

Building talent for the top

A study of women
on boards in the oil
and gas industry

November 2013

In association with





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Introduction

The oil and gas sector is one of the most dynamic, innovative and successful industries. We've both spent most of our careers in this sector and are passionate about it, and about helping our clients consistently excel.

Oil and gas companies are accustomed to adapting to change and anticipating problems that may lie ahead. In today's business environment, it's an attribute that's served them well. Businesses in all sectors are facing difficult challenges in the area of talent management. Recruiting, developing and retaining talent is at the top of the agenda for everyone, and particularly for the oil and gas sector; according to PwC's 16th Annual Global CEO Survey¹ 63% of business leaders in energy (including oil and gas) cited availability of skills as a major concern.



Alison Baker
Partner
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Competition for talent around the globe is fierce, with excess supply in some regions and severe shortages in others. Leadership skills are particularly in demand, and organisations are fighting to find and secure the best young employees who will become the leaders of the future. In such a competitive market, no company can afford to overlook any part of the talent pool – which means that diversity has become increasingly important. The best businesses know that good workers and future leaders can come from anywhere – and an increasing number will be women.

But as we all know, women are seriously under-represented at the highest levels of management. Unusually for a forward-looking sector, oil and gas is considered one of the worst offenders and has low female participation at all levels, in spite of measures taken by many governments and organisations to improve gender diversity.

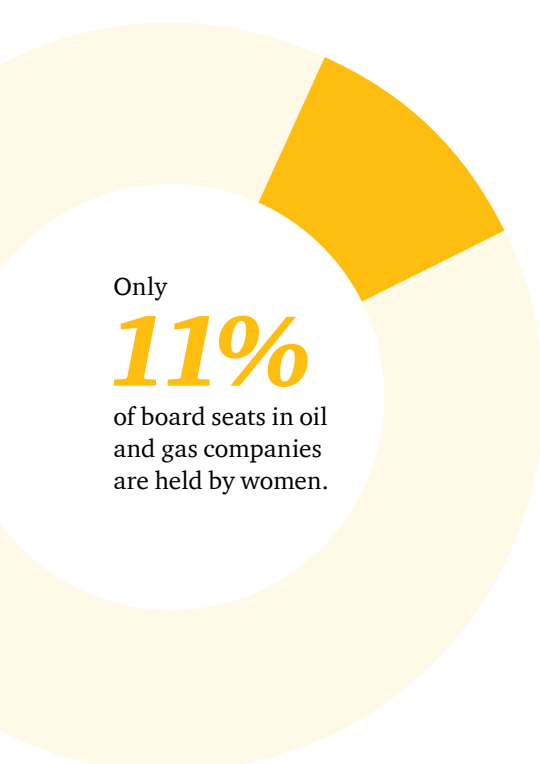
This is a real test for the sector but also a clear opportunity. With research increasingly confirming the business benefits of greater diversity, oil and gas companies have much to gain from attracting women into the sector, and persuading the best to stay. We've identified four career catalyst points at which companies can make a significant change to the way they attract and retain women. For each, we suggest specific actions that need to be taken.

The question is, who will rise to the challenge?



Laura Manson-Smith
Partner
HR, People Change Consulting Leader
for Energy, Utilities and Mining

Executive summary



Only
11%
of board seats in oil
and gas companies
are held by women.

The benefits to businesses of strong female representation at board and senior management levels are stacking up, with evidence of links to better profitability and financial performance, stronger governance, better stakeholder management, improved risk management and better access to talent.²

There's plenty of progress to be made across all sectors, but our survey shows that oil and gas has a long way to go. Our study of the 100 largest listed oil and gas companies in the world found that women occupy only 11% of seats on the board of directors. The only sector with a poorer record is the mining industry.

Female directors don't necessarily have power. One of the most alarming findings was that only a tiny proportion of women sitting on company boards have any executive power. The boards in our survey have an average of 11 seats, two of which are executive. Women hold a larger proportion of non-executive roles (13% are female) rather than executive roles (just 1%). We also found that those boards with the highest number of female directors also tended to be the largest, which dilutes the influence of the women on the board.

We're a long way away from critical mass. Research has found that for a group to have a real impact on decision-making, it needs to form 30% of the total body.³ Only six oil and gas companies in our survey had a board that had 30% or more female members.

The leadership pipeline is dominated by men. Not only are women under-represented at board level, but also on the management board, where future executive directors hone their skills and experience. And of the 11% of women on management boards, many of them are in roles that rarely lead to a board director position, suggesting that it will be some time before gender diversity is improved at board level in the sector.

Looking more closely at the reasons why so few women make it to the top in the oil and gas sector, we identified four career catalyst points: career start, progression opportunities, senior management promotion and board level appointment. All points during a woman's career which influence their ability to reach a board-level position. We then explored suggestions for each catalyst point that could improve the attraction and retention rate of women in the industry, and as a result the leadership talent pool. We identified four key themes:

Start at the beginning. Oil and gas companies can play a far bigger role in encouraging more women to study technical subjects throughout their education and to join the oil and gas industry once they graduate.

Keep them happy. Evidence suggests that a significant number of women opt to leave the industry before they can be considered for senior management and board level positions. The industry-specific working environment, coupled with a lack of company-driven support, may cause many to opt 'out' rather than 'up'. Adapting and addressing long-accepted working practices could do much to persuade more women (and men) to stay.

² Credit Suisse Research Institute (2012), *Gender Diversity and Corporate Performance*.

³ Ibid.

Think flexible. Greater flexibility at work is not just an issue for women – the younger generation of workers are known to value flexible working practices and work-life balance more highly. Some organisations are recognising this and adapting their policies accordingly, and are reaping the benefits.

Look after your leadership pipeline. In order to gain the appropriate experience for board level roles, better mentoring, sponsorship and formal development programmes are needed to support women in pursuing the right career paths and options towards senior management levels.



Why more women?

We shouldn't address the issue of how to improve diversity in the boardroom without asking the basic question: what's in it for businesses? The most obvious answer is that in the current talent environment no company can afford to cut itself off from 50% of the talent pool. Study after study has shown that availability of skills is a critical problem particularly in emerging markets. For example, 82% of CEOs, say that talent supply is a serious problem for their African operations.⁴ The oil and gas sector is facing serious recruitment challenges – making better use of the full talent pool simply makes sense.

But as importantly, there's evidence that gender diversity in the boardroom improves corporate performance: research by Catalyst shows that companies with more female board directors outperform those with the least by 66%.⁵ The Credit Suisse Research Institute found that greater board diversity improves the stability of performance and share price.⁶ Diversity in the boardroom brings a different perspective, broader debates and improved decision making.

So really, the debate has moved on from 'why' we need more women in leadership positions to 'how' progress can be achieved. This isn't about compliance, it's about realising the business benefits that come from engaging a more diverse range of people.

⁴ PwC's 16th Annual Global CEO Survey.

⁵ Catalyst 2007, The bottom line: corporate performance and women's representation on boards.

⁶ Credit Suisse Research Institute (2012), *Gender Diversity and Corporate Performance*.

Study findings

Composition of the board of directors

How many women are there on boards in the oil and gas industry?

