

## **Financial Reporting Council Consultation Document: Gender Diversity on Boards**

### **Chwarae Teg Consultation Response**

**June 2011**

#### *Introduction*

**Chwarae Teg** promotes, supports and develops the role of women in the Welsh economy. Established in 1992, we do this by raising awareness of the positive contribution women make to economy and society and sensitising Welsh Government strategy and policy to the barriers confronting women who wish to fully participate in the labour market.

The persistency of occupational segregation, the over representation of women amongst the working poor, the under-utilisation of women's skills, the gender pay gap, the lack of women in senior and management level positions and the limited number of women in decision making roles presents a challenge to Welsh policy and practice.

Funded by the **Welsh Government** to provide expert advice to Ministers and policy-makers on these matters, Chwarae Teg also designs and manages significant projects that support women's participation in, and the development of, the Welsh economy. This has included working with women entrepreneurs and encouraging early stage enterprises in addition to providing pre-employment training for economically inactive women in their communities.

Our current project, **AGILE NATION: New ways of working in the 21<sup>st</sup> century**<sup>1</sup> provides bespoke, accredited management training to equip women to progress into leadership roles. We also work directly with employers, referral agencies and training providers to support the design of gender sensitive employment and training programmes. Chwarae Teg is a partnership organisation and we work with organisations from all sectors.

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<sup>1</sup> Funded by European Social Fund and Welsh Assembly Government 2008 - 2014

## *Opening Statement*

Chwarae Teg welcomes the opportunity to contribute to the Financial Reporting Council's consultation on gender diversity on boards. In our response to the recent UK Government consultation, *Women on Boards*, we outlined the benefits of gender diversity at board level. Women are not a minority group but remain marginalised in our society and under-represented in decision making.

The proposed changes to the UK Corporate Governance Code will require board members to consider, more fully, their gender diversity policies with a view to recruiting more women. The changes proposed in this consultation will encourage boards to consider the barriers facing women and take steps to address these.

## *Consultation Questions*

### **B.2.4 The report of the nomination committee**

#### **What is your opinion on this wording?**

A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. **This section should include a description of the board's policy on gender diversity in the boardroom, including any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.** An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director.

We believe that this wording is appropriate for the amendment of section B.2.4. The requirement for boards to outline their gender diversity policy will encourage boards to develop a clear vision and identify steps to achieve it. Objective setting and monitoring will encourage the development of specific targets for the recruitment of women and should lead to positive change.

#### **Gender Diversity Policy: Key elements**

**Would it be useful to set out some of the key elements to be covered by a gender diversity policy? This might include criteria for recruiting directors, steps taken to develop talent. Should this be outlined in the code or elsewhere?**

We believe it would be useful to outline the key elements of a gender diversity policy. Some organisations may have little experience or knowledge around gender issues. They may, therefore, be less aware of the challenges facing women on boards and the benefits of them having a voice at this level. Some boards may need some guidance around how to successfully recruit and retain women in this level of decision making. We believe this should be outlined in the code as it reinforces the importance of taking the correct steps.

## **B.6 - Supporting principle**

### **Should they add a new supporting principle in board evaluation to section B6 of the code?**

We believe that the Financial Reporting Council should add a new supporting principle to the requirements for board evaluations in section B6. The new principle would place emphasis on the importance of gender diversity for boards. If the council requires policies in this area to be evaluated, it will encourage boards to consider the barriers to women's engagement along with steps to address these.

### **When should proposed changes be introduced?**

We believe that the proposed changes should be introduced as soon as possible. Therefore, we would support the option of introducing the revised code for the reporting period of 2011/12. It is vital that companies are encouraged to ensure gender diversity on boards and we would like to see this happen with immediate effect.

### *Final Comment*

The proposals will encourage organisations to improve the recruitment and retention of women at board level. We believe it is imperative for women to be represented in decision making. This will not only help to ensure that gender sensitivity is considered but it can also help organisations to increase customer satisfaction and reflect the changing needs of society. In our opinion, these moves are well over due so we are keen to see these new measures introduced as soon as possible and look forward to finally seeing some clear progress. Chwarae Teg is fully supportive of a voluntary Code of Practice to increase representation rather than a mandatory approach of quota systems, as per our own response to Lord Davies of Abersoch's recent review.

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For further information from Chwarae Teg, please contact:

- Beverley Pold – [bev.pold@chwaraeteg.com](mailto:bev.pold@chwaraeteg.com)
- Christine O'Byrne – [christine.o'byrne@chwaraeteg.com](mailto:christine.o'byrne@chwaraeteg.com)
- [www.chwaraeteg.com](http://www.chwaraeteg.com)



Or,

Chwarae Teg  
Anchor Court  
Keen Road  
Cardiff  
CF24 5JW

02920 478900

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