

Diversity

Annual report 2017/18

Diversity

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1 Overview of our approach

This is the FCA's fifth Annual Diversity Report and fulfils part of our Public Sector Equality Duty under the Equality Act 2010 and related secondary legislation.

What is our overall approach?

The work of the FCA touches almost every UK resident's daily life, and the lives of millions who rely on UK markets. We make many judgements every day so it's vital that our people reflect the society that we serve and we bring diverse attitudes and opinions to our work. As the FCA, we are trying to deliver a clear message. Diversity is about making better decisions and diversity of thought will encourage better decision-making in the public interest.

We believe that our Diversity and Inclusion agenda is central to how the FCA acts, both as an employer and as a regulator, and is at the heart of our Mission:



To achieve this, in the past year, we focused on creating a framework to make our workforce more inclusive. Find out more in Chapter 2. We have also undertaken further work to enhance the way in which we comply with the Public Sector Equality Duty (PSED) throughout our organisation. We explain this in more detail in Chapter 4.

In June 2016 the FCA was in the first group to sign the Government's Women in Finance Charter which seeks to increase the representation of women in the financial services sector, particularly at senior levels. The Charter requires us to set and report on gender targets. Our targets for female representation are:

- 45% of the FCA's Senior Leadership Team (SLT) to identify as female by 2020, and 50% by 2025

Currently 39% of the SLT identifies as female.

We have also set targets for Black, Asian and Minority Ethnic (BAME) diversity at senior levels, as part of our continued commitment to BAME progression. Our targets are:

- 8% of the FCA's SLT to identify as BAME by 2020, and 13% by 2025

Currently 4% of the SLT identifies as BAME.

Our vision for 2020 is that 'we take positive action to be a leading diverse and inclusive organisation, both as a regulator and an employer'. This year we have refreshed our 4 equality objectives which are detailed in separate sections below.

How we make it happen

Our Executive Committee has delegated the diversity and inclusion (D&I) agenda to our Executive Diversity Committee (EDC). EDC is chaired by the Executive Director of Strategy & Competition, who is also a member of the Board.

The EDC determines the diversity and inclusion and Public Sector Equality Duty Objectives of the FCA and monitors our progress against these objectives.

EDC is advised and challenged by our Diversity and Inclusion Advisory Group, a representative group of members from across the organisation. In addition, there are Divisional D&I working groups in each of our key divisions. These groups ensure the agenda is brought to life in our Divisions and help shape our overall agenda.

The Chief Operating Officer (COO) has overall Senior Manager Regime responsibility for corporate responsibility, including equality and diversity.

2 Reflecting the society we serve

We want to represent the society we serve and track that we are doing this.

The Positive Action Framework

We have created a 'Positive Action Framework' to guide our work. This is about learning to value differences, when it is easier to favour those who are similar. We really care about this at the FCA and we are working on our internal policies and practices so they support this new framework.

What we are doing

- Leadership role modelling: senior leaders and managers are changing their approach to decision-making across people management practices. We are focusing on recruitment and work allocation.
- Objectives: all senior leaders have a shared objective to promote diversity and inclusion.
- Divisional D&I working groups: These are located in each of our key divisions. They ensure the Positive Action Framework is brought to life throughout the FCA in our divisions and help shape our overall agenda.
- Recruitment: Our recruitment agencies help us understand industry best practice. We recently changed provider for our executive assessments and understanding the importance of diversity and inclusion was key in our selection criteria. We use a 'Gender Decoder' to make sure our job descriptions are not gender biased. We also have recruitment training in place which helps those involved in hiring understand bias.
- Mentoring: Initiatives are in place to help those who want to learn and develop, such as a reverse mentoring scheme for BAME colleagues.
- Network groups: Our diversity commitment does not just come from the top. It is shaped by our people and active Network Groups, which help embed the agenda throughout the organisation. The Network Groups support the Divisional Working Groups.

Gender pay gap

The gender pay gap describes the difference between the average pay between men and women. This is fundamentally different from 'equal pay analysis' which looks at the pay difference between men and women who carry out the same jobs, similar jobs, or work of equal value.

A range of factors can affect the gender pay gap, including the proportion of men and women in roles at different levels of seniority. Our ambition is to create a better gender balance across the organisation, and the gender pay gap information provides valuable insight into the actions needed to achieve this. In line with legislation to publish before 31 March 2018, we published our gender pay gap on 30 October 2017.

Our mean gender pay gap is 19.28%, and median 20.91%, in favour of males, based on a snapshot of earnings taken on 31 March 2017.

