

Business, Innovation and Skills  
House of Commons Select Committee  
7 Millbank  
House of Commons  
London  
SW1P 3JA

[biscommem@parliament.uk](mailto:biscommem@parliament.uk)

5 October 2012

Dear Sirs,

**Business, Innovation and Skills Committee Inquiry – Women in the Workplace**

***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of EuropeanIssuers, which represents over 9,000 quoted companies in fourteen European countries.

***Response***

We welcome the opportunity to provide written evidence in this inquiry.

We are a strong advocate of good governance amongst the small and mid-size quoted companies we represent and amongst the UK and European corporate landscape more generally. We believe that initiatives to encourage more representative boards will improve the quality of board decision-making and accept that promoting greater gender diversity throughout the management structure of organisations is a key element of that.

There are currently a number of ongoing initiatives both in the UK and the EU to increase female participation in the boardroom. Most notably, Commissioner Reding, Vice President of the European Commission, DG Justice, has confirmed that she will release a proposal shortly that will require listed companies to have at least 40 per cent of their non-executive director board seats for women by 2020 or face fines and other sanctions.

We are concerned that, in relation to gender diversity, the imposition of quotas will not deliver better corporate governance. We believe that any imposition of quotas for women on boards is premature and will fail to allow enough time for recent initiatives to increase board diversity (such as amendments to the UK Corporate Governance Code that require companies to explain their approach to boardroom diversity) to be fully realised. Most importantly, organisations need to look beyond the boardroom to increase the available constituency of appropriately experienced women keen to enter the boardroom in either an executive or non-executive capacity.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies.

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**Women in the Workplace**  
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We have enclosed our responses to various reviews covering boardroom diversity as written evidence, including:

- House of Lords Select Committee on the European Union – Call For Evidence: EU Women on Boards Proposals (July 2012)
- European Commission – Consultation on Gender Imbalance in Corporate Boards in the EU (May 2012)
- The Financial Reporting Council: Gender Diversity on Boards (August 2011)

If you would like to discuss this in any more detail, we would be pleased to attend a meeting.

Yours faithfully,



Tim Ward  
Chief Executive

Enc:

Quoted Companies Alliance Response to House of Lords Select Committee on the European Union – Call For Evidence: EU Women on Boards Proposals (July 2012)

Quoted Companies Alliance Response to European Commission – Consultation on gender imbalance in corporate boards in the EU (May 2012)

Quoted Companies Alliance Response to the Financial Reporting Council: Gender Diversity on Boards (August 2011)

Mark Davies

EU Sub-Committee on the Internal Market, Infrastructure and Employment

Committee Office

House of Lords

London SW1A 0PW

[daviesma@parliament.uk](mailto:daviesma@parliament.uk)

11 July 2012

Dear Sirs,

**House of Lords European Union Committee Call For Evidence: EU Women on Boards Proposals**

***Introduction***

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small and mid-size quoted companies with individual market capitalisations tending to be below £500m.

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The Quoted Companies Alliance Corporate Governance Expert Group has examined your proposals and advised on this response. A list of members of the Expert Group is at Appendix A.

***Introduction***

We welcome the opportunity to respond to this call for evidence in relation to the current EU proposals for women on boards and can confirm that we have already responded directly to the European Commission in relation to the proposals.

We are a strong advocate of good governance amongst the small and mid-size quoted companies we represent and amongst the UK and European corporate landscape more generally. We believe that initiatives to encourage more representative boards will improve the quality of board decision making and accept that gender diversity is a key element of that.

We agree with the European Commission's view that it is essential to have high standards of corporate governance with highly effective boards running small and mid-size quoted companies. This must include boards which demonstrate a positive approach to diversity, incorporating factors such as skills, experience, culture and gender.

Diversity tends to promote the ability of board members to make appropriate and effective contributions to the company's strategy and the quality of board debate. We also believe that diversity ensures that boards remain connected with their shareholders, wider stakeholders and are better placed to navigate

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A company limited by guarantee registered in England  
Registration Number: 4025281

financial authorities.

We are concerned that, in relation to gender diversity, the imposition of quotas will not lead to good corporate governance. We believe that any imposition of quotas would be premature and will fail to allow enough time for recent initiatives to increase board diversity to be fully realised.

