

Invitation to Tender

Financial Reporting Council (FRC) Research Project: *LGBTQI+ senior representation and leadership in FTSE 100 and FTSE 250 Companies*

Summary

The FRC is encouraging listed companies to increase the level of diversity in their UK operations. The market environment in which FTSE companies operate is increasingly diverse as a result of globalisation, increased participation in the workforce and changing demographics. UK companies need to consider how diversity and inclusion are relevant to the specific circumstances of their business, the markets they operate in, the workforce upon which they rely and the customers and communities they serve.

In addition to its own monitoring of corporate governance and reporting, the FRC is interested in gathering evidence specifically on the challenges and opportunities that LGBTQI+ individuals may experience in progressing to the Boards of FTSE100 and FTSE250 companies and Executive Committee roles (the pipeline to Board positions).

One of the principles of good governance is that Boards should be diverse in their composition. In the context of corporate governance, diversity is a broad concept, encompassing diversity of skills, experience, social background, personal strengths and mindset, as well as those protected characteristics included in the Equality Act 2010.

The FRC would like to better understand the following, with respect to companies in the FTSE100 and FTSE250 (with separate analysis for each group):

- 1. What is the prevalence of visible and open LGBTQI+ role models on Executive Committees and Boards? How has this changed in recent years?*
- 2. Are there barriers to LGBTQI+ people progressing to Executive Committee and Board level? If so, are there consistent themes to those barriers?*
- 3. Can a set of good practices/procedures be identified that supports LGBTQI+ employees' progress to Executive Committee and Board level?*
- 4. Which, if any, social or public policies or legislation have helped LGBTQI+ people to progress to Executive Committee and Board positions (including overcoming any barriers that exist), and to become visible role models?*

The FRC welcomes proposals to effectively investigate the questions above. We would like proposals to include recommended methods/approach, potentially also including alternative methods/approach as options (with associated pros and cons including costs), and an estimated project timeline.

The customer for the work is the Financial Reporting Council.

Depending on the approach recommended, the project is expected to take place over a period of six months, starting as soon as possible after award of the contract (w/c 28 October 2019).

Background

The FRC sets and maintains the UK Corporate Governance Code under which UK listed companies are required by the UKLA Listing Rules to make a statement of how they apply the principles of the Code on a “comply or explain” basis.

In 2018 the FRC updated the UK Corporate Governance Code (the Code)¹. The 2018 Code places renewed emphasis on the diversity of board composition, and consideration of diversity in board evaluation and succession planning.

The 2018 Corporate Governance Code is effective from accounting years starting 1 January 2019. Therefore, we will not see reporting against the 2018 Code by all companies until 2020. In the meantime, the FRC is carrying out monitoring work on early adoption of (any of) the 2018 Code’s principles and provisions by FTSE 100 companies. In this context, the research project described in this Invitation to Tender will provide additional insight into wider diversity in the boardroom.

The 2018 Code highlights the importance to Boards of diversity and breadth of perspective, which will not necessarily be achieved merely by the appointment of directors whose diversity is visible or recorded, for example in terms of gender. The 2018 Code also states that board appointments and succession plans should be *“based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.”*

Research objectives

Changes in societal attitudes on LGBTQI+ discrimination are *relatively* recent compared to those regarding some other protected characteristics. Visible LGBTQI+ role models in the corporate world are still somewhat lacking, and so the FRC wants to find out the extent to which LGBTQI+ people play a role in the leadership of top UK companies (FTSE 100 and FTSE 250) and the nature of any barriers which they may face. To this end we are seeking proposals to answer the following questions:

Phase A: Data and identification of example cases

1) What is the prevalence of LGBTQI+ senior role models² in the FTSE 100 and FTSE 250? Has this changed in recent years?

- a) Compile data on the change in prevalence of LGBTQI+ senior role models over recent years. If possible, provide a breakdown of this data into the various sub-categories within LGBTQI+.

¹UK Corporate Governance Code 2018 <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

² In this document we use ‘LGBTQI+ senior role models’ to mean *open and visible LGBTQI+ members of Executive Committees or Boards.*

- b) Identify example cases of visible and open LGBTQI+ senior role models, preferably from a representative sample of companies, for in-depth work in Phase B. Given the under representation of non-binary and trans people, particular effort should be made to find people in these categories.

