
Reporting on Diversity

A guidance toolkit for
companies by investors

30% Club Investor Group, UK

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Foreword

The past few years have seen diversity and inclusion taking a more prominent place in corporate business practice and reporting. This has been driven by a combination of societal expectations, regulatory interventions, and compelling evidence about the business case for diversity in corporate leadership.

A 2020 study by McKinsey found that the most diverse companies are now more likely than ever to outperform non-diverse companies on profitability. Companies in the top quartile of gender diversity on executive teams were 25 percent more likely to experience above-average profitability than peer companies in the fourth quartile. As a result, there is a substantial performance differential – 48% – between the most and least gender-diverse companies. Similarly, according to the Pipeline's Women Count 2021 report, FTSE350 companies without any women on their executive committees suffered losses on average of -17.5% in 2021 compared to profits for those companies with women represented at this level.

In the case of ethnic and cultural diversity, the findings are equally compelling. Companies in the top quartile outperformed those in the fourth by 36 percent in terms of profitability in 2019. Additionally, there continues to be a higher likelihood of outperformance difference with ethnicity than with gender.

For investors, these are significant considerations. We view diversity and inclusion in leadership as a proxy for sound corporate governance and management, culture and stakeholder relations. If companies are more representative of their customer base and broader society, they are more likely to be able to navigate the complex and dynamic issues they now face – from pandemics to climate change. This has been the driver for the work of the 30% Club's UK Investor Group since its inception in 2011.

Whilst such evidence increasingly exists, businesses are waking up to the realisation that actively including different types of people in their organisation is simply the right thing to do. The UK Companies Act already states companies' boards of directors need to consider the impact of their decisions on external stakeholders, including the environment and local communities. Firms should safeguard the interests of all stakeholders – customers, suppliers, employees and local communities – as they seek to generate long-term shareholder value. That includes taking action to deliver a corporate environment where everyone can feel included. A time when we can see the economic and societal disruption brought by COVID-19, which has exacerbated inequalities and disproportionately impacted women and vulnerable minorities, delivering diversity and inclusion is one area where companies can help deliver a fairer and equitable industry that benefits all stakeholders.

As investors we depend on reporting as a crucial tool to assess companies' policies and progress. Often, reporting on diversity issues is provided as a side offering to satisfy regulatory reporting requirements. We want to see more integrated reporting that shows how diversity is being treated as a core strategic consideration.

We are heartened to see big strides in how some companies are showing leadership on diversity and inclusion; however, there remains much to be done to move beyond box-ticking and merely fulfilling minimum standards on representation and reporting.

Signed by:

Marte Borhaug, Morgan Stanley
Investment Management

Mais Callan, Nest

Diandra Soobiah, Nest

Co-Chairs of the UK 30% Club investor Group

Purpose of this report

This guidance document was created for two purposes:

- 1** To establish a shared understanding of what constitutes useful reporting on diversity, so investors can more confidently use that information in their decision-making processes and engagements;
- 2** To help companies better understand what investors value most in disclosure on diversity and provide insights on how company reporting can be made more effective and comprehensive.

The document is meant to be used as a high-level reporting framework. Companies can use various elements to enhance their existing reporting over time and fill in any gaps where needed. It is not intended to be an exhaustive set of disclosures for companies to adopt, but a suggested set of carefully considered indicators that investors would find helpful. Having said that, we hope this framework can be taken forward and built upon to serve as a best-practice reporting benchmark that the industry would really welcome.

Throughout this report we have made references to examples of reporting that illustrate ways in which different companies have approached disclosure on their various policies, metrics and outcomes. These were collated from members of the 30% Club Investor Group and while they should not be taken as full endorsement of those companies' diversity policies overall, they highlight useful or innovative approaches to reporting.

While this guidance is aimed at FTSE 350 companies, we hope it can also be helpful in other jurisdictions to support strong reporting around the world. We would also invite unlisted companies to take guidance from this document.

Ultimately, we hope that this report can be used as a reference point in meaningful investor-corporate dialogue with a view to improving diversity and inclusion within companies in the UK.

The 30% Club Investor Group

Who we are

We are a group of asset owners and asset managers with £22.3 trillion of assets under management. We have a shared belief that boards that genuinely embrace cognitive diversity, as manifested through appropriate gender, race and ethnicity representation and a broad spectrum of skills and experience, are more likely to achieve better outcomes for our pension fund members and clients. As such, we take an active approach to responsible investment and use our collective voice to promote progress on gender and racial diversity with our investee companies and in the wider marketplace.

The latest phase of the work of the 30% Club Investor Group seeks to demonstrate our members' strong commitment to delivering outcomes on gender representation that are sustainable over the longer term. A full list of our current members can be found on page 32.

What we are trying to achieve

As members of the UK 30% Club Investor Group, we are committed to achieving:

- 1 Beyond** 30% representation of women on all FTSE 350 boards, to include one person of colour by 2023

We support the Parker Review goals for at least one person of colour on every FTSE 350 board – in addition we advocate for gender balance with half these seats going to women, creating 175 board seats for women of colour.

- 2 Beyond** 30% representation of women on all FTSE 350 Executive Committees, to include one person of colour by 2023

We advocate for gender balance with half these seats going to women, creating 175 executive committee roles for women of colour.

- 3 Beyond** 30% of all new FTSE 350 Chair appointments to go to women between now and 2023.

Continued>

How we plan to achieve this

We drive change with our members in three areas:

1

Build investor knowledge and awareness on diversity and inclusion to equip all UK investors to take action by providing guidance, sharing insights and thought leadership, arranging events and reporting on progress

2

Engage firms on the 30% Club's new targets on gender, race and ethnicity at board and executive level through sharing research on company performance, engage collaboratively with companies and drive change with other stakeholders such as ESG data providers and executive recruitment agencies

3

Drive gender diversity globally with our investments by supporting investor groups in other countries and increasing collaboration across the globe

Executive Summary



The UK 30% Club Investor Group works to encourage greater representation and inclusion of women and underrepresented ethnic groups across corporate Britain, from the board throughout the talent pipeline. To help support this, companies must be transparent so that investors can understand what companies are doing, track progress and ultimately take action to support leaders and challenge those lagging behind. This report offers guidance to help companies improve their reporting on diversity and inclusion around gender, race, ethnicity, and other diversity characteristics.

Pressure has increased on companies to deliver outcomes and improve transparency to stakeholders on diversity and inclusion. The UK's independent regulator, the Financial Reporting Council (FRC), has recently updated its corporate governance code, requiring stronger policies, procedures and reporting on diversity from boards. Voluntary targets on gender and ethnic diversity, as well as the UK's gender pay gap reporting requirement, also encourage companies to improve their performance in this area. The FCA, alongside the Prudential Regulation Authority and Bank of England, are consulting on new measures to require companies to disclose annually on a comply or explain basis whether they meet specific board diversity targets and to publish diversity data on their boards and executive management. However, to date, too often action has been superficial with a lack of tangible improvements.

Better reporting has been identified as a key element both in improving companies' dialogue with investors on this issue and in driving forward change. Investors are increasingly interested in understanding how companies are ensuring diversity in appointments, succession planning and company strategy and more broadly how they deliver inclusion throughout the organisation. However, inconsistent approaches to reporting, patchy data and weak strategic reporting often leaves investors unable to adequately assess progress and hold firms to account.

Investors value comprehensive reporting on diversity because it allows them to better evaluate a company's culture and attitude to people – from their workers to customers and wider stakeholders – which in turn can impact on a company's reputation, ability to attract the best workforce, and adaptability in a changing world. There is also an increasing belief that companies that take diversity seriously are more invested in good governance. As diversity moves up the list of priorities for investors, increasing numbers are putting their money where their mouth is, engaging with companies, using their voting powers to express their dissatisfaction with managements who sideline this issue and, in some cases, divest.

“We have consulted with our members to gather examples of good practices in diversity reporting and found that there are many innovative initiatives in this field.”

The following key principles of good diversity reporting have been identified. Reports should:

- 1) be authentic and strategic, reflecting realities of the business;
- 2) prioritise quality over quantity, being concise yet meaningful;
- 3) be action-led, emphasising what is actually being done by the company to encourage and improve diversity;
- 4) be explanatory and informative, putting data into context; and
- 5) be flexible but comparable, letting companies develop their own framework while encouraging common features to allow investors to make comparisons.

To provide investors with the information they need, we recommend developing a Balanced Scorecard with key performance indicators on diversity that capture nuanced information, going beyond current regulatory requirements and voluntary targets aimed at primarily at leadership. These should cover the four areas of disclosure that we recommend in the report: governance and oversight; strategy and business model; training, recruitment and pipeline development; and overall diversity commitments and data, such as action taken linked to customers, products and services as well as supporting local communities.

Equally important is a narrative to ensure that investors can make full sense of the data, for example to explain why some sections of the company might persist in being male or female dominated, despite diversity efforts, or to highlight areas where significant progress has been made. Crucially, a narrative also gives a company the opportunity to demonstrate how its diversity strategy contributes to overall business strategy.

We have consulted with our members to gather examples of good practices in diversity reporting and found that there are many innovative initiatives in this field. These range from diversity-related performance metrics for executive remuneration to statements of the business rationale for diversity policies, and from granular data on the entire workforce to presenting the return on investment seen from achieving inclusivity targets.

We encourage companies to be proactive in their diversity and inclusion efforts and believe that those businesses with strong organisational cultures that take the initiative to set their own ambitious targets will reap the benefits in the years to come.

