

Women On Boards

6 month Monitoring Report

October 2011



Dr Ruth Sealy, Dr Elena Doldor, Dr Val Singh and Professor Susan Vinnicombe OBE

International Centre for Women Leaders, Cranfield School of Management



Government
Equalities Office

Putting equality at the heart of government

Sponsored by

 **BARCLAYS**

Contents

CONTENTS.....	1
FOREWORD	3
A MESSAGE FROM LORD DAVIES	4
WORDS FROM A SPONSOR	5
EXECUTIVE SUMMARY.....	6
INTRODUCTION	7
This report	8
Summary of recommendations from Davies Report February 2011	8
METHODOLOGY	10
Direct contact	10
Public sources.....	10
Samples	11
FINDINGS.....	12
Overall trends in board composition.....	12
Changes to FTSE 100 boards	13
New female talent on FTSE 100 boards.....	14
Changes to FTSE 250 boards	15
New female talent on FTSE 250 boards.....	15
The Pace of Change and Anticipated Trends	16
RESPONSES TO THE DAVIES REPORT AMONG FTSE 100 AND FTSE 250 FIRMS.....	18
RECOMMENDATION 1: GENDER DIVERSITY TARGETS.....	18
Board targets.....	18
Executive Committee targets.....	22
Statements on gender diversity	22
Support for gender diversity on board	23
Already on target	24
Selection still on merit	25
Wait and see.....	26

Rejection of quotas	27
Disagreement on gender diversity initiatives.....	28
RECOMMENDATION 2: GENDER METRICS	29
Financial Reporting Council announces changes to the Governance Code.....	30
Comparison with Australia.....	31
BHB BILLITON CASE STUDY	32
RECOMMENDATION 3: BOARDROOM DIVERSITY POLICY.....	34
RECOMMENDATION 5: BOARD APPOINTMENT PROCESS	36
CONCLUDING REMARKS	38
AUTHOR BIOGRAPHIES.....	39



Foreword

Promoting equality of opportunity and equal treatment for women isn't just the right thing to do – it's also crucial to our country's economic success.

If women were setting up new businesses at the same rate as men we would have 150,000 more companies in the UK.

And in the boardroom, we know that women bring fresh ideas, perspectives and experiences, and help ensure boards reflect their customer base and better understand their needs.

So we can no longer afford to keep missing out on the economic benefits that greater gender equality could bring.

This report by Cranfield University demonstrates that steady progress is being made towards equality in the boardroom. Lord Davies' report published earlier this year has helped to accelerate the pace of change.

Since his report 22.5% of new FTSE 100 board members appointed have been women, up from 13% last year, and the number of all-male boards has dropped from 21 to 14.

It is also encouraging to see that 33 FTSE 100 companies have set aspirational targets to increase female representation on the boards and 52 companies have explicitly supported the aims of the Davies Report.

The executive search industry has also agreed a voluntary code of good practice on diversity which includes a provision that search firms should ensure that at least 30% of their long list of candidates are women. Over 20 companies have signed up since its launch.

There is still a long way to go and too many companies fail to recognise the potential of women in leadership positions. We remain optimistic, however, that the voluntary approach advocated by Lord Davies will deliver the necessary changes.

Government must also play its part. That's why we are taking wider action to support women in the workplace, for example by extending flexible working, moving to a new, more flexible system of parental leave, and promoting transparency.

These policies, amongst others, will help to shift attitudes and behaviour away from the traditional nine-to-five model of work that can act as a barrier to many women and that no longer makes sense for many modern businesses.

The best and most forward-thinking businesses are already putting in place innovative solutions to support women to succeed in the workplace. By working together with the business community, we believe we can make this the norm for all UK companies and in turn help our economy grow and prosper.

Rt Hon Theresa May MP
Home Secretary and
Minister for Women and Equalities

Rt Hon Vince Cable MP
Secretary of State for
Business, Innovation and Skills



A Message from Lord Davies

Firstly let me thank Cranfield for their commitment over a long period to an important issue for the UK economy. The Women on Boards review received huge media interest and support, and like any major change programme, needs a variety of stakeholders to help us make a change. We received over 2600 responses to our call for evidence. This is about good business practice, it is also about securing performance. You need engagement and diversity in teams to achieve success. So many UK boards and executive teams do not have it. Some chairmen and CEOs get it but many do not.

This report is so important in providing evidence and a fact base that the market can reflect on. There are signs of improvement but not enough - so we need to keep the pressure on!!

Thank you again to Susan Vinnicombe and to Cranfield for their enormous support.

A handwritten signature in blue ink that reads "E. Mervyn Davies". The signature is fluid and cursive, with "E." on the first line and "Mervyn Davies" on the second line.

Lord Davies of Abersoch, CBE



Words from a Sponsor

I am delighted that the challenge of increasing the proportion of women on boards has gained significantly more importance and momentum over the last five years. This interim report serves as an important reminder of the further work that needs to be done to increase the proportion of female leadership in organisations.

As Chairman of Barclays, one of my key responsibilities is ensuring the business benefits from a high quality board comprising individuals with an appropriate range of skills and experiences. A fundamental part of achieving that objective is building a board that fully embraces the benefits of diversity and actively strives to increase the diversity of its members.

This is why at Barclays we have set out to ensure that at least 20 per cent of our board is made up of women by the end of 2013 and for that to have exceeded 25 per cent by the end of 2015. We will also continue to disclose the proportion of women on the board, in senior executive positions and across the entire workforce as part of our Annual Report.

Talented people are the keystone to successfully run businesses. It is, therefore, vital that businesses consider diversity - including the skills mix, regional and industry experiences and gender - amongst many other factors when seeking to appoint a new Director to their boards.

I hope this report serves to raise awareness of the progress and commitment that organisations are making to increase the proportion of women on their boards.

Marcus Agius
Barclays Group Chairman

Executive Summary

1. The percentage of FTSE 100 board seats held by women is now 14.2% (up from 12.5%). Since the Davies Report was published there have been 21 new female appointments.
2. These new 21 female appointments represent 22.5% of all appointments since March 1st 2011 to FTSE 100 boards. This is some way short of the 33% recommended in the Davies Report. Among the 21 new female appointments three are Executive Directorships and 18 are Non-Executive Directorships.
3. Fourteen (67%) of the new female appointees have no prior FTSE 100 or FTSE 250 board experience, thus indicating that Chairmen have broadened the talent pool. Three of the women have HR backgrounds, again suggesting a breaking of the stereotypical background to being a board member. Reflecting the trend in the FTSE 100, 20 (72%) out of the 28 FTSE 250 new female directors have had no previous FTSE 350 experience.
4. On FTSE 250 boards there have been 28 new female appointments since March 1st 2011, representing 18% of all new appointments. 8.9% of all board seats on FTSE 250 boards are now held by women; up from 7.8% in late 2010. For the first time it is now the minority of FTSE 250 companies that have all-male boards.
5. There has been no change in the size of turnover of directors on either the FTSE 100 or FTSE 250 boards, thus indicating no extra board changes to achieve greater numbers of women.
6. Only 33 FTSE 100 companies have set targets for the percentage of women they aim to have on their boards. Of these 33, only ten set themselves targets of greater than 10 percentage point increases. Lloyds Banking Group and Rolls Royce aim to boldly increase their female representation by 20-23%. Only 17 of the FTSE 250 companies have announced board targets so far.
7. The aim of targets is for companies to self-determine what is reasonably achievable within a given timeframe, from a given starting point, and to hold themselves accountable for their stated goals. These targets may be less than the 25% recommended for FTSE 100 companies for currently all-male boards. Only four FTSE 100 companies set themselves a target of more than the recommended 25%. In the FTSE 250 companies where the current percentages are lower, only one company set a self-determined target of 15% from a currently all-male board.
8. Sixty-one FTSE 100 companies made statements that acknowledge gender diversity issues in relation to the current debate about corporate boards. There were 55 statements from FTSE 250 companies. Around one third of these statements reinforced the message about selection being strictly on merit.
9. Only 32% of FTSE 100 companies disclosed the number of women on their boards, 28% the number of women senior executives and 33% the number of women employees. The figures for FTSE 250 companies were much lower at 22%, 10% and 5% respectively.
10. Fifty-six percent of FTSE 100 companies report having a policy on boardroom diversity; the comparative figure for FTSE 250 companies was 35%. In general these policies are not currently supported by measurable targets or clear reporting, although a number of companies disclosed an intent to do so in the future. It may take some time for companies to establish new reporting guidelines and where to locate such reporting in their Annual Reports.

Introduction

Gender diversity of top corporate boards has been monitored for more than a decade in the UK, Canada and the United States. More than 40 years after equality legislation has been passed in these countries, the percentage of women holding directorships on top corporate boards is taken by many as indicative of the degree to which women have equal access to power and influence in business. Reports during the past few years have indicated a plateauing of progress, as the UK has stagnated at around 12% and the US and Canada at around 14-15% of top board directorships being held by women.

Since Norway's introduction of quotas in 2008 mandating at least 40% of each sex on publicly listed boards, a number of European countries have, or are considering, legislation in the form of quotas (e.g. Spain, Iceland, Finland, France, Netherlands, Belgium and Italy). Alternative approaches proposed by other countries include varying degrees of either mandated or recommended reporting of policies, pipeline targets and initiatives to increase the numbers of women on boards (e.g. Canada, Australia, Austria, Denmark, Germany, Sweden and Poland). At an EU level, European Commissioner, Viviane Reding, has stated that whilst she would prefer organisations to take actions themselves to improve gender balance in their leadership, if there is no progress over the next couple of years, then she is prepared to push for European-wide legislation on quotas to increase the numbers of women at board level.

In May 2010, the Financial Reporting Council (FRC) revised the UK Corporate Governance Code to include for the first time a principle recognising the value of diversity in the boardroom, stating that "*the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.*"¹

In the summer of 2010, the UK's new coalition government, concerned about the lack of progress, commissioned a review into women on boards. The review was led by Lord Davies of Abersoch, former Chairman of Standard Chartered Bank, and included extensive consultation, "*to identify the barriers preventing more women reaching the boardroom and to make recommendations regarding what government and business could do to increase the proportion of women on corporate boards.*"² This included consultation meetings with a large number of stakeholders, including senior business leaders and senior women, executive search consultancies, women's networks and entrepreneurs. In addition, an online call for evidence received over 2,600 responses.