Women occupy 11% of all seats on the board of directors in the top 100 oil and gas companies included in our analysis. This lags behind other sectors. A 2012 study found that the three sectors with the highest percentage of women on their boards were consumer goods and services (17%), followed by financial services (14%) and telecommunications (13%).⁷ Only the mining sector performed more poorly than the oil and gas industry, with just 8% of board seats occupied by women. This difference may not seem material, but

considering the huge importance placed on diversity by the oil and gas industry, and the current talent shortage – it seems surprising, and certainly worth investigating.

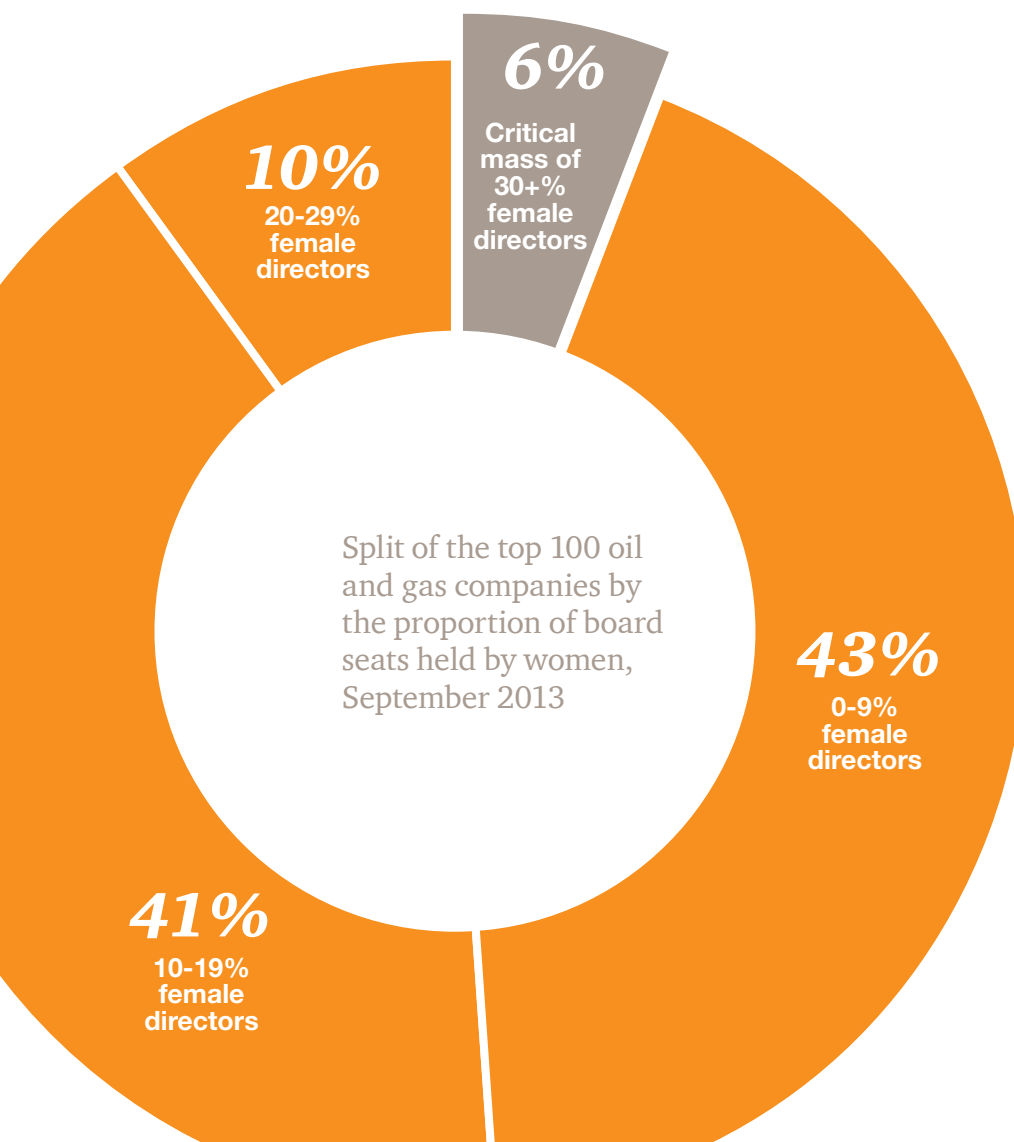
What is the split between executive and non-executive directors?

On average, the board of directors for the top 100 oil and gas companies have approximately 11 seats, of which nine are non-executive director roles and two are executive director roles. Women were more likely to hold non-executive director roles, occupying 13% of all non-executive director positions and a disproportionately small percentage of executive seats (1%).

Do women have ‘critical mass’ on the board of directors?

Studies have shown that a 30% representation of a minority group provides a ‘critical mass’ that allows this group to have a real impact rather than simply being representative of the minority.⁸ In other words, at 30% or more representation on a board, a female group has a voice and becomes heard in its own right, and has more of an influence on the decision-making process.

Only 6% of companies in this study had the critical mass of at least 30% of seats on the board of directors occupied by women. This may mean that even where there are women on the board, their impact is limited and the true benefits of board diversity aren’t being felt.



⁷ Credit Suisse Research Institute (2012), *Gender Diversity and Corporate Performance*.
⁸ Ibid.

Is there a link to the size of the board of directors?

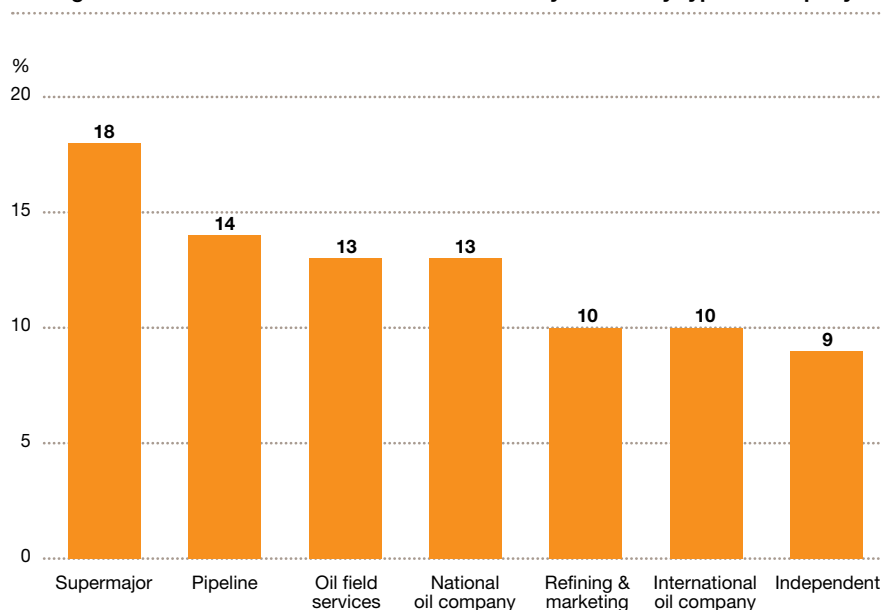
Our research shows that, on average, boards which had at least one female member were larger. For example, boards with zero female directors had an average of 10 members, while boards with three female directors had 13 members. This raises the question of whether board seats were created to accommodate female directors, which has the consequence of reducing the influence attributed to each seat.