1. Context

1.1 The UK policy landscape on diversity reporting

The FRC's UK Corporate Governance Code

In 2018 the Financial Reporting Council (FRC) published an updated UK Corporate Governance Code that set out more rigorous requirements on the role of the board in enhancing policies, procedures and reporting on diversity.

The key requirements include:

- Appointments to the board to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strength;
- An emphasis on the ensuring a combination of skills, experience and knowledge at board and committee levels;
- An annual evaluation of the board to consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

The FRC seeks annual reporting on:

- The nomination committee's process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline;
- Board evaluation, its outcomes, actions taken, and how it has or will influence board composition;
- The policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and the gender balance of those in the senior management and their direct reports.

In a 2020 review of the progress FTSE 100 and FTSE 250 companies were making in relation to the above, the FRC found that too many companies took a "formulaic" approach to stakeholder obligations, and while many set out their commitments in their annual reports, there was a lack of action and outcomes, particularly in the case of management diversity.

According to the review, there was a lack of targets to improve diversity at board and executive committee levels, little or no discussion of succession planning, and minimal work done to broaden recruiting.

Voluntary diversity targets

Improved gender diversity at non-executive level has been achieved by setting voluntary targets and monitoring progress through reporting. While there are various targets applicable to FTSE companies, progress has been slow. The Davies Review, which suggested 25% of female board directors by 2015, was extended by the Hampton-Alexander Review, focusing on women in leadership roles across the FTSE 350 and raised the target to 33%; it has now been renamed the FTSE Woman Leaders Review, and expanded to cover targets related to executive committees and ethnic diversity. The Business, Energy and Industrial Strategy (BEIS) Select Committee Report, published on 30 March 2017, proposes that half of new senior executive appointments in FTSE 350 companies should be women from May 2020.

The Parker Review of ethnic diversity suggested that there should be at least one director of colour on FTSE 250 boards by 2024 and that nomination committees should insist on the identification of people of colour for the purpose of vacancy shortlists. The Parker Review also focused on the development and progression (including mentoring) of people of colour to strengthen a diverse pipeline of talented individuals, and disclosure by companies of the efforts they are making to improve diversity within the workforce.

Similarly, the McGregor-Smith Review on race and ethnicity in the workplace and the government's response to it make a number of recommendations to improve diversity within organisations. These include the publication of a breakdown of employees by race and ethnicity and by pay band, setting aspirational targets and identifying a board-level sponsor for all diversity issues. To ensure this happens, companies are encouraged to reference what steps they are taking to improve diversity in their statements in the annual report.

In addition to these government-commissioned independent reviews are other voluntary business-led initiatives such as the Change the Race Ratio and the Business in the Community's Race Charter which are pushing for change and championing diversity and inclusion from within the business community.

Gender pay gap reporting

The UK introduced gender pay gap reporting in 2017. Since then, all private, public and voluntary-sector organisations with over 250 employees in England, Scotland and Wales have been required to report certain statistics on the difference between male and female wages. The premise of this reporting is that by increasing transparency on gender pay gaps, employers would be publicly accountable and be forced to explain why such gaps exist and take steps to narrow them.

While there is no legal obligation to publish a narrative, the Government strongly encourages employers to produce a voluntary accompanying narrative that provides some context, explains any pay gaps, and sets out what actions will be taken. Investors strongly value such discourse as it provides a more nuanced understanding of the status quo and the strategic undertakings to close the gaps.

Investors also benefit from understanding how this can indicate the representation of females within senior levels of organisations where pay is typically higher, which can be informative where data is not otherwise disclosed.

It can also be a useful process for companies to go through in terms of understanding its workforce composition and the roles occupied by females. We would encourage companies to consider this an exercise in understanding its workforce rather than merely a reporting requirement. We would also welcome the introduction of compulsory ethnicity pay gap reporting for similar reasons and are heartened that the issue was recently been debated in Parliament.

1.2 How investors use diversity reporting

Clear and meaningful reporting on workforce and diversity is a proxy for good governance.

Making investment decisions

Investors use various approaches, tools, and research to help them piece together a holistic picture of the viability of a certain investment. For many of the 30% Club investor group members, how companies think about and act upon environmental, social and governance issues (ESG) as part of their core strategy is a strong indicator of management quality and long-term business sustainability.

When it comes to quantifying less traditional financial inputs such as diversity or workforce risks and opportunities, investors often find that available research and data is weak and lack consistency. The good news is that efforts are being made to improve this data, with initiatives such as the Workforce Disclosure Initiative, the World Benchmarking Alliance's gender benchmark, and the emergence of diversity-related indices making big strides.

Many ESG data providers now capture diversity data within their methodologies and provide scores that make it easier for investment firms to identify leaders and laggards. These scores include considerations on disclosure levels, policy quality, adherence to key regulatory standards, and controversies that indicate potential reputation risks. However, consistency of disclosure and data integrity remains an issue and therefore investors have to take extra steps to better understand investee companies' approaches. Furthermore, scores tend to be backward-looking and don't always reveal the complete picture or capture more nuanced information about companies' approaches on diversity and inclusion.

"As an ESG factor, our analysis of diversity is a contributing factor to our overall view on the ESG performance of a company and features regularly when we engage with companies. Diversity, in itself, has not been the sole factor leading us to either invest in or divest from a security within the portfolio. Having said this, a key tenet of the recent investment in Amazon.com was the expected performance and policies surrounding diversity and wider management of human capital."

Newton equities portfolio manager

“Diversity can act as an important indicator of wider corporate culture. As investors, we rely on public disclosures, such as diversity reporting, and engagements, to glean insights into this important area. Moreover, we believe employees are increasingly focused on their company’s and prospective companies’ diversity, equality and inclusion policies and performance. Those companies that perform poorly or fail to report are expected to find it increasingly challenging to attract the right candidates.”

Rebecca White, Newton Investment Management

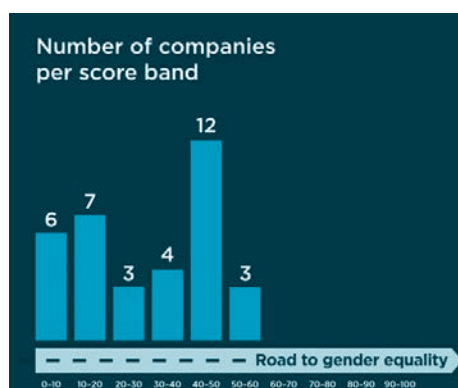
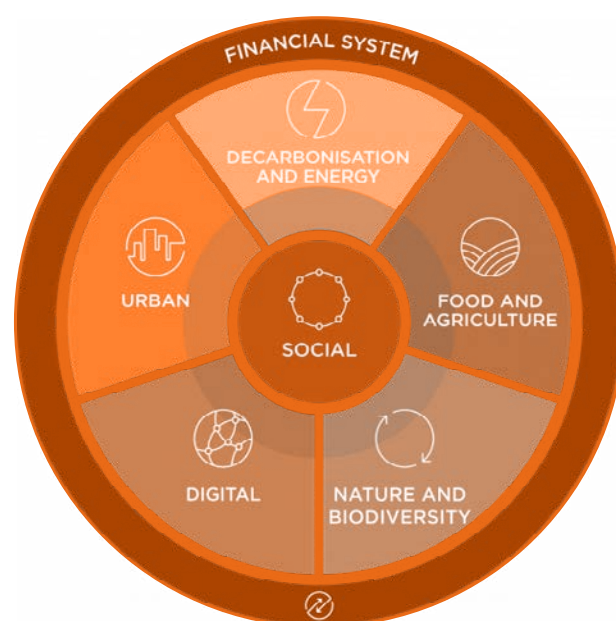
Driving change by ranking companies

No CEO or chair wants to see their company rank bottom on a public ranking on any issue, let alone on gender diversity. This is where initiatives like the World Benchmark Alliance (WBA), a not-for-profit organisation with over 200 allies around the world, comes in. In 2021 WBA published its first Gender Benchmark, ranking 35 key apparel companies on their contribution to Sustainable Development Goal 5: gender equality and women’s empowerment. The ranking is a unique approach to assessing companies on their ‘gender performance’, looking across the value chain from how firms deliver representation and promote well-being in the workplace to whether they offer benefits like childcare and tackle violence and harassment in the supply chain.

The findings in this year’s ranking showed worrying signs of gender complacency: despite the attention given to gender diversity in the past decades, the

realities on the ground tell a different story. In an industry with 60–75 million employees – two-thirds of whom are women – gender performance is poor overall. The average score of all companies is 29.1 points out of 100. Only Adidas, Gap and VF Corporation score above 50 points. Only half of the companies assessed (51%) offer childcare support to their employees. Even fewer (37%) offer other family support; only 10 companies (29%) offer both. And only two companies collect gender pay gap data across their operations globally.

Rankings like the WBA’s benchmarks make it easier for stakeholders to know how companies are doing and whether they are improving or falling further behind. Ultimately it is delivering real change in the way that business impact is measured to boost motivation and stimulate action for a sustainable future for everyone. The goal is to ultimately assess and rank 2000 of the world’s most impactful companies across the SDGs, focusing on seven ‘system transformations’.