¹ Supporting Principle B.2, UK Corporate Governance Code, Financial Reporting Council, May 2010

² Davies Report – Women on Boards, February 2011, p.6

In February 2011, the Steering Committee led by Lord Davies produced a report, in which they summarised current literature on the business case for boardroom diversity and the challenges women face in accessing corporate board positions. The report then made ten recommendations for Chairmen and CEOs, institutional investors, executive search firms and other stakeholders aimed at increasing the representation of women on boards.

This report

The tenth recommendation was that the Steering Board for the report would meet every six months to monitor and report on the progress against the recommendations. The research team at Cranfield School of the Management was asked to measure the progress specifically regarding recommendations numbers 1, 2, 3 and 5.

For a summary of the recommendations, see below.

Summary of recommendations from Davies Report February 2011

1. All Chairmen of FTSE 350 companies should set out the percentage of women they aim to have on their boards in 2013 and 2015. FTSE 100 boards should aim for a minimum of 25% female representation by 2015 and we expect that many will achieve a higher figure. Chairmen should announce their aspirational goals within the next six months (by September 2011). Also we expect all Chief Executives to review the percentage of women they aim to have on their Executive Committees in 2013 and 2015.
2. Quoted companies should be required to disclose each year the proportion of women on the board, women in Senior Executive positions and female employees in the whole organisation.
3. The Financial Reporting Council should amend the UK Corporate Governance Code to require listed companies to establish a policy concerning boardroom diversity, including measurable objectives for implementing the policy, and disclose annually a summary of the policy and the progress made in achieving the objectives.
4. Companies should report on the matters in recommendations 1, 2 and 3 in their 2012 Corporate Governance Statement whether or not the underlying regulatory changes are in place. In addition, Chairmen will be encouraged to sign a charter supporting the recommendations.
5. In line with the UK Corporate Governance Code provision B2.4 “A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments”. Chairmen should disclose meaningful information about the company’s appointment process and how it addresses diversity in the company’s Annual Report including a description of the search and nominations process.
6. Investors play a critical role in engaging with company boards. Therefore investors should pay close attention to recommendations 1-5 when considering company reporting and appointments to the board.

7. We encourage companies periodically to advertise non-executive board positions to encourage greater diversity in applications.
8. Executive search firms should draw up a Voluntary Code of Conduct addressing gender diversity and best practice which covers the relevant search criteria and processes relating to FTSE 350 board level appointments.
9. In order to achieve these recommendations, recognition and development of two different populations of women who are well-qualified to be appointed to UK boards need to be considered:
 - Executives from within the corporate sector, for whom there are many different training and mentoring opportunities; and
 - Women from outside the corporate mainstream, including entrepreneurs, academics, civil servants and senior women with professional service backgrounds, for whom there are many fewer opportunities to take up corporate board positions.A combination of entrepreneurs, existing providers and individuals needs to come together to consolidate and improve the provision of training and development for potential board members.
10. This steering board will meet every six months to consider progress against these measures and will report annually with an assessment of whether sufficient progress is being made.

Methodology

Data for this report were collated from multiple sources, by making direct contact with the companies and by investigating publicly available sources.

Direct contact

On May 24th 2011 Lord Davies wrote to all FTSE 350 Company Secretaries to encourage their Chairmen to schedule a boardroom discussion on the topic of how to respond to the Davies recommendations and to set out their aspirational targets by September. In July the Rt Hon Theresa May (Home Secretary and Minister for Women and Equalities) and the Rt Hon Dr. Vince Cable (Secretary of State) wrote to the Chairmen of the FTSE 350 companies to remind them of the six month review. At the beginning of August Professor Vinnicombe and Dr. Sealy of Cranfield School of Management wrote to the FTSE 350 Chairmen informing them that the research for the six month review was being conducted at Cranfield and requesting them to send any details of their responses to them.

On September 2nd the Institute of Chartered Secretaries and Administrators (ICSA) emailed all the FTSE 350 Company Secretaries and requested that they send any announcements regarding the Davies Report to Dr. Sealy, giving them her email address at Cranfield³. In addition throughout the last week in August and the first week in September there were a number of broadsheet newspaper articles about the six month review period and any resulting changes. Also in September UKSIF (the sustainable investment and finance association) sent an Investor letter to a large number of FTSE 350 companies urging them to get behind the recommendations of the Davies Report. It is, therefore, the view of the researchers that the Chairmen and Company Secretaries of the FTSE 350 companies have had every opportunity to be aware of the interim review report and to inform the researchers of their responses.

Public sources

On the 1st September the full FTSE 100 and FTSE 250 listing of companies were collated, as were the details of all current board members⁴. Data were gathered using BoardEx and other business databases, as well as by conducting searches on the internet.

Overall, publicly available data were collated from:

- FTSE 100 Annual Reports (2010 or 2011) and FTSE 250 2011 Annual Reports filed since February 24th.
- Regulatory News Statements (RNS) (N=324) disclosures for FTSE 350 companies logged between 24th February and 6th September. These included interim/half-yearly reports, preliminary year-end statements, announcements and AGM statements. These were analysed with the global text search terms “Davies or Women or Female or Diversity”.
- FTSE 100 corporate websites and Corporate Governance Statements.

³ The researchers would like to thank Sheila Doyle from ICSA for her assistance in this matter.

⁴ Data was taken from BoardEx

Samples

We monitored the appointments of board directorships made in all FTSE 350 companies. By drawing on multiple sources, we had up to date information for all FTSE 100 companies. Among the FTSE 250 companies, we had data for 124 companies, taken from 2011 Annual Reports (N=72), interim reports (N=31), as well as letters and emails from Chairmen and Company Secretaries (N=42).

Findings

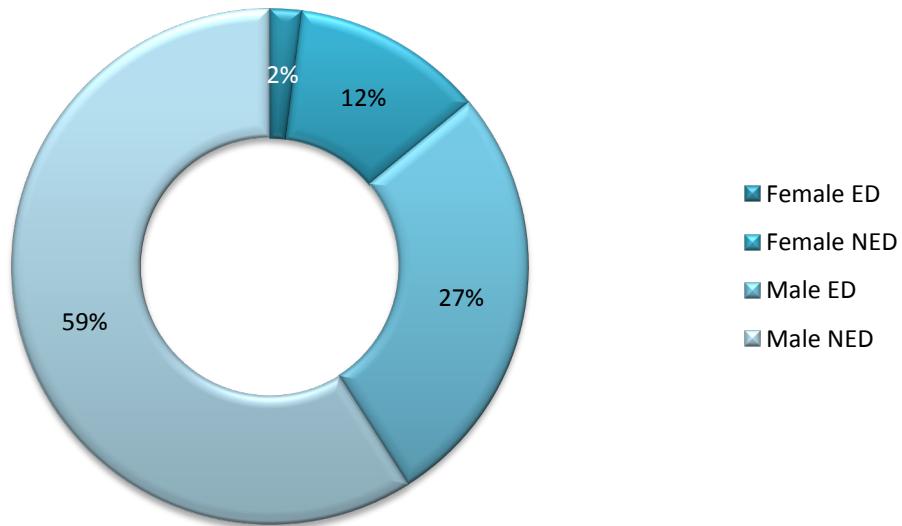
Overall trends in board composition

In the FTSE 100, the number of women holding board directorships at the 1st September 2011 was 155 out of a total of 1,092 directorships, which is 14.2%. Since the 2010 Female FTSE Report⁵ there has been an overall increase of 20 female-held directorships, which equates to a rise of 1.7 percentage points (from 12.5%). A total of 36 new female directors were appointed, but 16 others left. **Only 14 FTSE 100 companies persist in retaining exclusively all-male boards.** In the FTSE 250 companies, there has been an increase of female-held directorships to 178 out of a possible 1,992 directorships, representing 8.9%. These additional 24 female directorships equate to a 1.1 percentage point increase, from 7.8% since last year. Of the FTSE 250 boards, 133 have female-held directorships. **For the first time, it is now a minority of FTSE 250 companies who have all-male boards.**

Table 1:
Female
FTSE 350
Directorships

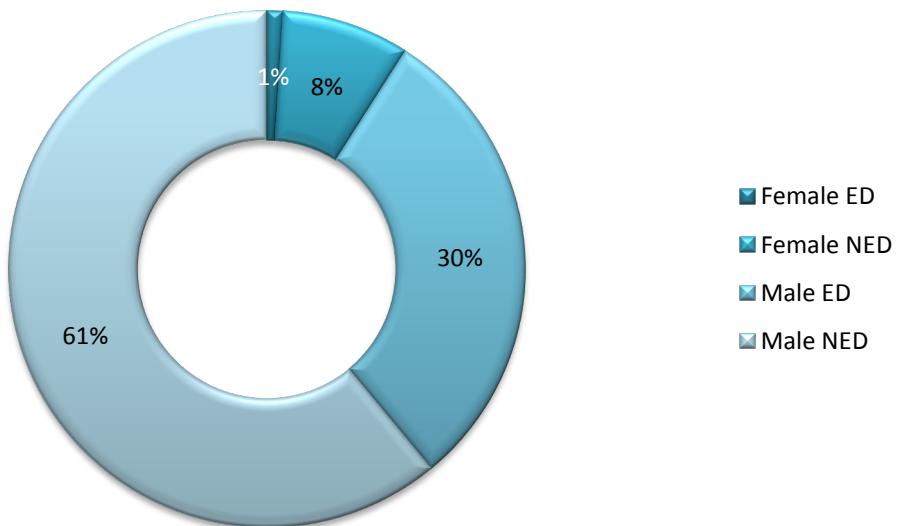
	FTSE100			FTSE 250		
	Sep-11	2010	2009	Sep-11	2010	2009
Female held directorships	155 (14.2%)	135 (12.5%)	131 (12.2%)	178 (8.9%)	154 (7.8%)	145 (7.3%)
Women holding FTSE directorships	134	116	113	164		

Figure 1:
Composition
of FTSE 100
boards by
gender and
role



⁵ The Female FTSE Report is independently calculated by the Cranfield School of Management (“Cranfield”). The Female FTSE Report is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited (“FTSE”), the London Stock Exchange Plc (the “Exchange”), The Financial Times Limited (“FT”) (together the “Licensor Parties”) and none of the Licensor Parties makes any claim, prediction, warranty or representation whatsoever, expressly or impliedly in relation to the Female FTSE Report or related material. FTSE®(the “Trade Mark”) is a trade mark of the Exchange and the FT and is used by FTSE under licence. Cranfield has been licensed as a Trade Mark by FTSE for use in the Female FTSE Report and related material.

