



The Hidden Truth

Diversity on boards across UK listed firms.

2024

Researched and written by

WB DIRECTORS[®]

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About Us

Written and researched
by WB Directors

WB DIRECTORS[®]

www.wbdirectors.co.uk

WB Directors is a purpose-led business working to increase diversity in executive and non-executive leadership.

Launched in the UK in 2012, we exist to improve diversity in senior leadership. From an initial focus on supporting women into non-executive board roles, we have evolved to also work extensively with our corporate partners on supporting diverse talent to reach their potential and building inclusive cultures. Our Women on Boards membership network of thousands is predominantly female, and highly diverse across other demographics and professional disciplines. We are proud to be supporting one member a day (on average) into a board position, and work with recruiting boards to provide diverse candidates for board searches from our network through our Bespoke NED Search service.

As WB Directors, we work with many leading firms on their professional and leadership development strategies. Our work is gender-neutral and fully intersectional, as we support leaders to create effective working cultures.

Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future.

Protiviti and its independent and locally owned member firms provide clients with consulting and managed solutions in finance, technology, operations, data, digital, legal, HR, risk and internal audit through a network of more than 90 offices in over 25 countries.

Named to the 2024 Fortune 100 Best Companies to Work For[®] list, Protiviti has served more than 80 percent of Fortune 100 and nearly 80 percent of Fortune 500 companies. The firm also works with government agencies and smaller, growing companies, including those looking to go public. Protiviti is a wholly owned subsidiary of Robert Half Inc. (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

For this paper, whilst Protiviti experts provided views on the value of board diversity, the firm did not participate in the development of WB Directors' research, analysis or commentary.

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**Fiona
Hathorn**

CEO
WB Directors



I cannot say this strongly enough – the job is not done. Gender diversity in UK listed boards has improved, yes, but an unacceptable number of board tables are still male dominated. I sense a real danger of attention drifting on this issue. If companies are tired of the focus on board diversity, there is one obvious route to moving on – that is, to diversify their boardrooms.

Ensuring that all women are part of the progress made is vital. With just 25 women of colour appointed across 3452 ‘key roles’, I fear this may not be the case. Increased intersectional analysis of board diversity is now required to give women, and women of colour in particular, the confidence that this movement is truly inclusive.

Forewords



**Janet
Barberis**

Managing Director
(Internal Audit &
Financial Advisory)

Protiviti



Regarding diversity, while there have been important advances at the leadership ranks in organisations over the past decade, the glass ceiling still very much exists. This is why the research and advocacy that WB Directors performs is so important.

Multiple studies show that organisations with diverse leadership deliver stronger operational results, providing a clear business case for greater diversity in the board and C-suite. But more importantly, diverse leadership brings to the organisation a broader range of thinking and perspectives that is critical in today’s highly competitive and fast-moving business landscape. It also enhances the organisation’s ability to attract and retain top talent, which is vital to building and managing a sustainable business model for the next ten years and beyond.

Introduction

Gender representation in the boardroom has progressed significantly over the past decade, due to a collective focus on a business-led approach to driving change in the UK. Our Women on Boards network has also played a part in encouraging and equipping more women to step forward. This is to be celebrated – both as a collective achievement and the now thousands of talented women’s individual accomplishments.

When you scratch the surface of the overall gender diversity figures you quickly find female representation remains far from ‘equal’. Our previous reports (2021, 2022 and 2023) have shone a light on the unacceptably low levels of gender balance in listed firms below the FTSE 350.

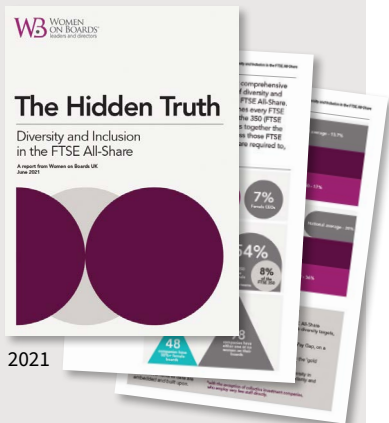
We welcome the FTSE Women Leaders Review introducing a focus on the four key roles* . We are pleased to see the Financial Conduct Authority going further to set a target for firms to have at least one woman across these positions. Representation in these roles is important in itself, but also as these are the positions that can really influence wider diversity. Our 2022 Hidden Truth report found a correlation between female Chairs and more gender balanced boards, and female CEOs and more gender balanced C-Suite teams (though the sample size available of female CEOs is woefully small, so no firm conclusions can be drawn).

We are therefore keen to examine diversity in these four key roles in listed firms below the FTSE 350. This report for the first time reveals the level of female representation in these four key roles in the FTSE Small Cap firms and AIM listed boards.

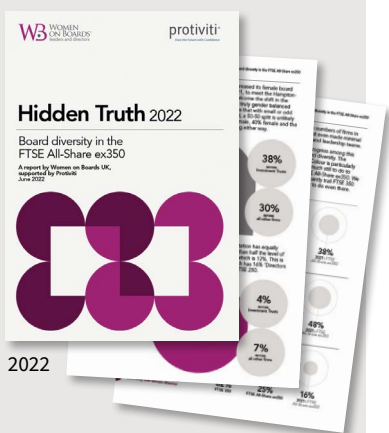
The progress on ethnic diversity in boardrooms scrutinised by the Parker Review is also positive, with 271 FTSE 350 firms meeting the target for having one or more directors from a UK ethnic minority background. It has also been heartening to see in successive analyses by the Parker Review, that almost 50% of minority ethnic directors in the FTSE 350 are female**. It seems women of different backgrounds are sharing in the overall progress.

We were intrigued if this is also the case in appointments to the ‘four key roles’ and how many women of colour hold these positions. This report shines a light on this intersectional representation in the four key roles across over 800 listed firms, across the FTSE All-Share and AIM listing (excluding Investment Trusts).

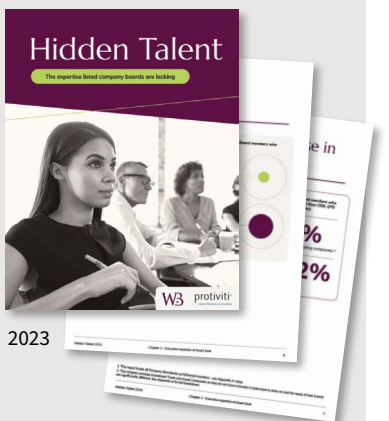
We have also gathered regular data on progress across a range of gender diversity metrics, to track progress on the significant work that remains to be done in this area by many firms. This covers over 2000 listed firms across the FTSE All-Share and AIM listing. As ever, progress is inchingly slow.



