



**Lord Davies of Abersoch**

Minister for Trade,  
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Sir Christopher Hogg  
Chairman of the Financial Reporting Council  
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Dear Christopher,

In recent months I have been looking at the issue of women in business, including the representation of women in the boardroom.

I am writing to you in the context of the current review of the UK Corporate Governance Code.

While the UK has made some progress in terms of the numbers of women holding director posts, the progress has been very slow. There were 12.2% women directors on the FTSE 100 boards in 2009, representing an increase of 11.7% from 2008 and 6.9% from 1999. Notably there are still 25 companies in the FTSE100 with no women directors at all.

There are a large number of extremely able women just below boardroom level who continue to be overlooked for board posts (I have direct experience of this both from my time at Standard Chartered, where I introduced policies to advance able women, and from the continuing mentoring I do). This is a waste of valuable talent; it undermines good governance and is holding UK business back in my view.

There remain a number of obstacles to women's progress which I have been discussing with company chairmen, nomination committee members and the executive search profession. I continue to work on removing these obstacles but, while they remain, we will continue to face calls for a more regulatory response, such as quotas for boardroom appointments.



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I am not yet convinced by the arguments for quotas, both in terms of practicability and in terms of achieving the objective of getting the most able women into the boardroom. But I do believe that we are not going to see any significant improvement until more direct pressure is applied to companies. This is where the code can help.

I suggest that the code should include a principle (under Section B "Board Effectiveness") which requires listed companies to explain:

- what the current position is with regard to director posts occupied by women and other underrepresented groups;
- how this meets the needs of the company, its governance and business; and,
- what their policies are for achieving greater diversity in the boardroom.

This will put companies in a position where they have to consider much more carefully whether they are making the most of a diverse talent pool and how they are developing talent within the company.

At this stage I am not suggesting that companies should be obliged to "comply or explain" with a Code provision to include, for example, a certain proportion of women or other underrepresented groups on the board: this appears to me to be too close to a quota regime.

We have an excellent opportunity to make a real step forward. If we do not take it I am clear that progress will continue to be sluggish – and ultimately UK business will suffer.

As you are aware, the Government Equalities Office has a long standing interest in this issue and fully supports this initiative to encourage board appointments to be drawn from a broad pool of talent.

I will of course be happy to discuss this further with you and Sarah.



LORD DAVIES OF ABERSOCH

