



INCLUSIVE IMPACT

A COMPREHENSIVE REVIEW OF
DIVERSITY IN THE SOCIAL
INVESTMENT SECTOR

December 2018

**INCLUSIVE
BOARDS.**

ACKNOWLEDGEMENTS

Inclusive Boards and The Diversity Forum would like to express their sincere gratitude to the organisations and individuals who freely gave their time and resources to enable this research project to take place. In particular, we would like to thank all those organisations and individuals who allowed us to observe their work, and those who took part in interviews and surveys.

We would also like to thank the members and staff of the Social Investment Diversity Forum for their valuable insight, advice and guidance throughout the project.

Special thanks are extended to the Connect Fund, managed by Barrow Cadbury Trust, for providing funding for this research.



CHARITY

NUMBER: 1115476

CONTENTS

Acknowledgments	Page 1
Old Sector, New Challenges	Page 3
Foreword	Page 4
Key Findings	Page 6
Measuring Success: The Diversity Forum's Role	Page 9
Moving Forward: Recommendations	Page 10
Methodology	Page 11
Business Case for Diversity	Page 12
Gender Diversity	Page 14
Ethnicity Diversity	Page 16
Disability Diversity	Page 17
Beyond the protected characteristics	Page 18
Conclusion	Page 20
Appendix	Page 21
Research Limitations	Page 25
Bibliography	Page 26

NEW SECTOR, OLD CHALLENGES

In 2018 Inclusive Boards was commissioned by the Diversity Forum, funded by the Connect Fund to extend and contribute to existing research on diversity in the social investment sector. Previous research was conducted by Big Society Capital and TSIC (The Social Investment Consultancy). The launch of the Big Society Capital report in June 2017 spurred a discussion at 'The Gathering of Social Investors' where representatives across the sector were in attendance. The Diversity Forum was formed in a response to tackle diversity and inclusion in the sector from the meeting.

The primary aim of our research was to use different data collection methods to better understand why there are ceilings for women in management positions and ethnic minorities in back office functions. We also examined other diversity strands whilst taking into account intersectionality factors. Historically 'equality and diversity' has always excluded intersectionality and discounts the experiences faced by 'other' classification groups. There is a need to take the intersectional invisibility faced by different groups into account and manage it as if it were a 'protected characteristic'.

We know that women will often not put themselves forward for leadership positions, however we wanted to find out if the experiences of BAME women or BAME women with a physical or non-physical disability are the identical.

We collected data using surveys, one-to-one interviews and observations at meetings.

the size and relatively young age of social investment means there is an opportunity to drive change and lead by example in this area. This report is a comprehensive review of diversity in the sector.

The Social Investment Sector is a relatively nascent sector, yet it has suffered from the same diversity challenges faced by other sectors. Whilst the challenges faced by the social investment sector are not unique, the size and relatively young age of social investment means there is an opportunity to drive change and lead by example in this area. This is a report into the sector examining the 'state of diversity'.

"GROWING RESEARCH FINDINGS IN BOTH MAINSTREAM AND SOCIAL FINANCE LED TO AN IMPORTANT DISCUSSION AT THE GATHERING IN FEBRUARY 2017 ABOUT THE NEED TO IMPROVE DIVERSITY AMONG SOCIAL INVESTORS IN THE UK. AS THE SOCIAL INVESTMENT SECTOR, OUR AMBITION IS TO ADDRESS INEQUALITIES AND DISADVANTAGE IN THE UK, AND PROMOTING DIVERSITY AND INCLUSION IN ITS BROADEST SENSE SHOULD BE AN IMPORTANT PART OF THIS"

- The Diversity Forum

FOREWORD

I am pleased to write this forward to the report by Inclusive Boards on behalf of my co-chair Gemma Rocyn Jones and executives Bonnie Chiu and Stephen Bediako and our wider steering group for this work. Thanks to the support of the Connect Fund of Barrow Cadbury Trust and the Access Foundation, we have been able to commission Inclusive Boards to take our understanding of equality, diversity and inclusion in our sector further.

We started on this work over two years ago because a number of us had noticed a pattern in our sector. Initial research by TSIC and by Big Society Capital with the support of the Social Impact Investors Group, confirmed this pattern. It showed we had an uneven pattern of employment, based around gender and ethnicity. Who else were we missing? This research by Inclusive Boards allowed us to go deeper, both through a sector-wide survey and through observational study of the social investment sector at work. Inclusive Boards sat in with our staff, at our investment committee meetings and board meetings. They looked at how we discuss and debate. Who speaks when. Who dominates? What does our culture look like? This short report maintains the confidences of the participants but gives us some clues as to what lies behind the patterns we observe.

Why does this matter? Diversity crosses ideological boundaries. From the pure competition of the free market, selecting other than on grounds of the best person to do the job, is not efficient. From an equal rights perspective, how can we deliver social change if we look like part of the problem?

What did we find? We have the problems that the wider society we are in have, 33% of our boards and 40% of our executive staff are women. This lags slightly behind the wider charity sector but ahead of comparators such as the mainstream financial services industry. We have similar patterns of class background and education – more privately educated and more Oxbridge.

Since officially launching Diversity Forum in February 2018, we have gathered over 50 impact investors across the UK, committed to driving diversity and inclusion. This shows that we have a great deal of agreement about the importance of the topic. So why the problem? As well as the findings Inclusive Boards set out, I would say we have three traps.

First, our perception of what excellence looks like. As a sector we rightly want the very best people to work for us. We might have fixed in our mind, a certain kind of person who succeeds in the sector. Worthy though they are, they do not give us the breadth of skills and experience we need to solve the complex problems that face us.

Second, that progress is more vertical not horizontal. We may have believed our problems were solved by legislation and professional human resources. We took a rest from the struggle. Yet if our line of progress is more vertical than horizontal, if you rest, you do not remain progressed, you risk falling back. I suspect we have fallen back and forgotten the simple tools that make sure we are open to all.

Our third trap is perceptual. We tend to overestimate participation of women and ethnic minorities, forget that disability exists, and don't think to check whether we are providing a welcoming environment for LGTB+ colleagues. We do not notice our Northern or working class colleagues adopting cut glass home counties accents. We perceive the way the world is as normal, when really we are seeing just a narrow section of it. This comes out particularly in areas such as disability, where we have a lot more to do - only 7% of survey respondents consider themselves to have a disability or long-term health condition.

And when it comes to intersection - the sector is lagging behind. BAME women are the least likely ethnic group to hold directorships, accounting for 2.8% of all directors.