In our second QCA/BDO Small and Mid-Cap Sentiment Index<sup>1</sup>, we asked small and mid-size quoted companies questions on their policy in recruiting women to their corporate boards. In response, we found that of the companies who had been actively recruiting (64 companies), 24% had specifically asked recruiters to include within their remit female board members. Of those 64 companies it was found that 38% of companies had a short list with female candidates, while 28% appointed a woman to a board position.

These results, together with the published statistics in relation to the FTSE100 in the year since Lord Davies' report was published, show that momentum is building and attitudes to the structure of small and mid-size quoted company boards is potentially changing. Good corporate governance is especially important in small and mid-size quoted companies, and it is clear that they are beginning to look to expanding the diversity of their corporate boards.

We have already expressed concern to the European Commission that there seem to be significant differences between DG Internal Markets and DG Justice with regards to corporate governance and in particular, women on boards. Further clarity and an aligned and joint Commission position on the issue would be welcome and we trust that this review will add weight to the need for clarity and alignment in your feedback to the Commission.

**1. To what extent does the EU have a role to play in improving the representation of women on boards? Should this be tackled through measures at a European level or is it a matter for national Governments? Do the differences in board structures across the EU affect the pursuit of a common European approach?**

We believe that the European Union has a key leadership role in improving and encouraging board diversity, with a current focus on the position of women on boards. The European institutions have a powerful history of supporting and promoting equal rights and board diversity is a key next stage of that. The EU is a very important instrument in promoting corporate governance best practices across all of Europe.

We believe that measures to improve the representation of women on boards must be tackled both through legislative measures and through cultural changes and accept that those legislative measures, as and where appropriate, will come both from Westminster and Brussels. We are, however, unconvinced of the need for, or benefit of, quotas at the current time.

We do not think it appropriate for subsidiary principles to be argued regarding the levels at which action should be taken - the range of measures to be undertaken include measures to promote genuine flexible working and new modes of behaviour not only for women but for all in the work place in order to create a new exciting corporate culture. Most of the required changes are behavioural rather than legislative.

We do not believe that differences in board structures across the European Union effect the pursuit of a common European approach, but do accept that cultural differences may lead to future complications.

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<sup>1</sup> <http://bdoqcasentimentindex.co.uk/>

**2. Can a "voluntary approach", or self-regulation, achieve a fair representation of women on boards? How can change through voluntary measures be sustained?**

Since Lord Davies published his report<sup>2</sup>, there has been insufficient time to determine whether a voluntary approach of self-regulation will work and be sustainable in the long-term. We strongly believe that the diversity initiative which has been developed over the last eighteen or so months should be given an opportunity to succeed. At the moment it looks like voluntary measures may succeed and strongly believe that time should be allowed to realise the same.

We also wish to note that we believe voluntary measures to be more sustainable because they reflect a change in corporate behaviour rather than imposed quotas.

**3. How should progress be monitored and audited? Should monitoring be coordinated at the European Level?**

We strongly believe that monitoring and audit should be done both at Member State and European level and European economic statistics collated for this purpose. It is valuable to understand various benchmarks being achieved by various countries, all of which have very different economies and cultures.

**4. Should progress be incentivised, or a lack of progress punished? If so, how could this be achieved?**

We believe that progress should be incentivised and lack of progress censured. We are a strong supporter of a genuine and holistic comply or explain corporate governance culture within organisations. Explanations must be meaningful and those who do not comply but deliver sensible, proportionate and convincing explanations should not be criticised.

**5. What level of progress is acceptable? Is there a point at which it should be determined that self-regulation is not working and that a legislative intervention (whether at national or European level) is needed?**

We would prefer to see board composition being monitored over the next 12-36 months and to see whether from statistical analysis there is a continuing improvement before deciding whether to resist quotas.

**6. Has the introduction of quotas in some Member States had any impact on the single market? What are the arguments for and against consistency across the EU on women on boards?**

We do not have access to sufficient information to comment on all aspects of this question.

At the current time our view is that the European Commission should set an ambitious challenge to businesses across all Member States to meet a target and then expect a comply or explain response not only from corporate but from Member States themselves in relation to the corporate environments of that Member State.

