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Dear Deepa

Exposure Draft: Guidance on the Strategic Report

Further to our meeting on 7th November 2013, with a number of representatives from the 30% Club Investor Group, we are pleased to make this submission on behalf of the 30% Club. Our submission will focus on Paragraphs 6.68 – 6.71 of the Exposure Draft.

The 30% Club is a group of Chairmen and organisations committed to bringing more women onto UK Corporate boards. Its 70 chairmen members have declared their voluntary support for a goal of 30% of boards being female by 2015 and are taking actions to achieve it.

Diversity is a key theme in the debate about the quality and performance of boards. As the Davies Committee noted in **Women on Boards, March 2012**, investors "are increasingly becoming one of the most active and vocal groups championing women on boards.... evidence suggests that diversity is becoming a key component of stewardship dialogue between investors and companies."

This is the case for members of the 30% Club Investor Group whose members manage over £2 trillion of assets on behalf of pension funds, charities and individuals¹.

We welcome the decision to require companies to publish in the strategic report the number of women and men within their organisation, both overall and in senior positions. We particularly welcome this focus, as we firmly believe that growing the female talent pipeline needs to be high on the agenda for every board. Whilst progress has been made in increasing female representation in the board level over the last three years, this has, on the whole, been achieved through an increase in the appointment of female non-executive directors.

¹ Members include representatives from the following institutional investors: Aberdeen Asset Management, Aviva Investors, AXA Investment Managers, BlackRock, Co-operative Asset Management, Ecclesiastical Investment Management, F&C Investments, Hermes Equity Ownership Services, HSBC Bank Pension Trust (UK), Jupiter Asset Management, Legal & General Investment Management, the Local Authority Pension Fund Forum, the London Pensions Fund Authority, JP Morgan Asset Management, Newton Investment Management, Quilter Cheviot and RPMI Railpen.



Recent research, including that carried out by Cranfield University School of Management (**Women on Boards – Benchmarking adoption of the 2012 Corporate Governance Code in FTSE 350** November 2013), continues to highlight that women are under-represented at almost all management levels, at almost all companies and, while the boardroom is now becoming more balanced, the pipeline below remains leaky. The Cranfield research highlights that only 30% of FTSE 100 companies published clear policies or measures aimed at increasing the number of women in senior management in their Annual Reports. In a sample of 50 companies from the FTSE 250, this reduced to a paltry 2% of companies.

The Exposure Draft states in paragraph 6.71 that: “The analysis required by paragraph 6.68(b) should enable shareholders to ascertain the number of persons of each sex who might, in due course, attain a position that would be classified under paragraph 6.68(a) or an equivalent position.”

We would go further and recommend that in order to demonstrate this, companies should clearly set out their targets for the percentage of female representation at executive committee and the next two levels below – ie. disclose targets against which progress can be measured and a timeframe over which they plan to meet those targets. In our view, female talent management is a crucial part of business strategy and a key determinant of future performance, so a narrative discussion around this within the strategic report, in addition to the statistics set out in the Exposure Draft, would be helpful.

This approach was introduced in Australia in 2011, following the publication of the ASX Corporate Governance Council’s gender diversity Principles and Recommendations. Research commissioned by the ASX², conducted by KPMG and published in March 2013, showed encouraging results. 162 companies (82%) in the S&P/ASX 200, have set measurable objectives, with a further 14 indicating that they are in the process of developing measurable objectives; whilst in the ASX 201-500, 117 companies (59%) have set measurable objectives, with a further 29 indicating that they are in the process of developing measurable objectives.

The ASX has recently held a consultation on the 3rd edition of their Corporate Governance Principles and Recommendations³. We have set out below for reference the revised recommendation which relates to diversity.

Principle 1, Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board:
 - 1. to set measurable objectives for achieving gender diversity; and
 - 2. to assess annually both the objectives and the entity’s progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period:
 - 1. the measurable objectives for achieving gender diversity set by the board in accordance with the entity’s diversity policy and its progress towards achieving them;

² <http://www.asx.com.au/documents/media/media-release-asx-cgc-diversity-report-2013-final.pdf>

³ <http://www.asx.com.au/documents/public-consultations/draft-cgc-3rd-edition.pdf>



2. either:

- i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for this purpose); or
- ii) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.

The consultation draft includes a further two pages of commentary, which includes the following:

"Objectives such as introducing a diversity policy or establishing a diversity council by themselves are unlikely to be effective unless they are backed up with appropriate numerical targets.

"Reporting annually on an entity's gender diversity profile and on its progress in achieving its gender diversity objectives is important. It encourages greater transparency and accountability and, because of that, is likely to improve the effectiveness of the entity's diversity policy in achieving the outcomes the board has set."

We look forward to seeing how this approach continues to have a positive influence on the numbers of women in senior positions in Australia, and would recommend a similar approach here in the UK.

If you have any questions or would like to discuss any of the points raised in this letter in more detail, please do not hesitate to get in contact with us.

Yours sincerely

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CEO, Newton Investment Management

cc. Emma Howard Boyd
Chair, 30% Club Investor Group
Director Stewardship, Jupiter Asset Management