NES NATIONAL EQUALITY STANDARD

In association with

EY

Building a better working world

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Global Equality & Diversity Conference
25th November 2015

The National Equality Standard

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The problem	The solution
Complex and fragmented EDI landscape	■ UK National standard for EDI supported by industry and government ■ Legal compliance and sector-specific best practice combined in to one standard

Continually changing EDI legislative and regulatory requirements	■ The standard incorporates the Equality Act 2010:
	  ■ All 9 protected characteristics
	  ■ Current legal obligations
	  ■ Gender pay audit (2016)
	■ Tailored to business needs with flexible time frames and no arbitrary deadlines

No mechanism to drive long term sustainable EDI improvement	■ If you don't do it, you don't get it ■ Third party external assessment
Proportionality and relevance	■ Fit for purpose

Overview of the NES components

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Core components EDI

Ensuring your organisation has essential EDI components in place

Core components HR processes

Ensuring your organisation has essential EDI components integrated within all your HR processes and systems

Understanding your business

Ensuring your organisation has a relevant and proportionate focus on strategy implementation

Understanding your people

Ensuring your organisation has a relevant and proportionate focus on its people throughout their employment journey

Your leadership

Ensuring your leadership are visible, accountable and open to scrutiny

Review and measurement

Ensuring your organisation has EDI interventions which are regularly reviewed and measurable

External relationships

Ensuring proportionate consideration is given to your organisation's external relationships with customers, suppliers and the community

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Sign up

for equality

Samples from final reports (1)

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The 49 competencies

Core components EDI	Core components HR processes	Understanding your business	Understanding your people	Your leadership	Review and measurement	External relationships
Culture	Talent identification	Strategic initiatives	Inclusivity	Commitment and accountability	Review	Community development and support
Policies and informal practices	Recruitment processes	Setting priorities	Caring responsibilities	Messaging	Measurement	Strategic relationships
Governance	Appraisal and performance monitoring	Progress and action planning	Valuing employees	Behaviours and attitudes	Evaluating success	Customer insight
Data monitoring	Career progression	Business planning	Employee support	Senior level scrutiny	Return on investment	External communications
Engagement survey	Learning and development	Business case and benefits	Flexible working	Senior level visibility	Cost of exit	Supplier integration
Employee feedback	Equal pay	Regulations	Employee adjustments	Targeted training	Tracking and analysing	Supplier diversity criteria
Communication approach	Unconscious bias	Industry insight	Consideration of human rights	Measurable leadership competencies	Implementation	Accessibility

What we have learnt

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1 = Lack of alignment between diversity ambitions and business strategy

2 = They like:
- Detailed recommendations
- Safe conversations

3 = They don't like:
- Risk and innovation

4 = A need to translate the business case in a meaningful and transparent way

5 = Don't presume anything!

6 = Recurring themes (cross sector) / what we constantly see:
- Lack of alignment between leadership and middle management
- Comprehensive shift in focus
- Gender focus

