



# The imperative for LGBTQ+ inclusion

KPMG Board Leadership Centre



“Despite progress, many companies need to rise to the challenge by actively championing LGBTQ+ inclusion and progression. Creating inclusive cultures is not just the right thing to do, it is good for business, can generate higher levels of entrepreneurialism and innovation and help to attract and retain the best talent. A lack of inclusivity on the other hand is a huge risk to business.” **Sir Jonathan Thompson, CEO Financial Reporting Council**

In November 2020, the FRC and the Good Side published their findings on the experience of LGBTQ+\* people and the challenges and barriers they face at work. They found that central to progress was an examination of how ‘corporate cultures can enable, or hinder, the progression of LGBTQ+ people to senior leadership positions’. In his foreword Sir Jonathan Thompson points out that “Progress also supports securing the future prosperity and sustainable growth of businesses and economy at large. Open businesses create stronger growth across global markets, generate higher levels of entrepreneurialism, innovation and profitability and also have the ability to attract and retain the best talent. In other words, a lack of inclusivity is a huge risk to business”.

In the UK, the 2010 Equalities Act specifies sexual orientation and gender realignment as protected characteristics, though looking more broadly there is [evidence that the pandemic has stagnated progress on human rights for LGBTQ+](#) people across Europe over the last 12 months. The UK Government pledged in their 2019 manifesto to ‘vigorously combat harassment and violence against LGBT people’ and have recently announced its [first conference on LGBT rights ‘Safe To Be Me’](#) taking place in June 2022, to protect and promote the rights of LGBTQ+ people all around the world.

The proportion of the UK population who identify as ‘LGB’ rose [to 2.7% in 2019 \(an increase from 2.2% in 2018\)](#), and an estimated [1% are transexual](#), although this is an estimate as many people don’t wish to disclose their sexual orientation.

A lack of reliable data means we don’t have a thorough understanding of the disadvantages this community face and what areas need improvement. However steps are being made to improve data by the UK Census which for the first time in March 2021 included sexual orientation questions and acknowledged the transexual community by asking whether the gender a person identifies with is the same as their sex registered at birth.

Given the UK’s changing demographics and social attitudes as well as the impact LGBTQ+ inclusive policies may have on the company bottom line, boards should take the opportunity to assess whether the LGBTQ+ related policies and practices of the company and the board are oriented toward the future. If the board has not really engaged in such discussions, the following questions provide a good place to start.

## **To help drive progress has the board captured and transparently reported the experiences of LGBTQ+ employees?**

In the same year as the Financial Reporting Council (FRC) published the 2018 Corporate Governance code highlighting the need to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths on boards, [Stonewall](#) reported that 35% of LGBT staff have hidden they are LGBT at work for fear of discrimination.

There is a growing number of large public companies that already have explicit policies that promote inclusion and protect against discrimination as a matter of corporate policy.

(\*Note: the term LGBTQ+ is used here to refer to people who identify as lesbian, gay, bisexual, transgender, queer (or questioning) and others of that inclusive community. Third party quotes, if different, adhere to the terms used by the quoted party).

We've seen a definite shift in culture towards transparency and reporting about diversity. In 2016, the first report from the Hampton-Alexander Review reported 'a lack of public disclosure on gender performance at senior levels', however by 2020 100% of the FTSE350 had submitted their gender data. In 2019, [INvolve](#) showed that 65% percent of FTSE100 companies mentioned LGBTQ+ in their annual reports (an increase from 53% in 2014) nevertheless over a third of the UK's most successful companies weren't reporting their policies to support this community.

Whether or not such policies exist, it is incumbent on all companies to:

- understand the LGBTQ+ population within its workforce
- be clear about the detail of support it provides
- report progress and identify areas that require more work.

Reporting on an organisations LGBTQ+ population provides visibility of the actions boards are taking and helps drive accountability to deliver on commitments.

#### **Does the company provide a safe and inclusive environment in all regions in which it operates?**

Equity and inclusion can provide a competitive advantage in the long-term war for talent. Creating an environment where LGBTQ+ individuals feel safe and accepted is key to retention. ['Open for Business report - Working Globally: Why LGBT+ Inclusion is Key to Competitiveness'](#) found that 'more than 90% of LGBT+ people did not receive information from their employer about LGBT+ laws, networks and culture before or after being offered an international assignment'.

