

FOI Release

Information released under the Freedom of Information Act

Title: Women on Boards

Date of release: 20 September 2012

Information request

Details of the evidence base supporting the government's claims of a causal link between the proportion of women on corporate boards and enhanced corporate financial performance

Information released

The economic impact of increasing the number of women on corporate boards is difficult to evidence conclusively. Lord Davies' report *Women on Boards*, published in November 2011, set out our evidence base to date, and asserted that "the correlation between strong business performance and women's participation in management is striking." Since Lord Davies' report there has been an increasing consensus in the business world around the business benefits that can be realised through greater boardroom diversity.

The department endeavours to keep up to date with new studies including the study conducted by the University of Michigan cited in your letter. This study considered the impact of quota legislation in Norway and found that "placing restrictions on the composition of a board will reduce value." This may be for example because quotas have led firms to recruit women board members that were less experienced than the existing directors and may not have the same monitoring or advising capabilities. This underlines the case for using a voluntary, business-led approach to driving change in this area.

Government has been quite clear that recruiting the best person for the job is crucial for business success and firmly believes that appointments must be made on merit.

Lord Davies' report is equally clear that the case for greater diversity does not hinge only on the link with improved corporate performance but also on ensuring companies access the widest talent pool, are as responsive as possible to the markets they serve and look to improve corporate governance.