Figure 2:
Composition
of FTSE 250
boards by
gender and
role



Changes to FTSE 100 boards

From the launch of the Davies Report until September 1st, a total of 93 FTSE 100 board directors were appointed. Of these, 21 were female appointments. **This represents 22.5% of the new appointments** to FTSE 100 boards. Among the new 21 female appointments, three are Executive Directorships and 18 are Non-Executive Directorships.

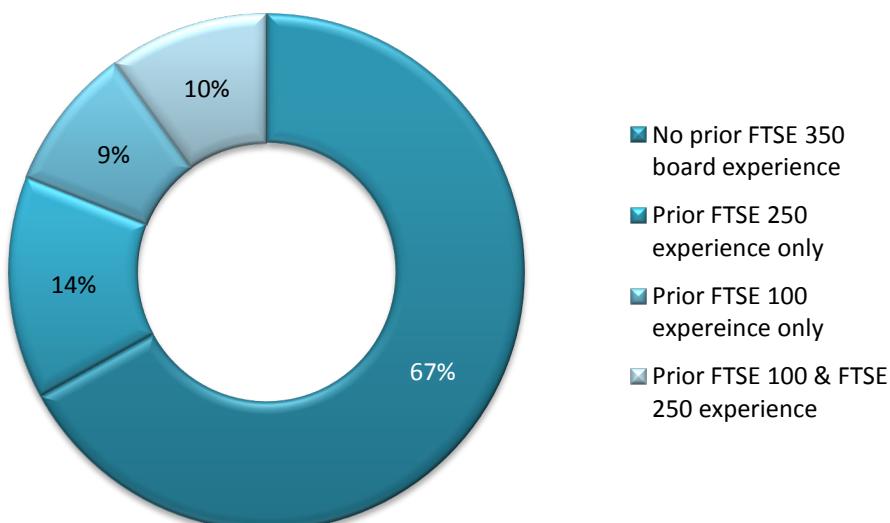
**Table 2: New
FTSE 100
Female
Directors**

	Name	Organization	Role
1	Susan Hooper	WHITBREAD PLC	NED
2	Susan Kilsby	SHIRE PLC	Independent NED
3	Alison Davis	ROYAL BANK OF SCOTLAND GROUP PLC	Independent NED
4	Baroness Sheila Noakes	ROYAL BANK OF SCOTLAND GROUP PLC	Independent NED
5	Tracy Robbins	INTERCONTINENTAL HOTELS GROUP PLC	Executive VP - HR
6	Katie Bickerstaffe	SCOTTISH & SOUTHERN ENERGY PLC	Independent NED
7	Laura Wade-Gery	MARKS & SPENCER	ED
8	Helen Weir	SABMILLER PLC	Independent NED
9	Judy Gibbons	HAMMERSHOL PLC	NED
10	Lesley Knox	SABMILLER PLC	Independent NED
11	Linda Stuntz	ROYAL DUTCH SHELL PLC	Independent NED
12	Melanie Gee	WEIR GROUP	NED
13	Angie Risley	SERCO GROUP PLC	Independent NED
14	Judy Lewent	GLAXOSMITHKLINE PLC	Independent NED
15	Paula Reynolds	BAE SYSTEMS PLC	NED
16	Stacey Cartwright	GLAXOSMITHKLINE PLC	Independent NED
17	Doctor Roxanne Decyk	PETROFAC LTD	Independent NED
18	Lucinda Bell	BRITISH LAND CO PLC	FD
19	Olivia Dickson	INVESTEC PLC	Independent NED
20	Tessa Bamford	WOLSELEY PLC	NED
21	The Hon. Laura Cha	HSBC HLDGS PLC	Independent NED

New female talent on FTSE 100 boards

Following the encouragement of the Davies Report to broaden the talent pool of female directors, we are pleased to report that **14 out of the 21 new appointees (67% overall) had no prior FTSE 100 or FTSE 250 board experience**. This suggests the appointment process is opening up to new women. This is a noteworthy positive trend, given that in previous years⁶ we have reported a relative recycling of female directors.

Figure 3:
Prior board
experience of
the new FTSE
100 female
directors

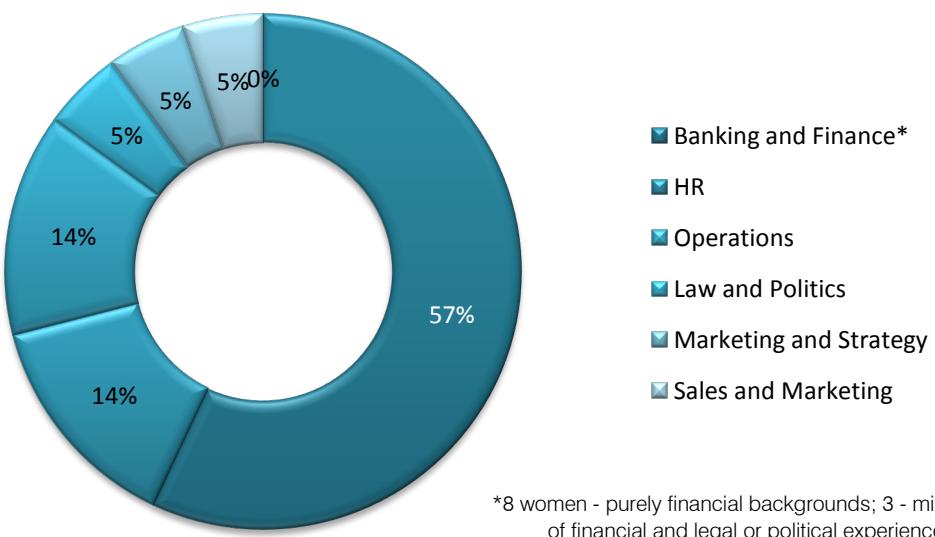


A closer look at the backgrounds of newly appointed female directors indicates that most women (57%) have prior experience in finance roles. Examples of such women are Susan Kilsby, appointed NED for Shire PLC and previously Regional Chairman of Credit Suisse; Helen Weir, appointed NED for Sabmiller PLC, currently ED for Lloyd Banking Group and previously Financial Director for B&Q; or Judi Lewent, appointed NED for Glaxosmithkline PLC, with experience as Senior VP/CFO at Merck & Co.

Three women had purely HR backgrounds (14% of the sample) and another three newly appointed female directors had prior experience in senior operational roles in their respective sectors (e.g. Oil and Gas, Leisure and Hotels). The remaining three women had previous experience in law and politics, marketing and strategy, and sales and marketing respectively. We note the appointment of three female directors with HR backgrounds as a potentially interesting trend, and one that is at odds with the findings of our previous 2008 Cranfield Female FTSE Report, where we found that aspiring female directors holding HR positions felt that their HR background or current role jeopardised their chances of making it on to corporate boards.

⁶ Cranfield Female FTSE Report 2008

Figure 4:
Backgrounds
of new FTSE
100 female
directors



Changes to FTSE 250 boards

On FTSE 250 boards, we identified 28 new female appointments in the last six months, out of 158 FTSE 250 board appointments. **This represents 18% of new FTSE 250 appointments going to women.** Among these, two women were appointed in Executive Director roles, and the remaining 26 women in NED roles. (See Table 3 overleaf)

New female talent on FTSE 250 boards

Of the 28 new female appointments on FTSE 250 boards, 20 women (72%) had no previous FTSE 350 board experience. This positive trend suggests that with their most recent appointments, companies have succeeded in attracting new female talent to their boards. Of the new female directors, only 21% had prior FTSE 250 board experience, and only 7% of them had previously sat on both FTSE 100 and FTSE 250 boards.

Figure 5:
Prior board
experience of
the new FTSE
250 female
directors

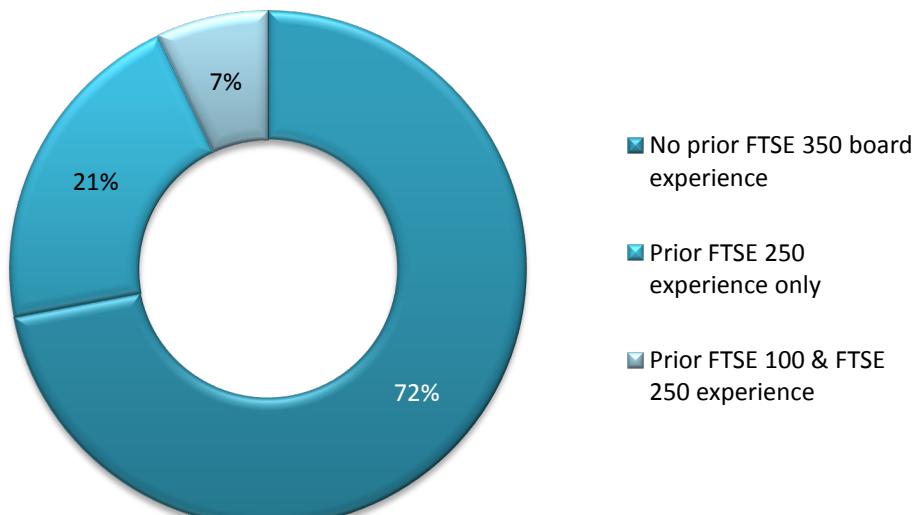


Table 3: New FTSE 250 Female Directors

	Name	Organization	Role
1	Adèle Anderson	EASYJET PLC	NED
2	Liz Hewitt	SYNERGY HEALTH PLC	Independent NED
3	Cat Keers	HOME RETAIL GROUP PLC	NED
4	Angela Knight	TULLETT PREBON PLC	Independent NED
5	Dr. Emma Fitzgerald	COOKSON GROUP	NED
6	Janet Ashdown	SIG PLC	NED
7	Linda Jensen	ITE GROUP PLC	Independent NED
8	Dr. Clare Spottiswoode	ENQUEST PLC	NED
9	Alison Wood	COHAM PLC	NED
10	Dr. Linda Yueh	JPMORGAN ASIAN INVESTMENT TRUST PLC	Independent NED
11	Claire Balmforth	CARPETRIGHT PLC	Regional Director - Operations
12	Sarah Bates	POLAR CAPITAL TECHNOLOGY TRUST	Independent NED
13	Julie Chakraverty	ABERDEEN ASSET MANAGEMENT PLC	NED
14	Sahar Elhabashi	TELECITY GROUP PLC	Independent NED
15	Val Gooding	PREMIER FARNELL PLC	Chairman (Non-Executive)
16	Claire Jenkins	SPORTS DIRECT INTERNATIONAL PLC	Independent NED
17	Helen Keays	DOMINO'S PIZZA UK & IRL PLC	NED
18	Deena Mattar	INVENSYS PLC	Independent NED
19	Brenda Reichelderfer	MEGGITT PLC	NED
20	Syl Saller	DOMINO'S PIZZA UK & IRL PLC	NED
21	Kate Swann	BABCOCK INTERNATIONAL GROUP PLC	Independent NED
22	Martine Verluyten	THOMAS COOK GROUP PLC	Independent NED
23	Kate Barker	TAYLOR WIMPEY PLC	Independent NED
24	Elizabeth Headon	KENMARE RESOURCES PLC	NED
25	Belinda Richards	GRAINGER PLC (Grainger Trust prior to 03/2007)	Independent NED
26	Eugenia Labbancz	BUNZL PLC	Independent NED
27	Sarah Arkle	FOREIGN & COLONIAL INVESTMENT TRUST PLC	Independent NED
28	Anne Richards	ABERDEEN ASSET MANAGEMENT PLC	Chief Investment Officer

