

## Introduction

Progress Together welcomes the opportunity to respond to the FRC's UK Corporate Governance Code consultation published in May 2023.

Progress Together is a not for profit membership body which focuses on boosting senior level socio-economic diversity in financial services. Our peer to peer network is represented by over 30 member organisations from across the UK financial services sector and we are growing all the time.

We want to create a UK financial services sector where career progression is led by job performance not where employees start out in life. Our members are working towards creating a workplace where people from all backgrounds can progress, irrespective of their background. The FRC's UK Corporate Governance Code plays a key role in providing standards to improve trust in audit and corporate governance and Board accountability to improve diversity policies.

We welcome the FRC's proposals to create a joined up approach for enhancing the diversity and inclusion in the composition of Boards, executive management and succession planning. We firmly believe that socio-economic diversity is a vitally important part of the diversity agenda and we are grateful that the FRC is one of our supporters.

### **Q7 Do you support the changes to Principle I moving away from a list of diversity characteristics to the proposed approach which aims to capture wider characteristics of diversity?**

We do support the changes to Principle I to capture wider characteristics of diversity, including socio-economic diversity. If we want a competitive landscape, the financial services sector needs to reflect the consumer population that it represents. One-third of the working population is from a socio-economic background<sup>1</sup> and the financial services sector is not currently representative of this. By broadening the characteristics of diversity will support the drive for change.

We reflect, however, in the draft text (Section 3, Provision 24) that annual reporting is specifically required on the gender balance of senior management and their direct reports. Whilst gender diversity is important, providing this level of specificity, we believe, does not fully align to the changes proposed to Principle I to capture wider characteristics of diversity.

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<sup>1</sup> <https://socialmobilityworks.org/toolkit/financial-and-professional-measurement/>

We recognise that gender diversity reporting is a specific FCA Listings rules requirement and that gender diverse reporting is included in the existing FRC Code. The Bank of England, PRA and FCA Discussion Paper titled “Diversity and inclusion in the financial sector – working together to drive change” issue in July 2021 acknowledges that most diversity efforts have focused on gender. They also say that they expect diversity and inclusion will become part of how they regulate the UK financial sector and developing metrics and gathering data on diversity of thought such as demographic and socio-economic diversity will enable monitoring of progress. This supports our view that regulators and other organisations, including the FRC, are becoming strong advocates of the need to expand the characteristics of diversity and to specifically include socio-economic diversity in this.

There are examples in the financial services sector of firms taking action to understand the socio-economic diversity of their workforce by gathering and reporting data and setting targets for socio-economic diversity. However, we would welcome further guidance from the FRC in the Code to increase awareness of the importance of socio-economic diversity and what needs to be measured and reported to drive change in creating a workplace where people from all backgrounds can progress, irrespective of their background.