

**FAO: Stephen Haddrill,  
Chief Executive,  
Financial Reporting Council  
8th Floor  
125 London Wall  
London  
EC2Y 5AS  
CC: Catherine Horton,  
Corporate Governance Policy Advisor (FRC)  
[codereview@frc.org.uk](mailto:codereview@frc.org.uk)**

**Dear Stephen**

**Women's Business Council Response to the Proposed Revisions to the UK Corporate  
Governance Code**

I am writing as Chair of the Women's Business Council (WBC), in response to the consultation on the Proposed Revisions to the UK Corporate Governance Code, published by the Financial Reporting Council in December 2017.

As a government-backed, business-led initiative, focused on maximising women's economic contribution, we fully support the ambitions of the proposed changes to the Code, in particular those which aim to build greater diversity at senior levels of UK businesses. The increased focus on all elements of diversity, and the benefits this can bring to business, are welcome.

This is something the WBC has actively championed over the last four years, setting out the business case for change and helping to unblock the talent pipeline. As we reported in our 2017 annual report, companies in the top quartile for gender equality are 15% more likely to have financial returns above their respective national industry medians.<sup>i</sup> We also know that companies in the bottom quartile for both gender and ethnicity and race are statistically less likely to achieve returns above average financial returns than the average companies in the data set.<sup>ii</sup>

Having such an emphasis on diversity placed within the Code certainly demonstrates to business that this is no longer something which can be ignored. We work with businesses to promote best practice and engage male champions, but often we see that it is only those who are already at the top of their game who are ready to engage. Integrating the importance of diversity throughout the Code will mean that more companies, including those who may be resisting change, will need to step up.

We are also seeing more investors stepping up and actively questioning corporate boards about their diversity practices, ensuring that this is embedded as a crucial part of good corporate governance. The additional emphasis in the Code on the importance of diversity can only work to improve engagement here even further.

The WBC has a number of initiatives designed to accelerate the pace of change and we are working closely with the Hampton-Alexander Review in its aims to support the development of a sustainable, female talent pipeline. This includes shining a light on measures to improve the executive pipeline, as we have highlighted that only 35% of managers, directors and senior officials are women<sup>iii</sup>. We are leading the way in galvanising male FTSE 350 leaders as agents of change to ensure the pipeline is fully stocked and equipped to help the most talented leaders progress to the very top.

Through our work with numerous types and sizes of business, we know that there has been some frustration, and confusion, around definitions of senior management. When the Hampton-Alexander Review reported (2016) we welcomed the simplicity and clarity of their definition: *“Leadership teams are comprised of members of the Executive Committee and those senior leaders who are Direct Reports to Executive Committee members”*.

We are pleased to see the support for the work of the Review in the proposed revisions of the Code as well as the intention to ensure consistency and align definitions in the Code with that of the Review. However, we would recommend that, wherever a reference is made within the revised Code to senior leadership roles, that all definitions are the same. There are some clear differences with how it is described in section 3 (for example, in paragraphs 68 and 69), as well as Appendix A.

It is important not only that companies are clear on what data they need to be gathering but that it is possible to make comparisons and understand variances as a result of a consistent approach to data collection. Numbers of women at these levels remain low and being able to analyse this data will enable us all to take a more targeted and effective approach to tackling this.

The WBC was an early advocate of gender pay reporting and the benefits of pay transparency. Gender Pay Gap reporting legislation should be included either as a central part of Provision 23 or aligned with Principle O. We understand that by requiring companies with 250 employees or more to report on the gender pay gap, the legislation goes beyond listed companies, but given the Code’s new proposals to remove the current exemptions for listed

companies outside the FTSE 350, we believe this addition would complement it well. In this way, not only does the Code provide an opportunity to signify listed companies' leadership on gender pay reporting, but is also a means of influencing soon to be listed companies and setting a gold standard for the wider business community that are subject to the regulations.

Having helped to develop the Gender Pay Gap reporting regulations we believe companies should be encouraged to go beyond the minimum statutory requirements. We want employers to demonstrate their commitment to ensuring effective use and fair reward of female employees' skills, particularly by setting out the steps they are taking to close any gaps. This mirrors the ethos of the Code in highlighting that transparency must be followed by action if these ambitions are to be met. We believe that this will also provide a more holistic account of the company's performance making it clearer to investors and shareholders which companies realise the business benefits of a gender balanced workforce and the reputational and performance risks associated with a lack of commitment to addressing their gender pay gaps.

On behalf of the WBC I would like to thank you for your sustained commitment to improving gender diversity within the workplace. We look forward to seeing the revised Code.

**Yours Cilla Snowball**  
**Chair, Women's Business Council**

---

<sup>i</sup> McKinsey, Diversity Matters 2015

<sup>ii</sup> McKinsey, Diversity Matters 2015

<sup>iii</sup> ONS Labour market statistics April-June 2017, released August 2017