Danyal Sattar
CEO
Big Issue Invest

So how do we solve this? I believe the solutions are within our grasp. Wider societal discrimination can be to our advantage - if the rest of commerce do not want the brightest and the best, we'll have them, thank you very much.

We have a bit of work to do and Inclusive Boards have some initial recommendations to help us along the way.

Finally, our challenge is to change our own minds. A former trustee of mine in a previous role, Martin Lane Fox, was also a judge at the Chelsea Flower Show. There was only one garden there he really liked, he said. Having just seen the extraordinary array of garden design on display, I asked him why he said that? "I see each garden not only as it is now, but as it will be throughout the year," he replied. He changed the way I look at the world. I cannot gaze out over a landscape and not wonder what spring will be like. Equality, diversity and inclusion are not a burden to be carried. They are as joyous as spring.

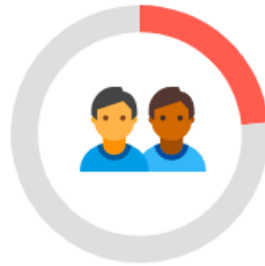
KEY FINDINGS

OVERVIEW



5 percentage points

Representation of female directors has fallen by 5 percentage points since 2017. Male board directors now outnumber female directors by a ratio of 2:1



18.75%

BAME employees in the social investment sector with managerial responsibilities has fallen since 2017. Less than one in five (18.75%) of BAME survey respondents said that they were in a position of senior leadership or executive roles, compared to 21% in 2017.



18%

Almost one in five (18%) of directors in the sector attended Oxford and Cambridge universities. Board executives in the social investment sector were 'ten times more likely' than the wider population to have attended 'Oxbridge' universities.

GENDER DIVERSITY



Intersection

BAME women are the least likely ethnic group to hold directorships in the social investment sector, accounting for just 16 (2.8%) of all directors



Leadership

There has been a 2% increase in female representation at executive level since 2017. Male executives outnumber female executives by 3:2.



Profession

Female board members were more likely to have a professional background from the charity sector.

ETHNICITY DIVERSITY



23.7%

Directors and executives from BAME backgrounds were more likely to have attended Oxbridge universities compared to their white counterparts: 23.7% of BAME directors and executives attended Oxbridge universities. The proportion of white directors and executives who attended Oxbridge universities was 17.5%.

Black
 Minority **Forties** Thirties
49 years Late
 Median age Asian
 Average age BAME Execs
 Senior Managers
 48 years

BAME senior managers and execs are younger on average than other groups with higher distributions for those in their late thirties and early forties. The average age of people from Black, Asian and Minority Ethnic (BAME) backgrounds is 49 years old with a median age of 48.

SOCIO-ECONOMIC DIVERSITY

2/5

of directors and one-third of executives on social investment boards attended fee-paying schools. Directors were almost six times more likely to have attended fee-paying schools compared to the wider population

PREVIOUS PROFESSION

33.5%

or a third of survey respondents had a professional background in finance / banking. Around a quarter (23.65%) of survey respondents stated that they hold a chartered professional accreditation in accounting

38.2%

or Two-fifths of male executives and directors had a financial background, compared to less than one in five (18.7%) of women

Benchmark

Where does the social investment sector fit?

Diversity Strands	UK Population (2011 Census)	Social Investment Directors	Social Investment Executives	Financial Organisations	Charity Boards
Minority Ethnic Benchmark	14%	6.5%	9%	8.8%	6.3%
Gender Benchmark	51%	33%	40%	25%	43%
Disability Benchmark (workforce)	16%	7%	-	-	-
Oxbridge	>1%	18%	10%	-	-

MEASURING SUCCESS: THE DIVERSITY FORUM'S ROLE

The Diversity Forum is funded by The Connect Fund to improve diversity among social investors in the UK. The Forum is comprised of three sector-wide initiatives:

- The Diversity Working Group – Providing leadership to the social investment sector on diversity and inclusion issues.
- Diversity Champions - A peer-network for committed championing diversity within their organizations.
- The Diversity Training Group – Providing support for HR professionals in the social investment sector through training and other activities.

We have included recommendations specific to the Diversity Forum as this is a sector-led diversity initiative. The Diversity Forum can act as the coordinating tool for the sector by setting benchmarks, monitoring organisation performances and reporting to the wider sector. These two recommendation are not only attainable but can be achieved in the short-term.



DIVERSITY FORUM
Inclusive Social Investment

MOVING FORWARD

RECOMMENDATIONS

1. CONVENE

Convene a special working group to standardise progression routes in investment roles.

A special working group should be convened to agree on standardised progression routes. This will allow employees within smaller organisations to better track progression opportunities, both within the organisation and across the social investment sector. There is currently a lack of clarity of 'what progression looks like' in investment roles. However, this is not the case in HR and research departments.

2. PLAN

Organisations should have a plan in place to improve overall diversity of their boards

Organisations should look to implement plans to improve diversity at board and executive level in the short to medium term. The social investment sector is currently facing major challenges in terms of gender, ethnic and socioeconomic diversity at senior levels. Further work is needed to address socioeconomic imbalances in the sector, particularly in terms of educational background.

3. TRAIN

Sector-relevant diversity training should be made available for all employees.

The social investment sector would benefit from sector-relevant diversity training rolled out to ensure a better understanding across all organisations. Commissioning and implementing diversity training would bring shared benefit to people at all levels of the social investment sector. Any training currently available isn't being utilised.

The Diversity Forum should design and publish a toolkit that supports organisations' efforts to improve Diversity & Inclusion in the sector

4. MEASURE

Social investment appraisals submitted to wholesalers should incorporate diversity metrics

Investment appraisals used by social investors and submitted to wholesalers should include mandatory diversity assessments. Significant sector wide change often requires accountability to significant stakeholder(s) that is often a funder of some form. There should also be a framework in place for organisations to use to develop diversity improvement plans based on the results of such appraisals.

5. CELEBRATE

Best practice examples should be shared and celebrated by the Diversity Forum

Examples of diversity best practices should be shared and celebrated through the social investment forum as a means of setting benchmarks and promoting an inclusive culture. Our findings have uncovered several 'inclusive practices' with flexible working already commonplace in many organisations.

6. REPORT

Social investment firms should be required to report on their gender pay gap.

Social investment firms should report on the gender pay gap for employees and board members as a means to 'level the playing field' between men and women.

The Diversity Forum should set and publish diversity benchmarks (Recommendations 5 & 6).