**7. What impact would be a higher level of representation of women on boards across Europe have on the UK? Would it bring any advantages and/or disadvantages?**

We do not think it is possible to give a substantive response to this question until the higher level of female representation on boards across Europe is achieved. However, we refer you to the findings of

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<sup>2</sup> <http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf>

Lord Davies in his report of last year and have no reason to believe that these will not be reflected in changing corporate culture once a higher level of representation is achieved. Accordingly, we are supportive of increased diversity both on boards and within all levels of an organisation.

**8. What are the positive and negative effects of legislative quotas?**

Legislative quotas do have the strong attraction of simplicity. However, an interesting and useful example was the need to delay the Bribery Act 2010 because the statutory guidance had not been reduced and insufficient legislative analysis had been carried out for that guidance. It is easy for a legislator to set a quota: it is much harder for a legislator to seriously engage with the market to encourage and promote the appropriate environment to deliver meaningful behavioural changes. Increased diversity and, indeed, good corporate governance, is all about changing behaviours rather than satisfying a tick-box exercise.

**9. Other than quotas, what measures could be considered at European level to directly improve the representation of women on boards? Are there alternative measures that should be pursued, but which are better suited for action at a national level?**

Before a legislative quota is imposed, it may be useful to consider a reward structure such as the sponsored achievement awards for strong examples of diversity.

In a similar manner, Member States could give other incentives, such as lower corporation tax rates for companies that exceed diversity standards.

**10. Is support needed for women when making their choice of careers, and throughout their careers, to ensure that there are sufficient candidates for board appointments? Is this a matter for European-level action, or should it be a matter for national governments?**

We strongly believe that support is needed for many persons, including women in their choice of careers so as to ensure that there are sufficient candidates of appropriate quality for all appointments, particularly from less represented elements of society. We think this is a matter for strong and focused European and Member State support, but do not think that it is necessary for this to require legislative action.

**11. What does success look like? What should be the ultimate goal with respect to women on boards across the EU?**

We do not think that success will be achieved by simply increasing the number of women on boards. Corporate boards are representative of the issue, but the ultimate goal needs to be an increased diversity of spirit and greater the incentive and retention of women and other under-represented groups through the higher echelons of any corporate management structure, which will then feed into board. Without this cultural change throughout an organisation, there will be an increased burden put on a (potentially un-diverse) sector of women appropriately experienced to sit on board.

**General Comment**

By way of general observation, it is appropriate for us to acknowledge that the conclusion whether or not a quota is imposed is a matter which will be decided in Brussels rather than Westminster. Accordingly, we do hope that your committee will positively project views that, whilst female representation on board must be increased, to impose a quota is, at the moment, premature and could actually be counterproductive.

We would be very welcome to a meeting to further consider any of these points if it would be useful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'TW', is positioned above the typed name.

Tim Ward

Chief Executive

**QUOTED COMPANIES ALLIANCE CORPORATE GOVERNANCE EXPERT GROUP**

Edward Beale	Western Selection Plc
Tim Bird	Field Fisher Waterhouse
Dan Burns	McguireWoods
Anthony Carey	Mazars LLP
Louis Cooper	Crowe Clark Whitehill LLP
Madeleine Cordes	Capita Registrars Ltd
Edward Craft	Wedlake Bell LLP
Kate Elsdon	PricewaterhouseCoopers LLP
Nicola Evans	Hogan Lovells International LLP
David Firth	Penna Consulting PLC
David Fuller	CLS Holdings PLC
Clive Garston	DAC Beachcroft LLP
Tim Goodman	Hermes Equity Ownership Services
Nick Graves	Burges Salmon
David Isherwood	BDO LLP
Kate Jalbert	The Quoted Companies Alliance
Colin Jones	UHY Hacker Young
Dalia Joseph	Oriel Securities Limited
Doris Ko	Aviva Investors
Derek Marsh	China Food Company PLC
Claire Noyce	Hybridan LLP
James Parkes	CMS Cameron McKenna LLP
Julie Stanbrook	Hogan Lovells International LLP
Jacques Sultan	The Quoted Companies Alliance
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Melanie Wadsworth	Faegre Baker Daniels LLP
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Cliff Weight	MM & K Limited



## THE QUOTED COMPANIES ALLIANCE

An independent organisation funded by its members, the Quoted Companies Alliance champions the interests of small and mid-size quoted companies, their advisors and investors. It was founded in 1992, originally known as CISCO.

