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Dear Mr Hodge

Gender diversity on boards

Ernst & Young LLP welcomes the opportunity to respond to the consultation document: *Gender Diversity on Boards, May 2011* ("the Consultation"), issued by the Financial Reporting Council ("FRC"). We applaud the important work done by the FRC and the findings issued by Lord Davies¹ in his report. A proper balance of women on boards is no longer a luxury but a corporate governance issue, in light of the many studies detailing the importance of diversity to risk management and solutions.

We support the FRC's proposed enhancements to Provision B.2.4 and Principle B.6 in the UK Corporate Governance Code ("the Code"). However, in recognition and in furtherance of what Lord Davies is seeking to achieve, we suggest the FRC extend the proposed change to provision B.2.4, with the effect that FTSE 100 boards should aim for a minimum 25% female representation.

Given the aspirational and flexible nature of these requirements, the scalable and codified principles of the Code seem to be the most appropriate place to position them. This will allow companies to apply the principle in a way which is appropriate to their particular circumstances, where they can set an aspirational gender diversity target against which they publicly report their progress, using a minimum 25% benchmark.

At UK&I (our practices operating in the UK and Ireland) 28% of our 18-strong leadership team are women. However, we wish to do even better than this, which is why we are members of the 30% Club, which supports an aspirational target of 30%. The Club comprises a group of business leaders and organisations committed to bringing more women onto the boards of UK companies. The Club's target reflects independent studies² which indicate that boards become

¹ Lord Davies' report, *Women on boards*, was published in February 2011.

² The "30% Club" refers to various studies on board room diversity, including: *The Bottom Line: Corporate Performance and Women's Representation on Boards*, Catalyst. *Women Matter: Gender Diversity, a Corporate Performance Driver*, McKinsey & Company (also referenced in the Davies report). Ernst & Young supports Catalyst and has produced its own studies on the subject, including *Groundbreakers: Using the strength of women to rebuild the world economy*.



demonstrably more effective as the proportion of women on these boards reach 30%, evidenced by increased returns on company sales, equity and investments.

We are grateful to the FRC for issuing this Consultation, and we hope you have found our comments helpful. If you would like to discuss any of the points we have raised, please contact me on 0207 951 6174. We wish you every success with the rest of the consultation process, and for the avoidance of any doubt this is not a confidential reply.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Varley', with a long horizontal stroke and a vertical tail.

Stephen Varley
Managing Partner, UK and Ireland