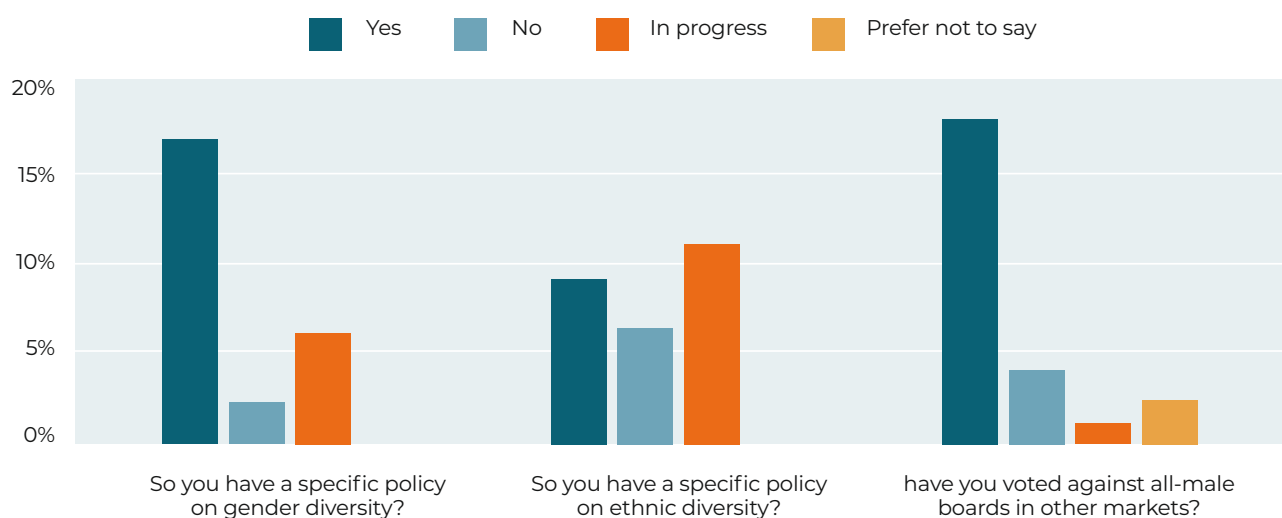
Source: WBA Gender Benchmark, 2021

Stewardship

Making voting decisions

As stewards of our clients' or members' assets, it is our responsibility to use ownership rights to encourage best practice. In a survey we conducted among the 30% Club Investor Group members, we

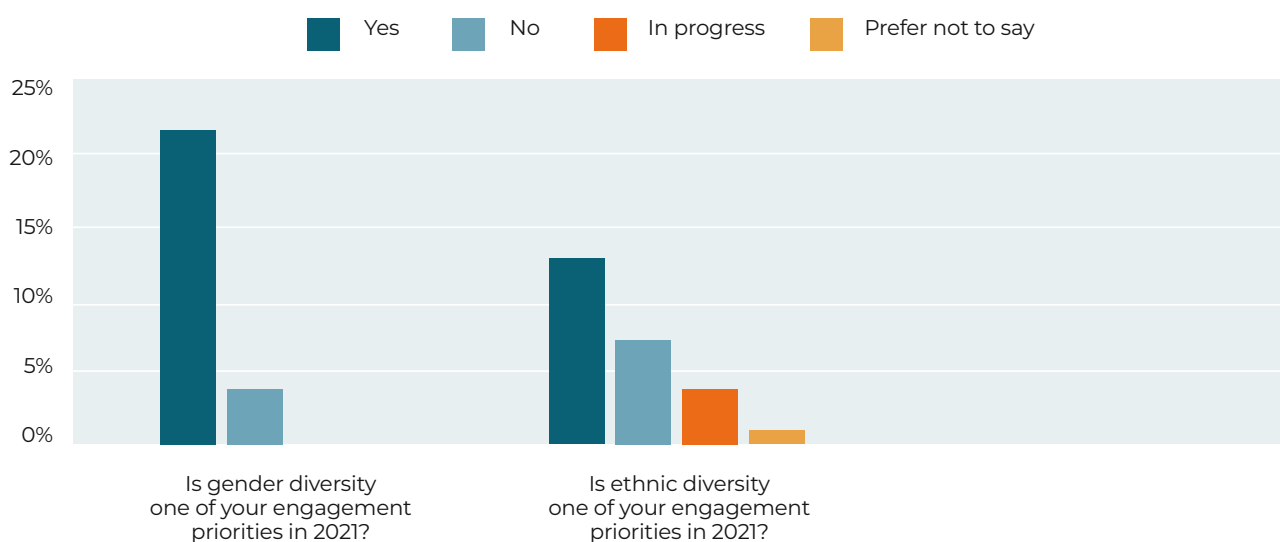
found that the majority of respondents had specific voting policies on gender diversity and are working on voting policies relating to ethnic, socio-economic, and cognitive diversity. The vast majority have used their rights as shareholders to vote against all-male boards, not just in the UK, but across other markets.



Engaging with company management

Engagement is when investors behave as active owners of their shares and engage in dialogue with companies about issues they consider to be material in the long term. Our survey showed that the vast majority of respondents had gender diversity as an

engagement priority in 2021, and ethnic diversity is gaining more traction, with many investors already having it as a priority and others developing their thinking around it. We expect that other forms of diversity will also emerge within engagement activity.



Nest's voting and engagement policy on diversity

Nest is a UK pension scheme serving around 10 million members. Responsible investment is core to its investment beliefs. Nest votes and engages with UK-listed companies it invests in and as part of this has set out its key expectations of companies' environmental, social and governance (ESG) practices

in its UK voting and engagement standards. They are reviewed annually and shared with Nest's external fund managers to ensure alignment of stewardship considerations.

Expectations on diversity are embedded within its principles on board leadership, effectiveness and composition as well as workforce management. The UK and global policies contain specific provisions in relation to diversity and reporting quality.

Diversity

A company should have a policy on board diversity. We believe diverse boards in terms of gender, background, experience, education, qualifications and ethnicity can improve the quality of decision making.

Gender, personality and cultural differences can have an impact on the way a group thinks, and we support progressive approaches to encouraging differences.

We are supportive of seeing diversity in all forms encouraged and progressed throughout the executive pipeline and wider workforce. A focus on diversity can also help to legitimise both the board and company.

We support further reporting on all aspects of diversity of the board and wider company. As well as ethnicity, we would be interested in understanding the backgrounds, experiences

and skills of people that make up the workforce and hearing from companies on how they think their actions in promoting and achieving a diverse workforce on many levels is contributing to its success.

We will vote against the re-election of the Chair of the nomination committee if a company fails to disclose a meaningful policy on board diversity which should include setting targets for gender and ethnic diversity across all levels of the organisation.

We support boards that have a company-wide diversity policy or demonstrate how the board diversity policy filters across the workforce by setting the 'tone from the top'.

We will engage with companies to encourage further reporting on all forms of diversity throughout the company.

We expect at least 33 per cent of the members on a corporate board to be women. Where companies have not met this threshold they should report why they have not achieved this level and publicly state how they plan to further increase women's representation.

We will vote against the re-election of the Chair and chair of the nomination committee if a company has less than 33 per cent of women on the board and there is no indication of positive momentum or progress of electing more women onto the board.

In line with the recommendations of the Parker Review we expect FTSE100 companies to appoint at least one board director from an ethnic minority background by the end of 2021. In addition, we advocate for gender balance with half of these seats going to women from an ethnic minority background. We will engage with

FTSE100 companies who do not have at least one director from an ethnic minority background. Following this engagement, from 2022 we may vote against the re-election of the Chair and chair of the nomination committee at FTSE100 companies who have no board directors from an ethnic minority background.

Investor views on diversity

“We invest in a number of smaller companies and regularly engage with them on gender diversity. We do this for a number of reasons – partly because it’s the right thing to do, partly because gender diverse boards outperform their peers and partly because these companies will face greater scrutiny on their board composition as their market cap increases. We want them to take early action in this area.”

Amelia Overd,
Castlefield Investment Partners LLP

“Investing in companies that manage diversity matters well, promoting an equitable workplace combined with strong business fundamentals, can deliver positive long-term shareholder returns. At Robeco we encourage companies to improve their diversity performance through our stewardship activities. Board diversity requirements are included in our voting policy and we have dedicated engagement dialogues with our investee companies encouraging them to enhance their workforce diversity through robust human capital management strategies”.

Laura Bosch-Ferreté,
Robeco

2. What good diversity reporting looks like to investors?

Through our engagements with companies, we have discovered that there's often a more detailed narrative behind the data being reported. Investors want a complete and true picture of how companies' approach diversity, how it's embedded in all elements of the board and organisational culture, business strategy, management structure, recruitment, and promotion. There's sometimes a lot of progressive thinking and positive activity, which investors cannot glean through current approaches to company reporting on diversity.

The current regulatory reporting requirements highlighted in section 1.1 are predominantly based on process and policy at board level while the voluntary diversity targets are aimed at leadership level. There is no requirement to report on activity, action, contribution, conduct, or performance across the whole organisation. Often what is happening at the lower and middle levels of an organisation is a strong indicator for how future talent is being developed. In particular, key performance indicators (KPIs) and narrative statements, measures and metrics about diversity throughout the company would help to:

- Fill information gaps
- Sharpen and add context to the numbers and description within the strategic report
- Add important context to the viability statement
- Improve shareholders' assessment of how the directors have discharged their duty under section 172 of the Companies Act 2006 to promote the success of the company.

