



Institute and Faculty of Actuaries: response to FCA cp23-20 (Diversity and inclusion in the financial sector – working together to drive change)

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide and oversee their education at all stages of qualification and development throughout their careers.

Overview

1. The Institute and Faculty of Actuaries (IFoA) is pleased to respond to the Financial Conduct Authority (FCA's) consultation on Diversity and Inclusion (D&I). We note that the respective consultation proposals build on those in the earlier joint Bank of England Discussion Paper DP21/2 on D&I in the financial sector. In our response below, we make reference to our earlier submission on DP21/2 where relevant.
2. As with any IFoA consultation response, we have considered the FCA's proposals on D&I from an independent, public interest perspective.
3. In our response we use the terms D&I in the context of the FCA's proposals, and Diversity, Equity and Inclusion (DEI) in the context of related IFoA initiatives.

About the IFoA

4. The IFoA is the UK's only chartered professional body dedicated to educating, developing, and regulating actuaries based both in the UK and internationally. The IFoA regulates and represents over 32,000 members worldwide, overseeing their actuarial education at all stages of qualification and development throughout their careers. We set examinations, continuing professional development, professional codes, and disciplinary standards for our members.

Beijing**Edinburgh****Hong Kong****London (registered office)****Oxford****Singapore**

14F China World Office 1 · 1 Jianwai Avenue · Beijing · China 100004 · Tel: +86 (10) 6535 0248

Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA · Tel: +44 (0) 131 240 1300

1803 Tower One · Lippo Centre · 89 Queensway · Hong Kong · Tel: +852 2147 9418

7th Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP · Tel: +44 (0) 20 7632 2100

1st Floor · Park Central · 40/41 Park End Street · Oxford · OX1 1JD · Tel: +44 (0) 1865 268 200.

163 Tras Street · #07-05 Lian Huat Building · Singapore 079024 · Tel: +65 6906 0889

The IFoA Diversity Strategy

5. As a professional body with a considerable number of our members working in the financial services sector, we have a strong interest in helping to promote and encourage greater representational diversity and diversity of thought.
6. The IFoA's response is drawn from the IFoA Diversity Strategy, launched in January 2022. A volunteer member-led Diversity Action Group (DAG) partners with the IFoA Executive in the implementation and advance of the IFoA's DEI strategy.
7. The IFoA has a strong commitment to DEI, rooted in our Charter principles which seek to act in the public interest and for the good of society. We have a clearly stated purpose to 'Champion and embody the benefits of a globally diverse and inclusive profession'. Embracing diversity of thought and perspective is also essential to the role of an actuary. Our commitment to achieving our purpose is unequivocal; however, it can only be brought to life by being made actionable, measurable, and visible.
8. Full details of the strategy and the key activities that support it can be found [here](#).

IFoA Opening Comments

9. As stated in the our Diversity Strategy, 'Not only is there a moral case rooted in principles of justice and fairness, but there is also a triple gain from improved equality and a fairer society':
 - first of all, more equality leads to improvements in productivity, mental health, and life expectancy. In the UK alone, the Bridge Group ¹ highlights a potential for £39bn annual gain;
 - secondly, employers gain from a greater array of talent and a broader perspective on the challenges their organisations face;
 - finally, individuals gain through being able to fulfil their potential. Our profession benefits too, by being able to attract and retain talented people from all backgrounds.
10. The IFoA recognises that small, niche professions - such as the actuarial one - need to be able to attract talented individuals from the widest pool of potential. A strong and positive DEI approach is necessary to be able to grow and develop a diverse profession. We believe that as part of their role, individual actuaries should apply professional judgement and challenge group think in the organisations they work in or advise.
11. It could also be argued that embracing DEI should be a commercial imperative for financial service firms moving forward. Reflecting the needs, experiences, and backgrounds of the widest set of potential consumers/customers in a firm's workforce - in a manner relevant and proportionate to the firm - makes good business sense.

¹ See: <https://kpmg.com/uk/en/home/media/press-releases/2022/12/social-class-is-the-biggest-barrier-to-career-progression.html>

What is the IFoA Doing?

Data

12. Through work to support our DEI Strategy, we are playing our part in gathering valuable data to help drive improvements in DEI in the financial sector. Throughout 2022, the IFoA contributed to the work of the City of London Socio-economic Diversity Taskforce. More than 1,000 UK-based IFoA members contributed to the Taskforce's baseline survey, and the IFoA has now become an official supporter of the Taskforce's new membership body 'Progress Together'.
13. Additionally, the IFoA has run its third annual DEI colleague survey, with a 72% response rate, and published a gender pay gap report as part of the 2022/23 Annual Report. More broadly, demographic data for the IFoA Council, Management Board, Regulatory Board, and the Executive Leadership Team (ELT) was published for the second time in the 2022/23 IFoA Annual Report, building on baseline data gathered in the 2021/22 report. We will seek to continue collecting this data in future years to enable trends in the demographic diversity of these groups to be monitored over time. Furthermore, all IFoA Committee and Board appointments consider DEI; it is also part of our Nomination Committee's Terms of Reference.

