender, and ethnic minorities and how the Board works together as a unit, and other factors relevant to its effectiveness?	UK Corporate Governance Code (B.6)	FTSE 350
3 Are all appointments to the Board subject to a formal, rigorous and transparent procedure? Is an effective succession plan maintained for Board and senior management? Are both appointments and succession plans based on merit and an objective criteria and, within this context, and do they promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths?	UK Corporate Governance Code (Principle J)	FTSE 350
4 Do annual evaluations of the Board consider its composition, diversity and how effectively members work together to achieve objectives?	UK Corporate Governance Code (Principle L)	FTSE 350
5 Does the annual report describe the work of the Nomination Committee, including: <ul style="list-style-type: none">the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline;how the Board evaluation has been conducted, the nature and extent of an external evaluator’s contact with the Board and individual directors, the outcomes and actions taken, and how it has or will influence Board composition;the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; andthe gender balance, and ethnic balance of those in the senior management and their direct reports.	UK Corporate Governance Code (Provision 23)	FTSE 350
6 Do you expect to have at least one director from an ethnic minority background on the Board by 2021 for FTSE 100 companies or 2024 for FTSE 250 companies?	The Parker Review 2017	FTSE 350
7 Are you engaging constructively with reporting on ethnic diversity on Boards? Are you developing high potential ethnic minority leaders and senior managers through a cross-sector sponsorship/mentoring programme?	The Parker Review 2020	FTSE 350
8 Do you have a plan in place to respond to the expected introduction of Ethnic Pay Gap reporting? Are you confident that you have the right employee data in place for this?	Ethnic Pay Gap Reporting	Expected to apply to organisations with over 250 employees in the UK
9 <i>For buyers of products or services:</i> Do your procurement frameworks and policies clearly set out your expectations in respect to the culture and diversity you require from your vendors and suppliers? <i>For providers of products or services:</i> Do you have a clear statement and narrative setting out your organisation’s culture and diversity policies and your commitment to equality and diversity?	Equality Act 2006 and 2010	All places providing goods or services, as well as all employers





Ethnic Diversity Enriching Business Leadership

An update report from The Parker Review

Sir John Parker
The Parker Review Committee

5 February 2020