Good diversity reporting has the following qualities:

Authentic and strategic

Reporting on diversity is a relatively new and evolving area, so investors understand that companies need time to gather this information. We always favour reporting that is authentic and ties in with the realities of running a business. Where there are areas for development, investors encourage honest discourse about this and how they will be addressed in future. The more embedded within the strategy, the better. More than anything, we want to see true accountability by the board and Chief Executive Officer (CEO), who we believe hold the overarching responsibility for promoting diversity.

Quality over quantity

Better reporting does not mean more reporting. Investors need to get a sense of a company's approach to diversity at the outset, without having to trawl through multiple pages of disclosures and information. Some of the most useful reporting we have seen has been concise, easy to understand and highly meaningful. Some companies have set out their diversity and inclusion activities in separate documents, whereas others have integrated these in broader reporting. We do not favour one approach over the other, as long as it is clear, concise and easy to find, and that the diversity strategy is linked to and part of the broader strategy.

Action-led

We discourage boilerplate statements and instead welcome tangible evidence of what actions the board is taking in order to encourage and improve diversity and how it is performing against or contributing to meeting its objectives or targets. Progress should be reported on annually.

Explanatory and informative

While there are common data gaps that investors are interested in, such as ethnic diversity, national origin and gender diversity below the board level, data alone is not sufficient. Numbers and quantitative data should be supported with helpful explanations. For example, it may be useful to know the gender or ethnicity representation on a board, but investors are also interested in why it is at that level, and what is the company doing to improve upon that figure; whether there has been a move up or down, and if so, why that has occurred; what challenges the companies are facing and how board culture has changed or benefitted as result of a new appointment.

Flexible but comparable

Building on the base of common metrics currently required by regulation and voluntary targets, in order to develop an understanding of what companies think is strategically important would be useful for investors. Companies should be able to develop their own reporting framework, hopefully with consistency and comparability over time. If companies have the flexibility to report internally what is most important to them, then reporting a version to investors will ensure a low burden on business. Giving companies the freedom to report will help investors to see the differences between companies and help them to differentiate companies from one another and more easily identify leading and lagging performance.

Companies could consider developing a Balanced Scorecard as part of their reporting framework. This is a scorecard of measurements balanced between financial and non-financial metrics measuring outcomes, between metrics used for external stakeholders (financial and customers) and internal capabilities (internal processes and learning growth) and between short term results and longer term sustainable value creation.



Aspects of good diversity disclosure

3. Governance and oversight

Setting the tone from the top

Investors value clear and authentic leadership by a company's board that demonstrates it embraces diversity of thought in its decision-making structures. This assures us that the board understands the business case for diversity, and the need to promote a culture that will attract and retain new talent, foster innovation and reflect the world its customers and other stakeholders live in.

In terms of reporting, this is fundamentally driven by a well-considered and disclosed strategy that articulates why this issue matters to a company and how it is implemented by management and monitored by the board.

Regulatory reporting such as the FRC's UK Corporate Governance Code sets specific expectations on reporting around a company's diversity policy and oversight mechanisms. We welcome such disclosures and would like to see companies go beyond the provision of minimum information to give investors a more holistic picture of how and why diversity is driven in the organisation.

Investors seek to understand:

- Why diversity matters to the company in relation to its medium and long-term strategy
- The board's composition and how diversity of thought is embedded in succession planning
- What the board's practical role is in overseeing diversity issues
- What success looks like when it comes to diversity at the company
- What metrics the board uses to monitor and measure progress on diversity
- How the board incentivises itself and its management on diversity-related performance indicators

Examples of useful reporting

During our assessment of reporting best practice in this area, we found various examples that help

to illustrate approaches companies use in different areas of reporting on governance and oversight in relation to diversity issues.

Board composition and succession planning

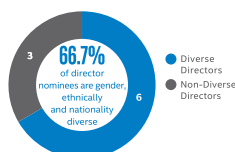
BOARD DIVERSITY AND REFRESHMENT

Our Board is committed to actively seeking women and minority director candidates for consideration. In 2014, the Board formally adopted its commitment to actively seek women and minority candidates for the pool from which board candidates are chosen. In connection with this process, the Governance Committee also seeks input from Intel's head of Global Diversity and Inclusion. Representation of gender, ethnic, geographic, cultural, or other diverse perspectives expands the Board's understanding of the needs and viewpoints of our customers, partners, employees, governments, and other stakeholders worldwide. As part of our ongoing commitment to creating a balanced Board with diverse viewpoints and deep industry expertise, we regularly add new directors to infuse new ideas and fresh perspectives in the boardroom.

Our directors reflect diverse perspectives, including a complementary mix of skills, experience, and backgrounds that we believe are paramount to our ability to represent your interests as stockholders. In the last four years, seven new independent directors have been elected or appointed to the Board, three of whom have been women. If each director nominee is elected to the Board, after the 2020 Annual Stockholders' Meeting, the majority of the Board would be diverse based on directors' gender, ethnicity, and/or nationality.

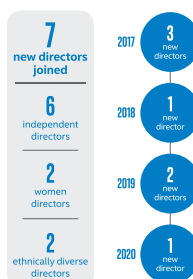
Our Board is focused on combining the right mix of skills, experience and perspectives to support Intel's future strategic direction, including its transformation from a PC-centric to data-centric company. For example, we have recently prioritized cybersecurity, information security and other database technology skills in our director recruitment efforts, as reflected by the recent additions of James J. Goetz and Alyssa Henry to our Board. In addition, recognizing the importance of the Board's role in overseeing human capital risks as Intel undergoes a cultural transformation, over the past few years we have also added directors with human capital management experience. Intel is committed to focusing on Board diversity more broadly through engagement with key partners. In 2018, Intel joined the Thirty Percent Coalition (Coalition), which focuses on strategies to increase female representation on corporate boards. For 2019, the Coalition has added a specific focus on women of color. Through our partnerships, we aim to not only increase the available talent for our Board, but to also support increased female board representation across our industry.

BOARD DIVERSITY



BOARD REFRESHMENT

Since 2017:



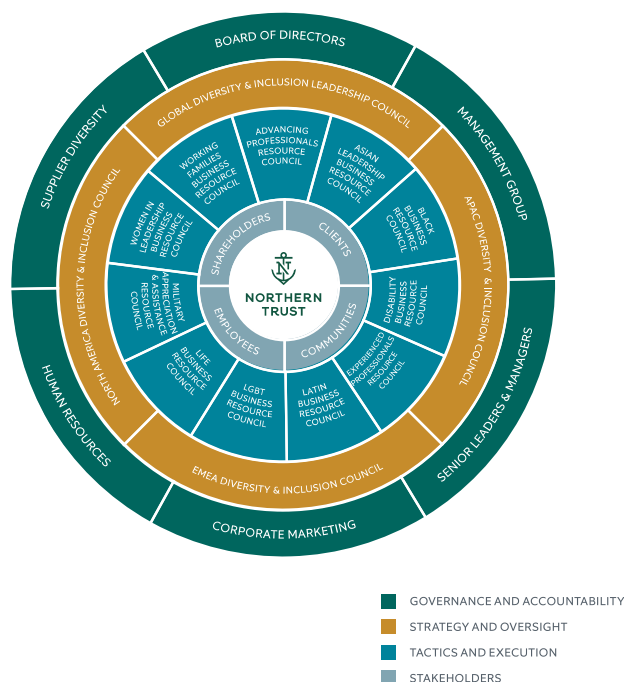
What was helpful

Intel Corp

Board composition and succession planning – the company explains the relevance of diverse perspectives to the overall board skillset. It succinctly runs through the various initiatives undertaken to help increase its senior leadership diversity.

Accountability and oversight responsibilities

Global Diversity and Inclusion Strategy and Governance



What was helpful

Northern Trust

Northern Trust's Head of Corporate Social Responsibility and Global Diversity & Inclusion reports directly to the Chief Executive Officer.

Two Chief Diversity and Inclusion Officers are responsible for the design and execution of topic-relevant programmes across the Americas, EMEA and APAC.

Northern Trust's senior management team realises and embeds its vision for diversity and inclusion at all levels of its business. The Corporate Governance Committee of the Board of Directors is responsible for providing oversight of its diversity and inclusion policies, programmes and strategies.

Northern Trust provides a useful picture of its governance mechanisms in relation to its diversity and inclusion oversight, with a clear linkage to the stakeholders implicated.

Accountability and oversight responsibilities

Marks & Spencer Board Diversity Policy

Marks & Spencer recognises the importance and value of diversity, and the Board's role in driving diversity and inclusion across the organisation. We are committed to creating a culture which reflects the diverse communities we serve, and which provides equal opportunity and support for all to utilise their experiences and skills to contribute to the business.

We believe a key driver in delivering our organisational diversity commitments is through a Board which is diverse in gender, social and ethnic background, cognitive and personal strengths. The Chairman leads the Marks & Spencer Board diversity agenda and sets measurable objectives with the aim of continuously improving diversity generally, which ultimately leads to better debate and decisions.

Policy Objectives

- Maintain a level of at least 30% female directors on the M&S Group plc board over the short to medium term;
- Appoint at least one Director from an ethnic minority background to the Board by 2021;
- Assist the development of a pipeline of high-calibre candidates by encouraging a diverse range of senior individuals within the business to take on additional responsibilities and roles to gain valuable board experience (such as Non-Executive roles);
- Only engage executive search firms who have signed up to the voluntary Code of Conduct on both gender and ethnic diversity and best practice;
- Ensure Non-Executive Directors 'long lists' reflect the Board's diversity commitments in respect of gender and ethnicity, as set out in this policy;
- Consider candidates for appointment as Non-Executive Directors from a wider pool including those with little or no previous FTSE board experience;
- Report annually against these objectives and other initiatives taking place within the Company which promote gender, social and ethnic diversity;
- Report annually on the Board evaluation, the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make up of the Company.

