

# A Report into the Ethnic Diversity of UK Boards

Sir John Parker  
The Parker Review Committee

Final Report  
12 October 2017

In association with



Linklaters

# Beyond One by '21

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Essential to the effective functioning of any Board is dialogue which is both constructive and challenging...

One of the ways in which constructive debate can be encouraged is through having sufficient diversity on the Board. This includes, but is not limited to, gender and race. Diverse Board composition in these respects is not on its own a guarantee.

Diversity is as much about differences of approach and experience, and it is very important in ensuring effective engagement with key stakeholders and in order to deliver the business strategy."

The Financial Reporting Council (April 2016)



# Ministerial Foreword

**Margot James MP**, Minister for  
Small Business, Consumers and  
Corporate Responsibility

Building an inclusive and diverse workplace which draws on the talents of all of our people, is vital to the UK Economy and is a key part of our Industrial Strategy. If companies are not recruiting from the whole of society, then they are missing out on talent.

The UK labour market is thriving, with more people in work than ever before. Whilst we are proud of this, Sir John Parker's report shows that there is a great deal more that needs to be done to ensure that ethnic minorities are able to participate fully at senior levels of UK business.

As we see from the report, UK citizen directors of colour represent only 2% of directors in FTSE boardrooms, a small fraction of the proportion of the population that has an ethnic minority background. It is clear that the boardrooms of Britain's leading companies do not currently reflect the ethnic diversity of either the UK or their key stakeholders, including customers, suppliers and employees, that are critical to the future of their businesses.

It is important that people are able to work in a workplace where differences are embraced, whether they are differences of race, gender, social background, sexuality, age or even differences of perspective and personality.

Sir John has clearly laid out the commercial case for having a diverse board. As well as contributing to a fairer society, an inclusive environment helps employees to perform at their best. It increases productivity and contributes

to our economic well-being. Sir John's report also emphasises the importance of leadership at the highest level of business, as well as brand, culture, talent and the supply chain.

I would like to thank Sir John and his steering group for leading this work and for championing this very important agenda.

Our success in improving gender diversity shows how embedded cultures can change when business addresses the challenge. I encourage companies to act on the recommendations set out in the report and I am optimistic that with strong leadership from business we will see real progress in improving ethnic diversity in boards over the next few years.

**Margot James MP**  
Minister for Small Business, Consumers  
and Corporate Responsibility



# A Welcome Letter from Sir John Parker

We business leaders know that we cannot operate successful enterprises without the support of our many stakeholders, including our customers, shareholders and employees.

Increasingly they want to be assured that the composition of our Boards not only includes the best range of talent, skill sets and relevant experience available to us, but that they also broadly reflect those we serve and those who work as part of our companies.

UK companies have made great progress on gender diversity but we still have much to do when it comes to ethnic and cultural diversity as a business imperative.

Many of us in business would attest that our experience on Boards that embrace gender and ethnic diversity benefit in their decision making by leveraging off the array of skills, experiences and diverse views within such a team.

In the UK, our talent pool is changing as the composition of our society changes along with our customer base at home and overseas. The databases of a number of executive search firms demonstrate that a range of ethnically diverse eligible candidates, who could be considered for a number of job specifications in the Boardroom, are available now. As time passes, this pool of talent will be enhanced and grow.

Based on my experiences as a member of Lord Davies' review of "Women on Boards", I am confident that by setting out practical issues and coming up with aspirational and realistic objectives and timescales, progressive business leaders will respond and act.

I trust Boards will see our recommendations as "business friendly" reminding us of our need to continue to earn our licence to operate in society and as an initiative to align our Board composition more broadly with our customer base. Those of us that have been on the journey with more diverse multi-ethnic (male and female) and multi-cultural Boards have found the journey not only rewarding, but less daunting than some might see it.

In this review, we set out a series of recommendations for your consideration, which we hope will engender fruitful debate within the business community in particular. We also hope that our Boardroom recommendations will be considered alongside the review of ethnic diversity and the labour market that was led by Baroness McGregor-Smith and published in February 2017.

I am grateful to all of my Review Committee colleagues for their unstinting voluntary service. My thanks, in particular, to Trevor Phillips for his valued and wise counsel and input partly based on his former experience as Chairman of the Commission for Racial Equality, to Amy Winepress as Secretary and Coordinator of the Steering Committee for her valued support, and to Tom Shropshire for his fine efforts to help finalise the Report.

I want to extend our special appreciation to the Partners of EY and latterly Linklaters for their funding and support without which this Report could not have been completed. I am also grateful to Tulchan Communications for their advice and support.

Finally, I would like to thank all of the people and companies that took time to provide us with valuable feedback during the consultation period. I was heartened to see the widespread support for the recommendations and the importance that enhancing diversity in our Boardrooms could have in the future success of the UK. Given the changes occurring in the world, and here within the UK, it has only become more essential that we keep our companies prepared for new social, political and economic realities. Leadership comes from all levels within an organisation, but leadership, both in word and deed, is essential in the Boardroom, and I look forward to seeing changes in that environment that will continue to keep corporate Britain at the forefront of global business.

Sir John Parker GBE, FREng

# Executive Summary

## A Report into the Ethnic Diversity of UK Boards: "Beyond One by '21"

### The Current State of Affairs

As a general matter, the Boardrooms of Britain's leading public companies do not reflect the ethnic diversity of either the UK or the stakeholders that they seek to engage and represent. This Report highlights that ethnic minority representation in the Boardrooms across the FTSE 100 is disproportionately low, especially when looking at the number of UK citizen directors of colour.

### An Examination of the FTSE 100:

**1,050** director positions in total

UK citizen directors of colour represent only about **2%** of the total director population

**85** individual directors of colour (four hold two Board positions)

Total directors of colour represent about **8%** of the total (compared to 14% of the UK population)

**51** out of the FTSE 100 companies do not have any directors of colour

**Seven** companies account for over **40%** of the directors of colour

**Five** out of the **seven** companies have headquarters historically located outside the UK

Only **six** people of colour hold the position of Chair or CEO

*Data as of end-July 2017*

We 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. However, the recommendations we are making are underpinned by strong industrial logic and the need for UK companies to be competitive in the increasingly challenging and diverse marketplace.

Understanding and responding to cultural and demographic change is a major commercial imperative both in the UK and globally. We must all recognise, business included, that the UK has changed dramatically over the past 40 years:

- Today, approximately 14% of the total UK population is a "person of colour", or from a "non-white" ethnic group<sup>1</sup> – up from just over 2% in 1971.
- By 2030, it is expected that the proportion will be closer to 20% of the total UK population.<sup>2</sup>
- By 2051, it is expected that the proportion of people of colour in the UK will reach to over 30% of the total UK population.<sup>3</sup>
- Between 2015-2050, one-half of the world's population growth will be concentrated in nine countries, five of which are in Africa and three in Asia.<sup>4</sup>
- The FTSE 100 derives more than 75% of its sales from outside the UK, and for the FTSE 250 that proportion is over 50%.<sup>5</sup>

Understanding the imperatives around this issue, from the perspectives of both the companies and the target individuals is key to finding a long-lasting solution to Boardroom and pipeline deficit we are seeking to address. The Steering Committee believes that it is important that FTSE 100 and FTSE 250 companies change the way they approach the issue of ethnic diversity in the Boardroom and the pipeline, and that despite the efforts being made, in many cases they cannot be seen to be successful or sufficient. For example, on page 42 of this Report, the observations made by respondents in the Harvey Nash research are instructive.

Our Review highlights clear business reasons for increasing ethnic diversity on UK Boards and, of course, alongside the business drivers, thoughtful and responsible Nomination Committees will no doubt wish to reflect on the social and ethical aspects of ensuring the composition of their Boards reflects the make-up of society and their important constituencies.

<sup>1</sup> We accept that no noun/group of nouns would be perfectly suitable and use the broad term "people of colour" to capture individuals with evident heritage from African, Asian, Middle Eastern and South American regions. Thus, the focus in this Report is on "non-white" directors.

<sup>2</sup> "Older BME People and Financial Inclusion Report: The future ageing of the ethnic minority population of England and Wales", Nate Lievesley, Runnymede Trust and the Centre for Policy on Ageing (July 2010).

<sup>3</sup> Id.

<sup>4</sup> United Nations Department for Social and Economic Affairs [http://www.un.org/en/development/desa/news/population/2015-report.html] (Jul. 2015).

<sup>5</sup> Report by Capital Group (2013).

## Key Business Drivers

### Internal Benefits

Inclusive Leadership & Avoiding “Group-Think”

- A Board capable of drawing on a range of thought, experience & expertise
- A Board that can engage with an increasingly diverse range of stakeholders

Corporate Culture

- A Board that reflects a company’s commitment to diversity
- A Board that reflects the breadth of a company’s ambitions, including those of its employees, customers & communities

### External Benefits

Brand Value

- A Board capable of enhancing & protecting the corporate brands by acting consistently with articulated corporate culture & values
- A Board that reflects the fact that sales of FTSE companies are made increasingly outside the UK & consumers want to align themselves with brands that reflect their priorities

Recruitment

- A Board committed to identifying, attracting, retaining & promoting the best talent, irrespective of the gender, ethnic background, religion or other defining characteristic of any candidate
- A Board that can develop the global talent pool into corporate leaders capable of delivering on the long-term strategy of the company

Supply Chain

- A Board that is capable of appreciating & managing risks associated with global resourcing, which invariably requires an understanding of cultural sensitivities, norms & vulnerabilities

We do not believe that it matters whether the changes we recommend are understood through the lens of changing demographics, the recognition by key stakeholders (including governments, shareholders, employees and consumers) that companies should reflect valuable societal and cultural norms, or because

successful corporate leadership needs to benefit from diversity of thought and improve decision-making. Each and all of these elements may be reason enough to change on their own; however, when taken together, the case for change becomes more clear and compelling.



## Parker Review Recommendations

We believe that now is the time to begin making changes that will evolve the face of corporate Britain and better prepare UK companies to continue to be global leaders in business over the longer term, benefitting from greater diversity of experience, expertise and thought as a result.

Our recommendations are as follows:

### 1. Increase the Ethnic Diversity of UK Boards

- 1.1. 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.
- 1.2. Nomination committees of all FTSE 100 and FTSE 250 companies should require their human resources teams or search firms (as applicable) to identify and present qualified people of colour to be considered for Board appointment when vacancies occur.
- 1.3. Given the impact of the "Standard Voluntary Code of Conduct" for executive search firms in the context of gender-based recruitment, we recommend that the relevant principles of that code be extended on a similar basis to apply to the recruitment of minority ethnic candidates as Board directors of FTSE 100 and FTSE 250 companies.

*We recognise that qualified and credible candidates can come from a variety of backgrounds, genders and nationalities. This Review does not seek to mandate where candidates are drawn from, as this will need to be considered carefully by each company given its strategic needs and ambitions.*

*However, we believe it is important to highlight that only about 2% of all FTSE 100 Board directors are UK citizen people of colour. This compares with people of colour comprising approximately 14% of the overall population in the UK.*

*Looking at all people of colour on the Boards of FTSE 100 companies (regardless of nationality), at the end of the first half of 2017, there were only 85 individual directors who are people of colour (comprising approximately 8% of the total available positions) – over 40% of which are drawn from seven individual companies, five of which have been historically headquartered outside of the UK. Fifty-one companies within the FTSE 100 had no directors of colour, and from a seniority perspective, only six individuals who held the position of Chair or Chief Executive Officer are people of colour.*

*We note, with appreciation, the changes made to the Standard Voluntary Code of Conduct in response to our recommendations in the Consultation Version. We look forward to seeing these being implemented.*

*In order to help UK companies enhance the ethnic diversity of their Boards, we have developed the "Questions for Directors" set out in Appendix A and the "The Directors' Resource Toolkit" set out in Appendix B to help existing Boards deliver on the recommendations of this Report.*

### 2. Develop Candidates for the Pipeline & Plan for Succession

- 2.1. Members of the FTSE 100 and FTSE 250 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.
- 2.2. Led by Board Chairs, existing Board directors of the FTSE 100 and FTSE 250 should mentor and/or sponsor people of colour within their own companies to ensure their readiness to assume senior managerial or executive positions internally, or non-executive Board positions externally.

- 2.3. Companies should encourage and support candidates drawn from diverse backgrounds, including people of colour, to take on Board roles internally (e.g., subsidiaries) where appropriate, as well as Board and trustee roles with external organisations (e.g., educational trusts, charities and other not-for-profit roles). These opportunities will give experience and develop oversight, leadership and stewardship skills.

*We recognise that organisational change must begin at the top. Stewardship, mentoring and sponsorship are essential components in professional development and progression.*

*Without the appropriate commitments from existing Chairs, Boards and executives, UK companies will not attract, develop and retain the best talent, whatever their background and wherever they may be located.*

*We encourage companies to establish objectives for the development of their respective pipelines and to record and track progress against those objectives, and report these matters to their Boards on a regular basis.*

### 3. Enhance Transparency & Disclosure

- 3.1. 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.
- 3.2. Companies that do not meet Board composition recommendations by the relevant date should disclose in their annual report why they have not been able to achieve compliance.

*We believe that the support of Government and regulatory bodies is essential to achieving progress in all aspects of diversity and social mobility, including increasing the representation of people of colour in decision-making and leadership roles in corporate Britain.*

## Implementing Change

Based on the current rates of turnover amongst FTSE 100 directors, we estimate that to reach an ethnically diverse mix similar to that of the overall adult working population by 2021 (approximately 15%), just one in five new Board appointees would need to be a person of colour. In practice, taking into account typical Board appointment cycles, that would mean that (on average) each FTSE 100 company would need to appoint one minority director in the period to 2021. By comparison, at the time of its establishment, the target set out by the Davies Review necessitated (on average) one in three new director appointees to be female.

The timeframe suggested to meet these recommendations are relatively longer than that given to business in the context of the Davies Review, and we believe that the overall task is capable of being achieved before then. We believe that the right approach will be to update the assessment of the overall progress that has been made at the end of 2021.