Our challenge is how to create a better gender balance across the organisation – at all levels, and in all disciplines. Our actions as part of the Positive Action Framework set out above will make a significant contribution. In addition to this, the following reward and employee policies are actively promoted to ensure that women are fairly treated at different stages in their career:

- attention to pay when joining the organisation – pay offers are rigorously checked to ensure they are proportionate to skills and experience
- annual pay review – performance rating distributions, pay increases and bonus amounts are compared by gender through robust moderation meetings
- flexible working arrangements – we continually develop and promote a range of career support and flexible working options

Diversity data

We collect diversity data against 9 'protected characteristics' as well as additional metrics including educational background and caring responsibilities. Overall, 49% of colleagues submitted diversity data, an increase from 28% last year. For further details, see Chapter 6.

The FCA has targets for our senior leadership team to be 45% female by 2020 and 50% by 2025. Our targets for BAME membership of our senior leadership team are 8% BAME by 2020 and 13% by 2025, our performance against these targets is reflected in Chapter 1. We capture data to understand the experience of our women and BAME colleagues at each of the employment life stages: recruit, onboard, allocate work, recognise, develop and promote.

We are clear on what the issues are and how they need to be addressed. Our Divisional working groups develop action plans to work on the agreed priorities. The Executive Diversity Committee reviews progress twice a year to make sure we are on track. Executive members attend an annual 'check and challenge' session to review the progress of their work.

3 Inclusive culture

We want to ensure that our workforce is inclusive, so that people can bring their whole selves to work, and so that difference is embraced and celebrated. We check our progress by analysing data from our employee engagement survey, participating in external benchmarks, and by our involvement in campaigns such as the Equal Lives project. We create mentoring interventions for specific groups and have seven active Network Groups; further information about them can be found in the workforce profiles section (of this report).

Employee survey findings

Every year we carry out an employee survey, for the last two years this has been carried out by Great Places to Work. The survey asks several questions that link to diversity and inclusion. Some of the results from these questions include:

- 'I can be myself around here' – 73% of respondents agreed
- 'I am treated as a full member here regardless of my position' – 70% of respondents agreed
- 'People are treated fairly here regardless of their gender' – 81% of respondents agreed

We will be using this information to inform our strategy and future work with our Network Groups and Positive Action Framework.

Accreditations

We have an external benchmarking strategy and in the past year we were:

- awarded 'silver award' for both race and gender from Business in the Community
- included in Business in the Community Top Places to Work for Race in 2017
- received 'Carers Positive' accreditation level 1 in our Edinburgh office, in recognition of the FCA's policies and support for employees with caring responsibilities
- placed in the Stonewall Workplace Equality Index at 120 out of 434 firms

We have formed a Data Insights group to review feedback received from these benchmarks in order to further improve our approach.

Mentoring

Some key programmes this year include:

- BAME reverse mentoring and peer mentoring. We have continued to run this programme and have had 26 senior leaders being mentored by BAME colleagues.
- We participate in the Business in the Community cross-organisational Mentoring Circles scheme. We have 14 individuals participating.
- Our gender and carers networks jointly launched a parental buddying scheme to support new parents returning to work. We have 50 individuals involved (39 female and 11 male).
- We are involved in external mentoring programmes, through the 30% club and OUTstanding, which are aimed at women and those who identify as LGBT respectively.

Move to Stratford

As part of our move to a new building in Stratford this summer we have taken the opportunity to ensure our building is fully inclusive. We have worked with external designers and consultants and consulted widely with our employees and our network groups. We have published 4 Equality Impact Assessments internally which covered accessibility, travel and security, travel and compensation and flexible working.

It is important that we are welcoming to all visitors and that our D&I principles are woven throughout the organisation. We have therefore conducted training for all our frontline colleagues (for example, reception and catering), both FCA and contractors, to ensure that everyone feels welcome.

4 Consumer focused

We always consider the impact of our work on different groups in the population. Examples of how we do this include our work around accessibility, Equality Impact Assessments and using the data we collected in our Financial Lives survey.

Financial Lives

This year we undertook the Financial Lives Survey. This is the first time we have designed a consumer survey of this kind, in terms of its scale, robustness of design, content and the potential for analysis and insight it affords us. Through this survey we set out to:

- estimate the number of UK adults holding any one of almost 80 products and to profile those who do and do not hold these products
- understand consumers as people, and observe their financial behaviours and the experiences they have in the context of their everyday lives
- demonstrate differences in some behaviours and experiences by product held or by sector
- identify and quantify the consumers experiencing harm or potential harm

With a sample of 12,865 adults (including 895 who are offline and/or over the age of 70), weighted to be representative of all UK adults, the survey revealed a wealth of information about different types of consumers.

