

CHANGE THE
RACE
RATIO

2023

Progress Report



Contents

Forewords

- Lord Karan Bilimoria 4
- Sir Trevor Phillips 5

Chapters

- 1. Introduction 6
- 2. Senior Leadership Representation 10
- 3. Ethnicity Data Disclosure & Reporting 16
- 4. Summary 20

- Case Studies 22**

Foreword Lord Karan Bilimoria

Looking back on the past three years of Change the Race Ratio, I feel proud of the strides we've made in helping to increase ethnic minority representation at the top of UK business. And I'm confident that as a campaign we can continue to drive change.

When I launched Change the Race Ratio in the autumn of 2020, diversity at the top of UK business leadership looked very different. Over a third of FTSE100 companies and two thirds of FTSE350s had no ethnic minority representation on their boards – at all.

Today, as we publish this our second Progress Report, we are confronted by a challenge and an opportunity. A challenge to keep up the pace of change at the highest levels of our organisations – indeed, to increase it. And an opportunity to build even more diverse, inclusive and equitable boards and leadership teams.

We've made good progress. All of our FTSE350 signatories have now met their Parker Review target of at least one board director from an ethnic minority background. And 83% of all our signatories have at least one board director from an ethnic minority background, up from 70% last year.

On increased ethnic minority representation in senior management; 74% of our respondents have now set targets for this, up from 65% last year, and the majority of these targets are set to be achieved by 2025.

We know data's a key part of building a more racially equitable workplace, so it's fantastic to see in this report that the vast majority of respondents are now collecting ethnicity data from their employees and 8 out of 10 are either reporting their ethnicity pay gaps already or plan to report this year. The sustained progress achieved by our campaign signatories is clear evidence of the power of targets, transparency and public commitment in driving change. This change has delivered not just diversity to our signatories leadership teams but also points to the building blocks being in place to create an inclusive culture that allows all talent to thrive. I'll be continuing to follow signatory progress keenly over the next year – and beyond.



Lord Karan Bilimoria CBE, DL
Change the Race Ratio, President



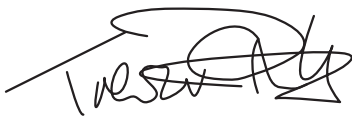
Foreword Sir Trevor Phillips

It is a privilege to be invited to succeed Lord Bilimoria as Chair of Change the Race Ratio. All our participants owe him a debt of gratitude for galvanising those who recognise the importance of diversity and inclusion at the top of our organisations as a key element of our nation's return to growth and prosperity. Talent is crucial to our modern economy, and business leaders are increasingly aware that we need to seek it out in every part of our society, even if it does not always appear in the colour or culture we are used to.

Diverse perspectives at the top bring innovation, creativity and resilience to the decision-making table. In a truly equitable society opportunity and progress are open to all. Which is why I'm excited to be working on a campaign with organisations who want to be best in class, and who see progress on race equality not as a passing trend, but as an enduring commitment. Our founders and supporters aim to be leaders rather than followers; we thank them for their bravery and vision.

Change the Race Ratio has at its core an emphasis on target setting, good practice sharing and transparency. And as an independent campaign, we have an even greater opportunity to build on what we have achieved so far.

It's encouraging to read in this report about the progress campaign signatories have been making over the last year. As we move forward, I'll be supporting all of our signatories as they work towards creating more inclusive workplaces and diverse leadership teams.



Sir Trevor Phillips

Change the Race Ratio, Chair






Introduction

Change the Race Ratio was founded in 2020 by 14 leading businesses: Aviva, Brunswick Group, EY, Deloitte, Schroders, the CBI, 30% Club, Russell Reynolds Associates, BITC, City Mental Health Alliance, Microsoft, Unilever, Cranfield University and The Investment Association.

We campaign for increased racial and ethnic diversity, inclusion and representation on boards and leadership teams of UK business.

We ask businesses to sign up to Change the Race Ratio and to our four commitments to change.