METHODOLOGY

The methodological approach considered for the purpose of this study follows the pragmatic paradigm, which supports the use of a mixed method approach to research. "The mixed methods approach can be seen as offering a third paradigm for social research through the way it combines quantitative and qualitative methodologies on the basis of pragmatism and a practice-driven need to mix methods". It follows the ontology approach that reality is created by individuals in the group and the ideal method is one that solves problems. Our considered approach is designed to develop a 'best practice' approach for the social investment sector.

LITERATURE REVIEW

We conducted an extensive review of available literature relating to the social investment sector and diversity in the UK.

SURVEY

We identified 119 social investment organisations across the UK. The survey was shared with at least two points of contact at each organisation, either a diversity champion if available, HR manager or a director/CEO. We also shared the survey on all our social media platforms and some organisations supported the disbursement of the survey further by putting it in their newsletters. Our efforts saw 125 individuals from 61 organisations complete the survey.

The survey builds on the findings of the joint diversity survey commissioned in 2017 by the Social Impact and Investors Group and Big Society Capital which surveyed 227 individuals from 32 different organisations including intermediaries, financial institutions, charities and social enterprises.

The survey had 20 main questions covering four main sections:

- a) About the organisation
- b) Leadership and management style
- c) Work-life balance
- d) Promotion and development

These sections were covered to support us in developing the initial understanding as we try to answer the research questions posed.

OBSERVATIONAL RESEARCH

Inclusive Boards conducted 9 observational research activities at board investment meetings. These were located across geographical regions including London and South East, Yorkshire and Scotland. We also attended a number of board level team meetings. The most important factor in following up the initial research conducted was to better understand the motivations of the individual (ethnic minorities, women and other diversity strands being explored) and to capture what they do and do not say.

Observational techniques included:

- a) Body language and visual cues (e.g. mannerisms, eye contact)
- b) Speech, communication and language
- c) Group interactions and discussion
- d) Environmental and contextual factors (e.g. room layout, seating positions).

INTERVIEWS

We conducted 26 in-depth one-to-one and telephone semi-structured interviews with individuals from a mix of small and large social investment firms.

THE BUSINESS CASE FOR DIVERSITY

SOCIAL INVESTMENT SECTOR

The UK is home to the world's fastest growing social investment market and has been building up its reputation as having one of the world's most developed social economies. In 2017 the UK social investment market was worth over £2.3 billion, with around 4,000 investments made. The sector has grown by more than 50 per cent since 2015 and continues to grow at a rate of 17 per cent year-on-year.

In 2016, The Social Investment Consultancy (TSIC) identified that the diversity of leaders in social investment organisations was failing to match the diversity of their beneficiaries. There is a strong case for increased investor diversity to meet the social investment goals of greater inclusion, representation and justice. However, the social investment sector is facing a mismatch between the background of social investors, decision-makers and those seeking finance for their organisations, leading to 'unconscious biases' in the allocation of social finance.

According to the OECD, social investment has the potential to distribute private and public sector capital in ways that effectively address social and economic challenges at a global, national and local level. The sector plays a fundamental role in achieving the United Nations' (UN) 17 sustainable development goals. These include aspirations to end global hunger, improve the quality of education and tackle climate change by the year 2030. Over half of \$228.1 billion in social investment assets are invested in emerging markets, according to estimates by the Global Impact Investing Network. Around 12% of this resource is being directed towards countries in Sub-Saharan Africa. If the future direction of the UK social investment market includes international development then the sector must also be reflective of and responsive to these international markets.

One survey found that 14% of UK social enterprises were exported or licensed overseas in 2015. This figure is expected to increase in the coming years. There is therefore a market-based need to better understand the diversity challenges faced within social investment. Having senior employees of dual heritage and diverse backgrounds could add significant value. As of 2015, 30% of entrepreneurs going through the UK's leading social technology incubators come from outside the UK.

If the future direction of the UK social investment market includes international development then the sector must also be reflective of and responsive to these international markets.

Overseas pension, insurance funds and high net worth investors are also increasing their investments in UK social investment funds. We understand that social investment is not corporate citizenship integrated into a business model. To truly embody the idea of corporate responsibility is to ensure representation at all levels.

THE BUSINESS CASE FOR DIVERSITY

GENDER DIVERSITY IN SOCIAL INVESTMENT

In 2017, Big Society Capital collected gender diversity data for around 10% of social investee organisations. It found that just 28% of executive leaders were female. With gender parity of 56% achieved within management teams the statistics suggest that there is a clear drop off for women transitioning to higher decision-making roles.

The Young Foundation's influential report published in 2016 examined the concept of gender lens investment as a means to enhancing financial outcomes and gender inequality in the social investment sector. The research found that despite a willingness amongst social investors to advance gender equality, there is currently a limited understanding of the potential of social investment amongst gender innovation ventures. The report concluded that further action is required to increase demand and supply of gender-focused social investment among the government, investors, intermediaries, and social ventures.

Gender diversity is also likely to become a key factor in assessing an organisation's commitment to environmental, social and governance criteria as part of their strategic return on investment. One study has estimated that within 40 years women will inherit 70% of intergenerational wealth.

IN 2017

28% Big Society Capital found that just 28% of executive leaders were female.

WOMEN IN FINANCE CHARTER

The HM Treasury-backed 'Women in Finance Charter' has set out to achieve gender parity within all levels across financial services firms. The charter commits firms to supporting the progression of women into senior roles by focusing on the executive pipelines, particularly within middle management. It also encourages firms to devise and implement targets for achieving gender diversity and self-reporting gender diversity performance. Some 205 financial services firms have signed up to the charter, with 85% committing to achieving 30% gender representation in senior roles by the year 2021. So far, 272 organisations have signed up to the charter (as of August 2018), yet only 2 of these firms have social investment as their core business model.

Gender Diversity

Legislation preventing discrimination on the basis of sex has existed since the 1970s. The Equal Pay Act (1970) and The Sex Discrimination Act (1975) provided protection, equal pay and employment conditions for both women and men. However, women are still significantly underrepresented in many sectors and often face barriers to promotion at senior levels - the so called 'glass ceiling'. Gender-based diversity in social investment has the potential to advance gender equality and create financial returns. However this can only be achieved if women are equally represented in social investment decision-making.