We can analyse the results in many ways and can look at UK adults through the lens of a number of characteristics, for example, whether they have children, their working status, and how financially resilient they are. The Financial Lives Survey 2017 was not designed as a diversity study, and so does not cover all protected characteristics. However, we can use the data to explore the experiences of UK adults with a focus on some of these protected characteristics. This gives us the potential to understand the impact of our policies and processes on certain groups of the UK population. We will consider filling in gaps in our data collection in future waves of the survey, including further questions on pregnancy/maternity status, sexual orientation and religion.

In this annex we provide a small selection of example findings among adults with protected characteristics about their attitudes and experience of financial services. There will be much more that we can achieve with this data, including the use of advanced analytics to understand the drivers of some of the differences we see.

One of the principles of good regulation is that we are as transparent as possible. As a result, we are opening up this survey for further use by the public and our stakeholders, by releasing the raw data. Please contact us at financiallivesurvey@fca.org.uk, if you wish to use these data for research purposes.

We ensure people find it easy to deal with us and access information.

This year we have undertaken frontline inclusivity training for our complaints handling team so they feel confident dealing with callers who may have additional needs.

We have ensured that our external website meets Web Contents Accessibility Guidance (WCAG) AA standards as a minimum and we aim for higher where possible.

Our Customer Contact Centre has continued its work to increase the accessibility of our services, working to the British Standards Institute Inclusive Service Delivery standard. We receive an average of 12,000 contacts a month and of these an average of 10 contacts a month use our translation service. We offer to call vulnerable consumers back within 48 hours to check they have understood the guidance we gave them, and transfer an average of 2 callers a month to the Samaritans. We also have relationships with Age UK, Shelter, Scope and Mind who sometimes refer consumers to us.

Welsh language scheme

We have a detailed plan around our obligations in this area which can be accessed [here](#).

Equality Superuser framework

It is standard procedure to consider the potential impact on people with protected characteristics resulting from any policy or change, whether the change relates to firms we regulate or internal FCA policies. In order to ensure this is done in a consistent manner and to a high standard, we introduced local Equality Superusers.

These 30 Equality Superusers sit across all divisions and act as the first point of contact for those writing papers or involved in new pieces of work. They are thoroughly trained and supported by the Corporate Responsibility team.

Between 1 April 2017 and 31 March 2018, 46 full Equality Impact Assessments were undertaken. These covered areas such as the move to our new building in Stratford and our Approach to Consumers.

5 Leading by example

We lead by example within the financial services sector, highlighting D&I as an integral element of good conduct and positive culture.

Conduct work

In our Mission we made it clear that 'The Public Sector Equality Duty, and our own diversity and inclusion policies, mean we look at ways to eliminate discrimination, advance equality of opportunity and foster good relations between people with a protected characteristic and those without – both within the FCA and in the way we regulate.'

Last year, our Executive Diversity Committee undertook an audit of all the D&I and PSED-related work that we are already doing through our conduct and supervisory work. In this audit, we identified a number of activities that our colleagues are already doing:

- Authorisations have a toolkit to help those conducting interviews assess an individual candidate's understanding of the value of diversity and inclusion in Board decision-making.
- Several times a year, we hold discussion sessions with 20 CEOs of the largest wholesale banking firms, as part of our supervisory conduct and culture engagement with the sector. Alongside other topics, D&I and PSED matters have been discussed.
- An initiative in our ScamSmart Campaign in part due to the concern that individuals, many with protected characteristics, were at risk of unscrupulous sales practices used by sellers or providers of investment products.

External speeches

Our leaders continue to speak externally about why diversity and inclusion is important to us both as an employer and as a regulator. See below for some examples:

Our CEO Andrew Bailey spoke at the 'Transforming culture in financial services' conference on 19 March and outlined the role diversity has in culture.

www.fca.org.uk/news/speeches/transforming-culture-financial-services

Christopher Woolard, Executive Director of Strategy and Competition and Chair of EDC made a speech on 30 October 2017 at the LGBT in the Financial Services Industry Summit in London

www.fca.org.uk/news/speeches/art-thinking-independently-together-why-regulator-cares-about-diversity.

On 10 November 2017 Christopher also wrote an article in City AM about why regulators care about diversity.

www.cityam.com/275464/why-regulators-care-diversity?twitter

Megan Butler, Director of Supervision - Investment, Wholesale and Specialists Wholesale

spoke at the Women in Finance summit on 22 March 2018 about developments in gender equality.

www.fca.org.uk/news/speeches/women-finance-keeping-pressure-progress

Targets

In June 2016 the FCA was in the first group to sign the Government's Women in Finance Charter which seeks to increase the representation of women in the financial services sector, particularly at senior levels. The Charter requires us to set and report on gender targets. Our targets are:

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Currently 39% of the SLT identifies as female.