As required by the UK Corporate Governance Code, we will report annually on Board diversity within the Corporate Governance section of the Marks and Spencer Group plc Annual Report.

What was helpful

M&S

Commitments

External evaluation

"To evaluate effectiveness of our gender equality over recent years and identify new ways of thinking for the future, we are engaged in the GEEIS (Gender Equality European & International Standard) certification process. GEEIS is the leading support fund for gender equality at work in Europe and worldwide and is based on rigorous evaluation methodology audited by Bureau Veritas. So, in 2016, the Kering Corporate structures in France, Italy and the United Kingdom, as well as the Group's overall diversity policy, were reviewed in the light of this global standard. Auditing our management tools, human resources and managerial practices and the overall impact of gender equality policies, we received the GEEIS label in September 2016, reaffirming our commitment to advocating a shared vision of workplace equality within the Group. And we didn't stop there. An interim audit was followed up in June 2018, once again recognizing the Group's commitment to gender equality and enabling three of the audited entities (Group, Corporate France and Corporate United Kingdom) to move up the GEEIS scale."

What was helpful

Kering

p.34

This example shows the involvement of external evaluation on gender equality at the organisation. Such audits, when carried out by specialist and reliable organisations, help to assure investors that there is an additional layer of support for the effective implementation of diversity and inclusion policies.

Linkage to compensation

In 2016, in line with the Group's long-term strategy on ESG issues, the Board decided, at the recommendation of the Remuneration Committee, to introduce equally weighted non-financial performance criteria that would account for 30% of annual variable remuneration. The criteria are based on three key areas: organization and talent management, corporate social responsibility, and sustainability.

Organization and talent management

Promote, support and implement actions to:

- increase diversity in the workforce, with a particular emphasis on achieving gender balance;
- ensure succession plans are in place for Executive Committee members and key positions, as well as talent development overall;
- enhance organizational efficiency and ensure the Group remains in step with new business constraints and changing external conditions.

Criterion	Relative weighting	Performance assessment method
Proportion of women in executive management roles	10%	Increase the proportion of women in Top 450 roles to 45% by 2023 <ul style="list-style-type: none"> • Proportion < 40%: 0 shares • Proportion between 40% and 45%: 50% of the shares relating to the criterion • Proportion ≥ 45%: 100% of the shares relating to the criterion

What was helpful

Kering

pp.282 & 285

It was helpful to see specific variable performance weightings and metrics on gender diversity for the corporate executive officers

Intel

p.78

The company provides a linkage of the diversity-related metrics to the operational performance results.

Impact of ESG Metrics

Corporate-level ESG goals were included in the Executive Incentive Cash Plan for 2019 that impact the results of the operational performance component when achieved by up to approximately 26.7%. Intel is recognized as a leader in ESG issues, and since 2008, we have integrated our commitment to corporate responsibility and sustainability leadership into our compensation program in addition to our business operations. The Executive Incentive Cash Plan for 2019 included specific goals around promoting parity in the number of women in leadership positions, promoting an inclusive work culture, customer obsession in Intel's culture, and product quality enhancements. We achieved performance against two of the ESG goals: women in leadership and inclusive culture, which increased the operational performance results by approximately 13.3%.

4. Strategy and business model

Investors are interested in understanding the strategic drivers of companies' diversity and inclusions policies and programmes.

Diversity is a business strategy, not a human resources programme. In our analysis of company reporting for this project, the most cohesive disclosures we encountered left no doubt as to the strategic relevance of diversity and inclusion as part of a company's competitive advantage. Such disclosures talked about diversity from the outset as part of the core objectives, connecting business, culture, talent and customers.

Key to making reporting on this useful is to make the information accessible and clearly linked to financial and operational objectives and outcomes.

Investors seek to understand:

- The strategic relevance of diversity for the company and how it will contribute to the long-term success of the business
- How diversity helps generate or preserve value in the company
- How diversity and inclusion is embedded into the development and delivery of products and services
- How diversity risks and opportunities the company has identified affect the company's business, strategy and financial planning
- How diversity relates to different company stakeholders' interests
- Clear objectives and targets set on diversity issues that relate to strategy

While we found some good examples, there is room for improvement in this area and companies should think more holistically about how they articulate and present such information.

Example

For the Firm

We strive for excellence. To achieve it, we must have the best people, and the best people are drawn from the broadest pool of applicants. The people we need can be found only by looking across the full spectrum of race, colour, religion, creed, sex, age, national origin, citizenship status, disability, qualified veteran status, genetic information, marital status, sexual orientation and gender identity.

For our People

Ours is a culture of teamwork. For our groups to excel, all members must feel that they are operating in an inclusive environment that welcomes and supports differences, and that encourages input from all perspectives. Our people have the right to expect a workplace in which the richness of their lives and experience is welcomed and valued by their team and by the firm.

For our Clients

Their interests always come first. To continue providing our clients with creative ideas and solutions for operating effectively in a complex global economy, we must be capable of dealing with different cultures in an informed and nuanced manner. Experience has shown us that we can best serve our clients' interests by tapping the insights, talents and judgements of a diverse workforce.

What was helpful

[Goldman Sachs EMEA](#)

A clear articulation of the business rationale for undertaking diversity commitments, and their relevance for stakeholders.

Example

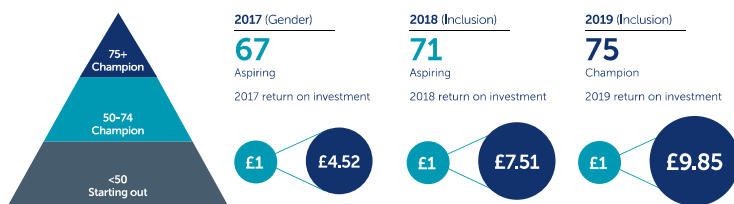
INCLUSION AND DIVERSITY

All kinds of difference – which includes, but is not limited to, gender identity, biological sex, sexual orientation, age, ethnicity or ways of thinking – supports a high performing business culture within the workplace.

Measuring progress against SSE's Inclusion Strategy

Since 2017, inclusion experts Equal Approach have annually quantified the value delivered to SSE from its investment in becoming a more inclusive workplace. This 'Return on Inclusion' (ROI) shows the financial return for every £1 spent on inclusion and diversity by SSE. It enables SSE to understand progress made against its well-established Inclusion Strategy as well as providing expert guidance on which activities bring the greatest return and requires the most focus.

Year-on-year, SSE has seen an increase in its ROI with it more than doubling from £4.52 in 2017 to £9.85 in 2019. 2019 also marked the first time that SSE achieved 'Champion' status in the assessment. Whilst these results show the significant progress that has been made, SSE recognises further investment is required to reach its target of a £15 return for every £1 invested by 2021.



What was helpful

SSE Plc

Value generation – the company puts a financial value to its investment in becoming a more inclusive workplace. It is useful to see that SSE's efforts are having a tangible impact on returns.

Social matters

Championing Britain's diversity – Race Action Plan



HBR Build an inclusive society and organisation

Announced Race Action Plan to drive cultural change, recruitment and progression across the Group

- Aim to increase Black representation in senior roles from 0.6% to 3% by 2025, aligning with the UK labour market [HBR](#)
- Set up a new advisory board made up of Black, Asian & Minority Ethnic colleagues
- Develop a race education programme for all colleagues to increase awareness
- Publish our first ethnicity pay gap report in 2020 – Published Dec-20
- Ensure that all recruitment shortlists at senior executive level have a Black, Asian & Minority Ethnic candidate
- Nurture our talented Black colleagues through programmes for both middle management and senior grades

Significant progress since the announcement of our Race Action Plan:



"The (Race Action Plan) measures are credit positive because they will improve staff diversity at all levels and reduce Lloyds' exposure to social risk." – Moody's, July 2020

Note: Please find our ethnicity pay gap report and further detail on our Race Action Plan [here](#).

Lloyds Banking Group

In this investor presentation, Lloyds uses the context of championing Britain's diversity, and has set strategic objectives that would reduce its exposure to social risk.

OUR DIVERSITY & INCLUSION STRATEGY

Diversity drives innovation and connects us to our customers and communities. To continue building an inclusive culture where difference is valued and respected, we all need to focus on three strategic pillars.



GLOBAL DIVERSITY & INCLUSION TEAM ROLES AND RESPONSIBILITIES



We all play a role in building an inclusive culture.

THOMSON REUTERS

Thomson Reuters

This disclosure shows an integrated approach to diversity considerations across its value chain.

5. Training, recruitment and pipeline development

Companies should explain how they are cultivating diverse leadership through strategic planning, targeted investment and a visible commitment to leverage internal and external resources.

Activities relating to recruitment, training and development have historically been found in the careers section of a company's website to motivate applicants and show a culture of corporate social responsibility. This is useful, but there is a bigger opportunity to bring this into the core domain of how the company operates. Again, this is about business strategy rather than just being a good corporate citizen.

Investors seek to understand:

- What programmes companies have in place to develop their existing and future talent pipeline, and why specifically those programmes were chosen in relation to the overall corporate strategy.
- What external programmes companies are running at grassroots level to help address a lack of diversity or eliminate systemic barriers in their industries.
- What data is being gathered to better understand the strengths and opportunities in current workforce composition.

