

22 July 2011

Mr C Hodge
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By email: codereview@frc.org.uk

Dear Mr Hodge

CONSULTATION DOCUMENT: GENDER DIVERSITY ON BOARDS

I write on behalf of Standard Life plc, a major UK FTSE 100 listed company. We are supportive of the Financial Reporting Council's ('FRC') aims to encourage diversity in the boardroom and to consider whether and how to recognise in the UK Corporate Governance Code ('the Code') the recommendations arising from Lord Davies' Report "Women on boards". Equally, we understand that the aim of both the consultation and the Davies Report is to try and accelerate the pace of change in this area. Our current Board is made up of eleven Directors and we are pleased to report that three of them are women. We would also note that we have both South African and Canadian nationals on our Board and believe that, as a result, the Board benefits from diversity in its broadest sense, and not just based on gender.

We recognise that there is currently no explicit disclosure requirement in the Code related to the recommendation that "the search for board candidates should be conducted with due regard for the benefits of diversity on the board, including gender", and we agree that Boards should be encouraged to provide useful disclosure on their work to reflect diversity in their search for Board candidates. However, we believe the fundamental principle remains that appointments to the Board should be made relative to an actual set of agreed criteria and an individual's suitability against the criteria, rather than to meet a publicly stated diversity target. We are, however, committed to ensuring that group-wide policies within Standard Life, and particularly with regard to senior and executive roles, promote the progression of the best talent (regardless of gender), and support us being truly an equal-opportunities employer.

We agree that the FRC's proposal to introduce an extended provision (B.2.4) referring to a formal Board policy on diversity, and a new supporting principle (B6), referring to the use of such a policy as part of the Board Effectiveness review, is logical. However, we note that the Davies Report recommendation was that the board should establish a policy on "boardroom diversity" and it does not seem appropriate to us to restrict this to "gender diversity", as envisaged by the consultation document, as we believe that a policy on "board diversity" would be more inclusive.

We do not believe that any further specific changes need to be proposed to the Code to incorporate any of the other recommendations of the Davies Report.

We note the following on the specific consultation points:

B2 – Appointments to the Board

B.2.4 “A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. ***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.*** An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director”.

As stated above, we are supportive of the Board developing a policy on “diversity”, rather than “gender diversity” as we believe this would have a wider scope and reflect the Board’s view that the collective experience and membership of the Board should be as diverse as possible. If this policy were implemented, we believe that Boards would not only include women, but also individuals from a wide range of diverse ethnic and geographic backgrounds as well as age-ranges.

We believe that it is not necessary to include “measurable objectives” in the policy; we are concerned that if a public expectation of “measurable objectives” had been set, and it had not been possible to achieve those objectives, perhaps because of the lack of quality candidates available, there may be pressure on the Board to appoint individuals simply to achieve the public measure, rather than disclose why it had not been possible to reach the target. We believe that if the Board developed and disclosed a flexible principles-based policy, and reported on how it has been implemented, this would be a positive development. Accordingly, we would prefer if the wording incorporated in the Code were:

“This section should include a description of the board’s policy on diversity, including gender diversity, in the boardroom and progress on how it has been implemented and its impact”.

The FRC has also asked whether it would be helpful to set out some of the key elements to be covered by a gender diversity policy in the Code. In our view, it is not appropriate to include such guidance as a formal element of the Code, but we believe that this could be a useful addition to the next version of the “Guidance on Board Effectiveness”.

B6 - Evaluation

Supporting Principles

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

We are supportive of the principle that the Board evaluation should encompass a consideration of its diversity, but we believe that the diversity review should be wider than “gender” and, therefore, that the word “gender” should be removed.

Timing

We note that BIS has not yet indicated as to when regulations to require “reporting of the percentage of women on boards, in senior management and throughout the organisation” might be implemented, and that, accordingly, this might lead to a different timescale to introduce the Code requirements and the BIS requirements. We do not believe that the timing of the introduction of the amended Code is a major issue, but it would seem most logical if these changes were introduced at the same time. We recognise that the Board may choose to introduce voluntary disclosure in advance.

Conclusion

We hope that these points will inform the FRC's discussions as it continues to consider whether and if so, when, to amend the Code with regard to Board diversity.

Yours sincerely


MP Malcolm Wood
Group Company Secretary and General Counsel