# Recent Developments: From Consultation to Implementation



- 1.1 The consultation version of this Report was published in November 2016, and was launched at an event at the offices of EY in London. The launch event was well attended by a cross-section of interested parties and stakeholders, including representatives of the UK government, industry and the media.
- 1.2 At the launch of the Report, Rt. Hon. Margot James MP fully endorsed the Report and its recommendations, underscoring its importance by stating that:



[the Report's findings highlight that Board composition does] ... not reflect the society we live in. Nor ... reflect the international markets in which FTSE companies operate.

We are missing voices and perspectives. So many people are being denied opportunities that should be available to them. It is not right that boardrooms in 2016 can still be predominantly male and exclusively white...

Businesses need to recruit the best person for the job if they are going to compete in today's economy, and people from all backgrounds should be given the equal opportunities to contribute.

Because in business as in politics we are selling ourselves short if we don't seek out people from different backgrounds. Sir John's report sets out the commercial case for this very well, covering improvements to leadership, brand, culture, talent and the supply chain."

## Feedback

- 1.3 In the consultation version and at the launch event, there was a request for feedback regarding the Report, its findings and the recommendations set out therein.
- 1.4 Since the launch event, the Steering Committee has received 25 pieces of written feedback regarding the report, and has engaged with a range of different stakeholders on an informal basis. These stakeholders include: Chairs, Non-Executive Directors, senior executives and other members of management from a range of companies, including those in the FTSE 100 and FTSE 250; representatives of executive search firms and recruitment professionals; members of the Department for Business, Energy and Industrial Strategy Committee inquiry on UK corporate governance); representatives of the Information Commissioner's Office; representatives of the Financial Reporting Council; and representatives of interested communities, including the Equality and Human Rights Commission.
- 1.5 As a general matter, the feedback on the consultation version was overwhelmingly positive, with many stakeholders offering constructive suggestions to make the recommendations more impactful.
- 1.6 A summary of the core pieces of written feedback received through the consultation is set out below in greater detail, much of which was also consistent with the informal oral feedback obtained by various representatives of the Steering Committee.
  - 1.6.1 Most commentators felt that the scope of the Recommendations should not be restricted to the FTSE 350 and should be applicable across all companies in the UK since diversity is of fundamental importance for all. In addition, there was a desire to see the Recommendations adopted across the Third Sector and the Public Sector, as they should be seen to be taking the lead on inclusion and diversity, and also have a role to play in preparing candidates for roles in commercial organisations.



1.6.2 In addition, the Steering Committee received feedback from investors, as well as from other interested parties, noting that shareholders have an important role to play with respect to enhancing diversity within the FTSE 100 and 250, including in their Boardrooms. In that context, there were a number of commentators that supported the Steering Committee encouraging investors to be more active in that regard and to engage fully with Board Chairs and senior executives to emphasise the importance of having access to, and incorporating within their respective companies, a diverse pool of talent throughout the organisation, including at the most senior end. The Steering Committee agrees with the sentiments expressed by those commentators and urges shareholders and other investors to engage with Board Chairs, non-executive directors and other senior executives on the importance of inclusion and diversity to the company and its success. We also believe it is wholly appropriate for investors to have due regard for the importance, both in word and in action, that companies have to the importance of inclusion and diversity to their organisations – particularly given the importance to the short, medium and long-term success of UK business.

1.6.3 While the targets for both FTSE 100 and FTSE 250 companies were widely supported and endorsed, there were some commentators that expressed a view that the targets were not stretching enough and/or that having a date for achievement was not helpful. In particular, one commentator felt that companies should set their own strategy in this regard depending on what was realistic for them and their starting point.

1.6.4 Virtually all feedback (formal and informal) endorsed the voluntary nature of the Recommendations; however, also understood that change was required and, in the event of no real progress, mandated change may result.



1.6.5 There were questions and objections raised regarding the usage of the term “people of colour” and the other derivatives of that in the Report. While most accepted that it was difficult, if not impossible, to use a term that was all encompassing, many did not easily recognise the use of that terminology, and suggested using terms or acronyms that had wider resonance in the UK, such as “BAME” (representing Black, Asian & Minority Ethnic) or “Black British”.

1.6.6 The matter was discussed extensively by the Steering Committee, and its view has consistently been that the terminology used in the Report should both be seen as adequately defining and also wholly inclusive for a global audience, given the composition of the FTSE 100 and FTSE 250. Certainly, there may be alternatives to “people of colour”, and in some commentators’ eyes, possibly preferable. However, each of the terms suggested, while broadly recognised, either do not capture a broad enough group of people or are so identified with particular strands of diversity in the UK as to not present as sufficiently inclusive. The Steering Committee’s view is that the terminology is a minor part of the discussion, adequately conveys the meaning necessary for the Report and is sufficiently well-understood for the Recommendations to be implemented.

1.6.7 Commentators felt that a Company’s nomination committee had a key role to play in driving inclusion and diversity within the organisation, and it was suggested that the FRC should clarify the role and remit of the nomination committee and its Chair in relation to diversity and board appointments and disclosure requirements in corporate annual reports.

1.6.8 Commentators all agreed that executive search firms had a key role to play in increasing the ethnic diversity in UK Boardrooms. They noted that engaging with, and bringing appropriate pressure to bear, on executive search firms had worked for enhancing gender diversity on Boards, and therefore, it seemed sensible to extend the rationale and commitments to cover ethnic diversity. It was also noted that there were additional considerations under the Data Protection Act 1998 and Equality Act 2010 that must be managed, and greater clarification from the UK Government would be welcomed.

1.6.9 There was widespread endorsement for the points in the Report regarding the necessity of building a pipeline of qualified candidates, and that all

companies had an obligation to ensure such a pipeline was being developed within their own institutions. That was also recognised as an on-going challenge by many, and development of a broad and deep pool of suitable candidates will take time. There was also a recognition in the informal feedback that many companies and executive search firms had not done enough yet to identify the existing pool of qualified candidates.

1.6.10 There was overwhelming support for mentoring and sponsorship at the senior levels of the organisation, including by the Chair and other Non-Executive Directors, but it was also widely recognised that it was essential for everyone in the company to drive inclusion and diversity and to develop the pipeline. There was also a view expressed that the Report should also highlight the importance that unconscious bias training, “role models” and “reverse mentoring” can play in the development of talent. Further information on mentoring is contained in the Directors’ Toolkit in Appendix B of this Report.

1.6.11 Many commentators noted the importance of transparency and disclosure to ensure that progress gets appropriately monitored. The feedback in that regard was clear about the idea that “what gets monitored, gets done.” However, there was not a uniform view about whether such reporting should be mandatory or voluntary, although a number believed that it should be mandatory. Most commentators raising the point believed that there should be meaningful disclosure about the inclusion and diversity strategy and policies within corporate disclosure, such as annual reports. There was a clear view that it is important for companies to explain the benefits of diversity and convey the link between its diversity policy and its strategy and footprint. Commentators were clear in their view that the focus should be on the strategic imperative of the Board, and a description and evaluation of the practical activities being undertaken, rather than a “tick-box” exercise.

1.6.12 A group of commentators also raised the important role that investors play in this discussion and change initiative. Commentators felt it was important to note that investors are increasingly seeking to align themselves with companies that reflect their beliefs, values and priorities. In addition, there was a recommendation that the report include an explicit call on investors, given their role and pressure they can apply, to strengthen good corporate governance by improving Board diversity.

### The Review by Baroness Ruby McGregor-Smith – “Race in the Workplace”

- 1.7 As noted in the consultation version, the work done by the Steering Committee was completed with the expectation that the review being undertaken by Baroness Ruby McGregor-Smith would be completed and published at a later date.
- 1.8 In February 2017, the McGregor-Smith Review, entitled “Race in the Workplace” was published and contained a detailed analysis of the issues faced by UK businesses in developing Black and Minority Ethnic talent in the workplace. The McGregor-Smith Review made several recommendations to ensure that every person, regardless of their ethnicity or background, can fulfil their potential at work.
- 1.9 Without seeking to repeat the key findings of the McGregor-Smith Review, several of the findings set out in that report are fundamental building blocks for making the recommended and necessary changes in Boardrooms across the UK, including an intensive examination of recruitment, talent development and the creation of opportunities for an increasingly diverse workforce. In particular, the emphasis on developing people from the outset to build a strong pipeline of potential candidates for management and Board directorships is at the core of our recommendations.

- 1.10 The Steering Committee was unanimous in its support and endorsement of the findings and recommendations set out in the McGregor-Smith Review.
- 1.11 The Steering Committee is also unanimous in its support of the initiative to create the Business Inclusion and Diversity Group, Chaired by Rt. Hon. Margot James MP, which is comprised of, amongst others, Sir John Parker, Baroness McGregor-Smith and Sir Philip Hampton.
- 1.12 The Steering Committee would welcome any progress that can be made to embed a culture of inclusion and diversity in all UK-based organisations, whether public, private or third sector. Furthermore, the Steering Committee believes that an integrated and coordinated approach to these issues is ultimately the best approach to engage and support business across the UK, including those that comprise the FTSE 100 and FTSE 250.

### Business, Energy and Industrial Strategy Committee on Corporate Governance Reform

- 1.13 During April 2017, a departmental committee established by the Department of Business, Energy and Industrial Strategy published its report on corporate governance reform in the UK (the “BEIS Report”), which supported the recommendations set out in the consultation version of the Report.
- 1.14 In particular, the BEIS Report stated, in relevant part:



For companies seeking a competitive advantage, the directors and non-executives running them, and those setting the strategic context in which they operate, should be empathetic to the needs and requirements of all those involved, including employees, workers, suppliers and customers. It makes business sense to recruit directors from as broad a base as possible, across the demographic of the UK. We recommend that the FRC embeds the promotion of the ethnic diversity of boards within its revised Code. At the very least, we recommend that wherever there is a reference to gender, the FRC should include a reference to ethnicity, so that the issue of ethnic diversity on boards is made explicit in the revised Code, and is given as much prominence as gender diversity.

... [W]e recommend that the Government should legislate to ensure that all FTSE 100 companies and businesses publish their workforce data, broken down by ethnicity and by pay band.

...We support measures to enhance the executive pipeline, ensuring that talented people within an organisation are encouraged and supported at an early stage of their careers, and beyond, into middle and senior management.

The revised Code should have the issue of board diversity as a key priority and there should be a public explanation of the reasons why members are part of the board. The Code should require boards to cover in their annual reports information diversity on their boards and in the workforce, covering diversity of gender, ethnicity, social mobility, and diversity of perspective. Annual reports should be required to include a narrative on the current position, and an emphasis on what steps the company has taken, and will continue to take to enhance the diversity of the executive pipeline, with agreed targets. This narrative should include how accurately the board mirrors the diversity of both the workforce and the customer base.

The detailed narrative of board diversity in annual reports should be a working document throughout the year, informing the board, the Nomination Committee, middle and senior managers, and the workforce and other stakeholders, about the seriousness that companies are taking diversity and succession issues. The revised Code should make this requirement explicit.”

1.15 The Steering Committee notes the findings and recommendations set out in the BEIS Report, and looks forward to seeing the relevant changes being implemented by the FRC and by companies throughout the UK. The Steering Committee believes that many of the other observations and recommendations set out therein support directly the findings of this Report.

### Changes in the Composition of the FTSE 100

1.16 The Steering Committee has updated FTSE 100-related data to July 2017, which has resulted in certain changes to the analysis undertaken at the time of the publication of the consultation version.

1.17 As at the end of July 2017, there have been a number of changes to the FTSE 100, including new entrants and recent departures.

1.18 Whilst some companies have improved in terms of more ethnic minority directors being appointed since the end of March 2016, in many cases the “improvement” is driven by a result of changes to board composition (i.e. the number of ethnic minority directors stays the same but the total number of directors on the board reduces, thus increasing proportionality).

1.19 The total number of FTSE 100 directors has reduced since the end of March 2016, as the average size of boards shrank. This has slightly improved the metric of the percentage of directors of colour as a proportion of the number of directors of FTSE 100 companies, although the real number has dropped from 94 directors to 85.

1.20 As at the end of July 2017, the total number of directors in the FTSE 100 has decreased from 1,087 per the original research, to 1,050. There are 85 directors of colour in this population. Taking into account four directors who hold more than one role, the total number of ethnic minority directors is 81.

1.21 This number has decreased by nine directors since the original research, which is reconciled as follows: net decrease of one director in companies which remain in the FTSE 100; net decrease of nine directors of companies which are no longer in the FTSE 100 index; net decrease of five directors of companies which are no longer in the FTSE 100 index due to acquisition and corresponding de-listing. These reductions are offset by six directors of colour sitting on the Boards of companies who are new entrants to the FTSE 100.

1.22 Other key statistics have been affected as follows:

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**On a like for like basis, the number of ethnic minority directors has decreased by one person since the end of March 2016**

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**Directors of colour remain at 8% of the total number of directors in the FTSE 100**

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**UK citizen directors of colour represent approximately 2% of the total; an improvement driven by the reduction in the overall number of Board Seats available within the FTSE 100**

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**Six directors of colour hold Chair or CEO positions (a reduction of three since the publication of the consultation version)**

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**Seven companies still account for over 40% of the directors of colour**

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**51 of the FTSE 100 companies do not have any directors of colour (improvement since original research statistic which was 53)**

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1.23 Certainly, the issue of enhancing ethnic diversity within UK Boardrooms continues to be a concern that needs specific attention, and the Steering Committee believes that the findings and recommendations made within the consultation version of the Parker Review remain valid and the case for change remains compelling.

1.24 Therefore, the Recommendations made in this final version of the Report remain unchanged from those made within the consultation version.

### The Future of the Parker Review Steering Committee

1.25 Given the timescales set out in the Recommendations, the Steering Committee believes that it should remain intact throughout the relevant period, at least through 2021.

1.26 During that period, the Steering Committee will meet at least annually to assess the efforts being made and the progress being attained regarding the Recommendations.

1.27 The Steering Committee and its members will continue to engage with a range of relevant stakeholders and work with the Institute of Directors to ensure that progress is being made and that suitable candidates are being prepared to assume Board roles in the future.