2021



2022



2023

* These are Chair, Senior Independent Director (SID), Chief Executive Officer and Chief Financial Officer. See p26, FTSE Women Leaders Review ► <https://ftsewomenleaders.com/wp-content/uploads/2024/04/ftse-women-leaders-report-final-april-2024.pdf>

** p32, Parker Review 2024 ► <https://parkerreview.co.uk/wp-content/uploads/2024/03/The-Parker-Review-March-2024.pdf>



**Busola
Sodeinde**

**NED, Audit Chair
and former CFO**



It's surprising to see less than 1% of women of colour in key board roles across FTSE and AIM companies. There is no shortage of experienced, capable women, ambitious for themselves and their company across all sectors of business today. We need those in positions of power to take these findings seriously and to use this moment as an opportunity to create the change needed.

Chapter 1

Intersectional representation
in the four key roles

Four key roles

13%
held by
women

5.7%
of these held by
**women
of colour**

0.7%
of total roles
held by
**women
of colour**

In this report we seek to examine how far women are reaching the ‘four key roles’. These are the most influential positions in the boardroom – Chair, Senior Independent Director (SID), Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

This report covers the FTSE All-Share and AIM listed firms, expanding on the focus on the FTSE 350 in this regard. We also examine - for the first time - how many women of colour are reaching these roles.

Many firms listed in the FTSE All-Share and the AIM listing are investment trusts, where the board in most cases oversees contracted fund managers. As such, finding equivalent roles to the CEO or CFO of large-scale operating companies is not meaningful. We have therefore excluded Investment Trusts from this analysis, leaving a total of 863 companies examined across both FTSE and AIM listings.

We reviewed the 3452 key roles at the 863 listed firms covered. Just 13% (436) of these roles were held by women. As detailed later in the report, there is significant disparity between the FTSE All-Share – where scrutiny has been applied – and the AIM listing, which pulls the overall figure down considerably.

It is important that all women are involved in the growing representation at senior level. Reviewing the numbers of women of colour in these positions, we found just 25. This equates to 5.7% of the women, and 0.7% of the total roles.

What are the ‘key roles’?

The FTSE Women Leaders Review found that whilst the percentage of women on boards had increased, fewer were being recruited to the most senior board roles. It defined these key roles as **Chief Executive Officer (CEO)**, **Chief Financial Officer**, board **Chair** and **Senior Independent Director (SID)**. The CEO and CFO are executives within the firm, usually also being registered board directors. The Chair and SID are non-executives with the greatest responsibility for overall good governance, with the Chair having the most power in the boardroom as the board leader.

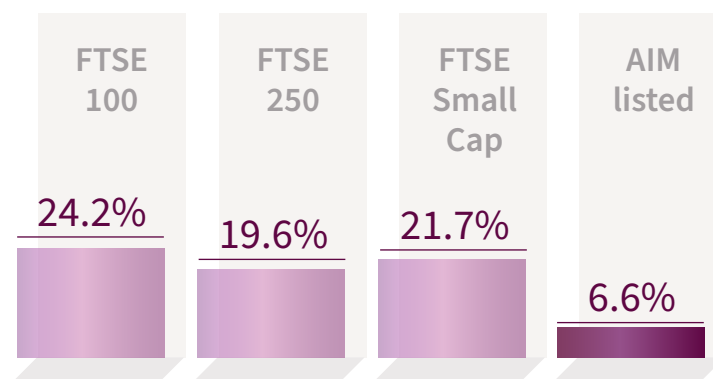
The FTSE Women Leaders Review has tracked the number of women in these roles for the FTSE 350 and the 50 large private firms, suggesting firms should have at least one woman across these four roles. The Financial Conduct Authority (FCA) has set this target on a ‘comply or explain’ basis for all firms it regulates.

1.1 Variance by listed size

These overall figures however mask a significant variance between FTSE All-Share and AIM listed firms. Across the FTSE 100* just over 24% of the 'positions of influence' are held by women. This drops to just 6.6% across the 512 AIM listed firms we analysed.

We believe the impact of consistent monitoring and scrutiny has been key in driving the success of the FTSE All-Share in diversifying these positions.

Positions of influence held by women in the:



The representation of women of colour in these key roles is extremely low across all firms. The FTSE 100 does have a slightly higher level, with 1.5% of the positions of influence held by women of colour. Whilst the Parker Review indicates that women are well-represented among minority ethnic directors in the FTSE 350 overall, it seems that women of colour are not being appointed into the four key roles.

AIM** listed firms again show the lowest level of diversity with just 0.3% (7 women of colour, across over 2000 roles).

See Appendices for full breakdown.

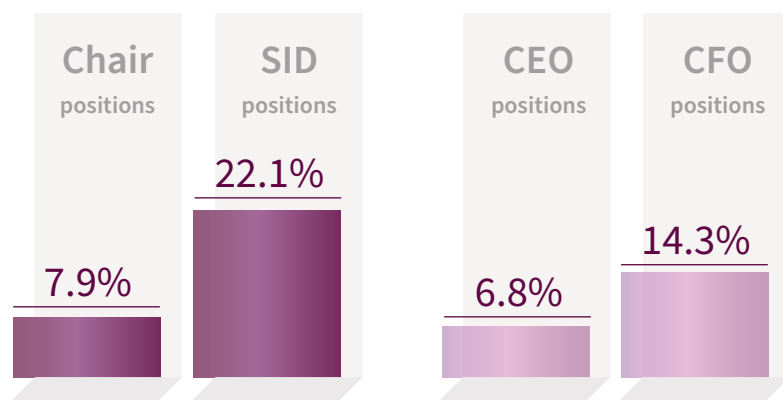
* 97 firms included, as non-Investment Trusts.

** 512 firms included, as non-Investment Trusts.

1.2 Variance by role

Women remain far better represented in non-executive board positions than executive directorships overall (see Chapter 2 for latest figures). There is also much stronger female representation in the non-executive 'key role' of Senior Independent Director (SID).

Across the FTSE All-Share and AIM listed firms* analysed, women hold:



*Note: This data excludes Investment Trusts

However, it is striking that the two most 'senior' roles of Chair and CEO are those with the least female representation, at just 7.9% and 6.8% respectively. These are the two most powerful positions on the board. The representation of women of colour follows a similar pattern, with the higher proportion in SID roles and lowest in CEO positions. However, the number of women of colour in Chair roles is equal to those in CFO roles – but with this being just 6 individual positions of each type held by a woman of colour it is hard to draw any firm conclusions.

The representation in each of the four positions of influence across the FTSE All-Share broadly follows the overall trend. Representation is generally strongest among FTSE 100 firms, with FTSE 250 and FTSE Small Cap slightly lower or inline, as shown on page 8.

