LGBT Great response to FCA Consultation Paper (CP 23/20), "*Diversity and Inclusion in the financial sector – working together to drive change*"

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About LGBT Great

LGBT Great is a membership platform of Financial and Professional Services organisations proudly working together to empower 1 million people by 2030. In everything we do, we believe in lifting others up and helping others to succeed. We do this by making inclusion simple and easy to understand, by inspiring visibility and by building LGBTQ+ friendly workplaces.

For more information, please visit our website: www.lgbtgreat.com

Introductory comments

LGBT Great welcomes the opportunity to present the views of our Corporate Members in response to the joint FCA/PRA Consultation Papers to develop a new baseline for reporting and DE&I strategy and the wide push to engender greater transparency, accountability, and consistency across the Financial Services industry. We see regulating DE&I as a necessary reflection of the evolving needs of the workforce and as a crucial part of the industry's commitment to creating workplaces that reflect the rich tapestry of human identities and experiences. Regulation will help increase transparency and hold firms accountable for their results. In our work, we support a wide range of FCA and PRA-regulated organisations to define, track and implement DE&I initiatives that empower and support the LGBTQ+ community. Our response has been motivated by a firmly held belief that LGBTQ+ DE&I is an important and often poorly matured area of DE&I and a desire to support organisations to affect positive transformational change for LGBTQ+ communities and has been informed by extensive discussions and input from our Member firms (see below).

Since 2019, we have been working closely with a wide range of organisations and stakeholders across the UK and the world to generate a wealth of proprietary data, insights and recommendations around the impact, effectiveness, and importance of LGBTQ+ DE&I initiatives. These initiatives, spanning a range of products, services, and engagements, have helped us understand how LGBTQ+-inclusivity can be successfully navigated and integrated into preexisting universal DE&I frameworks and built from the ground up. Selected data from our most recent work is presented below in the interest of supporting the FCA to understand our remit better and in the interest of mutual data and insight sharing:

1. A majority of our clients are well-placed to tackle the LGBTQ+ data requirements set out in the Consultation Paper. LGBT Great runs the Inclusion Index Benchmark Tracker (iiBT) programme, a 10-point industry-wide LGBTQ+ DE&I maturity assessment. Completed by nearly 40 organisations, including Citi, BlackRock, HSBC AM, Fidelity International, M&G PLC, Northern Trust, BNY Mellon, The Financial Reporting Council, Quilter, amongst others, this benchmark affords us the opportunity to work closely with firms and leaders to drive change internally.

In the 2022/2023 cycle, we found that:

- **Sexual orientation data:** 74.2% of organisations are already collecting sexual orientation data from employees, while 12.9% are anticipating beginning to collect this data in the next 12 months. Despite this, 32.3% are not monitoring the percentage disclosure rate for this data.[1]
- **Trans and non-binary data:** A slightly lower proportion of our clients collect information and data on their trans and non-binary employee populations, with 64.5% reporting collecting this data and a further 12.9% stating that they intend to start collecting in the next 12 months.[2]

2. The specific and mandated inclusion of LGBTQ+ DE&I is of paramount importance, given the existing negative perception of financial services amongst prospective LGBTQ+ talent:

- LGBTQ+ talent are significantly more likely to perceive the Financial Services industry as lacking diversity (40.1% agreed or strongly agreed vs. only 25% of non-LGBTQ+ people).[3]

[1] Source: LGBT Great iiBT 2022.
[2] Source: LGBT Great iiBT 2022.
[3] Source: *Powering Proud Work: LGBTQ+ Talent Attraction and Retention,* *Forthcoming*, 2024. Total sample N=1,832 across 7 markets.

- Only 3 in 10 seniors/execs consider themselves to be allies to the LGBTQ+ community.[4]
- 1 in 4 Trans, Non-Binary & Intersex talent said that they would never feel comfortable disclosing their gender identity at any stage of the talent life cycle.[5]

3. Improving the visibility of LGBTQ+ role models and lived experiences is foundational to building a true culture of inclusion. In our 2023 report, *Seeing is Believing: The Power of Role Models and Visibility* we found that:

- 70% of LGBTQ+ talent agree or strongly agree that having a LGBTQ+ role model at work helps improve their confidence.[6]
- 53% of LGBTQ+ talent would actively not apply for a role if they could not see LGBTQ+ role models at an organisation.[7]

[4] Source: *Powering Proud Work: LGBTQ+ Talent Attraction and Retention,* *Forthcoming*, 2024. Total sample N=1,832 across 7 markets.
[5] Source: *Powering Proud Work: LGBTQ+ Talent Attraction and Retention,* *Forthcoming*, 2024. Total sample N=1,832 across 7 markets.
[6] Source: *Seeing is Believing: The Power of Role Models and Visibility*, LGBT Great, 2023.
[7] Source: *Seeing is Believing: The Power of Role Models and Visibility*, LGBT Great, 2023.

