

Financial Reporting Council (FRC) Research Project:

Reporting on ethnic diversity in the boardroom

Summary

The FRC wishes to commission a piece of research that explores the progress since last year of the extent to which FTSE 350 companies report on ethnic diversity at board level in their annual reports.

The project is expected to take place over a period of months, starting in June and to be completed by mid-October 2019.

The customer for this work is the FRC but the findings will also be incorporated into the next report of the Parker Review of the ethnic diversity of UK Boards and will be referenced as a piece of FRC research.

Background

The FRC regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes. The FRC's mission is to promote transparency and integrity in business. Our work is aimed at investors and others who rely on company reports, audit and high-quality risk management. Read more on the FRC website.

The 2018 Corporate Governance Code, published in July 2018 (which will apply to accounting periods beginning on or after 1 January 2019) highlights that company culture should value diversity and asks companies to promote diversity in appointments and succession plans for boards, consider diversity in board evaluation and to describe their policy on diversity and inclusion.

Sir John Parker's report¹ on the ethnic diversity of UK Boards, published in October 2017, highlighted the low levels of representation of people from ethnic minority backgrounds in the UK's boardrooms.

The FRC research on Board Diversity reporting², published in September 2018, found that only 33% of FTSE 100 companies specifically mention ethnic diversity in their board diversity policy compared to 83% for gender and that only four companies had measurable objectives for ethnic diversity.

The FRC wishes to continue to monitor the extent to which progress has been made in terms of companies taking steps to promote ethnic diversity of boards and the actions that have been taken in appointments, succession planning and board evaluation.

¹ Ethnic Diversity of UK Boards: the Parker Review "Beyond one by 21: a report into the ethnic diversity of UK Boards - Final Report, 12 October 2017. <https://www.gov.uk/government/publications/ethnic-diversity-of-uk-boards-the-parker-review>

² Board diversity reporting, Financial Reporting Council, September 2018. <https://www.frc.org.uk/getattachment/62202e7d-064c-4026-bd19-f9ac9591fe19/Board-Diversity-Reporting-September-2018.pdf>

Research Objectives

The FRC wishes to re-run some of the research questions from the Board Diversity Reporting research – specifically those on ethnicity. The FRC wants to understand the extent of progress on:

Key Theme	Research Questions	Yes/No	None/Some /More
Board Diversity Policy	1. Is there a clear policy on boardroom diversity?		N/S/M
	2. Does it specifically mention ethnic diversity?	Y/N	
Monitoring Diversity	3. Does the company set measurable objectives for board ethnic diversity?	Y/N	
	4. Do they report any progress against those measurable objectives for board ethnic diversity across time?	Y/N	
Parker Review	5. If measurable objectives are set, are those objectives in line with the Parker Review recommendations for at least one director from an ethnic minority background by 2021 for the FTSE 100 and by 2024 for the FTSE 250?	Y/N	
Diversity in Succession Planning	6. Is ethnicity specified in director succession planning?	Y/N	
Diversity in Board Evaluation	7. Is diversity mentioned as part of the board evaluation disclosure?		N/S/M
	8. Does the disclosure specify ethnic diversity?	Y/N	
Focus on the Pipeline	9. Does the company have stated initiatives for increasing ethnic diversity at senior management levels?		N/S/M

Suggested approach and analysis

The data for this analysis should be collected from the annual reports of FTSE 350 companies for the last reporting year (published as at end March 2019). The successful applicant will search for the data to support answering the research questions. The FRC expects the outputs to be analysed and summarized in a stand-alone report and csv files.

Budget

The budget for this project is up to £20,000 excluding VAT.

Form of proposal

The proposal should not exceed 8 -10 pages (excluding annexes) and contain the following:

- a succinct summary of the proposal, including proposed timescales

- details of the approach, steps you would take to make sure it was successful, and your rationale for choosing it and/or the costs and benefits associated with any options including how well they would achieve our objectives
- a demonstrable understanding of the research approach
- any external data sources to be used in building the sample or conducting the project, including any input required from the FRC
- details of your experience in executing projects using the proposed research methods and any lessons learned
- details of the personnel to be involved including their role in the project and prior experience
- arrangements for managing this work and quality assuring outputs, including inter-coder reliability
- a detailed budget, including a breakdown of time and costs per activity and per team member.

Evaluation Criteria

The project proposal will be evaluated against the following criteria:

1. Evidence of understanding the brief
2. Suitability of proposed methodology
3. Experience undertaking similar projects
4. Value for money

Closing date for Tenders

17:00, Wednesday 5 June 2019.

Please submit to h.grimshaw@frc.org.uk