

For the attention of: Chris Hodge  
Corporate Governance Unit  
Financial Reporting Council  
5<sup>th</sup> Floor, Aldwych House  
71-91 Aldwych  
London,  
WC2B 4HN

Submitted by email to: [codereview@frc.org.uk](mailto:codereview@frc.org.uk)

20 July 2011

Dear Chris

### **ICSA response to the FRC consultation: Gender Diversity on Boards**

We welcome the opportunity to comment on the FRC's consultation on changes to the UK Corporate Governance Code to implement a recommendation of the Davies Report on Women on Boards.

We very much support the recommendations of the Davies Report and agree that significant change is needed in order to accelerate the current rate of progress in increasing the number of women in the boardrooms of UK companies.

Set out below is ICSA's response to the specific questions raised by the consultation.

#### **1. Whether further changes to the Code are needed in order to help achieve more diverse and more effective boards**

We think it is important that the Code is amended to achieve more diversity and more effective boards. Although many companies will wish to implement the recommendations of the Davies Report voluntarily, we think the inclusion of new provisions in the Code would be the best way to achieve compliance by all companies. It would also provide for a standard method of reporting as all companies would report on progress towards achieving their internal targets for the percentage of women on their boards in their Annual Reports.

The consultation highlights the European Commission's 'Strategy for equality between Women and Men 2010-2015' and the possibility of further action by the EU following a review of progress in March 2012. We believe it is important for the UK to be seen to be taking action on this matter ahead of the EU review of progress and think that inclusion of a Code provision (and thereby a requirement for UK companies to report on progress) would demonstrate that the UK is taking the matter seriously and making progress towards the aspirations of the EU.

#### **2. The changes needed to the wording of the Code**

We have reviewed the suggested amendments to the wording of the Code and agree with the proposal that Provision B.2.4 and Supporting Principles B.6 should be amended,

however we would respectfully like to suggest some alternative wording. We would not wish to dilute the Women on Boards initiative but think that the amendments to the Code should not distract boards from the need to also consider diversity in general. We believe the Code should be strengthened in respect of both these objectives.

We would amend the suggested wording to reflect the wording of Supporting Principles B2 which refers to '... appointments made ... with due regard to the benefits of diversity on the board, including gender'. We think it is important that the wording specifies gender diversity but does not overlook the importance of diversity generally. It is essential that a board and its nomination committee take a forward looking approach to reviewing board composition. New appointments should reflect the skills and experience that will be needed on the board over the next three to five years whilst also addressing the important issue of gender balance.

As such, we would suggest that:

- the additional wording for Provision B.2.4 be amended to read '... description of the board's policy on diversity in the boardroom, including gender. This description should include any measurable objectives ...'; and
- the new Supporting Principle B.6 should be reworded to read '... the board's policy on diversity, including gender, how the board works together ...'.

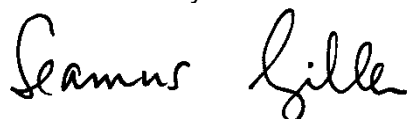
With regard to the existing Provision B.2.4 of the Code, we agree that the wording does not need to be amended to require additional information about the company's appointments process and how it addresses diversity. We do not think it is necessary to prescribe any elements of a diversity policy and think it should be left to individual companies to set their own appointments process and report on this in their Annual Report.

### **3. When should changes to the Code come into effect?**

We think that the amendments to the Code should be implemented as soon as possible so that companies will report on these new provisions in their 2012 Annual Reports (covering the year to 31 December 2011). We see no benefit to be gained by delaying implementation and would again highlight the importance of addressing the issue in the UK ahead of the EU review of the position in 2012.

We hope you find our comments useful and we would be happy to expand on any of these points should you wish to discuss them further.

Yours sincerely



Seamus Gillen  
Director of Policy  
Phone: 020 7612 7014