Working With Employers

14. Whilst we do not regulate firms ourselves (outside the context of our voluntary Quality Assurance Scheme [see *paragraph 20*]), the IFoA can play a role in encouraging members who work within regulated firms and to help focus diversity initiatives across the profession. This year, we launched the DEI Employer Network. The network is designed to connect actuarial professionals and employees who have DEI responsibilities. It facilitates conversations and provides a space for sharing profession-specific trends, challenges, and best practice. We provide an opportunity to engage in insightful discussions, exchange ideas, stay up to date with the latest industry trends and gain valuable insights from diverse perspectives. During the launch of the network in June 2023, we brought together 16 employers who share a common vision of championing socio-economic diversity. This marked a significant milestone in our journey toward creating a more inclusive and diverse profession, where individuals regardless of their backgrounds can thrive and contribute their unique perspectives.
15. A further session took place in September, focusing on neurodiversity. Overall, the network has so far brought together DEI specialists from 26 of our key employers, fulfilling our role as a sector body and convener of best practice. Early sessions received positive feedback and plans are in place to continue to grow the network through quarterly sessions on various DEI topics.

Working with Schools and Universities

16. We seek to raise awareness of actuarial careers, particularly through engagement with schools universities and routes through apprenticeships, to support best practice. This has included the first ever online-only 'Count Me In' event, held in December 2022, linking bright young maths students from historically under-represented backgrounds to employers, and supporting them in taking early steps towards entering the profession. Further events are planned for Spring 2024. DEI considerations have also been incorporated into the application and accreditation process for universities seeking an agreement with the IFoA.

Thought Leadership

17. In 2021, the IFoA embarked on a thought leadership programme to help promote innovative thinking, debate, and discussion both within and beyond the actuarial profession. The latest edition was published in October 2023 in conjunction with GAIN (Group for Autism, Insurance, Investment & Neurodiversity). It focuses on how firms working within the actuarial (and wider financial services) sector can benefit from having a neurodiverse workforce, as well as providing advice on how to support neurodiverse employees to thrive; it can be read [here](#).

Encouraging Best Practice

18. The Actuaries' Code is the ethical code of conduct to which all IFoA members must adhere. It is important from a public interest perspective that the actuarial profession is a diverse one that draws from the broadest spectrum of views and backgrounds. This diversity is important to ensure the highest standards of both conduct and output. The IFoA has reviewed the Code, to reflect diversity considerations and our commitment to ensuring that our regulatory requirements reflect these aims whilst also setting DEI requirements that are proportionate, consistent, targeted, accountable, and transparent.
19. Professional skills training on DEI topics has been shared with members to support them in embedding DEI considerations in their activity.
20. The IFoA's Quality Assurance Scheme (QAS) is a voluntary, outcomes-based accreditation scheme for organisations that employ actuaries, supporting the highest professional standards. The refreshed QAS was launched in April 2022, which included the introduction of DEI as a sub-outcome to Organisational Culture. A DEI specialist review was undertaken in 2022/23 to provide support and guidance to the accredited organisations in that regard. A further senior QAS representative forum focusing on DEI was held in September 2023.
21. We note that tackling DEI is relevant not only within a firm's Board/ Senior Management and its entry pipeline; it is also important to consider DEI at mid-career stages and progression and we support the work of the Progress Together as an official supporter in addressing this issue.
22. We also note that there are occasions where the actuarial skillset requires different treatment of different classes of individuals where appropriate; for example, in relation to setting reserves where men and women have different life expectancies.
23. The case studies (paras 24/5) below illustrate the impact that actuarial employers/ consultancies can have on increasing DEI outcomes and transforming DEI practice.
24. Hymans Robertson joined the Social Mobility Index, an annual benchmarking and assessment tool for employers, as part of a commitment to recruit and retain the best talent from a variety of social backgrounds. They report that they have moved into the top 75 firms based on a variety of initiatives, including introducing a key household occupation question to measure social mobility within the firm, and helping young people with reading in identified social mobility cold spots.
25. PwC has also focused on increasing socio-economic diversity and improving social mobility and has removed its 2:1 degree classification requirement from its recruitment process. They state: 'This move isn't primarily about attracting more applications but opening our roles to students from a broader range of backgrounds, including those from lower income households.'

IFoA Response to Consultation Proposals

FCA Q2: To what extent do you agree with our proposed proportionality framework?

26. We note the proposal to differentiate the D&I requirements between large firms and otherwise, using a 250 employee 'cut-off'. It would be good to understand the extent to which the proposals would apply to the population of regulated firms, if applied in full only to firms above this cut-off level.
27. Although not strictly related to the question on proportionality, we note the FCA explains why a range of interventions considered in the earlier DP are not now being taken forward. We suggest the FCA monitor the success of its D&I interventions and consider whether further action may be required subsequently.

FCA Q5: To what extent do you agree with our proposals to expand the coverage of non-financial misconduct in FIT, COCON and COND?