Boards should be aware if the company implements any of the following leading practices:

- A LGBTQ+ employee resource group
- Robust internal anti-discrimination and anti-harassment training at all levels of the organisation
- Culture surveys that offer measurable insight into LGBTQ+ employee perspectives with review and follow up improvement initiatives
- Practices supportive of employees undergoing gender transition, including guidelines with regard to inclusive toilet and changing facility use and dress code, and policies that enable employees to change their names and pronouns on items such as business cards or name tags.

For multi-national companies, the board may also want to seek assurance that management understands the complexities of supporting diversity and inclusion initiatives at offices and facilities located outside the UK.

Companies with global workforces navigate vastly different terrains with respect to the impact of local laws and cultures on LGBTQ+ employees.

For example, an NYU School of Law Center for Diversity, Inclusion and Belonging report, *Opening Up The World: how Multinational Organizations Can Ascend the Maturity Curve on LGBTQ+ Rights*, notes that 70 countries consider consensual gay sex as illegal, with a dozen of these potentially imposing a penalty of death. The report indicates that company approaches fall into three categories:

- **When in Rome.** Make exceptions to an inclusive global policy
- **Embassy.** Enforce the global policy only within the workplace environment
- **Advocacy.** Seek broader societal change

The report's authors emphasise the importance of conducting a risk assessment of the legal, social and company environment each step of the way to build support and a foundational capability for initiatives that may otherwise risk endangering the reputation, safety, or even the lives of its LGBTQ+ employees in a hostile environment.

After building a foundation that enables safe implementation, if management approached the risk awareness and a nuanced strategy, including the embassy and advocacy approaches where possible, this should help provide the board a level of comfort that the company is on top of the issues and is positioned to act appropriately and with transparency.

## Do company benefits equitably address the needs of LGBTQ+ employees?

Competitive benefits are important for attracting and retaining talent.

Last year the FRC set out its first recommendations on disclosing diversity policies for LGBTQ+ staff. It recommended that companies develop policies and procedures that protect staff from discrimination and globally offer benefits like parental and care for dependents leave regardless of sexual orientation and gender identity.

Over the last 5 years there has been a marked increase in companies adopting policies that offer equal benefits to all employees regardless of their sexual orientation, including parental leave, adoption leave, and time off to take care of dependents.

The '[LGBT benefits around the world survey](#)' reported that 78% of UK employers they surveyed provided benefits that assist LGBT employees with family planning and care. LGBTQ+ friendly benefits include those that:

- Provide benefits coverage for same sex (and different-sex) partners as well as spouses;
- Include "routine, chronic care, and transition-related medical coverage for transgender employees and dependents";
- Provide coverage for family planning needs, such as reproductive technology, surrogacy, and adoption;
- Provide coverage for HIV-related medical needs; and
- Offer in-network access to LGBTQ+ knowledgeable medical professionals.

It should be noted that the use of gender-neutral terms when describing parental benefits and in communications can also help create more inclusive dialogue.

As boards continue to assess and oversee the impact of COVID on the business and on the workforce, many are saying 'We're all in the same storm, but we are in different boats'.

There is increasing evidence that both the virus itself and the measures Government has put in place have had a disproportionate impact on LGBTQ+ people and other groups.

When you add an intersectional lens and examine the effects on LGBTQ+ people of colour these issues are piled on top of an already stark disparity:

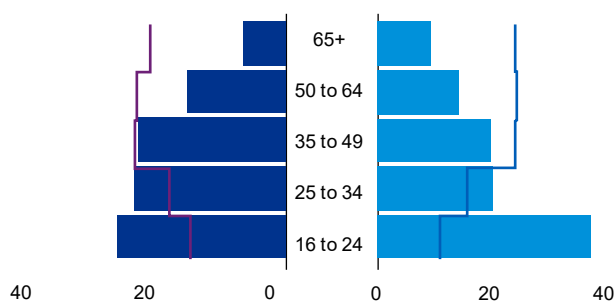
A report by the LGBT Foundation in May 2020 '[Hidden Figures: The impact of COVID-19 pandemic on LGBT communities in the UK](#)' reported that:

- 42% wanted access support for their mental health, this rose to 66% of Ethnic Minority LGBT people
- 8% did not feel safe where they were currently staying
- 18% were concerned that this situation was going to lead to substance or alcohol misuse or trigger a relapse, this rose to 20% of Ethnic Minority LGBT people
- 64% said that they would rather receive support from an LGBT specific organisation, this rose to 71% of Ethnic Minority LGBT people
- 16% had been unable to access healthcare for non-COVID related issues, this rose to 22% for Ethnic Minority LGBT people
- 34% of people had a medical appointment cancelled, this rose to 39% of Ethnic Minority LGBT people
- 23% were unable to access medication or were worried that they might not be able to access medication, this rose to 37% of Ethnic Minority LGBT people

While it is not the board's role to go into the weeds on employee health and wellness initiatives, a savvy board will ensure that leadership has an understanding of the issues and is proactively factoring them in as the workforce navigates through the pandemic and prepares for what's beyond.

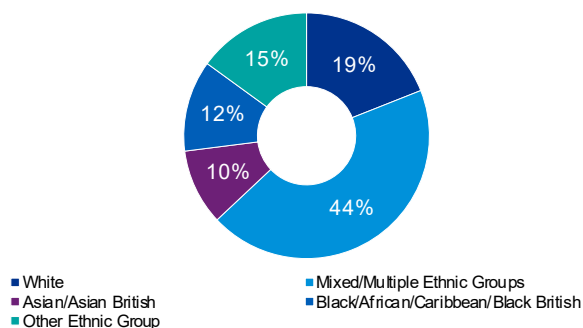
## Breakdown by age and ethnicity of the 2% of the UK population that identify as LGBTQ+

**LGB population by age and sex, UK 2019 and UK population by age and sex, 2019**



Source: Office for National Statistics – Annual Population Survey

**Percentage who self-identify as LGBT by race/ethnicity**



#### 4. How do the company's values influence its role in LGBTQ+ and diversity related societal discussions?

We live in polarising political times. As companies consider their relationships with stakeholder communities, LGBTQ+ related political issues are unavoidable. Bathrooms. Wedding celebrations. Transwomen athletes playing for gendered sports teams. These issues can be challenging, as passions run high in both directions. What's more, the issues often find their way into legislation, and large companies are increasingly finding that silence on these issues is not an acceptable option.

Companies are speaking out against anti-LGBTQ+ laws that do not reflect the company's values and the majority of their stakeholders, and a number of large companies have gone further in recent years by going beyond the requirements of the law in an effort to attract and retain talent.

And customers are increasingly holding companies responsible for their stances on political issues. Interbrand's Best Global Brands 2020 report stated that '...brands have the opportunity and the responsibility to show leadership beyond their traditional role; often supporting, or stepping in for institutions that are meant to sustain our lives and societies'.

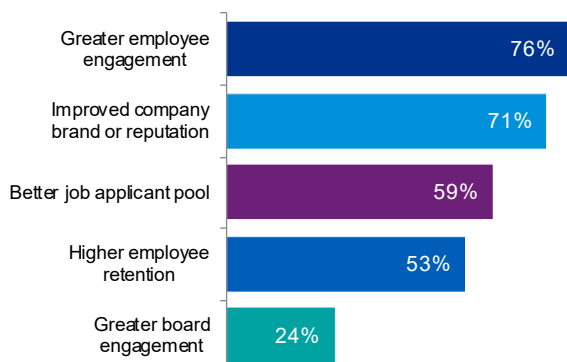
**“Leadership requires engagement. At times of crisis, brave leaders don’t just commit to a worthy purpose; they inspire others to join them on a shared journey. Brands that thrive in an anxious world foster dialogue, invite co-operation and create a following. They do this through iconic moves that capture the imagination and solve unmet needs, as well as small acts that show vulnerability, gratitude and empathy”.**

#### Interbrand Best Global Brands 2020

Many companies are being recognised for their progress in supporting the needs of the LGBTQ+ community with many winning accolades for their initiatives, for example the [British LGBT Awards](#) showcases inclusive employers, business allies and leaders that demonstrate exceptional inclusion and Stonewall publishes an annual list of [‘Top 100 employers’](#) for LGBTQ+ people.