We have also set targets for Black, Asian and Minority Ethnic (BAME) diversity at senior levels, as part of our continued commitment to BAME progression. Our targets are:

- 8% of the FCA SLT to identify as BAME by 2020, and 13% by 2025.

Currently 4% of the SLT identifies as BAME.

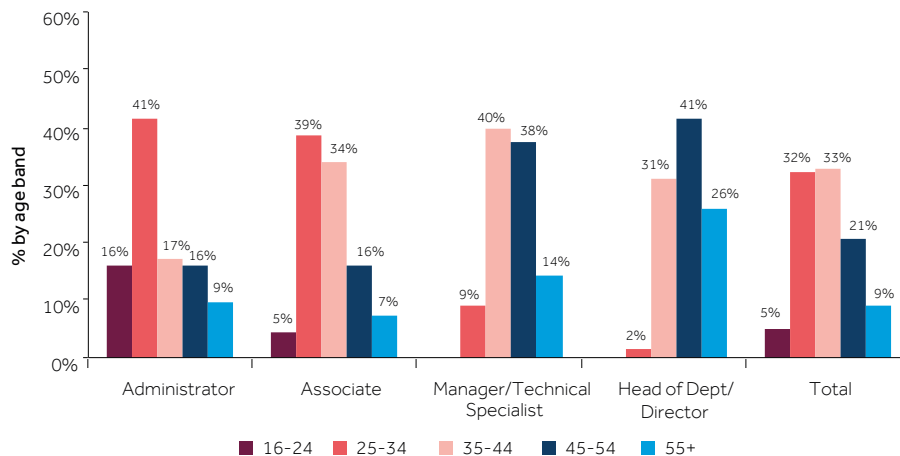
6 Workforce profile and Network Groups

We want to ensure that our workforce is broadly representative of the society we serve and that every employee feels valued and supported. One of the key ways we track our progress is through reviewing the diversity data we collect. This section reports against each of the nine 'protected characteristics' as well as additional metrics, including educational background and caring responsibilities.

Throughout the year we ran a campaign to increase the number of employees providing their diversity information so we now have higher responses in terms of declaration rates. We ask for some information at onboarding stage, which is why there are higher declaration rates for sections such as gender, ethnicity and age.

These figures include both the FCA and our subsidiary, the Payment Systems Regulator.

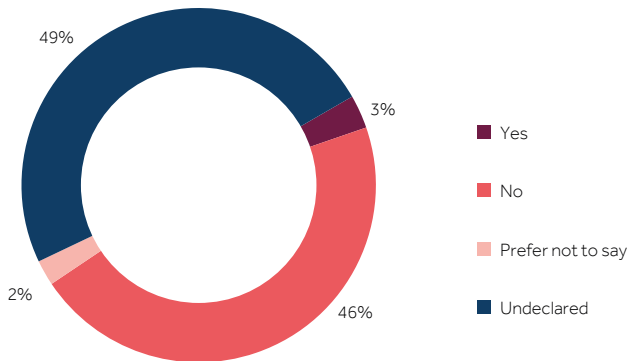
Age



We have people of all ages working at all contractual levels:

- those aged 25–34 are represented most at Associate level
- most Heads of Department and Directors are in the 45–54 bracket

Disability

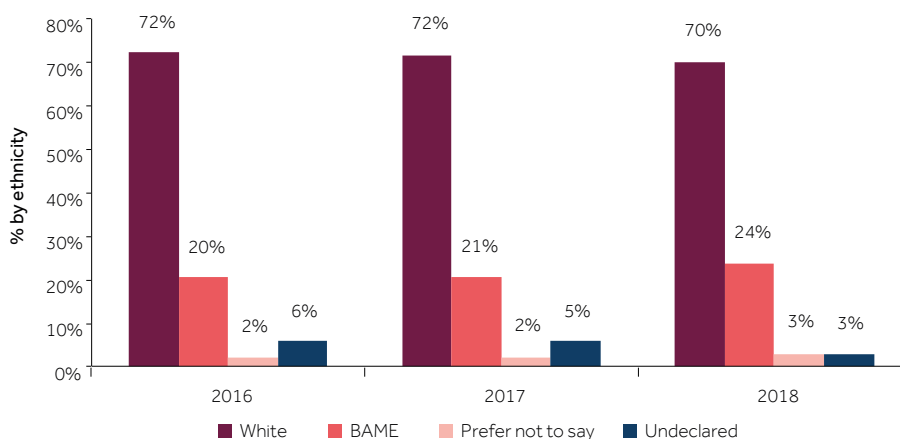


We hold data on this area for 51% of our people, an increase from 28% last year.