AIM listed firms show a different pattern, with far lower levels of representation in general. Across the AIM listed firms analysed, there is a higher proportion of women in CFO roles (11.3%) than SID roles (6.6%). Chairs of AIM listed firms are the least likely to be female (just 3.9% are women), with a slightly higher number of AIM CEOs being women (5.7%).

1.3 Variance by sector

We have also analysed gender representation in the key roles across the industry sectors of the 863 firms included. Firms were categorised across 11 types of industry, with the 12th category of 'Investment Trust' excluded due to their different operational model. There were also a small number of firms placed in an 'Other' category, as they did not obviously sit within a sector.

There is significant variation in the number of firms in each sector, with 159 companies in the 'Industrials' sector and just 10 in 'Utilities'. Therefore, rather than looking at the number of women represented overall in each sector, we considered how many firms are meeting the Financial Conduct Authority (FCA) target of at least one woman into the four key roles*.

Best performing sectors:

Given the difference in number of firms per sector, we considered both percentage and number of firms meeting the target to give a more nuanced picture.

Number

Industrials: 76 firms

of 159 analysed (48%)
meeting the target

Consumer Discretionary Goods:

62 firms

of 122 analysed (51%)
meeting the target

Percentage

Utilities: 80%

8 companies of 10
listed firms in this sector
meeting the target

Real Estate: 67%

20 companies of 30
listed firms in this sector
meeting the target

Financial Services: 54 firms

of 99 analysed (55%)
meeting the target

Financial Services: 55%

54 companies of 99
listed firms in this sector
meeting the target

Financial services ranks third in both percentage
and number of firms meeting the target

* PS22/23 FCA Policy Statement
'Diversity and Inclusion on
Company Boards and Executive
Management'

► <https://www.fca.org.uk/publication/policy/ps22-3.pdf>

1.3 Variance by sector

Worst performing sectors:

In the worst performing sectors, the lowest by percentage and number are the same.

Energy:

17%

11 of 65 firms analysed meeting the target

Basic Materials:

25%

25 of 99 firms analysed meeting the target

Tech:

36%

35 of 98 firms analysed meeting the target

The variance in female representation across different sectors is striking. There appear to be no externally driven patterns in this range, reflecting the number of companies listed or 'traditionally male' industries. We can only therefore suggest that gender equity is a direct result of business-led action in each sector, both by individual firms and collective sector-wide efforts.

The shift within Financial Services is particularly striking. 10 years ago the Financial Services sector was one of the lowest performing in terms of diversity. The FCA has actively led driving change to raise diversity levels significantly, with the support of sector specific networks and leading firms. Whilst continued efforts are clearly necessary, Financial Services does provide an interesting illustration of the power of combining forward-thinking firms and sector-wide networks with a regulator taking an active role in driving diversity.

We would therefore suggest that the least diverse sectors put renewed efforts into their sector-wide and internal initiatives in this area, and, where relevant, other regulators consider how to best bring their influence to bear.

Whilst we are aware of positive initiatives happening in many sectors, including those performing worst here, it does not yet appear to be driving impact at this most senior level. Thinking more critically about these struggling sectors, might the poor progress over the last 10 years be due to the lack of a strong regulator lens on pushing for targets which inevitably drives attention and appropriate resource allocation?



**Vivienne
Artz**

CEO

FTSE Women
Leaders Review



In 2021 the FTSE Women Leaders Review set out ambitious targets to drive the representation of women at the top of British business with the goal of achieving 40% women on boards and in leadership by 2025 with at least one of the four key roles - Chair, CEO, Senior Independent Director (SID) and Finance Director (FD) - held by a woman.

Tracking progress of women in these roles is important as it encourages focus at the highest level, enables women to better progress, and ensures that the UK's most powerful and influential roles benefit from diversity of experience and perspective. We have seen excellent progress in women in the SID role which has now reached near parity at 47% in the FTSE 350. This is particularly encouraging as the SID plays a key part in board governance and is also critical in building the pipeline of potential women Chairs, as the SID is a feeder for the Chair role.

The current stand-out disappointing statistic is the number of women CEOs in the FTSE 350 today. The CEO role was always going to be the last hill to conquer as these are the biggest, highest-paid and most influential roles in British business, and the turnover is low. Some of the reasons for this include an ongoing reliance on 'traditional' career routes, narrowly drawn briefs, and bias in the selection process.

There has however been good progress in women's representation on Executive Committees of the FTSE 100 and in the increasing number of women in the FD and Chief Information Officer (CIO) positions. It is also clear that the changing business context which requires broader life and work skills of leadership lends itself to the strong skillset of many women leaders, and this will help fuel further gains in the top four roles going forward.

Chapter 2

Women on Boards

2. Women on Boards

There remains significant progress to be made to achieve true gender balance on UK listed boards.

We analysed the board data across the entire FTSE All-Share and the AIM listing, totalling 1103 firms of all types. Whilst overall representation of female board members has improved significantly, equal representation around every board table is a long way off.

We firmly believe that biggest need not mean best when it comes to diversity. Yet the FTSE 350 has the most diverse boards and AIM listed firms lag significantly behind. This is largely due to the higher level of scrutiny given to the FTSE 350, led by the FTSE Women Leaders Review and its predecessor over many years. The progress in the FTSE 350 demonstrates the efficacy of the UK's business-led approach to driving diversity – and the necessity of independent monitoring of progress.

Why 40% The 40:40:20 goal

Women make up 50% of the population and our goal is to ensure they are represented proportionately.

Since our inception, Women on Boards has defined true gender balance on boards as a **40:40:20** split – **40% female**, **40% male** and **20% fluctuating**. This recognises that in a small group of individuals achieving exactly half of each gender may not be possible, particularly if there are an odd number of board directors.

A **40% target** allows for turnover in appointments, whilst ensuring representative gender balance.

