

A person wearing a red shirt and a grey apron is using a cash register. The background is blurred, showing what appears to be a kitchen or food service area.

# Spotlight Report: Ethnicity Pay Gap Reporting in the Food & Facilities Management Sectors

*An update to the Ethnicity Pay Gap Investor Toolkit (2023)*

**ShareAction»**

**RUNNYMEDE**

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# About ShareAction

ShareAction is an independent charity and an expert on responsible investment.

We set ambitious standards for how financial institutions, through their investment decisions, can protect our planet and its people and campaign for this approach to become the norm. We convene shareholders to collectively push companies to tackle climate crisis, protect nature, improve workers' rights and shape healthier societies. In the UK and EU, we advocate for financial regulation that has society's best interests at its core.

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# Executive summary



# Executive summary

Ethnicity pay gap (EPG) reporting is gaining renewed attention in the UK, with the Government now committed to making it mandatory for companies with over 250 employees. While the Government suggests action plans will likely be a legal requirement, we recommend companies go further by also publishing a narrative that explains the context behind the data.

This **Spotlight Report** follows ShareAction's 2023 **Ethnicity Pay Gap (EPG) Investor Toolkit** which provided guidance for investors on how to engage companies on EPG disclosure and action. This report focuses on the **Food and Facilities Management (F&FM) sectors**, which include food processing, hospitality, catering, and support services such as cleaning and security. These sectors are people-heavy, decentralised, and under tight margins, with lower levels of regulatory oversight compared to financial services. They employ a high proportion of low-paid, frontline workers from ethnic minority backgrounds and face unique challenges in collecting and reporting EPG data.

It is primarily based on a **roundtable convened by ShareAction in November 2024**, with senior representatives from companies operating in the F&FM sectors. Participants shared perspectives on why EPG reporting matters, the barriers they face, and practical steps companies have taken to overcome the challenges toward disclosure and action. In addition, it draws on ShareAction company engagement, which has helped shape the insights and practical recommendations in this report.

## Key findings

The F&FM sectors face **specific sectoral barriers** to EPG reporting, including a lack of leadership buy-in: in particular, confusion about EPG versus pay equity and a lack of clarity on the business case for action. High staff turnover and complex human resources (HR) systems present structural barriers to data collection and analysis, and there is often a lack of confidence in disclosure due to the absence of clear regulation and fears of reputational impact.

Yet, these sectors also hold **significant potential to lead change**, given the size and diversity of their workforces. Moreover, there is an appetite and momentum for change, with companies acknowledging the moral, legal, and business case for addressing ethnicity pay gaps and improving workplace equity.

Our research indicates that companies should start small, improve data systems, and connect Diversity, Equity and Inclusion (DEI) goals to business outcomes - clear links to retention, morale, and customer satisfaction can help to advance reporting. Leadership buy-in, internal communications, and tailored action plans emerged as essential components for successful implementation. Investors can play a critical role by maintaining pressure and support.

The report includes **detailed recommendations** for companies and clear guidance for investors on how to support and encourage companies to begin—or improve—EPG reporting. With mandatory reporting on the horizon through the Equality (Race and Disability) Bill, this chapter provides a timely and practical roadmap for advancing racial equity in these critical sectors.



The roundtable that informed this report took place in November 2024, prior to the significant escalation of political and legal challenges to DEI, particularly in the United States. It is important to acknowledge that some of this backlash is rooted in the misconception that DEI initiatives undermine meritocracy. In fact, the purpose of DEI is to strengthen meritocracy by ensuring that individuals are recognised and rewarded based on their talent, not limited by their background. This is why many companies continue to uphold their DEI commitments, even amid growing external pressures. While the report does not directly address the global backlash, it remains a timely and relevant resource for UK-based companies and investors<sup>1</sup> who understand the compelling and growing business case for DEI, and who seek to embed long-term equity and inclusion practices into their workforce strategies.

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<sup>1</sup> ShareAction, **Investor Statement in Support of Diversity, Equity, and Inclusion**, June 2025



# Introduction



In 2023, ShareAction published an **Ethnicity Pay Gap Reporting Investor Briefing and Toolkit**, providing a comprehensive overview of barriers to ethnicity pay gap reporting, examples of best practice, and guidance for investors to support meaningful corporate action. Black and ethnic minority workers are more likely to earn below the real Living Wage: this report outlined that pay gap reporting is a crucial step towards addressing pay inequality and other racial inequalities in the workplace. The report outlines the opportunity for businesses to gain a complete picture in relation to inclusion and equity, and then institute an action plan to reduce any pay gaps and tackle other inequities. The report was predominantly based on findings from direct engagement with financial services companies.

**What is pay gap reporting?** Pay equity—ensuring equal pay for equal work—is a legal requirement under the Equality Act 2010. Pay gap reporting, by contrast, is an analysis of average pay across different demographic groups, in this case ethnicity. Companies may aggregate data (such as White and ‘Ethnic Minority’), use broad categories (such as ‘Asian’ or ‘Black’) or adopt the 18 category framework developed by the Office for National Statistics (ONS). Crucially, pay gap reporting helps organisations assess structural inequalities across their workforce.

As a follow-up, ShareAction has produced this shorter **‘spotlight’ report, focused on the Food and Facilities Management (F&FM) sectors** – a diverse group of industries including food processing and manufacturing, hospitality and catering, and facilities services such as cleaning, security and maintenance.