We are governed by an elected Executive Committee, and undertake its work through a number of highly focussed, multi-disciplinary committees and working groups of members who concentrate on specific areas of concern, in particular:

- taxation
- legislation affecting small and mid-size quoted companies
- corporate governance
- employee share schemes
- trading, settlement and custody of shares
- structure and regulation of stock markets for small and mid-size quoted companies;
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from various standard-setters

The Quoted Companies Alliance is a founder member of EuropeanIssuers, which represents quoted companies in fourteen European countries.

### Quoted Companies Alliance's Aims and Objectives

The Quoted Companies Alliance works for small and mid-size quoted companies in the United Kingdom and Europe to promote and maintain vibrant, healthy and liquid capital markets. Its principal objectives are: *Campaigning* the Government, Brussels and other regulators to reduce the costing and time consuming burden of regulation, which falls disproportionately on smaller quoted companies.

*Promoting* the smaller quoted company sector and taking steps to increase investor interest and improve shareholder liquidity for companies in it.

*Educating* companies in the sector about best practice in areas such as corporate governance and investor relations.

*Providing a forum* for small and mid-cap quoted company directors to network and discuss solutions to topical issues with their peer group, sector professionals and influential City figures.

Small and mid-size quoted companies' contribute considerably to the UK economy:

- There are approximately 2,000 small and mid-size quoted companies
- They represent around 85% of all quoted companies in the UK
- They employ approximately 1 million people, representing around 4% of total private sector employment
- Every 5% growth in the small and mid-cap quoted company sector could reduce UK unemployment by a further 50,000
- They generate:
  - corporation tax payable of £560 million per annum
  - income tax paid of £3 billion per annum
  - social security paid (employers' NIC) of £3 billion per annum
  - employees' national insurance contribution paid of £2 billion per annum

The tax figures exclude business rates, VAT and other indirect taxes.

For more information contact:

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**The Quoted  
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29 May 2012

Dear Sirs,

**European Commission – Consultation on gender imbalance in corporate boards in the EU**

***INTRODUCTION***

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small and mid-cap quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

Our ID number for the European Commission's register of interest representatives is 45766611524-47.

The Quoted Companies Alliance Corporate Governance Committee has examined your proposals and advised on this response. A list of committee members is at Appendix A.

***RESPONSE***

We welcome the opportunity to respond to this consultation on corporate governance standards for companies in the UK and Europe. We support strong corporate governance within the small and mid-size quoted company sector. Our publication, the Corporate Governance Guidelines for Smaller Companies<sup>1</sup>, is the accepted corporate governance code, and sets corporate governance standards, for small and mid-size quoted companies in the UK.

We agree with the European Commission's view that it is essential to have high standards of corporate governance with highly effective boards running small and mid-size quoted companies. This must include boards which demonstrate a positive approach to diversity, incorporating factors such as skills, experience, culture and gender. Diversity tends to promote the ability of board members to make appropriate and effective contributions to the company's strategy and the quality of board debate.

Good corporate governance should be created by the companies and by investors promoting their requirements, leading to any issues being effectively addressed, and not through formal regulation by financial authorities. We are concerned that a prescriptive, overly compliant approach, which includes quotas, will not lead to good corporate governance. More thought should be given to influencing the mindset of boards and investors as quality corporate governance is based upon behaviour and mutual trust. Setting quotas and other prescriptive measures could potentially threaten board quality and will

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<sup>1</sup> <http://www.theqca.com/shop/guides/>

not be in the best interests of individual companies and therefore, ultimately the European economy. A prescriptive approach could also have a disproportionate impact on smaller quoted companies.

In our recent QCA/BDO Small and Mid-cap Sentiment Index, we asked companies questions on their policy in recruiting women to their corporate boards. In response, we found that of the companies who had been actively recruiting, 23% had specifically asked recruiters to include within their remit female board members. From the survey it was found that 38% of companies had a short list with female candidates.