EY's integration of EDI into its approach for talent

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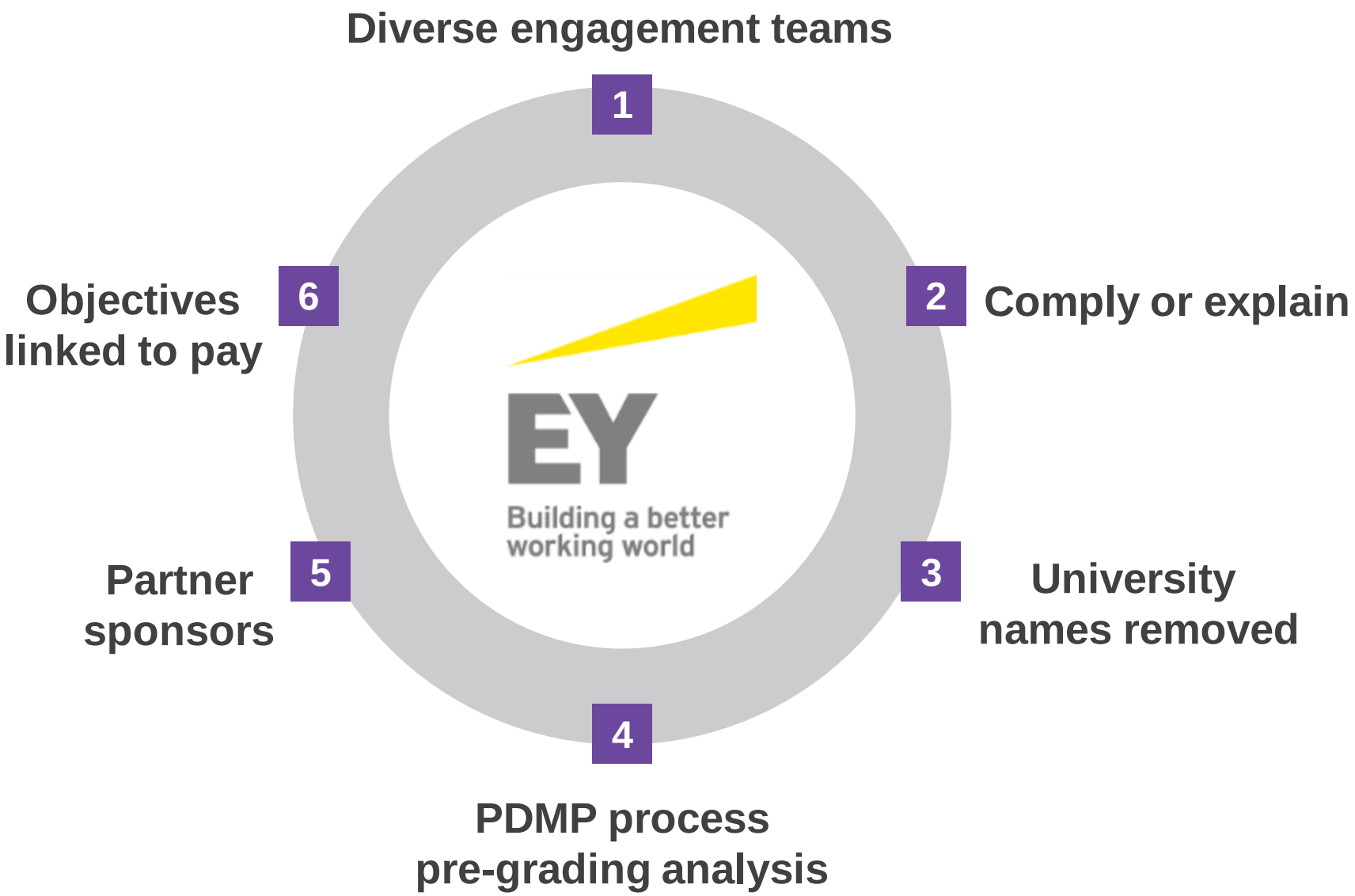
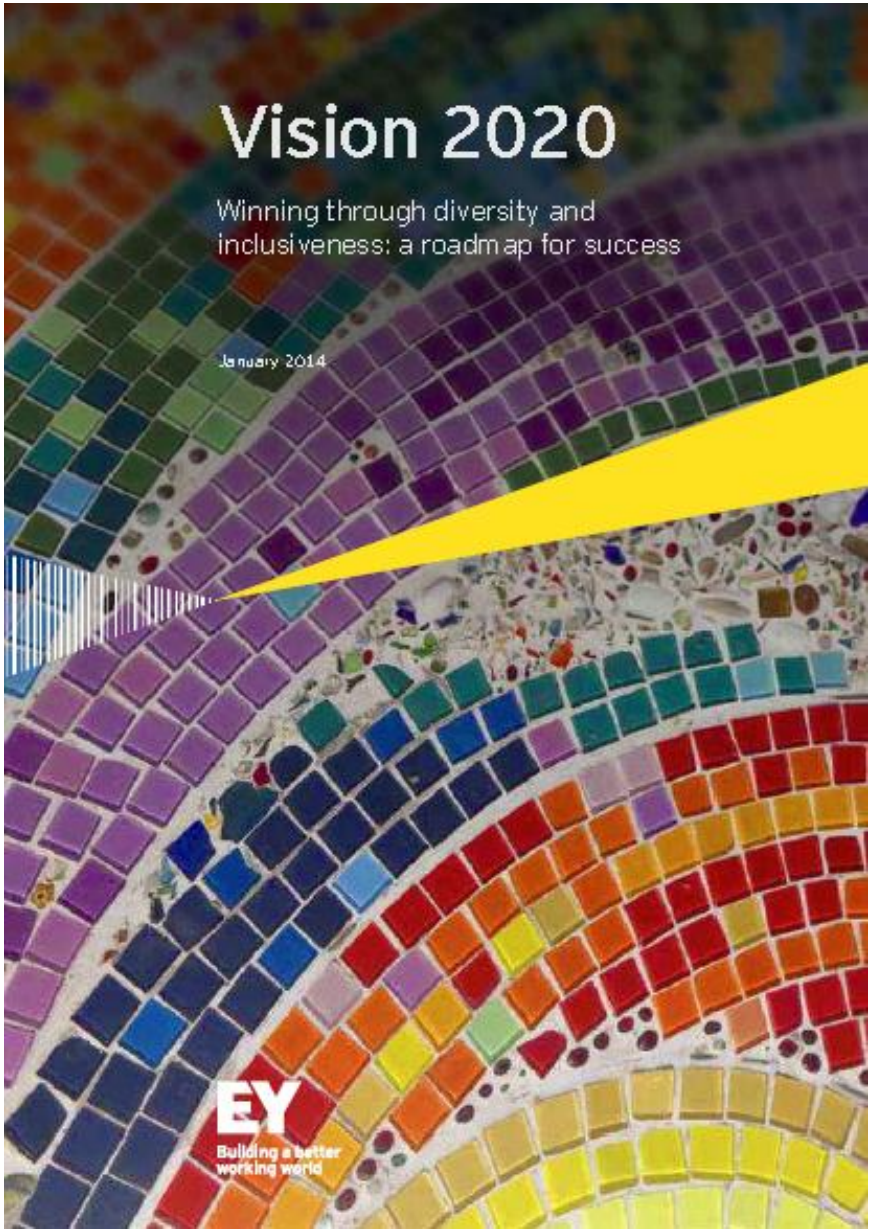