1.28 As noted in the Consultation Version of the Report, we are encouraging members of the FTSE 100 and FTSE 250 to adopt the Recommendations on a voluntary basis; however, should there be insufficient progress towards the goals on that basis, the Steering Committee may revise its approach and endorse that the Recommendations (or relevant parts thereof) become mandatory.

# 2

## The Background to the Parker Review

- 2.1 In recent years, attention to diversity in Board leadership has been focused on the gender deficit on UK Boards, particularly through the work of the Government-appointed Review led by Lord Davies of Abersoch (the "Davies Review"). The case, both commercial and moral, to remedy this deficit has attracted widespread backing from business leaders, not only in the UK, but globally.
- 2.2 However, the lack of other aspects of diversity in the UK Boardroom has not gone unnoticed by the Government, the public or business observers.
- 2.3 In 2014, several studies, notably those from Green Park Executive Recruitment ("Green Park") and the Race for Opportunity campaign group, demonstrated that major British companies appeared to have passed over a growing pool of talented minority leaders, it was asserted, to their own cost.<sup>6</sup>
- 2.4 In September 2014, the UK's Financial Reporting Council (the "FRC") announced that it would consider adopting fresh provisions in its corporate code to require narrative reporting on ethno-cultural diversity:

“

[K]ey to the effective functioning of any Board is a dialogue which is both constructive and challenging. One of the ways in which such debate can be encouraged is through having sufficient diversity on the Board, including gender and race. Nevertheless, diverse Board composition in these respects is not on its own a guarantee. Diversity can be just as much about difference of approach and experience. The FRC is considering this as part of a review of Board succession planning and will consider the need to consult on these issues for the next update to the Code...”

- 2.5 The FRC's announcement was welcomed by industry groups, including Race for Opportunity, which was supported by Business in the Community, whose Chair, Adrian Joseph, latterly of EY, said at the time:

“

This announcement from the FRC is huge news from an establishment that has the ability to effect fundamental change in how organisations operate. Currently, there are too few ethnic minorities in prominent leadership positions across the majority of sectors in this country – and this is under-reflective of the number of ethnic minorities in work. Yet it is vital to have role models to help raise aspirations of our young ethnic minority people who are going to be a part of our economic future. Giving them aspiration and hope has never been more important.”

<sup>6</sup> See, "FTSE100 Leadership 10,000 Report", Green Park (Feb. 2014) and "Race at the Top", Race for Opportunity (Jun. 2014).

2.6 These observations have also been made by the Government. In particular, in December 2014, speaking at a breakfast meeting held by the professional services firm EY, the then-Secretary of State for Business, Sir Vince Cable, urged UK business to build on its successful drive to increase gender diversity in Board leadership by drawing attention to the absence of minority ethnic leaders in our largest companies:



**Black and ethnic minority representation on UK FTSE 100 Boards is currently at around 5%, which is much lower than we would expect if the company Boards reflected the population of this country... [I] want us to extend the successful campaign we have led to increase female representation on FTSE 100 Boards to tackle invisibility of ethnic minorities in Britain's top companies."**

2.7 Sir Vince's appeal was supported by the then-Opposition spokesman on Business, Rt. Hon. Chuka Umunna MP, who announced that, if elected, a Labour government would embark on a fresh review of ethnic and cultural diversity on company Boards. Mr Umunna indicated that,



**[W]e have got to go further and look at not just gender diversity but ethnic diversity in British business leadership."**

2.8 The Chair of Anglo American plc, Sir John Parker, who had been a member of the Davies Review, agreed with Sir Vince that during 2015, he would build on Lord Davies' work to bring business leaders together to respond to the challenge of ethno-cultural diversity.



2.9 In late 2015, the then-Secretary of State for Business in the new Conservative administration, Rt. Hon. Sajid Javid MP, affirmed the Government's official support for the initiative and invited Sir John Parker to conduct an official Review. This work would also complement the investigation, to be led by Baroness Ruby MacGregor-Smith, into the progression of minority ethnic groups in the labour market generally.

2.10 The composition of the Review Steering Committee assembled by Sir John Parker is set out earlier in this report. The Committee met throughout 2015 through 2017. All members gave their time and contributions on a voluntary basis. The Committee's work was supported organisationally by EY and research was undertaken by Dr. Doyin Atewologun (Queen Mary University of London, School of Business & Management; and Visiting Fellow, Cranfield School of Management). The Board is grateful for the contributions made by the Institute of Directors and the CBI.

2.11 In December 2015 and February 2016, Sir John and certain of his colleagues met Ministers to discuss aspects of the work to be done. It was agreed that the "Parker Review" would undertake a wider consultation by Autumn 2016 to (i) explore why there is an absence of ethnic diversity on Boards, (ii) suggest realistic and pragmatic ways of increasing ethnic diversity on Boards and (iii) encourage businesses to adopt approaches which could be effective at increasing ethnic diversity on Boards.

2.12 Sir John and his colleagues have also met with members of the All Party Parliamentary Group on Governance & Inclusive Leadership, led by the Rt. Hon. Dawn Butler MP.

2.13 Since publication of the consultation version of the Parker Review in November 2016, the Steering Committee has continued to engage in discussions with various stakeholders about the Report, the recommendations and the best ways to implement changes.

In addition, the Steering Committee met periodically and worked towards finalisation of the Report. A summary of the key developments over the period from the publication of the consultation version to the publication of this final Report is set out in Section 1 on pages 12-19 herein.

# 3

## An Introduction: Ethnic Diversity of UK Boards

- 3.1 This Review addresses a vital aspect of British businesses' competitiveness; and in so doing reflects on the prospects for the UK's continued prosperity in a global economy – an issue that is more important and more contested now than for many years. This Report asks whether, in spite of our legacy as one of history's greatest trading nations, 21st century Britain is truly ready to take on the best that the rest of the world has to offer.
- 3.2 British businesses are admired around the world for a number of reasons – integrity, flexibility, innovation and the quality of their leadership. As a consequence, during recent years, over 75% of sales made by FTSE 100 public companies have been derived from trade outside the UK, and over 50% of the sales made by the FTSE 250.<sup>7</sup>
- 3.3 Clearly, both the domestic UK market and global markets are of fundamental importance to the success of Britain, as has been the case for generations. The issue at hand is whether corporate Britain can continue to adapt to and capitalise upon market changes and demographic shifts in order to retain its position at the vanguard of international commerce and development, as well as continue to be a leading global investment destination. This has only become more important in recent times, given the future changes, uncertainties and opportunities that will present themselves as a result of the decision for the UK to leave the EU. It is essential that the future success of the UK be underpinned by a capable, skilled and diverse workforce. Only in that way will leading global companies still see the UK as the best place to operate and grow their businesses and attract the talent they need and desire.
- 3.4 Stakeholders have become more sophisticated and discerning in their views about global business and its impacts. An increasingly large and effective set of stakeholders want to be certain that they are giving their support to businesses that demonstrate integrity, regard for the best values of our society and a commitment to fairness.
- 3.5 Sound corporate governance, transparent rewards policies, a commitment to the environment and fair employment practices are just four examples of business responsibilities that have in recent years swiftly moved from the "margins" to become priorities for business leadership.
- 3.6 There has been significant progress, and a pathway to greater progress, in one aspect of diversity within UK Boardrooms – gender. We applaud the efforts that have been made in that regard, and believe that continued efforts are needed to make lasting change throughout corporate Britain.
- 3.7 However, without wanting to detract from the efforts that have been made in that regard, the term "diversity" is not solely limited to gender, but also includes many aspects of the human condition.
- 3.8 For the purposes of this Report, we have been asked to focus on ethnic diversity, but many of the observations, learnings and recommendations can apply more broadly. The fundamental point that is being made by any of these Reviews (whether the Davies Review or this one) is that the leadership of UK companies needs to be more inclusive and open in the future. In that regard, the Steering Committee is firmly of the belief that the creation of truly inclusive environments within UK businesses will have a dramatic and positive effect on these companies' efforts to becoming more diverse, and therefore stronger, organisations. The Steering Committee believes achieving that will be key to maintaining the competitiveness of corporate Britain and to securing the long-term commercial success of the companies that call Britain home.

<sup>7</sup> See footnote 5.



3.9 The facts relating to gender contained in the Davies Review and many similar studies painted a stark picture, and so do the facts relating to the lack of ethnic diversity in the UK Boardroom.

3.10 There is undoubtedly a myriad of business-related reasons for the deficit that these numbers suggest, including that for many years UK business may have had a narrower set of strategic ambitions and, therefore, fewer stakeholders to engage.

3.11 However, we must also recognise that British society has evolved over that time, and the demographic make-up of the country and the markets being served by its businesses have become more diverse rather than less. In addition, societal norms and pressures have changed over time, and what was once acceptable and commonplace is no longer so. We must also recognise the increasing importance that technology and technology companies will play in securing the success of British industry in the future. Certainly, for those companies, success will depend on having access to, and attracting, a diverse and talented workforce. It would follow that the people managing those firms in the future will also be successful managing and capable of reflecting that diversity. The Steering Committee notes that the importance of creating inclusive and diverse cultures has come to the forefront in recent months, and the Committee expects that scrutiny to only become greater, not only in the US, but also the UK and across the rest of Europe.

3.12 UK businesses are not immune to these demographic changes or associated market forces, and neither do we expect that UK business leaders believe that they are either.

3.13 As the FRC noted in its report on Corporate Culture and the Role of Boards (July 2016) (the “Corporate Culture Report”):



**[T]he role of the [director] is changing, with inevitable implications for the skillset, diversity and experience that [directors] will add to the Board in the future. Certainly, [directors] will need to become more culturally aware, more tuned in and more knowledgeable about human behaviours and relationships.”**

3.14 This Report seeks to help Boards prepare for the future and, in doing so, develop a pathway to address a crucial issue that has moved rapidly up the agenda of many key constituencies, including business leaders, regulators and politicians – the apparent deficit of ethnic and cultural diversity in the leadership of UK businesses.

# 4

## An Analysis of Ethnic Diversity in UK Boards

- 4.1 The single most important and influential group of public companies in the UK is quoted in the FTSE 100 Index. There are other significant enterprises outside this index, but collectively these companies set trends by virtue of their value, number of employees and public visibility. As of August 2017, the FTSE 100 was comprised of companies with a total market capitalisation £1.9 trillion.<sup>8</sup> FTSE 100 companies also have a disproportionate impact on other companies in the UK and globally by virtue of their global operations, vast supply chains and procurement activities. We have therefore, for the purpose of this analysis, focused our research on the members of the FTSE 100 at the end of July 2017.
- 4.2 The study of the FTSE 100 was undertaken by EY and Dr. Doyin Atewologun (Queen Mary University of London, School of Business & Management; and Visiting Fellow, Cranfield School of Management) who conducted most of the research on gender diversity for the Davies Review.
- 4.3 The Steering Committee requested that the research identify FTSE 100 directors of Black, East Asian, Latin American, Middle Eastern or South Asian ethno-cultural backgrounds (i.e., “non-white” directors).
- 4.4 Based on the composition of the FTSE 100 as at the end of July 2017, 1,050 Board positions were analysed from the perspective of ethnic diversity. Since UK companies are not required to report on the ethnic diversity of their Board, employees or suppliers, information had to be obtained from other sources and based on information that was publicly available at the time.<sup>9</sup>
- 4.5 While there may be potential for discussion about whether an individual is or considers themselves to be of a minority ethnic background, we are confident that the principal observations remain valid given the small number of directors of colour relative to the entirety of the population.

4.6 Although it is outside the scope of this Report, we would welcome consideration of the risks and benefits of reporting of ethnic minority employee, executive leadership and Board-related data commensurate with that mandated for gender in UK public companies. We believe that the lack of publicly available data in this regard may present an unnecessary hurdle in tracking progress and being fully transparent to all stakeholders.

### 4.7 Key Findings

4.7.1 The research has revealed the following key data:

#### An Examination of the FTSE 100:

**1,050** director positions in total

**UK citizen directors of colour represent only about 2% of the total director population**

**85** individual directors of colour (four hold two Board positions)

**Total directors of colour represent about 8% of the total (compared to 14% of the UK population)**

**51** out of the FTSE 100 companies do not have any directors of colour

**Seven** companies account for over **40%** of the directors of colour

**Five** out of the seven companies have headquarters historically located outside the UK

**Only six** people of colour hold the position of Chair or CEO

*Data as of end-July 2017*

<sup>8</sup> FTSE Russell Factsheet as at 31 August 2017.

<sup>9</sup> For further information regarding the methodology used in the Review, please see “Appendix D: Methodology”.