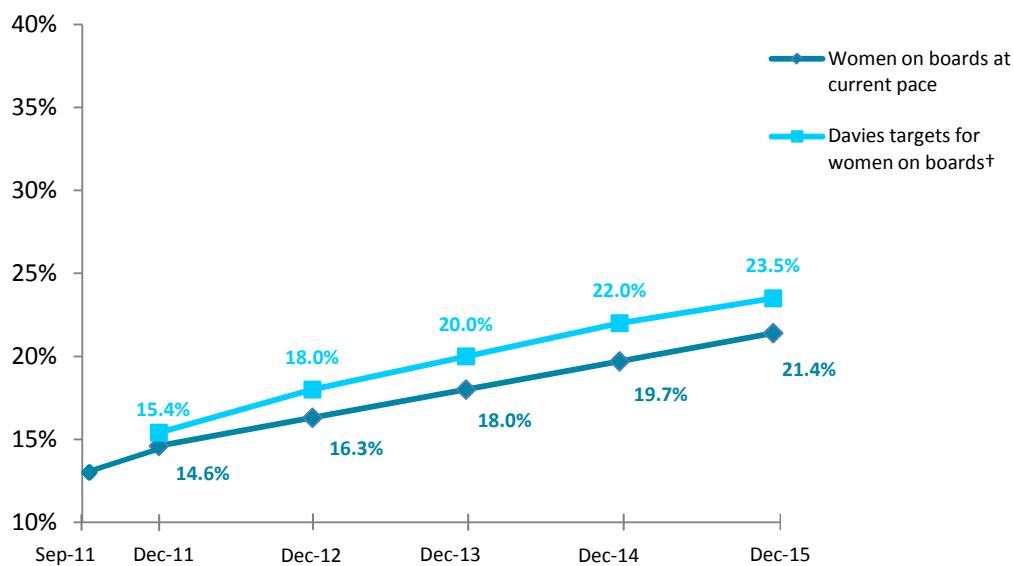
With respect to their backgrounds, most of the women appointed to FTSE 250 boards have experience either in operational (32%) or in financial (25%) roles, in various sectors. For example, Dr. Emma Fitzgerald has experience as current VP Retail and former VP Strategy at Shell International Petroleum; Kate Swann has experience as CEO of WHSmith and Val Gooding has been CEO for BUPA; Adele Anderson has been CFO at KPMG LLP and Sarah Arkle has been Chief Investment Officer at Threadneedle Asset Management Ltd.

The Pace of Change and Anticipated Trends

It is interesting to note that there is no significant difference between the FTSE 100 and FTSE 250 in terms of the size of turnover of directors. In the six months prior to this report, the 86 new FTSE 100 appointments represented 7.9% of the total directors. Among the FTSE 250, the 156 new appointments are equivalent to a turnover of 7.8%. This is in line with what we would expect – the typical annual turnover of directors is approximately 13-16%. This would indicate that there has not been any extra board activity in order to achieve the greater numbers of women.

As noted above, the increase in the proportion of female directors sitting on FTSE 100 and FTSE 250 boards has been modest (1.7% and 1.1% respectively). It must be stressed that this increase has occurred since the last Female FTSE Report (October 2010), and not since the launch of the Davies Report (February 2011). Between October 1st 2010 and March 1st 2011, 15 female-held directorships were appointed. From March 1st to September 1st 2011 a further 21 were appointed. However, when looking at changing gender representation, we also have to take account of directors leaving (in this case 16 women). Out of all the appointments to the FTSE 100 boards, 22.5% went to women, while 18% of the new FTSE 250 directorships went to women. At the current pace of change, women will comprise 18% of FTSE 100 boards by December 2013 and 21.4% of boards by December 2015. These numbers are below the targets suggested by the Davies Report.

Figure 6:
Predicted
change on
FTSE 100
boards*



*Estimated based on an annual increase of 1.7% women on boards

†Gradual targets stated in the Davies Report, p. 19

These estimates underscore the urgency of addressing the appointment process in order to see sufficient future change in the landscape of FTSE 350 boards.

Responses to the Davies Report among FTSE 100 and FTSE 250 firms

Recommendation 1: Gender diversity targets

Thirty-three FTSE 100 companies have heeded Lord Davies' recommendation to set themselves targets for the percentage of women they aim to have on their boards. Disappointingly, only 17 of the FTSE 250 companies have responded with targets. We only know of four FTSE 350 Chief Executives who responded to Lord Davies' recommendation to review the percentage of women they aim to have on their Executive Committee in 2013 and 2015.

**Table 4:
Gender
diversity
targets in
FTSE 100
companies**

FTSE 100 Companies reporting on:	Percentage of companies
Board target 2013	10%
Board target 2015	24%
Executive Committee target 2013	4%
Executive Committee target 2015	4%

**Table 5:
Gender
diversity
targets in
FTSE 250
companies***

FTSE 250 Companies reporting on:	Percentage of companies
Board target 2013	10%
Board target 2015	13%
Executive Committee target 2013	0%
Executive Committee target 2015	0%

* Sample available = 124

Board targets

Only 33 FTSE 100 companies stated targets (see Table 6 below). Some were specific about the percentages, some spoke of actual numbers of women on their board and many simply said they would meet or exceed Lord Davies' target of 25%. A number were committed to increasing their proportion of women on boards, but without setting a target.

"The Davies Review into Women on Boards recommended that companies make available a formal statement over their intentions concerning gender diversity. As I said in my statement to shareholders at this year's AGM on 21 July, the Board welcomes the proposals set out by Lord Davies in his review into Women on Boards and is committed to increasing the number of women represented at Board and senior executive positions by 2015."

(United Utilities – 14%)

It would appear that on the whole it was those companies who are already on this journey who were willing to make the commitment to a target. In order to reach 25% female representation, the average increase required is only 9.5 percentage points. Only eleven of the 33 set themselves a target of a greater than 10 percentage points increase. **Anglo American, Petrofac, Reed Elsevier, Vodafone and Wolseley** set themselves a 10-15 percentage points increase, **BSkyB, GKN, Old Mutual and Tullow Oil**, aspire to a 15-20 percentage point increase and **Lloyds Banking Group and Rolls-Royce** boldly aim to increase the female representation on their boards by 20-23%. We commend the aspirations of these companies.

**Table 6:
FTSE 100
Companies'
Board
Targets**

Company Name	Current percentage of women on board	2013 Target	2015 Target
ADMIRAL GROUP PLC	18.2%		25%
ANGLO AMERICAN PLC	18.2%	30%	
AVIVA	23.1%	25%	
BAE SYSTEMS PLC	23.1%		25%
BARCLAYS PLC	15.4%	20%	25%
BHP BILLITON PLC	16.7%	25%	
BSKYB	7.1%	25%	25%
CENTRICA PLC	25.0%		25%
G4S	20.0%		25%
GKN	9.1%		25%
GLAXOSMITHKLINE PLC	20.0%	25%	
HSBC HLDGS PLC	22.2%		25%
INTERCONTINENTAL HOTELS GROUP PLC	27.3%		25%
KINGFISHER PLC	20.0%		25%
LAND SECURITIES GROUP PLC	10.0%		25%
LLOYDS BANKING GROUP PLC	8.3%		30%
MARKS & SPENCER	23.1%	30%	30%
MORRISON SUPERMARKETS PLC	28.6%		30%
NATIONAL GRID PLC	16.7%		25%
OLD MUTUAL PLC	9.1%	18%	27%
PETROFAC LTD	11.1%	15%	25%
REED ELSEVIER	11.1%	22%	
ROLLS-ROYCE HOLDINGS PLC	7.1%		30%
ROYAL BANK OF SCOTLAND GROUP	23.1%	25%	
ROYAL DUTCH SHELL PLC	15.4%		25%
SAGE GROUP PLC	25.0%	25%	25%
SAINSBURYS	20.0%		25%
SMITH & NEPHEW PLC	20.0%		25%
TESCO PLC	20.0%		25%
TULLOW OIL	8.3%		25%
UNILEVER PLC	18.8%		25%
VODAFONE GROUP PLC	25.0%		25%
WOLSELEY	12.5%		25%

Some companies may offer their sector as a reason why they may struggle to engage women on their boards. Therefore it is worth noting that the companies listed above include those from sectors such as Mining, Oil & Gas, Automobiles & Parts, Engineering, Electricity, Software, Construction & Materials and Aerospace & Defence.

"GKN is a global business with operations in 30 countries and therefore diversity generally is an integral part of how we do business. We acknowledge its importance and recognise the benefits that it can bring...Achieving gender diversity is more difficult in certain sectors and, as an engineering business, the demographic profile of the current talent pool presents significant challenges in this regard. Notwithstanding this, we will work towards extending the female composition of our Board as vacancies arise and suitable candidates are identified, with an aspiration of 25% female membership by 2015. Our prime responsibility is the strength of the Board and our overriding aim in any new appointments must always be to select the best candidate." (GKN – 9%)

In sectors where there are fewer female graduates, the best and the brightest, aware of being a minority, will be more attracted to those "*leading companies [who] seek out, and not simply tolerate, diversity*" (**Prudential statement**).