EY's Vision 2020: Winning through diversity and inclusiveness

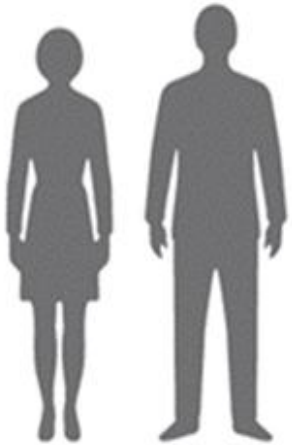


Differences help produce better business results

Organisations rated highly for D&I have more effective teaming, higher retention, and greater success in the market.

Source: Corporate Leadership Council and Center for Talent Innovation

Gross margin
+6 points



Employee retention
+7 points

Revenue growth
+10 points

Differences help businesses to gain competitive advantage and improve their market share

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Organisations with **diverse leaders** were compared to those without.

48% vs 33% — **Improved market share**

46% vs 27% — **Captured a new market**

% respondents at publicly traded companies with 2D diversity in leadership vs. % respondents at publicly trades companies without 2D diversity in leadership.
Source: Centre for Talent Innovation, Innovation, diversity and market growth, September 2103

Google

The right-handed Google team that built the iOS YouTube app **did not consider the 10% left-handed users** when it added in mobile uploads, **causing videos** recorded in a left-handed person's view of landscape **to appear upside-down.**

Differences enable businesses to improve their financial performance

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Analysis of 22,000 EY audit engagements identified a **measureable financial return** associated with gender balance in EY teams.