Company	Total Directors	Ethnic Minority Directors
Fresnillo PLC	12	9
Antofagasta PLC	11	8
Unilever PLC	13	5
Randgold Resources Ltd	8	3
Standard Chartered PLC	13	4
Old Mutual PLC	12	3
WPP PLC	12	3
Mediclinic International PLC	10	2
AstraZeneca PLC	11	2
Diageo PLC	11	2
Anglo American PLC	12	2
HSBC Holdings PLC	18	3
British American Tobacco PLC	13	2
Coca-Cola HBC AG	13	2
Morrison (Wm) Supermarkets PLC	7	1
ITV PLC	8	1
Sage Group (The) PLC	8	1
Worldpay Group PLC	8	1
Ashtead Group PLC	9	1
ConvaTec Group PLC	9	1
G4S PLC	9	1
Kingfisher PLC	9	1
Merlin Entertainments PLC	9	1
Sainsbury (J) PLC	9	1
United Utilities Group PLC	9	1
GKN PLC	10	1
InterContinental Hotels Group PLC	10	1
Intertek Group PLC	10	1
Provident Financial PLC	10	1
Pearson PLC	10	1
SEGRO PLC	10	1
Smiths Group PLC	10	1
Carnival PLC	11	1
GlaxoSmithKline PLC	11	1

Company	Total Directors	Ethnic Minority Directors
Marks & Spencer Group PLC	11	1
Reckitt Benckiser Group PLC	11	1
Schroders PLC	11	1
Smith & Nephew PLC	11	1
Barclays PLC	12	1
BHP Billiton PLC	12	1
Compass Group PLC	12	1
National Grid PLC	12	1
Royal Dutch Shell PLC	12	1
Wolseley PLC	12	1
Rolls-Royce Group PLC	13	1
Shire PLC	13	1
Vodafone Group PLC	13	1
Prudential PLC	15	1
Royal Bank of Scotland Group PLC	16	1
Scottish Mortgage Investment Trust PLC	6	-
TUI AG	6	-
Hargreaves Lansdown PLC	7	-
3i Group PLC	8	-
Glencore PLC	8	-
Royal Mail PLC	8	-
Admiral Group PLC	9	-
Associated British Foods PLC	9	-
Barratt Developments PLC	9	-
Bunzl PLC	9	-
Croda International PLC	9	-
DCC PLC	9	-
easyJet PLC	9	-
Informa PLC	9	-
Micro Focus International PLC	9	-
Mondi PLC	9	-
Persimmon PLC	9	-
Rentokil Initial PLC	9	-
Severn Trent PLC	9	-

Company	Total Directors	Ethnic Minority Directors
SSE PLC	9	-
Taylor Wimpey PLC	9	-
BAE Systems PLC	10	-
Direct Line Insurance Group PLC	10	-
Hammerson PLC	10	-
Johnson Matthey PLC	10	-
Land Securities Group PLC	10	-
Legal & General Group PLC	10	-
Next PLC	10	-
Paddy Power Betfair PLC	10	-
RELX Group PLC	10	-
RSA Insurance Group PLC	10	-
Whitbread PLC	10	-
Babcock International Group PLC	11	-
Burberry Group PLC	11	-
Experian PLC	11	-
Imperial Brands PLC	11	-
International Consolidated Airlines Group SA	11	-
London Stock Exchange Group PLC	11	-
Rio Tinto PLC	11	-
SKY PLC	11	-
St James's Place PLC	11	-
Aviva PLC	12	-
British Land Co PLC	12	-
Centrica PLC	12	-
CRH PLC	12	-
Lloyds Banking Group PLC	12	-
Smurfit Kappa Group PLC	12	-
Standard Life PLC	12	-
Tesco PLC	12	-
BP PLC	13	-
BT Group PLC	13	-

#### 4.8 Overall Representation of Directors of Colour in the FTSE 100

4.8.1 Based on the composition of the FTSE 100 as at the end of July 2017, the table on the following page sets out the total number of directors on the respective Boards and the number of directors of colour on such Boards. The table has been ranked based on the number of directors of colour that each respective company had.

Although we have not conducted a similar analysis of the FTSE 250, we would not expect to see marked improvement in the overall picture, and, in fact, would expect that the representation of people of colour continues to be challenged.

Certainly, regional demographic disparities may exist for companies based outside of London (which may be particularly relevant in the FTSE 250); however, the pool of available minority ethnic candidates will certainly be sufficiently spread or mobile to compensate for that potential issue, irrespective of whether such candidates are travelling within the UK or from abroad.

#### 4.9 An Analysis of Gender and Ethnicity

4.9.1 Of the 85 total directorships, 37 positions are filled by women (three of whom hold two positions each). This constitutes nearly 44% of the positions held by directors of colour. We found it interesting to note that where multiple directorships are held by directors of colour, in most instances they were held by women.

4.9.2 It is clear that the recent emphasis on gender diversity in the UK Boardroom has not benefitted women of colour to the same extent as it has women who are not ethnic minorities. Of the appointments made following the Davies Review, a relatively small number of those Board positions have gone to women of colour.

# 5

## Increasing the Ethnic Diversity of UK Boards – The Commercial Case

5.1 Our Review highlights clear business reasons for increasing ethnic diversity on UK Boards and we acknowledge that the current appetite for increasing diversity differs for each company. However, we believe there are clear internal and external benefits that can be gained by a company that embraces our recommendations, beyond the enhanced ability for the Board to fulfil its statutory duties.

The Steering Committee is of the firm belief that the commercial rationale for making UK business more inclusive and also more diverse (including ethnically diverse) is clear, and the future of talent acquisition and retention depends on getting these issues right. It has become increasingly clear that access to talent, combined with access to capital, is fundamental to a company's long-term success – and ensuring that the UK is a significant and deep source for both is fundamental to securing its position as a leader in the global economy.

5.2 As the FRC stated in its Corporate Culture Report:

“

Companies are recognising the value in defining and communicating a broader purpose beyond profit which generates wealth and delivers benefits to society as a whole. This can help create shared goals, motivate employees and build trust with customers...

What matters is that the culture is appropriate for the context in which the company is operating and that there is internal alignment between company purpose, values, strategy and business model(s). Aligning business decisions with purpose and values and focusing on how financial targets will be achieved, will over the long-term lead to more sustainable value creation.”

5.3 We summarise key commercial drivers below

5.3.1 Inclusive Leadership & Avoiding “Group-Think”

As stated by the FRC in the UK Corporate Governance Code (April 2016) (the “Code”):

“

[E]ssential to the effective functioning of any Board is dialogue which is both constructive and challenging. The problems arising from “group-think” have been exposed in particular as a result of the financial crisis. One of the ways in which constructive debate can be encouraged is through having sufficient diversity on the Board. This includes, but is not limited to, gender and race. Diverse Board composition in these respects is not on its own a guarantee. Diversity is as much about differences of approach and experience, and it is very important in ensuring effective engagement with key stakeholders and in order to deliver the business strategy.”

We suspect that all leaders of global corporations would agree that the markets in which they are operating are becoming more complex, interconnected and require different skills to manage than would have been the case historically. As we have noted, over 75% of sales of the FTSE 100 are derived from outside the UK<sup>10</sup>, and, therefore, an understanding of all of the commercial and cultural factors affecting UK businesses are essential.

As with all directors on UK Boards, directors of colour are likely to have a different perspective on the issues, challenges and opportunities faced by their company. In addition, their professional experiences (even if similarly qualified) will likely differ from their non-minority ethnic counterparts. Those perspectives and experiences are inherently valuable as companies deal with markets and stakeholders (including investors, consumers and employees) that are becoming more varied and diverse, not less. As the numbers indicated, to date, that experience and perspective has been largely absent from UK Boardrooms.

It follows that the potential for disconnect between the strategic ambitions of a company and the Board's ability to draw upon the range of skills, perspectives and experiences necessary to provide adequate oversight and to manage properly can create greater risk for a company, the Board and all stakeholders.

### 5.3.2 Underpinning of Corporate Culture & Values

Many companies across the UK, notably those in the FTSE 100 and FTSE 250, have been clear in their commitment to enhancing diversity within their organisations and their supply chains, amongst other things. It is evident that the Davies Review had a very positive impact in that regard, and the composition of Boards and executive ranks in the UK has begun to change as a result.

With those commitments having been made, we believe that Boards should consider the role that inclusion and diversity play within their organisations more broadly. Without speaking to all aspects of diversity, certainly their statements around corporate values and ambitions should include careful consideration of how ethnic and cultural diversity impacts their business.

As set out in the Code, one of the key roles for the Board includes establishing the culture, values and ethics of the company. It is important that the Board sets the correct "tone from the top", and the directors should lead by example.

In the Corporate Culture Review, Sir Win Bischoff (Chairman, FRC) articulated it extremely well when he stated:



**Establishing a company's overall purpose is crucial in supporting the values and driving the correct behaviours. The strategy to achieve a company's purpose should reflect the values and culture of the company and should not be developed in isolation. Boards should oversee both."**

It follows that, where a company has made commitments to enhance the role that diversity plays in achieving its overall corporate objectives and strategy, it must consider diversity in all relevant forms, including gender and ethnicity.

In particular, we believe that a Board should manifest that commitment in the way that it is composed, the decisions it makes and how it considers talent development. Fundamentally, we believe that a Board should reflect the breadth of a company's ambitions and stakeholders, including its employees, customers and communities.



<sup>10</sup> See footnote 5.

### 5.3.3 Enhanced Brand Value & Reputation

It has become evident that consumers, employees and increasingly investors are seeking to align themselves with companies that reflect their own beliefs, values and priorities. It is also clear that leading UK companies and their Boards have come under increased scrutiny for legal, regulatory and/or behavioural shortcomings. The combination of the perceived deficits, as well as the increasingly high standards being applied by regulators, consumers and these other stakeholders, means that Boards must consider corporate purpose at least as closely as corporate profit.

If one were to consider the importance of diversity to brand value, one of the most valuable brands in the world, Apple Inc., recognises at the core of its diversity strategy that “the most innovative companies must also be the most diverse.”

During 2015, the consulting firm McKinsey published a report that contained research indicating that companies with more diverse workforces perform better financially, being more likely to have financial returns above their national industry medians.<sup>11</sup>

While the direct link between increased diversity and enhanced value may be the subject of debate, what is clear is that when diversity (in any form) is managed well, decision-making improves and, therefore, the opportunity for success in the competitive marketplace becomes greater. In addition, the reputational benefits for being an organisation that embraces the values of inclusion and diversity can reverberate through many aspects of business, including employee recruitment and retention, investor appetite and broad stakeholder engagement. Each of these ultimately inures to the benefit of the Company and reflects positively on the Board.

### 5.3.4 Improved Access to Top Talent

It is clear to us that the ability to identify, develop, retain and promote talent within an organisation must be done with the primary purpose of enabling the company to address this increasingly complex and interconnected landscape. Therefore, having a talent base that has a diverse range of perspectives, experiences and expertise is essential to ensuring the long-term viability and commercial success of any organisation.

It is broadly recognised that different backgrounds and perspectives lead to a variety of ideas, knowledge and ways of doing things. The converse can often be true as well – where there are too many people from the same or similar backgrounds, they may take action based on a narrow set of shared values, assumptions and experiences. Organisations that build a reputation for valuing differences in today’s global marketplace are more likely to attract talented employees who will be confident that their value will be recognised and will be encouraged to use the skills, backgrounds, perceptions and experience they have.

We must all recognise, business included, that the UK and its workforce have changed dramatically over the past 40 years, and will continue to do so in the future. In fact, it is estimated that the UK will be the most diverse country in Western Europe by 2051, with the proportion of people of colour in the UK reaching over 30%.<sup>12</sup>

The implication for UK companies is profound, particularly when combined with the fact that many of them will have significant operations in developing markets and economies. In order for a company, its Board and its executives to properly manage a global business, access to people with the relevant range of talents and experience is required. The underlying trends make it very clear that, whether resources are drawn from the UK

or outside of it, the workforce of tomorrow will be more diverse than it has been historically. Organisations that do not appropriately deal with this change will likely face a significant threat to their long-term success.

As we have said earlier, in order to ensure the continued strength and attractiveness of the UK and its businesses, Boards must be willing to reflect the commercial and societal realities in which their companies operate, not only now, but also in the future. Our engagement with business leaders and executive search firms has shown us that there are hundreds of Board-ready and capable people of colour who are able to bring their experience to bear and assist corporate Britain to make that transition.

### 5.3.5 Better Understanding of Corporate Supply Chain

Without question, supply chains for many of the UK’s leading companies have become more challenging – driven by the increasingly global nature of resourcing and also by the number of items that are being required. For the vast majority of companies in the UK, it is rare for the UK to be the single source of supply of goods and services. Furthermore, efficiencies can drive manufacturing and production to different jurisdictions around the world, any of which will need to source supplies from a mixture of places – whether local to that location or from further afield.

In such an environment, it is evident that UK companies need a Board that is capable of appreciating and managing risks associated with global resourcing. Invariably that means that Board directors require an understanding of relevant cultural sensitivities, norms and vulnerabilities. This is particularly the case where a supply chain is understood to carry inherent risk with it, whether that

relates to the materials being supplied, the services being performed, the jurisdictions that are the source of the supply or the people that comprise part or all of that chain.

Directors must therefore have the requisite skills necessary to understand and manage these complexities. People drawn from minority ethnic communities may have a great deal to offer from this perspective as they are very capable of bringing a different cultural experience and perspective to bear, which we believe can lead to better deliberation and decision-making at Board-level.

<sup>11</sup> “Why Diversity Matters”, McKinsey (January 2015) [<http://www.mckinsey.com/business-functions/organisation/our-insights/why-diversity-matters>].

<sup>12</sup> See footnote 2.

