Diversity on boards

Guidance to companies on implementation of the UK Corporate Governance Code amendments on diversity on boards

One of the key recommendations from the Davies report on women on boards was to ask the Financial Reporting Council (FRC) to amend the UK Corporate Governance Code to "require listed companies to establish a policy concerning boardroom diversity, including measurable objectives for implementing the policy, and disclose annually a summary of the policy and the progress made in achieving the objectives". The full Davies recommendations can be read BIS.giv.uk

The FRC has amended the code. Their full response to their consultation is FRC website, the most relevant text is below:

Amendment: B.2.4.
*A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. **This section should include a description of the board's policy on diversity, including gender,** any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used inthe appointment of a chairman or a non-executive director.*

Supporting Principles
*Evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its **diversity, including gender**, how the board works together as a unit, and other factors relevant to its effectiveness.*

Next steps:
These changes were incorporated in the updated version of the Code which was published in 2012 which will apply to financial years beginning on or after 1 October 2012. The code covers UK listed companies. Many non listed companies in the UK, and companies listed elsewhere with a significant UK presence choose to follow the code and report against much of it as a matter of good practice.

Gender and Diversity
The balance between gender and the wider diversity agenda is important. Whilst the changes to the code were inspired by a report on women on boards, and the new text in the UK Corporate Governance Code specifically references gender, there is scope to have and to report against a policy that covers the whole diversity piece.

We would particularly urge companies to report on race as well as gender. Only 1 in 16 of current FTSE 100 board members is from a Black, Asian and Minority Ethnic (BAME) background, whilst 1 in 8 employees in the UK are from Black, Asian and Minority Ethnic (BAME) groups and 1 in 4 children in

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primary schools are from Black, Asian and Minority Ethnic (BAME) groups. Race for Opportunity campaigns to square that pyramid. The introduction of this public reporting mechanism is a major opportunity to move the dial on progression for BAME people in leadership positions as well as for women.

Tackling the pipeline
Across both race and gender, whilst it is vital to have and report against a diversity policy which covers the board specifically, the real solution to tackling inequality lies in building a diverse pipeline. Our resources are available to support you in that task.

Opportunity Now and Race for Opportunity each have significant resources to support members in achieving greater diversity at board level.

For Race for Opportunity, Race to the Top and Race to Progress are good starting points, and further resources can be found Race for Opportunity Campaign Aims

For Opportunity Now, a range of research, resources and toolkits can be found here. "Changing Gear: Quickening the Pace for Women's Progression" is a new piece of work which pulls together our thinking and recommendations on progression, and can be found on the website.

Setting aspirational goals.
The Davies recommendations were calculated on the basis that if one in three board appointments were women from the time of the publication of the report, 25% of the FTSE 100 board members as women could be reached by 2015. This was viewed as a milestone on a longer journey, with broad equality as a long term aim.
With this in mind, companies are encouraged to work through their own board numbers and rates of resignation and recruitment to set goals which are achievable as well as stretching, making a relevant contribution to the overall goal. A goal for a company that currently has 1 women on its board would be different to a company with 30% women already, but both goals should be achievable yet challenging.

Similarly, any goals set on race should be pragmatic and realistic, whilst challenging the organisation to take action.

Practical steps

Opportunity Now has developed a series of steps that senior leaders can take to make a real step change in the number of women on their board. See the recommendations for chairs of boards Best Practice- Getting Women on Board and the recommendations for the CEO or chief executive Recommended Actions For CEO's - Getting Women on Board
Our Balancing Boards research which sets out our thinking on how to make change on women on boards is Balancing Boards- Research.

Race for Opportunity has developed several toolkits for organisations to get started on how to build diversity in their talent pipeline. The 5 Points for Progress 'Know Yourself' Toolkit contains the key steps employers should take to recruit the best talent for their organisation. The Bridging the Value Gap Toolkit describes practical ideas and positive behaviours that all employees at all levels can apply to everyday actions and communication to help develop valuable direct relationships.

Further information

The FRC response to the consultation on the women on boards amendment.
FRC Getting Women on Board- consultation response

All responses to the FRC consultation
FRC Getting Women on Board - all responses

FRC "What constitutes an explanation under "comply or explain". Comply or Explain