We found that supermajors, which have the largest market capitalisation, had both the largest average board size and the highest percentage of women on the board. Female directors held an average of 18% of all board seats for supermajors. In contrast, independents, with the lowest average market capitalisation, had the lowest average with 9% of seats on the board of directors held by female directors.

This relatively high percentage of female board members for supermajors may be the result of several factors:

- The higher public profile of these companies may lead to a greater impetus for them to implement diversity measures and take action to increase diversity.
- Greater brand power may mean these companies are able to attract more female candidates during the recruitment process.
- Large, international companies are more likely to have dedicated resources for designing and implementing initiatives to promote diversity.

Average % of seats on the board of directors held by women by type of company



Source: PwC research, October 2013

Are women coming through the leadership pipeline?

The answer is emphatically no. The board of directors is generally fed by candidates from senior management, and future leaders hone their skills and experience on the management board. But we found that just 11% of all senior management positions were held by women. What's more worrying is that of these women, many hold a position that doesn't have a natural progression to a board director role (such as HR Director or Compliance Officer), therefore decreasing the chances of them reaching a board role.

Country snapshots

Many countries have taken steps to promote diversity in different ways, with noticeable results in terms of board representation. We analysed the top 20 oil and gas companies

on the five major stock exchanges for the industry: UK (LSE); US (NYSE); Australia (ASX); Norway (OB) and Canada (TSX).

Global top 100 oil and gas companies



11% of board of director members are women



11% of management board members are women

Canada



11% of board of director members are women



9% of management board members are women

Norway



42% of board of director members are women



6% of management board members are women

US



13% of board of director members are women



14% of management board members are women

UK



11% of board of director members are women



8% of management board members are women

Australia



10% of board of director members are women



15% of management board members are women

Source: PwC research, October 2013

The question of quotas

The debate over whether a mandatory quota requirement for female board members is appropriate or effective has raged for several years. To date at least nine countries including Norway, France and Italy have, or plan to introduce, some form of quota requirement, with mixed results; the number of female directors has increased, but often alongside accusations of tokenism.

"Quotas damage the reputation of women in business... because it becomes about gender rather than capability. If you have a quota, it's more difficult for women to gain the respect they need to operate as a director" argues one female oil and gas executive from the USA.

However, the slow progress in achieving greater diversity has shifted views in some areas. Claire Braund, Executive Director of Women on Boards explains *"Women on Boards in Australia acts as the voice of its members raising things that they wouldn't necessarily voice as individuals. In a private vote in Australia 68% of our members supported the idea of gender diversity quotas. Although none of them really likes the idea of quotas it was a case of enough's enough"*.

Maria Miller, UK Minister for Women, commented recently *"Businesses, not diktat, must push women"*.⁹

⁹ The Times, 'Businesses, not diktat, must push women', 8th November 2013.

UK

The UK has adopted a voluntary business-led approach to increasing female representation at senior levels. The responsibility is on businesses to achieve a target of 25% of seats on the board of directors being occupied by women by 2015, in FTSE 100 companies.¹⁰

However, the oil and gas industry is unlikely to meet this target, with female directors accounting for just 11% of positions on the board of directors in the largest 20 UK oil and gas companies. In order to achieve the target, the percentage of women filling new appointments needs to increase substantially. Many women on boards hold non-executive positions; a recent report covering the FTSE 350 indicated that female executive directors fell from 50 to 49 as non-executive directors climbed from 411 to 452.

None of the companies examined had more than 30% of board of director positions occupied by women. The UK also has a limited pipeline of women in senior management positions, with only 8% of seats on the management board held by women, of which 30% are in a corporate secretary or legal counsel role and are unlikely to lead to a position on the board of directors.¹¹

Canada

Canada has an average of 11% women on the board of directors, with a limited pipeline of only 9% of positions on the management board being held by women. However, this may increase in the future. The government of Ontario issued a consultation in July 2013 to consider approaches to improve gender diversity. For example by making it a requirement for public companies to set targets for the number of women in senior roles. This follows the lead taken by the government of Quebec that made it a requirement for at least half of all directors in state owned enterprises to be women.

US

In the sample of US companies analysed, women accounted for 13% of board of director seats, with 14% of all senior management positions held by women.

There's no formal requirement for US-based companies to meet specific diversity targets. However, since 2010, all listed companies have had to provide information on how diversity is factored into the hiring process for board positions and how progress against diversity targets is assessed.¹² There are also several not-for-profit initiatives with the objective of promoting greater female representation at board level, such as the Thirty Percent Coalition which aims to raise the representation of female directors to 30% by 2015.

There are indications that diversity in the US is improving, at least in junior positions – of the 3,900 new jobs in the oil and gas industry in Q1 2013, almost half of the new hires were women.¹³

Norway

In 2005, the Norwegian government introduced a 40% quota for women on boards. On first sight this seems to have worked, with 42% of board director positions being held by women. However, Norwegian firms tend to operate a two-tier board structure with more non-executive directors than one would expect. While the number of non-executive female directors has drastically increased, there has been no equivalent rise in the number of female executive directors.

Norway has a comparatively low percentage of women on the management board, with only 6% of management board positions held by women (40% of these positions being VP of HR). This suggests that legislation has forced companies to promote women from the management board to the board of directors, corroborating claims of 'golden skirts'. This has limited the talent pipeline, which could cause further problems in the future.

Australia

Although only 10% of board of director positions are occupied by women in the sample of companies analysed, the pipeline indicates this may improve in the future, as 15% of senior management positions were held by women.

The Australian Securities Exchange has 'comply or explain' principles that compel companies to disclose their diversity figures in their annual reports, develop a diversity policy and report on progress against gender diversity objectives. While these principles impose additional reporting obligations, there is a general consensus that the impact of these principles has been positive (particularly in the larger companies). Disclosures have forced the discussion on gender diversity and companies are monitoring their progress on diversity more closely than they have in the past. The general view is that if the reporting requirements were not in place, there might not be as strong a focus on gender diversity.

Furthermore, the Business Council of Australia (BCA) recently released targets to increase the number of women in senior roles in BCA organisations to 50% in the next decade. While companies across all sectors will find this target ambitious, it will be particularly challenging for oil and gas companies given the small number of women in the pipeline and that the number of women graduating from engineering and related disciplines remains small.

¹⁰ UK Department of Business, Innovation and skills, *Women on Boards* (2011, updated 2013).

¹¹ Senior management data was only available for 16 of the 20 UK companies.

¹² Thirty Percent Coalition, *Major Approaches to Making Change*, 2011.

¹³ http://www.rigzone.com/news/oil_gas/a/127452/Women_Fill_40_of_Vacancies_in_Oil_Gas.

Why are women under-represented in the oil and gas industry?

What can be done about it?

To understand the reasons behind the composition of the board of directors and senior management in oil and gas companies, we need to start at the beginning of the employee lifecycle. We have identified four distinct catalyst points in a woman's career which impact upon her opportunity to progress to board level leadership positions.