Our four commitments to change

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|--|--|--|--|
| 01 Set targets for racial and ethnic representation on boards  | 02 Set targets for racial and ethnic representation for ExCo and ExCo minus 1  | 03 Publish a race action plan and ethnicity pay gap within two years of joining  | 04 To develop an inclusive culture in which all talent can thrive  |
|--|--|--|--|

The Parker Review

Change the Race Ratio supports and is aligned to the work of the Parker Review, a body established with the support of the government in 2017 to consider how to improve the diversity of UK boards to better reflect the communities they serve.

The Parker Review set targets initially for the FTSE350 to appoint at least one director from an ethnic minority background by the end 2021 (for the FTSE100) and the end of 2024 (for the FTSE250).

In March 2023, the Parker Review under the leadership of David Tyler expanded its scope to include targets for the 50 largest private companies in the UK, including target setting for ethnic minority representation at ExCo level.

Our campaign philosophy

Since its launch, Change the Race Ratio has attracted over 110 signatories who have all made a public commitment to the campaign. The campaign has two guiding principles.

1. **What gets measured gets done:** Setting targets and making public commitments acts as the catalyst for action and sets out a clear marker to business stakeholders of the changes that an organisation is committed to.
2. **Collaboration drives progress:** Long lasting change happens more quickly if we can learn from past lessons, understand what works and source ideas from a wider pool of expertise. Which is why our signatories work together as a peer group, sharing challenges and celebrating successes.

Collaborating, connecting and sharing good practice are key principles for our campaign. We regularly convene signatories at events that are designed to be ‘safe spaces’, to ask questions, share good practice and support each other to overcome challenges and blockers to progress.

Our survey methodology

Change the Race Ratio issued a request to complete the survey to all signatories in November 2022. The survey closed for new entries in January 2023. We received responses from 52 organisations representing over 400,000 employees. To ensure a statistically robust analysis we have excluded results from firms with fewer than 150 employees in some elements of the report.

“We’re making progress on ED&I but have much more to do. By working with others through Change the Race Ratio, we can demonstrate how important diversity, equity and inclusion is to us, learn what’s working for others, and have a bigger collective impact.”

Heather Inglis, Global Head of Diversity, Equity and Inclusion, Abrdn plc.

Demonstrating impact and progress

We believe in the importance of target setting as a driver for progress. Since the murder of George Floyd in May 2020 and the rising awareness of the Black Lives Matter movement, businesses have been signalling intent on race equity.

We support business in moving from intention to action and results. And we believe that setting targets and collecting data supports this goal by providing visibility and transparency. We also believe that businesses working together as a community can help all parties gain new ideas and overcome shared challenges. This is why we ask our signatories to make public commitments that are target driven and require date stamps, allowing progress to be measured and reported transparently in a meaningful way.

This year two Progress Report serves as an opportunity to share the changes signatories are making in their organisations, helping us to better understand the barriers they have yet to overcome in their pursuit of accelerating ethnic minority representation on boards and in senior leadership.





Senior leadership representation

Increasing ethnic minority representation in senior leadership is the focus of Change the Race Ratio.

In this section we have evaluated the survey responses from the Change the Race Ratio signatories to understand the progress they are making at board level and at ExCo and ExCo minus 1.

Increasing ethnic minority representation in senior leadership unlocks £24bn

The McGregor-Smith Review 'Race in the Workplace' published in 2017 quantified the potential benefit to the UK economy from full representation of ethnic minority individuals across the labour market as £24 billion a year.





Board representation

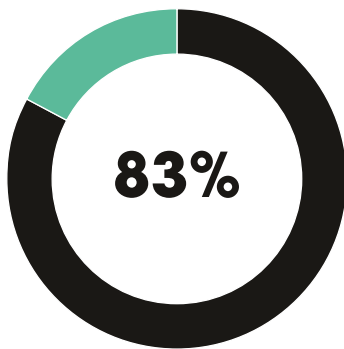
FTSE350 Board Representation

All of our FTSE350 signatories have met their Parker Review target of at least one ethnic minority board director. This is an improvement on last year's report where one FTSE350 signatory had yet to meet this target.