These sectors collectively employ a significant proportion of **frontline, low-paid workers**, many of whom come from ethnic minority backgrounds. Research by the Runnymede Trust has identified these industries as having a disproportionately high number of ethnic minority workers in low-wage, insecure roles – making them priority areas where meaningful ethnicity pay gap (EPG) reporting could drive substantial impact.<sup>2</sup>

<sup>2</sup> ShareAction, **Ethnicity Pay Gap Reporting: An investor briefing and toolkit**, June 2023 (see pages 32-33 which focus on the Food Industry).



To inform this report, ShareAction convened **a roundtable discussion with companies from the F&FM sectors** (outlined in the methodology section) in November 2024, to explore the sector-specific challenges and opportunities of implementing EPG reporting. The session offered a rare space for open, candid conversations about what is working, what isn't, and where further support is needed. The quotes within this report have been taken from the roundtable, and given the candid nature of the conversations, these have been kept anonymous.

This report is based on insights shared at that roundtable, alongside ShareAction's engagement with 16 FTSE250 companies in these sectors, as part of its EPG campaign, since 2023. The aim of the campaign was to increase voluntary EPG reporting by FTSE250 companies to support the case for mandatory reporting.

Key challenges identified included getting leadership buy in; making the business case for reporting; underdeveloped data infrastructure and overstretched HR functions in a sector characterised by high turnover and tight profit margins; and lack of employee trust and legal and reputational fears - all of which contribute to slower uptake of EPG reporting. Unlike highly regulated sectors such as financial services, which has a higher level of scrutiny due to its central role in the economy and high levels of risk, the F&FM sectors are subject to weaker levels of scrutiny, despite having large, diverse, and often vulnerable workforces.<sup>3</sup>

One common point of confusion - often raised by Board members at AGMs - is the distinction between *pay equity* and *pay gaps*. EPG reporting highlights the difference between the average pay of White and non-White employees across a company. This is different from equal pay for equal work, which is a legal requirement under the Equality Act 2010.

**“I think, probably, the food industry has always been a little bit behind the curve when it comes to this sort of initiative, and so we do have some catching up to do. But just because we have the catching up to do, doesn't mean that we're not willing to do that.”**

**- Anonymous, speaking at the F&FM roundtable, November 2024**

Despite these challenges, companies like Greencore and Compass Group (early EPG reporters) demonstrate that progress is possible—and impactful.<sup>4</sup> This spotlight report sets out practical recommendations for companies and investors working to introduce or strengthen EPG reporting within the F&FM sectors.

It is worth noting that this spotlight report is based on a roundtable held in November 2024, prior to recent political developments in the US that have intensified the backlash against diversity, equity, and inclusion (DEI) initiatives. While the report does not directly explore this shift, the insights and

<sup>3</sup> There is no equivalent of the Financial Conduct Authority (FCA) or Prudential Regulation Authority (PRA) enforcing DEI transparency in F&FM sectors. Instead, workplace standards are largely covered by Health & Safety Executive (HSE) and ACAS guidance, which focus more on safety and general employment law. See **TUC: Insecure Work and Ethnic Inequality** and **Resolution Foundation: Low Pay Britain** and **CIPD: Ethnicity Pay Gap Reporting Guide**

<sup>4</sup> Compass Group, **‘Compass Group UK publishes its first ethnicity pay gap report’**, March 2023



recommendations remain pertinent to UK contexts—where advancing DEI, including ethnicity pay gap reporting, continues to be a key focus for responsible investors and progressive employers.

There is a compelling business case for DEI, with studies demonstrating strong correlations between diverse and inclusive workplaces and improved business outcomes, including increased innovation and revenue growth.<sup>5</sup> Conversely, a failure to prioritise DEI comes with increased risks to reputation and business operations, as well as risks of future legal action<sup>6</sup> and being behind the curve of new regulation, such as the UK Government’s forthcoming legislation making ethnicity pay gap Reporting mandatory<sup>7</sup> - all of which are highly relevant to the long-term interests of shareholders.

ShareAction endorses the Chartered Institute of Personnel & Development’s (CIPD’s) recommendation<sup>8</sup> of aligning ethnicity pay gap reporting to gender pay gap reporting to facilitate widespread uptake (see p.6 of EPG Investor Toolkit). It recommends the six compulsory gender pay gap reporting statistics:

- The mean pay gap
- The median pay gap
- The mean bonus gap
- The median bonus pay gap
- The proportion of employees from ethnic minority backgrounds,
- The bonus proportions

The CIPD also recommend two additional statistics:

- The proportion of employees who have disclosed their ethnicity.
- The ethnicity group representation breakdowns in each quartile pay band. Ethnicity representation is as important as, and strongly linked to, ethnicity pay gaps.

In addition, ShareAction recommends a ‘prefer not to say’ option.

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<sup>5</sup> See: Department for Business and Trade, **The McGregor Smith Review**, February 2017; Harvard Business Review, **How Diversity can Drive Innovation**, December 2013; and Harvard Business Review, **How Investing in DEI Helps Companies Become More Adaptable**; May 2023

<sup>6</sup> The Guardian, **UK firms ditching diversity and inclusion ‘face higher risk of lawsuits’**, April 2025

<sup>7</sup> Cabinet Office, **Open Consultation: Equality (Race and Disability) Bill: mandatory ethnicity and disability pay gap reporting**, March 2025

<sup>8</sup> The Chartered Institute of Personnel and Development, **Ethnicity pay reporting: A guide for UK employers**, 2021



# Methodology



This spotlight report draws on a roundtable convened by ShareAction in November 2024 with companies from the F&FM sectors. As mentioned in the Introduction, at the time, the political environment—particularly in the US—had not yet seen the full resurgence of anti-DEI rhetoric and policymaking. While the discussion and recommendations captured here do not directly address these developments, the findings remain relevant for companies and investors.