Career start

One of the fundamental reasons for a lack of female board directors is that women are under-represented at all levels in the oil and gas industry. Women currently make up a only a fraction of the global oil and gas workforce – between 3.1% (in the Middle East) and 10.3% (South America).¹⁴ The US Bureau of Labor Statistics shows there has never been a full year where more than a third of new hires in the industry have been women (since 1991 when the Bureau began to track this). However, 2013 may herald a time of change; Rigzone (an oil and gas news and recruitment website) reported that in the first quarter of 2013, women made up 46% of new entrants to the oil and gas industry in the US.¹⁵ While this may be a positive new trend, much remains to be done.

To start with, the oil and gas sector has a perception problem which affects its appeal to male and female talent. A recent survey of graduates¹⁶ showed that the oil and gas industry is one of the most unpopular.

The four career catalyst points



“As an industry, we need to start back at the beginning and attract more women into the sector, working with schools and academic institutions to encourage more girls to study subjects that will enable them to gain academic qualifications in Science, Mathematics, Engineering and Technology. Further to this we have a responsibility to educate women about the opportunities that exist within our sector and ensure we remove the barriers to progression that may currently exist.”

Catherine Tansey, Head of Diversity & Inclusion, BG Group

¹⁴ Hays (2013), Oil & Gas Global Salary Guide: Global salary and recruiting trends.

¹⁵ http://www.rigzone.com/news/oil_gas/a/127452/Women_Fill_40_of_Vacancies_in_Oil_Gas.

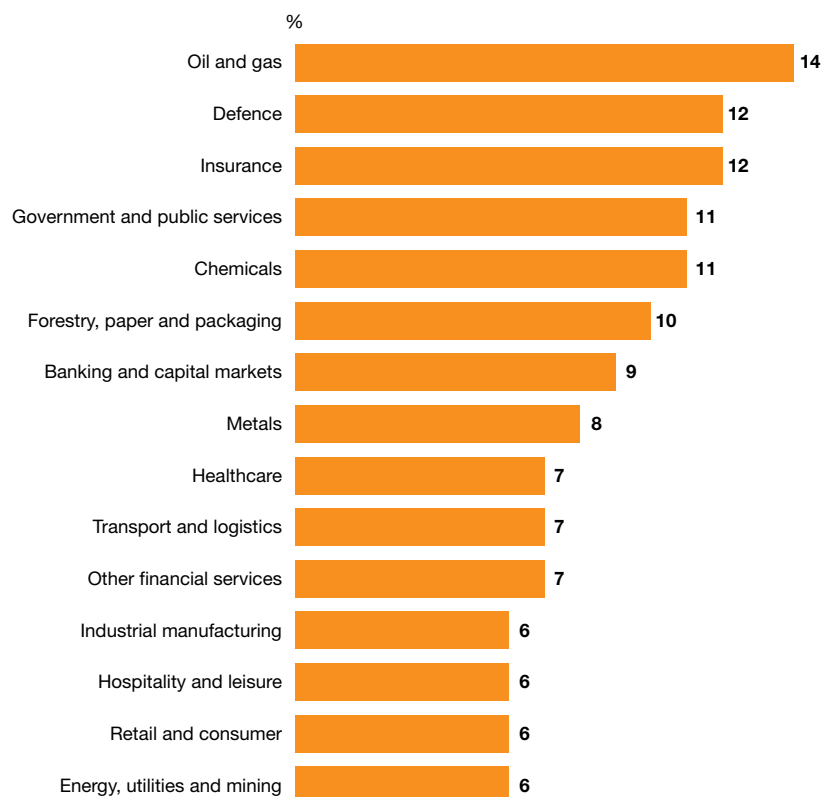
¹⁶ PwC Millenials at work, 2011 – a survey of 4,364 graduates across 75 countries.

Our interviews revealed several negative perceptions of the industry commonly held by women: that it is male dominated, involves excessive compulsory travel to remote or challenging locations, requires physical labour better suited to men and a background in STEM (science, technology, engineering or mathematics). The positive aspects of the industry such as the opportunity to make a difference with ground-breaking work and the higher than average salaries, do not seem to be heard outside the industry. Catherine Tansey, Head of Diversity & Inclusion BG Group said *“Historically oil and gas has been male dominated and imagery of men in coveralls or rigs has been used to represent the sector, which isn’t necessarily appealing to women nor reflective of all roles in the sector”*.

The need for technical skills in oil and gas sector jobs, combined with women’s smaller presence in STEM disciplines is often cited as a key reason for the lack of women in oil and gas.¹⁷ Indeed, women account for only 27% of STEM graduates in G20 countries¹⁸ (including undergraduates and post graduates).

However, only 39% of board members in the top 100 oil and gas companies have a STEM qualification. When considering the breadth of career options available in the oil and gas industry, perhaps the importance of a STEM qualification is overstated. Kirsty Bashforth, Group Head of Organisational Effectiveness at BP, explained *“you don’t have to be an engineer to be successful in oil and gas. I’m not an engineer, but I have a 22 year successful career in the industry”*.

Sectors graduates would not work in, due to its image



Source: PwC Millennials at work, 2011 – a survey of 4,364 graduates across 75 countries

When we looked at the degrees of the top 20 oil and gas company CEOs, 65% had a STEM degree and almost all of these specifically were in engineering. While a STEM education isn’t essential, it certainly seems to help to reach the top job.

“At BG we want to enable people, male and female, to make informed career choices, whatever their aspirations may be and attract world class talent, male and female. We recognise we must work to educate people about what it is really like to work in the industry and make them aware the opportunities available.”

Catherine Tansey, Head of Diversity & Inclusion, BG Group

¹⁷ Repeatedly mentioned in PwC conducted interviews with executives from the oil and gas industry.

¹⁸ Wouter Van den Berghe and Dirk De Martelaere (MAS), Choosing Stem, October 2012.

What can be done?

Focus on attraction

Oil and gas companies can play a greater role in encouraging more women to join the oil and gas sector upon graduating, whether or not they have studied STEM subjects.

Attracting more women into the oil and gas sector will take time and requires effort at all levels – in schools and universities, and within the sector itself.

Collaborate

Many oil and gas companies already work closely with schools and colleges to promote the sector as an attractive career option but there is still scope to learn from other sectors to maximise the impact of their efforts. For example:

- Initiatives such as the National Skills Academy for Power,¹⁹ set up in the UK in 2008 to bring together employers and skills organisations in the power sector, provides a forum to address common concerns.
- Recently, US auto manufacturers (particularly Ford and GM) have made big gains in attracting both business and engineering students.²⁰ The industry has made efforts to tailor its messages and personalise its recruitment, for example through mini-career fairs and by offering opportunities to develop solutions to issues in energy, sustainability and the environment. This focus on bettering the world is particularly relevant and attractive to students today.²¹

Develop an attractive deal

Oil and gas companies can also take steps to attract and retain women in the industry by being in tune with their priorities. More networking and mentoring programmes, increasing the visibility of strong female role models who can share their views of the

benefits of joining the oil and gas industry (such as the variety of experiences, travel and good pay), could all make a huge difference.