What data is being gathered to understand how the current workforce feel about the company's inclusivity culture. How that data drives decision-making on training and development. During our analysis, we found some great examples of initiatives being undertaken by companies to connect with internal and external stakeholders, committing to inclusivity charters and working with educational organisations to develop their talent pipeline. What we wanted to see was better articulation of perceived weak spots, for example if colleagues from minority backgrounds feel included in career progression opportunities, how this manifests itself and how it is addressed.

Inclusive Recruitment and Development

Hiring and supporting the careers of underrepresented groups, including women and minorities, supports our business success. To build a diverse talent pipeline, we use global, targeted recruitment and development programs to hire, retain and promote women and multicultural talent. Professional development programs offered in 2019 to help employees hone key skills, build networks and gain exposure to senior management included:

- Wealth Management Multicultural Leadership Summit and Women's Leadership Summit
- Women's Development Program for Vice Presidents and Executive Directors
- Platinum Program for female Executive Directors
- Leader Engagement and Development Program for Black and Hispanic Vice Presidents and Executive Directors
- Multicultural Professional Development Program for analysts and associates
- Project Catalyst for Analyst and Associate female employees

Morgan Stanley

p.36

This provides a clear outline of the company's key initiatives for developing the pipeline of diverse talent.

We're encouraged by the progress being made in attracting an increasing number of women, especially for our internship programme and at a graduate level. In 2019, 27 percent of our new graduate recruits were female. This intake is from courses covering STEM subjects where women represent between 15 and 26 percent of students*, so we're recruiting above the market availability. There is however, a year on year increase of over 1,000 women graduating in STEM subjects, building a stronger pipeline of female talent. Our goal is to achieve the same trend in apprenticeships at our plants in Fife, Fawley and Newport.

In 2019, UK-wide, ExxonMobil welcomed;

- 37 graduates (27 percent female)
- 31 one-year industrial placements (19 percent female) and 46 summer placements (52 percent female)
- 88 apprentices and technicians (12.5 percent female)
- 6 administration support roles (83 percent female)
- 55 experienced managerial and professional employees (16 percent female)

* WISE, Core STEM graduates 2018 Statistics

Recruitment initiatives:

- Engineer Your Career – An annual ExxonMobil event for 100 female engineering undergraduates at universities around the UK.
- Future Female Engineer – A series of 'Target Jobs' events with potential recruitment candidates from around the UK.
- We have attended STEM Women careers fairs in order to promote the wide range of opportunities that we have made available to female STEM students.
- In 2019 we ran a Black, Asian and Minority Ethnic (BAME) mentoring and career coaching pilot with University College London (UCL). The pilot focused on attracting BAME undergraduates and provided mock interviews, curriculum vitae workshops and networking events.
- We have launched a mentoring programme in conjunction with the UCL Engineering society to grow employability skills with ethnic minority engineering students.
- We are a founding supporter of Equal Engineers, an organisation which connects inclusive employers with diverse candidates in engineering and technology, providing assistance to launch its jobs platform.
- In 2019 we were headline sponsors at the Edinburgh Graduate and Apprentice Fair and the South Coast Engineering and Tech Careers Fair, which were both local to our facilities in Fife and Fawley.

Exxon Mobil

p.8

A useful example of activities being undertaken to recruit women and under-represented groups by targeting STEM students.

Training program prepares for supervisory board positions

In 2014, we became the first DAX company to develop a training program to prepare employees for supervisory board positions. The program was developed in collaboration with the European School of Management and Technology (ESMT). We are particularly interested in encouraging women to take a seat on the supervisory board. In addition to information on the traditional activities of supervisory board members, the training also gives insight into practical experiences presented by supervisory board members, case studies from the Group and a simulated supervisory board meeting. In total, we have so far trained 64 potential supervisory board members, almost half of whom come from national companies outside of Germany. More than 22 graduates of the program have now been appointed to a Deutsche Telekom supervisory board.

An additional workshop for former program participants took place in Berlin in November 2018. The workshop offered training on topics such as "What's new in corporate governance" and leadership networks.

Deutsche Telekom

This example from a German company provides insight into a programme specifically created to help prepare employees – particularly women – to assume supervisory board positions.

6. Diversity commitments and data

Targets and performance data on diversity should present a picture of a company's journey towards implementing its strategic vision.

The collection and analysis of representation data are key to measuring progress on diversity and inclusion targets. They should be used by the board to better understand the status of diversity within the overall business strategy and to generate appropriate discussion and decision-making. The better, more nuanced the data, the deeper the understanding. Enhancing quantitative data with qualitative insights from employee engagement initiatives such as surveys and focus groups helps to paint a more vivid picture of what the gaps and opportunities are for the development of the diversity strategy.

Investors seek to understand:

- The diversity targets that have been set and progress against these across all levels in the organisation. These should not only discuss the best practice voluntary disclosures set out by the UK Corporate Governance Code, and the Alexander Hamilton and Parker reviews, but how the company plans to go beyond these minimum expectations.
- How the company is addressing gaps in ethnicity data.
- Ways in which employee engagement is helping to drive better decisions on the diversity strategy.
- How the corporate and organisational culture is set to help the business meet its targets and deliver on its diversity commitments.

The more useful examples we found in our analysis were those that showed efforts to go beyond the collection of basic data, and sought voluntary disclosures from employees on ethnic self-identification, for example, as well as more granular data on how different minority groups were spread across different levels of seniority within an organisation. The narrative around such data that anchored on the core strategic drivers for the data helped bring these elements together.

Gender **Multicultural** **Disability** **LGBT+** **Multigenerational**

Moving forward with race at work

Multicultural
Our vision is to be inclusive of people of every race, ethnicity, nationality and faith across our workforce. We believe that Barclays' future strength lies in our ability to attract and retain colleagues from diverse backgrounds, and for us to have the diversity of thought required to achieve our goals as a company.

Supporting our Black and ethnically diverse colleagues is hugely important to Barclays. Over recent months we have accelerated our activity by working extensively with our Black colleague forums in the UK and US, which are part of Embrace, our multicultural network, to produce a Race at Work Action Plan, which we launched in October. The plan comprises a thorough set of sustained actions that will open up new opportunities to attract, grow and add to our great Black talent, using data to set goals and measure success. In 2021, we will also be extending this work to include other ethnically diverse colleagues, and expanding it to include a focus on our customers and clients, and the communities we serve. At the end of 2020, 17% of the Board was from an ethnically diverse background, meeting the recommendations of the Parker Review.

Tackling racism
Events over the last 12 months, in the US and elsewhere, have rightly prompted organisations like Barclays to appraise what we have been doing to aid the fight against racism. We have asked ourselves: 'Is what we are doing enough?' We know the answer is that we can and should do more to help create a world in which racial discrimination is not tolerated, and in which we honour every individual's background and uniqueness. That effort has to start with listening, learning and understanding more – which we are committed to do.

We have made a decision to stop using the term 'BAME' as an abbreviation of Black, Asian and minority ethnic at Barclays because it can be considered to imply that the challenges of each ethnic group are similar, which is not always the case. We want to better represent our ethnically diverse colleagues, so we will not use this term any more.

Ethnicity split

Region	Global	UK	US
2020	17%	17%	17%
2021	17%	17%	17%

Other ethnically diverse colleagues categories include: Hispanic/Latino, Black, Native American or Other Pacific Islander, Middle Eastern, Chinese, Indian, Pakistani, Bangladeshi, Vietnamese, and others. Figures are based on self-identification. Figures are not comparable with other diversity data as they are based on self-identification. Figures are not comparable with other diversity data as they are based on self-identification. Figures are not comparable with other diversity data as they are based on self-identification.

It's important to support Black talent in the financial service industry – and not just within Barclays. We've created an action plan for colleagues to open up new opportunities to attract, develop and add to our Black talent. It will also help break down the unconscious bias deeply ingrained in all of us.

Taka Batandemwera, Relationship Director, International Corporate Banking / Co-chair of the Black Professionals Forum, part of Embrace

Barclays PLC


p.13

This disclosure provides a holistic understanding of the relevance of ethnic diversity for the company, data on representation, and commitments made to implement its race and ethnicity at work action plan.

