

Chris Hodge
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Dear Mr Hodge,

Bath, 28/07/2011

I read with interest the consultation document 'Gender Diversity on Boards - May 2011'. Please find herein my comments and suggestions.

I have extensive knowledge of the field of gender diversity on boards having completed my PhD entitled 'Where are all the women? Institutional Context and the Prevalence of women on the Corporate Boards of Directors' in July 2009. This was a systematic cross-national study into what drives gender diversity at board level.

I read your consultation document with great interest, and herein I have set out my observations with regards to each of the points you highlight as central to the consultation process. In addition I have offered some 'food for thought', which I think may add to your evaluation of the proposed changes.

1. Are further changes to the Code needed to help achieve more diverse and more effective boards?

My view is that further changes are required to the code if 'UK PLC' is serious about encouraging more gender diversity at board level. The Higgs Review in 2003 highlighted the absence of female corporate board directors and encouraged a broader selection of candidates, with a particular emphasis on qualified female candidates. Despite this, from 2003 until 2005 the share of female corporate board directors on the board of FTSE 100 companies only increased by ca. 2%. This suggests that the wording and sentiment expressed in the code since the Higgs Review in 2003 has not been as effective as one may have wished.

2. If further changes to the Code are needed, what should these changes be?

In considering alternative wordings I would recommend that the emphasis is less on describing what the policy is, though a brief summary is useful, and more on explicitly stating what the desired share of female corporate board directors should be. Additionally, what steps are being taken to make a more gender diverse board a reality and what is the expected time frame for achieving the stated objectives? The review committee should also consider whether a 'comply or explain' approach would be a useful tool in changing corporate board demography. For example, should any company with less than e.g. three female directors have to explain the rationale for their relative homogenous board composition?

3. If changes are made to the code, when should these come into effect?

For the code to be most effective, the changes should probably be effective from Jan 1 2013. This will give businesses sufficient time to thoroughly assess and evaluate what their strategies and objectives are with regards to the gender balance at board level. When legislation was introduced in Norway requiring public listed companies to have at least 40% of each gender represented on the corporate board, businesses were given three years from when the law was passed until it was implemented. Given that the UK in the main adopts a 'soft-law' approach to Corporate Governance, a time frame of circa 18 months would seem reasonable. A shorter time frame may result in businesses suggesting that they had insufficient time to prepare for the requirements and therefore delay the full implementation of the revised code.

4. Additional considerations

In addition to the proposed changes contained in the consultation document, I would encourage the FRC to consider whether the Nomination Committee can take on a more focal role in creating more gender diverse boards. My PhD research encompassed a study that statistically evaluated whether corporations that had women serve on their Nomination Committee, also had more female corporate board directors. The results suggest that if women are appointed to serve on the Nomination Committee then the share of female corporate board directors increases. The Nomination Committee may therefore be a useful tool in making boards more gender diverse.

I hope these comments have been useful, please do not hesitate to contact me should you wish to discuss my comments or research further.

Yours sincerely

Dr. Johanne Grosvold