

DIVERSITY ON THE BOARD

POSITION PAPER

The purpose of this paper is to outline the position of Standard Life Investments on board diversity. The UK Corporate Governance Code, which was published in June 2010 states *'The search for board candidates should be conducted.....with due regard for the benefits of diversity on the board, including gender'*.¹ Since then, there has been renewed interest from the European Commission and the UK Government in the benefits of women on the board; the topic remains under active consideration in both Brussels and Westminster. The UK Government has challenged institutional investors to play a more active role as an agent for change.²

Standard Life Investments **supports** the principle that due regard should be had for the benefits of diversity when undertaking a search for board candidates, both executive and non-executive. It **recognises** that diversity can bring insights and behaviours that may make a valuable contribution to an effective board and expects that the boards of companies in which it invests either have diversity or provide convincing explanations to support why they do not. Standard Life Investments **believes** that a board should have a blend of skills and attributes amongst its individual members that are appropriate to its needs. A board should be able to demonstrate with conviction that any new appointee can make a meaningful contribution to its deliberations.

Standard Life Investments **recognises** the importance of institutional investors holding to account the boards of companies in which it invests. The UK Stewardship Code provides that institutional investors should monitor their investee companies and that they should seek to *'satisfy themselvesthat the investee company boards are effective'*³ : also, that they *'should consider carefully explanations given for departure from the UK Governance Code'*⁴.

Therefore, in fulfilling its stewardship responsibilities, Standard Life Investments will:

- **Engage** with investee companies about their approach to diversity and, when companies do not comply with the Governance Code provisions relating to diversity we shall consider their explanations carefully and, when appropriate, engage to satisfy ourselves that the explanations provided are consistent with the spirit of the Code and in the best interests of the company.

¹ UK Corporate Governance Code. B.2 – Supporting Principle

² Women on Boards, Davies Review Report, February 2011

³ UK Stewardship Code Principle 3

⁴ UK Stewardship Code Principle 3

- **Encourage** companies to ensure that their board evaluations address diversity and the contribution made by individual directors, and provide a balanced and reasonable commentary on these aspects in their annual reports. In selected situations we shall engage with companies to discuss in appropriate terms the process and outcomes of the effectiveness review in these regards.
- **Ask** investee companies to make due provision in the process it uses to appoint independent non-executives for active long-term institutional investors to be invited to suggest candidates for consideration. It is believed that this will help to broaden the diversity of candidates that are sourced by more traditional means.
- **Vote** against the re-election of members of the Nominations Committee in the event that it feels that over time due regard is not being had for the spirit of its views relating to diversity.

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