2.1 40% Women on Boards

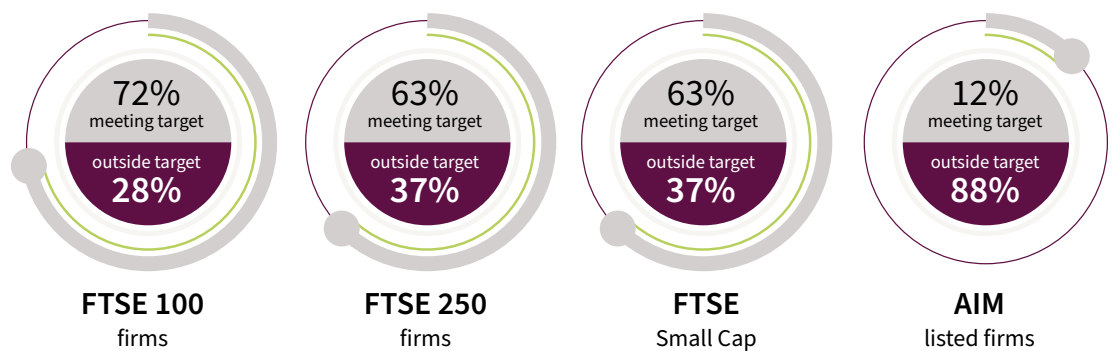
The FTSE Women Leaders Review has set the target of 40% female representation on boards, reflecting the goal of our 40:40:20 campaign. The Review covers FTSE 350 firms, which has been a major driver in their higher levels of board diversity.

Collectively the FTSE All-Share has broadly met this target. The proportion of female board directors of all those seats registered is at 40% or just above across all groups of FTSE All-Share firms (see Appendices). However, just 17% of board directorships in the AIM listing are held by women. This shows no significant change from the proportion of female representation overall last year.

This overall figure continues to mask significant variation between firms. Over a third of FTSE All-Share firms have not reached the 40% women target, and gender balanced boards are still a rarity among AIM listed firms.

% of firms reaching the 40% target:

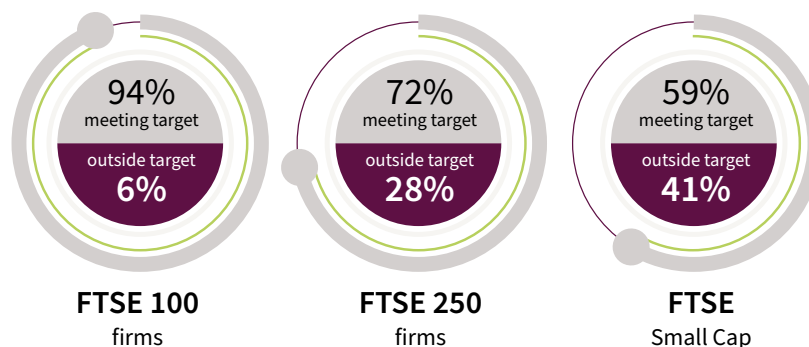
Our analysis includes FTSE Small-Cap and AIM listing, which are outside the FTSE Women Leaders Review target.



2.2 Parker target

The Parker Review has set a target to have one director from a UK ethnic minority background on each board. The proportion of FTSE All-Share firms meeting this target is broadly the same or slightly higher than those meeting the gender balanced goal. This data on AIM listed firms was not available for this report.

% of firms reaching the target:



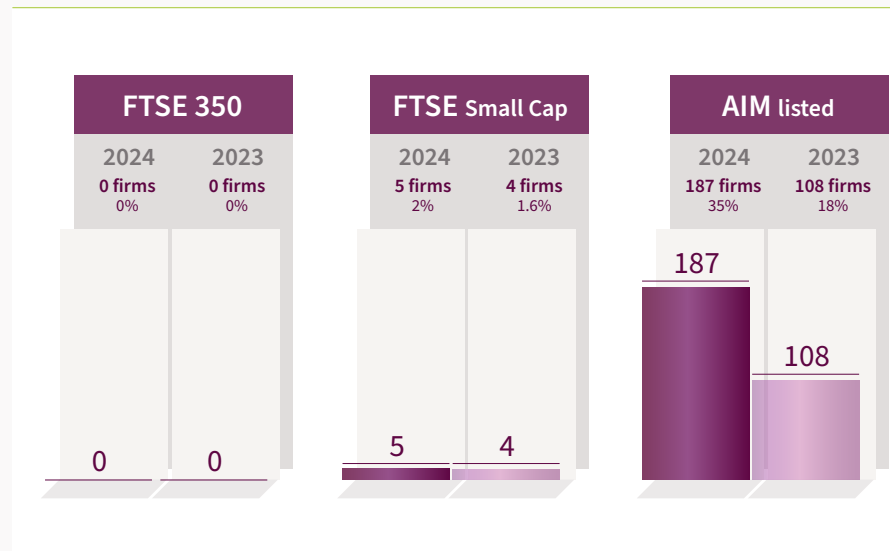
2.3 All male boards

Happily, all-male boards appear to be a thing of the past in the FTSE 350. A small minority of just 5 laggards in the FTSE Small Cap do not have any female board directors.

Yet the picture changes dramatically in the AIM listing, which now has over a third all-male boards. This is a significant increase since our 2023 report, from 18% (108) in 2023; to 35% (187) in 2024*.

In part this shift is likely to be driven by turnover in board appointments, with women being replaced with male board members. However, we have also identified a significant amount of churn in the firms included on the AIM listing, with 86 firms no longer in the AIM listing and 31 new firms joining compared to last year. In many ways this is more concerning, as it provides an indication of the state of diversity across unlisted companies - now only coming to light as they join the AIM listing.

Number of all-male boards:



*Note, total number of firms in the AIM listing varies slightly year-on-year.

2.4 Executive Directors

The difference in female representation among registered executive board directors remains far behind the proportion of female non-executives, with minimal progress since previous years. In this area, the FTSE 250 lags behind the FTSE 100 significantly and is more in line with FTSE Small Cap. AIM listed firms' Executive Directors are actually slightly more gender balanced than FTSE 250 or Small Cap firms, but there are still under a fifth of female executive directors.

% of female registered executive board directors:

- FTSE 100 ▶ 20% (42)
- FTSE 250 ▶ 13% (49)
- FTSE Small Cap ▶ 14% (30)
- AIM listed ▶ 19% (279)



**Matt
Duncan**

Managing Director
(Business Performance
Improvement Leader)

Protiviti



To understand the lack of representation of women, and women of colour in particular, we must look at the talent pipeline at every level and at new generations coming in. The reasons behind a lack of diversity are complex, being interwoven with company culture and effective ED&I action. There are no simple solutions here.

Understanding the differences between generations is key. Fresh approaches to employee engagement and crossgenerational understanding are needed to ensure boards, leadership and workforce are aligned. Hearing from the professionals actively working in this area has brought out one clear message - that Boards and C-Suite leadership play a vital role in driving meaningful progress on ED&I and for progressing the careers of women.

Chapter 3

Strategic approaches to people and culture

3. Strategic approaches to people and culture

The very low level of women in executive directorships is a real concern.