Start early

Whilst it's not essential to study STEM subjects to reach the board in oil and gas, there is still the need to attract young women into the technical and operational career paths.

In schools, the work needs to start early, before girls' interest in science begins to dip. Career and degree decisions are made as early as the teenage years, when children can be influenced by parents and teachers who may focus more on traditional 'feminine' career routes. If school children were told of the exciting career opportunities available

after a STEM degree, in oil and gas and other sectors – it could help increase the talent pool of graduates with much needed technical skills.

Careers advisers at universities also have an important role to play in advising young women of the exciting career opportunities in oil and gas. Laura Manson-Smith, partner at PwC, sought the advice of a university careers advisor upon graduating with a degree in physics. *"I wanted some ideas about careers that would allow me to use my scientific background. He advised me against a career in oil and gas because he thought it would mean working in 'female unfriendly locations'. I've spent most of my career working in the energy sector, this has involved some overseas work which has always been a really positive experience from my perspective".*

Girls, women and science

Annette Smith, Chief Executive Officer of the Association for Science and Education, has strong ideas about what can and should be done to encourage more girls and young women to study science at school and university.

"A study on a group of young people between the ages of 10 and 14 which looked at the attitude of girls towards science found that young children at school engage with science and are very good at it," she says. "However, they take a very firm position even at this age that a further career in science is 'not for me'. Clearly, there's a lack of transition. Girls engage with science at an early age but then don't decide to pursue a STEM degree."

Adapting the way STEM subjects are taught, to factor in research about the differences in the ways girls and boys react to science, particularly in terms of their interests and the way they learn, could make a dramatic difference on the popularity of STEM subjects. Curriculum reforms have begun in Europe, but without support from industry, the educational reforms will be much slower, further exacerbating the growing talent shortage. At degree level too, changes could be made. Teaching styles and approaches need to be considered, as women respond much better to problem-based learning and team-working projects, which some universities (e.g., Leicester University) have begun to take into account.

"The key to increasing female interest in taking STEM to further education is for the educational institutions to design learning with diversity in mind" says Annette.

¹⁹ <http://www.power.nsacademy.co.uk/>.

²⁰ Bloomberg (2012), Most popular Employers for College Students.

²¹ PwC, Millennials at Work, 2011.

Progression opportunities

To compound the problem of not enough women starting a career in oil and gas, evidence suggests that a significant number of women opt to leave for other industries before reaching the stage where they could be considered for senior management and board level positions. Is the working environment, coupled with a lack of company-driven support, causing some women to opt ‘out’ rather than ‘up’?

Research into oil and gas workforce demographics shows that half of women in oil and gas are younger than 35, compared to just under a third in the case of male employees. Beyond 35 years, the size of the female workforce reduces more steeply than the size of the male workforce.²² The question is, why?

An obvious answer – but by no means the case for every woman – is that they find that their job and children just

don’t mix. Many CEOs consider global mobility critical to the leadership talent pipeline, but in the oil and gas industry geographical mobility may be to more remote locations. This can be a deal-breaker for both men and women with a young family. In addition, unconscious bias around agility can lead to women not being offered roles which could help them to progress.

We came across three other possible barriers to progression, which are not necessarily unique to the oil and gas sector:

- Role models are lacking in oil and gas, with very few women in senior roles and even fewer in operational roles. As one senior manager from an Australian oil and gas firm said, “It’s hard for women to see how to get to the top”.
- Research indicates that women tend to be more cautious than men in their approach to career

opportunities and are less likely to apply for a job for which they aren’t fully qualified. Conversely, men are more comfortable taking risks; 20% would apply for a job for which they only partially met the description.²³ Women’s cautiousness and men’s increased confidence contributes to highly qualified and competent women lagging behind their male counterparts.

- A lack of strong mentoring and sponsorship of high-potential women may keep them from progressing further up the ladder. As Cynthia Dubin, Finance Director at JKN Oil & Gas plc says “throughout my entire energy career, now 30 years in the making, I have been lucky enough to have strong male mentors. Each and every one of them has had a profound influence on my career. They respected and valued my intellect, gave me responsibility and had confidence and trust in me to deliver”.

“Every company has a different way of identifying talent and assessing potential. At BG we use a tailored model to assess potential with objective unbiased criteria. Using this information we work with employees, male and female, to customise development plans that will enable them to reach their potential and achieve their personal and professional aspirations.”

Catherine Tansey, Head of Diversity & Inclusion, BG Group

“It’s important not to make assumptions based on people’s family situations – for example assuming a female employee with children can’t travel. We need to realise that career trajectories can change over time and the line manager needs to understand the talent’s changing aspirations.”

Kirsty Bashforth, Group Head of Organisational Effectiveness, BP

²² Hays (2013), Oil & Gas Global Salary Guide: Global salary and recruiting trends.

²³ Institute of Leadership & Management, Ambition and Gender report 2010.

What can be done?

Targeted actions are needed to address or mitigate some of the industry characteristics that have typically dissuaded women from staying within oil and gas.

There are a number of clear areas where companies can take steps to help women to develop and progress, whatever their personal situation.

Gather data... and set targets

If an organisation doesn't understand and monitor the diversity of its workforce properly, it can't change its talent management strategy to address potential problems, for example differences in promotion percentages by gender. *"At BP we've set voluntary gender diversity goals which help us work out the size of the task and put a stake in the ground. Our goals tell us where we are, where we want to get to and they help us focus on how to get there. But they're not an end game in themselves"* said Kirsty Bashforth, Group Head of Organisational Effectiveness at BP.

Make female role models visible

Many of the women in the sector that we spoke to during our research pointed out that a lack of female role models was a handicap to career progression. This is true at any stage of their career – if women see other women succeed, they can see the possibilities. If companies can help women connect with appropriate female role models this will provide a forum for sharing experiences and better career planning and progression. One female oil and gas executive from Australia told us *"There's an image problem that needs to be fixed and this*

can be done through having more female role models. Young females need to see other females being successful. There needs to be positive reinforcement."

Know your workforce... and provide support

In the past, career paths were fairly predictable and followed a set pattern that accommodated traditional family structures. Times have changed however and career paths, for both men and women, are no longer based on this model but on changing priorities throughout their life. Greater flexibility in the workplace, to accommodate these changing priorities, is therefore becoming increasingly important. This is particularly true for the younger generation of workers, who value flexible working practices and work-life balance strongly. More and more organisations are recognising this and are adapting their policies accordingly.²⁴

It also continues to be a key issue for women, who often take on greater responsibility in the raising of a family and therefore have conflicting priorities at times during their career. However, later in life, having

developed a different skill set from their commitments outside of work – some women are able to reignite their careers, when family commitments are more manageable. Flexible working and family friendly benefits can help improve retention rates and develop more loyal and committed employees, particularly women. However, having policies in place isn't always enough, ensuring that line managers are aware of the policies, and are trained to guide their staff through tough career choices and lifestyle decisions will have the most impact.

"It isn't just finding talent and promoting it – leakages in the pipeline are often about retention, particularly in the middle layer of first line leaders. We need to find them, get them in and keep them. You can have all the right policies in place, but unless your line managers are ready to have the right conversations with their people, it won't make a real difference. They need to be comfortable with the structures and policies in place and be able to find the right balance for the individual and the company."