Senior leaders from eleven FTSE 250 companies from F&FM sectors attended the roundtable. The discussion was conducted under the Chatham House rule, therefore direct quotations have been anonymised.

Additional insights were drawn from ShareAction’s corporate engagement on EPG reporting with 16 FTSE250 companies from the F&FM sectors, since 2023; from asking AGM questions, investor-backed letters and regular engagement meetings with each company. It also includes previous research conducted by the Runnymede Trust.

Please note that F&FM sectors have been used as an over-arching descriptor for several related and overlapping sectors throughout this Toolkit. These are: Food Manufacturing, Food Wholesale & Distribution, Food & Beverages Service Activities and Facilities Management. At times, other descriptors such as Food Industry, Food & Hospitality, Food & Drinks and Accommodation & Food have been used reflecting their original, source material.



# **PART ONE:**

## **Characteristics of the sectors**



F&FM represent a vast ecosystem encompassing multiple interconnected sectors that ensure the production, distribution and service of food, while also providing attendant facilities such as accommodation and security.

Below is a brief explanation of each sector within the broader F&FM landscape.

- **Food Manufacturing & Processing** involves transforming raw ingredients into finished food products. These products are then handled by the Food Wholesale & Distribution sector.
- **Food Wholesale & Distribution** sector, manages logistics, storage, and transportation to ensure efficient delivery to retailers, restaurants, and service providers.
- **The Food & Beverage Service Activities** sector focuses on preparing and serving food and drinks directly to customers in venues such as restaurants, cafés, and catering services.
- The **Accommodation and Food** sector overlaps with Food & Beverage Service Activities. It integrates lodging services, such as hotels and resorts.
- The **Facilities Management** sector supplies support functions such as security, hygiene and health & safety compliance to ensure a functional environment for food service operations.

These are complex operations and people-heavy businesses, characterised by a heavy reliance on frontline and customer-facing workers. **Together, these sectors account for around 9% of the UK's 36.8 million jobs,<sup>9</sup>** with Food & Beverages services employing half of that total with approximately 1.85 million jobs.

In 2021, the Resolution Foundation noted that ethnic minorities in Food & Hospitality made up 1 in 6 employees compared to 1 in 8 observed in the broader UK economy.<sup>10</sup> The Trades Union Congress,<sup>11</sup> using 2023 Labour Force Survey data, reported that **Black women in the UK are three times more likely to be on zero-hour contracts than their White male counterparts** – problematic in a sector known for a high use of zero-hour contracts.

Combined, these sectors are unique in their reach and ability to affect the working lives of frontline workers from ethnic minority backgrounds.

The roundtable identified the following stand-out characteristics of the sectors.

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<sup>9</sup> Office for National Statistics, **Employment in the UK: April 2025**, April 2025.

<sup>10</sup> Resolution Foundation, **Ethnic minorities in the hospitality sector**, December 2020.

<sup>11</sup> TUC, **BME women far more likely to be on zero-hours contracts**, November 2023.



## Transient frontline workforce

**“We know our racially diverse colleagues are in frontline roles that are low-paid, but when you look at their academic attainment, they have the highest. So why is there this disparity in terms of their career progression?”**

- **Anonymous, speaking at F&FM Roundtable, November 2024**

The food industry has had a history of reliance on temporary, agency or transient workers who are often looking to other sectors for careers and more permanent roles. These employees often endure long shifts and low pay. Reliance on frontline roles spotlights the sectors' vulnerability, as retaining these employees is central to the quality of the customer-facing experience they offer, which, in turn, is central to their business model. In such people-heavy sectors, the pursuit of equity is not only a moral imperative—it's a business necessity.

## Low pay leading to high turnover

Low wages, certainly in the recent past, have been a defining characteristic of these sectors. Some participants acknowledged that they had a significant portion of staff on low wages or the minimum wage. As an indicator, the ONS lists Accommodation and Food as the sector with the highest number of low-paid workers in the UK.<sup>12</sup> The prevalence of low pay results in high staff turnover rates, creating a cycle of recruitment and training challenges and this instability impacts productivity and increases operational costs.<sup>13</sup> Post COVID, however, there are signs that these sectors are re-aligning wages as the ONS also reports a sharp decline in 2024 compared to 2023 in the total number of low-paid job roles in the UK economy.<sup>14</sup>

## Flexibility

**“I have just run our annual employment engagement survey and collated an inordinate amount of qualitative and quantitative statements, and there is so much feedback from our production colleagues who value the four days on, four days off rota system.”**

- **Anonymous, speaking at F&FM Roundtable, November 2024**

In response to staff retention challenges, these sectors are increasingly offering flexible shift patterns which are highly valued by employees. The nature of frontline roles means this flexibility must be limited to work hours only, rather than a combination of work hours and location which can be more common for office-based staff. Many roles, such as cleaning and security, cannot accommodate remote

<sup>12</sup> Office for National Statistics, **Low and high pay in the UK: 2024**, October 2024.