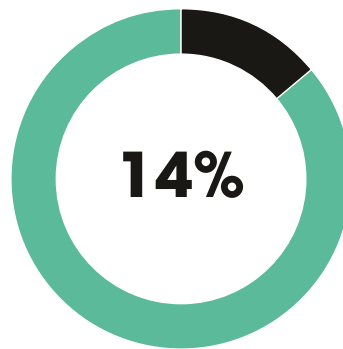
Data from the Parker Review's latest census shows that 70% of all FTSE350 organisations have at least one racial or ethnic minority director. Given the fact that Change the Race Ratio's signatories have made a public pledge to meet the Parker target, we would expect to see greater compliance than that achieved by the cohort as a whole.

All Board representation (Including non-FTSE signatories)

Boards with at least one racial or ethnic minority director



Board representation



83% of all our respondents now have at least one racial or ethnic minority board director, up from 70% for the year prior. This figure is also higher than that achieved by the FTSE350 community.

This is a testament to the actions taken by our signatories to accelerate representation on boards. The results also show that 44% of signatories from the FTSE350 surveyed had two or more racial or ethnic minority directors on their boards. The progress achieved by signatories is clear evidence of the power of targets and public commitments in driving real change.

Racial and ethnic minority board director representation within respondent companies stands at an average of 14%.

The latest ONS census data reveals racial and ethnic minority representation in UK society is 18%.

In order to reach equity we have some way to go to achieve the national average, and even further considering the high proportion of businesses headquartered in London where 46.2% of the population self-identify as non-white.

Senior management representation

Here we look at progress toward our campaign commitment number two, which is for businesses to set targets to increase representation on the Executive Committee (ExCo) and ExCo minus 1. We will refer to this group as senior management.

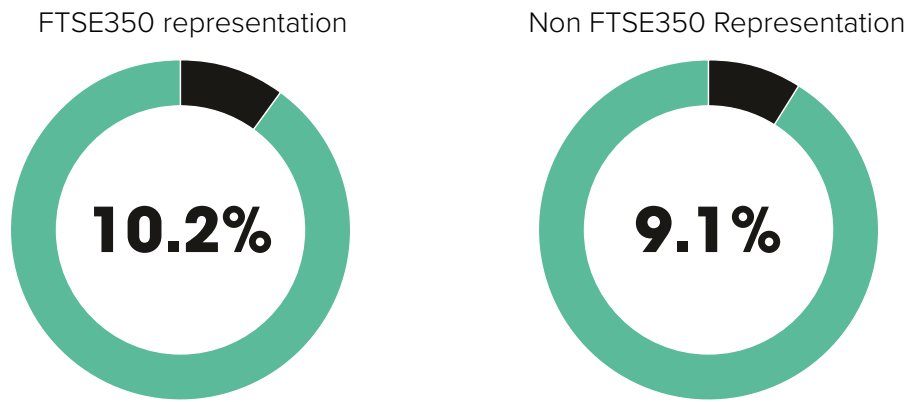
We were encouraged to see the 2022 Parker Review adopt a very similar approach to ours when they recognised that more action needs to be taken to increase the pipeline of future racial and ethnic minority leaders.

Target setting

Signatories have 12 months from joining the campaign to set targets and dates for achievement. We also ask signatories to consider setting Black representation targets for senior management. 74% of respondents to this year's survey have set a target for increased ethnic minority representation at senior management level. This is up from 65% the previous year.

The targets that have been set range between 10% and 20%, and the majority of respondents have set those targets to be achieved by 2025. This is in line with the target setting data we observed in last year's survey results. We have also seen an increase in signatories setting Black representation targets for this cohort; 1 in 3 of respondents had set a target. This is up from 1 in 6 in the previous year. The targets vary considerably and range from 3% to 20%.

Racial and Ethnic Minority Representation



Racial and ethnic minority representation within FTSE350 is a median average of 10.2%. This represents an increase of just under 25% from 12 months prior.