We reviewed the board and senior directors of all organisations in the UK who identify as a Social Investment organisation. We were able to identify 188 female directors, equivalent to 33% of the total, and 383 male directors, equivalent to 67% of the total. Our findings show that there has been no progress in increasing female representation since the 2017 survey.



which identified 38% of trustees in the sector as female. The findings largely mirror those of the Trusts & Foundations Sector (30% female representation at board level). The social investment sector is however performing better than the financial services sector, which reported 15% gender representation at executive level in 2016.

Male executives outnumber female executives by 3:2. We identified 177 female executives out of 443 individuals, equivalent to 40% representation. A total of 266 (60%) executives were male. Based on the 2017 survey, which identified that 28% of executives were female, the findings show a 2% increase in female representation at executive level, but this is not translating into directorships. Using the charitable sector as a comparator, 43% of charity trustee and executives were identified as being female in 2018.

GENDER INCLUSIVITY

Women are less likely than men to rate their organisation as an 'excellent place to work'; 51.7% of men rated their organisation as excellent compared to 45.3% for women. Women were also twice as likely as men to rate their organisation environment as 'neutral' - 14.1% and 6.9% respectively. Investment meeting observations suggested that females are more likely than males to display supportive behavior towards their female colleagues. Encouraging head nods, broad smiles and reassuring change-of-state tokens were used as a means to prod the speaker to continue expressing her views.

However, women were also less likely to rate their workplace as an 'excellent inclusive environment'. Just under a third (29.7%) of women rated workplace culture as 'very inclusive' compared to over half (53.4%) of men.

WOMEN ARE LESS LIKELY THAN MEN TO RATE THEIR ORGANISATION AS AN 'EXCELLENT PLACE TO WORK'

Nearly one in ten women (9.4%) rated inclusivity of their organisation as 'fair' compared to 1.7% of men. We also observed that male and females were more likely to self-segregate themselves during meetings regardless of their level position. Self-segregation a term often used for ethnic or religious segregation can also be applied in this context. We found that regardless of the setting or location the meeting is taking place, self-segregation occurs. This voluntary and often sub-conscious act is first a survival mechanism and secondary a sitting with people that look like you.

Men were also more likely to lead meeting discussions, engage in humor, make smooth and bold hand gestures and open dominant body languages. These are also known as assertive body languages. This is often displayed by individuals leading the meeting. The women we observed were less likely to contribute as frequently during meetings, only speak in response to an open question being asked. They were also less likely to make direct eye contact with key speakers and influencers, tending to look downward or fidget with their hands (holding a cup or pen throughout the meeting) and feet whilst others participated more actively. Interestingly, the women we observed also do not sit in the middle of their chairs, they often lean to one side or sit at an angle thorough the meeting. These are examples of submissive body languages.

Body languages are sub-conscious and more often, cannot be controlled. There is scope at all board meetings, investment committee meetings and team meetings to create a new culture for how the meetings are conducted.

INTERSECTIONALITY

BAME women are least likely to hold directorships in the social investment sector, accounting for just 16 (2.8%) of all directors. Intersectionality factors appear to have a significant impact on progression to board-level positions for BAME women; they are effectively 'a minority within a minority'. The results are however much the same as within the wider charity sector, which has 2.9% BAME female representation at board level. By comparison, BAME women account for around 7% of the total population of England and Wales.

BAME women account for 5.1% of executives in the social investment sector, accounting for 23 individuals out of a total of 443. Again, we observed slightly higher representation of BAME females at executive level, compared to directorships.

The lack of women and minority ethnic representation across the sector was a recurring theme among survey respondents with the majority acknowledging there is a clear 'lack of'.

BAME WOMEN ACCOUNT FOR 5.1% OF EXECUTIVES IN THE SOCIAL INVESTMENT SECTOR, ACCOUNTING FOR 23 INDIVIDUALS OUT OF A TOTAL OF 443.

This is particularly acute at senior levels. Many staff were acutely aware of a lack of visual representation of people from different backgrounds. This was compounded by a propensity for people to join the social investment from the financial sector. Many respondents cited that the sector was dominated by "white middle-class males" and that most had university degrees. Some respondents felt that this was also corollary to unconscious bias.

Progression opportunities are severely limited within the social investment sector. Few survey respondents cited that they had any potential for progression within their current role.

Flat organisational structures created a 'glass ceiling' as there was generally a two-tier structure separating office workers and managers from senior management and CEO positions in the majority of social investment firms. This is creating significant barriers to women and BAME employees from progressing to executive leadership.

In terms of female representation in management, the social investment is performing better than the financial sector, but it has not yet achieved the same gender benchmarks seen in the charitable sector. The issues of gender inclusion within social investment workplace environments and how women are engaged within investment decision-making is an area of concern for the sector.

Ethnic Diversity

The Race Relations Act of 1965 was the first piece of legislation in the UK to address racial discrimination. Now part of the Equality Act, this protection is extended to all individuals on the basis of their race, colour, nationality and ethnic or national origins. Ethnic minorities in the UK are often defined by persons belonging to ethnicities other than 'White British'. In this report, we use the term 'BAME' (Black, Asian and Minority Ethnic) to identify those with protected ethnic characteristics.

As few as 6.5% of board directors are from Black, Asian and Minority Ethnic (BAME) backgrounds. This level of representation is similar to that of the charity sector, which identified 6.3% representation at board level in 2018. There is however a significant disparity between the diversity of social investment directorships and the wider BAME population, which at the time of the 2011 Census stood at 14%.

Less than one in ten (9%) of executives are from Black, Asian and Minority Ethnic (BAME) backgrounds. Whilst the results are not representative of the 2017 survey (21% BAME executives) the underlying pattern remains that BAME individuals are more likely to hold executive positions than directorships.

BAME representation in the wider workforce is however more encouraging. Over a quarter (27%) of survey respondents identified as belonging to a non-white ethnic background.

The proportion of respondents from Black, Asian and Minority Ethnic (BAME) backgrounds has increased slightly since the 2017 survey, representing 23% of total responses, which may suggest a slight increase in BAME representation within the sector overall.

Encouragingly, the survey indicates that the sector workforce is more ethnically diverse than the wider population, where 14% identify as BAME. However, it is important to note that the last Census was in 2011 and the BAME population is likely to now be significantly higher. We should also reflect on the high concentration of social investment firms in London and the South East, areas with proportionately higher ethnic populations. London has the most ethnically diverse population in the UK; 40.2% are from BAME backgrounds.

The social investment sector still falls significantly short of ethnic representation at senior leadership level and director level compared to the wider population (14% BAME). However it should be noted that the sector is still performing better than the charity and financial sectors at executive level; 6.3% of charity trustees identify as BAME.