<sup>13</sup> Runnymede Trust Focus Group Middle & Senior Managers in Food & Hospitality, Jan 2023 (internal report)

<sup>14</sup> Office for National Statistics, **Low and high pay in the UK: 2024**, October 2024.



working, restricting options for employees seeking greater location-based flexibility. Addressing these limitations requires ongoing, creative solutions to enhance the appeal of frontline positions.<sup>15</sup>

## Diverse work environments

These sectors operate in diverse environments, including schools, prisons, retail outlets, food production factories and high street stores. These varied settings require a wide range of skills and services, from technical expertise to customer service abilities. The diversity of work environments requires adaptability among frontline employees who must meet differing demands and expectations based on their varied work environments. This variety is both a strength and a challenge: demanding on the one hand, but on the other, offering employees exposure to a huge range of professional development opportunities not typical of entry-level roles in other sectors.<sup>16</sup>

## Career development opportunities

**“I think as a sector, we're good at giving people opportunities to start or progress a career through the organisation, and I think that's an important feature of our sector.”**

- ***Anonymous, speaking at F&FM Roundtable, November 2024***

**“I think there is this misconception that low pay equals low skills and that's absolutely not the case. We have lots of people within the business who are highly paid and highly skilled.”**

- ***Anonymous, speaking at F&FM Roundtable, November 2024***

The roundtable highlighted a common misconception: that the sectors only offer low-paid, low-skilled roles. In reality, there are many other positions that demand high levels of skill and competitive pay. But, members of the roundtable agreed that these opportunities are often poorly communicated to new or prospective employees, and to the wider general public.<sup>17</sup> In addition, the roundtable discussion noted the poorer progression of entry-level employees from ethnic minority backgrounds who often come with higher-level academic qualifications compared to their White peers.<sup>18</sup> The discussion acknowledged the need to create clear, accessible information about training, mentorship, and advancement opportunities, with additional interventions to promote equity within the workplace.

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<sup>15</sup> ShareAction F&FM Roundtable, Nov 2024.

<sup>16</sup> ShareAction F&FM Roundtable, Nov 2024.

<sup>17</sup> ShareAction F&FM Roundtable, Nov 2024.

<sup>18</sup> ShareAction F&FM Roundtable, Nov 2024. In addition, the [McGregor-Smith Review](#) (2017) reveals that ethnic minority individuals are more likely to be overqualified for their roles compared to White employees. For instance, over 40% of Black African employees with A-level and graduate-level qualifications are overqualified for their current jobs. This trend is particularly pronounced among Pakistani and Bangladeshi groups. Such overqualification suggests that the skills and abilities of these individuals are not being fully utilized in the workplace.



## Recent economic factors

“We're taking a different focus because of the increased cost of living, challenges that are still around today. So how we communicate about discounts, now, for example: we don't talk about discounts on luxury items, we talk about discounts on your everyday shopping because actually what impacts most are the basics.”

- *Anonymous, speaking at F&FM Roundtable, November 2024*

Rising energy costs and the cost of living have particularly, and negatively, impacted Food and Hospitality businesses which rely on high levels of disposable income.<sup>19</sup> On the customer side, these sectors are still recovering from the loss of revenue from the Covid-19 pandemic and the financial impact of lockdown.<sup>20</sup> In addition, workers facing their own financial pressures may be affected by lowered morale and productivity in these customer-facing workplace environments.<sup>21</sup>

While it should be acknowledged that decent wages are the fundamental bedrock for addressing these financial pressures facing workers, many companies at the roundtable shared that they have found ways they believe workers can be supported, such as introducing affordable workplace meals and discount vouchers on basic, everyday products. Others are paying attention to wellbeing and mental health.<sup>22</sup> Meanwhile, changes to UK national insurance thresholds (which will lead to higher costs for UK employers) and the introduction of family-friendly legislation will inevitably mean challenges to the bottom line, particularly as such businesses are characterised by very tight margins. The proposed legislative changes are referred to as “family-friendly” because they are designed to support employees in balancing work and family life, often by enhancing rights and flexibility around caregiving responsibilities.<sup>23</sup>

## Cultural and social aspects

Food and hospitality businesses play a vital role in the UK's social and community life. Defined by everyday human connection between customers and staff, these environments contribute meaningfully to belonging and social cohesion. Participants mentioned that it's a “fun” sector. While this cultural dimension can support job satisfaction and retention, ensuring that every employee feels valued and included requires conscious, sustained effort.

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<sup>19</sup> Hatch, **The Cost of Living crisis and its impact on the food and drink sector in the UK**, March 2023.

<sup>20</sup> Financial Times, **“Hospitality bosses share tips on navigating industry challenges”**, December 2023.

<sup>21</sup> ShareAction F&FM Roundtable, Nov 2024.

<sup>22</sup> ShareAction F&FM Roundtable, Nov 2024.

<sup>23</sup> New legislation has expanded rights for employees around flexible working, paid and unpaid leave, and protection from redundancy during parental leave. See: UK Parliament, **What employment laws are changing from April 2024?**, April 2024. Also see **Neonatal Care (Leave and Pay) Act 2023**, (expected in force from 2025); and House of Commons Women and Equalities Committee, **Equality at work: Paternity and shared parental leave**, June 2025. The UK Government is expected to launch a review into the statutory parental leave system and support to working families, including those on lower incomes and the self-employed, no later than early July.



# **PART TWO: Challenges to introducing ethnicity pay gap reporting**



Having explored the specific characteristics of the F&FM sectors, the roundtable turned to the broader challenges of implementing EPG reporting. Five key themes emerged, outlined below.

## 1. Leadership buy in

Securing senior leadership buy-in is critical to the success of any meaningful DEI initiative. EPG reporting, in particular, demands clear, sustained leadership. Without it, progress will be slow and employee engagement is likely to suffer.

One key barrier —raised by several board members during AGMs—is a persistent confusion between pay gaps and pay equity. Many senior leaders are unfamiliar with the distinction: that pay gaps reflect average disparities in pay between groups (e.g. White and Black or ethnic minority employees), while pay equity relates to legal obligations to ensure equal pay for equal work.