28. The FCA proposes that (lack of) D&I is to be treated as a non-financial risk. If the proposed coverage of non-financial misconduct is to be expanded, then it is important that definitions are as clear as possible. Phrases such as 'disgraceful', 'moral soundness' and 'morally reprehensible' may have different meanings to different people and cultures. Many actuaries work in the relevant firm's risk function and will already have been referencing such factors in their work. The IFoA believes this will now need to be more formally recognised in risk registers with the appropriate measurement, management, mitigation, and reporting. Research and training will be important across the profession to support and facilitate this increased focus and requirement.
29. In relation to the FCA's proposals, notwithstanding the caveat in the revised code of conduct guidance of 4.1.1 CG to 4.1.1 IG (which sets out clearly that not every lapse of the enhanced Conduct rules would constitute a breach), the extended areas now covered (in COCON 1.1.7F R (4)) could be viewed as very subjective. We believe that firms may need a greater more steer on how to interpret these requirements and may feel apprehensive about the sensitivity around navigating through this.

FCA Q7: To what extent do you agree with our proposals on D&I strategies?

30. In our response to DP 21/2, we stated that 'We believe it is important to articulate and demonstrate strong organisational values. It is appropriate for these to be backed by a D&I policy. However, we believe the focus should be on initiatives and outcomes rather than the mere existence of a policy, which could be produced with relatively little effort and could result in a culture of box-ticking and paying lip service.'
31. In CP 23-30 the FCA stipulates that the D&I strategy would also contain, as a minimum: the firm's D&I objectives and goals; a plan for meeting those objectives and goals and measuring progress; a summary of the arrangements in place to identify and manage any obstacles to meeting the objectives and goals; and ways to ensure adequate knowledge of the D&I strategy amongst staff. We welcome that many of our comments have been reflected in the consultation in this regard.

FCA Q8: To what extent do you agree with our proposals on targets?

32. In our response to DP 21/2, we agreed with the statement that collecting and monitoring of D&I data would help drive improvements in D&I in the financial sector. We have demonstrated our commitment to this statement by leading several initiatives on monitoring diversity data within the actuarial profession.

33. We agree with the sentiment in FCA CP 18-23 on not mandating prescriptive targets for firms. We agree that this helps to avoid a one-size-fits-all approach and allows for proportionate application. We also agree that it is appropriate for the mandatory data to be extended, as suggested, as the new regime matures/ is embedded.
34. We are aware that the D&I proposals build on a number of different existing voluntary metrics and initiatives to address historic under- representation in financial services e.g. Women in Finance Charter, the Parker Review etc. These have made a difference, such as to the number of women on Boards. It is important that these proposals are consistent with what has gone before.
35. In our view more guidance may be needed on issues relating to data collection and the efforts that will be required to build up a meaningful level of data. It is recognised that it is not mandatory for employees to provide this data; some may have privacy concerns for example. Firms will need to explain why the data is needed. The impact of small data samples compromising the anonymity of data is noted, but perhaps firms should be given more of a steer as to how to manage this challenge e.g., minimum cohort sizes, increased aggregation. Illustrations would be helpful.
36. The experience of Progress Together data collection and the experience of organisations collecting data over a long period of time is that it can take time to build-up to a viable level of data completion. Sufficiently high levels of data completion may be necessary before meaningful insights and actions can be taken. However, we believe that a lack of data should not be a blocker to progressing initiatives in D&I.
37. It is important that for data collection to be both robust and useful, that clear and consistent definitions are used. Clarity and consistency is necessary in measuring absolute progress and also comparing progress between firms.
38. As we mentioned in our response to DP21/2, neurodiversity is a particular focus for the actuarial profession and, in our view, it is an area that warrants explicit mention in any requirements or guidance. We are therefore disappointed that neurodiversity is not included within mandatory or voluntary data.
39. In relation to socio-economic diversity, we collect relevant data from key IFoA Boards, volunteers, and other members as part of our data gathering exercises, in line with the Social Mobility commission recommended questions. This follows our involvement in the City of London Socio-Economic Diversity Taskforce, and the understanding that data gathering is critical to enable organisations to measure diversity and for progress to be made. We have also gathered information about socio-economic diversity from colleagues in our anonymous annual DEI colleague survey.
40. As an official supporter of Progress Together, and as part of our continued work to follow the recommendations of the Taskforce, we advocate for organisations and actuarial employers to work similarly towards systematic collection of socio-economic diversity data. We would therefore suggest that this data collection should be mandated to ensure further progress.
41. We note there is no proposed metric to capture philosophical or political beliefs despite this being a key aspect of diversity of thought, which is one of the consultation aims. Some philosophical beliefs are afforded protection against discrimination in law and are an important aspect of diversity. We also note that diversity of thought is very important both at and below Board level, to avoid group think and to ensure plurality of thought/ challenge to the status quo. It is important that the focus on characteristics is matched by the need to encourage diversity of thought which is less metrics-orientated. For example, the IFoA's work on neurodiversity is a clear example of this.

FCA Q12: Do you think reporting should instead be mandatory for all demographic characteristics?

42. Aside of whether reporting should be mandatory, we believe a key focus should be on gathering robust data. However, as mentioned above, one reporting (and data collection) gap relates to social mobility, which could be regarded as cross characteristic data.