



# Government Equalities Office

Hilary Spencer  
Director  
Government Equalities Office  
Sanctuary Buildings  
Great Smith Street  
London SW1P 3BT

[www.gov.uk/geo](http://www.gov.uk/geo)

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**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

**Government Equalities Office Response to the Proposed Revisions to the UK Corporate Governance Code**

I am writing to you, as Director of the Government Equalities Office, in response to the recent Financial Reporting Council's Consultation on the UK Corporate Code.

I was pleased to see that the proposed revisions to the Code place an even greater emphasis on the importance of diversity across leadership positions in UK companies. I think this sends out a very strong signal to business that not only is this the right thing to do, but it can also be hugely beneficial to their performance.

It is clear that there are many UK businesses already rising to this challenge and they have contributed to an unprecedented number of women working at

the very top of UK business – something we should celebrate. We now need to sustain this effort and ensure those companies who may have become complacent get the support and direction they need so we can maintain, and build on, this momentum. The Corporate Governance Code is uniquely placed to support this ambition and this is why I wanted to highlight two particular areas which I feel could help strengthen the Code even further.

Firstly, as the FRC consultation document states, good governance includes developing working practices that create an environment of trust and I agree that this includes fair rewards and recognition. I was therefore surprised to see a lack of reference to the new UK legislation which requires large employers to publish their gender pay gap, shining a light on where women are being held back.

The UK is one of the first countries in the world to introduce this ground-breaking legislation. Reporting will greatly improve transparency, helping ensure that women have the same opportunities to develop and reach their potential as men. The best employers will use this information to take action and start closing their gender pay gaps. I also believe this information will be of huge interest to investors and shareholders alike. Including reference to this as part of Provision 23 will give a clear message that not only should companies be collecting this data, but that it forms a key part of overall succession planning and allowing a company to work towards its strategic objectives. To achieve this we would also be looking for companies to go further and set out what actions they will take in order to reduce the gap. I believe this reinforces the importance placed on transparency within the Corporate Governance Code.

Secondly, as one of the Departments that commissioned the Hampton-Alexander Review, GEO was pleased to see the many references to the great work of the Review. Developing the executive pipeline has been a key focus for the Review and we support their target of having 33% of leadership roles being

held by women by 2020. We know however that, prior to this, there was uncertainty in business as to which roles constituted a 'leadership' role and the Review was very clear in defining it as "*members of the Executive Committee and those senior leaders who are Direct Reports to Executive Committee members*".

Consistency in definition I believe is crucial and I was pleased to see the support for the Review's definition and the efforts made to align the wording of the Code to reflect this. However, to ensure further clarity, I would suggest that each reference to the definition of these roles reflects the same wording as the Review. For instance, whilst Section 3 (paragraph 68) mirrors the Review's definition correctly, paragraph 69 and the reference to it in Appendix A (footnote 3), are different.

I would like to take this opportunity to thank you for your continued support in driving forward this agenda. I know that we are in regular contact with the FRC on a number of issues. Should you require any further clarity on any of the above points please do not hesitate to contact us.

**Hilary Spencer**  
**DIRECTOR OF GEO**