This is a significant improvement over a one year period and demonstrates the power of setting targets as a catalyst for taking and tracking action.

Racial and ethnic minority representation in non FTSE350 signatories stands at a median of 9.1%. This figure remains unchanged from the year prior. At a company level we have seen improvements made, as a group more action is needed in order to achieve the targets set.





Ethnicity data disclosure & reporting

Unlike gender pay gap reporting which is now mandatory in the UK for firms with more than 250 staff, ethnicity pay gap reporting is not mandatory. Furthermore, there is no requirement or obligation for an employee to disclose their ethnicity.

The UK, like many other countries, operates on a principle of self-identification. Employers can collect the data, provided it is stored correctly, and employees can choose whether to share their ethnicity with their employer.

Ethnicity pay gap reporting in the UK

Earlier this year the UK government published guidance for firms who choose to report their paygaps. This framework will act as a tool to help increase reporting; however real traction will be challenging to achieve without legislation.

Data on companies reporting their ethnicity paygaps is hard to find. However, a recent study by HR Datahub revealed that this figure stands at just 2% of UK businesses who employ more than 250 staff.

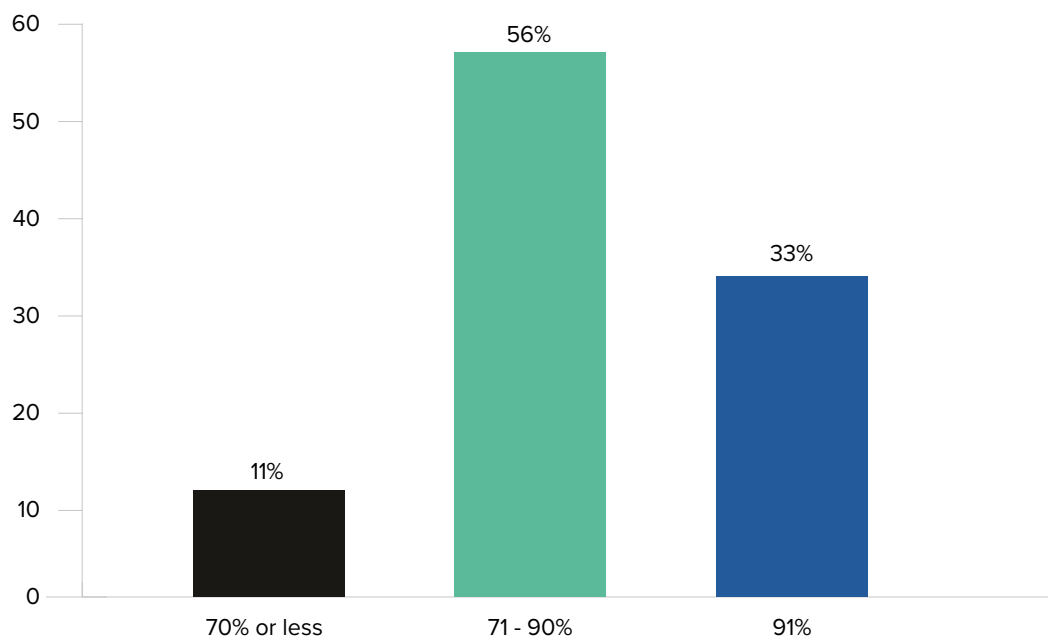
Change the Race Ratio signatories commit publicly to collecting data and publicly reporting ethnicity pay gaps in their organisation.

We recognise that businesses first need the data in order to report on their ethnicity pay gap, which is why we ask signatories to report within two years of joining the campaign.

Ethnicity data collection & disclosure

In order for a business to report their ethnicity pay gap it must first collect employee data. And businesses need a statistically significant data set to be able to report. This of course varies based on the size of the business, but typically organisations choose to start reporting once at least 70% - 80% of employees have disclosed their ethnicity.

