

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

24 July 2011

Dear Mr Hodge

**FRC Consultation: GENDER DIVERSITY ON BOARDS (May 2011)**

The Audit & Finance Non-Executive Directors Forum (AFNED) is grateful to the FRC for the opportunity to contribute to the consultation on this issue.

Our members are qualified professionals (including accountancy, legal and clinical) our members total over 900 and cover the UK.. Our current chairman is Miss Deborah Harris-Ugbomah, who has contributed separately through her volunteer activities within the Non-Executive Director Group of the ICAEW.

*About AFNED*

Drawn from both public and private sector, AFNED is a support and thought-leadership forum that also offers specific training and one-to-one coaching and mentoring for existing and aspiring Non-Executive Directors (NEDs). Our focus is briefings on corporate governance and financial risk management.

In response to the FRC consultation, AFNED seeking views on the issues raised are summarised and attached.

Please feel free to contact Miss Harris-Ugbomah, should you need for further information. Her direct email contact is [deborah.harris@dhuassociates.co.uk](mailto:deborah.harris@dhuassociates.co.uk)

Yours Sincerely

**Jennifer Carter**

Audit & Finance Non-Executive Director Forum, Policy Management Team  
cc Deborah Harris-Ugbomah (Chairman)

## **AFNED Response to the Consultation: Gender Diversity on Boards**

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

It is our view that further changes to the Code are needed at this time to help achieve a more diverse and effective board composition. It is understandable to wish for time for the new principle to embed. However, we share the view of Lord Davies' about the slow rate of progress in the absence of a formal requirement to address this issue.

Furthermore, there have been a range of initiatives launched in the past that have been extremely well meaning. These have met with some, but also, limited, success. It is our view that in addition so embedding the new principle, the opportunity to ensure the tone and drivers behind the principle should not be missed.

If further changes are needed, the FRC is seeking responses on what these changes should be. The consultation document draft revisions to the Code, on which comments are sought, have been reproduced below for assistance (shown in blue)

### **Provision B2.4**

Suggested wording of the FRC is welcomed. However we feel there should be a clear direction to report on quantifiable progress as well as the more qualitative descriptions and outcomes to which the board may have subscribed. As such AFNED feels the wording should be as shown below:

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~~ the 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.

In his report, Lord Davies recommends that “in line with provision B.2.4... chairmen should disclose meaningful information about the company's appointment process and how it addresses diversity in the company's Annual Report including a description of the search and nominations process”. **The FRC does not consider that this recommendation requires a change to the Code, but welcomes views on whether it would be helpful to set out some of the key elements to be covered by a gender diversity policy - such as the criteria used when recruiting directors, or the steps taken to develop of senior executive talent - and if so, whether this should be done in the Code or elsewhere.**

We also feel that additional value can be provided in the 'meaningful information' to be disclosed by the board Chairman if they also confirm the following:

Whether the recruiters (where commissioned) have delivered their service in accordance with the voluntary code of practice for recruitment processes.

The Department for Business Innovation and Skills (BIS) confirmed that this code would be drafted and agreed by the leading recruitment firms by late spring 2011.

In light of this, all adherence (or otherwise) to this code should also be noted. This will provide additional drivers to the recruitment firms to also deliver on this issue if they are being asked to provide assurances to the boards that they are working to this new code of practice.

### **Principle B.6**

**The FRC welcomes views on whether a new supporting principle on board evaluation is desirable and, if so, on the proposed wording.**

We feel that the wording for the supporting principle is adequate and welcomed.

**The FRC welcomes views on when any changes to the Code that might be introduced should take effect.**

It is our view that if changes are made to the Code, these should come into effect ahead of the same date the Code is updated. Whilst there may be some merit in recognising that *'it could be disruptive for companies who are accustomed to the Code changing on the same date when it is updated'* the issue is felt to be of such significance in terms of the wider issue of timely and appropriate corporate governance systems. As such any minor disruption to the status quo of timings should be recognised by any corporate who understand the importance of implementing best practice as a measurable defence against accusations of poor practice.

### **General Comment**

The FRC raised three concerns about board effectiveness, one of which was that where there is limited diversity group think can result. With respect to the issue of gender diversity, AFNED would comment that gender may still not address this issue, if the population of women from whom the boards seek to secure this diversity is the same socio-economic backgrounds, social circles and alumni of the same educational institutions.