Email – Employers Network for Equality & Inclusion

26 February 2018

This email is a response to the FRC’s invitation to comment on the revised corporate governance code and the revised guidance on board effectiveness published on 5 December 2017. It expresses the views of relevant officers of the Employers Network for Equality & Inclusion (enei) based on their professional experience in diversity and human relations and their dealings with enei members, but should not be taken to represent the views of any or all of our member organisations.

About enei
enei, which was established in 2011, is the UK’s leading employer network promoting equality and inclusion in the workplace. It is a registered charity, whose activities are overseen by a board of trustees and an Executive Steering Committee (ESC), representing Core Member organisations with expertise in a range of equality and inclusion issues: the ESC is responsible for ensuring our events, research and campaigns focus on delivering what Members need.

More about enei – its vision, mission and values; governance; and staff can be accessed via our website at https://www.enei.org.uk/about-us/

Over 300 organisations are currently members of enei. Our members are typically, but not exclusively, larger employers across the public, private and third sectors. Our current membership list is available at https://www.enei.org.uk/membership/our-members/; of these 9 are FTSE100 companies and a further 7 are in the FTSE250.

The Consultation
We limit our response to those consultation questions which relate to our expertise and areas of interest, as follows:

Q1. Do you have any concerns in relation to the proposed Code application date?
No, we consider that applying the code from 1 January 2019 should give all affected companies sufficient time to adapt and comply.

Q2. Do you have any comments on the revised Guidance?
We consider the revised Guidance to be generally well written, clear and comprehensive. However, there are certain areas where additional guidance might be included:

- in the section on Decision Making there is no reference to the impact that unconscious bias can have on decision making and we recommend that it is specifically cited in paragraphs 15 and 16.
- In the section on Relations with the Workforce and Wider Stakeholders, a specific reference to Employee Networks or Employee Resource Groups as an example of a workforce engagement activity would be useful.
Q3. Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?
Yes, we endorse a non-prescriptive approach.

Q6. Do you agree with the removal of the exemption for companies below the FTSE 350 to have an independent board evaluation every three years?
Yes

Q7. Do you agree that nine years, as applied to non-executive directors and chairs, is an appropriate time period to be considered independent?
Yes

Q8. Do you agree that it is not necessary to provide for a maximum period of tenure?
Yes

Q9. Do you agree that the overall changes proposed in Section 3 of revised Code will lead to more action to build diversity in the boardroom, in the executive pipeline and in the company as a whole?
We welcome the broadening of the concept of diversity within Principle J, but consider that less prescriptive wording would encourage Boards to adopt a more holistic approach:

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be in place for board and senior management. Both appointments and succession plans should be based on merit and objective criteria, and promote diversity in relation to personal characteristics such as gender, social and ethnic backgrounds, and in relation to cognitive and other personal strengths.

Q10. Do you agree with extending the Hampton-Alexander recommendation beyond the FTSE 350?
Yes

Q11. What are your views on encouraging companies to report on levels of ethnicity in executive pipelines? Please provide information relating to the practical implications, potential costs and other burdens involved, and to which companies it should apply.
In our view a focus on the executive pipeline is important. Many companies sought to improve the gender diversity of their Boards by appointing female NEDs rather than EDs and it is important that lessons are learned from this. In our view all companies, or certainly those within the FTSE350, should be expected to provide data on ethnic diversity in the executive pipeline: we do not consider this to be a significant cost or burden.