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Dear Mr Hodge

**BG Group response to FRC consultation document: Gender diversity on Boards**

BG Group welcomes the opportunity to contribute to this important area of corporate governance and is committed to diversity and creating equal opportunities in how we conduct our recruitment. We report on the principles and policies in place and the diversity of our workforce as part of the Group’s annual Sustainability Report.

BG Group operates in 27 countries across 5 continents and has three business segments: exploration and production; liquefied natural gas; and transmission and distribution.

**Commentary on Lord Davies’ recommendations – Women on boards**

In discharging their duty to promote the long term success of the company for the benefit of shareholders, BG Group believes that boards must be able to recruit and retain the people they consider, on merit, to be the best candidates for the role.

BG Group supports the current Supporting Principle B.2 of the UK Corporate Governance Code (the “Code”) which states that:

*“The search for Board candidates should be conducted and appointments made, on merit, against objective criteria and with due regard for the benefit of diversity on the Board, including gender.” (BG Group emphasis)*

BG Group believes that the hierarchy reflected in this statement of principle is wholly appropriate when considering the recruitment of candidates for board positions. In our view, the single most important factor in selecting candidates for board director roles should be their relevant skills and experience and the balance thereof with the rest of the board.

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From that starting point, BG Group recognises the need for, and desirability of, diversity on boards. Diversity in the profile of board members provides the board with the necessary range of values, views and methods of analysing information, and thereby provides an important counterbalance to so-called “group think” in the board room.

BG Group believes strongly however (as Supporting Principle B.2 of the Code also acknowledges) that gender should only form one aspect of the diversity to which chairmen of boards and nomination committees should pay due regard when deciding upon the most appropriate balance for composition of the board. It should not take precedence over diversity of skills and experience.

Critically, in our view, this range of diversity criteria must be applied and assessed in the context of the sector in which a company operates. High-performing and effective boards, which are capable of challenging (and supporting) executive management, are most often borne from an overall board composition which understands the company's business and the sector in which it operates. The board as a whole must be able to address collectively a broad range of issues which will vary with the size, scale, complexity, technicality and international reach of the company and the sector in question. The candidate pools for, say, a mid-cap domestic retail business and a FTSE 10 international oil and gas company are likely to look and feel very different.

BG Group therefore firmly believes that gender should not of itself become a criterion in recruiting new members to a Board. A scenario in which a company is required (or expected) to elevate gender *per se* to become an overriding factor in recruitment selection risks, in our view, undermining board effectiveness and working against the interests of shareholders. At worst, it has the potential to drive “tokenism” and may also serve to undermine the Code.

By way of example, for BG Group to meet the 25% target recommended by the Davies Report for female representation on the board by 2015, the directors of BG Group would need to appoint a woman every year for the next three years. On reasonable assumptions about the timing of retirement of existing directors, this would probably be 100% of new appointments over the period. In our view, shareholders are unlikely to view this as an appropriate recruitment policy for the BG Group board.

Finally, we believe that the Davies Report has missed an opportunity by not addressing in greater depth the wider issue of women in the workplace and internal and governmental policies which foster the development of the executive/senior management pipeline for women. In our view, addressing these issues is fundamental to ensuring that there is a wider and deeper pool of business women within the “marzipan” layer of management from which board appointments can then be made in the future. There are, of course, wider social, political, cultural and economic factors at play here. However, the issue of the relatively high attrition rates of women compared to men as seniority within an organisation increases seems to us to be at the heart of this issue and an area where further analysis may be useful.

## Financial Reporting Council (FRC) consultation document: Gender diversity on Boards

The FRC has invited views on whether further changes are required to the Code in response to Lord Davies' report and the timing of any such changes. In particular, the FRC is seeking views on:

1. Whether Provision B.2.4 (disclosure of the work of the nominations committee in the annual report) should be expanded to include a description of the board's policy on gender diversity in the board room, associated objectives and progress against those objectives;
2. Whether a new Supporting Principle should be added to Principle B.6 (board evaluation) setting out some of the most important elements to be considered as part of the evaluation process, which include the board's gender diversity policy; and
3. When any changes to the Code that might be introduced should take effect.

We believe that the existing provisions of the Code and the Guidance on Board Effectiveness published by the FRC in March 2011 are sensible and pragmatic and, together with the Davies Report recommendations, are sufficient for the time being. Therefore, we do not believe there is a need to include additional wording in B.2.4 and B.6 of the Code at the present time.

BG Group would favour reviewing any need for changes to the Code with regard to gender diversity at the time of the next formal review by the FRC of the Code (which has only recently been adopted) by which time there should be a clearer view on whether and how the Davies Report recommendations have been implemented, as well as on the outcome of (and reaction to) the current consultation at the European Union level on these same issues.

In the meantime, BG Group would welcome guidance from the FRC on how companies might consider best applying the Davies' recommendations on a "comply or explain" basis. For example, how might companies make meaningful disclosure in their Annual Report and Accounts in relation to the company's appointment process and diversity policy? In addition, how might diversity be tested through the board evaluation process?

*Yours sincerely,  
Robert Wilson*