Continued >

<p>UK Race at Work Charter</p> <p>In 2018, we became one of the first organisations to become a signatory of the UK's Race at Work Charter. The Charter comprises five principal calls to action for leaders and organisations across all sectors, which we have used as the basis of our strategy. The five actions are:</p> <ul style="list-style-type: none">▪ Having an executive sponsor for race▪ Capturing ethnicity data and publishing progress▪ Committing, at Board level, to zero tolerance of harassment and bullying▪ Making it clear that supporting equality in the workplace is the responsibility of all leaders and managers▪ Taking action to support ethnic minority career progression <p>We delivered on these commitments by implementing the following:</p> <ul style="list-style-type: none">• We have appointed an Executive Committee Member, C.S. Venkatarishnan, as executive sponsor for our Multicultural agenda• We continue to voluntarily disclose our UK-wide ethnicity pay gaps• The Barclays Way, our code of conduct, is clear that we will not tolerate discrimination, bullying or harassment• We make it clear that all of our leaders have a shared responsibility to build a diverse and inclusive culture• We implemented a 12-point action plan on Race at Work that will open up opportunities to attract, develop and add to our great Black talent.	<p>Barclays' Race at Work Action Plan</p>			
	<p>1 Sponsoring our top Black Directors, to support their career progression with the aim of increasing representation at the Managing Director level</p>	<p>2 Providing our Black colleagues with increased access to development and talent programmes, and opportunities for exposure on leadership committees, to enable them to advance their careers and help us build a pipeline of future Black leaders</p>	<p>3 Offering mentoring opportunities to our Black colleagues at Vice President level and below, to support their career progression and help them build their networks</p>	
	<p>4 Mandating thought-provoking training on race, featuring real-life experiences, to better educate all colleagues</p>	<p>5 Increasing our support for allies to Black colleagues by providing a robust suite of training tools and resources, to help them drive change in the organisation. We are supporting all colleagues to have conversations around race and ethnicity and to build inclusion awareness</p>	<p>6 Enhancing our relationships with Historically Black Colleges and Universities in the US, and their global equivalents, as well as diversity-focused partners, to build a pipeline of diverse interns, graduates and apprentices</p>	
	<p>7 Improving the diversity of our candidate slates for open roles, particularly for senior positions in line with location diversity norms, and in areas where Black colleagues are under-represented, to increase representation of Black colleagues in the organisation</p>	<p>8 Establishing an Executive Search team that will proactively approach Black professionals about opportunities at Barclays, to enable us to build Director and Managing Director talent pipelines</p>	<p>9 Launching a specialised career coaching service with targeted engagement for Black colleagues at Vice President level and below, providing interview preparation and career coaching to help them with career moves within Barclays</p>	
	<p>10 Introducing enhanced ethnic diversity data, to improve transparency on our progress and to help senior leaders make evidence-based decisions to drive our strategy</p>	<p>11 Using our data to help us set goals and measures for attracting, developing, advancing, and retaining Black professionals</p>	<p>12 Continuing to listen to feedback from Black colleagues, and analyse external research, to better understand sentiment and take action that will encourage change</p>	

Continued from previous >



Inclusion and diversity

Targets

Gender equality

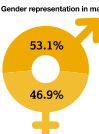
2025 target
Reach gender equality in management positions.

2020 update
46.9% of women in senior middle management roles or higher.

Status: On plan

Highlights

Gender representation in management roles



KPIs

Inclusion and diversity

	SDG	2018	2019	2020
Women representation in AstraZeneca employees	5.5	50.1%	50.0%	50.5%
Women in management — all management levels		41.4%	41.4%	42.0%
Women in management — senior middle management	5.5	44.6%	45.4%	46.0%
Women in management — executive management		30.2%	32.18%	39.7%
Women representation on SET (Senior Executive Team)		36.0%	33.3%	33.3%
Women representation on Board of Directors	5.5	49.0%	39.3%	35.7%
Leadership within country of origin that report to our SET (emerging markets and Japan)		19.4%	19.3%	18.4%
Ethnic minority representation for US employees		27.7%	29.1%	30.6%

AstraZeneca

p.17

Demonstrating targets and KPIs across various seniority levels within the organisation

OUR INCLUSION AND DIVERSITY DATA

		2020	2019
Gender			
Board members	Male	8	9
	Female	4	4
GEC & GEC direct reports	Male	86	111
	Female	41	50
Senior managers	Male	4,540	4,539
	Female	2,670	2,647
Colleagues	Male	28,948	29,522
	Female	39,817	41,033
Ethnicity			
% of Board Members from an Ethnic Minority Background		8.3%	NR
% of Senior Managers from an Ethnic Minority Background ✓		7.7%	6.7%
% of Colleagues from an Ethnic Minority Background ✓		10.6%	10.2%
Disability			
% of Colleagues who disclose that they have a disability		3.2%	2.8%
Sexual orientation			
% of Colleagues who disclose that they are lesbian, gay, bisexual or transgender		2.3%	2.2%

All data as at 31 December 2020. Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to Board. GEC and direct reports includes the Group Chief Executive, GEC and colleagues who report to a member or attendee of GEC, excluding administrative or executive support roles (personal assistant, executive assistant).

Reporting: A colleague is an individual who is paid via the Group's payroll and employed on a permanent or fixed term contract (employed for a limited period). Includes parental leavers, and international (UK includes Guernsey, Isle of Man, Jersey and Gibraltar). Excludes leavers, Group Non-Executive Directors, contractors, temps, and agency staff.

Diversity: Calculation is based on headcount, not FTE (full-time employee value). Data source is HR system (Workday) containing all permanent colleague details. Gender: includes international, those on parental/maternity leave, absent without leave (AWOL) and long-term sick. Excludes contractors, Group Non-Executive Directors, temps and agency staff. All other diversity information is UK payroll only. All diversity information is based on voluntary self-declaration, apart from gender, so is not 100 per cent representative; our systems do not record diversity data of colleagues who have not declared this information.

Ethnic background: comprising of mixed/multiple, Asian, Black, Middle Eastern, North African and other (non-white) ethnicities.

Colleague grades: from A through to J, Senior Executive (SE), Executive (EX) and Executive Director (ED), A being the lowest.

Senior Managers: Grades F, G, H, J, SE, EX and ED (F being the lowest).

NR: Data not reported during period.

✓ Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2020 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>

Lloyds Banking Group

This disclosure provides granular information on gender, ethnic, disability and sexual orientation representation at the company.

PROFESSIONAL
Workforce Diversity

ETHNIC MINORITIES (U.S.)

30% NONPRODUCTION MANAGERS
[vs. 30% U.S. Census Bureau]⁴

34% NONPRODUCTION EMPLOYEES
[vs. 33% U.S. Census Bureau]⁴

WOMEN (GLOBAL)

44% NONPRODUCTION MANAGERS

51% NONPRODUCTION EMPLOYEES

Diversity in Corporate Governance

33% MINORITY BOARD MEMBERS
[vs. 14% Fortune 500 average]⁵

33% FEMALE BOARD MEMBERS
[vs. 20% Fortune 500 average]⁵

CONSUMER
WELL-BEING

Enhanced Well-Being Through Our Brands

+6.5M

NUMBER OF OUR WELLNESS-RELATED PRODUCT CATEGORIES IN U.S. HOMES VS. FY19⁷



43% FEMALE CLOROX EXECUTIVE COMMITTEE MEMBERS

21% MINORITY CLOROX EXECUTIVE COMMITTEE MEMBERS

Clorox

Useful to see proportion of female and minority members at board level.

TARGET

Build diversity, with 35%⁽ⁱ⁾ of leadership positions held by women by 2020 (40% by 2025) and measures implemented to help female employees attain and develop in leadership roles.

KPI

% of leadership positions held by women.

PROGRESS

This year, 36% of leadership roles were held by women. At the most senior level, 44% of our Board members and 40% of our Executive Committee members are women.

(i) We increased the 2020 target from 30% to 35% in 2017.

At the same time, we have continued our drive to make our business more diverse, and more gender equal. We want to be the employer of choice for women in the UK, and globally we are focusing on developing

a strong pipeline of female talent for all roles. Currently, 40% of our Executive Committee and 44% of our Board are women. Women currently hold more than 36% of leadership positions, and each of our 21 markets has a strategy in place to foster greater inclusion and diversity. We also seek to promote inclusion, gender balance and equality through our brands and programmes.

Engaged, empowered and proud of what we do

We want our people to be the 'best they can be'. That means working to make sure they are engaged and empowered, so they can be passionate about our strategy, connected to our values and purpose, and motivated to perform at their best as advocates of our brands.

Communications and leadership interventions across the business bring our

strategy and purpose to life for employees throughout the year, while a range of campaigns also engage employees on their part in promoting positive drinking. We have a framework of clear policies, competitive reward programmes, coaching and development, and health and wellbeing initiatives, to make sure our people have the opportunity to develop themselves, and their performance.

We report employee engagement on page 13 as one of the overarching KPIs that measure the progress of our business. We use our annual Your Voice survey to help us understand how engaged employees are, as well as to listen to their feedback on the business – and this year we enhanced the survey to give employees more opportunities to make their voices heard. This year's results show that engagement remains high, and employee satisfaction has increased. Most employees have a favourable view of Diageo's culture and a strong relationship with their line manager.

Average number of employees by region by gender⁽ⁱ⁾

Region	Men	%	Women	%	Total
North America	1,667	61	1,080	39	2,747
Europe and Turkey	6,337	60	4,158	40	10,495
Africa	3,167	74	1,103	26	4,270
Latin America and Caribbean	1,594	64	899	36	2,493
Asia Pacific	6,345	75	2,070	25	8,415
Diageo (total)	19,110	67	9,310	33	28,420

Average number of employees by role by gender

Role	Men	%	Women	%	Total
Senior manager ⁽ⁱⁱ⁾	361	64	205	36	566
Line manager ⁽ⁱⁱⁱ⁾	2,373	69	1,072	31	3,445
Supervised employee ^(iv)	16,376	67	8,033	33	24,409
Diageo (total)	19,110	67	9,310	33	28,420

New hires by region by gender⁽ⁱ⁾

Region	Men	Women	Total	% of headcount
North America	249	125	374	13.6
Europe and Turkey	660	642	1,302	12.4
Africa	280	166	446	10.4
Latin America and Caribbean	296	183	479	19.2
Asia Pacific	525	375	900	10.7
Diageo (total)	2,010	1,491	3,501	12.3
Percentage of total new hires	57.4%	42.6%		

Diageo

A useful holistic disclosure example of key facets of diversity KPIs.