Another factor limiting leadership commitment is the relatively low level of regulatory oversight in these sectors, especially when compared to financial services.<sup>24</sup> Unlike that sector, which is overseen by regulators such as the Financial Conduct Authority<sup>25</sup> (FCA) and Bank of England & Prudential Regulation Authority (PRA),<sup>26</sup> the F&FM sectors are primarily covered by bodies like the Health & Safety Executive (HSE) and ACAS, whose mandates focus on safety and general employment law rather than DEI transparency. Research suggests that low-wage sectors often have fragmented organisational structures and limited internal resources to support complex DEI initiatives.<sup>27</sup> In the absence of regulatory pressure or mandatory requirements, there is little incentive for companies to take proactive steps.

Driving EPG reporting requires leadership cultures that prioritise psychological safety, openness and trust. However, in F&FM sectors, executive capacity is often stretched, with senior leaders holding dual roles – making it difficult to commit time and attention to new initiatives, even when the will is there.<sup>28</sup>

## 2. Making the business case

A tension emerged in the roundtable between arguments for EPG reporting; one rooted in moral and social justice and the other grounded in business performance. Ultimately, participants agreed that, in the current operating environment, the business case is the more persuasive driver for adoption.

EPG reporting is frequently a company's first step taken toward addressing racial equity in the workplace and is therefore is a core tool within DEI strategies. Multiple studies highlight strong correlations between DEI strategies and better business outcomes:

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<sup>24</sup> For example, see Gov.uk, [Women in Finance Charter](#), March 2016.

<sup>25</sup> Financial Conduct Authority, [DP 21/2: Diversity and inclusion in the financial sector – working together to drive change](#), July 2021.

<sup>26</sup> [Bank of England](#)

<sup>27</sup> TUC, [Insecure Work and Ethnic Inequality](#), December 2016 and Resolution Foundation, [Low Pay Britain](#), September 2024.

<sup>28</sup> ShareAction F&FM Roundtable, Nov 2024.



- *McKinsey* found that companies with the most ethnically and culturally diverse executive teams were 39% more likely to financially outperform those with average diversity.<sup>29</sup>
- Research by *As You Sow and Whistle Stop Capital*, based on 277 public companies' EEO-1 reports (ethnicity data), found that greater representation of Black, Indigenous, and People of Colour (BIPOC) in management correlated with higher cash flow, net profit, long term revenue, return on equity, and stock performance – alongside reduced volatility.<sup>30</sup>
- *Great Place to Work* reported that companies with the largest gaps in employee experience between White and ethnic minority staff had significantly lower revenue growth than those with the smallest gaps.<sup>31</sup>
- *Harvard Business Review* concluded that diverse teams are more innovative and effective, as they focus more on facts and avoid groupthink.<sup>32</sup>
- *Boston Consulting Group* found that companies with more diverse management teams generate 19% higher revenue due to innovation.<sup>33</sup>
- In the US, *McKinsey* found that racial income and wealth gaps were estimated to have cost the economy \$3 trillion in 2019.<sup>34</sup> In the UK, the *McGregor-Smith Review* found that achieving greater racial equity in the workplace could boost GDP by £24 billion annually.<sup>35</sup>

Despite this evidence, some critics continue to call for more conclusive causal evidence on the business case for diversity.<sup>36</sup> Ongoing debates around causation have led some companies to delay action, citing the need for more sector specific data. However, few HR practices meet this level of scrutiny, and applying such a test selectively to DEI may risk holding it to an unfair standard when compared to many other well-established HR practices, which have a widely accepted value.

The link between EPG reporting and improved business performance may not always be direct or linear, but growing evidence suggest that EPG reporting – when paired with genuine action – can drive multiple organisational benefits, beyond short-term profitability. These include:

<sup>29</sup> McKinsey & Company, **Diversity Matters even more**, May 2023.

<sup>30</sup> As You Sow, **Workplace Diversity and Financial Performance**, <https://www.asyousow.org/report-page/workplace-diversity-and-financial-performance> November 2022.

<sup>31</sup> Great Place to Work, **Racially Diverse Workplaces Have Largest Revenue Growth**, Jan 2020.

<sup>32</sup> Harvard Business Review, **Why Diverse Teams Are Smarter**, November 2016.

<sup>33</sup> Boston Consulting Group, **How Diverse Leadership Teams Boost Innovation**, January 2018.

<sup>34</sup> McKinsey & Company, **The economic impact of closing the racial wealth gap**, Aug 2019.

<sup>35</sup> Department for Business and Trade, **Race in the Workplace: McGregor-Smith Review**, February 2017.

<sup>36</sup> Responsible Investor, **Alex Edmans: Ethnic, gender diversity not proven to be good for performance or society**, May 2025 and The Spectator, **Is diversity actually good for business?** February 2024.



- **Improved talent attraction and retention:** Transparent reporting signals a company's commitment to fairness, inclusion, and equity, making it more attractive to diverse talent pools – especially younger workers. For example, early adopters like Deloitte have consistently reported high talent retention and engagement.<sup>37</sup> Today's workforce—particularly younger generations—expects employers to demonstrate inclusive values.<sup>38</sup> Companies that fail to prioritise DEI risk reputational damage, operational inefficiencies and long-term risks to shareholder value.<sup>39</sup>
- **Stronger workforce engagement:** ShareAction's engagement indicates that companies who have begun EPG reporting often see increased employee engagement, indicating a positive work environment. The process can help identify barriers to progression for ethnic minority staff and opens up opportunities for targeted support and leadership development.
- **Risk mitigation and reputational protection:** EPG reporting enables companies to proactively identify and address structural inequalities before they become legal or reputational risks. The UK's Employment Lawyers Association has warned that rolling back DEI policies could increase exposure to discrimination claims.<sup>40</sup> Transparency also helps demonstrate compliance with equality duties and anti-discrimination law.