Kirsty Bashforth, Group Head of Organisational Effectiveness, BP

"It is so important to get the right experiences in building your CV and, importantly, for leaders in your business to think of talented minorities when building teams. This is fundamental to shifting the diversity balance."

Alison Baker, Partner, PwC

Do diversity targets work?

"The Australian Securities Exchange Corporate Governance Code encourages companies to set targets with the "if not, why not" framework – companies need to report, amongst other things, their diversity targets and progress towards achieving them. Where companies are setting diversity targets with teeth we can see real improvements. The recent Women on Board Traffic Light Index which looked at the diversity performance of the ASX200 found pockets of really excellent practice and innovation. The case study from Caltex later in this study is worth noting. In some cases though progress is disappointing... one mining company complied with the Code by meeting its target of 0% female board members."

Claire Braund, Executive Director of Women on Boards Australia

²⁴ Millennials at Work, PwC, 2011.

Diversity and Leadership

Does your organisation plan to increase its focus on the following priorities over the next 12 months?

Board level diversity

All CEOs

33%

27%

Energy CEOs
(including oil and gas)

Workforce diversity and inclusion

All CEOs

50%

33%

Energy CEOs
(including oil and gas)

Do you have the following in place to develop your leadership pipeline?

Programmes to encourage diversity amongst business leaders

All CEOs

58%

53%

Energy CEOs
(including oil and gas)

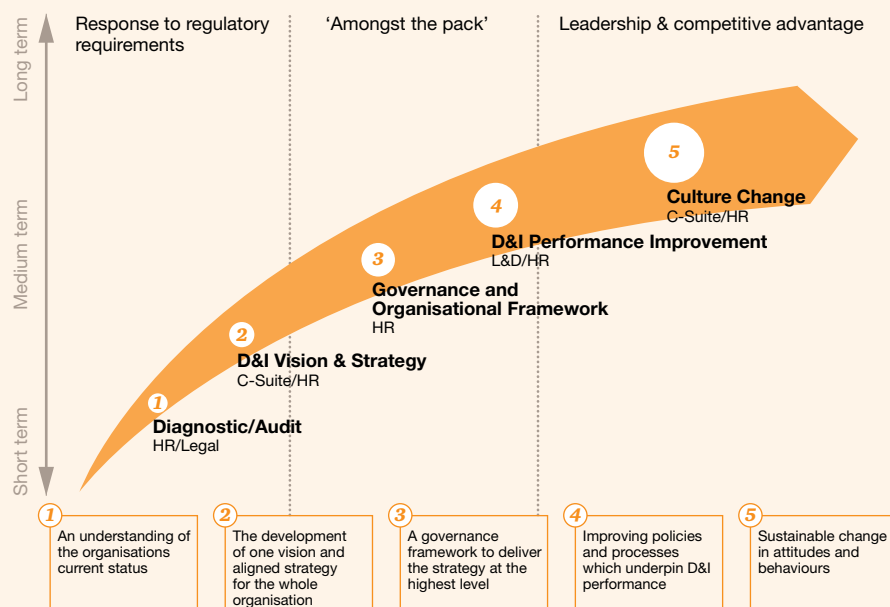
Source: PwC Annual Global CEO survey 2013

Champion diversity... for the long term

The topic of leadership diversity is gaining greater coverage in the media, but our recent CEO survey shows that there's room for greater emphasis on diversity as a board priority – particularly in the energy sector.

To resolve the shortage of women in leadership, companies need to develop a strategy to advance women in the leadership agenda – but this is a long-term pursuit that needs on-going attention from the top. The oil and gas sector is used to a long-term planning and management horizon for its capital projects and needs to think of its talent pipeline in the same way. The companies that get this right will expand and enhance their talent pool, providing a real strategic advantage over the competition. Those who take a more systematic approach that focuses on the tone from the top and an inclusive culture across the organisation will experience, in our view, a more sustainable shift in diversity and performance.

Diversity and Inclusion (D&I) is often a journey and needs support from the top

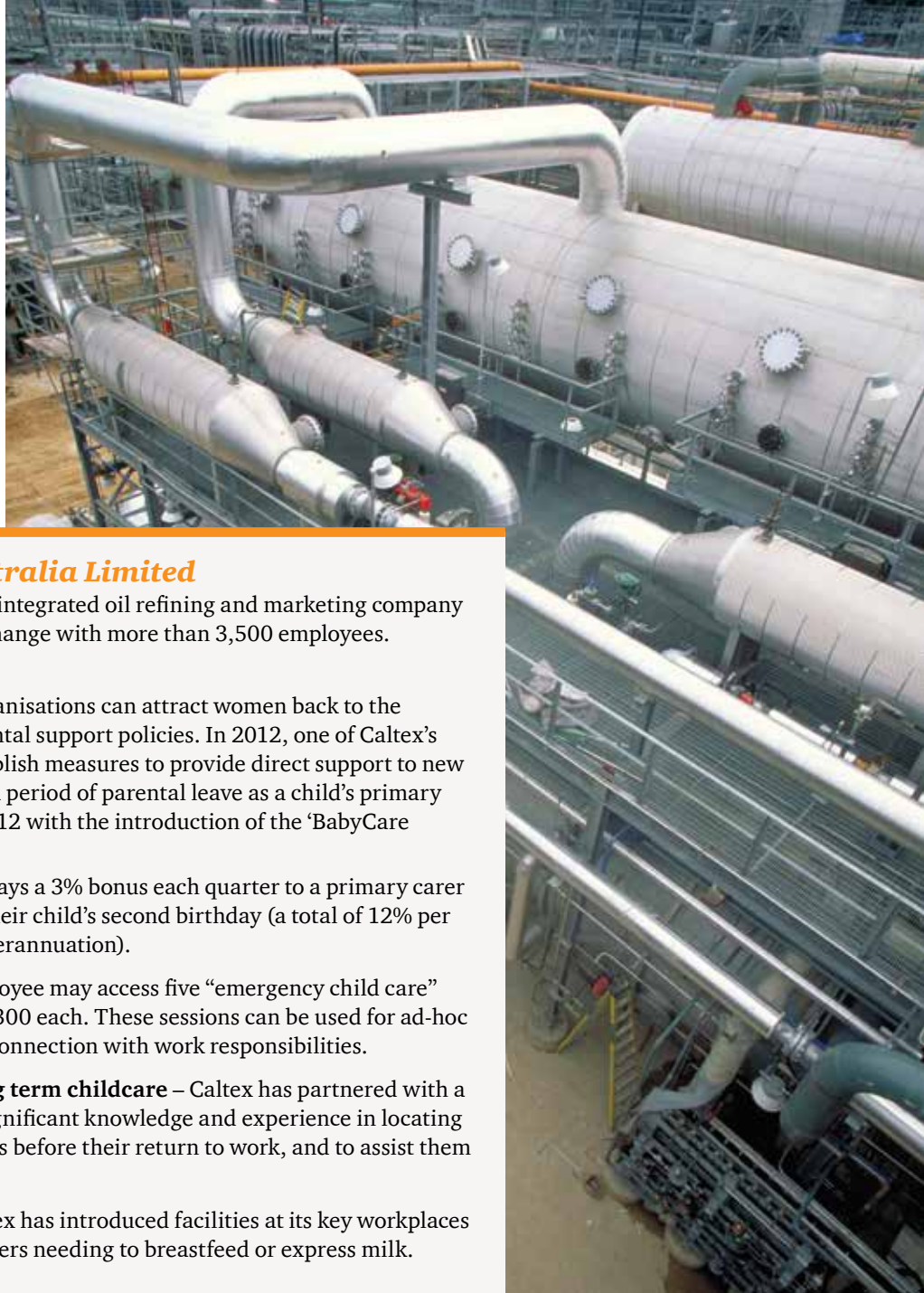


Source: PwC research, October 2013.

