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New Rules on Diversity and Inclusion Reporting for Company Boards and Executive Management in the UK



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The UK Financial Conduct Authority (“FCA”) has published its final [policy decision](#) on disclosure regarding diversity and inclusion targets for boards of directors and executive committees of certain UK-listed companies. The new rules will require issuers, as an ongoing listing obligation, to include a statement in their annual financial report setting out whether they have met specific board diversity targets, including: (i) at least 40% of the board to be women; (ii) at least one of the senior board positions (Chair, CEO, CFO or Senior Independent Director) to be held by a woman; and (iii) at least one director to have a minority ethnic background. Such disclosure is to be provided on a “comply or explain” basis, meaning that those issuers that have not met the targets will have to explain why. The FCA is also expanding the Disclosure and Transparency Rules to require companies with a diversity policy to describe their diversity policy for remuneration, audit and nominations committee and to include in their diversity policy-reporting wider diversity characteristics, including ethnicity, sexual orientation, disability and socio-economic background.

These measures reflect the FCA’s focus on speeding up the pace of change around diversity and inclusion in financial services and are aimed at improving transparency on the diversity of company boards and their executive management for investors and other market participants, increasing engagement and informing investment decisions. Companies will be required to make the new disclosures in their annual reports for financial years starting on or after April 1, 2022.