These results show that momentum is building and attitudes to the structure of small and mid-size quoted company boards is potentially changing. Good corporate governance is especially important in small and mid-size quoted companies, and it is clear that they are beginning to look to expanding the diversity of their corporate boards.

We are concerned that there seem to be differences within the European Commission as DG Internal Markets and DG Justice both have their own agenda with regards to corporate governance and in particular, women on boards.

The discussions coming from each area are not congruent and are causing confusion for all concerned. We call for further clarity and an aligned and joint response to this issue.

**1. How effective is self-regulation by businesses to address the issue of gender imbalance in corporate boards in the EU?**

Across Europe there has been a healthy discussion on the issue of gender imbalance. There are quite a few countries within the EU where there is an increasing percentage of women on corporate boards. In these countries self-regulation works and is effective.

In the UK, the publication of Lord Davies's report "Women on Boards"<sup>2</sup> highlighted the issue of UK companies with gender imbalances on boards. However, since this report is just over a year old, it is too early to assess the impact of its suggestions and proposals are just beginning to come to fruition. No one has been able to determine yet which proposals are working and which are not. The next step should be to allow them to continue, and determine when fuller data are available whether these voluntary initiatives are working.

Cranfield<sup>3</sup> recently published a review marking the first year anniversary of the Davies Report, where they forecast that 26.7% of FTSE-100 directors will be female by 2015 and that by 2020, 36.9%. This forecast is based on the current rate of recruitment.

We also want to highlight that this issue concerns more than just gender imbalance. There needs to be a general encouragement to have a diverse corporate board that incorporates consideration of people from all backgrounds and ethnicities.

**2. What additional action (self-regulatory/regulatory) should be taken to address the issue of gender imbalance in corporate boards in the EU?**

We are strongly against the idea of EU-wide gender quotas for corporate boards. While we understand why there is a strong motivation to achieve progress quickly, this is likely to be counterproductive and will not promote natural gender balance in the long run. We feel that requiring policies on diversity, based on published, numerical goals will ultimately not be a more effective system. The objective of each company is to achieve a corporate board that incorporates a diverse and focussed mind-set that will give the company a strong base to create shareholder value over the long-term, taking into account the interests of all stakeholders.

We strongly believe that the European Commission should be basing its approach on the "comply or explain" approach. This method allows small and mid-size quoted companies the flexibility to self-regulate and yet be accountable publicly and to investors for their corporate governance structure.

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<sup>2</sup> <http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf>

<sup>3</sup> <http://www.som.cranfield.ac.uk/som/dinamic-content/research/documents/2012femaltse.pdf>

Experience has shown that “comply or explain” is an effective approach, and suitably flexible given the differences between companies, sectors and so on.

We recommend to the European Commission that companies should be required to disclose their approach to boardroom diversity. Included in this disclosure should be a timeframe, agreed between the company and its shareholders, within which the company is intending to change its structure. Examples of best practice for such disclosure should be widely disseminated to aid disclosure. This is already in practice under the UK Corporate Governance Code<sup>4</sup>.

Our view is also that each national government should be addressing the issue of gender imbalance on corporate boards by supporting initiatives aimed at encouraging positive efforts to broaden the pool of eligible candidates. A formal board recruitment process and an explicit mandate for external search consultants to consider and draw candidates from a more diverse pool of talent (e.g. candidates from non-traditional backgrounds, experienced professionals at sub-board level and applicants from overseas markets) will encourage boards to recruit diversely.

We feel that there should be no fixed time set on the implementation of potential proposals. We would recommend that the current proposals and initiatives be given time to work.

**3. In your view, would an increased presence of women on company boards bring economic benefits, and which ones?**

We believe that a diverse corporate boardroom that has a wide ranging selection of board members will bring economic benefits. It is therefore likely in our view that a corporate board will benefit most if it has a diverse selection of board members, based on considering and recruiting a range of members from an appropriate pool of candidates, including consideration of those with differing gender, race and background. The economic benefits should include improved sustainability and profitability of the business, together with an improved boardroom decision making process.