Our Member Organisations

We represent 60 organisations and over 500,000 employees globally. Our Members include:

Abrdn PLC

Allianz Global Investors

American Century Investments

Aon

Arisaig Partners Research Services (UK) Ltd

Artemis Fund Managers

Aspect Capital

AXA Investment Managers

Blackrock

BNY Mellon

Brandes Investment Partners

Brooks Macdonald

Brown Brothers Harriman

Brown Shipley

Brunel Pension Partnership Ltd

Cardano

Charles Stanley

Citi

Columbia Threadneedle

DWS

EquiLend

Fidelity International

Financial Reporting Council

Glue Up

Greystar

Hg

HSBC Asset Management

Janus Henderson Investors

Jupiter Asset Management Limited

Lane Clark & Peacock

Legal & General

M&G PLC

Man Group

Moody's

MSCI

Muzinich & Co

MV Credit

Natixis Investment Managers

Neuberger Berman

Nikko Asset Management

Northern Trust

Partners Group

Pension Insurance Corporation

PIMCO

Principal Global Investors

Quilter

Raymond James

Sackers

Schroders

Sirius Real Estate

St. James's Place

T. Rowe Price

Vanquis Banking Group

Vontobel

Wellington Management

Q1: To what extent do you agree that our proposals should apply on a solo entity basis?

We agree that the proposals outlined in CP 23/20 should apply on a solo entity basis.

Enforcing these requirements on a solo entity basis encourages a tailored and targeted approach to diversity and inclusion initiatives. It acknowledges the unique circumstances and dynamics that may exist within each firm, allowing for the development of strategies and approaches that are specifically tailored to address the challenges faced by individual entities.

The decision to refrain from allowing application on a group entity basis for quantitative proposals, such as target setting, data reporting, and disclosure, demonstrates a commitment to transparency and accountability. Applying these measures at the solo entity level ensures that each firm is held accountable for its individual progress in addressing underrepresentation, providing a clear and unobstructed view of diversity metrics within each organisation.

While we appreciate the flexibility provided for firms to apply a consistent approach across a group if they wish to do so, we believe that the emphasis on solo entity reporting is essential for promoting accountability and driving tangible change. It allows for a more accurate assessment of the impact of diversity and inclusion initiatives within each organisation, enabling firms to set realistic targets and track their progress over time. Finally, we believe that the above benefits of reporting on a solo entity basis outweigh the potential additional administrative and operational burden for firms with multiple regulated entities within a group, but we recognise that not all firms will share this view. Accordingly, we suggest the FCA should ensure that clear supporting and supplementary guidance is provided to support group-level Board(s) in understanding how to effectively discharge the requirements of these new regulatory mandates in respect of their different group entities.

Q2: To what extent do you agree with our proposed proportionality framework?

We believe that the principle of proportionality is pivotal for effecting lasting change. Recognising the diverse landscape of the wealth management and advice sector, comprising wealth management divisions of larger organisations alongside large, medium, small, and micro businesses across the country, we emphasise the need for a tailored approach. In an industry as varied as ours, a one-size-fits-all strategy is impractical. A principles-based approach not only acknowledges the individual challenges and uniqueness of each business but also empowers them to apply their own lens to diversity and inclusion, fostering a more nuanced and impactful transformation.

Consequently, we agree that a proposed stratified set of obligations according to firm size and the corresponding exemption for firms with Limited Scope, strikes a good balance between maximising the completeness of the industry-wide picture and imposing requirements which are too demanding for organisations without the infrastructure required to complete these reporting exercises. We acknowledge that a proportional approach at this stage primarily takes into account firm size.

However, we would encourage the FCA to also consider the maturity of an organisation as well. While we acknowledge that smaller organisations and/or those at an earlier stage in their DE&I journey may experience hesitation in committing to data collection and reporting targets, LGBT Great would like to see all firms embrace these requirements voluntarily. Thus, enabling smaller / less mature organisations to take an active role in improving the financial services industry. In particular, LGBT Great would like to see specific and explicit references made voluntarily by firms of all sizes to supporting their trans and non-binary employees.

