BlackRock

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Financial Conduct Authority
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Bank of England
Threadneedle Street, London, EC2R 8AH

Submitted via email to: CP23-20@fca.org.uk; CP18_23@bankofengland.co.uk

RE: CP23/20 – Diversity and inclusion in the financial sector – working together to drive change and CP18/23 – Diversity and inclusion in PRA-regulated firms

BlackRock is pleased to have the opportunity to respond to the FCA and PRA's consultation document on Diversity and Inclusion in the financial sector. We note the positive impact that Diversity, Equity and Inclusion (DEI) strategies can have in terms of firm performance and employee wellbeing, and therefore understand the regulators' ambition to further DEI considerations across the sector in the UK. Below we give a brief summary of BlackRock's own approach to these issues, before making two suggestions on how the proposals relating to data disclosure and metrics could be improved to make it easier for firms to deliver the outcomes the regulators are looking to achieve.

DEI within BlackRock

BlackRock's Diversity, Equity and Inclusion (DEI) practices are grounded in our business needs as a global firm. One of our core beliefs is that a diverse workforce at BlackRock with an inclusive and connected culture is imperative for us to deliver for our clients and indispensable to our success. We prioritise creating a work environment where all employees can thrive. Ultimately, our dynamic and inclusive organisation allows us to attract and retain the best people around the world and to stay ahead of where our clients are going.

BlackRock's three-pillar DEI strategy[1] is aligned with our firm's business priorities and long-term objectives:

- **Our talent and culture.** We attract, develop, and retain top talent with a wide range of backgrounds, perspectives and experiences, by cultivating an inclusive work environment where everyone has fair access to opportunities and feels seen, heard, valued and respected.
- **Our activities to support interested clients.** We focus on expanding investment choices and business partnership opportunities to maintain a resilient pipeline of diverse brokers, managers, and suppliers to meet the needs of interested clients, consistent with our fiduciary duty.
- **Our impact on underserved communities.** We contribute to the long-term success of underserved communities and help more and more people experience financial well-being through our BlackRock philanthropy and employee-led volunteer efforts.

Beyond setting out our strategy, we regularly assess our efforts to keep our DEI focus, as an employer, current and improve transparency in our own DEI disclosures. In order to help facilitate that, we have set out below two areas where more clarity and flexibility might improve the effectiveness of the measures you have proposed.

[1] Please see additional information on BlackRock Public Policy ViewPoints, reports, letters and consultations available at https://www.blackrock.com/corporate/literature/fact-sheet/dei-annual-report.pdf

1. Data Collation and Scope

We are concerned that reporting at legal entity level rather than at the organisational group level is likely to cause inefficiency and increase costs for larger or global organisations.

Entity structures are tailored to facilitate governance and business requirements rather than reporting and implementation of HR strategy. For asset managers, such as BlackRock, reporting at individual entity level in the UK, rather than across our UK operations as a whole, would not provide a clear picture of diversity across the firm's operations in the UK. In turn, there is a risk that the different approaches which firms adopt in relation to intra-group services will result in significant discrepancies in reporting that may make comparison difficult. Further, the proposal to report at legal entity level is inconsistent with other reporting requirements where firms provide data at the group level, such as the Women in Finance Charter.

We therefore suggest allowing firms the option of aligning diversity reporting with existing reporting obligations to reflect organisational group structures and management. Firms such as BlackRock look to apply and measure our DEI polices at a group level across multiple entities. Showing data purely at the level of an individual regulated entity, especially if the entity in question has a relatively small number of employees and officers, runs the risk of reducing the quality of reported data. In addition to this, we would encourage you to seek synergies with other DEI data collation processes - many firms provide DEI information through the Asset Owner Charter Questionnaire, for instance, that was drafted in conjunction with the Diversity Project and used by Asset Owners.

2. Type of Metrics

We believe that cultivating an inclusive work environment at BlackRock where everyone has fair access to opportunities and feels seen, heard, valued, and respected is paramount to the success of our firm. We think it is important that companies should have flexibility in deciding how to measure the impact of our strategies, and would discourage the use of the five mandatory perspective questions alone, which we think are too narrow in scope. We track efforts with regards to hiring, retention, and development of talent through our Diversity Progress Report, which was introduced in 2016. In 2023, we added an inclusion index which captures employee opinion survey results around drivers of sentiment for an inclusive culture, including fairness, psychological safety, trust and belonging. The bigger picture is what company leaderships need to base their strategies on, and creating additional surveys for one jurisdiction will introduce further cost, duplication and complexity.

The mandatory proposals of disclosing employee demographic information should be revised to provide greater flexibility, on a voluntary basis, to reflect how firms operate as part of global groups. If the Mandatory and Voluntary categories of demographic characteristics were to remain, we would note that the inclusion of religion as a mandatory category will pose challenges for firms collecting data globally, given that in many jurisdictions there are restrictions on collecting data on this characteristic. We also note that data is based on data voluntarily disclosed to firms by employees, and for that to be statistically reliable, this data requires high levels of participation by all employees. This is an example where reporting at global or national group level rather than at individual entity level also makes more sense. Whilst we continue to work on encouraging responses to our self-identification survey, we are mindful that there can be many reasons for non-disclosure and caution against making inferences as to why people have chosen not to disclose their data.

We would advocate for the definition of 'demographic characteristics' to be limited to those characteristics already protected by law under the UK Equality Act. If the regulators wish to define 'demographic characteristics' more broadly than the legal position in relation to prohibited discrimination and “protected characteristics”, the industry will need the regulators to provide more clarity around what this means in practice.

In summary, we would welcome more flexibility to track, measure and report on progress given the varying size, complexity and scope of organisations within the financial services sector. Any guidance should align with existing reporting requirements like the Women in Finance Charter to ensure reporting is scalable and efficient for implementation. We hope this feedback proves useful and are happy to discuss further.

Yours faithfully,

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