

Chris Hodge
Corporate Governance Unit
Financial Reporting Council
Aldwych House
71-91 Aldwych
London
WC2B 4HN

By email: codereview@frc.org.uk

28 July 2011

Dear Sir

Consultation document: Gender diversity on boards

We write in response to the above consultation document. We have three key points.

1. Deloitte strongly supports the ‘Women on boards’ initiative

As stated in our response to Lord Davies last year, Deloitte is keen to see a real change in pace towards better gender balance in British boardrooms. We actively support the 30% Club, of which our chairman, David Cruickshank, is one of the founding chairmen. The recommendation by Lord Davies for companies to publish their targets for the number of women on the board, by September this year, has brought this issue on to many board agendas. We believe that there is support for change, but acknowledge that bold steps may be necessary to have a real impact.

Deloitte undertakes a number of surveys of UK boardrooms. Appendix A to this letter includes some statistics related to gender diversity taken from recent Deloitte survey material. The data shows that although the numbers of women on boards has increased over time, it is a very slow rate of change. We have also gathered views of a number of listed companies’ executives, non-executive directors and shareholders on boardroom diversity, which suggest that although this is on board agendas the topic may still not yet have sufficient priority.

2. The proposed amendments to the UK Corporate Governance Code will not change the gender diversity landscape

In his report, Lord Davies called for “meaningful” information about the company’s appointment process and how it addresses diversity. We have concerns that, as drafted, the FRC’s proposed

amendments to the Code will lead to more boiler plate disclosure. We recommend two amendments.

If the FRC wishes to begin to drive the change of behaviours necessary in the board selection process, the proposed amendment to B.2.4 should be amended to remove the word “any” as illustrated below:

“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.”

This is tougher wording but would seem to fit better with the recommendations included in Lord Davies’ report. Companies would of course have the choice to comply or explain. To support this policy we advocate the development by the FRC of best practice guidance for directors on the key elements to be covered by a gender diversity policy and the measurable objectives to underpin such a policy.

In Appendix B, by way of an example, we set out the gender diversity disclosures which will be included in the Deloitte 2011 Annual Report.

We do not believe it is appropriate to highlight “the board’s policy on gender diversity” in the performance evaluation process as the evaluation process should be focussing on behaviours and boardroom dynamics. There is no reason why gender diversity should be included and the general diversity of the board not included. For this reason, and to ensure that diversity is considered as a valid part of the evaluation process, we suggest that the breadth of the board’s skills is considered. We suggest the following wording:

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

3. The FRC and BIS need to work together to introduce changes in a co-ordinated manner, whilst considering the impact of European Commission proposals in this area

We understand that BIS will be consulting separately on the recommendation that quoted companies should be required to disclose each year the proportion of women on the board, women in senior executive positions and female employees in the whole organisation. In addition, the European Commission’s Green Paper on the corporate governance framework for listed companies asks whether listed companies should be required to disclose whether they have a gender diversity policy and report regularly on progress and/or required to ensure a better gender balance on boards. We recommend that the FRC should work with these bodies to develop a set of holistic disclosure proposals which will best address the issues raised by Lord Davies. Introducing new disclosure requirements in a piecemeal manner may reduce the impact of the new regime and add to the cost to business of tracking such changes. For this reason we support revisions to the Code taking effect at the same time as any regulations introduced by the Government reporting the percentage of women of boards, in senior management and throughout the organisation.

If you wish to discuss this subject further with us, please contact Isobel Sharp or Tracy Gordon.

Yours faithfully

Deloitte LLP

APPENDIX A

Source: the Deloitte publications ‘Directors’ Remuneration Report 2011’ and ‘Be equipped’

- In 2011 20% of FTSE 100 companies, 55% of FTSE 250 companies and 68% of FTSE SmallCap companies have no female board members.
- In 2011 12.6% of board members were female in FTSE 100 companies (5.5% of executives and 15.7% of non-executives) increased from 10.7% in 2009. This has increased from 8.2% in 2004 (3.4% of executives and 11.5% of non-executives)
- 7.0% of board members were female in FTSE 250 companies (4.0% of executives and 8.8% of non-executives) which is only a very slight increase from 6.9% in 2009. This has increased from 4.8% in 2004 (3.1% of executives and 6.2% of non-executives)
- 5.8% female board members in FTSE Smallcap companies (4% of executives and 7% of non-executives) which has increased from 4.7% in 2009.

Source: the Deloitte publication ‘At the helm’ - June 2011

What are the most important issues when board composition is considered – those who said gender diversity

	Top 30	Next 70	FTSE 100	FTSE 250	FTSE Small Cap	All
Company view	43%	18%	-	23%	13%	-
NEDs	-	-	35%	24%	13%	-
Shareholders	-	-	-	-	-	56%

What percentage of companies expect to recruit from the female population during the coming year?

FTSE 100	FTSE 250	FTSE Small Cap
83%	73%	50%

Companies with a policy to include at least one woman on the candidate list for board vacancies

Top 30	Next 70	FTSE 250	FTSE Small Cap
33%	18%	7%	6%

What factors would significantly improve board effectiveness - the following % felt that more female directors would improve effectiveness to an extent or to a great extent

Company view	NEDs	Shareholders
21%	7%	67%

APPENDIX B*Proposed gender diversity disclosure for the Deloitte 2011 Annual Report (not yet issued)*

Deloitte CEO David Sproul and Chairman David Cruickshank have declared their commitment to ensuring the firm fulfils the aspirations set out in Lord Davies' 2011 report Women on Boards.

Currently 25% of Deloitte's Board members are women. Of our Executive team, 21% are women. We are delighted that our target for 25% of Board roles to be held by women by the end of 2013 has already been achieved; we will set our next target in the course of this year. We also have a target for 25% of the Executive team roles to be held by women by 2015. During 2011/12 we are developing plans for changes to several aspects of our Partner model and governance, increasing the diversity of the Partnership generally, and at Board level.

Deloitte has acted to accelerate women into positions where they can make that contribution at the top of our firm. Our CEO and Executive regularly consider progress and new steps to achieve this, and our Chairman and Board consider progress against plans in the Board's regular review of our Talent strategy and performance.