The Davies Report's recommendation states that "*FTSE 100 boards should aim for a minimum of 25% female representation by 2015 and we would expect that many will achieve a higher figure.*" Given that 27 of the FTSE 100 companies already have 20% or more female representation, it is a disappointment that only five companies aspire to 30% targets.

Only 17 the FTSE 250 companies researched (N=124) have announced board targets so far. Much like the FTSE 100, of the 17 FTSE 250 companies that announced targets, most of them already had a fairly good representation of women on boards, compared to the FTSE 250 average. Only seven companies set themselves targets leading to an increase of women on boards greater than 10%. **Pennon Group PLC, Phoenix Group Holdings, Senior PLC and Tui Travel** set themselves targets between 10 and 20%. We particularly commend the **Boards of Fidelity China Special Situations, Rentokil Initial PLC and Rotork PLC** who have declared targets of 20% and 25%, from a baseline of zero.

**Table 7:
FTSE 250
Companies'
Board
Targets**

Company Name	Current percentage women on board	2013 Target	2015 Target
DOMINO'S PIZZA UK & IRL PLC	18.2%	20%	20.%
FIDELITY CHINA SPECIAL SITUATIONS PLC	0.0%		25%
GO-AHEAD GROUP PLC	16.7%	17%	17%
INFORMA PLC	14.0%	14%	14%
JUPITER FUND MANAGEMENT PLC	22.2%	20%	20%
MONDI PLC	22.2%	25%	25%
PENNION GROUP PLC	14.3%	14%	25%
PHOENIX GROUP HOLDINGS	7.1%	14%	21%
PREMIER FARNELL PLC	25.0%	25%	25%
RENTOKIL INITIAL PLC	0.0%	20%	20%
ROTORK PLC	0.0%	25%	25%
SENIOR PLC	0.0%	15%	15%
SVG CAPITAL PLC	25.0%		25%
STAGECOACH GROUP PLC	22.2%	22.0%	22%
TAYLOR WIMPEY PLC	22.2%		25%
TUI TRAVEL	6.7%		25%
WS ATKINS	22.2%	NA	NA

We have included WS Atkins in this list as, although they did not specify a numerical target, they have stated an intent to utilise targets internally.

"It is clear that we will not make progress without setting targets, changing the business culture and challenging the way we manage recruitment and staff progression. To that end, each of the newly appointed regional managing directors has been asked to prepare a diversity action plan appropriate for their business. This recognises that the starting place, legal framework and business challenges vary by region. The Board will be reviewing these plans and monitoring progress as a key aspect of business performance, together with reviewing its own performance with regard to gender diversity in the context of the recently released Davies Report on Women on Boards, the recommendations of which it has endorsed." (WS Atkins, FTSE 250 – 22%)

Recognising that many FTSE 250 companies are starting from a much lower baseline, the Davies Report was careful to recommend the 25% target only for the FTSE 100 companies. We are concerned that some companies (from both indices) refrained from setting themselves any targets as they felt the 25% recommendation was unachievable. **The aim of the targets is for a company to self-determine what is reasonably achievable within a given timeframe, given their starting point, and to hold themselves accountable to their stated goals.** We found only one company from across the FTSE 350 who had clearly committed to this – Senior PLC, currently with an all-male board set themselves a target of 15%.

While this trend in both FTSE 100 and FTSE 250 companies suggests that Lord Davies' recommendations have beneficial effects in terms of reinforcing good practice, it also demonstrates a certain institutional inertia, whereby some companies persist in their existing approach (or lack thereof) to gender diversity on boards.

Executive Committee targets

With regard to gender targets at Executive Committee level, only 4% of FTSE 100 companies set such targets, while none of the FTSE 250 companies did so. We commend the Chief Executives of these four companies (**Anglo American, Aviva, Diageo and Smith & Nephew**) who have pledged to increase the representation of women on their Executive Committees, recognising "*that for more women to reach the board level we need more women throughout the higher levels of the organization, creating a stronger talent pipeline.*" (**Aviva – 23%**)

"Olivier Bohuon, Chief Executive...is firmly committed to the benefits of a diverse workforce. Currently only 14% of his executive team are female. He has begun to implement measures to increase this percentage to 25% or more by 2015."

(Smith & Nephew – 20%)

A small number of companies specified desired increases in the proportion of women at various levels throughout their organisation, but we would strongly encourage them and many more to be specific with these targets at the Executive Committee level. For example, **Rio Tinto** state in their Annual Report that they currently have 14% female Senior Management and they have set themselves a target of 20% by 2015.

Statements on gender diversity

In addition to computing the percentage of companies that have set gender targets, we also conducted a qualitative assessment of the stance companies adopted towards Recommendation 1 of the Davies Report. We analysed the available corporate statements, identifying a number of key topics which are discussed below. Most statements were made by the Chairmen in their Annual Report letters, Corporate Governance statements, or were reported on the websites as being a response from 'the Board'. Forty-four FTSE 100 companies responded to the various letters sent concerning the Davies Review. In total **61 FTSE 100 companies made statements that acknowledged the issues surrounding gender diversity on corporate boards.**

Among the FTSE 250 companies, we collected a total of 55 statements which addressed the topic of gender diversity on boards. These were made in a variety of locations. Forty-two FTSE 250 companies responded directly via letters and emails; some had already made statements in Annual Reports. Five statements were found in press releases, whilst 27 were located in Annual Reports, interim reports and RNS statements. These Annual Reports were all available in full on the web. Five statements were found in interim or preliminary reports on the web, whilst four were made via announcements at AGMs. One challenge that was identified by the researchers was that companies were not clear where they should be reporting their targets, statements and other relevant information. We would suggest that the Corporate Governance Report within the Annual Report is the most consistent place. It is hoped that the FRC might give clear guidance on this issue.

Support for gender diversity on board

Of the 61 FTSE 100 company statements, 46 (77%) were positioned as a statement specifically from the Chairman or the Board. Fifty-three (87%) mentioned the Davies Review by name or by “the current debate”, and 52 (85%) of these were explicitly supportive or agreed with the aims of the Review. [The figure after the quotes below represent each organisation’s current percentage of women on their board.]

“Barclays is supportive of Lord Davies’ recommendations in his report Women on Boards which highlight the need for more female representation on Boards.”

(Barclays – 15%)

“We welcome the Davies Report that was published in February, and I am pleased to report that our Nomination & Corporate Governance Committee has discussed its recommendations.” (Experian – 18%)

“With the renewed focus on Board gender diversity, the [Nomination] Committee will continue to review Board succession aiming to ensure that, following the Davies Review, we can meet our aspirational goals.”

(National Grid – 17%)

“The Board welcomed the publication in February of the Davies Review on Women on Boards and, in line with its recommendations, it is our aspiration to have a minimum of 25% female representation on the Board by 2015.” (Vodafone – 14%)

“We are long-standing supporters of diversity in the boardroom and we are supportive of the Financial Reporting Council’s aims to encourage diversity in the boardroom. We are also supportive of Lord Davies’ aim to raise the proportion of women on UK boards and our current Board is made up of 14 Directors of whom 3 (21%) are women.” (Aberdeen Asset Management, FTSE 250 – 21%)

“Phoenix Group supports the recommendations in principle, and we believe that it is appropriate for FTSE 350 companies to set out clear targets for female representation on their Boards.” (Phoenix Group, FTSE 250 – 7%)

Two companies gave examples in their Chairman's statement in the Annual Report of having tried to recruit female board directors, but where the process had not worked out:

"Noting the letters from the former Minister of Trade to UK company chairmen recommending the appointment of women to company boards, the Committee confirmed that its policy is to appoint the best candidates available based on merit in accordance with the UK Corporate Governance Code and to cast its net as widely as possible in the search for a candidate who would bring to the Board the skills, experience and knowledge required. A female candidate for the Board had recently been considered and interviewed but withdrew from the selection process after accepting an offer from another company." (Xstrata – 0%)

"It was also disappointing, given our wish to capture value from gender diversity, that only 10% of the names put forward were female and that one candidate with relevant experience withdrew from the process as she wished to gain non-executive experience in a different sector." (MAN Group – 10%)

Of the 55 diversity-related statements we collected from FTSE 250 companies, 89% made explicit reference to the Davies Review and/or the FRC consultation. In addition, 70% of statements were clearly supportive of gender diversity on boards, while 31% of statements signalled an awareness of the issue, but fairly vague support.

Already on target

Among the FTSE 100 companies who made statements, 29% (N=17) commented that they have already met Lord Davies' targets and 52% (N=32) explicitly set targets in line with the recommendations. In actual fact, 27 FTSE 100 companies already have 20% or more women on their boards, including ten who have 25% or more. Eight of these companies neither contacted us directly, nor to our knowledge have they made a statement about targets. These companies are AstraZeneca(27%), Burberry Group (38%), Imperial Tobacco Group (20%), Inmarsat (20%), Pearson (27%), Reckitt Bensicker (20%), RSA (20%) and Whitbread (20%).

"Shareholders will be pleased that we are at the leading edge of attaining such representation already. From the conclusion of this meeting, our four women directors will comprise 23.5% of our Board, and 30% of our independent directors, and we fully expect to exceed the target set for 2015." (HSBC – 22%)

"[Unilever's Board] profile considers diversity in terms of nationality, race, gender and relevant expertise, and directs that, wherever possible, the Boards should reflect Unilever's consumer base. The Unilever Board is pleased that we already have 25% female representation on the Board. We will continue to aspire to increase that level." (Unilever – 25%)

"Admiral already has strong female representation in both management and at Board. 43% of our senior managers are women, and on our Executive Committees women comprise 29% of that for the UK and 39% for our International operations. We would expect the proportion that women constitute of our plc Board, currently 18%, to rise over time and that we would, therefore, expect to meet or exceed the 25% target set for 2015." (Admiral – 18%)

In the FTSE 250 group, among 55 statements, 14% comment on gender diversity targets being met.