Gender diversity in the corporate boardroom should be mirrored by an improved attitude to diversity throughout a company and its different employee levels. Building improved attitudes to diversity, and seeing a positive result, throughout a company will take time but we believe this will create a more genuine and sustainable result than simply implementing rigid quotas.

Whilst it is important to point out that gender diversity in boards is an important issue, the idea of diversity as a whole should not be overlooked. Gender is just one part of diversity that needs to be discussed, but there is much more.

**4. Which objectives (e.g. 20%, 30%, 40%, 60%) should be defined for the share of the underrepresented sex on company boards and for which timeframe? Should these objectives be binding or a recommendation? Why?**

In the UK, there is an organisation called the 30% Club<sup>5</sup>. This organisation supports the concept of having at least 30% of an underrepresented gender on the corporate board but does not believe in set quotas. The 30% Club’s objective is bringing more women onto UK Corporate boards. It is their goal that by 2015 to have 30% of boards being female. We feel that this is an acceptable, flexible and therefore a strong platform for future development.

It is not easy to place a timescale on the implementation of these proposals if they are to result in sustainable, long term change. Underdeveloped, ill thought out and rigid proposals could result in confusing, unstable and negative changes to the boards of companies in the short term, at a time when companies are at their most vulnerable in the economic cycle. For example, companies may feel that they are obligated to employ a person from the underrepresented sex and in that case, it might not be best person who sits on the board. Such situations can also damage the credibility of other, able women on boards who achieved their position on merit, but risk being varied as “the token woman” if quotas are imposed.

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<sup>4</sup> [http://www.frc.org.uk/documents/pagemanager/corporate\\_governance/uk%20corp%20gov%20code%20june%202010.pdf](http://www.frc.org.uk/documents/pagemanager/corporate_governance/uk%20corp%20gov%20code%20june%202010.pdf)

<sup>5</sup> <http://www.30percentclub.org.uk/>

From our most recent QCA/BDO Small and Mid-cap Sentiment Index, 28% of the companies surveyed had appointed women to their board in the last year. We see evidence that behaviour is already changing in a positive way, without an aggressive and prescriptive approach.

**5. Which companies (e.g. publicly listed / from a certain size) should be covered by such an initiative?**

Provided it is in the parameters we have set out in our response above, there is no reason why the initiative should not apply to all publicly quoted companies. Each company should have their own policy on diversity, published together with an explanation of how the company is implementing its own objectives.

As you will know, small and mid-size quoted companies are the engines of growth of each member state economy. In order to encourage growth in this important sector, legislative proposals must be put forward to reduce, not increase, the burden on these companies. For the reasons discussed above, quotas for small and mid-size quoted companies are unlikely to result in truly diverse boardrooms and the increased burdens will not help support their growth.

**6. Which boards/board members (executive / non-executive) should be covered by such an initiative?**

As stated above, diversity is imported for all levels of the organisation, including all types of board members.

In the Lord Davies review, it is stated that the reason for low levels of women on the corporate boards is due to the low level of women in senior management positions. This is further evidence that there needs to be more development in the pool of talent and recruitment, to encourage and identify suitable and qualified female candidates. This pyramid issue needs to be the priority, rather than rigid quotas. Building a positive platform for women throughout an organisation will lead to more well qualified women on corporate boards.

**7. Should there be any sanctions applied to companies which do not meet the objectives? Should there be any exception for not reaching the objectives?**

This should be applied by each member state, but we emphasise that the current initiatives and proposals must be given time to achieve their goals. If sanctions are implemented before the full effect of the current self-regulatory initiatives, then this could have be to the detriment of the quality of corporate governance in the future.

It is much better that companies change their behaviour, potentially because they recognise the social and commercial benefits, promoted by positive investor influence and their requirements, rather than force companies into a reactive legislative approach that just “ticks boxes” without resulting in genuine, sustainable and long-term change.

If you would like to discuss this in more detail, we would be pleased to attend a meeting.