"Career progression was driven by me seeking out new experiences and building my CV and case for promotion. You have to own your career and seek out new opportunities."

"For businesses, the key is to create a supportive environment for women early in their career – late twenties/early thirties – since this is when careers can 'take off', but it is also the age at which women typically leave the industry. Support, such as mentoring, should recognise that the issues faced by women often reflect their minority status in the industry."

Rachel English, Non-Executive Direct, Kuwait Energy plc



A case study on Caltex Australia Limited

Caltex Australia Limited (Caltex) is an integrated oil refining and marketing company listed on the Australian Securities Exchange with more than 3,500 employees.

Caltex has successfully shown that organisations can attract women back to the workforce by strengthening their parental support policies. In 2012, one of Caltex's gender diversity objectives was to establish measures to provide direct support to new parents who return to work following a period of parental leave as a child's primary carer. This was achieved in October 2012 with the introduction of the 'BabyCare package', consisting of:

- **Caltex BabyCare Bonus** – Caltex pays a 3% bonus each quarter to a primary carer once they return to work up until their child's second birthday (a total of 12% per year on base salary inclusive of superannuation).
- **Emergency BabyCare** – Each employee may access five "emergency child care" sessions per annum, valued up to \$300 each. These sessions can be used for ad-hoc or "emergency" care that arises in connection with work responsibilities.
- **Help identifying appropriate long term childcare** – Caltex has partnered with a specialist external provider with significant knowledge and experience in locating childcare to engage with individuals before their return to work, and to assist them to identify available options.
- **Nursing mothers' facilities** – Caltex has introduced facilities at its key workplaces to provide privacy for nursing mothers needing to breastfeed or express milk.

This package was, unsurprisingly, very well received. It was very symbolic as it signalled Caltex's desire to create one inclusive workforce. It also had a positive impact on Caltex's ability to attract and retain talent. As at the end of October 2013, this package has been taken up by 51 employees, including two men.

In 2013, Caltex undertook a survey which indicated that, for approximately 25% of women who were on maternity leave and who had not agreed their return date, the BabyCare package was a key influencer to them deciding to return to work earlier. Furthermore, evidence also showed that the "dropout rate" of women returning to work and then leaving soon after was also significantly reduced. While the nursing mothers facilities have only been taken up by a few women since it was introduced, anecdotal feedback has shown that those mothers hugely value the facilities and would not have returned to work as early as they did if those facilities were not available.

Caltex's Diversity and Inclusion Manager, Celina Cross, believes the BabyCare package was worth the investment given the positive implications it has had on Caltex's brand and its ability to attract women and keep them in the workforce. Other organisations could follow this by finding out what support would really make a difference to a woman's desire to return to work after having children. Our interviews suggest that women have a wide range of concerns about balancing motherhood and their career, and the different logistical issues with managing this. Accordingly, a suite of options, as Caltex has offered, is likely to have the highest impact.

Senior management promotion

Potential board candidates must have relevant leadership experience, strategic insight, or possess deep technical and operational knowledge and experience. These skills can be gained through holding an executive or senior management position on the management board, which is seen by many as the talent pipeline for the board of directors.

Overall, we found that 11% of all senior management board positions in the top 100 oil and gas companies were held by women. This is no higher than the proportion of women who currently hold roles on the board of directors. A stronger pipeline is undoubtedly required in order for the number of female directors to increase in the future.

The problem becomes even more serious when we consider that not all senior management roles prepare women equally for a board position. Our findings indicate that only a small proportion of women held roles that were likely to lead them to the board:

- Only 4% of women in our survey held roles such as VP of Operations, Production and Exploration and only 1% had the role of VP of Upstream, Midstream or Downstream. These more technical roles are common routes to the board of directors.
- Only 1% of the roles held by women were CEO/President, both of which would usually also occupy a seat on the board of directors.

- The second and fourth positions most frequently held by women (VP HR and Chief Governance/Chief Compliance and Ethics Officer) do not have corresponding roles on the board of directors and therefore may be less likely to lead to a board position.

This suggests that women are less likely than men to secure roles which involve the day-to-day running of the business. Instead, their senior leadership experience will make them more likely to be considered for the supervisory non-executive director roles.

Management board positions held by women (total 115)

Role	%
CFO/Treasurer/Chief Accounting Officer	19
VP HR	14
Legal/General Counsel and Corporate Secretary	13
Chief Governance/Chief Compliance and Ethics Officer	9
VP Technology/Engineering/CIO	7
VP of a Region	7
VP Investor Relations, Communications	6
VP Business Development, Supply and Marketing	5
COO/VP Operations, Production, Exploration	4
VP Policy, Government and Public Affairs	4
VP Strategic Policy and Planning	3
VP Health, Environment & Safety/VP Operational Risk	2
VP Upstream, Midstream, Downstream	1
CEO/President	1
Other	5

Source: PwC research, October 2013

“I progressed purely down to my competence not via the “old boy network”. Over time, it became clear, this was a more sound business approach. These forward thinkers all exhibited a level of personal confidence, not arrogance, that enabled them to take a risk and promote me. Whether knowingly or not, by taking this risk, the gains from having a female professional in the mix became obvious.”

Cynthia Dubin, Finance Director, JKK Oil & Gas plc

What can be done?

Strong mentoring, sponsorship and formal development programmes are essential if women are to pursue the best possible career paths and gain positions at senior management level. These will help oil and gas companies to prepare their talent for board level roles.

Later in their career, many women find themselves wanting to accelerate their career once more. This reinforces the need for companies to understand that talent comes in many forms and manifests itself in different ways. A one-size-fits-all approach to career management simply doesn't work in the modern world. There is a need to develop individual career programmes for people (men and women) if they are to achieve their potential.

An often-quoted barrier to female progression is that women are less willing to promote themselves than their male counterparts. Two ways to help include:

- **Sponsorship.** Helping high potential women to identify sponsors who will play an active role in career development – research has shown that men are 46% more likely than women to have a sponsor.²⁵
- **Development programmes.** For example, PwC's women's leadership programme aims to increase the number of women partners in the firm. As part of the programme,



senior male partners sponsor high-performing females and dismantle those elements of corporate culture that work against women's progression. Their sponsors are partners within the business whose role it is to coach and support the participants, but who will also work with the business units to tackle potential challenges and barriers to encourage the pipeline of female talent.