Just 7% of CEOs are female, and 14% of CFOs. FTSE100 firms lead the way on board diversity, but even in this group just 20% of registered executive directors are female. The data on broader leadership teams gathered by the FTSE Women Leaders Review also shows far fewer firms in the FTSE350 reaching the target of 40% women on the executive leadership team (just 68 companies, compared to 235 firms meeting 40% women on their board*).

Many firms have been successful in changing their appointment of independent non-executive directors to embrace diversity. This data illustrates far fewer have succeeded in shifting the patterns of recruitment, progression and retention that shape gender diversity in executive workforces.

Whilst non-executive recruitment looks externally to the company to ensure the independence required, executive leadership appointments and promotions are deeply connected to company culture and inclusion.

To understand more about progress in this important area, we have asked for the views of People, Culture and ED&I professionals. This builds on the insights shared by non-executives on this topic, included in our 'Hidden Talent 2023'^{**} report.

Our online survey received 200 responses, self-selected from our membership and wider stakeholder networks. The findings are not intended to illustrate the approach taken to People & Culture overall, but rather to give a deeper insight into the pressures amplifying and hindering progress at the front line.

About our respondents

Our online survey was open to all People, Culture, ED&I professionals and consultants. Respondents self-selected and we received a good spread across organisation type, size and seniority of position.

The largest group of respondents were C-Suite or Director level in large, listed companies.

Around three quarters of respondents work in the private sector – with 33% in listed firms. The remaining quarter were split between public sector and charities. Just under half of respondents worked at smaller firms with under 1,000 employees. 14% worked at very large companies with more than 20,000 staff. The majority of respondents were in senior roles (41% C-Suite/Partner/Director; 32% Leadership/Senior Management). 15% were consultants who were asked to respond about a specific firm they support.

* p8, FTSE Women Leaders Review 2024 ►
<https://ftsewomenleaders.com/wp-content/uploads/2024/04/ftse-women-leaders-report-final-april-2024.pdf>

** Hidden Talent 2023 report ►
<https://wbdirectors.co.uk/wp-content/uploads/2023/06/HiddenTalent-2023-final2.pdf>

3.1 Leadership

We explored how engaged the board and wider senior team are with People and Culture issues. Our findings from these executive professionals mirror that of our 2023 survey of non-executives.

Our survey responses indicate senior leadership who are aware of the importance of People and Culture, but lack the skills or resources to engage in an optimal way. 15% said the board and C-Suite engage in a limited way or not at all. Conversely just 21% considered there was strong leadership from the board and C-Suite on this issue.

The majority felt there was reasonable engagement from the board and C-Suite on People and Culture but this was limited by other priorities (36%) or a lack of understanding of the issues at play (29%). This sense of limited engagement was illustrated in several comments shared.

“Where the CEO, COO &/or Chair are actively involved in a cultural initiative or transformation it is highly effective. Where they aren't really behind it, or just passively sponsoring it, it's an uphill battle.”

“Whilst they talk the talk, I don't feel they walk the walk.”

“The Board says the right things but doesn't follow up with actions and I don't think most of them really understand the issues.”

This finding mirrors our 2023 survey of non-executive directors, which identified that the quality of board conversation on People and Culture was weaker than on other topics (with 40% believing this to be the case on their board).

Combined, this emphasises the need for greater understanding and awareness of People and Culture topics across boards and C-Suite. There are many routes to achieving this, including by bringing more professionals with a culture and HR background into the boardroom as executives as well as NEDs.



Meena Anand

**Portfolio Non-Executive Director,
CEO**

(experienced global HR leader)

The Careers Company



In my experience as a NED and Board Advisor, I've been delighted to see boards becoming more aware of the importance of People and Culture. Whilst I applaud taking values-based approach to this area, it can only be a starting point. Real clarity on the strategic purpose underlying a commitment to Culture and ED&I is essential to drive impact. This is different for each organisation and requires deciding, for example, are you shaping your culture to be innovative, or more risk averse? Or is a lack of inclusion affecting your staff retention?

Once the desired impact is clear, boards can trace a credible path to outcomes - and allocate appropriate resources to achieve them. If your leadership training is only reaching 10% of managers, can it really lead to organisation-wide culture change?

Boards should think broadly about sources of insight on Culture to measure these outcomes. A "hard" data-driven approach cannot be effective alone. Data can point to an issue, such as early attrition of new recruits or low productivity in a business unit, but it can't tell you the reasons underlying it. Whilst it can feel easy to dismiss anecdotal evidence, this rich form of evidence can be highly valuable. The office space, how the organisation is run, the amount of time boards spend on the people and culture agenda, whistle-blowing complaints or employee grievances can lead to important insights into the actual staff experience.

I encourage all board members to spend time to connect with staff and really understand how the organisation is working - in this way, you can ensure you really 'get' the culture of the organisation you are steering.

3.2 Strategy and Impact on Equity, Diversity and Inclusion

A high-quality strategic approach is essential to driving real change in Equity, Diversity and Inclusion (ED&I). Appropriate resourcing in relation to ambition is also a key factor.

Positively 57% believed their People/HR strategy was well embedded in the wider business strategy - 'delivering goals from our overall business strategy, working with the CEO and other Operational Business Unit leaders'. 37% consider that their People/HR strategy only reflected certain business goals or was more loosely aligned to the company's overall values.

Around a third of our respondents were positive about their organisation's progress – 37% said they had seen a 'significant' change in the last 5 years and 33% said their ED&I goals were 'clear, well-managed and communicated'. This is despite a slightly smaller group (24%) believing the agreed goals are well-resourced. It is also worth stating that, given the diversity of the respondents, we did not attempt to track how far 'significant' progress maps to stronger performance overall, or if this reflects movement from a very low base.

A larger group of respondents feel less confident about their firm's progress. 41% said progress has been slower than expected, with a further 15% identifying flat-lining on ED&I. A similar proportion (40%) agreed that their ED&I goals were clear but 'not meaningfully monitored or managed', with a further 18% considering that their goals were 'unclear' in this area. 34% considered the resourcing behind their goals was not or not at all sufficient.

These responses indicate some strong good practice in a number of firms. The challenge across UK business and organisations appears to be embedding this across different firms. There are opportunities for cross-learning and support to help those firms who are struggling to make real impact.

3.3 Employee Insight

The vast majority of respondents were actively engaging in ensuring the board and senior leadership received views and perspectives from employees on company culture.

Just 2% said this was not happening. In terms of quality of insight, 60% believed this was ‘reasonably or quite effective’. Just 16% said this activity was very effective. 22% said the board and senior leaders’ engagement were ‘not effective’ at gathering insights.

Methods for gathering insights predominantly relied on established methods. 84% used a staff survey, consultation or pulse reports. 58% have Employee Resource Groups, such as a Women’s Network, ethnic or LGBTQ+ Network.

