

**Insights**

# **FCA POLICY STATEMENT ON DIVERSITY AND INCLUSION ON BOARDS**

Apr 20, 2022

## **SUMMARY**

In light of broad support, the FCA is proceeding with its changes to require companies to make annual disclosure requirements on the representation of women and people from an ethnic minority background at board and executive management levels (both against targets on a 'comply or explain' basis and the accompanying numerical tables). The new rules come into force for financial years beginning on or after 1 April 2022 and apply to UK and overseas issuers with a premium or standard listing.

The changes are intended to increase transparency for investors on the diversity of boards and executive management and serve as a starting point to encourage scrutiny and consideration of diversity and inclusion more broadly. The rules harness and build on the recommendations under the Hampton-Alexander and Parker Reviews and reinforce existing targets by making them regulatory requirements.

## **New Listing Rules**

New Listing Rules (LR 9.8.6R(9) and 14.3.33R(1)) will require UK and overseas companies with equity shares or certificates representing equity shares, which are admitted to the premium or standard segments of the FCA's Official List (excluding open-ended investment companies and shell companies for the standard listing segment) to publish annually in their annual financial reports:

- A 'comply or explain statement' on whether they have met the following targets as at a chosen date within their accounting period (the 'reference date'):
  - At least 40% of the board are women.
  - At least one of the senior board positions (Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director) is a woman.

- At least one member of the board is from a minority ethnic background.
- Numerical data, in a standardised table format, on the sex or gender identity and ethnic diversity of their board, senior board positions and executive management. The FCA have removed the previous proposal to include reference to those self-identifying as women and will allow companies to decide how to approach data collection on their representation of women eg. whether to collect data based on sex or gender identity provided that companies explain their approach and are consistent. Where overseas data protection laws prevent the collection or publication of such personal data, a company can explain the extent to which it is unable to make the relevant disclosures.

The FCA is also amending DTR 7.2.8AR, which requires in-scope companies to disclose, in their corporate governance statement, the diversity policy applied to their board or to explain where no such diversity policy is applied. The changes expand upon the existing reporting requirements to cover the diversity policies applied to board committees and to indicate that reporting on board and board committee diversity policies could consider wider diversity characteristics such as sexual orientation, disability and socio-economic background.

## **Diversity & inclusion in the financial services sector**

Alongside these changes, the FCA are currently considering the responses to its discussion paper on 'Diversity and inclusion in the financial sector' together with the responses to its recent diversity and inclusion pilot data survey and cost benefit analysis survey. The FCA expect to publish a consultation paper in 2022.

[FCA Policy Statement on Diversity and inclusion on company boards and executive management](#)

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