

A man and a woman are sitting at a table in a modern office setting, engaged in a conversation. The man, on the left, is wearing a blue button-down shirt and glasses, and is gesturing with his hands while speaking. The woman, on the right, is wearing a green blazer, a red and grey patterned hijab, and glasses, and is smiling and listening. There are papers and a laptop on the table in front of them. The background shows a bright office space with plants and large windows.

Racial Equity Scorecard

For UK public market investments

The Racial Equity Scorecard evaluates the racial equity performance of UK companies, enabling investors to act in public markets and companies to respond directly within their own organisations.

It is free to use, and support options are available.

It is delivered in partnership with The Social Investment Consultancy (TSIC) and the EIRIS Foundation.



An Introduction to the Racial Equity Scorecard

Benefits of using the Racial Equity Scorecard

There is a clear ethical imperative and commercial logic to ensuring racial equity not just in investment but within organisations. Responsible and racially equitable investment delivers long-term value to all stakeholders, minimises negative impact on society, generates higher equity returns and higher market performance, and improves talent acquisition and employee engagement. Diversity and racial equity stimulate creative thinking and perspective, which in turn can drive better-performing investment decisions.

Confident investment decision-making

- Portfolio assessment: measure and understand the impact of a portfolio or investment
- Optimise product performance: select the best performing companies



Enhanced reporting and disclosure

- Report on racial equity within your organisation/portfolio
- Track progress over time within your organisation/portfolio and against peers



High performance and return

- Improve return on investment by building a diverse and inclusive portfolio
- Attract the best talent to your company
- The McGregor-Smith Review (2017) estimated that greater focus on racial equity could potentially add £24 billion to UK GDP

Overview of Themes and Indicators

Racial Equity Scorecard provides a practical tool to evaluate racial equity performance within investment. The scorecard can be used for portfolio analysis, reputational risk management, and to assess directly, companies, asset managers or funds based on their strategies and actions taken to advance racial equity.

The scorecard contains 19 metrics across five themes for companies and can be used either as a standalone tool or to complement other environmental, social and governance (ESG) and diversity, equity and inclusion (DEI) metrics and benchmarks.

There are four additional metrics specifically for asset owners with investment portfolios and asset managers in financial services. However, the scorecard is designed to be used in any sector or industry, with just one theme, Business Model, being sector-specific. Each metric is scored using a points-based system, making it easy to evaluate your business.



A) Governance and Strategy

01 Commitment to Racial Equity

A public commitment backed by a plan, internalised through policies, budget and staff.

02 Race-sensitive Human Rights Due Diligence (HRDD) and Grievance Mechanism

Race-sensitive HRDD inclusive of refugees, migrants and indigenous people with grievance mechanisms and remediation.

03 Board-level Accountability

An identified board member or regular review of the board's contribution with independent audits or progress reports.

04 Collaboration and Partnership

The company takes an active part in racial equity alliances and partnerships.

05 Red Flag: Failure to have at least one ethnic minority board member by 2024 or to set 2027 senior management targets.

B) Workplace Culture and Agency

01 Diversity Across Different Employment Bands

A commitment to reflect the racial/ethnic composition of the community in the board, leadership and workforce with annual data.

02 Pay Gap and Job Security

Intersectional data on both pay and tenure is disclosed yearly with action plans to close any pay gaps.

03 Education in Diversity and Racial Equity

Trainings or mentorship schemes are introduced at every level, focussing on an effective inclusive ethos and outcomes.

04 Freedom of Association

Supports collaboration with unions or provision of internal support groups for racial equity.

05 Wellbeing and Psychological Safety

Annual surveys and runs supportive schemes and programmes.

06 Flexible Work Patterns and Adjustments

Flexible working and adjustments that cater for the needs of Black and Ethnically Minoritised communities.

07 Red Flag: Failure to address discrimination and harassment on racial grounds as part of equal opportunities policies.

c) Business Model

01 Inclusive Products and Services

Products and services are periodically analysed for racial equity and development opportunities.

02 Supply Chain and Value Chain

High-risk supply chains assessed for racial equity and minority-led businesses included in the value chain.

03 **Red Flag: Failure to address workers' rights or apply HRDD in supply chains with a high risk of poor human rights or labour standards.**



D) Wider Community

01 Reparations for Historical Injustices

Reparative actions, donations and advocacy for racial equity.

02 Investment in Key Social Determinants

Investment in local economic development and education/training/employment/housing to advance racial equity.

03 Red Flag: Failure to address historical injustices.



E) Controversies

- 01 **Records of racial equity controversies and how the company has responded.**

F) For Portolfios

- 01 **Racial Equity Impact Strategy**

Disclosure of tangible measures on strategy and investment philosophy with context-specific goals.

- 02 **Allocated Part of the Portfolio to Businesses that Advance Racial Equity**

A specified part of the portfolio advances equity through share investors' ownership, leadership and other impacts.



G) For Asset Managers

01 Stewardship Activities Advancing Racial Equity

Consideration is given to investees' racial equity performance in voting and engagement.

02 Tools and Networks to Analyse Racial Equity

Tools and networks to advance analysis and understanding of racial equity in the investments/ firms analysed.



Further Information

For further information and support on how you and your organisation can benefit from the Racial Equity Scorecard, please visit racialequityscorecard.uk or email at: res@racialequityscorecard.uk

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