Some illustrative comments were made on the challenges of employing these techniques effectively.

“ *The [employee insight] surveys throw up tonnes of feedback but leaders don’t know what to do with the information.* ”

“ *ERGs are unsophisticated and feedback is only from the loudest voices* ”



Dr Zandile Ndlovu

Board advisor and experienced
Head of Equity, Diversity and
Inclusion



Most topics boards and senior management teams grapple with are viewed through a quantitative data lens. The review of diversity data to measure progress can, to a certain extent, work in this way too as we see in this report.

Employee engagement has relied on this approach. Staff surveys aim to quantify employee satisfaction, but do so with limitations. Any qualitative insights from ERGs or other groupings may be presented to the Board but can be summarised to such an extent that they cease to be meaningful. Leadership requires data before it will engage or prioritise resources. If they are not able to hear or understand the data, then resources are withheld, and good initiatives fall away. Employees become disillusioned at the lack of response from repeatedly sharing their experiences, with seemingly no action.

Inclusion, and therefore culture, requires a fundamentally different approach and we should begin by not separating one from the other. It should not be ‘culture’ over here and ‘inclusion’ over there, organisations should be building inclusive cultures with DEI providing some scaffolding for leadership to role model. We should also understand it is behaviour that drives inclusion and our ability to build a sense of belonging and safety where everyone’s contribution is valued. Behaviours create a company culture.

It’s been demonstrated that storytelling, qualitative data, is a strong signal for the presence of or not of an inclusive culture. In my Doctorate, frustrated that traditional ‘diversity training’ didn’t seem to shift behaviour – the basis for cultural shifts - I looked to storytelling choosing to present my research findings as a play to be watched and experienced with post performance discussion. The impact has been powerful in deepening understanding across perspectives, helping young staff understand leadership challenges with inclusion and vice versa.

More firms should explore employee engagement methods that drive connection. It is no simple task. A non-executive directly connecting with staff or storytellingbased workshops are all avenues that can create impactful and effective shifts in inclusive practices and ultimately culture.

3.3 Employee Insight

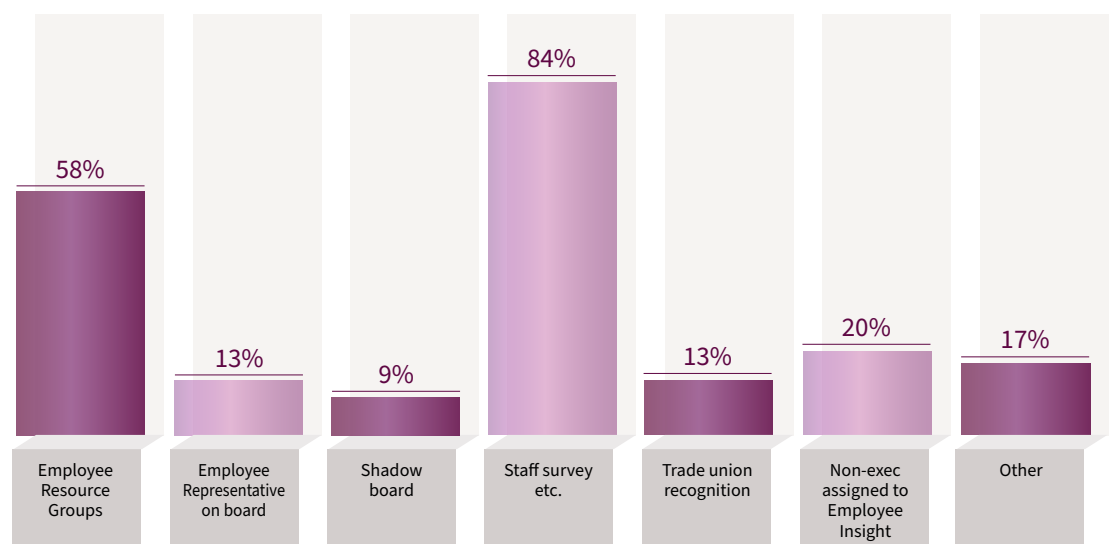
More innovative methods of collecting employee feedback are starting to become more common, but still remain nascent, with less than half indicating they are using any alternative routes. A direct connection between employees and the board appears to be increasingly used, with a non-executive board member assigned to employee insight being more common (20%) than an employee representative being on the board (13%). The use of Shadow Boards is still very limited with just 9% using these.

17% indicated they are using 'Other' methods. These ranged significantly in likely quality, from external culture audits to reliance on anecdotal feedback.

There appears to be an opportunity for firms to take more innovative approaches to gathering employee insight on culture to drive up the quality of information the board and leadership have on this.

There were no clear themes in the 'other' category, with the most common alternative being a 'Employee council' or forum as an alternative to a trade union. Two respondents cited the value of externally conducted in-depth research in this area.

Methods for gathering employees views on culture*



* Most firms will use a combination of techniques, meaning percentages don't total.

3.4 Key challenges in ED&I

Equity, Diversity and Inclusion is a broad and wide-ranging discipline, covering multiple elements from diverse representation to visible support for specific minorities and building awareness of their challenges. We asked our respondents which three areas of ED&I are the most challenging for their organisation.

A lack of diverse representation in senior leadership was the most common answer, with 67% of respondents highlighting this. The data shared earlier on executive diversity at board level certainly bears out this perception.

Leadership skills and role modelling was the second most common topic selected. Interestingly, slightly more considered that this was an issue at mid-management level (55%) than at senior leadership (47%). Inclusive leadership is challenging, and requires a strong skill set to take this approach effectively. Companies may benefit from investing more in leadership skills development at a lower level of management to help improve this area. With the flat to weak economic environment, this can feel harder but the risks of not investing in this way should also be considered.

However, the third most common was lack of budget (40%) and lack of resources overall (32%). This very practical issue is a concern as it limits options for addressing the other important topics to drive change. Keeping up with new areas of focus and countering a 'push back' or 'culture war' were both issues for 27% of respondents. The least commonly selected response was 'lack of visibility/profile' with just 14% selecting this.

Overall, this indicates that the key challenge for ED&I is in building and maintaining a pipeline of diverse talent and with inclusive leadership to support it at all levels.

3.5 Expectations vs Resourcing

The past 5 years have seen a high degree of commentary and focus on issues of Equity, Diversity & Inclusion. The killing of George Floyd in 2020 sparked an outpouring of support for the Black Lives Matter movement across society and business. We were interested in the lasting impact this has had, and if the continued attention is felt by People and ED&I professionals.