The oil and gas industry has recently established its own initiative, the Women's Oil Council,²⁶ which aims to support women in the industry through networking events, development master classes and by highlighting the contribution of women through thought leadership.

“There is no silver bullet to get a better gender balance – you need a suite of inputs, processes, structures and attitudinal shift. There needs to be connectivity across these and you need to work on these over the long term to make a real difference.”

Kirsty Bashforth, Group Head of Organisational Effectiveness, BP

²⁵ Sylvie-Anne Hewlett, Forget a Mentor, Find a Sponsor: The new way to fast-track your career.

²⁶ <http://www.oilcouncil.com/content/womens-oil-council>.

Board level appointment

More so than at the other catalyst points, an injection of fresh thinking is needed to change the existing mindset behind boardroom appointments. In particular focusing the ways in which board positions are filled and how to make sure those joining boards have the right skills to add value.

A factor frequently cited is the concern about the idiosyncratic recruitment process for board members. Research has also shown that social typecasting continues to happen, even unconsciously, with many people naturally associating men as more capable of leadership roles than women.²⁷ One female board executive cited “*a number of additional tests*” that she had to succeed at before she was appointed to the board. Despite a growing desire to improve diversity in the boardroom, recruitment for roles remains highly networked. With very few women being part of the ‘closed shop’ process, it becomes much harder to make material improvements to boardroom diversity.



“Regardless of how you try to get rid of unconscious bias, people have a tendency to hire like for like. So the more women in senior roles, the more likely they are to hire women in their team.”

A female Australian oil and gas executive

²⁷ Credit Suisse Research Institute, 2012, Gender Diversity and Corporate Performance.

What can be done?

A number of suggestions have been put forward to increase the proportion of women on company boards in every sector, from quotas to voluntary targets. Real progress, though, requires companies to consider diversity at every stage of the board recruitment process:

Think about the short list

One way to ensure women are included in the recruitment process for board roles is to introduce guidelines. For example, expressing to professional recruiters the expectation of female candidates on the short list ensures they do not mistakenly assume the desire is ‘more of the same’. This directly addresses the potential unconscious bias of a short list being dominated by males. Some companies have already introduced this and specified that at least two women should be on the list of potential candidates. And if these women aren’t successful in the process, it provides the company with insights of ways in which to develop them to reach the level required for the board.

Think outside the sector

While improving the internal talent pipeline is crucial for the longer term, in the interim we’ve seen a trend towards recruiting from other relevant industries, in particular investment bankers specialising in energy. All industries are facing similar major issues, and sharing learning across industries is a great way to encourage innovation and diversity in the boardroom. Recruitment firms can help organisations to find more diverse talent, some of whom are supporting the development of databases of ‘board-ready’ women in partnering with businesses.²⁸

Think about development

As we’ve seen, board members need specific experience and skills and we’ve seen a trend for companies to address these requirements directly through board-specific training and sponsorship programmes. Some are designed to prepare candidates for a non-executive directorship, with a view to an executive position at a later stage.

It takes many years of experience to get to board level – so even if some of the suggested changes for earlier in a woman’s career are implemented, it will take some time for the increasing numbers of women to feed through to these senior positions. Reaching gender diversity is a long journey, we aren’t there yet but we know where we need to get to.

Women on Boards

‘Women on Boards’ helps women seeking to leverage their professional skills and experience into board and leadership roles. This includes:

- Maintaining a list of board vacancies to which they can apply.
- Being a strong voice to advocate for change – for example Women on Boards Australia’s review of the ASX200 companies which found that only 16 have truly embedded the principles of gender diversity within their organisations.²⁹
- Running events to support women to navigate their pathway to the boardroom. In the UK, PwC sponsored the launch of Women on Boards in 2013, and will host more than 20 ‘Getting Started’ workshop events in 2014.

The Australian Women on Boards organisation, for example, began as an informal network in 2001 but now has over 18,000 members³⁰ and has helped more than 1,000 women reach a board director position in Australia.

“If you set gender diversity targets you replace the spotlight on diversity with a floodlight. You then have to look to a broader set of candidates.”

Claire Braund, Executive Director, Women on Boards, Australia

²⁸ Such as the Financial Times’ Non-Executive Directors’ Club, which partnered with European Business Schools and Women on Boards to identify over 8,000 highly-qualified women who are ready to take up leadership positions.

²⁹ Brickbats and Bouquets for ASX200, Women on Boards, September 2013.

³⁰ <http://www.womenonboards.org.au/about/>.



Next steps

This study set out to encourage discussion within oil and gas companies and across the industry to help find solutions to the talent shortage for the benefit of the sector. We encourage leaders in oil and gas to identify steps that they can take to improve female representation in the workforce and in leadership positions to better access this ‘untapped’ talent.

We’ve set out in this study a range of suggestions that the oil and gas sector – and others – can take to improve gender and other minority diversity at the top. Oil and gas companies have much to gain from encouraging more women to join the sector and to stay and contribute at the highest level.

The Women’s Oil Council network will provide a forum for implementing some of the ideas set out in our study including development master classes and also an opportunity to promote outstanding women in the sector.

Getting more women into the sector, retaining and developing them is a long-term objective and will take time. Fortunately, the oil and gas sector is no stranger to looking ahead and responding to what’s coming. We’ll leave the last word to Kirsty Bashforth at BP:

“We have to lengthen the horizons on what ‘better’ looks like. The oil and gas industry works to a long time horizon. We need to recognise that shifting the gender balance will take time and requires a long-term commitment to the talent pipeline. At BP we know that reaching gender diversity is a long journey, we aren’t there yet and we have to continue to work hard. But we know what ‘better’ looks like and what we have to do.”

“Some are already recognising the value in developing and retaining female talent, but those in the industry who have not had the benefit of working with female professionals need to be encouraged to take a risk and try a fresh approach!”

Cynthia Dubin, Finance Director, JKN Oil & Gas plc

Methodology

We analysed the top 100 publicly listed oil and gas companies to understand gender diversity on the board of directors and the management board, based on publicly available information.

The top 100 oil and gas companies had an aggregate market capitalisation of approximately \$2.6 trillion as at 5 September 2013, representing 54% of the total market capitalisation of all oil and gas companies.

We've concentrated our analysis on these top 100 companies to maintain a meaningful dataset for which there is publicly available information, and focused on companies which are likely

to have the largest impact on the oil and gas industry. As a consequence of this approach, the National Oil Companies in the Middle East and other OPEC members have not been considered in this analysis.

Each company was evaluated on:

- gender diversity indicators
- size and composition of the board of directors and the management board
- company type, country of incorporation and country of listing.

In addition, we looked at country level differences in gender diversity at the leadership level. To do this, we looked at the top 20 listed companies (ranked by market capitalisation) listed on major stock exchanges in the UK, US, Australia, Norway and Canada and interviewed key industry stakeholders in each of these markets.

For consistency throughout the report, we use the term 'directors' to refer to members of the board of directors, including executive directors and non-executive directors. We use the term 'senior management' to refer to members of the management board, whilst recognising that many companies have different titles for these roles (such as executive board).



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