INCLUSIVITY

Almost two-thirds (60.7%) of people from Black, Asian and Minority Ethnic (BAME) backgrounds said that their organisation was an excellent place to work, compared to 44.8% of their white counterparts. This suggests that people from minority ethnic backgrounds are generally happy with their working environment.

White employees rated their organisations as being more inclusive than their non-white colleagues. Nine out of ten (93%) of white employees strongly agreed or agreed that their organisation is inclusive, compared to seven in ten (70%) BAME employees.

It is important to note at this point that an organisation can be classified as excellent but not inclusive, particularly if individuals feel they cannot engage as their full authentic self.

ETHNICITY CHALLENGES

Social investment staff who were interviewed showed considerable 'self-awareness' of the lack of visible staff from ethnic minority backgrounds. Less than one in five (19%) BAME respondents said that they were in a position of senior leadership or executive roles, compared to 21% in 2017.

The lack of 'visible' BAME role models created a perception of the sector being dominated by 'white middle-class men'. If the espoused belief within the sector is one of 'exclusivity' this is also likely to have a negative effect on attracting people from minority ethnic backgrounds into the sector. Some of the individuals interviewed who did not come from a financial background spoke of a 'lack of awareness' of the social investment sector and the types of roles that exist. Some spoke of 'stumbling' into the sector.

Another factor inherent in the majority of small social investment firms was the lack of a specific diversity policy and appropriate diversity training for staff members.

Disability Diversity

Disability defines any physical or mental impairment which has a significant and long-term detrimental effect on a person's abilities to carry out day-to-day activities. It is estimated that 16% of UK adults of working age have some form of disability, currently there is no previous comparative benchmark for the social investment sector.

Just 7% of survey respondents considered themselves to have a disability or other long-term health condition, 2% chose not to disclose their disability information. The findings are broadly similar to that of the 2017 Big Society Capital Survey, and suggest a slight improvement from the 6% of respondents identified as being disabled.

However, the proportion of disabled workers is less than half that of the working age population who identify as having a disability, equivalent to around 16% for adults of working age. In the public sector, 6.2% of Civil Servants have a declared disability, yet the sector has set aspirational targets of achieving 11.3% representation by 2022-25.

During our interviews disability was mentioned frequently by interviewees with many stating a lack of 'disabled employees' in their organisations and the access to the office being limited. This highlights the misconception of disability being limited to physical factors only.

HOW INCLUSIVE IS THE SECTOR FOR PEOPLE WITH DISABILITY?

Half of all respondents with a disability said that their workplace was a 'good place to work / an inclusive environment'; a further half rated their workplace / inclusivity as 'average'.

These results compare favorably with the wider survey; 80% rated workplace inclusivity as excellent or good.

What barriers exist for people with disabilities? We noted some inclusive practices, including flexible and home working. However, we also noted some physical barriers, including a lack of focus on recruiting people with disabilities, and accessibility issues with office premises.

Those working in the social investment sector are aware that disability is lacking in many areas, and this was reflected in the statistics. Accessibility constraints in many smaller social investment firms may present physical barriers to those with mobility impairments, however more work needs to be done to understand the issues for those with 'unseen' disabilities.



WHAT BARRIERS EXIST FOR PEOPLE WITH DISABILITIES?
ACCESSIBILITY ISSUES WITH OFFICE PREMISES.

Beyond the Protected Characteristics

SOCIOECONOMIC BACKGROUND

Almost one in five (18%) of directors in the sector attended Oxford and Cambridge universities. Board executives in the social investment sector were 'ten times more likely' than the wider population to have attended Oxbridge universities.

Our analysis shows that 10% of executives attended Oxford or Cambridge universities compared to just 1% of the wider population.

Comparative data for the charity sector is not available, however other statistics suggest that almost a quarter (24%) of executives in the FTSE 100 attended Oxbridge universities.

Two-fifths of directors and one-third of executives on social investment boards attended fee-paying schools. Directors were almost six times more likely to have attended fee-paying schools compared to the wider population. Around 7% of the wider population are reported to have been educated privately. Comparative figures show that social investment directors and executives are more likely to have attended private schools than 2018 Cabinet Ministers; 34% of whom attended fee-paying schools.

These findings were mirrored across all levels of the social investment sector. Over a quarter (27.4%) of survey respondents attended Oxbridge universities compared to just 1% of the wider population.

The survey also showed that staff were almost twice as likely as the wider population to have attended a fee paying school; 13% were privately educated compared to 7% of the wider population.

ALMOST ONE IN FIVE (18%) OF DIRECTORS IN THE SECTOR ATTENDED OXFORD AND CAMBRIDGE UNIVERSITIES. BOARD EXECUTIVES IN THE SOCIAL INVESTMENT SECTOR WERE 'TEN TIMES MORE LIKELY' THAN THE WIDER POPULATION TO HAVE ATTENDED OXBRIDGE UNIVERSITIES.

The social investment sector has previously faced criticism for being too elitist in its approach at the expense of 'grass-roots' causes. Social Enterprise UK identifies that 38% of all UK social enterprises work in the most deprived 20% UK neighborhoods. These findings highlight the current mismatch between the personal background of investors and the causes that they represent.

Socioeconomic Backgrounds and Intersectionality with other Diversity Characteristics

Our analysis shows that BAME directors and executives were more likely to attend Oxbridge universities compared to their white counterparts. This leads us to believe that the sector could either be potentially attracting a higher calibre of BAME candidates due to the social nature of the work or setting a much higher bar for BAME candidates.

We suspect the answer is likely to be either, depending on the employer. Our board analysis shows that just under a quarter (23.7%) of BAME directors attended Oxbridge universities. This was actually higher than the proportion of white directors and executives who attended Oxbridge universities (17.5%). Two fifths of directors and executives from BAME backgrounds attended non-UK universities.

Older BAME board members came from lower socioeconomic backgrounds than the younger BAME board members. There are relatively strong negative correlations between age and both school rating and university rating (-49% and -22.9% respectively); younger board members who were BAME attended higher performing universities. This poses some potential questions.

Does this pattern reflect wider improvements in educational backgrounds for people of ethnic minorities? Or is the social investment sector simply recruiting people from BAME backgrounds who attended more prestigious universities than their counterparts? Statistics for the wider population show that people from minority ethnic backgrounds occupy 11.8% of higher managerial and professional occupations, whilst at the other end of the socioeconomic spectrum 28.9% of those classed as being 'in long-term unemployment' are from BAME backgrounds.