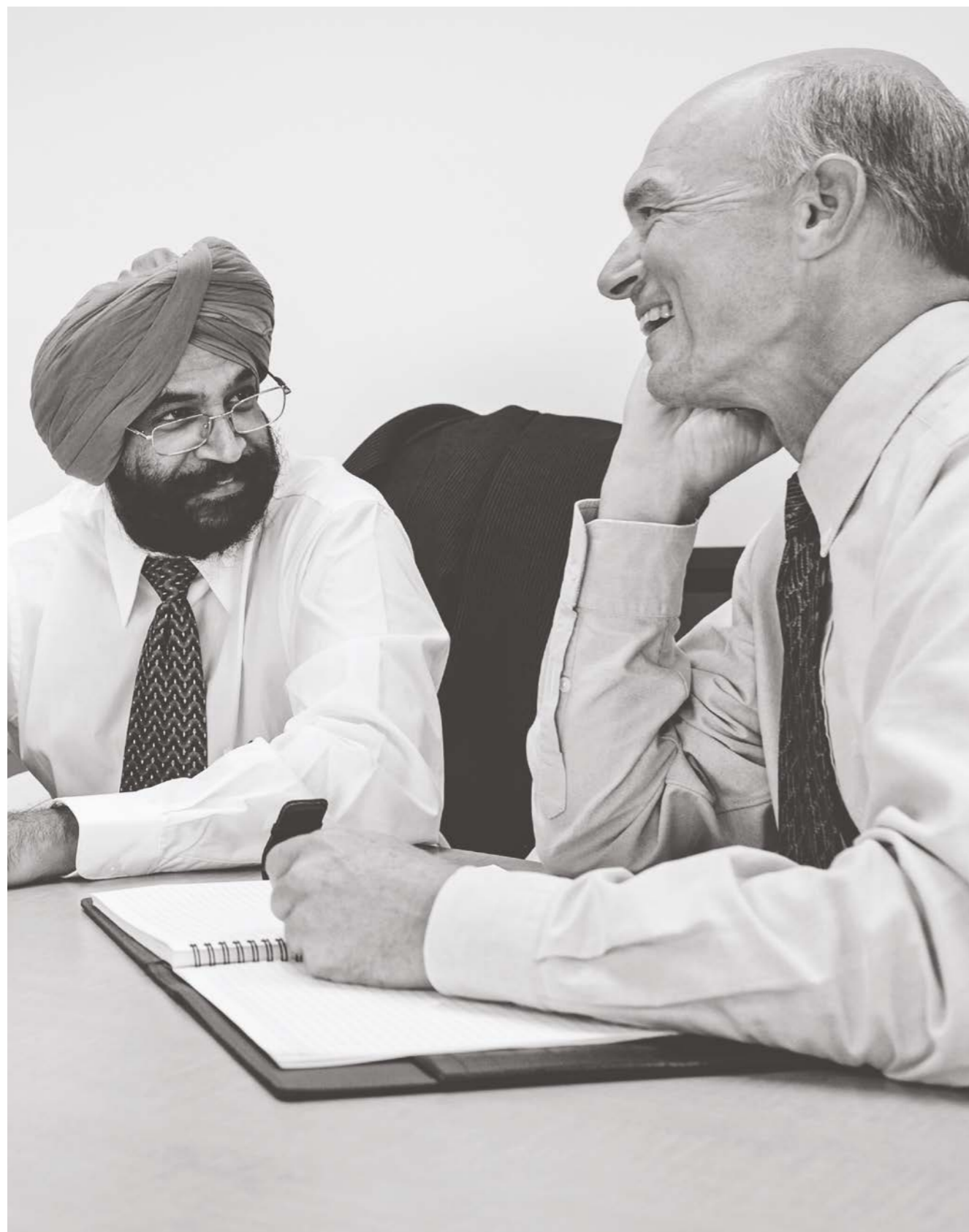
# 6

## Increasing the Ethnic Diversity of UK Boards – Finding the Talent

### 6.1 Are the Candidates There?

- 6.1.1 One of the common refrains that we have heard when discussing the prospect of increasing the representation of people of colour in senior leadership positions, including on the Board, is that “there are not enough capable and qualified candidates.”
- 6.1.2 We do not believe that such a conclusion is accurate.
- 6.1.3 However, we do acknowledge that, as is the case with gender, people of colour within the UK have historically not had the same opportunities as many mainstream candidates to develop the skills, networks and senior leadership experience desired in a FTSE Boardroom.
- 6.1.4 That being said, we believe that any such assumptions are outdated and do not reflect a full appreciation of the breadth and depth of expertise available in candidates from a minority ethnic background, not only amongst UK citizens, but also from non-UK nationals.
- 6.1.5 Since 2016, there have been several reports published (one by Green Park and the other by Audeliss in conjunction with The Financial Times) that highlighted hundreds of high-calibre, “Board-ready” candidates who were from minority ethnic backgrounds. The findings of these reports have also been reinforced by a number of executive search firms that focus on senior-level appointments. In addition, there are professional organisations, such as the Executive Leadership Council (in the UK and US) and Powerful Media through its annual publication of “The Power List” in the UK, with significant access to people of colour who are experienced senior executives and senior members of professional service firms.

- 6.1.6 It has also become clear to the Steering Committee that executive search firms and other recruitment professionals can and should be doing more to engage with the community of potential candidates – at all stages of the pipeline, including potential senior executive and Board candidates. The Steering Committee encourages the executive search and recruitment community to be more proactive in their engagement with potential candidates and work harder to tap into existing formal and informal networks.
- 6.1.7 Notwithstanding the foregoing, the Steering Committee is pleased to note that there a number of executive search firms and other recruitment professionals who have begun to build and maintain databases of high-quality candidates from a minority ethnic background. The Steering Committee encourages these efforts. These known and identified professionals of colour represent a broad spectrum of experience, expertise and skills – all of which can benefit FTSE 100 and FTSE 250 companies now. Even though these reports highlighted talent in the UK and the US, there is undoubtedly a wealth of qualified or high-potential talent in other markets.
- 6.1.8 Of course, the observations made in the context of the Davies Review still ring true in the context of ethnic diversity. Namely, in order to achieve the recommendations there are two different populations that need to be considered:
- executives from within the corporate sector; and
  - people of colour from outside the corporate mainstream, including entrepreneurs, senior individuals with professional service backgrounds, academics and civil servants.



6.1.9 A key challenge in this context is the lack of ethnic diversity in the managerial and senior executive pipeline in many UK companies, including the FTSE 100 and 250. For example, as of end of July 2017, there were only six Chief Executives of colour in the FTSE 100. Our discussions and experience tell us that other executive positions in the “C-Suite” and below are similarly challenged.

6.1.10 Furthermore, we believe that the observations in the Davies Review set out below reflect the type of thinking that Boards also need to do in the context of identifying candidates that are people of colour:



**The call for the professionalisation of Boards meant that the skills criteria for candidates increasingly focused on the need to have substantial business and Board level experience. Our findings show that over time this has also evolved into a need for candidates to have had significant prior financial responsibility. We would argue that, although there is a real need for candidates to be financially literate, financial responsibility, just like sector expertise, can be taught and should not be a prerequisite for appointments. Greater emphasis should be placed on a broader mix of skills and experience.”**

6.1.11 Undoubtedly, directors of UK companies, namely the FTSE 100 and 250 in this context, are being asked to perceive the world through a broader lens than they may have historically. For many companies, that will mean changing the mould from which a current Board was formed in order to make a stronger model in the future.

6.1.12 We do not suggest such changes will always be easily or comfortably made, but we do suggest that they are necessary in order to remain at the leading edge of global competition.

## 6.2 Developing the Pipeline

6.2.1 Although not the focus of this Review, we cannot emphasise enough how important it is for Boards of all UK companies to focus on employee development and their executive pipeline with an enhanced focus on ensuring appropriate representation from minority ethnic candidates, as well as other relevant diverse cohorts.

6.2.2 The importance of focusing on inclusion and diversity in the pipeline was recently underscored by the FRC.<sup>13</sup> We agree with the FRC’s observations that embedding diversity (including ethnicity and gender) in a corporate succession plan should be “part of a holistic approach” taken by UK companies. In other words, inclusion and diversity needs to be part of the overall corporate strategy, and therefore Boards should exhibit leadership on, and reflect a commitment to, inclusion and diversity to the same extent that it does all other aspects of corporate strategy.

6.2.3 In addition to the Board considerations set out by the FRC, we believe that Boards should also consider (i) how they respond to the changing demographics affecting the UK, namely the increasing diversity of the workforce and (ii) how they will ensure that they have executives and other employees that have the skills to manage diversity well. Therefore, we think that it is of fundamental importance that UK Boards ask themselves at least those two questions when considering their workforce, their employee pipeline and the pipeline of potential candidates for Board positions.

<sup>13</sup> See, “Feedback Statement: UK Board Succession Planning Discussion Paper”, FRC (May 2016), pages 11-12.

6.2.4 In addition, we are firm believers that companies should encourage and support their internal high potential minority ethnic employees to take on Board roles internally (e.g., subsidiaries), where appropriate, as well as Board and trustee roles with external organisations (e.g., educational trusts, charities and other not-for-profit roles). These opportunities will give experience and develop oversight, leadership and stewardship skills.

6.2.5 We recognise that organisational change must begin at the top. Stewardship, mentoring and sponsorship are essential components in professional development and progression. Without the appropriate commitments from existing Chairs, Boards and executives, UK companies will not secure the best talent, whatever their background and wherever they may be located.

6.2.6 In the context of considering pipeline issues, it is important for Boards to recognise that there is significant concern from people of colour that they are negatively impacted by bias in the work place. For example, according to a recent review of minority ethnic senior executive and Board leaders in the UK conducted by the executive search firm Harvey Nash:<sup>14</sup>

- 8 in 10 believed that factors other than merit have hindered their career;
- 7 in 10 said that their background has been a significant barrier to their progression;
- over 60% believed that unconscious bias of CEOs and leadership teams is one of the leading reasons for the lack of progress at Board level;
- 1 in 4 believed that bias and discrimination exist within their organisational culture; and
- 2 in 3 believed that minority ethnic executives are not in the talent pools or networks of the current directors or executive search firms.

The observations and beliefs underlying these statements suggest that UK companies and their leadership need to enhance the focus on all aspects of ensuring that people of colour have the same support network, and developmental and advancement opportunities as all other employees.

6.2.7 As was the case with gender, we strongly encourage UK companies to establish objectives for the development of their respective pipelines, inclusive of people of colour, and to record and track progress against those objectives, and report these matters to their Boards on a regular basis.

### 6.3 The Role of Executive Search Firms

6.3.1 Executive search firms play an important role in identifying qualified and capable candidates for senior positions within FTSE 100 and 250 companies. While we understand that many companies focus on direct recruitment of senior talent and Board candidates, it is very common for executive search firms to be retained for that purpose.

6.3.2 The adoption of the “Standard Voluntary Code of Conduct” for executive search firms in response to the recommendations made in the Davies Report has been well received and documented.

6.3.3 Following publication of the Consultation Version of the Report, members of the Steering Committee had a number of constructive engagements with representatives of executive search firms. As a result of these engagements, there have been amendments to the Standard Voluntary Code of Conduct to reflect the Recommendations made. The Steering Committee supports these changes and looks forward to hearing how these changes will be implemented in practice and the impact that they have had.

6.3.4 Of course, not all of the principles and code will translate directly to the issues related to the recruitment of directors of colour; however, many of the principles and practices can apply more broadly and have a real impact in the overall landscape in due course.

6.3.5 Most importantly, following the key principles will enable a discussion and dialogue between the client and the search firm, as well as one internally within each organisation. We believe that this is fundamentally important to getting capable and qualified candidates of colour “on the radar” for potential appointment.

### 6.4 Considerations under Data Privacy and Data Protection Law

6.4.1 Information about a person’s ethnicity is considered to be “sensitive personal data” under the Data Protection Act 1988 (the “DPA”) and therefore is subject to relevant legislative restrictions and limitations related to its collection, storage, use and transmission.

6.4.2 Representatives of the Steering Committee have been engaging constructively with representatives of the Information Commissioner’s Office (the “ICO”) to discuss the issues which arise in the context of such information being held by third parties, such as executive search firms.

6.4.3 We have had several constructive engagements with representatives of the ICO about the issues presented by the current legal and regulatory framework applied under the DPA.

6.4.4 In this regard, our efforts to find a clear pathway forward to resolve have been hampered by the impacts of Britain’s expected exit from the EU and plans associated with the “Great Repeal Bill”. Since the legislative impact of the “Great Repeal Bill” is uncertain at the time of publication, the ICO has been unable to provide us with formal or informal interpretive guidance on the matter. As a result, the Steering Committee will work with BEIS and the Government to introduce amendments to the relevant provisions of law to be adopted by the UK as a result of the exit from the EU so that the government’s efforts to enhance ethnic diversity throughout British corporate enterprise are not hindered in the same manner going forward.

<sup>14</sup> “The Ethnicity Gap”, Harvey Nash (July 2016).



# Approach to Recommendations

During the course of this Review, we were persuaded that every part of the business world, if not already committed to action to increase diversity in leadership, can see the both the commercial and reputational advantages to making progress.

Against this background, we considered whether further mandated regulatory change was appropriate, beyond that which is incremental upon existing obligations and focused on equivalence of information or enhanced transparency.

In the course of our discussions with relevant stakeholders, a minority of those we spoke to made a case for stronger legislative or regulatory prompts to compel businesses to increase ethnic diversity in leadership.

Two ideas in particular were canvassed by more than one voice:

- Statutory Quotas for Boards – for example, a requirement that no Board of a public company should be mono-ethnic, a de facto requirement in some jurisdictions elsewhere, such as South Africa.
- Mandated “Short-lists” – for example, a requirement that Nominations Committees should be required to consider shortlists that include at least one person of colour – a variant of the “Rooney Rule”, which is widely thought to have had some success in diversifying the executive ranks of the National Football League in the United States.

Whilst the attractions of these approaches may be compelling to some, on balance, we could see no advantage to such an approach at this time.

The business representatives amongst us were clear that such compulsion would be strongly resisted by most of their members, and that valuable energy would be wasted debating unrealistic proposals, rather than focusing on more promising recommendations.

Of course, however, should the progress which we seek to make through our recommendations be limited, we will likely need to revisit that decision.



# 8

## Parker Review Recommendations



As a general matter, the Boardrooms of Britain's leading public companies do not reflect the ethnic diversity of either the UK or the stakeholders that they seek to engage and represent. Minority ethnic representation across the FTSE 100 is disproportionately low, particularly when looking for UK citizen directors of colour.

We 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.

Our recommendation of "Beyond One by '21" is linked to the UK ethnic minority population, whereby the target is scaled to around half of this given population segment. The current UK ethnic population is 14%, set to rise to 20% by 2030.

Taking half of this population gives 7%-10%, which is then applied as a target to, say, a 10-person Board. This translates to 1 ethnically diverse candidate for that Board.

The recommendations we are making are not solely based on the equitable principles of inclusion and diversity, they are ones that are underpinned by strong industrial logic and the need for UK companies to be competitive in the increasingly challenging global marketplace.

We firmly believe that successful 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).

We believe that now is the time to begin making changes that will evolve the face of corporate Britain and better prepare UK companies to continue to be global leaders in business over the longer term, benefitting from greater diversity of experience, expertise and thought as a result.

In light of the foregoing, our recommendations are as follows:

### 1. Increase the Ethnic Diversity of UK Boards

1.1. 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.