"Equally, while our gender balance at Board level compares well against other FTSE 250 organisations (with a female representation of 22.2% compared to the average of 7.8%), female representation at senior management level is just 11% (in the top 1,000 staff) compared with 27.7% in the Group as a whole." (WS Atkins, FTSE 250 – 22%)

"We note the Davies Review recommended in February 2011 that Chairmen of FTSE 350 companies should set out the percentage of women they aim to have on their boards by 2013 and 2015 and that FTSE 100 boards should aim for a minimum of 25% female representation by 2015. Stagecoach is a FTSE 350 company; it is not a FTSE 100 company, but is pleased to report that throughout its life as a listed company it has had at least one woman on its Board and for all of the last ten years, two. There are currently nine directors of Stagecoach, accordingly, women represent 22% of the Board, a percentage which Stagecoach aspires to at least maintain in the future." (Stagecoach, FTSE 250 – 22%)

Selection still on merit

About a third of the FTSE 100 and FTSE 250 statements reinforced the message about selection being strictly on merit. Evidently, this reflects a concern for addressing the notion of meritocracy in relation to quotas or targets.

"In making future appointments, the Board intends to continue to carry out its candidate search on the basis of merit, with due regard for the recommendations of the Davies Report and the benefits of diversity on the Board."
(Antofagasta – 0%)

"The Barclays Board fully embraces the benefits of diversity and will strive to continue to increase the diversity of its Board, including by appointing more female Directors, while always ensuring that all Directors are appointed on merit."
(Barclays – 15%)

"Sage is also very supportive of the aims and objectives of the Davies' Report on Women on Boards. The Board of Sage currently comprises 25% women and we would expect to maintain a similar balance through 2013 and 2015 as the Board is refreshed during this period. However, as Chairman it is my responsibility to maintain strong leadership at Sage and we will therefore continue only to appoint the most able candidates to the Board."
(Sage – 25%)

"There has been much recent discussion about ensuring that there is appropriate diversity on boards, and Sainsbury's has an excellent record of appointing women at Board and senior executive levels, and throughout the business, based on merit." (Sainsburys – 20%)

"With reference to the report by Lord Davies of Abersoch entitled Women on Boards we strongly support the principle of boardroom diversity, of which gender is one, but not the only, key aspect. Diversity of thought, experience, and approach are all important and we will always seek to appoint on merit against objective criteria, including diversity." (Serco – 13%)

"As part of our ongoing board membership renewal we will ensure that our recruitment and appointment processes continue to ensure that all appointments are meritocratic and that our board represents the best interests of shareholders." (Severn Trent – 9%)

"Your Board supports the longer term aspirations of Lord Davies's report regarding gender diversity on appointment of directors to boards. We will continue to search for the highest quality people with the most appropriate experience for the requirements of the business, be they men or women." (JKX Oil & Gas, FTSE 250 – 0%)

Wait and see

Following the Davies Report, in May 2011 the Financial Reporting Council began a consultation period concerned with possible further amendments to the Code, regarding publishing and reporting against gender policies annually. The FRC is due to report its findings shortly and therefore some companies have suggested they will wait for that outcome before making any response statement to the Davies Report (see page 30).

"Shareholders should note that Lord Davies' report is still under consultation and so it is not yet clear which of his recommendations might become part of the UK Corporate Governance Code in due course. Nevertheless I can say that I will certainly be mindful of Lord Davies's report when considering new appointments to the Board – whatever the outcome of the consultation...Prior to being able to give any firmer commitment on the actions that the United Utilities Board will take, we will await the outcome of the FRC's consultation."
(United Utilities – 14%)

In this light, some companies spoke of responding to the recommendations in their future reports or statements:

"In May 2011 we appointed two new Non-Executive Directors to our Board, one of whom was female. We are currently engaged in the search for further appointments and I am pleased to say that we have identified very strong female candidates. As a consequence, we are confident that we can attain the quantum and timeline of the board diversity objectives that Lord Davies has recommended. Our intention was to include a statement in our Annual Report for 2011 regarding boardroom diversity. However, as that will be published only in October 2011, after the time recommended by Lord Davies, I hope that you can consider this letter as our statement to meet his expectations." (Wolseley – 13%)

"Following the publication of the Davies Report (Women on Boards) in February 2011, the Board continues to discuss the report's findings. Further information on how the Company intends to comply with Lord Davies' recommendations will be included in the Hunting PLC 2011 Annual Report and Accounts (March 2012)." (Hunting, FTSE 250 – 0%)

Resistance to responding individually was demonstrated by a number of FTSE 250 companies. For example, one FTSE 250 Company Secretary had a telephone conversation with a member of the research team and explained that his company wanted to "wait and see" what other similar companies were doing. In addition, below is an extract of an email received from a different FTSE 250 Company Secretary.

"I had already asked a selection of my fellow company secretaries and quite a few were not planning anything ahead of the FRC finalising its review and many were simply going to include a comment in their next appropriate announcement/report which could be after the September recommendation."
(Email from FTSE 250 Company Secretary)

If imitated behaviour is acceptable to FTSE 250 companies, we would urge them to follow the majority of FTSE 100 companies in making statements and committing to increasing their proportions of female-held directorships.

Rejection of quotas

A number of FTSE 350 companies specifically commented that they were against quotas. Such comments came from companies both with and without female-held directorships.

"Quotas and tokenism could superficially solve the diversity issue – at least at board level. However, that would not be good for companies and equally would not be good for women." (BAE Systems – 23%)

"We concur with the conclusion of Lord Davies' review that quotas are not the preferred option and may indeed be counterproductive." (Alliance Trust, FTSE 250 – 25%)

"Without seeking to set a specific goal for female representation on the board, it remains our aspiration to maintain a high level of diversity, including gender diversity, within the boardroom, appropriate to and reflecting the global nature of the company and the strategic imperatives the board has agreed upon."

(Diageo – 36%)

"We believe that an over prescriptive approach through setting targets or announcing aspirational goals is not desirable. It is possible that in setting out attributes for new appointments, without specific consideration of gender diversity, the Board could unintentionally limit the available talent pool. However, it is equally possible that setting out targets may also have a limiting effect." (Drax Group PLC, FTSE 250 – 11%)

"We are supportive of the Davies recommendations and against the implementation of quotas." (Centrica – 25%)

"Whilst we see a significant business benefit in having a Board drawn from a diverse range of backgrounds who bring the required expertise, cultural diversity and different perspectives to Board discussions, we do not believe this is achieved through simple quotas, whether it be gender or otherwise, and will continue to appoint candidates based on merit and relevant experience in accordance with the requirements of the UK Corporate Governance Code."

(Kazakhmys – 0%)

However, some companies appear to conflate quotas and targets. We would suggest they should heed the differences and take up the opportunity to consider self-determined targets as a more progressive approach.

Disagreement on gender diversity initiatives

A few of the FTSE 100 companies' statements (14%) acknowledged the Davies Review, but did not support initiatives to increase gender diversity specifically.

"The Board has considered your letter and believe it is not in Next plc's best interests to set such a quota. Whilst we are wholeheartedly in support of women on boards, we believe that we must continue to select candidates who are able to make the greatest contribution to the company. This means that we will continue to select the best candidates we can find without regard to colour, creed or sex. We would be in dereliction of our duty to shareholders if we did otherwise. I would hope, like you, that over time we do have more women on our Board as more candidates emerge who have the knowledge and experience we believe necessary to make the best contribution to boardroom debate."

(Next – 11%)

Recommendation 2: Gender metrics

In the Davies Report, FTSE 100 companies were asked to disclose the proportion of women on their Boards, in Senior Executive positions and female employees in the organisation. Although the proportion of women can be calculated for each organisation as they are mandated to list the company's directors, the report is looking for companies who make an explicit statement about their female representation at each of these levels. We had information for all FTSE 100 companies.

**Table 8:
Gender
metrics in
FTSE 100
companies**

FTSE 100 Companies reporting on:	Percentage
Women on Board	32%
Women Senior Executives	28%
Women Employees	33%

These figures are disappointingly low and we hope that companies that have not yet published their 2011 report will ensure that they include these basic levels of gender metrics. The trend is even more discouraging among FTSE 250 companies. Among the 124 companies on which we had data, only 22% reported the proportion of women on their boards, and even fewer made reference to the proportion of women among senior executives and among their employees.

**Table 9:
Gender
metrics in
FTSE 250
companies***

FTSE 250 Companies reporting on:	Percentage
Women on Board	22%
Women Senior Executives	10%
Women Employees	5%

*Sample available = 124

However, we were pleased that some companies did commit to addressing gender metrics, as recommended, in their future reports:

"We will be using our Annual Report to disclose annually the proportion of women on the Board, in Senior Executive positions and female employees in the whole organization. The first instance of this will be in our 2012 Annual Report. We also report on the work of the Corporate Governance & Nomination Committee in relation to board appointments and will look to establish a policy on Board diversity, including measurable objectives for implementing the policy."
(BskyB – 7%)

"The Board is convinced of the value of diversity in its management and decision-making, and Tullow actively seeks to attract and retain women at every level in our growing workforce. We face some specific challenges in the oil and gas sector, which has not traditionally attracted sufficient women into the talent pool. However, we believe that our ... status as employer of choice in the industry will help us to correct this. As we replace those non-executive Directors due to retire by 2015, we will urge our executive search agents to ensure that they include the strongest possible field of female candidates. We will publish the details on corporate diversity suggested in Recommendation 2 of the Davies Report, support the changes to the UK Corporate Governance Code in Recommendation 3, and report on our compliance (Recommendation 4) and appointment process (Recommendation 5) in our Annual Reports."

(Tullow Oil – 8%)

"Following publication of the FRC's Consultation Document: Gender Diversity on Boards, we are reviewing our own position and contributing to the consultation process. We intend to explore the establishment of wider diversity targets and report annually on our progress." (Halma, FTSE 250 – 12.5%)

Financial Reporting Council announces changes to the Governance Code

As this report goes to press the Financial Reporting Council has made an announcement regarding changes to the Governance Code and reporting gender metrics. We would therefore expect that many more companies will regard this as a positive step forward in their diversity journey.