PROFESSIONAL BACKGROUNDS

Around one third (32%) of directors and over a third of executives (36%) have a professional background in finance. One in five (20%) of executives and 14.5% of directors have backgrounds in the non-profit sector. The sector has been criticised for being too reliant on the expertise and models of the financial sector. The board analysis does indeed suggest that the financial sector has a significant influence on the social investment sector, at least in terms of board members' backgrounds.

Financial backgrounds were also prevalent amongst the wider workforce; One third of respondents (33.5%) had a professional background in finance / banking. These findings were largely reflective of our board analysis. Around a quarter (23.6%) of respondents stated that they hold a chartered professional accreditation in accounting (including ICAEW, ACA) with a further 4% currently working towards accreditation.

One noticeable difference was that female directors and executives were more likely to have had a professional background in the third sector than the financial sector. Our analysis shows that almost two-fifths (38.2%) of male executives and directors had a financial background, compared to less than one in five (18.7%) of women. One fifth (19.9%) of female directors and executives had a background in the non-profit sector, compared to 11.9% of men. These findings do mirror established patterns in other sectors. Our 'Charities: Inclusive Governance 2018' report identified that nearly two-thirds (65%) of the charity sector workforce were women, whilst 43% of trustee and executive boards in the UK's top-500 charities identified as female.

However, there is a notable lack of representation in charity treasurer roles; women account for less than a third (32%) of treasurers. Research from the financial sector also suggests that women are less likely to hold key financial decision-making roles. The social nature of the sector could again be a factor for drawing already underrepresented female finance practitioners to the sector.

There is an increasing need for organisations to look beyond the protected characteristics. Additional dynamics to take into account can include less tangible factors such as life experience and professional backgrounds. Historical family income indicators and educational backgrounds provide an imperfect indicator of socioeconomic advantage or disadvantage. The aim of a truly diverse organisation is to cultivate a broad spectrum of attributes and characteristics.



Conclusion

Our findings show that the social investment sector suffers from the same challenges faced by other sectors.

The previous reports which this research follows highlights the gender and ethnicity challenges it was facing and this has not changed or improved at the time this report was published. We have identified continuing challenges for women and people from minority ethnic backgrounds. The report has also identified a previously undiscovered factors relating to 'class diversity' in the sector.

GENDER BARRIERS

The figures for women in senior positions is in decline. Whilst we have taken into account the varying sizes of the organisations operating in the social investment, the sector serves a wide spectrum of service users and has a duty to reflect at minimum its service users internally.

BARRIERS FOR ETHNIC MINORITIES

The ethnic diversity gaps are most evident at senior management level and in board rooms. Key challenges highlighted are linked to lack of transparent progression routes making it difficult to navigate where to go next or how to get to senior positions.

SOCIO-ECONOMIC FACTORS

Outside of the protected characteristics, socioeconomic diversity is a challenge for the sector at all levels. Board members and executives were more likely to have attended 'elite' universities compared to the wider population. A surprising finding in our data showed that these same individuals are likely to have gone to a 'state school'. The correlation may be linked to the desire to 'give back' or work in a sector with a social impact.

OPPORTUNITY TO CHANGE

Whilst the challenges faced by the social investment sector are not unique, the size and relatively young age of social investment means there is an opportunity to drive change and lead by example in this area.



Appendix

LITERATURE REVIEW

Social investment is based on the principle that private capital can be used to “create positive environmental and social outcomes as well as financial returns”. Social finance has emerged as a mechanism to provide investment for charitable causes, driven by a combination of financial market failures in the private sector and the unsuitability of conventional forms of finance for social aims. At the same time, social finance is also ‘blurring the boundaries’ between private, public and third sector investment.

Conventional financial instruments, such as bank loans, have primarily focused on financial returns, whereas social finance places a greater emphasis on social impact. There is however a dichotomy between generating social impact and generating financial returns, and this is reflected in the performance of the social investment sector. Elements which increase profitability can negatively impact upon the effectiveness of social objectives.

There is also a lack of clarity regarding the definition of social investment. There is currently no consensus on whether social investment with a primary objective of ‘financial return’ should also be classified as social investment on the basis of incidental social impact. The UK Government has argued that only funds which pursue positive social impact should be regarded as social investment.

Any organisation seeking external investment or repayable finance must demonstrate that they are financially credible and are capable of producing financial returns through their business models, however the emphasis of social finance is geared towards the ‘added value’ of social impact.

A report published by the Young Foundation argues that organisations must demonstrate evidence of impact a compelling story about their added social value, and in terms of financial value.

The influential report published by the Young Foundation found that social investors and social ventures currently have a limited understanding gender-focused lenses. The results of the Big Society Capital Survey shows us that whilst gender parity has been achieved within management teams, there is a clear drop-off for females transitioning to higher-decision making roles, with just 28% representation at executive and leadership team level, and 38% representation at trustee and director level.

Compared to the charity sector, the social investment sector is yet to achieve the same level of gender parity. The ‘Charities: Inclusive Governance 2018’ report by Inclusive Boards identified that nearly two-thirds (65%) of the workforce were women, whilst 43% of trustee and executive boards in the UK’s top-500 charities identified as female. Social investment does however appear to be doing better than the financial services sector. A House of Commons Treasury Committee report identified that women occupy less than a quarter (23%) of board positions and only 14% of executive committee memberships. Female executives were also more likely to perform corporate and support functions including HR, compliance, policy and audit roles. These findings suggest that women are less likely to be involved in key financial decision-making roles.

The Big Society Capital Diversity Survey also shows significant disparities for people from Black, Asian and Minority Ethnic (BAME) backgrounds. The progression of BAME employees into managerial roles is of particular concern to the sector.

Despite nearly a third (30%) of the workforce being in operational roles within social investment less than one in ten (9%) of social investment managers identify as BAME. The charity sector has traditionally struggled to attract and promote BAME talent into senior leadership roles. Our Charities: Inclusive Governance Report 2018 identified that only 6.3% of charitable trustees are from BAME backgrounds.

Growing numbers of trusts and foundations are also offering social investment products. The Esmée Fairbairn Foundation is one of the largest grant-making trusts in the UK. Since 2008 the foundation has also been providing social investment finance. The foundation has made over 120 social investments, supporting a range of charities, social enterprises, community societies and social investment funds. In 2017 the foundation committed £3.3 million in social investments, creating social impact through the arts, environment and social change. One of the biggest challenges facing the grant-giving sector is a lack of diversity, particularly at board and investment levels. In 2018, the Association of Charitable Foundations (ACF) revealed that two-thirds of trustees in trusts and foundations are male, nearly all (99%) of people on boards are from white backgrounds, and nearly two-thirds (60%) of trustees are aged over 65.