Yours sincerely,



Tim Ward  
Chief Executive

QUOTED COMPANIES ALLIANCE CORPORATE GOVERNANCE COMMITTEE

Edward Beale	Western Selection Plc
Tim Bird	Field Fisher Waterhouse
Dan Burns	McguireWoods
Anthony Carey	Mazars LLP
Richard Chin	Oriel Securities Limited
Louis Cooper	Crowe Clark Whitehill LLP
Madeleine Cordes	Capita Registrars Ltd
Edward Craft	Wedlake Bell LLP
Kate Elsdon	PricewaterhouseCoopers LLP
Nicola Evans	Hogan Lovells International LLP
David Fuller	CLS Holdings PLC
Clive Garston	DAC Beachcroft LLP
Tim Goodman	Hermes Equity Ownership Services
Nick Graves	Burges Salmon
David Isherwood	BDO LLP
Kate Jalbert	The Quoted Companies Alliance
Colin Jones	UHY Hacker Young
Dalia Joseph	Oriel Securities Limited
Derek Marsh	China Food Company PLC
Claire Noyce	Hybridan LLP
James Parkes	CMS Cameron McKenna LLP
Anita Skipper	Aviva Investors
Julie Stanbrook	Hogan Lovells International LLP
Jacques Sultan	The Quoted Companies Alliance
Eugenia Unanyants-Jackson	F&C Investments
Melanie Wadsworth	Faegre Baker Daniels LLP
Tim Ward	The Quoted Companies Alliance
Cliff Weight	MM & K Limited

### **THE QUOTED COMPANIES ALLIANCE (QCA)**

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*Lobbying* the Government, Brussels and other regulators to reduce the costing and time consuming burden of regulation, which falls disproportionately on smaller quoted companies

*Promoting* the smaller quoted company sector and taking steps to increase investor interest and improve shareholder liquidity for companies in it.

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For more information contact:

Tim Ward

The Quoted Companies Alliance

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**The Quoted  
Companies Alliance**

Chris Hodge  
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[codereview@frc.org.uk](mailto:codereview@frc.org.uk)

12 August 2011

Dear Mr. Hodge,

**The Financial Reporting Council: Gender Diversity on Boards**

***INTRODUCTION***

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation working for small and mid-cap quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The QCA Corporate Governance Committee has examined your proposals and advised on this response. A list of committee members is at Appendix A.

***RESPONSE***

We welcome the opportunity to respond to this consultation and view the issue of diversity as integral to achieving effective boards and good governance.

We also note that this issue is of particular relevance to the small and mid-cap quoted company sector – this constituency tends to have a low proportion of women on their boards and in senior management roles. However, we would not want to see any prescriptive measures on diversity imposed on small and mid-cap quoted companies – any action or governance provisions in this area should be proportionate, recognising their smaller structures and their company sizes more generally.

We have responded to the consultation questions below:

- 1. The FRC welcomes views on whether further changes should be made AND**
- 2. The FRC welcomes views on this wording (Provision B.2.4)**

We welcome the recent Government attention to this issue and more specifically are supportive of the FRC's proposal to amend the UK Corporate Governance Code to require listed companies to establish a policy concerning boardroom diversity, objectives for measuring and implementing this policy and to report on the progress.

It is imperative is that boards ensure that they have the right mixture of skills and attributes to reflect the diversity of their business. Broader ranges of backgrounds at board levels would be a positive step to growing a business and creating shareholder value. We would note however that gender is only one aspect of diversity and restricting diversity in the Code to just gender would be too prescriptive. As such, we would recommend that Main Principle B.1 be amended to include the reference to board diversity:



*The board and its committees should have the appropriate balance of skills, experience, **diversity**, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.*

Accordingly, we would recommend that the suggested wording for Provision B.2.4 not refer just specifically to gender, but to diversity as a whole, instead reading:

*...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...*

We would also note that the use of external search consultants does not necessarily mean that consultants are given the mandate to search from a diverse pool of talent. We believe, therefore, that boards should be reporting on the steps taken to broaden the pool of eligible applicants rather than merely on the use of external consultants. We, therefore, suggest amending the wording of Provision B.2.4:

~~**...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. The nomination committee should provide an explanation of positive efforts taken to broaden the pool of eligible applicants so as to ensure access to the full talent pool available.**~~

- 3. 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 do not believe that it would be helpful for the FRC to define what should be included within a company's gender diversity policy. As stated previously, we would view diversity going beyond gender and we believe that doing so may, in our view, encourage more of the boilerplate reporting that clutters many companies' governance disclosures and annual reports.