Q3: Are there any divergences between our proposed regulatory framework and that of the PRA that would create practical challenges in implementation?

Third-country coverage

In terms of practical challenges to implementation, it is important to acknowledge that the PRA also mandates most rules would apply to third-country branches of CRR and Solvency II firms (in reference to their UK operations) but that the FCA's coverage is not as broad. We feel the FCA should encourage a voluntary wider rollout of the mandates in FCA CP 23/20 to third-country branches. However, we do not consider this to represent a "practical challenge" to implementation.

Individual accountability for senior managers

The PRA sets out additional requirements for individuals performing a Senior Management Function (SMF) in respect of Prescribed Responsibilities (PR) relating to culture. Where the PRA proposes to clarify that responsible SMFs will retain direct individual responsibility for the development and implementation of DE&I strategies, the FCA has decided not to require an individual within each organisation to be assigned overall responsibility for DE&I. We do not see this divergence as representing a practical challenge in implementation, but we would encourage the FCA to take a stronger line for large firms in mandating that individual SMFs do take individual responsibility for aspects of DE&I.

Q4: To what extent do you agree with our definitions of the terms specified?

We agree to the definitions of the following terms specified:

- Demographic characteristics
- Senior leadership
- Diversity and inclusion employee number
- Management body

We recommend that the FCA reconsider and enhance its definition of "*discriminatory practices*" to avoid a circular definition. Discriminatory practices, in our view, in the context of non-financial misconduct, should refer to any unjust or prejudiced treatment or behaviour directed towards individuals or groups based on protected characteristics such as race, sex assigned at birth, sexual orientation, gender identity, age, disability, religion, or other factors. These practices involve actions, decisions, or policies that result in differential and adverse treatment, excluding or disadvantaging individuals or groups based on their inherent characteristics rather than their abilities, qualifications, or performance.

Discriminatory practices can manifest in various forms, including but not limited to harassment, microaggressions, bias, or unequal opportunities, contributing to a hostile or inequitable work environment. Addressing and preventing discriminatory practices is essential for fostering a workplace culture that values diversity, equity, and inclusion.

Q5: To what extent do you agree with our proposals to expand the coverage of non-financial misconduct in FIT, COCON and COND?

Non-financial misconduct in the workplace

We acknowledge that the draft proposals are helpful in clarifying the FCA's perspective on non-financial misconduct, particularly as they relate to non-financial misconduct in the workplace (e.g., bullying and harassment). In that regard, we agree with the FCA's proposals to include broader non-financial misconduct considerations into the Conduct Rules, fitness and propriety assessments, and the suitability criteria for firms to operate in the financial services industry.

Non-financial misconduct occurring in non-work contexts

The proposed guidance from the Regulators will be difficult to implement in instances which occur within a non-work context (e.g. industry networking events, company social events, personal social media engagements and 121 messages etc.), especially as the COCON does not extend to cover private or personal life. The guidance is based on identifying conduct considered to be "*disgraceful or morally reprehensible,*" which is also hard to track and understand in environs where the organisation has no direct oversight or engagement.

Further, we anticipate that the subjective and ambiguous nature of this definition will make practical, fair, and consistent implementation very difficult for organisations and HR teams. The Regulators should (1) provide further clarification around a framework for implementation (2) rethink this definition in the context of the workplace/personal divide.

Non-financial misconduct as it relates to the LGBTQ+ community

We encourage the FCA to be far more explicit in what constitutes non-financial misconduct, especially as it relates to the LGBTQ+ community. We acknowledge and agree with the proposed amendments to FIT 2.1.3, read "…*violence, sexual offences and offences related to a person's or a group's demographic characteristics such as racially motivated or aggravated offences*." We encourage the Regulator here to add further examples that explicitly acknowledge homophobia and transphobia, in particular.

Additional considerations around non-financial misconduct should be sensitive to:

- **Explicit acknowledgement of LGBTQ+ people**
    - We would encourage the FCA, however, to be far more explicit in its inclusion of homophobia, transphobia, and biphobia as categories under which non-financial misconduct activity may be assessed.
- **Misgendering:**
    - Intentionally misgendering someone refers to the systematic denial/refusal to refer to someone using their preferred pronouns.
- **Language:**
    - Transphobic language, remarks, 'banter' or 'jokes' should be explicitly included.
- **Social or other exclusion based on gender identity:**
    - Systematic exclusion from workplace social activities based on gender identity.

Q6: To what extent do you agree with our proposals on data reporting for firms with 250 or fewer employees, excluding Limited Scope SM&CR firms?