Organisations with diverse teams perform better.

Companies with diverse teams report higher earnings before interest, taxes, depreciation and amortization (EBITDA) growth rates.

Source: EY survey of global executives, The power of many: how companies use teams to drive superior corporate performance

100 diverse vs less diverse teams were compared =

- **$300,000** in additional revenue per person annually
- **7%** in gross **profit margin** improvement

Profit margins at the most diverse companies were

14%

higher than others.

Source: McKinsey (2012)

Multi-billion dollar

procurement opportunities

Example: Diverse team wins account

EY was selected as the auditors of a **US$9b** technology company.

The company's CEO stated that **diversity and inclusiveness** helped EY to win.

Filling the skills gap is a "no brainer"

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Businesses must attract people from broader talent pools in order to build sustainable growth in an increasingly competitive global marketplace.

- Significant skills gap in western countries - "2.1 rule" for births per woman: 1.6 in Europe vs 3.5 in developing countries
- Emerging markets pull upon a far more diverse labour pool
- There is a need to broaden the talent pool to avoid skills shortages and encourage growth

The annual potential growth rate of Japan could rise by 0.25% and 4% per capita GDP if the female labour participation rate were to reach the G7 average.

Source: IMF discussion note by Christine Lagarde on Women, Work and the Economy, September 2013

For global companies, diversity is no longer simply a matter of creating a heterogeneous workforce, but using that workforce to innovate and give it a competitive advantage in the marketplace.

Source: Forbes Insights, Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce (July 2011)

Differences enable businesses to build the highest performing teams

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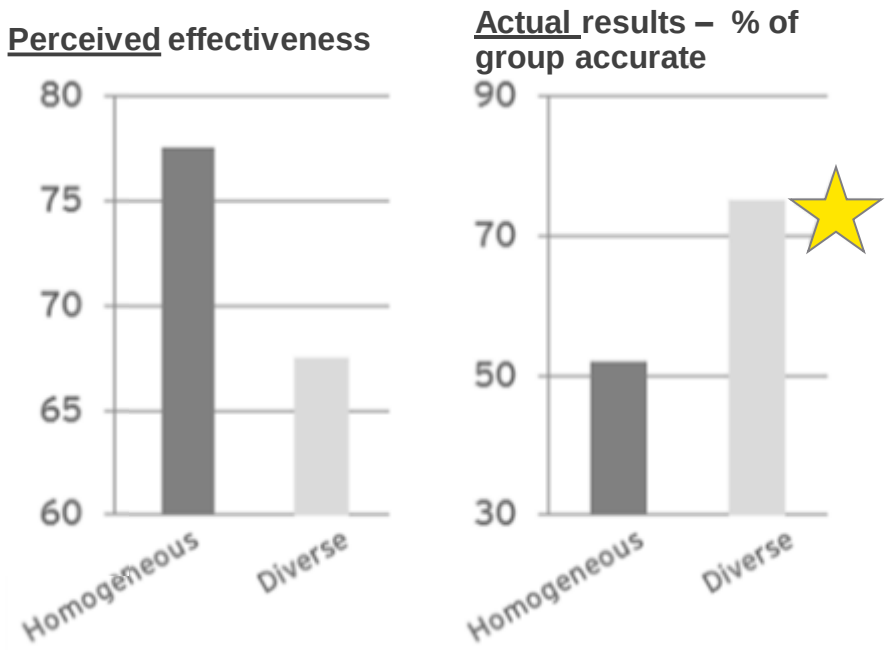
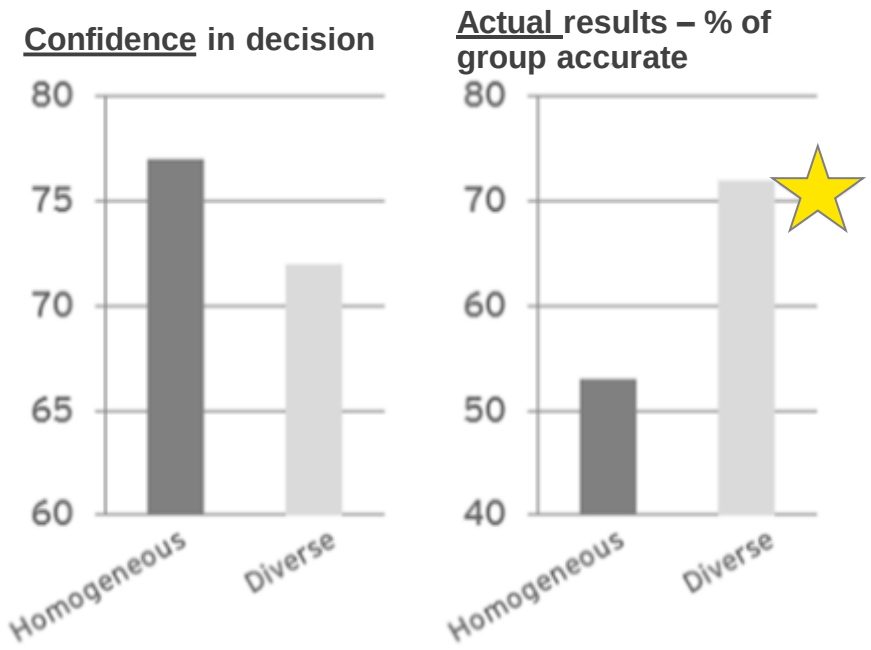
Perceived effectiveness vs group accuracy



