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Final recommendations of the Parker Review published

Report into Ethnic Diversity of UK Boards recommends FTSE 100s go “Beyond One by ‘21”

The Parker Review Committee, led by Sir John Parker, today publishes its Final Report urging business leaders to improve the ethnic and cultural diversity of UK Boards to better reflect their employee base and the communities they serve.

The report sets out achievable objectives and timescales to encourage greater diversity, and provides practical tools to support Board members of UK companies to address the issue. The Review's recommendations fall under the following three areas:

- Increase the ethnic diversity of UK Boards by proposing each FTSE 100 Board to have at least one director from an ethnic minority background by 2021 and for each FTSE 250 Board to do the same by 2024
- Develop a pipeline of candidates and plan for succession through mentoring and sponsoring
- Enhance transparency and disclosure to record and track progress against the objectives

The consultation version of the report was launched in November 2016. Since then Parker Review Committee has collated feedback from a range of different interested stakeholders, including Board members and other senior executives, executive search companies and representatives from government. The feedback has been very positive, with stakeholders offering constructive suggestions to make the recommendations more impactful including the extension of the Review's recommendations beyond the FTSE 350 to apply to all companies and the Third and Public Sectors.

As at the end of July 2017, only 85 of the 1,050 director positions in the FTSE 100 are held by people from ethnic minorities. In fact, only 2% of director positions are held by people from ethnic minorities who are UK citizens, despite this group making up 14% of the total UK population (up from 2% in 1971). 51 companies of the FTSE 100 do not have any ethnic minorities on their Boards.

The Steering Committee will continue to track the progress made against the recommendations on an annual basis.

Sir John Parker, Chairman of the Parker Review Committee, commented:

“Today’s FTSE 100 and 250 Boards do not reflect the society we live in, nor do they reflect the international markets in which they operate. Whilst we are making good progress on gender diversity in the Boardroom, we still have much to do when it comes to ethnic and cultural diversity.

“Our report has identified clear commercial benefits in addressing this issue, and it is crucial to make progress in this area if we want Britain to continue to be at the forefront of global business. We also outline some business-friendly recommendations, which aim to not only increase the ethnic diversity of Boards in the near term but also develop a strong pipeline of candidates for the future. These recommendations received overwhelmingly positive feedback and we have now provided some practical tools to help Boards implement them.

“I look forward to seeing a change in the Boardroom as we continue to track progress in the coming years.”

Business Minister Margot James, said:

“We are committed to working with the business community to create more inclusive workplaces from the shop floor to the boardroom and as this report clearly shows there is a lot more work to be done.

“I urge our largest companies to lead from the front on this issue and take up Sir John Parker’s recommendations to promote greater boardroom diversity to reap the economic and social benefits.

“I would like to thank Sir John and his steering group for continuing to champion this very important agenda.”

-Ends-

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About The Parker Review

The lack of diversity in the UK Boardroom has not gone unnoticed by the Government, the public or business observers. In December 2014, speaking at a breakfast meeting held by the professional services firm EY, the then Secretary of State for Business, Sir Vince Cable urged UK business to build on its successful drive to increase gender diversity in Board leadership by drawing attention to the absence of minority ethnic leaders in our largest companies. The Chair of Anglo American plc, Sir John Parker, who had been a member of the Davies Review, agreed with Sir Vince Cable that he would build on Lord Davies' work on gender, to bring business leaders together to respond to the challenge of ethno-cultural diversity. In late 2015, the then-Secretary of State for Business in the new Conservative administration, Rt. Hon. Sajid Javid, affirmed the government's official support for the initiative and invited Sir John Parker to conduct an official Review. This work would also complement the investigation, to be led by Baroness Ruby MacGregor-Smith, into the progression of minority ethnic groups in the labour market generally.

The composition of the Review Steering Committee assembled by Sir John Parker is set out in the Report. All members gave their time and contributions on a voluntary basis. The Committee's work was supported organisationally by EY, and by Linklaters in the drafting of the Report. Research was commissioned from the Cranfield School of Management, which had undertaken analogous work for the Davies Review. The Board is grateful for the contributions made by the Institute of Directors and the CBI.

Key recommendations:

The Report makes recommendations in three key areas to help to evolve the face of corporate Britain and better prepare UK companies to continue to be global leaders in business:

1. Increasing the ethnic diversity of UK Boards

- Members of the FTSE 100 and FTSE 250 should develop mechanisms to identify, develop and promote diversity within their organisations in order to ensure over time that there is a pipeline of Board capable candidates and their managerial and executive ranks appropriately reflect the importance of diversity to their organisation.
- Nomination committees of all FTSE 100 and FTSE 250 companies should require their human resources teams or search firms to identify and present qualified ethnic diversity to be considered for Board appointment when vacancies occur.

2. Developing candidates for the pipeline and plan for succession

- Members of the FTSE 100 and FTSE 250 should develop mechanisms to identify, develop and promote ethnic diversity within their organisations in order to ensure over time that there is a pipeline of Board capable candidates
- Led by Board Chairs, existing Board directors of the FTSE 100 and FTSE 250 should mentor and/or sponsor people of colour within their own companies to ensure their readiness to assume senior managerial or executive positions internally, or non-executive Board positions externally.
- Companies should encourage and support candidates drawn from diverse backgrounds, including people of colour, to take on Board roles internally (e.g., subsidiaries) where appropriate, as well as Board and trustee roles with external organisations (e.g., educational trusts, charities and other not-for-profit roles). These opportunities will give experience and develop oversight, leadership and stewardship skills.

3. Enhancing transparency and disclosure

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- A description of the Board's policy on diversity be set out in a company's annual report, and this should include a description of the company's efforts to increase, amongst other things, ethnic diversity within its organisation, including at Board level.
- Companies that do not meet Board composition recommendations by the relevant date should disclose in their annual report why they have not been able to achieve compliance.

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