Ethnicity data disclosure rates

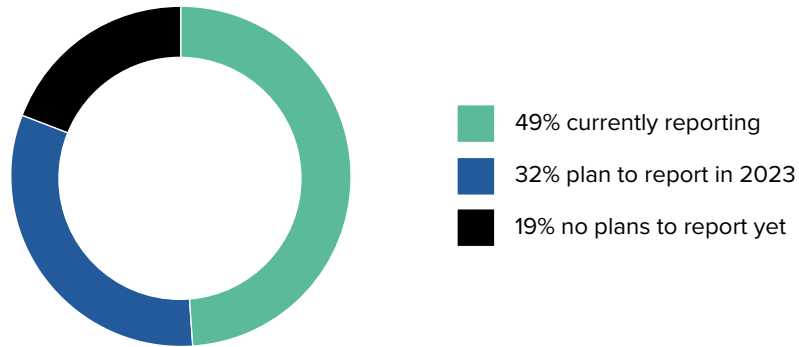


The vast majority of respondents to the survey are collecting data, with only 2% yet to start collecting data.

We can see that data collection campaigns are yielding good results, with 89% of respondents reporting data disclosure rates in excess of 70%. This is an increase from last year where this figure was only 67%.

Businesses often cite a reluctance to report their ethnicity pay gap because they are uncertain if employees will disclose their ethnicity. The results from our signatory respondents show what is possible when businesses execute well-planned self ID campaigns.

Ethnicity Pay Gap Reporting



Given the high levels of disclosure, it is unsurprising to see that 49% of respondents are currently reporting their pay gaps and a further 32% plan to report their pay gaps in 2023.

Only 19% of respondents do not currently plan to report this year.

This is a significant result, given that only 150 firms in the UK currently report their ethnicity pay gaps.

The 32% of respondent firms who plan to report on their ethnicity pay gap for the first time this year represents a significant increase to the overall number of firms reporting.

From the data, we can see that while it's commonly considered that a 70% disclosure rate is sufficient for reporting, in reality firms are being even more cautious. Of the 32% who plan to report for the first time this year, one in two have an ethnicity disclosure rate in excess of 90% with only one in six reporting a disclosure rate below 70%.

The reluctance to report ethnicity pay gaps is well cited by ED&I Directors. Feedback from FTSE350 firms who have reported note that there were concerns when planning their first ethnicity pay gap report. However very few firms actually experienced any negative responses internally or in the press as a consequence of reporting.

In most cases, the reports clearly show an inequity in senior representation for racial and ethnic minorities. The reality is that this is already known. The transparency of reporting and action plans detailed in the reports are important signals of intent to change.



Summary

This progress report presents an encouraging picture of our progress towards more inclusion and diversity in UK business, whilst highlighting where we need to make even greater efforts in the future.

On a positive note, the fact that 83% of respondents now have at least one board member from an ethnic minority background is encouraging. We've also seen a significant increase in the number of firms setting targets to increase ethnic minority representation at senior management level with clear action being taken by many but as a group, more action is needed to achieve the targets set.

Action on race equity is a priority for all of us. Now is the time to pick up the pace of progress and turn our intentions into action and change. We welcome all organisations to our campaign, whatever their size, sector and whatever stage they're at in their diversity and inclusion journey.

We hope that reading this progress report will encourage any organisations who are not signed up to Change the Race Ratio to consider it and take that step.

For more information on the campaign, and the actions signatories are taking please visit our website at changetheraceratio.com.





Case Studies

Highlighting the actions signatories are taking

Case Study 1:

The Textile Services Association

The Textile Services Association (TSA) is the trade association for the textile care services industry, representing commercial laundry and textile rental businesses. Their membership ranges from family-run operations through to large, multi-national companies.

Here Membership Director Emma Andersson talks about how TSA works with their wider membership to promote diversity and inclusion, and the results from their first Laundry Culture Study.

Our Laundry Culture study with Brands with Values

If you look around the room at any of our big events and conferences, you'll notice that as an industry we're white male heavy.