Other reports also suggest that there is a lack of socioeconomic diversity in the sector. The 2027 campaign is a coalition established in 2018 including Charity Works, the UK’s third sector graduate scheme, and ‘Ten Years’ Time, a philanthropy advisory firm. The aim of the project is to prepare professionals from working class backgrounds for decision-making roles in the grant-giving sector. Fifteen associates will be supported each year, providing a cohort of 150 individuals from underrepresented backgrounds with the intention of enacting social change in the grant-giving sector.

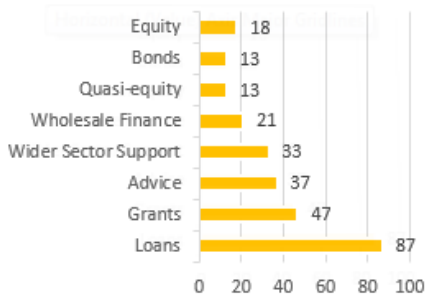
The global movement of social investment is becoming increasingly aware of the benefits of having diverse investment teams. The results of the Impact Investing 2.0 Study found that founders and leaders of the most successful social investment funds come from varied backgrounds and typically have cross-sector expertise.

Appendix

SURVEY FINDINGS

125 individuals completed the survey.

Type of Organisation



Role within the sector

- 32.5% senior management / executive teams
- 58% had managerial responsibility
- 17% finance roles

Demographics

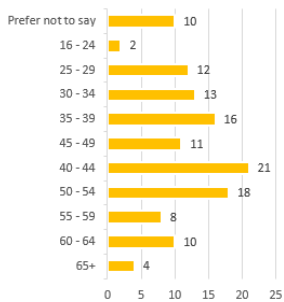
Gender

- 51% female
- 46% male
- 3% undisclosed

Marital Status

- 59% Married / Civil Partnership
- 36% Unmarried
- 4.8% undisclosed

Age Groups



Ethnicity

- 27% BAME Backgrounds
- 73% White Backgrounds

Nationality

- 35% British
- 31% English
- 33% Other Nationalities

Nationality

- 35% British
- 31% English
- 33% Other Nationalities

Languages Spoken

- 50% English Only
- 32.5% English + another language
- 6% Non-European Languages

Disability

- 7% Disabled
- 2% Undisclosed

Sexual Orientation

- 7.2% LGBT+
- 80% Heterosexual / Straight
- 2% Undisclosed

Religion / Belief

- 43% no religion / belief
- 36% Christian
- 14% Undisclosed
- 7% Other Religion / Belief

Socio-Economic Indicators

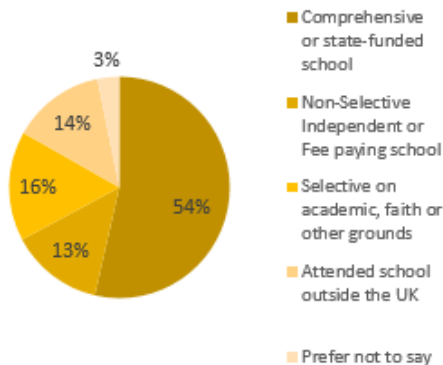
- 53% of parental backgrounds in professional or managerial background compared to 45.8% of the current population.

Professional Backgrounds

- 33.5% Finance / Banking
- 12% Business
- 10% Public Sector

Education

School Type



- 85% Level 4 qualification or above
- 41% Postgraduate degrees
- 27.4% attended Oxbridge universities (compared to 1% of the wider population).

Role within the sector

- 81% Full-time
- 18% Part-time
- 52.8% flexible working arrangements; 31.2% flexi-time; 10% homeworking.

Caring Responsibilities

- 37.7% had caring responsibilities; 16% caring for dependents; 11.6% secondary caring responsibilities

Length of Service

- 26% - 3 to 5 years
- 22% - 6 to 10 years

When asked about working patterns, Survey respondents said: 52.8% flexible working arrangements; 31.2% flexi-time; 10% homeworking. This is a positive for a sector often compared to the finance sector.

Appendix

INTERVIEW KEY FINDINGS

Interview Questions Asked

1. What does diversity and inclusion mean to you?
2. Can you tell me more about your role within your organisation?
3. How did you get this job?
4. How long have you worked with the organisation?
 - a. If new to the organisation – ask what their first impressions of the culture is?
 - b. If not – ask them what the culture of the organisation is and how the contribute to it?
5. The social investment sector is fairly new, how did you get into this field/sector?
6. What made you decide to apply for this role?
7. Do you have a progression plan/route in your role/organisation?
8. Is this plan unique to you or accessible to all?
9. Do you feel you have the support of your manager or the Senior Management Team to achieve this goal?
10. Do you see yourself remaining in the sector till retirement?
11. How is your organisation different from any other ones you have worked for?
12. Have you ever received organisational training on diversity and inclusion?
13. How was this delivered and how effective was the training in your opinion?
14. What practices or changes have you implemented since the training?
15. Are aware of any organisational policies relating to diversity and inclusion?
16. Which policies or practices do you judge to have been less effective in improving the progression of underrepresented employees in your organisation?
17. Do you identify as BAME?
 - a. If so, do you think the challenges for women of BAME background are different to challenges of women of non-BAME background when navigating progression or career advancement in the sector?

18. Which policies or practices do you judge would be more effective in improving the progression of underrepresented employees in your organisation?
19. Are you aware of women employed in your organisation in positions of leadership at Director and above level?
20. Do you have any other comments or suggestions regarding diversity and inclusion within the organisation?

Key Findings

Q1: Respondents gave varied questions and listed diversity strands within and outside of the protected characteristics. Some emphasised the focus has been on gender which has excluded other diversity strands

Q3: This varied across been headhunted, encouraged to apply, through an agency, a temp role that became permanent and found out about the role through word of mouth. What was clear from the majority of the answers was the rigorous interview process which consisted of a telephone interview, and minimum two face-to-face interviews.

Q4: Respondents mentioned the open and flat structure of their organisations especially smaller organisations. within larger organisations, teams tend to be quiet small.

Q5: The majority stumbled into the sector by chance. Only a few respondents knew about the sector whilst studying and decided they would work for a social investment organisations.