*We recognise that qualified and credible candidates can come from a variety of backgrounds, genders and nationalities. This Review does not seek to mandate where candidates are drawn from, as this will need to be considered carefully by each company given its strategic needs and ambitions.*

1.2. Nomination committees of all FTSE 100 and FTSE 250 companies should require their internal human resources teams or search firms (as applicable) to identify and present qualified people of colour to be considered for Board appointment when vacancies occur.

*However, we believe it is important to highlight that only about 2% of all FTSE 100 Board directors are UK citizen people of colour. This compares with people of colour comprising approximately 14% of the overall population in the UK.*

1.3. Given the impact of the “Standard Voluntary Code of Conduct” for executive search firms in the context of gender-based recruitment, we recommend that the relevant principles of that code be extended on a similar basis to apply to the recruitment of minority ethnic candidates as Board directors of FTSE 100 and FTSE 250 companies.

*Looking at all people of colour on the Boards of FTSE 100 companies (regardless of nationality), at the end of the first half of 2017, there were only 85 individual directors who are people of colour (comprising approximately 8% of the total available positions) – over 40% of which are drawn from seven individual companies, five of which have been historically headquartered outside of the UK. Fifty-one companies within the FTSE 100 had no directors of colour, and from a seniority perspective, only six individuals who held the position of Chair or Chief Executive Officer are people of colour.*

*We note, with appreciation, the changes made to the Standard Voluntary Code of Conduct in response to our recommendations in the Consultation Version. We look forward to seeing these being implemented.*

*We also believe that such companies should carefully consider and apply the remainder of the recommendations, including asking themselves “Questions for Directors” set out in Appendix A to this Report.*

### 2. Develop Candidates for the Pipeline & Plan for Succession

2.1. Members of the FTSE 100 and FTSE 250 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.

2.2. Led by Board Chairs, existing Board directors of the FTSE 100 and FTSE 250 should mentor and/or sponsor people of colour within their own companies to ensure their readiness to assume senior managerial or executive positions internally, or non-executive Board positions externally.

2.3. Companies should encourage and support candidates drawn from diverse backgrounds, including people of colour, to take on Board roles internally (e.g., subsidiaries) where appropriate, as well as Board and trustee roles with external organisations (e.g., educational trusts, charities and other not-for-profit roles). These opportunities will give experience and develop oversight, leadership and stewardship skills.

*We recognise that organisational change must begin at the top. Stewardship, mentoring and sponsorship are essential components in professional development and progression.*

*Without the appropriate commitments from existing Chairs, Boards and executives, UK companies will not attract, develop and retain the best talent, whatever their background and wherever they may be located.*

*We encourage companies to establish objectives for the development of their respective pipelines and to record and track progress against those objectives, and report these matters to their Boards on a regular basis.*

### 3. Enhance Transparency & Disclosure

3.1. 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.

3.2. Companies that do not meet Board composition recommendations by the relevant date should disclose in their annual report why they have not been able to achieve compliance.

*We believe that the support of Government and regulatory bodies is essential to achieving progress in all aspects of diversity and social mobility, including increasing the representation of people of colour in decision-making and leadership roles in corporate Britain.*

In order to help UK companies enhance the ethnic diversity of their Boards, we have developed the “Questions for Directors” set out in Appendix A and “The Directors’ Resource Toolkit” set out in Appendix B to help existing Boards deliver on the recommendations of this Report.

# Appendices

## Appendix A: Questions for Directors

This appendix has been developed to assist Boards, including their Chairs, to consider eight key questions in the context of addressing ethnic diversity at the Board. We have drafted these questions to be consistent with the key considerations that directors need to make in the satisfaction of their statutory duties under the UK Companies Act and in a manner that is consistent with the UK Corporate Governance Code.

Main Principles of the UK Code	Chair	All Directors
<b>Leadership</b> <ul style="list-style-type: none"> <li>Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Does our board succession plan (both executives and non-executives) include criteria that would bring forward qualified candidates from ethnically diverse backgrounds?</li> </ul>	<ul style="list-style-type: none"> <li>Have we recently considered, and discussed with the executive directors, how the ability to deliver our strategy would be strengthened by having greater diversity of background, experience and insight at the board?</li> </ul>
<b>Effectiveness</b> <ul style="list-style-type: none"> <li>The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.</li> </ul>	<ul style="list-style-type: none"> <li>Can we evidence that our board has enough constructive and diverse thought being expressed to avoid “group-think” and to provide insight into the trends that will impact our markets, customers, employees and other key stakeholders?</li> </ul>	<ul style="list-style-type: none"> <li>Can we evidence the fact that we have asked our HR team or recruitment consultants to identify and present to us candidates that represent ethnically diverse backgrounds to join our board?</li> </ul>
<b>Accountability</b> <ul style="list-style-type: none"> <li>The board should present a fair, balanced and understandable assessment of the company’s position and prospects.</li> <li>The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Would the outside world (specifically customers, suppliers, partners, regulators and legislators) currently see our board as appropriately reflective of our stated values, our commitment to the markets and communities in which we operate and the people we employ in our organisation?</li> </ul>	<ul style="list-style-type: none"> <li>Do we have an internal process to identify, develop and promote high-potential minority ethnic employees in order to develop “board-ready” candidates for internal subsidiary and external appointments, and can we evidence that?</li> </ul>
<b>Remuneration</b> <ul style="list-style-type: none"> <li>Remuneration should be designed to promote the long-term success of the company.</li> <li>Performance-related elements should be transparent, stretching and rigorously applied.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Have we confirmed that our remuneration policies do not impact negatively on any diverse cohorts and are consistent with our aims for inclusion and diversity.</li> </ul>
<b>Relations with Shareholders</b> <ul style="list-style-type: none"> <li>There should be a dialogue with shareholders based on the mutual understanding of objectives.</li> <li>The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.</li> </ul>	<ul style="list-style-type: none"> <li>Have I recently asked our shareholders about the role they see diversity (including ethnicity) playing in our board composition, the overall company and the delivery of our strategic objectives?</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

Although these questions have been cast in the context of ethnic diversity, we encourage all companies to use the principles underlying these questions to inform and guide their discussions regarding all aspects of diversity.

## Appendix B: The Directors' Resource Toolkit

### Red Flags

When considering the implementation of the recommendations and the use of the "Questions for Directors", Board directors should be cognisant of "red flags" that may exist or may develop in their organisation. For example, Boards should be cognisant of the following potential "red flags":

- The Board does not currently have any directors of colour.
- The Board and senior management lack the resources and mechanisms to collect sufficient data to analyse the diversity profile of their organisation and the business case for change.
- Board self-evaluations may not include an assessment of its effectiveness with respect to inclusion and diversity, including an analysis of whether the Board has considered the strategic importance to the organisation
- Members of senior management do not carry out regular assessments to analyse the data collected and to monitor progress on the Diversity agenda.
- An ethnically diverse range of board candidates has not been previously considered.
- Vague terms like "fit" or not being the right "type" are used to describe why a potential candidate may not be appropriate, without sufficient objective and detailed supporting evidence being given and tested.
- The Board consists solely of people with similar professional backgrounds/ qualifications, particularly if the relevant business has global reach.
- Diversity programmes have been implemented in the past but not delivered results
- The human resources teams or executive recruitment firms indicate that there are not any qualified minority ethnic candidates available to fill a vacancy.
- The profile of executive officers or members of senior management is not ethnically diverse.
- Members of the executive management team do not sponsor or mentor any people of colour within the organisation.
- The pipeline of "high potential" candidates is predominately of one race, gender, nationality or religion.
- There is a "clustering" of particular ethnicities within specific jobs or seniorities.
- Internal engagement surveys indicate that actual or perceived bias is affecting career progression for non-majority ethnic employees.
- There is a high level of "opting-out" or non-reporting of personal information regarding an individual's ethnicity within the organisation (as this suggests a degree of concern regarding an employee's own ethnicity).

Of course, we do not suggest that the existence of any of these conditions to mean definitively that there is a problem to be rectified within the relevant organisation. However, we do suggest that the presence of any or all of these "red flags" should indicate that further investigation by the Board is warranted.

### Introduction

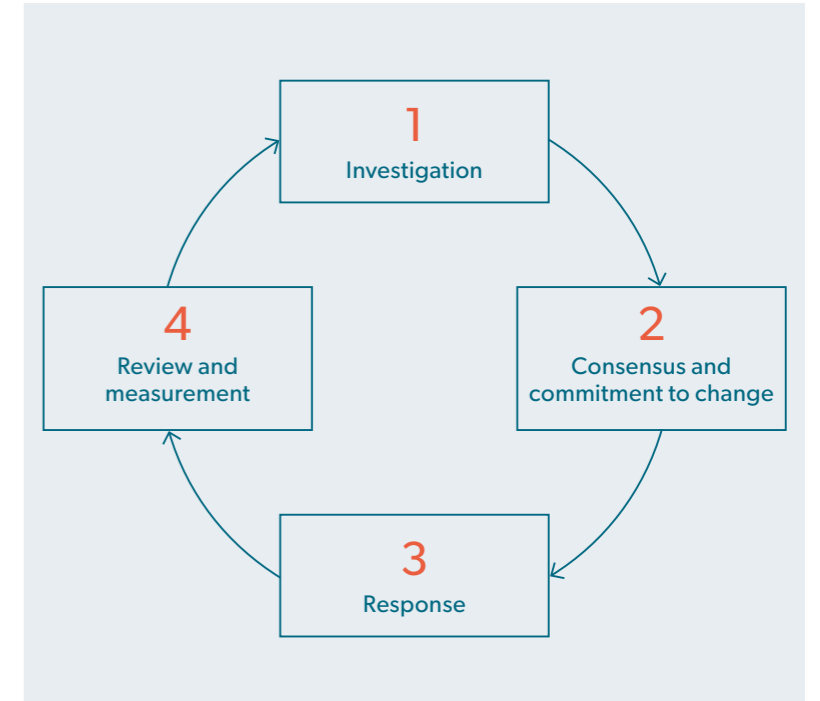
This Directors' Resource Toolkit (the Toolkit) has been developed to provide key information to Chairs and other Board directors responsible for implementing the Report's recommendations to achieve the vision of getting to Beyond One by '21.

We acknowledge that some listed companies already have good Board representation by directors of colour. Whilst the primary aim of this Toolkit is to provide resources and ideas to help Boards which do not have such good representation, it may also serve as a useful guide to those Boards which seek to enhance further ethnic diversity. This includes those companies who wish to improve representation by people of colour in the Board pipeline, however it is not designed specifically with that aim in mind.

### A road map for change

In the Toolkit, we address potential 'red flags' (see opposite) that may exist or develop in the organisation. Such red flags may act as a barrier to the achievement of greater ethnic diversity.

In addressing these red flags, we suggest that Boards focus on a four-stage lifecycle to advance boardroom diversity and meet the challenge of Beyond One by '21.



1. **Investigation** – examining the current ethnic diversity profile of the Board
2. **Consensus and commitment to change** – accepting the diagnosis and agreeing the need for change
3. **Response** – addressing the current state with a response that is relevant and proportionate
4. **Review and measurement** – assessing the success of interventions and achievements

The Toolkit material is not meant to be complete or exhaustive, and we expect that resources, practices and issues will evolve over time. We do hope, however, it will support and challenge Boards in their ethnic diversity journey.

Lifecycle stage:

1. Investigation

Red flags	Recommended actions	Resources
<ul style="list-style-type: none"> <li>The Board does not currently have any directors of colour</li> <li>The profile of executive officers or members of senior management is not ethnically diverse</li> <li>An ethnically diverse range of Board candidates has not been previously considered</li> <li>Vague terms like 'fit' or not being the right 'type' are used to describe why a potential candidate may not be appropriate, without sufficient objective and detailed supporting evidence being given and tested.</li> </ul>	<ul style="list-style-type: none"> <li>Board discussion to understand the following:                             <ul style="list-style-type: none"> <li>What would an 'ethnically diverse' Board look like for us?</li> <li>Why are there no directors of colour on the Board?</li> <li>Is it a result of a lack of Board focus, or unavailability of talented candidates, or something else?</li> <li>Is there evidence of bias on the Board?</li> </ul> </li> <li>Nomination Committees to provide accurate descriptive briefings to Executive Search Firms detailing the qualities required of the potential candidates, to ensure that suitable people of colour are included on long-lists for NED vacancies. Consideration should be made whether Executive Search Firms are linked with an ethnically diverse pool of candidates and different networks (e.g. Power List).</li> <li>The Nomination Committee itself should also be as diverse as possible. This will help to reduce the likelihood of members hiring people of their mould.</li> <li>Board consideration of the current senior talent pipeline, specifically:                             <ul style="list-style-type: none"> <li>Does this support an aim of greater representation on the Board by people of colour?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Professional assessment programmes to assist the Board in:                             <ul style="list-style-type: none"> <li>Root cause analysis</li> <li>Evaluating existing and industry good practice</li> <li>Evaluating the research evidence of barriers to, and solutions for, increasing ethnic diversity on boards</li> </ul> </li> <li>Identifying barriers to success of people of colour in the talent pipeline.</li> </ul>

Lifecycle stage:

2. Consensus and commitment to change

Red flags	Recommended actions	Resources
<ul style="list-style-type: none"> <li>The Board consists solely of people with similar professional backgrounds and qualifications</li> <li>The Board and senior management lack the resources and mechanisms to collect sufficient data to analyse the diversity profile of their organisation and the business case for change</li> <li>There is a high level of "opting-out" or non-reporting of personal information regarding an individual's ethnicity within the organisation (which may suggest a degree of concern regarding an employee's own ethnicity)</li> <li>There is a "clustering" of particular ethnicities within specific jobs or seniorities.</li> </ul>	<ul style="list-style-type: none"> <li>Board-led assessment to articulate a case for change on how boardroom ethnicity could assist in better understanding of key markets:                             <ol style="list-style-type: none"> <li>Is there an impetus for change on the Board?</li> <li>Does the Board have a clear business case for increasing diversity? If it doesn't, why is this the case, given shifting UK and global demographic patterns?</li> <li>Does the outside world see your Board as a reflection of your business' values and in the context of realising your strategy?</li> </ol> </li> <li>Board to task senior management to introduce a mechanism that collects and analyses robust, reliable and accurate diversity data of the organisation's employees, relevant and proportionate to the organisation's sector and business. Such data would inform future workforce projections and rationales where under-representation by people of colour is apparent.</li> <li>Board to instruct senior management to develop an employee engagement survey which measures Diversity practices and is inclusive with a clear mechanism in place to address areas of concern identified through the survey. The results of the survey could also be fed into the annual or quarterly review process agenda for discussions at Board level.</li> <li>Boards might want to understand who is being recruited by the Company; who is leaving; who is being promoted; who is not; and why?</li> <li>Boards to spread Inclusion and Diversity ('I&amp;D') ownership to senior management with clear I&amp;D targets assigned to each as an enabler for accountability and to obtain an understanding of any potential clustering in the relevant groups.</li> </ul>	<ul style="list-style-type: none"> <li>Reports on business benefits of greater diversity, for example, "Talent not tokenism" by EHRC, TUC and CBI.</li> <li>Professional assessment programmes to assist the Board in:                             <ul style="list-style-type: none"> <li>Defining the company's global I&amp;D goals</li> <li>Using diagnostic tools to identify the drivers of differing career outcomes for specific groups of employees</li> <li>Creating a I&amp;D strategy which balances global consistency with varied local context to enable organisations to get the best out of all their talent</li> <li>Articulating a comprehensive data strategy, including how it would classify, collect, monitor, share and act on ethnicity data</li> <li>Improving understanding of ethnically diverse customer bases and how to improve access to the different customer spectrum.</li> </ul> </li> </ul>

Lifecycle stage:  
3. Response

Red flags	Recommended actions	Resources
<ul style="list-style-type: none"> <li>Diversity programmes have been implemented in the past but not delivered results</li> <li>The pipeline of “high potential” candidates is predominately of one race, gender, nationality or religion</li> <li>Internal engagement surveys indicate that actual or perceived bias is affecting career progression for non-majority ethnic employees</li> <li>Members of the Board or the senior management team do not sponsor or mentor any people of colour within the organisation</li> <li>The human resources teams or executive recruitment firms indicate that there are not any qualified minority ethnic candidates available to fill a vacancy.</li> </ul>	<ul style="list-style-type: none"> <li>Board to request that senior management introduces a cultural and behavioural change programme to equip all teams with skills and awareness to be inclusive leaders and to achieve a more diverse senior leadership. This may include integrated learning programmes aligned to the organisation’s priorities, to promote a culture of inclusion that enables all people to succeed.</li> <li>Board to instruct senior management to implement a process to ensure the risk of bias is considered in employee assessments and performance reviews. This would include practical interventions to ensure practices within recruitment, selection, progression, reward and recognition have minimal unconscious or conscious bias.</li> <li>Board and senior management to introduce reverse mentoring whereby executive management is paired with employees of minority ethnic backgrounds. This can be further enhanced by introducing targeted sponsorship programmes aiming to ensure a diverse range of talent progresses through to Leadership.</li> </ul>	<ul style="list-style-type: none"> <li>Diversity experts specialising in change facilitation to design a strategy to promote inclusion, including: <ul style="list-style-type: none"> <li>Design of suitable targets and identify key performance indicators</li> <li>Design of a I&amp;D dashboard and a regular audit cycle to drive accountability and visibility of progress across the organisation</li> <li>Design of behavioural change interventions to ensure that change is sustained.</li> </ul> </li> </ul>

Lifecycle stage:  
4. Review and measurement

Red flags	Recommended actions	Resources
<ul style="list-style-type: none"> <li>Board self-evaluations may not include an assessment of its effectiveness with respect to inclusion and diversity, including an analysis of whether the Board has considered the strategic importance to the organisation</li> <li>Members of senior management do not carry out regular assessments to analyse the data collected and to monitor progress on the Diversity agenda.</li> </ul>	<ul style="list-style-type: none"> <li>Questionnaires and individual interviews between the Chair of the Board and each director to incorporate the following questions to which the respondent can state: ‘Strongly agree’, ‘Agree’, ‘Disagree’ or ‘Strongly disagree’:<sup>15</sup> <ol style="list-style-type: none"> <li>The Board holds senior management properly to account on its progress on inclusion and diversity, including the advancement of people of colour</li> <li>Ethnic diversity is well covered in our talent and succession planning discussions at Board meetings</li> <li>I feel it is safe to air different views to others so that the points I raise will be respectfully debated by all</li> <li>I feel that the Board is diverse in its composition and thought processes</li> <li>Members of the Board make sure attendees coming to present at board meetings feel included and welcome as they arrive at meetings and leave them and throughout their attendance</li> <li>As a Board we challenge each other constructively to make sure we look at issues from different angles</li> </ol> </li> <li>Board to instruct senior management to clearly evidence the success criteria for each diversity intervention in order to evaluate success. Management should also have plans in place to build upon previous successes and to rationalise how new aspirations would be measured.</li> <li>Internal and external communication of progress should be reported, to further engage with stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>External consultants specialising in diversity matters to facilitate the evaluation process</li> <li>Assistance with putting in place a milestone plan designed to increase the pace of implementation.</li> </ul>

<sup>15</sup> We suggest only four categories to exclude ‘neither agree nor disagree’ which may encourage Board members to ‘sit on the fence’.

## Appendix C: Case Studies

The Steering Committee believes it important to highlight developing best practices relating to efforts being made to increase ethnic diversity in the Boardroom and other senior leadership positions within the corporate environment.

We thank those organisations that have agreed to provide us with practical examples of the steps they have taken to improve diversity in their organisations and within their executive and board ranks. We hope that these examples provide guidance and insight to companies who are committed to increasing the ethnic diversity within their organisations and Boardrooms.



# Case Study: EY

## Cultivating Racially Diverse Leadership

The global workforce is becoming more diverse as a result of increasing international mobility and demographic and social shifts. We serve global clients and we help our clients succeed by creating and building the highest performing teams through the right working environment and inclusive leadership.

Developing inclusive leaders who can connect and engage with anyone – regardless of their background, style or culture – is a crucial part of EY’s approach to our people and our clients.

We have built the skills of all our people to team and lead inclusively, implementing an extensive Inclusive Leadership Programme. This programme has now been delivered to over 2,800 of our people, including the majority of our partners.

We are proud that EY member firms are regularly cited by external organisations as being leaders in Diversity and Inclusiveness (“D&I”) and for providing an excellent working environment.

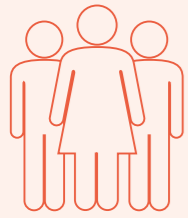
## How we have Moved the Dial on Diversity:

### Diagnosis and the Catalyst for Change

In 2011, 96% of EY UK Partners were white. Despite the roll-out of programmes targeting the development of ethnic minority leaders, the dial was not moving on racial diversity and we realised we needed to shift our strategy if EY was to become more representative of our people and our client base.

Steve Varley, EY UK Chairman, initiated an examination of the culture and processes in the firm which were persisting in generating the same disproportionate outcomes to under-represented groups. We made D&I a business issue and engineered transparent changes to accountability:

- D&I ownership was moved to the four service lines with clear leadership and direction from Steve Varley, through a new governance structure with monthly accountability meetings.
- D&I targets were added to Partner scorecards – an enabler for accountability. We also invested in building a pipeline of diverse internal talent.
- Public targets were announced. These stated that 10% of New Partner admissions should be from an ethnic minority; the target was set on a rolling three year basis.
- We improved management information which enabled the four service lines to diagnose which of the following metrics (shown in the graphic overleaf) needed to be addressed most urgently.



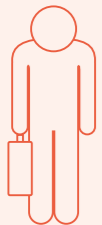
### Representation

- Reasonable proportion of women and ethnic minorities at junior levels (approximately 50% and 25% respectively)
- Representation declined to 17% and 4% at partner



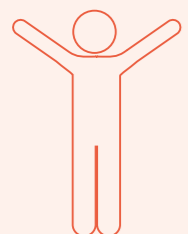
### Ratings and promotions

- Performance ratings were not always distributed in a representative way
- Promotions not always proportional to gender and ethnicity of our population



### Attrition

- Disproportionate attrition relating to our ethnic minorities
- When recruiting at experienced levels we tended to recruit mainly white men



### Satisfaction

- Our women were less satisfied than our men in our people survey, and our ethnic minorities were less satisfied than our white people

### Promoting Inclusive Leadership

We realised in 2011 that the key to achieving fair and inclusive representation amongst our leaders was not just to target the under-represented groups. We implemented a cultural and behavioural change programme to equip all our leaders with the skills and awareness they needed to be inclusive leaders.

This, we believe, is the key to creating a more diverse senior leadership having as it does the mantra “to interrupt the status quo”. As our white (and male) population has historically been more successful in reaching leadership, they have the power to change its make-up.

Our strategy is to develop the inclusive leadership capability of all our people at every level and to build inclusion into all our business processes.

In addition to our Inclusive Leadership Programme we continue to have a number of targeted programmes aiming to ensure our diverse talent progresses through to leadership positions. Sponsorship is key to career progression and we have implemented “CareerWatch”, which matches our high-performing female and Black and Minority Ethnic (“BME”) talent at manager level with influential Partner sponsors. Alumni of our award-winning BME Leadership Programme mentor the next generation of BME talent.

Our employee networks provide informal development events and networking support, as well as helping us to recognise the intersectionality of our employees across gender, race and ethnicity.

### Pilot study on ethnicity and careers

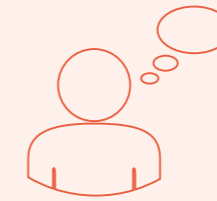
Through a pilot study looking at the impact of ethnicity on the journey to becoming a partner, we discovered that acquiring ‘Career Capital’ is important for completing the voyage and that a person’s ethnicity makes a difference to how this is accomplished. The study recommended a number of steps to be taken to ensure that everyone is supported on their journey to partner. These steps are being implemented at EY and are illustrated here.

### The three stages of Career Capital

1. Know-how
  - Early career
  - Skills and job-related knowledge
2. Know-who
  - Mid-career
  - Formal and informal networks inside and outside work
3. Know-why
  - Later career
  - Career aspiration and drive, personal values, identification with organisation culture.

### For organisations

This summary recommends three practical steps organisations can take to make sure that the career journey is smoother, regardless of ethnicity:



#### 1. Reflect

Explore what helps careers go smoothly for those who fit the cultural norm and replicate it for all. Identify potential obstacles for those who are different and remove these obstacles.



#### 2. Talk

Educate everyone, especially those with significant leadership roles, in the challenges relating to race diversity and ensure they practise articulating those challenges.



#### 3. Watch

Help identify diverse rising stars who will benefit from developing their career capital.

### For minority individuals aiming for partnership



#### Be aware

Be aware of the three types of career capital you need to acquire.



## Transparency and Targets

EY believes that public targets matter. As signatories to the UK Government Equalities Office “Think, Act, Report” voluntary framework, EY looks beyond gender reporting to include reporting on BME statistics including the pay gap.

Our UK business aims to have at least 30% female and 10% BME representation in our new partner intake, measured over a rolling three-year financial period. The table below shows how we have neared or exceeded our own targets.

## Actual results

	Target	Rolling 3 years to 1 July 2016	Rolling 3 years to 1 July 2017
Female	30%	27%	28%
BME	10%	13%	11%

## What have the results been so far?

Our UK Leadership team is currently 30% female and 10% BME. Within our UK Partner population; our Partner representation is now 20% female and 9% BME.

Since we implemented the change programme described above, BME representation in our Partnership has doubled to 9%. 30% of our graduate intake in 2017 were ethnic minority and recruitment targets are starting to deliver results. Challenges persist and we continue to focus on equalising outcomes across the people metrics as we drive forward our agenda to promote greater inclusivity in EY.



## The Inclusive Leadership Programme (ILP) at EY

is helping individuals learn to identify their unconscious biases, how those biases affect organisational culture and how to interrupt the impact of their biases to enable individuals to achieve their potential. The programme is on-going and is presently in its 3rd phase.

- **The majority** of UK&I Partners and a significant number of Managers to Directors have attended the Inclusive Leadership programme for Phase 1 & Phase 2
- **Finalists** for 2015 Race for Opportunities Award
- **Winner** of Opportunity Now Inclusive Culture Award
- **Winner** of 30% Club Everyday Inclusion Award

## Impact to date

- The programme has raised awareness and action beyond traditional Unconscious Bias training
- The language from the ILP Programme is now embedded within the organisation and used widely
- Inclusive Leadership is a priority on scorecards and embedded into processes which determine outcomes for our people
- Summer of Inclusion campaign in 2015 and 2016 reached all our people in UKI and was utilised externally via Social Media

# Case Study: Nationwide

## Increasing Diversity Declaration Rates at Nationwide Building Society

In April 2015 Nationwide Building Society's diversity declaration rate across all monitored protected characteristics was just over 26%. Numerous previous attempts to encourage declaration, via online self-service upload to our HR data management system, had not resulted in any significant uplift.

In early May 2015 ethnicity classifications were amended and brought into line with the census categories and a 'Prefer not to say' (PNTS) option was added to our online system.

HR then launched a Diversity Declaration Rate Campaign in early May. This ran through to October 2015. We set ourselves with a stretching target of 90% declaration rate (across all categories). We also sought to increase emergency contact details reporting at the same time.

By the end of October 2015, we had increased diversity declarations rates to 90%. By February 2016, it had increased slightly to 91%. Ethnicity declaration is almost 96%, with all other monitored characteristics: sexual orientation, disability, faith/belief just below 93% each. (Age and gender data comes via other sources).

In December 2016 we hit an all-time high of 97% (averaged across all classifications), with ethnicity highest above 97% and disability lowest at 93%. Sexual orientation and Faith/belief were both 96%. We have since remained relatively steady at around 94%-97% each month.

The PNTS option has been used by some employees, but not by nearly as many as we might have expected given the previous low declaration rates.

