

Nikhil Rathi  
Chief Executive  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN  
United Kingdom

18 December 2023

## Consultation Paper on Diversity & Inclusion CP23/20

Dear Nikhil,

As signatories of ShareAction's Good Work investor coalition, currently representing £4.2tn assets under management and advisory (and other interested investors), we are writing to inform you of our joint response on question 14 of the FCA consultation paper on Diversity & Inclusion: **Q14: To what extent do you agree with our proposals on disclosure?** We strongly commend the FCA's efforts in diversity and inclusion and endorse the direction of travel being taken.

Our response is in support of ShareAction's work to advance racial equity in the UK workforce and ethnicity pay gap reporting. One of the key goals at [ShareAction](#) is for the investment system to support good workforce practices such as living wages, dependable contracts, and diversity, equity and inclusion. Another goal is to have a diverse and inclusive investment system that reflects the society it serves. Yet fewer than one in 10 management roles within the financial sector were held by Black, Asian or other ethnic minority staff<sup>1</sup>. We are engaging as institutional investors and their representatives who seek to invest in firms with a responsible approach to managing their workforce.

### **The proposals should be asking for the disclosure of a firm's ethnicity pay gap**

The Consultation Paper mentions that the financial sector has '*further to go to achieve 20% minority ethnic representation for the same group*' and '*Good work has been done, but the results are not yet being seen universally across financial services.*' To address this issue, ethnicity pay gap reporting should be a mandatory disclosure for larger employers for results to be seen universally. The ethnicity pay gap shows the difference in the average pay and bonus pay between ethnic minority colleagues and White colleagues across an organisation. It is different to equal pay, the legal requirement to pay the same to people doing the same job of equal value.

There are already some firms in the investment industry voluntarily producing ethnicity pay gap reporting, some of which are making these public, including the FCA themselves. Other firms include State Street, M&G, Bridgewater, Pension Protection Fund and PWC. The process a company undertakes to report its ethnicity pay gap is a catalyst for further action. ShareAction's research, which involved interviews with 17 FTSE 100 financial sector companies, revealed reporting of ethnicity pay gaps was the first step to bringing transparency and action. (See [Ethnicity Pay Gap](#)

---

<sup>1</sup> Financial Conduct Authority, Diversity and inclusion in the financial sector – working together to drive change, July 2021

[Reporting: An investor briefing and toolkit, ShareAction, 2023](#)). Although companies who voluntarily report their ethnicity pay gap found that often the gap was due to underrepresentation, simply reporting their ethnicity representation is not enough – there could be stark pay differences between ethnicities at each seniority level of the company.

As companies continue the journey in tackling racial inequality, we recommend that firms report on employee ethnicity, broken down into the most appropriate categories and quartile pay bands, in addition to the overall pay gap. A quartile pay band should provide the proportion of different ethnicities within each of the quartile pay bands, the average pay levels and any gaps within each quartile. This would address under representation in senior management and overrepresentation in low paid jobs. ([CIPD's Guide to Ethnicity Pay Reporting, 2021](#)).

Where possible, we would ask for companies to disaggregate data by ONS ethnicity categories. This is important, as a broad ethnicity categories can mask vast discrepancies within them. For instance, in 2019, Chinese and Indian groups earned a higher hourly pay than White workers, whereas Pakistani and Bangladeshi workers earned 16% and 15% less than White workers respectively ([Office for National Statistics, Ethnicity Pay Gaps: 2019](#)). An employer's ability to provide such granulated data will be dependent on the makeup of their workforce, and the demographics of the geographical area. Following government guidelines published this year ([Department for Business and Trade, Ethnicity Pay Reporting: guidance for employers, April 2023](#)), we would expect employers to only publish this information where there is a minimum threshold of 50 staff members of that ethnicity. However, this could be phased in time – it's better to begin this journey and start reporting. The process itself encourages accountability, the creation of an action plan and monitoring of progress.

We would argue that ethnicity pay gap reporting is merely a disclosure; it's not prescribing how companies act on DEI issues. Companies can come up with their own solutions, as we ask them to publish a narrative and action plan to complement the disclosure of their ethnicity pay gap.

Once again, please note that we strongly support FCA's efforts on diversity and inclusion within the financial sector. ShareAction welcomes further engagement on this topic. Please address correspondence in the first instance to Miss Kohinoor Choudhury, Senior Campaigns Officer, ShareAction, Runway East, 2 Whitechapel Road, London, E1 1EW, UK ([kohinoor.choudhury@shareaction.org](mailto:kohinoor.choudhury@shareaction.org)).

We look forward to your response.

Yours sincerely,

**BARROW CADBURY TRUST**

**BRUNEL PENSION PARTNERSHIP**

**CASTLEFIELD**

**CHURCH OF ENGLAND PENSIONS BOARD**

**ETHICAL PARTNERS FUND MANAGEMENT**

**FRIENDS PROVIDENT FOUNDATION**

**NEST CORPORATION**

**PENSIONBEE**

**TRUST FOR LONDON**

**WEST YORKSHIRE PENSION FUND**