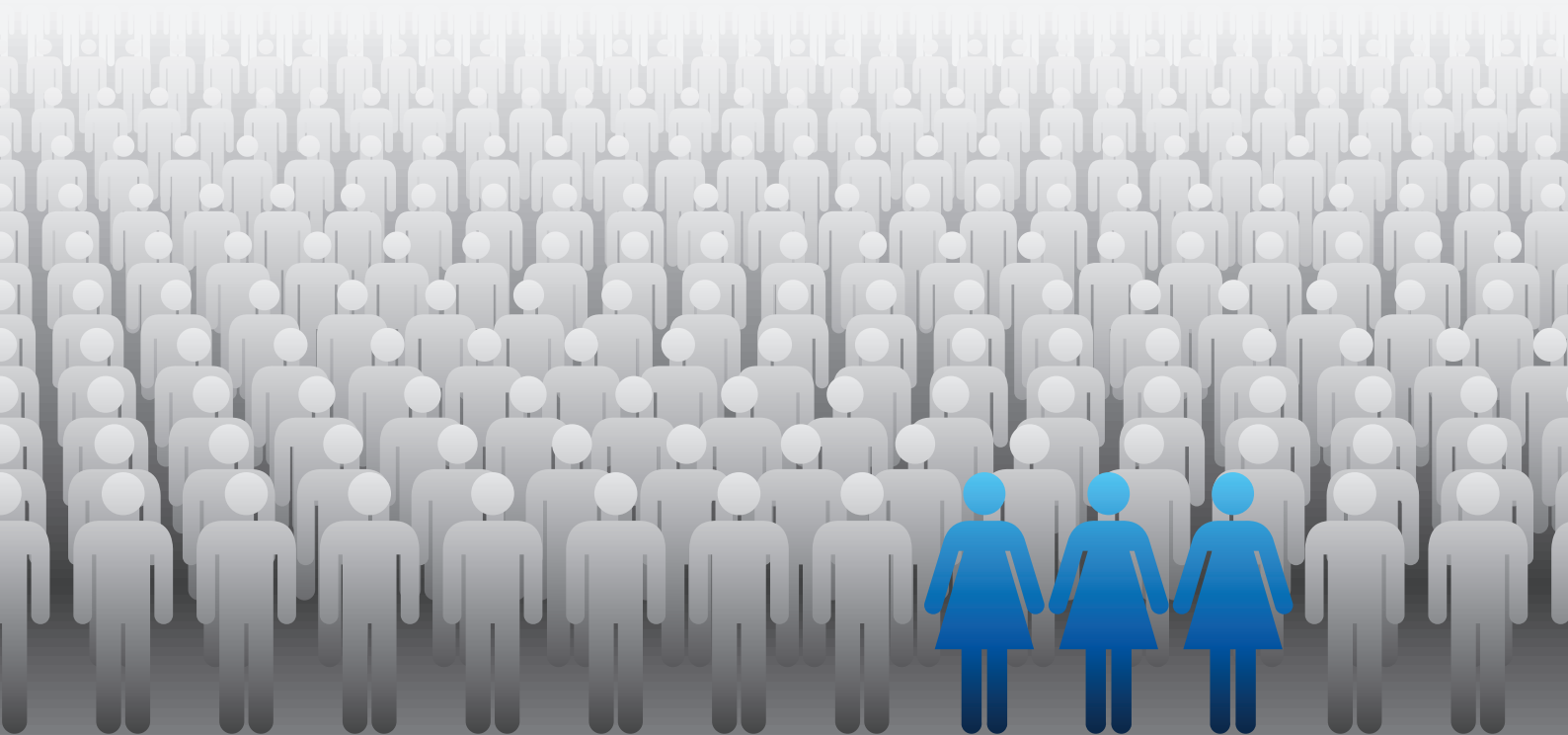


Women on Boards

Benchmarking early adopters of the
Corporate Governance Code 2012



Dr Ruth Sealy and Professor Susan Vinnicombe OBE

Cranfield International Centre for Women Leaders, Cranfield School of Management



Government
Equalities Office
Putting equality at the heart of government



Department
for Business
Innovation & Skills

Contents

Foreword by Maria Miller and Vince Cable	2
Introduction by Sarah Hogg	3
Update on Progress by Lord Davies	4
Executive Summary	5
Women on Boards	5
Early adoption of the 2012 Corporate Governance Code amendment	5
Introduction	6
Step 1:	6
Step 2:	7
Step 3:	8
Methodology	9
The Headline Figures	11
Analysis of Annual Reports	13
Looking at the Pipeline	17
BAE Systems Case Study – from Annual Report 2011	20
Female Executive Director Case Studies	23
Concluding Remarks	25
Author Biographies	26

Foreword by Maria Miller and Vince Cable



In 2011 Lord Davies set out a clear, business led strategy to remove the obstacles which prevented women making it to the boardroom. In just over eighteen months we have seen good progress and increased commitment by business.



