

How is your D&I journey going, and are you doing enough?

Diversity and inclusion (D&I) boosts innovation, empathy and empowers employees from marginalised communities. It is also the 'S' in ESG: Environmental, Social and Governance. Shareholders and investors are increasingly using ESG criteria as their benchmark for assessing future success.

You probably made some great progress in your D&I journey in 2020, specifically after the death of George Floyd, but priorities change, and one step forward is often inadvertently followed with two steps back, and real progress can be slow.

In a recent Deloitte survey¹ of over 100 CEOs, 94% agreed that D&I is a personal strategic goal. A vast majority (90%) said their organisation aspires to be an industry leader in D&I, and 72% were planning to disclose D&I metrics to the public. Yet despite positive intentions, for many organisations, there is a lot more to be done.



Why is this?

We see two key reasons:

Firstly, achieving major change takes personal commitment from everyone in an organisation. This includes leaders who must prioritise improving D&I, exemplify what inclusion means, and are held accountable for outcomes to ensure progress is made.

Secondly, many organisations adopt a programmatic approach to D&I, focused on standalone projects that do not address underlying cultural barriers, and that fail to integrate D&I into business processes. Recognising that D&I initiatives and progress are intrinsically linked to a strong (risk-intelligent) culture, is critical to their success.

A recently published review by the FCA, '*Understanding approaches to D&I in financial services*' (published 12th December 2022), will be key for all regulated entities as the FCA encourages consideration of their findings in the development of D&I strategies and practices. They found that:

- Firms lack clear articulation of purpose, actions and *why* D&I initiatives are so important. In many instances senior leaders were detached from the Head of D&I (or equivalent) and not close to the detail of progress or initiatives
- Many D&I strategies focus more on improving representation at senior leadership levels, neglecting representation at junior to middle management grades, where there is a significant drop off
- Firms are not capitalising on data, and this is impeding progress against D&I targets / goals

¹ Fortune / Deloitte CEO Survey, The Chief Executive Program, January 2021

- Firms not seeing D&I as a cultural issue, which is a fundamental blocker to success
- Large focus on gender and ethnicity, at the exclusion of other aspects of diversity, which the regulator feels is short-sighted

Do these findings resonate with you? The FCA acknowledges that these challenges are experienced broadly across industry, particularly as organisations start out on this important journey and develop their approaches. Equally, this promises to be an important area of regulatory focus going forward and there is likely to be expectation of significant progress and maturity in the industry.

Here are five tips to start, re-energise, or move your D&I strategy/ambition forward:

- Ensure your D&I strategy aligns with your Purpose and Values, and the intrinsic reasons for progressing D&I initiatives are well understood at senior levels and well-articulated
- Ensure your strategy considers succession planning and development of a diverse and inclusive talent pipeline, which will be much more sustainable in the long-term
- Assess the implementation of your strategy annually
- Forensically interrogate D&I data, by dimensions such as recruitment, retention, grade, location
- Consider other demographics in your reporting e.g., social background and neurodiversity, as well as how your initiatives support diversity of *thought*

For further information on how your D&I approaches and initiatives could be further supported and progressed, please contact:

Darriane Garrett, Jess Sutherland, Natasha De Soysa or Stephen Gould