Within this 51%, 46% do not have a disability, 3% have a disability and 2% prefer not to say. We remain committed to ensuring that we support people affected by mental and physical wellbeing issues. We have a number of initiatives to deliver this commitment, including our membership of the national Disability Confident scheme.

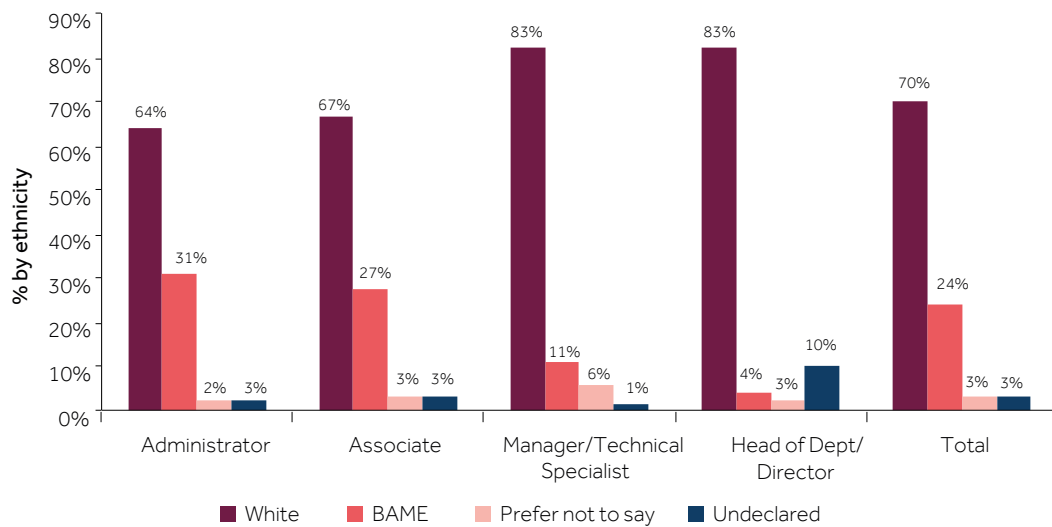
Our Disability network group Embrace has had a busy year. It launched its first Annual Survey in May 2017, completed by nearly 500 employees and line managers. Embrace has also worked closely with the building move team on accessibility to our new building in Stratford. This included the appointment of an internationally recognised expert from the Access All Areas (AAA) consultancy to help identify what we could do to ensure a smooth transition to our new building.

Ethnicity



The chart above shows that our overall representation of BAME colleagues has increased by 3 percentage points to 24%.

The graph below shows the ethnic breakdown, by contractual grade, for 2017/18.

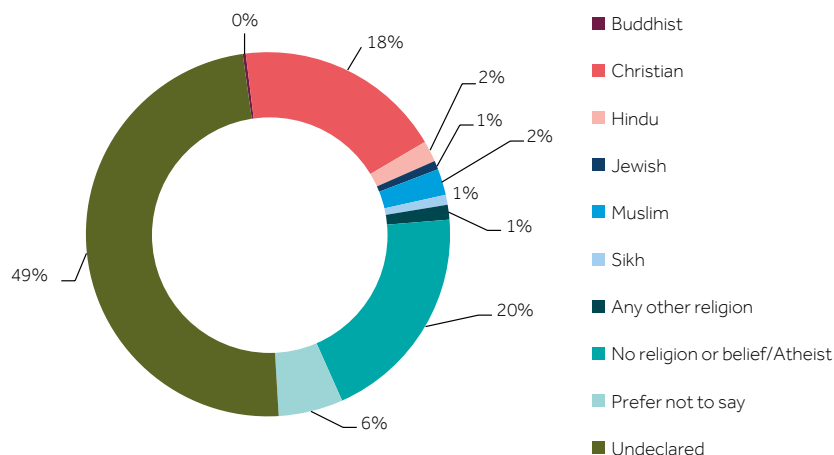


- 11% of our Managers/Technical Specialists are from the BAME community, an increase of 2 percentage points from 9% last year.
- During this period, 18.5% of people promoted from one job grade to a higher one (eg from Administrator to Associate or from Associate to Manager) were from the BAME community. This is an increase of 6.5 percentage points from last year.
- Of our leavers throughout the year, 26% were from the BAME community, a decrease of 2 percentage points from last year.

