

## **STANDARD LIFE INVESTMENTS DIVERSITY ON THE BOARD POSITION PAPER**

The purpose of this paper is to outline the position of Standard Life Investments on board diversity.

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. Our Governance & Stewardship Principles and Policy Guidelines state that a company's policy on board balance and diversity should be publically explained.

More specifically, in relation to UK listed companies, the UK Corporate Governance Code states '*The search for board candidates should be conducted.....with due regard for the benefits of diversity on the board, including gender*'<sup>1</sup>. The nomination committee report should include '*a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on*

*achieving the objectives*<sup>2</sup>. Further *'the evaluation of the board should consider ..... its diversity, including gender'*<sup>3</sup>.

The UK Stewardship Code provides that institutional investors should monitor their investee companies and that they should seek to *'satisfy themselves ....that the company's leadership is effective'*<sup>4</sup>; also, that they *'should consider carefully explanations given for departure from the UK Governance Code'*<sup>5</sup>

Therefore, in fulfilling its stewardship responsibilities in relation to UK companies, 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.
- **Encourage** companies to report on how their board evaluations address diversity, 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 processes they use to appoint independent non-executives for active long-term institutional investors to be invited to suggest candidates for consideration. This is in line with the recommendation of the Kay Review that companies should consult their major long term investors over significant board appointments.
- **Vote** against the re-election of members of the Nominations Committee in the event that we feel that over time due regard is not being had for the spirit of our views relating to diversity.

<sup>1</sup> UK Corporate Governance Code. B.2 – Supporting Principle

<sup>2</sup> UK Corporate Governance Code. B.2.4 – Code Provision

<sup>3</sup> UK Corporate Governance Code. B.6 – Supporting Principle

<sup>4</sup> UK Stewardship Code Principle 3

<sup>5</sup> UK Stewardship Code Principle 3

Standard Life Investments Limited is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Standard Life Investments Limited is authorised and regulated by the Financial Conduct Authority.

Standard Life Investments (Hong Kong) Limited is licensed with and regulated by the Securities and Futures Commission in Hong Kong and is a wholly-owned subsidiary of Standard Life Investments Limited.

Standard Life Investments Limited (ABN 36 142 665 227) is incorporated in Scotland (No. SC123321) and is exempt from the requirement to hold an Australian Financial Services Licence (AFSL) under paragraph 911A(2)(l) of the Corporations Act 2001 (Cth) (the 'Act') in respect of the provision of financial services as defined in Schedule A of the relief instrument no.10/0264 dated 9 April 2010 issued to Standard Life Investments Limited by the Australian Securities and Investments Commission. These financial services are provided only to wholesale clients as defined in subsection 761G(7) of the Act. Standard Life Investments Limited is regulated in the United Kingdom by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws.

Standard Life Investments Limited, a company registered in Ireland (904256) 90 St Stephen's Green Dublin 2 and is authorised and regulated in the UK by the Financial Conduct Authority.

Standard Life Investments (USA) Limited, registered as an Investment Adviser with the US Securities and Exchange Commission.

Standard Life Investments Inc., with offices in Calgary, Montréal and Toronto, is a wholly owned subsidiary of Standard Life Investments Limited.

Calls may be monitored and/or recorded to protect both you and us and help with our training.  
www.standardlifeinvestments.com © 2013 Standard Life, images reproduced under licence