"Following public consultation, the Financial Reporting Council announced in October that it intends to amend the UK Corporate Governance Code to require companies to report on the board's policy on boardroom diversity, including gender, on any measurable objectives that the board has set for implementing the policy, and on the progress it had made in achieving the objectives. In addition, the FRC will amend the Code to identify the diversity of the board as one of the factors to be considered when evaluating its effectiveness. These amendments will formally apply to financial years beginning on or after 1 October 2012, at the same time as other proposed changes to the Code in which the FRC will consult in early 2012, but the FRC has encouraged companies voluntarily to apply the amendments with immediate effect." (Financial Reporting Council, October 2011)

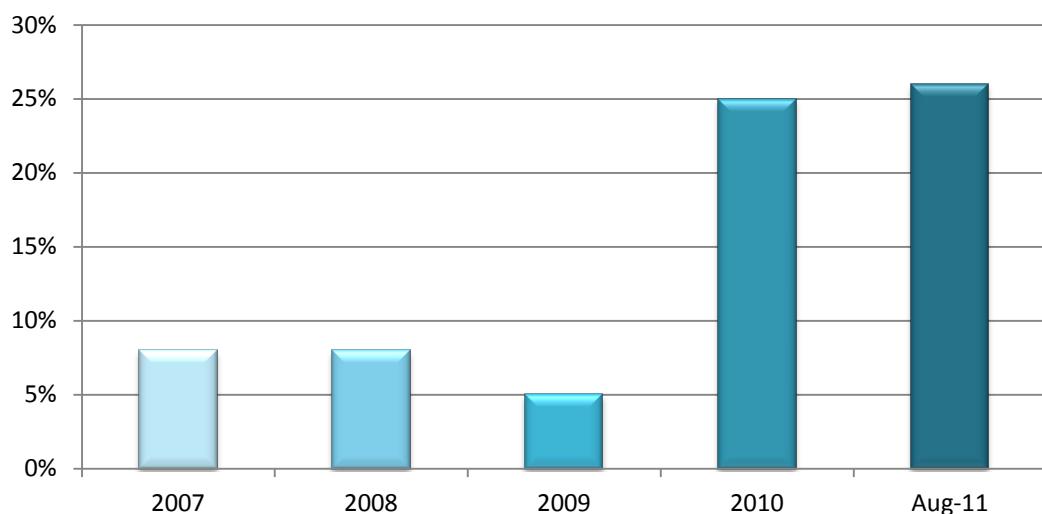
Comparison with Australia

There is often a desire to know ‘how are we doing’ in comparison with other countries and we would refer the reader to previous reports for figures on the percentages of women on boards^{7 8 9}. However, we have been watching events in Australia over the past year as the Australian Stock Exchange Corporate Governance Council has introduced gender metric reporting, with **self-determined targets, diversity policies and progress reports at Board level, senior management and the organisation as a whole**. This was part of the insertion of diversity into its governance code (announced in December 2010, implemented from July 2011). The aim is to significantly increase the proportion of women on boards in order to avoid any necessity for government intervention in the form of regulation. We offer the following information by way of comparison with the UK figures.

Australia has seen significant increases in its female representation at board level over the past 12-18 months. For example, in 2010 there were 97 women holding directorships in the ASX¹⁰ 100. By August 2011 this figure had risen to 134¹¹ – a 38% increase – meaning that women make up 16.1% of ASX 100 directors.

On the ASX 200 company boards, the figures for women directors had stalled between 2004 and 2009 at between 8-9%. The Australian Institute of Company Directors¹² shows that the figure at the end of August 2011 had risen to 13%. Between 2007 and 2009 the percentage of new appointments given to women was 5-8%. In 2010 it rose dramatically to 25% and the figure to the end of August 2011 was 26%. This is closer to the sort of ‘pace of change’ required in the UK if we are to make any substantive progress towards a target of 25% of all FTSE 100 directors being held by women within the next 4-5 years.

Figure 7:
Percentage
of New
Female
Appointments
in Australia



⁷ Davies Report Women on Boards, February 2011

⁸ Female FTSE Report 2009

⁹ Catalyst, Women on Boards, 2010

¹⁰ Australian Stock Exchange

¹¹ ESG: ASX 100 Women on Boards Analysis, Citigroup Global Markets, August 2011

¹² www.corporatedirectors.com.au

The above graph shows the impact that the new reporting rules have had on the appointment of women. It also demonstrates how, given the motivation, behaviours surrounding the appointment process can dramatically change.

The Australian Institute of Company Directors has been particularly influential in setting up a scheme whereby leading Chairmen sponsor potential women directors to the board.

There are one or two companies in the FTSE 350 who are dual-listed with other countries with more demanding reporting requirements on diversity (e.g. Australia, South Africa) and we thought it would be interesting to see how these companies are reporting on gender metrics.

BHP Billiton Case Study

BHP Billiton is a mining company, and so not one which benefits from a naturally high proportion of women in the workforce.

Females currently represent 16 per cent of our workforce. Approximately 10 per cent of our senior management positions are held by females. (p.46)

However, in the Chairman's statement, Jacques Nasser states:

BHP Billiton adopted early the Australian Securities Exchange Corporate Governance Council Principles and Recommendations on diversity in 2010, and this year the Board has spent time considering its aspirational diversity goals.

The Board believes that critical mass is important for diversity and, in relation to gender, has set an aspirational goal of increasing the number of women on the Board to at least three over the next two years (which, if achieved, would see the proportion of women on the Board increase from 17 per cent currently to 25 per cent, based on a board size of 12). This is consistent with Lord Davies report in the UK, which recommends that FTSE 350 companies should set aspirational goals for gender composition. (p.108)

Corporate governance reviews have highlighted that there is a continuing lack of diversity amongst experienced Director candidates in Australia, UK and the US. The Board reviewed its existing practices during the year, including how the Board and the Nomination Committee have taken into account diversity criteria, including gender, nationality and geography, as part of a Director candidate's general background and experience. The review included an assessment of the Board Committees' Terms of Reference, and resulted in amendments to the Terms of Reference of the Nomination Committee and the Remuneration Committee to formalise diversity considerations. (p.111)

Note how the company responds positively to the challenge of diversifying its senior workforce, not by blaming a lack of supply, but by proactively changing its approach to attracting and retaining top women:

Remuneration Committee ...As a result, the Committee's Terms of Reference were amended so that its role includes assisting the Board in its oversight of the review, at least annually, of remuneration by gender, the relative proportion of men and women in the Group's workforce and the Group's progress in achieving its diversity objectives. (p.121)

Nomination Committee ...Amendments were subsequently made so that *diversity aspirations of the Board are expressly taken into account when identifying the skills that may be required and suitable candidates.* (p.122)

Diversity at BHP Billiton

The BHP Billiton Human Resources Policy guides the Board and management in developing diversity objectives for the Group. The Human Resources Policy is supported by internal processes that set out measurable objectives to support the achievement of diversity across the Group.

Our approach to diversity is underpinned by key principles, including:

- A diverse workforce is necessary to the delivery of our strategy that is predicated on diversification by commodity, geography and market;
- Our aspiration is to have a workforce that best represents the communities in which our assets are located and our employees live;
- Actions that support our diversity aspirations should be consistent with our established approach to talent, performance and reward;
- Achieving an appropriate level of diversity will require structured programs at an early career stage that ensure the development of necessary skills and experience for leadership roles;
- Measurable objectives in support of diversity will be transparent, achievable over a period of time and fit for purpose;
- The set of measurable objectives will focus on (i) enabling a diverse workforce by way of removing barriers and (ii) establishing appropriate representation targets.

The key measurable objective for FY2011 was the development and implementation of diversity plans by each CSG, Mineral Exploration, Marketing and Group Function. Each group was required to develop a diversity plan that takes into account the diversity principles. The diversity composition of each was analysed to provide a baseline in the areas of gender, age and nationality. This was a key input into the development of the plans and the means of highlighting the key diversity challenges to be addressed.

Completion of the diversity plans in FY2011 formed part of the performance requirements for each business and was taken into account in assessing bonus remuneration. Execution against those plans will be monitored and tracked in FY2012 and will again form part of the assessment of bonus remuneration.

Monitoring and tracking performance against plan is undertaken as part of the Group's internal compliance requirements.

Going forward, progress against each year's measurable objectives will be disclosed in the Annual Report, along with the proportion of women in our workforce, in senior management and on the Board (p.126).

[Information above was taken predominantly from the Corporate Governance Report section of the Annual Report (pages 108-127). In addition, the workforce demographics were found in section 2 on "Information on the Company" (p.46).]

Recommendation 3: Boardroom diversity policy

This recommendation was aimed at the FRC, encouraging them to amend the Code to require companies to establish a policy on boardroom diversity, including measurable objectives for implementing that policy and any progress made. We looked in the 2010 and where applicable 2011 Annual Reports and websites of FTSE 100 companies to see how many companies have already taken this enlightened step. More than half (56%) of the FTSE 100 companies and 35% of the FTSE 250 companies reported having such a policy. However, fewer made specific reference to gender diversity (38%). This demonstrates a widespread lack of transparency regarding the policies put in place by FTSE 350 companies in order to address diversity on their boards.

**Table 10:
Board
diversity
policy in
FTSE 100
companies**

FTSE 100 Companies reporting on:	Percentage
Is there a policy?	56%
Does it specifically mention gender?	38%
Are there measurable targets?	15%
Is there any progress reported?	12%

**Table 11:
Board
diversity
policy in
FTSE 250
companies***

FTSE 250 Companies reporting on:	Percentage
Is there a policy?	35%
Does it specifically mention gender?	31%
Are there measurable targets?	6%
Is there any progress reported?	5%

* Sample available = 124

There were some examples of very positive statements regarding diversity policies.

*"The Company seeks, through its diversity policy, to encourage the recruitment and retention of talented women at all levels. Furthermore, the Board remains committed to inclusion in all its forms and believes that **leading companies seek out, and not simply tolerate, diversity**. The inclusion of women extends to the plc Board and is an important consideration during searches for new Board members. Prudential embraces the proposition that more women on boards would be advantageous to companies as well as to society at large. We remain duty bound to recruit the best available talent, and although the Board does not endorse quotas, it does commit to having an increasing representation of women in senior positions in the company and on the Board." (Prudential – 19%)*

*"It is encouraging and welcome that many practical steps are now being taken to increase the pool of suitably qualified candidates to fill non-executive director roles. Indeed, another of Lord Davies's recommendations is that executive search firms should draw up a Voluntary Code of Conduct addressing gender diversity and best practice which covers the relevant search criteria and processes relating to FTSE 350 board level appointments. **United Utilities** will only use those firms who have adopted the Code... We will keep shareholders informed of progress in our next Annual Report." (**United Utilities** – 14%)*

However, an overall trend was observed in both FTSE 100 and FTSE 250 companies, whereby fairly generic board diversity policies were not supported by measurable targets or clear reporting (or intention to report) on progress. This suggests that while some companies might have the positive intent of addressing the issue of gender diversity on their boards, they may lack a credible strategy for doing so. **With the new reporting guidelines in the Code of Governance, this is something most FTSE 350 companies will need to address.**

Recommendation 5: Board appointment process

In accordance with the Code of Governance, the Davies report recommends that companies give detailed information about the work of their Nomination Committee, including detail on the process used to search and appoint directors and whether they use an external search consultancy. Given the 2010 amendment to the Code, this recommendation requested information on how diversity specifically is addressed (as opposed to just saying “varied knowledge, skills and experience”) by the Nominations Committee and we also searched whether they explicitly mention gender diversity.