Our ethnicity group Spectrum played a valuable role in ensuring we were awarded the Business in the Community 'silver award for race' and placed in the 'UK's Best Employers for Race' list. Spectrum has participated in the reverse mentoring scheme, peer mentoring and the Mentoring Circles programme. They have held numerous events such as a Black History Walk to celebrate Black History Month and a talk by Sophie Chandauka, Global COO Shared Services and Banking Operation at Morgan Stanley.

Faith/belief

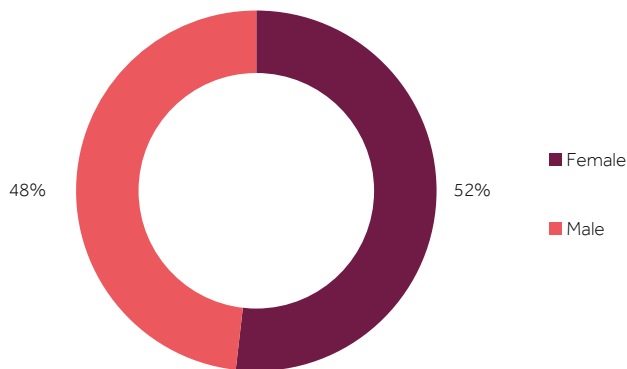
We hold data for 51% of our people, an increase from 28% last year. This shows us that of the 51%, 18% of employees are Christian, 20% have no religion or belief/are atheist, 6% prefer not to say, 2% are Muslim, 2% are Hindu, 1% are Sikh and 1% have 'any other religion'. We have employees who identify as Buddhist but this group forms less than 1%.



Our Multi-faith network continues to draw together all our main faith groups (Christian/Catholic, Jewish and Muslim) and anyone else of another faith, or no faith, who wishes to be involved. It is a forum for people to express their faith and beliefs and explore how they relate and contribute to the FCA's objectives. The main faith groups also exist alongside the network.

This year the network held a 'Speed-Faithing' event to encourage discussion and understanding of other people's faiths in the workplace and celebrated National Inter-Faith Week. They have also worked closely with our Building move team on how the contemplation rooms should be designed in the new office.

Gender



The chart above shows the overall split is 52% female/48% male, the same as last year.



As shown by the chart above, 39%¹ of our Head of Departments/Directors are female, this is an increase of 3 percentage points from 36% last year.

1 The figure without including the PSR is 37%.

- In the past year, 58% of people promoted from one job grade to a higher one (eg from Administrator to Associate), were female. This is an increase of 11 percentage points from 47% last year.
- 50% of promotions to Manager/ Technical Specialist were female, which is an increase of 12 percentage points from 38% last year.
- 80% of promotions in the last year to Head of Department/Director level were awarded to females compared to 40% last year.

Our gender network 'Balance' celebrated International Women's Day and International Men's Day in conjunction with colleagues from the disability network Embrace and those from our carers network.

Members of Balance based in our Edinburgh office launched a mentoring programme for disadvantaged teenagers which was acknowledged as best in class by the Scottish Mentoring Network.

The network also launched the parental buddying scheme, with the carers network, to support colleagues returning to work from maternity leave and working parents more generally.

Marriage/civil partnership

We hold data about marriage and civil partnership for 29% of our people and it tells us that of these:

- 20% are married/civil partnership
- 2% are separated/divorced/widowed
- 7% are single

Pregnancy/maternity

Over the past year:

- 118 women took and 116 returned from maternity leave
- 15 men took and 13 men returned from shared parental leave
- 0 people took and 3 women returned from adoption leave
- 73 men took paternity leave

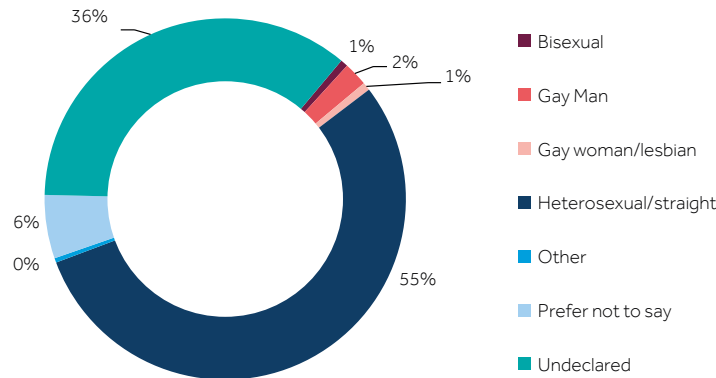
There has been a slight decrease since last year in the uptake of shared parental leave (3 fewer people) and adoption (6 fewer people).

We run quarterly pregnancy and parenthood clinics. These are drop-in sessions for pregnant women and new or expectant parents of any gender. They provide an opportunity to discuss questions or concerns on parenting related issues, flexible working, pay during maternity, paternity or adoption leave.