But we didn't want to make any assumptions about our membership and knew that for any new diversity and inclusion initiative we'd need to start by looking at the data.

We decided to work with an external partner, Brands with Values, on an industry-wide Culture Study having been impressed by the work they'd done on UK culture and inclusion in the past.

Data gathering

Inclusion is broad, and we knew that the data we gathered should reflect that. We worked with Brands with Values on the questions that would be relevant to our industry, around demographics, but also digging deeper into culture and inclusion. The survey was sent out to our members via a link with QR codes and was shared with our People Steering Group too.

What we learned

Absolutely key was involving our members from the start. Doing so meant they felt greater engagement and ownership of the survey and were more likely to encourage their employees to complete it.

And next time, we'll make the survey multilingual. Many of the people who work in our laundries on the factory floor don't have English as their first language.

The Laundry Industry Culture Study: What we learned

- Community is the most important set of values to the laundry industry
- Employees think 80% of industry values are healthy; the top 3 'personal value' words were honest, friendly and loyal
- The top unhealthy values highlighted were 'demanding' (23%) and 'long hours' (30%)
- 61% of employees felt welcome, accepted and part of their organisation
- TSA members see their company cultures as healthier than the UK overall
- Over 500 employees contributed to the survey, across all roles and demographics

Future Plans

We're committed to tracking our progress in ED&I and plan to run the Culture Study as a regular event. But we need to be mindful of the fact that many of our members also have their own engagement surveys. The last thing we want to do is overwhelm employees.

And our challenge as a Trade Association is that all our members are on different ED&I journeys; some are already doing great things in the ED&I space, and some are just at the start of their journey.

A key focus for the future is to support our smaller members; they're the ones that may need it the most. The larger corporations will have HR teams, and the resources to run training - although many have attended our EDI workshops.

Being part of Change the Race Ratio as a Trade Association

We're a Trade Association, and although we're quite small, our membership isn't. Being a signatory to Change the Race Ratio enables us to support and encourage our members, to help them to figure out what they should be aiming towards when it comes to diversity and inclusion.

In fact, I'd describe Change the Race Ratio as a reassurance – a guiding light to help.

Diversity and inclusion can be a challenging topic; people don't always know where to start. Which is why it's been so helpful to have that guidance on what we and our members need to do to move in the right direction.

Clearly each organisation will have a different way of doing things, and that's fine. But what we want to do is to make sure that what we're sharing is getting sent down through our membership to really have an impact.

It also means that we can influence the whole industry and help facilitate for some of the smaller companies. This is where we have that membership benefit.

[Read the full Laundry Industry Culture Study here](#)

“Being a signatory to Change the Race Ratio enables us to support and encourage our members, to help them to figure out what they should be aiming towards when it comes to diversity and inclusion.”

**Emma Anderson, Membership Director,
The Textile Services Association**

Case Study 2:

FTSE100s Collaborate on Ethnicity Pay Gap Reporting

Ethnicity Pay Gap Reporting

Ethnicity Pay Gap reporting is voluntary, giving employers who do report on their ethnicity pay gap a competitive advantage when it comes to attracting diverse talent into their workplaces and leadership teams.

The government has recently published guidance on EPG reporting which aims to set out a consistent approach to reporting, so that employers can present their data in a consistent way.

The Mind the Gap Group

In addition, in 2021, AVEVA convened a meeting of the companies reporting EPGs voluntarily (Auto Trader, British Land, BT, HSBC, ITV, LandSec, Lloyds of London, M&G, National Grid, NatWest, Sainsbury's & Shell). They continue to come together to share their experiences of reporting, encourage other businesses to report, and support the government to make EPG reporting a regulatory requirement.

Their goal was to encourage others to report their ethnicity pay gaps, seeing it as a key action that business leaders can take to provide a more equitable workplace for more employees. Reporting is a critical first step and is vital for transparency.

They called their group 'Mind the Gap', and as a first step they undertook a study to understand the methodologies and outcomes of ethnicity pay gap reporting in their companies.

