



Chris Hodge
Corporate Governance Unit
Financial Reporting Council
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Dear Mr Hodge,

The ABI welcomes the opportunity to respond to this important consultation on Gender Diversity on Boards.

We agree with the FRC on the three primary concerns relating to lack of diversity on boards and the affect it may have on board effectiveness. The ABI strongly believes that effective boards are of key importance in delivering long-term sustainable value creation. We also believe that the three identified reasons for board diversity are also the strongest argument against the introduction of quotas. Although quotas would clearly result in greater gender diversity we do not believe they would create more effective boards; indeed they would risk the exact opposite.

We are supportive of both the changes in the Code provisions B.2.4 and B.6. The proposed changes provide the right balance of encouraging greater diversity and a focus on board evaluation, without imposing undesirable prescription. We believe that given the context at both a UK and European level, it would be desirable for the Code to be changed in line with the "on or after 29th June" proposal. Although this is retrospective in nature, we consider that the comply-or-explain regime gives the companies sufficient flexibility in relation to how they respond to the changes and that investors will approach the issue in a considered manner.

In order for the changes to the Code to have a meaningful impact all parties will have to work constructively together. Both companies and investors have important roles to play in ensuring effective boards and greater diversity. To this end, the ABI has undertaken a research project on behalf of its members in relation to board effectiveness. The research is looking at what companies are currently doing in respect of board effectiveness, their approach to diversity, board evaluation and succession planning. We aim to publish this research in September 2011. We hope that it will provide companies and investors with a useful benchmark of current standards and enable both parties to push forward best practice and raise market standards as a whole.

Yours sincerely,

Hugh Savill
Acting Director of Investment Affairs