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28 February 2018

Dear Catherine

## **Hampton-Alexander Review – Consultation Response**

### **FRC Proposed Revisions to the UK Corporate Governance Code**

In response to the above consultation the Hampton-Alexander Review are pleased to set out their comments as follows:

#### **General**

The focus on diversity, in particular gender diversity in the Revised UK Corporate Governance Code is very welcome. We strongly support the inclusion of Principle J, the attempt to remove the confusion and inconsistency of 'Senior Manager' terminology and disclosure requirements on gender diversity at Executive Committee and Direct Reports levels.

In addition, we agree with Questions 9 and 10 from the List of Consultation Questions and support Provision 6 and proposed measures to encourage investors to pay due regard to the gender diversity on boards and in leadership through future revisions to the Stewardship Code.

Drafting specific comments are detailed below:

#### **Appendix A - Section 3 Composition, Succession and Evaluation**

##### **Principle J**

Footnote 3 overly restricts the impact of Principle J to the Board and Executive Committee only and ***should be extended to include Direct Reports to the Executive Committee.***

The average size of a FTSE 350 Executive Committee is only 10 employees. By extending Principle J to include Direct Reports this maintains consistency with other references to gender diversity in the drafting and captures an average of 60 additional senior leadership positions, which are not only large and critical leadership roles in their own right, but fuel the succession and sustainability of gender diversity on the Executive Committees and Boards into the future.

## Provision 17

It is widely recognised that gender diversity in the make-up of the Nominations Committee is an important factor in the appointment of women candidates or candidates from diverse ethnic, social and cognitive backgrounds. We support that a majority of members should be independent non-executive directors, with a minimum membership of three, but consider gender diversity is a more important factor in improving the quality of the selection process. ***The FRC should also include a gender diversity element in the drafting of this provision.***

For example: *The membership of the committee should be gender diverse, with a majority of independent non-executive directors and a minimum membership of three.*

## Provision 23

We appreciate the effort to remove the inconsistent interpretation and reporting against the “senior manager” terminology.

However, the most straight-forward solution would be to ***remove completely any reference to ‘senior manager’ and adopt the now widely understood terminology – i.e. Executive Committee and Direct Reports to the Executive Committee***, as used in the BEIS and GEO backed Hampton-Alexander Review for FTSE 350 listed companies and specifically Recommendations 3.1 and 3.2 of the 2016 report.

Acknowledging that the term ‘Senior Manager’ has its origin in the Companies Act, if there are compelling reasons why it needs to continue, then the “Senior Manager” term should be further defined in the revised Code to mirror exactly the Hampton-Alexander definition. This definition is now well-understood and embedded in gender reporting practices of FTSE 350 companies and is the definition against which companies will have reported for three years via the On-line Portal and an increasing number are already using in their published statements.

***A footnote needs to be added when using the term Direct Reports*** to make it clear these are employees in senior-most roles, with a direct reporting line to members of the Executive Committee (or the nearest equivalent management structure immediately below the Board) and importantly excludes all administrative support staff.

## Appendix B – Revised Guidance on Board Effectiveness

Appendix B introduces new terminology as regards leadership when it refers to the executive pipeline. This is a widely-used term and can mean many different things. For clarity and consistency, the same terminology should be used across Appendix A and B.

Many thanks for your consideration of the above and work so far on what will prove to be an important step forward in the reform and refresh of governance for British business.

Yours sincerely

Sir Philip Hampton and the Hampton-Alexander Team