Q6: Most responded that it fit in with what they were doing and if they had changed roles, there was a position open and they applied and were successful.

Q7: The majority of respondents did not have a progression plan in place either individual or explicit

Q8: Most organisations do not have a progression plan in place. This makes it difficult for individuals especially women and BAME individuals who face a ceiling to navigate to higher positions. In addition, some responded that progression is not often a change in job title, just more responsibilities which makes it even more difficult to track.

Q9: All interviewees responded positively and praised the flat structure for enabling this.

Q10: Some respondents did not see themselves remaining in the sector for the long-term whilst others were open-minded about the opportunities available to them within or external to the sector. Others has entrepreneurial aspirations.

Q11: Some responded that it is more open, less corporate, less ridge and allows the flexibility required to maintain a work-life balance.

Q12: The majority of the respondents with the exception of one person responded 'No' to this.

Q13: This was delivered in-person but was not followed up with actions.

Q15: The majority responded with uncertainty. Some are sure there is likely to be one but were unaware about it or where to find it.

Q16: Some were unsure about this as they felt there were some good polices in place but they were not put into practice. Some respondents commented on recruitment policies and practices have been introduced such as blind CVs but were unsure how that is practiced at interview stage.

Q17a: The answers to this was varied as it could only be answered based on personal experience. Most agreed that it was difficult not to generalise. "In general this is an issue however in relation to social investment it is a lack of few visible BAME women in senior leadership positions, on boards that leds them to believe there is likely a difference".

Appendix

INTERVIEW KEY FINDINGS

Q18: This was again a difficult question as some agreed there is a challenge in general for women in the sector. However, if they were to concentrate on BAME women, they would suggest mentoring schemes, make training opportunities available but at individual discretion to take this up.

Q19: The answers to this varied from 0 to 2. Despite variations in the numbers quoted, the numbers remained below 3.

Q20: There were suggestions to introduce mentoring schemes for young people, internship and graduate opportunities. The grad scheme would cut across organisations in the sector where each graduate would spend a few months rotating in different departments and in different organisations.

OBSERVATION KEY FINDINGS

Sitting Arrangements

In every meeting we observed, we noticed women and men would cluster together in the same group. This remained even if someone came in late. This arrangement remained consistent despite a major interruption to the meeting which meant it had to be moved elsewhere. This observation is mostly seen in larger groups (ethnicity and religion). This is a sub-conscious effort to maintain 'survival' in a meeting and find people who look like you.

Communication

We observed that men tend to lead the meetings as they are often the Chair or CEO. In the meetings, the men used assertive body languages (bold, open gestures). These gestures varied from open palm behind their heads, leaning back on their chair, explicit use of their hands when talking and more likely to use humor. These gestures are not always negative as the Chair needs to maintain meeting momentum and stick to time.

There are clear contrasts between how the women communicate in meetings. They tend to use more submissive body languages. They tend to fiddle with a pen or hold a tea cup in their hands, they sat diagonally or to the side on their chairs. They were also more likely to fold their hands in keep their palms closed.

We also noticed that when a woman speaks in a meeting, the man is more likely to speak immediately either in agreement or to further explain what the woman has just said. This could be due to the ratio of male vs women at the meetings or due to the particular subject matter.

In a particular meeting, we found that despite there been more males present in the room, a conscious effort was made to speak to the women more than the men.

Research Limitation

GENERAL

UK legislation covering protected characteristics (age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation) set minimum standards for diversity and inclusion. However, an effective diversity and inclusion strategy goes above and beyond legal compliance and seeks to engage with staff, management and stakeholders more holistically.

This report has addressed race, age, and socio-economics characteristics within the social investment sector. Historical family occupational income and educational backgrounds provide an imperfect but important benchmark for comparing socioeconomic backgrounds. However, we acknowledge that more work need to be done to address different elements of diversity, both within and beyond the protected characteristics. Further research relating to gender reassignment, pregnancy and maternity, and sexual orientation could be used to set additional benchmarks for the social investment sector.

SURVEY SAMPLE

We had a large data set of survey participants relative to the total organisations we identified in the sector. However, the demographic of the survey participants is skewed towards White Women who work in the sector. This means we may not have the balance of diverse survey participants. On the other hand, it may be representative of the workforce in the sector. Further research may need to ensure the sample population as reflective of the workforce where possible. This may mean, each organisation regardless of size to report their diversity monitoring to the 'Diversity Forum' who can analyse and publish the data annually.

OBSERVATION DATA

During the observation everyone in the meeting was aware of the research taken place. This means some individuals may have adjusted themselves during the meeting so as not to be recorded. Especially as attention was drawn to the presence of the Researcher on several occasions during the meeting. Body language is a type of non-verbal communication in which physical behavior, as opposed to words, are used to express or convey information. We are confident this information is reflected in our findings.

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ABOUT INCLUSIVE BOARDS



This research was conducted by Inclusive Boards (IB), an organisation set up specifically to support organisations in efforts to develop more diverse boards/ senior leadership teams and stronger governance structures. Our services include Research & Advisory, Executive Training and Executive Search.

We have worked with some of the largest NGOs in the world, including Amnesty International, the Royal National Institute for Blind People (RNIB) and British Red Cross. We have been part of the UK government Cabinet Office strategic activities focused on improving diversity in governance across various departments. We have also worked with over 120 grant-funded sport organisations to support their development of diversity plans as part of their governance requirements. This is an historic piece of work within sport in the UK and required us to deliver a research-based solution. UK Sport & Sport England jointly commissioned us for the delivery of this work as part of the New Code for Sports Governance.

Through our collective experience we have developed the following for a number of organisations: diversity action framework and plans, skills matrix, constitutions, governance reviews, research activity to determine initial baselines and more. We are at the forefront of advancing diversity, equality and inclusivity within a range of sectors. We deliver our work through a mix of analysis, research, training, consulting and awareness raising activities. We have contributed to a number of projects aimed at improving diversity and inclusion at governance level and have supported organisations with the development of their strategic plans as well as equipping stakeholders, decision-makers, leaders and members with the right tools and methods to understand, implement, improve and manage change at all organisational levels.



**WE ARE AT THE
FOREFRONT OF
ADVANCING
DIVERSITY,
EQUALITY AND
INCLUSIVITY
WITHIN A RANGE
OF SECTORS**





Social Investment Sector

INCLUSIVE IMPACT: A
COMPREHENSIVE REVIEW OF
DIVERSITY IN THE SOCIAL
INVESTMENT SECTOR