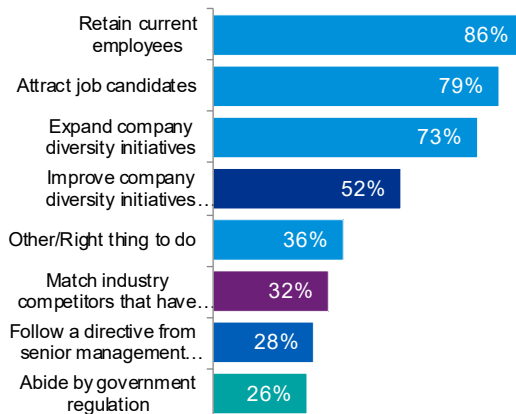
Recognising the polarising climate in which companies operate, there will undoubtedly be many views and strong opinions on these issues. Given the stakes, management and the board should discuss and align on a philosophy and a communication protocol so there are no significant surprises and management can move quickly when issues arise.

#### Company outcomes of LGBT-inclusive practices



Source: U.S. Chamber of Commerce Foundation, Business Success and Growth Through LGBT-inclusive Culture, April 9, 2019, p. 20.

#### Company rationale for instituting LGBT-inclusive practices



Source: U.S. Chamber of Commerce Foundation, Business Success and Growth Through LGBT-inclusive Culture, April 9, 2019, p. 20.

## 5. Does LGBTQ+ diversity and inclusion extend to the boardroom?

The board sets the tone for the entire organisation, diversity and inclusion should start at the top, but care should also be taken to remain authentic and consistent across all communications about commitments.

The Stonewall report, mentioned earlier in this paper, stated that 35% of the FTSE 100 failed to include any reference to the LGBTQ+ community, and 17 FTSE100 companies that changed their Twitter logos to support LGBTQ+ pride month still failed to mention the community in their annual reports.

As gatekeepers, commitment from leadership is essential in championing, supporting and ensuring LGBTQ+ people progress in organisations. [The FRC and Good Side report](#) provides key actions that leadership should consider including demonstrating authenticity, acting transparently, having visible role models and senior allies. By opening communication channels messages and 'lived-experiences' can easily reach leaders and by adopting reverse mentoring junior LGBTQ+ candidates - skills, knowledge and advice can be shared.

Board level diversity conversations have primarily focused on gender, with race and ethnic diversity becoming another necessary area of attention. With a few exceptions, LGBTQ+ has not historically been a focus of board diversity

Diversity in board composition is becoming more prevalent in shaping regulatory policy. In July 2021 the FCA announced a consultation 'on proposals to improve transparency for investors on the diversity of listed company boards and their executive management teams' to improve broader diversity aspects within diversity policies and related disclosures by companies.

**“Annual reports are a huge importance for FTSE 100 companies as it is there chance to highlight the key issues and initiatives that they are focusing on”. It is a step in the right direction that FTSE 100 businesses have included the LGBTQ+ diversity into the annual report and is not simply celebrated in a handful of tweets during the LGBTQ+ pride month. Although a staggering (35 per cent) of FTSE 100 companies that did not note the inclusion of the LGBTQ+ workforce, showing there is still a lot of ground that needs to be covered for all companies to take the norm approach of “Loud and Proud”.**

### Suki Sandhu OBE, Founder and Chief Executive of Involve

There is distinct lack of comprehensive data on the number of LGBTQ+ executives that sit on UK boards, apart from those that have mentioned their sexual orientation publicly, or won awards for being recognised as visible role models within this community. Boards must consider whether the environment and culture of the board is empathetic and take measures to ensure that board members feel comfortable disclosing their sexual orientation without judgement.

Just as an LGBTQ+ inclusive organisation provides the company with a competitive advantage, LGBTQ+ inclusive board policies and search practices do so as well, by expanding the network for talented board candidates and adding to the diversity of perspectives in the boardroom.

Companies that disclose their board and organisational diversity policies and statistics are sending a message to rising talent within the organisation, as well as to investors and other stakeholders, that the company is committed to diversity and is attuned to the interests of an important and growing group of stakeholders.

### Related links

[Board Diversity and Inclusion](#)

[Considerations for Nomination Committees](#)

[Tackling Inequality in the boardroom](#)

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Learn more at [www.kpmg.com/uk/blc](http://www.kpmg.com/uk/blc).

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