Sexual orientation

64% of people shared their sexual orientation, an increase from 46% last year. This year the data shows 2% gay men, 1% lesbians and 1% bisexual.

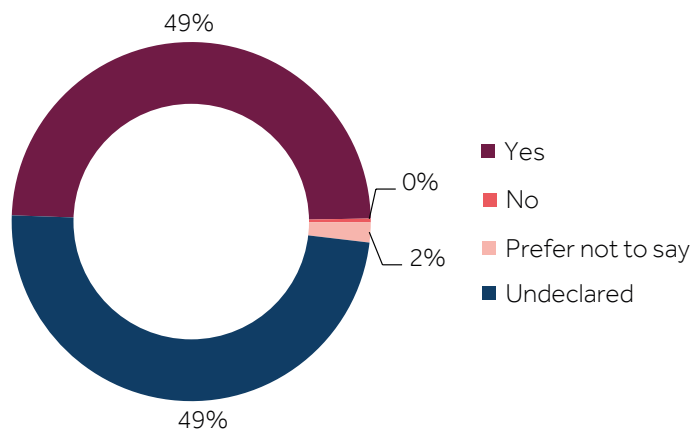
The group that selected 'Other' was less than 1% so shows on the chart as 0%.



Gender reassignment

We ask 'is your gender the same as your gender at birth?' and we hold this data for 51% of our workforce, an increase from 29% last year.

The chart below shows that 49% of people told us that their gender is the same, and 2% preferred not to say. The group that said it was not the same was less than 1% so shows on the chart as 0%.



InsideOUT, our LGBT+ network group, is now in its fifth year. The network has continued to foster an environment where lesbian, gay, bisexual and transgender employees have the confidence and support to be themselves at work. In an employee survey conducted this year, 91% of LGBT+ employees responded that they believe the FCA treats its employees fairly, regardless of sexual orientation.

This year InsideOUT was instrumental in the creation and publishing of our Trans Inclusion policy. Other key activity included marching again at London Pride with over 120 FCA employees, alongside members of our regulatory family in the StandOUT network (Bank

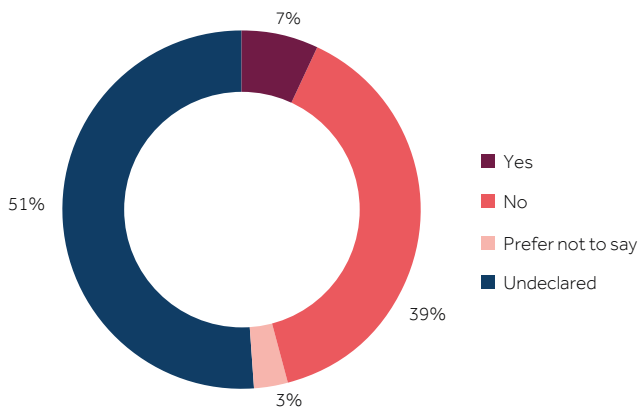
of England, Financial Services Compensation Scheme, Financial Ombudsman Service and Money Advice Service) and attending Black Pride for the first time. They have also focused on ensuring representation of women in our network, including appointing women's leads in the Steering group.

Additional data

The following section contains data that we are not obliged to collect, but do so as part of our commitment to go beyond our diversity and inclusion statutory obligations.

Carers

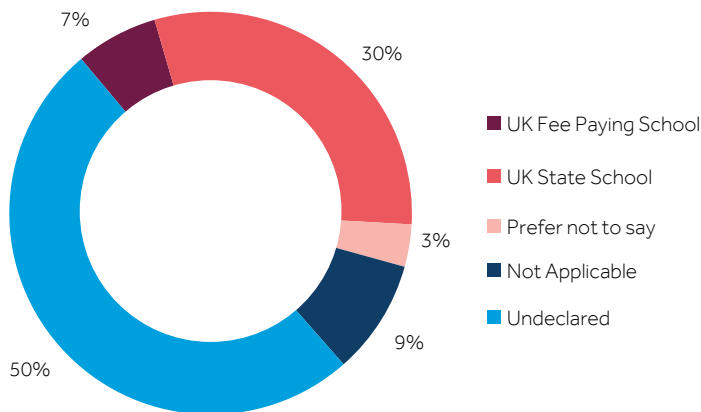
We ask our employees if they have caring responsibilities, aside from being a carer for a child. We hold data for 49% of our workforce, an increase from 28% last year. 7% say that they do have caring responsibilities, up from 3% last year; 39% don't and 3% preferred not to say.



