



Odgers Berndtson Welcomes the FRC Consultation on Boardroom Diversity

Revising the UK Corporate Governance Code to require listed companies to publish their policy on gender diversity and report against it annually is a positive development.

Odgers Berndtson recognises that maintaining an appropriate balance of skills and experience within a company and on the board varies depending on the sector and the requirements of the business.

We strongly endorse the FRC approach for companies to determine targets that are appropriate, rather than having to report against Government-set quotas.

Target setting, guided by the principle of comply or explain, ensures that talented women are recognised for their skill, aptitude and determination. We also recognise that there has been a gradual increase in the number of female board appointments since Lord Davies recommended the use of targets in his February report.

Lord Davies rightly acknowledged that boards should consider talented women from the corporate sector as well as looking beyond the corporate mainstream. We have long argued that professional advisers, whether corporate financiers, lawyers, accountants or strategy consultants, have knowledge and experience from a wide range of business and sectors that can make them valuable board members.

Equally, we believe that human resources professionals and those with a marketing and communications background could add value as non-executive directors, as could former government officials and academics.

The amendments and additions proposed in the consultation document, coupled with effective and collective effort from chairmen, nomination committees and executive search firms can be a powerful catalyst for enhancing best practice and increasing the number of female board appointments.

Proposed amendment to provision B.2.4 (the report of the nomination committee)

We support the amendment of UK Corporate Governance Code provision B.2.4 as follows:

“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.”

The emphasis on greater transparency, measurement and disclosure in the amendment to provision B.2.4 should encourage the development of specific targets for the number of women a board expects to appoint.

Proposed supporting principle to Principle B.6 (on board evaluation)

We support the addition of a new supporting principle to Principle B.6 as follows:

“Evaluation of the board should consider the balance of skills, experience, independence and knowledge on the board, the board’s policy on gender diversity, how the board works together as a unit, and other factors relevant to its effectiveness.”

Odgers Berndtson endorses the FRC view that diversity, in all its aspects, serves an important purpose in the evaluation of the board’s effectiveness. The new supporting principle provides much needed clarity on areas of priority for board effectiveness reviews.

The timing of any changes to the code

Early implementation of these amendments and additions offers distinct advantages.

Odgers Berndtson endorses the FRC view that early implementation might help in the context of the debate taking place in Europe, by demonstrating a workable alternative to quotas.

Given the ostensible progress already being made in the number of female board appointments, implementation at an earlier opportunity could also serve as an additional motivation for chairmen currently considering what aspirational goals they are to announce in September this year.

Supplementary notes

- Since the start of the consultation process, Odgers Berndtson has regularly discussed both the content and application of the FRC consultation with a broad audience of Chairmen, company secretaries, executive and non-executive directors and investors. These conversations, which have included a mix of formal events and informal discussions, have informed these views.
- Odgers Berndtson submitted evidence to Lord Davies’ public consultation and has a record of successful female appointments to a wide range of FTSE and AIM-listed companies, international groups, private equity backed businesses, family-owned organisations and small and medium sized enterprises.
- Following the Higgs Review of corporate governance, in which he highlighted the lack of training for non-executive directors, we developed a pioneering non-executive director development programme. In the current climate, we have instituted a series of ‘Women on Board’ seminars to help develop the female non-executive pipeline.
- We have a long established Diversity Council which has encouraged our diversity policies to take root throughout the firm. In addition to policy

making, the Council develops strategies for communicating our plans and principles to all our colleagues.

- Virginia Bottomley, Chair of the Board Practice at Odgers Berndtson was a member of the CBI diversity taskforce, submitting evidence to their paper 'Room at the top: improving gender diversity on UK corporate boards'. Virginia has been involved in the development of female talent for over 20 years.