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

We agree with the FRC's proposal to add a new supporting principle on board evaluation. However we would suggest minor amendments consistent with our views above on references to diversity instead specifically gender diversity:

*Evaluation of the board should consider the balance of skills, experience, independence, knowledge of the company on the board, the board's policy on **gender diversity**, how the board works together as a unit, and other factors relevant to its effectiveness.*

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

We do not see any problems with the first option suggested in the consultation paper. Given that companies would not be reporting against these provisions until 2012, we believe it allows sufficient time for companies to develop the necessary policies.

If you would like to discuss any of these issues in more detail, we would be happy to attend a meeting.

Yours sincerely,



Tim Ward  
Chief Executive

**Quoted Companies Alliance Corporate Governance Committee**

Tim Goodman (Chairman)	Hermes Equity Ownership Services
Edward Beale	London Finance & Investment Group PLC
Tim Bird	Wedlake Bell LLP
Dan Burns	McguireWoods
Nigel Burton	Petrosaudi Oil Services
Anthony Carey	Mazars LLP
Louis Cooper	Crowe Clark Whitehill
Madeleine Cordes	Capita Registrars Ltd
Edward Craft	Wedlake Bell LLP
Kate Elsdon	PricewaterhouseCoopers LLP
Nicola Evans	Hogan Lovells International LLP
Clive Garston	Davies Arnold Cooper LLP
Nick Graves	Burges Salmon
Eugenia Jackson	F & C Asset Management plc
Colin Jones	UHY Hacker Young
Dalia Joseph	Oriel Securities Limited
Derek Marsh	China Food Company PLC
Georgina Marshall	Aviva Investors
James Parkes	CMS Cameron McKenna LLP
Nick Teunon	FTSE International Limited
Andrew Viner	BDO LLP
Melanie Wadsworth	Faegre & Benson LLP
Cliff Weight	MM & K Limited
Kate Jalbert	Quoted Companies Alliance
Tim Ward	Quoted Companies Alliance

**THE QUOTED COMPANIES ALLIANCE (QCA)**

A not-for-profit organisation funded by its membership, the QCA represents the interests of small and mid-cap quoted companies, their advisors and investors. It was founded in 1992, originally known as CISCO.

The QCA is governed by an elected Executive Committee, and undertakes its work through a number of highly focussed, multi-disciplinary committees and working groups of members who concentrate on specific areas of concern, in particular:

- taxation
- legislation affecting small and mid-cap quoted companies
- corporate governance
- employee share schemes
- trading, settlement and custody of shares
- structure and regulation of stock markets for small and mid-cap quoted companies
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from various standard-setters

The QCA is a founder member of European **Issuers**, which represents quoted companies in fourteen European countries.

**QCA's Aims and Objectives**

The QCA works for small and mid-cap quoted companies in the United Kingdom and Europe to promote and maintain vibrant, healthy and liquid capital markets. Its principal objectives are:

*Lobbying* the Government, Brussels and other regulators to reduce the costing and time consuming burden of regulation, which falls disproportionately on smaller quoted companies

*Promoting* the smaller quoted company sector and taking steps to increase investor interest and improve shareholder liquidity for companies in it.

*Educating* companies in the sector about best practice in areas such as corporate governance and investor relations.

*Providing a forum* for small and mid-cap quoted company directors to network and discuss solutions to topical issues with their peer group, sector professionals and influential City figures.

Small and mid-cap quoted companies' contribute considerably to the UK economy:

- There are approximately 2,000 small and mid-cap quoted companies
- They represent around 85% of all quoted companies in the UK
- They employ approximately 1 million people, representing around 4% of total private sector employment
- Every 5% growth in the small and mid-cap quoted company sector could reduce UK unemployment by a further 50,000
- They generate:
  - corporation tax payable of £560 million per annum
  - income tax paid of £3 billion per annum
  - social security paid (employers' NIC) of £3 billion per annum
  - employees' national insurance contribution paid of £2 billion per annum
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The tax figures exclude business rates, VAT and other indirect taxes.

For more information contact:

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