This year our Carers network was pleased to receive 'Carers Positive' accreditation level 1 in our Edinburgh office, in recognition of the FCA's policies and support for employees with caring responsibilities. The network also successfully delivered key events, including Carers Week and on Carers Rights Day.

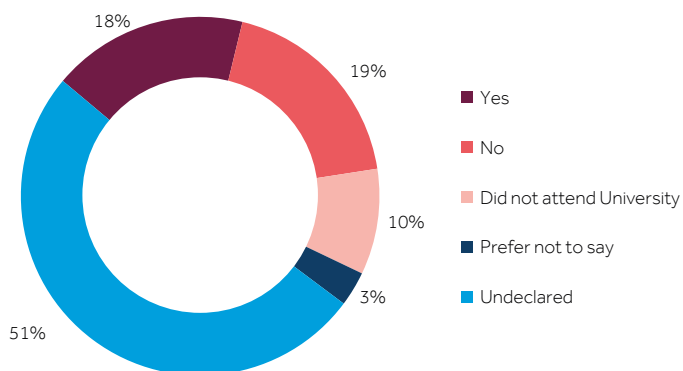
Educational background

We ask our employees what type of school they went to. We hold this data for 50% of our workforce, an increase from 28% last year. It tells us that 30% went to a UK state school, 7% went to UK fee-paying school, 3% preferred not to say and 9% said not applicable (eg educated abroad).



University

We ask our employees whether, if they went to university, they were the first in their family to do so. We hold this data for 49% of our workforce, an increase from 28% last year. It tells us that 18% were the first in their family, 19% were not the first, 10% did not attend university and 3% preferred not to say.



International

We also have an International Network. Its role is to support and advise on matters relating to international FCA colleagues, including but not limited to EEA nationals. In addition, it aims to raise awareness of the important contribution cultural differences make to a diverse and inclusive organisation. In this past year they have organised two EU Withdrawal focus groups to identify employee concerns and issued a newsletter to all members.

Annex 1 Financial Lives*

Confidence in managing money

The Financial Lives Survey 2017 reveals 24% of UK adults have low levels of confidence in managing their money, and more of those with protected characteristics lack confidence:

- 27% of women have low confidence (compared with 21% of men)
- 33% of those who are blind or visually impaired, and 30% of those who are deaf or have partial hearing, have low confidence
- 43% of Black and Black British adults, 34% of those who are mixed race, 32% of those who are Asian and 23% of those who are White have low confidence
- 31% of those aged 85 and over have low confidence

Financial resilience

65% of all UK adults are financially resilient, but this proportion is lower among adults with protected characteristics:

- 36% Black and Black British adults, 46% of those who are mixed race, and 59% of those who are Asian and 67% of White UK adults are financially resilient
- 59% of those with a physical or mental health condition are financially resilient (compared with 68% of those without a condition)
- 63% of women are financially resilient (compared with 67% of men)

Confidence in the Financial Services Industry

40% of UK adults have confidence in the UK financial services industry. Lower proportions of women, those with physical or mental health conditions, older adults and some ethnic groups share that confidence:

- 24% of those aged 85 and over have confidence in the industry
- 36% of adults with a physical or mental health condition have confidence in the industry (compared with 42% without a condition)
- 32% of Black and Black British adults, 40% of those who are Asian, and 41% of those who are mixed race and 41% who are White, have confidence in the industry
- 36% of women have confidence in the industry (compared with 44% of men)

Access

8% of UK adults aged 55 and over with a physical or mental health condition, find it difficult to get to a Post Office using their normal forms of transport, and this rises significantly among those with certain health conditions:

- 28% of those who are blind or visually impaired and 21% of those who are deaf or have partial hearing, find it difficult to get to a Post Office using their normal forms of transport.
- These statistics rise, respectively, when we consider only those whose day-to-day activities are affected a lot by these conditions, to 51% and 50%.

Planning for retirement

Retired women are less happy than retired men with their pension arrangements, and they are more likely to worry they won't have enough money to last them in retirement. Non-retired women are also more likely to have not really thought about how they will manage when they come to retire:

- 69% of retired women agree that they are happy with their pension arrangements (compared with 80% of retired men)
- 32% of retired women agree that they worry about not having enough money to last them through their retirement (compared with 26% of men)
- 38% of non-retired women have not really thought about how they will manage when they come to retire (compared to 32% of non-retired men)

* For more information on the Financial Lives Survey 2017 please see: <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>. See appendix 2 of the 'Understanding the Financial Lives UK adults' report for a definition of terms. For full question wording please see: <https://www.fca.org.uk/publication/research/financial-lives-survey-2017-questionnaire.pdf>.

