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Chris Hodge
Corporate Governance Unit
Financial Reporting Council
Fifth Floor
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Dear Mr Hodge

Financial Reporting Council (FRC) – Gender Diversity on Boards

Legal & General Investment Management (LGIM) is one of the leading fund management groups in the UK, managing approximately £356 billion of assets (as of 31st March 2011). LGIM is responsible for managing investments of around 4% of the UK Equity Market on behalf of our clients.

I am writing this letter to you in response to your consultation in May 2011 considering gender diversity on boards following Lord Davies report on this issue. LGIM is grateful for the opportunity to respond to this review and is fully supportive of its intended purposes.

At LGIM, we believe that varied points of view enhance boardroom performance by encouraging debate around boardroom issues. We fully support principle B.2 in the UK Corporate Governance Code which states that *"the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board including gender"*.

In order to ensure that diversity is embedded within an organisation successfully, there must be a consistent approach across all countries at EU level. This will further drive the cultural change which is needed for the longer term success of this initiative.

We also take the view that companies should disclose their diversity policies within the Annual Report and Accounts rather than as a separate report, as this ensures that the issue is not made separate from the Company's reporting on its core business activities. The diversity policy disclosed should be aligned with the Company's strategy and objectives, and progress on improving board diversity should also be regularly reported so that all stakeholders can see how the Company is developing.

With regards to quotas for female directors on boards, LGIM is not supportive of this approach and believes it is a short-term fix to an issue that poses ongoing long term challenges. Quotas may push companies to comply with the principle but this does not necessarily ensure that the best candidate is appointed and fit for the Board position. LGIM believes that there needs to be improvement in the Board nomination process, the development of females in middle and senior management positions,

and the promotion of overlooked talent. These actions will strengthen the pipeline for female representation on boards and increase the supply of potential candidates in the labour market.

LGIM supports a transparent recruitment process which facilitates the appointment of the most appropriate candidates for the role in question. This process should take into account the balance of skills and experience, and the Nomination Committee should actively consider diversity on all levels.

Following on from this, it is also critically important that the chemistry is correct between board members in order to ensure that their interaction creates value. Therefore, the Chairman's role as the leader of the Board is essential for promoting integrity in a diverse team and making sure that all directors are compatible.

In relation to specific amendments to the UK Corporate Governance Code, wording should be amended to ensure that other diversity issues are not excluded (e.g. age, ethnicity, geographical location etc). Therefore, LGIM would prefer provision B.2.4 to state:

*"This section should include a description of the board's policy on diversity in the boardroom **including gender**, measurable objectives it has set for implementing the policy and progress on achieving the objectives."*

Similarly, the additional wording that would fit in to Section B.6 would state:

*"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 diversity **including gender**, how the board works together as a unit and other factors relevant to its effectiveness."*

The implementation of the statements in the UK Corporate Governance Code should be done in the next FRC review. This will give sufficient time for companies to adapt and to begin voluntarily seeking more women for top roles.

We hope that these comments contribute effectively to this consultation and would welcome a meeting if there are any points that you wish to clarify.

With kind regards,



Andy Banks
Head of Corporate Governance