EPG reporting is a foundational step that enables companies to uncover and address systemic issues within their workforce. When done well—accompanied by meaningful action plans—it can become a catalyst for stronger organisational performance, improved brand reputation, and long-term financial resilience. To reinforce the internal business case, companies should link EPG reporting to specific operational outcomes.

### 3. Data collection



**“We operate in sometimes such complex structures and we have such a large frontline population that the collection of data can slow things down.”**

**- Anonymous, speaking at F&FM Roundtable, November 2024**

The data collection aspect of this kind of reporting can be particularly challenging for businesses which are defined by a large number of temporary, part-time customer-facing staff and decentralised operations. HR software and data infrastructure for tracking and managing staff may be expensive, may not be in place or may need an additional process to become embedded into the day-to-day business. In addition, defined by tightly-resourced operations, these businesses may lack the infrastructure or available executive labour to analyse the collected data.

<sup>37</sup> Deloitte, [How salary transparency can impact retention](#), November 2022.

<sup>38</sup> People Management, [Majority of candidates would reject job offer if employer didn't support diversity, research finds](#), July 2022.

<sup>39</sup> PensionBee, [Pension savers expect ethnicity pay gap reporting and diverse business leaders](#), May 2021.

<sup>40</sup> People Management, [UK businesses rolling back EDI policies face greater legal risk, lawyers warn](#), April 2025.



Meanwhile, employers must navigate the requirements of GDPR and other data protection laws, which can create additional complexity. In decentralised organisations, inconsistencies in data collection across business units make it even more challenging to publish a comprehensive report. Differences in how diversity metrics are defined and tracked across divisions further complicate efforts to produce unified, consistent and actionable reports. Moreover, in some jurisdictions – such as France – legal restrictions prevent the collection of ethnicity data altogether. However, this should not deter data collection in geographies where it is both legally and culturally appropriate.

#### 4. Trust

**“We do want to deal with ethnicity pay gaps where there is a gap, but what does that really mean for our people and for the organisation?”**

- ***Anonymous, speaking at F&FM Roundtable, November 2024***

Employees may feel unsafe disclosing ethnicity information, and unsure of the uses and security of their personal data. This creates participation challenges and requires clear leadership and consistent messaging about anonymity and data management security. Concerns about privacy and doubts or scepticism about how their data will be used may mean that businesses struggle to achieve a high disclosure rate from which they can give an accurate account of their pay gaps. Terminology (such as “ethnic minority”, “global majority” and “BAME”) can also be problematic, as language is culturally and nationally sensitive. This is particularly challenging for global organisations where UK-specific terminology does not translate into other global regions.

#### 5. Transparency and reputational fear

**“Openness is not easy, and with ethnicity pay gaps, it is complex. Discussing the numbers is confronting and it gives you challenging truths about representation and equity in your company. It shines a light into disparities that could be hidden.”**

- ***Anonymous, speaking at F&FM Roundtable, November 2024***

Fear of reputational harm remains a significant barrier to publishing ethnicity pay gap data across many sectors, and the F&FM sectors are no exception. Organisations often worry that disclosing significant pay gaps could damage their public image or invite legal scrutiny. Transparency may also require confronting uncomfortable truths about structural inequalities in representation, pay and progression – issues that can feel daunting to tackle. Furthermore, when disclosure rates are low or data is incomplete, companies often fear misinterpretation or unfair judgement. This uncertainty frequently prevents companies from taking the final step toward external reporting.

At the roundtable, participants reflected on how substantive this risk truly is, especially when data is accompanied by a narrative and action plan. In practice, a well-crafted narrative can significantly reduce reputational risk by providing essential context – explaining the reasons behind any gaps.



The action plan would then outline the steps being taken to address them. ShareAction's engagement with EPG reporting companies found that even where gaps had widened, businesses' transparency and clear action planning reassured their stakeholders, particularly their employees, that they were moving in the right direction. These companies were focused on long term progress, and by clearly communicating what they were doing, and why, they built trust and credibility.



# **PART THREE:**

# **Recommendations**



# Overview

This section outlines best practices for companies preparing to disclose their EPGs. Investors can play a critical role by encouraging companies to implement these steps and holding them accountable to long-term progress. By supporting companies through this process—and asking the right questions—investors can ensure EPG reporting becomes a lever for meaningful workplace change. (Please see p.47 of the 2023 **Investor Toolkit**, titled ‘**Actions for investors**’, for further details).

## Before you start: key recommendations

### Secure senior leadership buy-in

Securing the buy-in from the senior leadership team is vital to the success of diversity, equity and inclusion initiatives. The following can help to secure this buy-in:

- First and foremost, explain the difference between pay equity and EPG reporting.
- Provide the business case (see above) for EPG reporting and explain that EPG disclosures are a critical first step towards identifying and tackling pay inequality.
- Tie DEI with performance indicators, people management metrics, such as recruitment and retention cost, employee turnover rates, organisational reputation, customer satisfaction or brand performance. Tracking these indicators over time enables companies to move beyond compliance - and demonstrates that addressing pay gaps contributes to long-term resilience, performance and competitiveness.
- Assign executive level responsibility – such as a DEI sub-group or Director – but ensure the full board maintains oversight.
- Ensure that senior leadership with this responsibility clearly and consistently communicate the purpose and value of collecting ethnicity data to the rest of the organisation.
- Involve employee resource groups on the strategy and process for data collection, analysis, action planning and internal communications.
- Build on existing DEI programmes and assess what is already working. Consider the efficacy and progress of any existing data, programmes, processes, or interventions.
- Set realistic expectations: meaningful progress takes years, not months.