Throughout the campaign, our three key messages were to:

- 1. Tell people why we want the data. We clearly explained the benefits to them as individual employees and to the organisation as an employer.**
- 2. Remind people that declarations are confidential. We explained what we do with the data and how we use and protect it.**
- 3. Reassure people that they did not have to declare a personal characteristic if they do not wish to, as there was now a 'prefer not to say' option. We reiterated that they must still complete the whole online declaration one way or another.**

### Tactics

**Stage 1:** The first stage was a major and broad reaching communication campaign to all employees via numerous channels. (See Supplements 1 and 2 for detail)

Results were sent to all Group and (then) Divisional Directors via HR Business Partners on a weekly basis, so that further efforts could be made locally where numbers were not shifting, or conversely, to feed back positive results where increases were apparent.

**Stage 2:** When we had achieved a certain level and it was clear that we had made good in-roads (at around 50-60%) but had begun to plateau, we targeted individual employees whom we knew from our records had not completed their online declaration. We sent

emails to these employees reminding them of the 3 messages above, and asking them to update their record. This immediately resulted in a significant uplift of almost 10 % points.

**Stage 3:** We then also targeted employees who had begun but not completed their records. Individual emails went out to those who 'had not completed or had only partially completed' their record. Again this resulted in an encouraging uplift of around 6-7 % points.

**Stage 4:** We continued to send targeted emails on a weekly basis to individuals who had not completed. Once we hit 90% we agreed that a maintenance reminder email should go out to any stragglers and to capture new starters on a monthly basis. This continues.

### Supplement 1: Communications Activity, May – September

Communication from HR Director sent to all other Directors and then through to all employees. Managers tasked with driving activity locally to:

- Update Diversity data
- Update Emergency contacts

Communications included current completion rates and encouraged managers to set aside time for their teams to complete updating activity (this was particularly important in our branches and contact centres).

Bespoke session with Directors' PAs to ensure all details for our most senior executive population had been captured.

Message circulated to all our Employee Network Groups, to drive participation through their membership. Our diversity Champions in the Branch Network also spread the word and encouraged declarations.

Nationwide's employee Trade Union (NGSU) also reflected key messages in Union communication to members.

ED&I Team incorporated messaging into a series of diversity roadshow which ran in late summer and into pre-launch communications for new ED&I training.

Internal Communications Team activity to support/reiterate key messages included:

- Corporate News item
- Branch Network news item
- HR Intranet article ('You & Nationwide')
- HR HelpPoint
- Twitter campaign
- Nationwide Live! online (internal magazine) article

Nationwide AskHR Team (our HR support and advice function) activity included:

- All employees who call AskHR asked if they had completed their diversity (and emergency contact details) at the end of the call and if not, assistance/rationale given on how to do this and why important.
- Line managers asked the same but also if they had cascaded the message to their teams.

Additional channels included:

- Tying messaging in with other communications such as Pension and Pay and Benefits communications/statements.
- Employee Benefits landing page amended to include message about checking personal details.
- Email auto-signature campaign in HR during month of June with key messages.

## Supplement 2: Correspondence used in monitoring employee diversity at Nationwide

### Purpose

We collect employee diversity data in order to look for differences between groups, in relation to different employment outcomes (such as recruitment or promotions); identify trends over time; investigate the reasons for any differences identified and then put suitable actions in place to help achieve or maintain equality of employment outcomes between groups. This is about ensuring fair and equal access to opportunities - for all.

Monitoring the diversity of our employees enables us to examine how our employment policies and processes are working and to identify any areas where there may be a disproportionate impact on certain groups of employees, that can then be addressed.

Monitoring can lead to the development of better and more informed, inclusive decision making, including decisions on recruitment, promotion and development.

Monitoring allows us to assess to what extent our workforce is reflecting the customers we serve and the communities in which we operate. As a national financial services provider and employer we must strive to reflect the UK's increasing diversity

Finally, monitoring also helps us minimise possible legal, financial and reputational risk.

### Benefits

- **Builds reputation and brand** – there is a solid body of evidence to show that the best performing organisations are those that invest most on promoting equality, diversity and inclusion in their workforce. Those that seek to understand the composition of that workforce are seen to value diversity
- **Boosts recruitment and retention** – monitoring helps us to recruit and retain the best people for the widest talent pools, by identifying any barriers that may exist at work for people from different backgrounds
- **Improves productivity** – we know that valuing and supporting the diversity of people's backgrounds and lifestyles is important in making the most of the contribution that they can bring to Nationwide's performance and is likely to result in greater motivation and engagement across all groups
- **Creating awareness** – both internally and externally, monitoring signals Nationwide's understanding of and commitment to creating a more inclusive work environment
- **Providing specific adjustments, training or interventions** – we are better able to anticipate needs and support employees with differing requirements (as a result of an impairment or caring responsibilities for example)
- **Identifying and addressing any inequalities** – in applying our employment practices
- **Avoiding risk** – for example damaging and costly employment tribunals or negative publicity. Being able to point to a considered approach to collecting and then using diversity data to inform employment decisions/ policy making, helps provide evidence of good employment practice

(Amanda Rice. Head of Culture & Inclusion. Nationwide)

## Appendix D: Methodology

1. The FTSE 100 listings were taken as at 31 July 2017. Board data were collected through 31 July 2017. In some cases, Board composition might have changed in the time since the data were collected. We accessed data on each company from multiple sources, including the BoardEx database, annual reports, and corporate and public websites (e.g., Bloomberg, Wikipedia, media). We entered data on board size and board composition (excluding Company Secretaries) into Excel spreadsheets. This methodology broadly mirrors that used by Cranfield's yearly index, the Female FTSE Board Reports, and is consistent with the approach taken in the Consultation Version of the Report.
2. For inclusion in the index, we checked directors' names and accompanying photographs; these data were available on the virtually all of the relevant corporate websites. For these data points, we sought out markers that signalled white European origin. Where this was not evident, further checks were made, such as biographic data (education, nationality) from the BoardEx database and Bloomberg entries. If additional data were required, these were triangulated with more general media and Wikipedia photos and/or autobiographical text.
3. Once the initial list was compiled, we engaged in further validation checks by drawing on the Steering Committee's knowledge and networks regarding directors of colour of whom they were aware.
4. We accept that no single noun or group of nouns would be perfectly suitable and use the broad term "people of colour" to describe individuals with evident heritage from African, Asian, Middle Eastern and South American regions. Thus, our focus is on non-white directors. Although this Report is produced in the UK and is based on the top 100 companies listed on the London Stock Exchange, these organisations are, by nature, major multi-national companies.

This creates a local versus global tension with implications for terms like "minority" which are relative, localised and contextual. Thus, included in our list are non-white individuals who may self-identify as Latina/o but may not be categorised in the UK as minority ethnic.

5. We acknowledge that ethnicity is challenging to measure and ethnic categorisation is a combination of self-identification and ascription by others. The ideal methodology for measuring ethnicity (with significant practical hurdles) would be to ask individuals directly how they self-identify. In the absence of this, we believe our methodology is one of the most robust processes for assessing ethnicity on boards.

- We used multiple methods to validate and cross validate our list.
- Rather than select in, we adopted a method of selecting out individuals who were apparently of White European ancestry based on a combination of their names with photos. Where both photo and name did not fit with White European ancestry, additional checks were made.
- We believe our methodology runs the risk of over reporting minority ethnicity rather than under reporting, as some people may not "look" like minorities or may not self-identify as minorities despite being of "non-white ethnic" origin (e.g., due to fore parents' historic migration), but may have been included in our list based on their names.

- One aim of this Report is to highlight the difficulties with accurately monitoring ethnicity on boards. The reporting errors associated with conducting this or any other similar index reinforce the case we advance for organisations to strongly advocate that their employees self-categorise on the basis of ethnicity, and for organisations to report these data. In the future, we will continue to refine our methodology with additional support and resources, drawing on this flagship report as a starting point.

# Biographies



**Sir John Parker GBE, FEng**

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 Chairman of Anglo American plc and Pennon Group plc. He is currently a Non-Executive Director of Carnival Corporation and the Airbus Group.

He has chaired five FTSE 100 companies, including 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 Chairman of two listed companies: J.Sainsbury plc and Hammerson plc. He also chairs Domestic and General Group which is privately owned. Previously, he has chaired 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

Doyin, a Chartered Organisational Psychologist, is a researcher and consultant with expertise in organisational development, diversity & inclusion, intersectionality and leadership. Doyin is a Lecturer in Organisational Leadership & Learning at the School of Business & Management, Queen Mary University of London and Visiting Fellow at Cranfield School of Management, UK, the Lagos Business School, Nigeria and University of Pretoria, South Africa. Doyin is also a founding member and Deputy Chair of the British Psychology Society's Diversity & Inclusion at Work Group.

Doyin obtained her PhD on leader identity development of Black, Asian and Minority Ethnic senior managers from the International Centre for Women Leaders, Cranfield School of Management. Her research has gained several international awards. Doyin is Research Lead of the Black British Business Awards, which recognises, rewards and celebrates exceptional performance and outstanding achievements of black people in businesses operating in Great Britain.

Prior to her academic career, Doyin worked as Lead Consultant in OPP Ltd, a pan-Europe business psychology consultancy, specialising in assessment & recruitment, talent development, executive coaching and team building facilitation, for nine years.



### Sanjay Bhandari

An experienced partner, Sanjay is a member of EY's UK & Ireland Tax Leadership Team responsible for innovation; working to develop the tax practice of the future. To our clients he is a global professional providing leading analytic technology solutions, helping them meet their legal and regulatory requirements.

Sanjay is 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 a visible role model and an influential force for change within the firm.



### Neil Carberry

Neil is the Director of People & Skills at the CBI and is responsible for setting out a framework to make the UK a great place to invest and create jobs. Neil leads a team that campaigns on behalf of CBI members on labour market and skills issues, including employment law, employee relations, equality and diversity, pay, pensions, education, skills and in-work learning, immigration, health and safety, and human rights.

Neil is a member of the council of ACAS and of the Low Pay Commission, which makes recommendations about the level of the National Minimum Wage. He is a Chartered Fellow of the CIPD. Before becoming director, Neil spent four years as Head of Employment and Pensions Policy and he has previously worked in the CBI's public services team as Head of Public Procurement.

Neil joined the CBI in 2004 after completing a postgraduate degree at the London School of Economics in industrial relations. Before this, he worked as an HR consultant for a number of major financial institutions.



### Helen Mahy CBE

Helen is chair of The Renewables Infrastructure Group. She is also a non-executive director of SSE plc, MedicX Fund Ltd. and a Norwegian Energy company, Bonheur ASA. 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.



### Ken Olisa OBE

Ken is Founder and Chairman of Restoration Partners, the boutique technology merchant bank and architects of the Virtual Technology Cluster model. Ken's technology career spans over 30 years commencing with IBM from whom he won a scholarship while at Fitzwilliam College, Cambridge University. In 1992, after twelve years as a senior executive at Wang Labs in the US and Europe, Ken founded Interregnum, the technology merchant bank. He was elected as a Fellow of the British Computer Society in 2006.

He has considerable public company Board-level experience on both sides of the Atlantic. He is currently a director of Thomson Reuter. He is also on the board of The Institute of Directors as a Non-Executive Director.

Ken is a Freeman of the City of London; Past Master of the Worshipful Company of Information Technologists; a Director of the Thomson Reuters Foundation; Chairman of Thames Reach (for which he received an OBE in 2010); Chairman of Shaw Trust, was an original member of IPSA (Independent Parliamentary Standard Authority) and Founder and Chairman of the Powerlist Foundation. In 2009, he was named the Sunday Times Not for Profit Non-Executive Director of the year. Ken was voted number one in the Powerlist's Top 10 most influential British black people in 2016. In 2015 Her Majesty the Queen, appointed him as her Lord-Lieutenant of Greater London.



### Trevor Phillips OBE

Trevor is a writer and television producer. He is co-founder of Webber Phillips Ltd, a data analytics provider.

Trevor currently serves as the President of the Partnership Council of the John Lewis Partnership. He is the first external appointment since 1928. He is also currently the deputy chair of the Steering Committee of the National Equality Standard and Chair of Green Park Diversity Analytics.

Trevor is the former chair of the Equality and Human Rights Commission. He had previously been the Chair of the Commission for Racial Equality and the elected chair of the Greater London Authority.

Trevor is the recipient of several honorary doctorates, the OBE, and was awarded the Chevalier de la Legion d'Honneur by the French Government in 2007.



### 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 nearly 20 years. Tom advises on M&A and equity capital markets transactions in the US, Europe 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 Prostate Cancer UK and in each of 2016 and 2017 was 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.



### Shabbir Somani

Shabbir is an Audit Senior Manager at EY, working with a range of companies across several industry sectors. Before moving to London, Shabbir was based in Dubai.

Shabbir is part of EY's CareerWatch and EDGE programmes, which are focused on progression of diverse, high performing leadership talent within the firm.

As well as assisting Amy Winepress in EY's contribution to the Parker Review, Shabbir is committed to mentoring other ethnic minority colleagues, supporting EY's diversity objectives.



### 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, specifically on corporate boards; women's leadership styles and the issues involved in women developing their executive careers. Susan was Founder Director of the Cranfield International Centre for Women Leaders from 1999 to 2016 and the Deloitte Ellen Gabriel Endowed Chair in Women's Leadership at Simmons College (Boston) from 2013-2016. She and her co-authors produce the annual Female FTSE Board Report, which she launched in 1999 and is regarded as the premier research resource on women directors in the UK and is renowned globally.

Susan is the Founder and Chair of the judges for Women in the City Awards and is a judge for the Sunday Times best NEDs of the year awards. She is Vice Patron of the charity, Working Families. Susan was a member of the Davies Steering Committee from 2010 - 2015 and has been invited onto the Advisory Board of Sir Philip Hampton/Dame Helen Alexander's Review on the lack of women in the executive pipeline.



### Amy Winepress

Amy Winepress is an Audit Director at EY. She advises a range of listed clients across several industry sectors, working with diverse international teams. Amy was based in New York for two years and on her return to London, spent 18 months working as Chief of Staff to EY's UK&I Chairman, Steve Varley.

Amy has led EY's contribution to the Parker Review.