As outlined in Q2, we acknowledge and agree that a proportional approach here is both reasonable and sensible, particularly given the varying degrees of maturity from cultural, governance and systems perspectives. These exceptions factor in the identifiability of underrepresented employees in small firms and mitigate associated risks arising from this. Keeping additional data reporting as a voluntary option for such firms is also a considerate and sensitive guideline, giving organisations the opportunity to go the extra mile through voluntary disclosure.

Q7: To what extent do you agree with our proposals on D&I strategies?

Publication of DE&I strategies

We agree with the FCA's mandate for reporting firms to develop and publish a DE&I strategy. Furthermore, we agree that an organisation's Board should be responsible for the maintenance and oversight of this strategy. We recommend that the DE&I strategy be reviewed no later than every three years, but ideally on an annual basis. This is to ensure (1) a rolling review that is sensitive to the dynamic changes occurring throughout an organisation and (2) to ensure that organisations are held accountable for sustained engagement on DE&I efforts such that DE&I does not get relegated to a "*once in a blue moon*" type initiative.

In (5.4) of FCA CP 23/20, the FCA acknowledged that some of the smallest firms had historically reported concerns about the requirement and administrative burden of launching a DE&I policy and strategy. This was primarily due to concerns around such efforts "*distrac[ting] from a focus on outcomes for their customers.*"

The Regulators should acknowledge the wealth of support that exists across the industry for small firms and, where possible, signpost where additional resources and support may be found. In this regard, LGBT Great is committed to supporting organisations of all sizes in their efforts to launch and maintain a DE&I strategy and have provisions in place to provide resources and support to our Members, even those that fall under the 251 diversity and inclusion employee number.

Mandatory vs. voluntary elements

We agree that DE&I strategies should be comprised of a core of mandatory elements whilst affording organisations the opportunity to adjust the focus and emphasis of this strategy to reflect their goals and objectives, the demographic makeup of their organisations and their client/customer focus. Determining mandatory and voluntary elements of a DE&I strategy in the financial services industry involves balancing the need for standardised practices with the recognition of organisational diversity and flexibility. We believe that the FCA should push for parity between mandatory LGB elements and TQ+ elements. In other words, both sexual orientation and trans-inclusive gender identity dimensions should be mandated for inclusion.

We also believe that aspects of social mobility should be explicitly included.

Review and update of existing strategies in line with new enhanced regulatory requirements

Many mid and large enterprise firms will likely have an existing DE&I strategy in place. However, given the lack of a historically consistent mandate across the industry, these strategies are likely to be highly heterogeneous. As a result, existing approaches to strategy development may need to be updated and revised to integrate the additional reporting requirements set out by the Regulators. We do not see this as an insurmountable barrier. However, we do anticipate that some organisations will have to undergo a necessary audit of their existing strategies and policies in line with the enhanced reporting requirements. We encourage the FCA to explore the creation of supplementary guidance to ameliorate and expedite this process.

Q8: To what extent do you agree with our proposals on targets?

Targets should be mindful of context

We agree that organisations should consider the context within which they operate and be mindful of UK-wide population dynamics in setting targets. Firms may wish to consider the current makeup of their employee population and identify and define targets that are sensitive to supporting and empowering the specific communities that remain underrepresented across their organisation. We would also encourage the FCA to publish industry-wide data around the current demographic make-up of the industry to further support organisations to understand what their employee population looks like in the context, not just of the wider UK population, but also of the industry itself.

Targets should be sensitive to a firm's maturity and focus areas

We agree that the Regulators should not mandate specific targets around demographic characteristics in a vacuum. However, the Regulators should mandate that organisations demonstrate clearly that (1) targets that are set are directly linked to the overarching DE&I strategy and (2) be focused on improving the representation of underrepresented communities at the senior management and broad employee level.

We recommend that the FCA explore setting a timeline for the targets that are in line with the financial reporting year and that are reviewed on a minimum of a 2-year rolling basis. This is to ensure that consistent momentum can be maintained across the industry and that organisations can effectively be held to account for progress.

Specifically, with respect to LGBTQ+ DE&I, we actively encourage all firms to set mid-term goals around trans and non-binary representation, given the significant underrepresentation across the financial services industry.

Q9: To what extent do you agree with the date of first submission and reporting frequency?

We are in agreement with the date of the first submission that comes into effect a year after the final publication of FCA's D&I reporting rules. This gives firms in the industry ample time to effectively leverage their internal resources and gather data according to the regulations. We also acknowledge the 3-month reporting window for data submission and agree that it provides sufficient time for firms to make a submission.