### Review data collection infrastructure

Businesses in the F&FM sectors may face significant challenges in managing HR processes and data due to decentralised business units or decentralised operations, where each may have distinct HR systems and approaches to data collection.

- Assess decentralised HR systems for inconsistencies in data capture.
- Develop a plan and timeline to align onboarding processes and HR software. Review your onboarding processes for each business unit, noting consistencies and inconsistencies of approach, including the use of terminology and ethnicity categories, and the uses of compatible and incompatible HR software.
- Consider if additional equipment or other physical infrastructure (e.g. apps or paper collection boxes) needs to be in place before meaningful work on publishing your ethnicity pay gaps can begin.



- Allocate executive capacity and explore using employee resource networks to promote the importance of data collection.

The point of reporting pay gaps is to ensure fairness for all your employees, strengthening belonging and improving wellbeing at work. In turn, this can potentially lead to improved staff/customer experiences, which is central to your business model. Reducing pay disparities and workplace inequality also means you are drawing on the talent and expertise of workers from all communities in the UK and reflecting clients, customers and the diversity of modern markets.

## Implementation: a five-step process

Five separate steps or processes will define your progress towards publication. Given the realities of day-to-day operations, these seemingly separate steps could run consecutively, but are more likely to be grouped or to run concurrently, depending on the decision-making of your Board and the starting point of your company.

1. Data collection
2. Internal communications
3. Data analysis
4. Creating the action plan
5. Publication



### Step 1: Data collection

**“We ended up in a conversation about ‘global majorities’ versus ‘ethnic minorities’, and what is the right way of thinking about this in our organisation.”**

**- Anonymous, speaking at F&FM Roundtable, November 2024**

The first step is data collection. We recommend taking the following steps.

- Appoint clear responsibility for data collection within your organisation.
- Develop a questionnaire to collect the data. When designing your questionnaire, determine whether your analysis will be national, regional, or local, and whether it will be benchmarked against sector-specific or population-wide data (e.g. comparing ethnic diversity in your company to the local labour market).
- Make ethnicity self-disclosure easy and accessible – for example, by embedding it on onboarding processes or acquisition integrations.
- Use creative approaches to boost disclosure rates and support uptake, such as peer-to-peer encouragement or direct competition between team leaders, or through discussion forums, briefings, employee surveys, staff ambassadors, and internal campaigns to raise awareness.
- Build trust by communicating clearly how data will be used, kept secure, and remain anonymous.
- In decentralised organisations, work to integrate disparate data systems to ensure consistency.
- Set a reasonable employee self-disclosure rate threshold for analysis, as an internal target, for when you will start to disclose your EPG. Also consider how you want to account for non-responders, even if initial data is incomplete. Your narrative can always evolve, year on



year, as more data comes in and as a more complete picture emerges. Do not set such a high threshold that it becomes a reason to not engage in these processes or progress towards publication.



## Step 2: Internal communications

**“With our ethnicity pay gap and our gender pay gap, we share that data with our diversity networks. We take them through what the data is saying, what it means for them, and we talk about the action plan to close the gap, so that our colleagues become our allies and our advocates.”**

**- Anonymous, speaking at F&FM Roundtable, November 2024**

Use internal messaging and/or campaigns to explain your EPG, ensuring that executive leadership is visible in leading the campaign on increasing employee ethnicity self-disclosure rates, to create a cascade effect and to build trust.

- Start communicating early in your EPG reporting journey and to build understanding and trust before the final publication. Be transparent about why data is being collected, how it will be stored, and who has access.
- Consider following a more personal, small-group communications approach, using team leaders (rather than simply relying on general intranet broadcasts or publications) since frontline staff are often the most distanced from senior leadership decision-making. Consider using ambassadors to continue the dialogue at colleague-to-colleague or peer-to-peer level.
- Ensure buy-in from team leaders - an additional process may be needed to build their understanding and get them on board. Executive Board leaders will need to talk to senior leaders, who in turn will talk to team leaders, and so on, cascading the understanding and sense of ownership on ethnicity pay gaps, but also racial equity in general.
- Host focus groups or consultations with workers from ethnic minority communities to increase senior and team leaders' understanding of the issues, and to inform messaging.
- Ensure executive visibility throughout the communications campaign when collecting employee ethnicity data, then explaining what the ethnicity pay gap report means.



## Step 3: Data analysis

**“We’re a very decentralised business and the picture is very different across the group. The spread of ethnicity across the quartiles in some of the businesses, you’d have an even picture and in others, you would not, and I think there’s a nervousness about that. Do we really understand what that is about? How can we tell the story in a way that’s understandable to people and makes sense of the data? Do we talk about it at the group level, or does it make more sense to work on a clear story at the business unit level?”**

**- Anonymous, speaking at F&FM Roundtable, November 2024**



As regards data collection, we recommend the following:

- Use CIPD's six recommended metrics (see p.10), and disclose workforce composition by wage quartile and disclosure rate.
- Use the ONS categories as a starting point in your decision-making about terminology, which may be already fixed by your HR software.
- Choose whether to aggregate or disaggregate data - many companies begin with aggregated data and disaggregate over time as the proportion of staff disclosing their data increases.
- Treat the data generated by ethnicity data analysis, especially the final number, as a benchmark for internal tracking. It is not a number comparable to other companies and is not to be confused with an index. As a benchmark, it is merely a starting point for your company, and a way to measure progress in subsequent years.