TARGET

Increase employee engagement to 80%, becoming a top quartile performer on measures such as employee satisfaction, pride and loyalty.

KPI

Employee satisfaction, loyalty, advocacy and pride, measured through our Values Survey.⁽ⁱ⁾

PROGRESS

94% of our people participated in our annual Your Voice survey (22,615 of the 24,129 invited). 75% identified themselves as being engaged, compared to 76% last year. This remains a strong engagement score, on a par with best-in-class benchmarks. 89% said they were proud to work for Diageo, and 77% agreed with the statement 'I am extremely satisfied with Diageo as a place to work'.

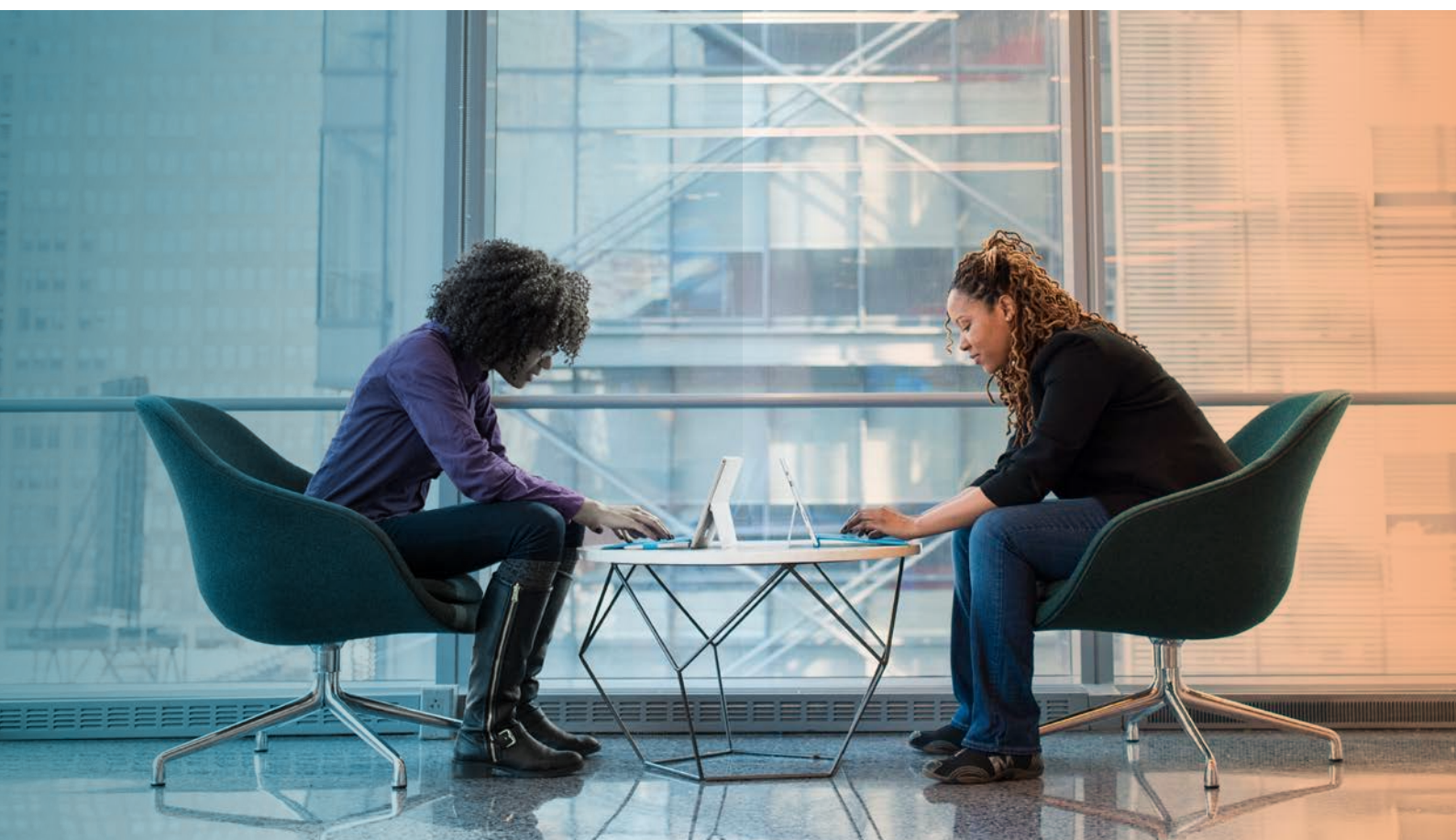
(i) In 2019 we introduced Your Voice, an enhanced survey to capture deeper insights into employee experiences of working for Diageo.

7. The way forward

Transparent and clear reporting is key to ensuring that investors can hold companies to account on their progress. This document is aimed at helping companies give investors the data they need to make a full assessment of a company's diversity and inclusion situation, and we hope the good practice examples identified will motivate others to upping their game. Ultimately, diversity and inclusion reporting should be a window into the breadth of actions taken by companies to help deliver a corporate world that's open to everyone no matter their gender, race, ethnicity, religion or background. It should help investors see what's really going on and compare progress from year to year and between companies and industries.

However, beautiful reporting can't hide an ugly absence of action. Reporting is not the end goal. Despite progress over the last few years when it comes to diversity and inclusion, the current picture of corporate Britain still leaves a lot to be desired. While one of our initial gender targets – 30% women at senior management level and board level of FTSE 100 companies – is closer to being met, we have still some way to go until women make up 30% of boards in all FTSE 350 companies, with 71 companies still below target. Moreover, the picture remains bleak at executive level where the number of women remains stubbornly at 22% and 100 executive committees in the FTSE 350 are all-male. Women in key decision-making positions such as CEO or CFO are scarce, and talent still comes from too narrow a field. According to the latest Parker Review reporting, 19 FTSE 100 companies have still to appoint a director from a minority ethnic group, with the FTSE 250 lagging further behind.

Continued >



While we still struggle to meet these targets, in the US, the Nasdaq is taking a step further with a new requirement for listed companies to have at least one woman and one LGBTQ+ or underrepresented minority director on their board from next year and requiring standardised diversity disclosures. In July, the UK's Financial Conduct Authority (FCA) published a consultation on diversity and inclusion on proposals to amend the corporate governance rules regarding disclosure and transparency on board diversity, potentially including ethnicity, sexual orientation, disability, and socio-economic background. The FCA believes such "enhanced transparency may strengthen incentives for in-scope companies towards greater diversity on their boards" and may also "have further benefits of improving the quality of corporate governance and company performance." The direction of travel on both sides of the Atlantic – and beyond – on diversity and inclusion is clear and companies have every interest in getting ahead of the game.

Real, meaningful diversity and inclusion implies a radical shift in internal and external approaches. Top management is a good place to start, but it's not the whole story. As we have seen in other aspects of ESG, such as environmental practices, companies benefit from a holistic approach. This means looking at diversity throughout the workforce, from the lowest levels all the way to the top, ensuring that where there are imbalances in certain areas corrective action is taken.

It also means ensuring that diversity and inclusion is part of the practice and culture not just of the company itself but of its contractors and suppliers. Furthermore, companies should explore whether they are treating customers and clients in a way that encourages diversity and inclusion, and indeed whether their customers are themselves as diverse as they could be.

Finally, companies should look at the communities they operate in from a diversity perspective and explore whether their role in those communities adheres fully to these values. Put another way, diversity should be at the heart of a company's overall strategy. And not just because it looks good from a public relations point of view, but because it makes sense from a business perspective. It is no coincidence that companies who have embraced diversity and inclusion are also market leaders.

As with all major change, it's no small order, but it is absolutely achievable. We need only look back to the ubiquitous all-male boards of a few decades ago to measure the progress we have made. In the same vein, we look forward to a not-too-distant future when our very name – the 30% Club – will look odd, unambitious, and out of date. But for now, 30% remains a stretch target at the executive level in the UK and at both this and board level for many countries around the world in which the 30% Club has chapters. There's much work still to do. Strong reporting will be an essential tool to help companies, investors and other stakeholders monitor and understand progress as we work together to hit the next milestones.

Appendix

Astarte Capital Partners	Local Authority Pension Fund Forum
Aviva Investors	Local Pensions Partnership
Axa Investment Managers	M&G Investments
Baring foundation	Mastercard
Barrow Cadbury Trust	Morgan Stanley International
Blackrock	NEST Corporation
BMO Global Asset Management	Newton Investment Management
Boarder to Coast Pension Partnership	Northern Local Government Pension Scheme - Greater Manchester, West Yorkshire, and Merseyside Pension Fund
Brunel Pension Partnership	PIRC (Public Interest Research Centre)
Castlefield	Quilter Cheviot Investment Management
CCLA	Resona Asset Management Co.
Church Investors Group including Church Commissioners for England and Church of England Pensions Board	Robeco
Eco advisers	Royal London Asset Management
Edentree Investment Management	RPMI Railpen Investments
Environment Agency Pension Fund	Sarasin & Partners LLP
Fidelity International	Shareaction
Government Pension Investment Fund (GPIF)	St. James's Place Wealth Management
Hermes Investment Management	Standard Life Aberdeen
ING UK	Sumitomo Mitsui Trust Asset Management
JP Morgan	T. Rowe Price International Ltd
Jupiter Asset Management	The Health Foundation and West Midlands Pension Fund
Legal & General Investment Management	Wolverhampton.Gov
LGPS Central Ltd	
Liontrust Investment Partners LLP	



Copylab

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