The first-year reporting cycle that includes a "*comply or explain*" clause and accommodates reasonable adjustments for firms to complete the reporting sensitive to their circumstances is commended. This ensures flexibility in the initial reporting process. However, the guideline gets convoluted when it comes to complete reports for micro, small and medium firms after the first-year reporting cycle. For large firms, it clearly states a full mandatory report in the second-year reporting but falls short of a clear timeline for micro, small and medium enterprises. LGBT Great encourages FCA to set out a reasonable yet approximate timeline for firms of all sizes. Our view is that a 1-year reporting cycle is ideal as it provides adequate time for firms to implement changes and measure them. From an industrial-analysis perspective, it also gives room for FCA to conduct trend analysis where the longitudinal intervals are apposite and well-distanced.

Q10: To what extent do you agree with the list of demographic characteristics we propose to include in our regulatory return?

We note that the current proposals from the Regulator do not align directly with the nine "*protected characteristics*" under the Equality Act. Notably, pregnancy & maternity, and marriage are not included, nor indeed acknowledged as voluntary additional categories for firms to disclose. We agree that these should not be mandated but encourage the Regulators to ensure that sufficient guidance documentation, question structures and answer sets are provided for all nine categories of "*protected characteristics*."

We recommend that the Regulator expand the list of demographic characteristics to:

- Age
- Biological sex/sex assigned at birth
- Gender identity (explicitly inclusive of trans and non-binary people)
- Ethnicity
- Religion
- Sexual orientation
- Caregiving responsibilities (e.g. familial palliative care, childcare, disability management for spouses and loved ones, etc.)
- Social mobility

A note on biological sex and gender identity

Separating sexual orientation and gender identity data reporting acknowledges the intersectionality of identity. Individuals may identify with multiple underrepresented groups, and by distinguishing between sexual orientation and gender identity, organisations can better understand and address the unique challenges faced by individuals who navigate multiple dimensions of diversity, in particular trans and non-binary people. Failing to acknowledge this undermines the unique lived experiences of some of the most vulnerable members of the LGBTQ+ community.

Q11: To what extent do you agree that reporting should be mandatory for some demographic characteristics and voluntary for others?

LGBT Great would like to see the Regulators introduce mandatory data disclosure for trans and non-binary inclusive gender identity. Asking and reporting only on "*sex or gender*" instead of gender identity creates an exclusionary bias toward trans, non-binary, and gender-non-conforming individuals. Gender and gender identity are the only two demographic characteristics that mutually interact. Making disclosure mandatory for one, while not for the other, fails to acknowledge the entire gender spectrum.

Q12: Do you think reporting should instead be mandatory for all demographic characteristics?

We recommend that all demographic characteristics should be reported. However, to implement such a mandate, two nuances to the current FCA framework need to be emphasised. First and foremost, there should be an explicit "*prefer not to say*" option for all data collection efforts. Secondly, total reporting rates should also be disclosed. When disclosure rates and "prefer not to say" rates are taken together, they act as an effective barometer for employee sentiment and comfort around disclosure. This is especially true in environments where underrepresented talent may feel hesitant to disclose or share their diversity data.

More generally, levels of discomfort are crucial in understanding the gaps in culture and the identification of steps needed to improve disclosure rates across all demographic characteristics. A case in point can be extracted from LGBT Great's research,[8] which found that 1 in 3 respondents would not disclose their sexual orientation data to organisations. Upon further analysis, we found that disclosure rates for LGBTQ+ people were higher in the later stages of the hiring process in comparison to non-LGBTQ+ people, which hinted toward LGBTQ+ people disclosing personal data only after the evaluation of the environment in terms of psychological safety. Hence, mandating all demographic characteristics & total reporting rates, in tandem with a non-disclosure option, paints a holistic picture of D&I in the industry.

Q13: To what extent do you agree with the list of inclusion questions we propose to include in our regulatory return?

We agree and commend the addition of explicit measurable aspects around inclusion, in addition to diversity. We agree with the six measures outlined in FCA 23/20 5.64. However, we would recommend the addition of one question:

- *Managers at my organisation are as diverse as the broader workforce.*

This inclusion of this question would complement the Regulator's efforts around understanding the demographic makeup of management across the industry by offering employees the opportunity to provide a comment on the perception of management makeup.

Q14: To what extent do you agree with our proposals on disclosure?