Considering the period since 2021 for ED&I, of our respondents:



Clearly there is a disconnect here, with expectations rising more steeply than resourcing to deliver. Given that the highest increase in expectations is coming from employees this is perhaps unsurprising. Boards and senior leadership may not be fully aware of these increased expectations from their workforce on ED&I, especially if many are not getting a good quality of insight as indicated elsewhere in this survey.

“

There is a gap between the organisation's understanding of expectations on D&I from talent and other stakeholders and the investment needed to achieve this. We are a small team and highly data driven in our interventions but struggle for budget.

It may also be that boards and senior leadership are unable or unwilling to increase resources and budget for ED&I. The fact that there is a strong perception of increased expectations from the board and senior leadership itself, without commensurate resource allocation by the same group, is concerning. It is important that boards drive and communicate goals and expectations in this area, and build consensus with their workforce.

3.6 Valuing People and ED&I Professionals

Encouragingly 60% of our respondents said they felt valued and supported by their organisation and board. A sizeable minority of 15% said they felt only ‘a little’, or ‘not at all’ supported and valued. We also received a high volume of commentary on this question from our respondents.

One element which came across strongly was the importance of boards in supporting and valuing their People function.

“*Having felt well-supported for five-years, a change of Board Chair means I don't feel as though I have as much autonomy as I used to, and that the Board is very secretive.*”

“*The interest by our new owners in DEI and push for progress in the area has brought about a refreshed view on the subject.*”

“*I don't think there is a real value placed by the C-Suite on the voice of EDI. I've had it described to me as 'fluffy', whereas the staff that I've worked with have always ..focussed primarily on .. the real action for EDI. The perception of 'fluffiness' can, in my opinion, only come from ignorance and /or lack of genuine interest in EDI.*”

“*I am fortunate to work in a people centric business where I feel as an exec member my voice is as heard as other execs. The board are equally supportive and this extends into the cultural and ESG implications of the business strategy.*”

3.7 Conclusion

In many ways the findings of this survey are very encouraging. Around a third responded positively about their role and how their organisation is advancing its Culture and ED&I work. Board/C-Suite support, resourcing and a strategic alignment of People function across the business were themes for this cohort. Clearly there is a lot of knowledge and experience on what works effectively in this area. Equally, few respondents were entirely negative about their organisation's work, with those options consistently being a small minority. Whether this reflects UK business more widely or the self-selected sample of respondents is unknown.

However, a large group of our respondents mirrored the findings of our 2023 survey of non-executives on this topic. That is to say, there is a need for greater quality and impact across many areas of People, Culture and ED&I. The barriers here are a lack of resources, strategic influence and alignment. Boards have an obvious role to play in resolving this.

“ *Without an internal communications strategy which supports the overall employee experience, there is little chance of success at achieving something meaningful.* ”

“ *...without a complementary communication strategy, [ED&I/Culture initiatives are] unlikely to lead to improved corporate reputation, a better employee proposition, long-term support, meaningful change or employee advocacy.* ”

“ *While having this work in a business is vital, it's not effective if there isn't a purpose and values rich culture, driven by a communications team who have a seat at the table and can bring each of these things to life for the business, for the employees and for the external world.* ”

Most stark is the expectations gap uncovered in this survey. With employee expectations rising whilst budgets to deliver are not, the People and ED&I teams are put in a truly unenviable position.

Some comments received spoke to this point, expressing the need to communicate progress on ED&I with the workforce to fully derive the benefits of gains made.

Combined with the concern around quality of employee insight being gathered, there is clearly a challenge in developing meaningful two-way communication on experience of and aspirations for corporate culture and ED&I.

Boards and senior leadership need to grasp this issue and actively explore routes to bridge this gap. Clear alignment of goals with resources is key. But there is also an important piece of work in employee engagement to both better appreciate the workforce's aspiration on ED&I and develop their understanding of gains being made. In this way, firms can build a consensus on what success looks like on ED&I. Without this, ED&I professionals will find their role becomes an ever more thankless task.



Chapter 4

Conclusions and recommendations

4. Conclusions and recommendations

We urge all firms to take heed of the FCA target to appoint at least one woman across the four key positions.

The low levels of female representation in the four key roles is deeply unsatisfactory. Sadly, it is not surprising given the low level of board gender diversity in many groups of listed firms overall, particularly the AIM listing which has had less scrutiny brought to bear.

There is a strong cohort of experienced female non-executive directors ready and able to step up to Chair positions. They play a key role in our Women on Boards network, and our successful 'Becoming an effective Chair' programme has supported many to gain and succeed in committee Chair and board Chair positions. More need to be given the opportunity.

The relatively strong female representation in SID positions reflects our experience of supporting our members. Our Directors' Circle membership has a significant number of female SIDs who are excelling in positions and navigating the deep complexities of this unique role, and we are pleased to be able to facilitate peer support where appropriate.

Increasingly female appointments to the executive 'key roles' is likely to be more challenging, given the continued low number of female executive registered board directors overall. None-the-less, the FTSE Women Leaders Review data shows a significant cohort of women in senior leadership positions just below the board in the FTSE 350. Firms should consider broadly when appointing a new CEO, particularly which professional backgrounds and leadership styles are relevant to today's challenges.

4. Conclusions and recommendations

We would like to further highlight intersectional analysis of diversity at board level.

The lack of women of colour appointed to the four key roles is highly disappointing. Given the Parker data indicates a relatively balanced representation of women in directorships held by those from minority ethnic backgrounds, the fact that less than 1% of the four key roles is held by a woman of colour is quite shocking.

Whilst it would not be practicable to set a target in this area for individual firms, we would hope to see a level of representation more proportionate to the wider population across the 800 firms analysed. This also raises the question of representation levels in other forms of intersectionality and diversity.

The UK's business-led approach to driving diversity through monitoring and scrutiny in the FTSE 350 is proving highly successful on both gender and ethnicity. We would like to further enhance impact through increased focus on intersectional diversity and explore how a holistic approach to diversity in all forms can be instituted in the future.

4. Conclusions and recommendations

It is imperative that robust business-led progress continues to achieve adequate levels of board diversity around each and every board table - without requiring quotas or mandates.

Whilst progress has rightly been celebrated in achieving an overall gender balance, just over a third of FTSE All-Share boards are yet to meet the 40% women on boards target. The situation across AIM listed firms remains abysmal, with only 12% meeting that goal.

A slightly higher proportion of firms are meeting the Parker Review target for ethnic diversity on their boards, but outside the FTSE100, around a third of boards are all-white. It is also problematic that AIM listed firms' boards' ethnic diversity is not available.

There is a danger that progress is mistaken for the destination, and we forget that boards are only the tip of the iceberg relative to executive positions. It is vital that government and UK business continue to focus on driving forward diversity across all listed companies.