Confidence in decision vs group accuracy



Although diverse teams perceive themselves to be less confident in their decisions than homogeneous teams, **they actually produce better, more accurate results.**

Risks of not addressing diversity and inclusion

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Companies in the bottom quartile for diversity are **less likely to achieve above-average financial returns.**

Class action lawsuits alleging race and gender discrimination have been as high as **US$250m**.

Cases such as Texaco and Coca-Cola **can spark "diversity crises."**

Source: Bloomberg Corporate Accountability Report (2013): Business Risks That Keep CEOs Up at Night: Effective Diversity Programs Can Ease Some Tensions

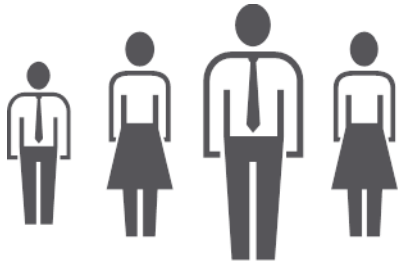
EDI legislation breaches may lead to:

- **Legal disputes**
- **Reputational damage**
- **Fines**

However, this remains a particularly complex and sensitive issue for **companies, employees and authorities.**

Companies are **less likely to attract and retain their best talent** without a diverse and inclusive workforce.

Source: Forbes Insights, Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce (July 2011)



Samples from final reports (2)

Overall summary of findings

Company X NES Assessment 2014: Headline results

Company X is currently meeting the level required for NES certification

7 Standards	49 Competencies
7 out of 7 successfully met	41 Met; 7 Partially met; 1 Not met

1 Competencies away from NES certification

Strengths	Challenges
▪ Active leadership involvement ▪ Delivery and evaluation of the Inclusive Leadership Programme ▪ Collaboration ▪ Social commitment ▪ Legislative updates ▪ Barriers to diversity of thought ▪ Lack of solid connectivity / lack of clear strategy cascade from the top	▪ Employee support ▪ Clearer accountability ▪ Management capability / development ▪ Insufficient data / metrics ▪ Development and leveraging of the Employee Networks ▪ Barriers to diversity in teams ▪ Employee feedback opportunities

Samples from final reports (3)

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7. External Relationships

This standard assesses the ways in which both suppliers and clients have been considered in your organisation's efforts to improve EDI.

The table below highlights specific evidence but also provides recommendations against competencies deemed as key areas for improvement within this particular standard.