Table 12: The appointment process on FTSE 100 boards

FTSE 100 Companies reporting on:	Percentage
Nomination Committee section	96%
Detail on appointment process	73%
Use of executive search firms	73%
Is diversity addressed?	43%
Is gender specified?	20%

The researchers were pleased to see that almost all of the FTSE 100 companies had a section in their Annual Reports giving details on the work of the Nominations Committee. Almost three-quarters gave reasonable detail regarding the transparency of their process. In line with best practice recommended since 2003¹³, 73% stated that they engaged an external executive search firm in the appointment process. Given the amendment to the Code mentioning diversity was made in 2010, it is disappointing that only 43% addressed diversity and only 20% specifically mentioned gender diversity in regard to their appointment process. We would expect that this figure will increase in the future.

In order to examine the appointment process among FTSE 250 companies, we conducted our analysis only on those companies for which we had full 2011 Annual Reports (N=72).

Table 13: The appointment process on FTSE 250 boards*

FTSE 250 Companies reporting on:	Percentage
Nomination Committee section	88%
Detail on appointment process	50%
Use of executive search firms	60%
Is diversity addressed?	10%
Is gender specified?	7%

* Sample available = 72

¹³ Higgs Review of Corporate Governance, 2003

Among the 72 companies for which we had 2011 Annual Reports, 88% had a section referring to the Nomination Committee. However, compared to the FTSE 100, fewer companies provided detail about the appointment process (50%) and there was less reporting on the use of executive search firms in the appointment process (60%). Overall, only 10% of these FTSE 250 companies addressed the issue of diversity as related to the board appointment process, and only 7% referred specifically to gender diversity. Clearly this signals negligible efforts or a lack of understanding for the necessity among FTSE 250 companies to make the board appointment process more inclusive.

"The Company has announced that it has put in place an orderly programme for replacing members of the Board of Directors as they retire. As it is the Company's intention to continue to increase female representation across all levels of the business, the Company will use this existing review process to ensure there is an appropriate level of diversity across the Company." (BSkyB – 7%)

"Our Board and Executive Committee both aim to achieve an appropriate diversity across all elements of Serco's management. As, over time, we recruit new members we would, therefore, expect to address the issue of diversity in general, and to increase the proportion (currently 12.5%) that women constitute of our plc Board." (Serco – 13%)

"The Nominations Committee is aware of the new requirements introduced by the UK Corporate Governance Code which fall within the Committee's remit. This includes the requirement for the search for Board candidates to give due regard to the benefits of diversity, including gender. In addition the Davies report has made a series of recommendations to encourage recruitment of women to the Boards of companies. The Nominations Committee will be reviewing its succession planning and selection procedures to ensure that these requirements are built into its processes." (Vedanta – 0%)

"As opportunities arise through natural vacancies and rotation, our intention is to ensure that we achieve an increasing level of women membership of the Board." (Informa, FTSE 250 – 14.3%)

Quotes such as these indicate that companies are not intending to add women to the board as in increase size, but as and when directors are due for retirement, they will consider seriously the diversity when replacing. This is in line with our finding noted above that there has not been any significant increase in board turnover.

Overall, the trends observed in both the FTSE 100 and the FTSE 250 data suggest that while companies endeavoured to provide some transparency into the appointment process and the internal workings of their Nomination Committees, **the majority of companies (particularly in the FTSE 250) need to demonstrate more explicitly their intentions with regard to addressing the issue of gender diversity as related to the board appointment process.** This is regrettable, given that the appointment of new directors is the main vehicle through which corporate boards can become more diverse.

Concluding Remarks

The aim of this report was to monitor and recount progress to date against recommendations numbers 1, 2 ,3 and 5 of the Davies Report “Women on Boards”. We entrust these findings to the Steering Committee of the Davies Review.

Author Biographies



Ruth Sealy BSc MSc PhD MCIPD

Senior Research Fellow

Deputy Director of the International Centre for Women Leaders

With global expertise on women on boards, Ruth has been the lead researcher of the UK's annual Female FTSE Report since 2007. Sponsored by government and major organizations, the report analyzes the demographic composition of the FTSE 350 corporate boards and executive committees. The annual report has a considerable reputation and research impact, with the findings cited in approaching 100 broadsheet newspapers, radio and television channels, and practitioner journals across the world each year. Ruth was the academic advisor for a recent CBI report into women on boards, advised a cross-party parliamentary group and contributed to Lord Davies review for the UK government on the same subject.

Ruth's research interests cover many aspects of retaining women in leadership, particularly board composition and corporate governance. Her doctoral research considered the importance of role models for female directors in investment banks, and how the lack of them may affect their work identity formation and career aspirations.

Ruth has spoken at many academic and practitioner conferences, lectures on MBA and MSc courses, and has written a number of book chapters and journal articles. Ruth is a member of the editorial review board for Gender in Management – an International Journal. She is a Chartered Member of the Institute of Personnel and Development and has written various articles for practitioner audience magazines, e.g. Women in Banking and Finance, City Women's Network.

Prior to becoming an academic, Ruth was the Managing Director of a specialist holiday company, which she sold to a larger tour operator. Following that she worked for a number of years as a Business Psychology Consultant, for clients such as Airbus(UK), RHR International, and Bank for International Settlements (Switzerland), Xancam Ltd., Fujitsu, Chiumento Ltd., Barkers Ltd., DVLA, Learning Skills Council and the Home Office



Elena Doldor BSc MSc PhD

Senior Research Fellow

International Centre for Women Leaders

Elena has an overarching interest in diversity at leadership levels. Her doctoral research explored how male and female managers develop willingness and ability to engage in organisational politics. She was also involved in several other research projects examining diversity on public and private sector boards of directors in the UK and internationally, including the Female FTSE Report. After being awarded a prestigious Fulbright Award, Elena spent the academic year 2007-2008 as a visiting researcher in Northwestern University, USA. She has presented her research at numerous international conferences in the UK and abroad, as well as in other academic institutions such as the Kellogg School of Management. Elena is a reviewer for academic journals such as Journal of Business Ethics and Gender, Work and Organization, and is a member of the American Academy of Management and the British Academy of Management.

An organisational psychologist by background, Elena has lived and worked in Romania, France, the UK and the USA and speaks several languages. Throughout her work experience, she was involved in assessment and development centres, career counselling, and HR processes related to personnel selection and performance appraisal. Having a particular interest in diversity management, Elena has advised companies in France and Brazil on the topic, taught diversity courses in MBA and MSc programmes and was involved in running Women as Leaders development workshops.



Val Singh BSc PhD FRSA FHEA
Visiting Fellow
International Centre for Women Leaders

Val Singh is a research consultant and Visiting Fellow at Cranfield School of Management, following a career there as Deputy Director of the International Centre for Women Leaders, and Reader, specialising in diversity at corporate board level. Current activities include research into boards of directors in the UK and France, and workshops for female academics preparing for promotion.

Following a 1st class honours degree in mid-life, Val gained a PhD in organisational behaviour at Cranfield and began her academic career. Research topics included gender and ethnicity of directors, boardroom cultures, diversity management and women's careers (impression management, mentoring, commitment, networking and role models). With Professor Vinnicombe, she co-founded the annual Cranfield Female FTSE Reports. Val was Gender Editor of Journal of Business Ethics, Associate Editor of Gender Work & Organization, and has published widely in academic and practitioner journals. She has co-edited a book, *Women on Corporate Boards of Directors: International Research and Practice* (Edward Elgar 2008), written many book chapters and a Financial Times masterclass on diversity. She has been a plenary speaker at international conferences, and was a National Business Awards judge. Speaking several languages, Val lives in the UK and Dubai, is married to aero-engineering Professor Riti Singh and has three sons.



Susan Vinnicombe OBE MA PhD MCIM FRSA
Professor of Organisational Behaviour and Diversity Management
Director of the Leadership and Organisation Development Community
Director of the International Centre for Women Leaders

Susan's particular research interests are gender diversity on corporate boards, women's leadership styles, and the issues involved in women developing their managerial careers. Her Research Centre is unique in Europe with its focus on women leaders and the annual Female FTSE Report is regarded as the premier research resource on women directors in the UK.

Susan has written ten books and over one hundred articles, reports and conference papers. Her book, "Women on Corporate Boards of Directors – International Research and Practice" (with R. Burke, D. Bilimoria, M. Husen and V. Singh published by Edward Elgar) was published in 2009. The book reviews the position of women on corporate boards in the USA, Canada, UK, France, New Zealand, Australia, Norway, Iceland and Spain.

Susan has consulted for organisations in over twenty countries on how best to attract, retain and develop women executives. She has advised the government in the UK, New Zealand, Australia, Finland and Spain on how to increase the number of women on their corporate boards. Susan is regularly interviewed in the press and on the radio and television for her expert views on women directors, and is a frequent keynote speaker at conferences. Susan is the founder judge for Women in the City Awards and judge for Future Women of Achievement Awards. She is a Board member of the Saudi British Joint Business Council and Vice Patron of Working Families, a charity. She is also Visiting Professor of Curtin University, Graduate Business School, Perth, Australia. Susan is a member of the Davies Steering Committee.

Susan was awarded an OBE for her Services to Diversity in the Queen's New Year's Honour List in 2005.



INTERNATIONAL CENTRE FOR WOMEN LEADERS

Cranfield School of Management, Cranfield, Bedford, England MK43 0AL

Telephone: +44 (0)1234 751122 **Fax:** +44 (0)1234 751806