The lack of female executive directors is an area of deep concern. This is exemplified by just 7% of listed firms CEOs being female. The reasons behind this are multi-faceted and connected to wider issues of Equity, Diversity and Inclusion across company's approach to People and Culture.

Our survey of People and Culture professionals showed lack of diverse representation at senior level is also the top concern.

4. Conclusions and recommendations

Boards and leadership teams should actively work to close the ED&I expectations gap, considering employee engagement strategies, transparent strategic leadership and appropriate resourcing levels.

The gap between employee expectations and resourcing we have identified clearly articulates the challenges facing ED&I professionals. Boards must grasp the challenge of bridging this gap to gain insight into their employees' experience and aspirations, as well as build consensus on what is achievable in this area and by when.

How to do this will be different for every organisation. Leadership should consider improving the quality of established methods of employee engagement. In addition, more innovative approaches, such as employee board representatives or shadow boards, are being increasingly introduced and have strong potential to help close this gap.

Recognition on all sides that cultural change and shifting the dial in regard to diverse teams takes time. Quality data with transparent, open targets and ambitious but realistic time-frames for change are needed. These must be backed by appropriate budgets to support inclusive leadership development to harness the benefits of diversity.

Appendices

Report written and researched by
Gail Emerson, Fiona Hathorn and Yetunde Ishola.

1 Four key roles

A – Overall and Role analysis

This report draws on snapshot data taken in December 2023. We sourced data on gender in the four key roles from the Numerable data base. We conducted primary research to identify women of colour in these positions. We mirrored the approach of the Parker Review's 2017 report, observing individuals with evident heritage in African, Asian, Middle Eastern and South American regions. We describe these individuals as being from 'UK ethnic minorities', recognising the additional challenges and under-representation faced in the UK context whilst allowing that those with the heritage described are the global majority. We acknowledge the drawbacks and limitations of observing ethnicity (rather than allowing for self-identification) and recognise these results are broadly indicative only. We accept self-reporting is the most accurate methodology to determine ethnicity but this approach was beyond the scope of this research.

Intersectional diversity in the four key roles

	FTSE 100	FTSE 250	FTSE Small Cap	AIM	Overall
No of firms including Investment Trusts	100	250	220	533	1103
No of firms excluding Investment Trusts	97	156	98	512	863
Women in four key roles overall	93 (24%)	122 (19.6%)	85 (21.7%)	136 (6.6%)	436 (12.7%)
Women of colour in four key roles	6 (1.5%)	9 (1.4%)	3 (0.8%)	7 (0.3%)	25 (0.7%)
Chairs					
Women overall	14 (14.4%)	21 (13.5%)	13 (13.3%)	20 (3.9%)	68 (7.9%)
Women of colour	1	0	1	4	6
SID					
Women overall	43 (44.3%)	67 (42.9%)	48 (49%)	35 (6.6%)	191 (22.1%)
Women of colour	3	5	1	1	10
CEO					
Women overall	11 (11.3%)	10 (6.4%)	9 (9.2%)	29 (5.7%)	59 (6.8%)
Women of colour	0	1	0	2	3
CFO					
Women overall	25 (25.8%)	25 (16.0%)	15 (15.3%)	58 (11.3%)	123 (14.3%)
Women of colour	2	3	1	0	6

1 Four key roles

B – Sector specific analysis

We have taken the London Stock Exchange sector categorisation reflected in the Numerable database to identify differences in diversity level between sectors. Given the low number of firms in certain sectors, we have not analysed by listing type but taken FTSE All-Share and AIM listed firms together overall.

Due to the lower numbers, we have measured performance by how many firms meet the target of having at least one woman in one of the four key roles. This is a target outlined by the FTSE Women Leaders Review and the Financial Conduct Authority.

Sector	Number of Companies	Meets target (no)	Meets target (%)
Utilities	10	8	80%
Telecoms	51	25	49%
Tech	98	35	36%
Real Estate	30	20	67%
Industrials	159	76	48%
Health Care	76	30	39%
Consumer Staples	43	16	37%
Consumer Discretionary	122	62	51%
Financial Services	99	54	55%
Basic Materials	99	25	25%
Energy	65	11	17%
Other	11	5	45%
Total ex IT	863		

2 Women on Boards

A – 40% Women on Boards

Our calculations **include** those in Company Secretary roles, in line with the FTSE Women Leaders Review data. There are some small differences in our data compared to the FTSE Women Leaders Review report which we believe are due to differences in snapshot data timings. Our previous reports have excluded Company Secretaries in the published headline findings, but a deeper data analysis shows minimal change year-on-year.

B – All male boards

We have looked at the gender of registered board directors based on Numerable data. Female representation may be high in the C-Suite or senior management teams, who are not full board members.

C – Parker target

The data in this report is taken from Numerable's analysis, which collates self-reported data in company annual reports. Data is not available for AIM listed firms. In contrast the Parker Review receives direct submissions from companies. Neither set covers 100% of firms, with some choosing not to report. So, whilst the data collection timing for both our report and the Parker reports is similar, the difference in methodology accounts for the small variation in figures for the FTSE350.

D – Executive directors

These figures are registered executive directors, excluding the Company Secretary (Co-Sec). Female representation may be high in the C-Suite or senior management teams, who are not full board members. We recognise that some Company Secretaries are acting as C-Suite leaders, however this is not always the case given their focus on governance and strategy, rather than the operational and People leadership that characterise Executive Director roles.

Board diversity

	FTSE 100	FTSE 250	FTSE Small Cap	AIM
No of firms	100	250	220	533
% women on boards	42.5%	41.8%	39.9%	17.3%
40% women on boards target				
Firms meeting target inc IT	72 (72%)	158 (63%)	139 (63%)	62 (12%)
Firms below target inc IT	28 (28%)	92 (37%)	81 (37%)	471 (88%)
Meeting Parker Target	94 (94%)	180 (72%)	129 (59%)	-
All male boards	0	0	5 (2%)	187 (35%)
Female Executive Directors	42 (20%)	49 (13%)	30 (14%)	279 (19%)

3 A strategic approach to ED&I

We gathered views via an online survey through April 2024. We received 204 responses from those self-identified as People, HR or ED&I professionals. Consultants in this area were also invited to contribute, and asked to do so with a specific organisation they support in mind. We shared this survey targeting members of the Women on Boards network with HR/People skills, more widely with our network inviting non-executives to share with their senior teams and on our LinkedIn channel, where we have strong engagement on ED&I topics. The survey included a range of multiple choice questions and opportunities to submit comments and/or experiences.

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