Evidence provided	Key areas for improvement	Recommendations
7.2 Strategic relationships ▪ The organisation engages with a number of external organisations and initiatives with the aim of building positive strategic relationships. ▪ Interviews and documentary evidence provided a number of good examples of building and sustaining positive relationships, such as: ▪ Intelligence role in stakeholder engagement ▪ Awareness day event ▪ On-site health and well-being unit ▪ Collaboration with public health bodies ▪ Education programmes and meetings with industry associations/ alliances (BF)	**Engaging communities** ▪ There is a concern that local communities do not have an awareness of what the organisation does and are not aware of the fact that the organisation is there to support and help them. ▪ Without continuous engagement with communities there is a concern that a lack of trust could exist. ▪ The organisation works with many different groups and communities and therefore may not have a strong understanding of all the cultural differences. ▪ There is a need to ensure that there is a sustainable, long term proposition in relation to strategic relationships. **Measuring the benefits and impact** ▪ The organisation is currently not assessing the benefits of the collaborative approaches.	▪ The organisation should consider speaking to groups from particular ethnicities / nationalities in their community who have more issues relevant to their work in the public sector. This engagement would help to bring awareness of the work they are doing, how they can help and dangers that could effect them (which they may not understand due to cultural differences). ▪ The organisation could consider going out to ethnic minority groups, communities, universities, councils and places of worship to reach out to the community about their work in the public sector. This public education initiative would help to save time and money. ▪ Some staff work with individuals predominantly from specific communities / nationalities. For example, staff working with such individuals from these communities/ nationalities should be given opportunities to gain an appreciation and respect for the values of these cultures and how to treat them. Additionally, members of these communities could come to talk to staff about their cultures. ▪ The organisation should consider working closer with charities who help raise awareness of what the organisation does. There is a need to engage more directly so people know they are there to help. ▪ The organisation should ensure that all investments have clearly identified desired outcomes. ▪ The organisation should identify the factors that would measure the benefits or return on this investment.
7.6 Supplier diversity criteria ▪ Employees had some understanding of the benefits of monitoring suppliers.	▪ There is currently no mechanism in place to capture the ownership and diversity data of suppliers. ▪ The current supplier base is mainly made up of larger companies which form the basis of their preferred supplier list.	▪ Implement monitoring of new suppliers. Ensure that vendors have the opportunity to provide diversity data e.g. business ownership, workforce profile data and previous upheld tribunal disclosure. ▪ Utilise this information to demonstrate a greater diversity within the organisation's supplier base. ▪ Consider methods to collect diversity information from existing suppliers.

For further details see Section 4: Detailed findings

NES sample assessment report

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Communications & Branding

Snapshot of organisations in our pipeline

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SEGRO
HSBC
capco
WPP
GROSVENOR
fieldfisher
ROYAL ACADEMY OF ENGINEERING
Pinsent Masons
Interserve
Linklaters
WORKSPACE
IRON MOUNTAIN
roast
bhpbilliton resourcing the future
bright ideas trust
BT
HAYS
vodafone
Channel 4
Hammerson
CBI
cisco
EDF ENERGY
CBRE
METROPOLITAN POLICE
Otsuka
wyg
EY Building a better working world
green park INTERIM & EXECUTIVE SEARCH
Home Office
Saxton Bampfylde
UK Visas & Immigration
REC Recruitment & Employment Confederation
BROWN-FORMAN
LTA British Tennis Tennis Foundation
Microsoft
MSD
sh STEPHENSON HARWOOD
intu
GREAT PORTLAND ESTATES
PEARSON
THE CROWN ESTATE
nationalgrid
Nestlé
PEARN KANDOLA
Home Office UK Border Agency
British Land
YorkshireWater
HARVEY NASH The Power of Talent
Standard Chartered
ARUP
Numerous EY audit clients
NATIONAL EQUALITY STANDARD We've signed up

Summary

NATIONAL EQUALITY STANDARD

Our 3 key principles	
1 =	Significant driver for change
2 =	Relevant and proportionate to your business and sector
3 =	What Gets Measured, Gets Done