Phase B: In-depth study, using example cases where possible

- 2) To what extent are there barriers, within FTSE 100 and FTSE 250 companies, to LGBTQI+ people progressing to Executive Committee and Board level?**
 - a) What specific barriers (cultural or otherwise), within FTSE 100 and FTSE 250 companies, hold LGBTQI+ people back from progressing to Executive Committee and Board level?
 - b) Are there consistent themes to such barriers? At what point(s) in a person's career path do the identified barriers tend to be most often experienced?
 - c) Are barriers more prevalent in particular business sectors or geographies? Is there any other pattern of characteristics that can further our understanding of the barriers, and what generates/perpetuates them?

- 3) Can a set of good practices/procedures be identified that supports LGBTQI+ employees' progress to Executive Committee and Board level?**
 - a) Identify (and document) cases where an employer's good practice/procedure has facilitated LGBTQI+ employee progression to Executive Committee and Board level.
 - b) Identify (and document) examples of the impact that LGBTQI+ senior role models can have in supporting the progression of LGBTQI+ employees within a company.

- 4) Obtain views as to the importance or helpfulness of any social/public policies or legislation which may have helped LGBTQI+ people progress to Executive Committee and Board positions, and to become visible senior role models in companies? This includes overcoming any barriers identified in question 2.**
 - a) Discuss where social or public policy developments may have had an impact or influence.
 - b) Place the overall results of questions 1 to 3 above in the context of wider research on these matters, such as UK national surveys.

Target participant group

The research should focus on the Executive Committees and Boards of FTSE 100 and FTSE 250 companies and report any differences between these two groups of companies.

Suggested approach and analysis

The FRC realizes that, due to the subject matter, much of the evidence may be small in sample size and participants may wish to remain anonymous. We would welcome suggestions from

suppliers on suitable sources of evidence and how to best access them. We would expect this to include interviews with FTSE Executive Committee and Board Directors, past and present.

We have divided the four research objectives, detailed above, into separate phases. The reason for doing so is twofold:

- We are uncertain as to how much, and what quality of, data can be obtained; likewise we are uncertain as to the number of example cases it will be possible to identify. As such, we wish to emphasise that it might be necessary to modify the design (and cost) of Phase B after Phase A is complete.
- We believe it may be necessary to use sub-contractors or engage closely with partner organisations (e.g. civil society organisations, NGOs) in order to complete Phase A.

The supplier will be expected to work with the FRC team to develop the approach, which could include a series of interviews and/or focus groups, for example with FTSE non-executive directors, and one or more surveys of relevant stakeholders such as company secretaries and board evaluators. The service provider will also be expected to work with the FRC team to agree methodology, assessment criteria, and any survey/interview questions that might be used.

Outputs

The product required will be a report setting out the evidence gathered, analysis of that evidence and the findings, giving specific examples to illustrate the points made.

The findings from the research will be used by the FRC to promote a better understanding amongst companies of the progression of LGBTQI+ people to the boardroom.

This research will complement and support the work done by the Hampton-Alexander Review and the Parker Review to drive further progress in the diversity of people in senior leadership positions and on the Boards of FTSE 100 and FTSE 250 companies.

Liaison arrangements.

A schedule of regular progress updates and meetings will be agreed between the FRC and the supplier.

Before Phase B begins, the FRC will need to consider the outcomes of Phase A. The supplier will be asked to advise the FRC on how to proceed and whether they believe any design changes to Phase B are necessary.

Timing

We expect the project to commence w/c 28 October 2019 and to be completed within six months if possible.

Budget

The budget for this project, including expenses, is circa £50,000 (excluding VAT). A detailed breakdown of costs is required within the proposal. We do not believe respondent incentive payments will be required.

Form of proposal

The proposal should be no more than eight pages and include:

- A concise summary of the proposal.
- Details of your proposed
 - research approach
 - methodology
 - external data sources and sampling

Please also explain your rationale for choosing the above.

- Any further data/information needed to build your sample or conduct the project, including input required from the FRC.
- Your organisation's experience of similar projects and relevant research capability
- Details of the personnel to be involved including their role on this project and their relevant experience.
- Arrangements for managing this work and quality assuring outputs, including how you would like to work with FRC during the project.
- A detailed budget, including a breakdown of time and costs per project phase (A and B), per activity and per team member.

Project team CVs can be included as an appendix, along with any additional company information you think is relevant.

Evaluation criteria

Bids should identify any real or perceived conflicts of interest. They will be assessed against the following criteria:

- suitability of methodology;
- cost;
- experience in the area;
- evidence of understanding the brief.

Closing date for tenders

5pm, Wednesday 9 October 2019. Please submit to research@frc.org.uk