The group's initial goals

The aim of the study was to identify the success factors behind ethnicity pay gap reporting and answer process-based questions, including questions around data collection, how to report, resources needed, comms strategies and the impact of leadership support. **You can read the full study here.**

As a priority, the participating companies in the Mind the Gap group want to use this study to encourage others to report their ethnicity pay gaps.

Key findings from the study

The survey showed that Ethnicity Pay Gap reports can be used long term to track ED&I trends year on year, identify targeted actions and monitor the progress of ethnic minority representation across organisations.

The survey also highlighted the importance of involving senior executives and board members with the reporting, in order to increase internal engagement and reach within organisations.

“At Auto Trader we have a strategic commitment to create a representative workforce across all levels of our organisation. We believe it is important to remain accountable and transparent, which is why we publish our ethnicity pay gap.”

Nathan Coe, CEO Auto Trader

Summary

Ethnicity pay gap reporting is not as challenging as it may seem. With the right processes and systems in place, organisations can report on - and make progress towards reducing - their ethnicity pay gap.

These 12 companies have shown that it is possible, and they've provided the blueprint for how to make a start.

That's not to say that organisations won't have their own challenges. But by sharing both the problems and solutions encountered along the way, it's possible to take action to build more fair and equitable workplaces.

The group asks that you pledge to start reporting your ethnicity pay gap as a first step to reducing it - and there's no time to start like the present.

“At AVEVA data is foundational to everything we do, so it is natural for us to take a data-informed focus on ethnicity to create an ever more diverse and inclusive environment, while supporting wellbeing and delivering high performance.”

Caspar Herzberg, CEO AVEVA

Case Study 3:

AMS

AMS is a workforce solutions firm founded in 1996, with 10,000 employees globally. They are also one of the first signatories to Change the Race Ratio.

Paul Modley is AMS's Director of Diversity, Equity & Inclusion, with global responsibility for overseeing the organisation's DE&I strategy. Here he talks about the importance of target setting, how to approach ethnicity pay gap reporting and the importance of good data.

Our Ethnicity Action Plan

Our ethnicity action plan was primarily about increasing ethnic and racial minority representation at leadership level - and target setting was a big part of it. Our initial target was to double the representation by the end of 2021, and then double it again by the end of 2023. When we set this target back in 2020, only 4% of our leadership communities were from ethnic minority backgrounds or from local talent pools.

Our targets were ambitious, but we exceeded them. We hit 9% representation by the end of 2021, and we have recommitted to be at 16% by the end of 2023. We looked at our hiring practices to make sure that our long and short lists were diverse.

What helped us succeed

First and foremost, having support from our CEO and Chair has had a huge impact on the success of the plan. We have fantastic, consistent support from our CEO David Leigh and our Chair and founder Rosaleen Blair.

Secondly, we've worked at consistently engaging with colleagues. This has been a hugely positive experience, and it's shown that we're not just talking about change, we're investing in it.

We've also talked to our clients. Our clients are keen to learn what we're doing in this space and have lots of questions, leading to some great conversations.

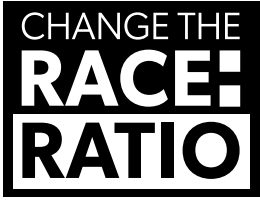
Ethnicity Pay Gap Reporting

We knew that as signatories to Change the Race Ratio we would need to publish our ethnicity pay gap report. Our main challenge was getting robust data in place.

For our first report, we worked with an external partner who helped us pull the data together and interpret it. As a result of the report, we know we have a gap, and we know that it's principally because we don't have that diverse representation at a senior leadership level. We're now working on our second report.

For anyone embarking on an ethnicity pay gap report, I have two pieces of advice. Firstly, focus on your data collection. Without a high disclosure rate (ours is 80%), you won't have that robust data to inform meaningful change where it's needed. Secondly, ask your colleagues to support the initiative. We were helped by colleagues and employee networks who wrote blogs and created video content around the importance of disclosure and how the report could help drive change.





October 2023

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