Public disclosure of DE&I strategy

We agree that public disclosures on DE&I data are an important facet of improving transparency and scrutiny, playing a crucial role in driving positive change by promoting accountability, guiding informed decision-making, and building trust among stakeholders. We also see this initiative as being particularly timely. In our 2022 iiBT submissions, we noted that 51% of organisations reported seeing an increase in the rate of disclosure for LGBTQ+ DE&I data in the 2021/2022 period.[9] We see this as indicative of

[8] Source: *Powering Proud Work: LGBTQ+ Talent Attraction and Retention*, LGBT Great, *Forthcoming 2024.
[9] Source: LGBT Great iiBT 2022.

growing momentum in this area.[10] Moreover, 12.9% of iiBT respondent firms in 2022 reported intending to begin collecting data on trans and non-binary employees in the next 12 months, with 64.5% of firms already collecting this.[11]

Aggregate reporting

We agree with the requirement to have regulated organisations report on aggregate percentages rather than in whole integers. Aggregated percentages contribute to a more privacy-conscious approach to DE&I reporting. Protecting the privacy of individual employees is crucial, and reporting in percentages allows for transparency without compromising sensitive information. It strikes a balance between providing meaningful insights into the organisation's diversity profile and safeguarding the personal details of employees.

Enhanced segmentation of Board and senior leadership

We recommend that board and senior leadership reporting be separated into categories for both sexual orientation and gender identity data reporting.

The reporting cycle

We agree with the proposal to require organisations to report on an annual basis and that organisations are able to choose the reference date for disclosures. Granting the opportunity for voluntary disclosure to firms for the first year is a valuable addition to the guidelines. This can help organisations that lack confidence/governance to effectively disclose data the following year by giving them enough time for preparation as well as the opportunity to incorporate elements from other organisations' data disclosure practices.

Q15: To what extent do you agree that disclosure should be mandatory for some demographic characteristics and voluntary for others?

We believe the disclosure of all demographic characteristics should be mandatory (see Q.16).

Q16: Do you think disclosure should instead be mandatory for all demographic characteristics?

We believe data disclosure should be mandatory for all demographic characteristics while reiterating the importance of disclosure rates and a 'prefer not to say' option in an organisation's data collection efforts, as previously mentioned in Q12. Public disclosure helps create healthy comparative competition on an organisational as well as industry-wide level. A transparent D&I culture also attracts talent and fosters organisational trust.

Further, we commend the guideline for reducing identifiability by combining all levels of disclosure (board, senior leadership, all employees) into one 'all employees' category. This mitigates any potential risks or concerns that employees might have around identifiability, even for underrepresented demographic characteristics, while maintaining consistent disclosure standards.

[10] Source: LGBT Great iiBT 2022.
[11] Source: LGBT Great iiBT 2022.

Q17: To what extent do you agree that a lack of D&I should be treated as a non-financial risk and addressed accordingly through a firm's governance structures?

We agree that a lack of internal DE&I should be treated as a non-financial risk. This approach is not only ethically sound but also a strategic imperative for the long-term success, reputation, and sustainability of any organisation. Some of the specific benefits of an internal DE&I initiative are elucidated below:

1. **Strategic alignment to risk management and organisational values**
    - Recognizing DE&I as a non-financial risk ensures that it is integrated into (1) broader risk management frameworks, registers, and methodologies and (2) is an important mechanism to align organisational values with strategic objectives.
    - It acknowledges the impact that DE&I, or the lack thereof, can have on organisational reputation, employee morale and satisfaction, and overall long-term sustainability.
2. **Stakeholder Expectations:**
    - Stakeholders across the industry, including employees, clients, investors, and talent considering the industry increasingly expect organisations to demonstrate a commitment to ethical business practices and a focus on inclusion.
    - Treating D&I as a non-financial risk reflects responsiveness to societal expectations and enhances trust among stakeholders.
3. **Talent Attraction and Retention:**
    - Attracting and retaining top talent is crucial for organisational success.
    - Failure to recognise D&I as a risk may result in challenges related to employee recruitment, retention, and overall satisfaction.
4. **Innovation and Resilience:**
    - Embracing diversity fosters innovation and adaptability within the organisation. Addressing a lack of D&I as a non-financial risk supports a culture of continuous improvement, driving innovation and resilience.
    - Diverse perspectives contribute to more robust decision-making processes and a more dynamic organisational culture.

Q18: Do you have any comments on the cost-benefit analysis?

We commend the FCA for its inclusion of the cost-benefit analysis, which we see as a beneficial supplementary overview for organisations. No further comments.