## Step 4: Creating the action plan

The real power of data is the action that is taken as a result. The potential power of EPG reporting is that it creates the opportunity for your business to gain a complete picture in relation to inclusion and equity and then institute an action plan to reduce any pay gaps and tackle other inequities. The processes involved mean that your business can engage with DEI in an authentic way, and in a way which is meaningful to your company.

- Develop a clear narrative that explains the data and its context. This allows your company to present a balanced picture. Creating a narrative also creates the opportunity for your company to be accountable to itself, marking your own progress as your narrative changes and evolves in subsequent years.
- Involve employee resource groups in interpreting data.
- Co-create annual action plans with clear, measurable goals relevant to your operations (e.g. turnover rates, retention etc).
- Do not reduce these processes to just a compliance issue or a 'tick-box' exercise, as this approach is ultimately a wasted opportunity for you, your company and your employees.
- Review what's already in place and create interventions based on what the data is telling you.
- Focus on fairness, belonging and representation across all pay bands.
- Engage with external bodies for guidance. These could include the [Food & Drink Federation](#), [Business in the Community](#), [Women in Hospitality](#), [Travel & Leisure](#), the [Chartered Institute of Personnel & Development](#), [Change the Race Ratio](#), and [ShareAction](#).
- Track and report progress year-on-year, and accept that year on year gaps may fluctuate – progress isn't always linear. Incremental, forward-moving progress year on year is to be hoped for, but not expected.

## Step 5: Publication

This is the last stage of the entire process, conducted across a set period of time.

- Publish your EPG, either separately to the gender pay gap report, or an inclusive pay gap report with separate sections; one for ethnicity and others for gender and other characteristics.
- Clearly reference your EPG in your annual report.



- Use the publication of your EPG to clearly link DEI to your business model. Articulate how equity and inclusion support performance, resilience and reputation.
- Engage with staff internally on findings. This helps staff to be more inclined to share their data if they can see how it has been used.
- Track and communicate year-on-year progress to stakeholders

Debates may continue as to how much these processes increase productivity or reduce costs, increase staff retention or decrease staff turnover. Progressing to publication and then monitoring your year-on-year progress on how this is impacting your key people metrics, will provide more clarity on the role DEI has in the performance of all your company's major metrics, including profitability.

## What can investors do?

Investors play a critical role in encouraging companies to begin reporting their EPG. Since 2022, signatories and supporters of the **Good Work investor coalition** - currently representing \$8.98 trillion in assets under management - have engaged with 30 companies to advocate for voluntary EPG reporting. This has included signing company letters, asking questions at AGMs, and attending direct engagement meetings.

This collective action has had a clear impact: ten target companies have since begun voluntarily publishing their data. More broadly, the number of FTSE 100 companies reporting their EPG has increased from just 15 at the start of the campaign to 38 by 2024. These developments highlight that EPG reporting is not only a workplace equity issue—it is a material issue for investors.

To continue this momentum, investors are encouraged to:

- Request EPG disclosure from companies. Mandatory reporting is not expected to begin before 2027: companies should disclosure data voluntarily before legislation is implemented, to get ahead of the curve.
- Integrate EPG expectations into engagement and voting policies.
- Request timelines and action plans for data collection, reporting and follow up.
- Ask whether leadership performance is tied to DEI outcomes.
- Encourage transparent disclosure, including narrative context and disaggregated data.
- Follow up on progress year-on-year, tracking key metrics such as representation, retention, representation, and pay equity.

For further guidance, see p. 47 of the 2023 **Ethnicity Pay Gap Investor Toolkit**, under 'Actions for investors'.

With sustained engagement and accountability from investors, companies can use EPG reporting not just to meet regulatory expectations, but to build more inclusive, resilient and high-performing organisations.



# Conclusion



The introduction of EPG reporting in the F&FM sectors presents a vital opportunity to build more equitable, inclusive, and resilient businesses. These sectors are uniquely positioned to drive change due to their high proportion of frontline workers from ethnically diverse backgrounds, yet they face distinct structural and operational challenges.

What has become clear through this research is that EPG reporting cannot be approached as a one-size-fits-all compliance exercise. It must be embedded into a company's broader culture of transparency and continuous improvement. This includes gaining senior leadership buy-in, building robust data collection systems, engaging employees throughout the process, and ensuring that reporting is linked to meaningful action planning.

For companies, EPG reporting offers a way to better understand their workforce, build trust with employees and stakeholders, and ultimately improve long-term performance. For investors, it is a key signal of how well a company is managing its workforce and creating the conditions for fair and inclusive growth.

As momentum builds toward mandatory EPG reporting, now is the time for companies in the F&FM sectors to take proactive steps towards disclosure. With support from investors and civil society, and a clear framework for implementation, this work can lead to meaningful, measurable progress on racial equity in the workplace.

ShareAction is an independent charity and an expert on responsible investment. We set ambitious standards for how financial institutions, through their investment decisions, can protect our planet and its people and campaign for this approach to become the norm. We convene shareholders to collectively push companies to tackle climate crisis, protect nature, improve workers' rights and shape healthier societies. In the UK and EU, we advocate for financial regulation that has society's best interests at its core.

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