



## Corporate Governance snapshot: New rules on diversity-related disclosures for listed companies

The Financial Conduct Authority (FCA) has published its policy statement and new rules which require listed companies to make disclosures in relation to gender and ethnic diversity at board and executive management level for financial years beginning on or after 1 April 2022. The existing disclosure requirements contained in the Disclosure Guidance and Transparency Rules in relation to board diversity policies have also been expanded. The new Listing Rule requirements apply to UK and overseas companies with a premium or standard listing including closed-ended investment funds and sovereign-controlled commercial companies. Open-ended investment companies and shell companies, as well as debt issuers, are not required to comply. The amendments to the Disclosure Guidance and Transparency Rules apply to companies which are in scope for the corporate governance statement requirements in accordance with DTR 1B.1.5 R.

### "Comply or explain" reporting against three specified targets

Companies must include in their annual report a statement confirming whether they have met the following board diversity targets as at a reference date (to be chosen by the company) in the financial year:

1. the board comprises at least 40% women;
2. at least one of the Chair, CEO, CFO or Senior Independent Director is a woman; and
3. at least one member of the board is from a minority ethnic background.

Companies not meeting these targets must explain why they have not done so.

Companies must also disclose any changes to board composition that have occurred between the reference date and the date on which the annual report is approved that have affected a company's ability to meet one or more of the three targets.

The FCA's targets align with the updated gender diversity targets set by the [FTSE Women Leaders Review](#) and the ethnic diversity target set by the [Parker Review](#).

### New numerical data tables on board and executive management diversity

Companies are also required to include specified data in their annual report on the gender identity or sex, and the ethnic diversity, of members of their board and executive management.

There is a prescribed tabular reporting format for this data set out in the Listing Rules although there is some flexibility for companies to reflect how they collect data. There is a specific exemption from reporting

where board members or executive management are located overseas and local data protection laws in that jurisdiction prevent collection or publication of such data.

### Expanded disclosures on diversity policies

The new rules also expand the disclosures required in relation to a company's board diversity policy under DTR 7.2.8AR. Going forward, the description of the company's board diversity policy should cover factors such as ethnicity, sexual orientation, disability and socio-economic background. Companies will also need to disclose how their diversity policy is applied to the audit, nomination and remuneration committees.

### Timing for compliance

The new disclosure requirements apply for financial years beginning on or after 1 April 2022. However, the FCA is encouraging companies to include these disclosures in their annual report on a voluntary basis ahead of this date (in particular for financial years beginning on or after 1 January 2022).

### Next steps

- **Update the board and nomination committee and review succession plans** – the board and nomination committee should consider the impact of the new requirements, in particular if the company does not currently meet any of the three specified targets with succession plans and recruitment processes reviewed and updated as considered appropriate.
- **Update existing board diversity policy** – review the existing board diversity policy and consider whether it needs to be updated, in particular to refer explicitly to

the broader range of characteristics now contained in DTR 7.2.8A (eg ethnicity, sexual orientation, disability and socio-economic background).

- **Plan data collection process** – check whether existing data (eg human resources data or payroll information) could be used depending on the legal basis for which the company collects and processes this information.
- **Look into any overseas restrictions which may impact data collection** – identify any board or executive management members located overseas and ascertain whether any local laws may prevent the collection and/or publication of sensitive personal data.
- **Select an appropriate reference date** – consider what reference date is most appropriate having regard to existing reporting obligations (including the Companies Act 2006 requirement in relation to gender metrics as at year end and the UK Corporate Governance Code provision in relation to gender balance of senior management and their direct reports). Note that if the reference date changes between financial years, companies must explain why this is the case.
- **Consider early adoption** – companies with financial years beginning on or after 1 January 2022 should consider incorporating the required disclosures in the annual report published in 2023.
- **Explanations for non-compliance** – if the company does not meet one or more of the specified targets, consider the explanation for non-compliance (companies may wish to consider the Financial Reporting Council's [guidance on "comply or explain" reporting](#)).

### Key contacts



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