Businesses can only benefit from having more women in senior roles. We know that diverse boards benefit from fresh perspectives, new ideas and broader experience which leads to better decision making. This is not just about equality; it is about improving the performance and productivity of companies and better utilising the skills of 50% of the working population. We know that it is by businesses understanding the business case for diversity that the best results are achieved.

It is encouraging to see that the FTSE 250 are following the lead of the FTSE 100. We have seen an increase in the percentage of women on the boards of these companies since Lord Davies reported, going from 8% to 12%. In the past 6 months 36% of appointments to FTSE 250 boards have been women. The UK's voluntary, business-led approach is clearly already having a positive impact. We therefore continue to believe that national level action can be effective and that legislation is not the best course of action on this agenda, except as a very last resort.

The amendments to the UK Corporate Governance Code, following Lord Davies' recommendation, reflect a commitment by all parties on this agenda. Already businesses are responding to the changes; this report finds that 42% of those companies who were part of the study, had set themselves measurable targets and 47% have stated policies or measures specifically aimed at increasing women in senior management positions.

Government also has a role to play. We have extended the right to request flexible working to all; we have established the Women's Business Council, which will look more broadly at how to maximise women's contribution to economic growth; and we have launched the *Think, Act, Report* initiative, with more than one million employees now working for companies that are voluntarily publishing information about gender equality in their workplaces. We strongly encourage all companies to do this.

Growing the female talent pipeline needs to be at the top of the agenda in every boardroom. If UK Plc is going to progress and compete we must have the best talent at the highest level and encourage all women to aspire, achieve and fulfil their potential.

A handwritten signature in dark ink that reads "Maria Miller".

Rt Hon Maria Miller MP
Secretary of State for Culture, Media
and Sport &
Minister for Women and Equalities

A handwritten signature in dark ink that reads "Vince Cable".

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



Introduction by Sarah Hogg

Under the latest edition of the UK Corporate Governance Code, which took effect at the beginning of October, companies with a Premium listing are expected to set out in their annual reports their policy on boardroom diversity – including, in particular, gender - and report on progress against any measurable objectives they have set themselves.

The fact that a significant percentage of FTSE 100 companies already have clear diversity policies and have set and disclosed targets is enormously encouraging. It suggests that they are taking these steps because they understand the business case – which is that greater diversity leads to better informed decision-making – rather than for compliance reasons.

Of course, the real test is whether good intentions translate into action. In this respect, the data on new appointments in the six months to September is also encouraging. Taken together with the progress in reporting, I believe it demonstrates the benefits of an approach based on transparency and promoting best practice.

That said, one issue that all companies need to pay more attention to is developing the executive pipeline. The overall increase in female directors disguises the fact that the number of female executive directors has remained static and, as the report notes, may even decline in the short term. Companies cannot rely solely on bringing in from the outside the skills, knowledge and perspectives they need for the board to perform effectively. For sustained success they need also to develop a diverse pool of talent within the organisation. I am pleased to note that more companies are beginning to do so.

I hope that other listed companies of all sizes will follow the lead of those companies highlighted in this report, and I am optimistic that they will do so. That has certainly been our experience whenever we have made changes to the Code in the past. The research carried out by Cranfield for this report provides a benchmark for assessing the spread of best practice and the implementation of the revised Code, on which the FRC will report annually beginning in 2013.

A handwritten signature in black ink that reads "Sarah Hogg". The signature is fluid and cursive, with a long horizontal stroke underlining the name.

Baroness Hogg
Chairman, Financial Reporting Council



Update on Progress by Lord Davies

Over the last 18 months we have seen hugely encouraging progress in the number of women recruited to the boardrooms of UK companies. The hard work and commitment of Government, business, investors, executive-search firms and training providers is really paying off.

I am deeply grateful for their united efforts in keeping this issue alive and bringing about the very real culture change that has begun to take place at the heart of business.

Women now account for 17.4% of FTSE 100 and 12.0% of FTSE 250 board positions, that's nearly a 50% increase on our starting point. More importantly women have accounted for 44% of all FTSE 100, and 36% of FTSE 250, appointments over the last six months. This rate of change has never been seen before. And it's impressive.

But of course there is much more to do and we can't afford to be complacent. The pressure must be maintained if we are to ensure that this change is for the long-term. It's crucial that we build the female executive pipeline. Businesses need to do more to identify and develop talented individuals within their organisations. I know that leading businesses are trying - many have set targets for the number of women they aim to have on their boards and a wide variety of new training initiatives have been created.

Regulators also have a role within our voluntary business-led approach. The Government is reforming the narrative reporting regime to require quoted companies to disclose the number of women at various levels within their organisation. This will help companies to spot areas of talent block and take steps to address them.

And the Financial Reporting Council has incorporated a diversity principle into the Corporate Governance Code. This report provides a benchmark of those companies that have already taken on board the recommendations that are now part of the amended code.

The fact that 60% of the 92 companies included in the benchmark study had a clear boardroom diversity policy, and that 42% have set targets, shows that businesses are taking this issue much more seriously. They know that if they are to survive and thrive they need to lead the way, with the best people in post.

Lord Davies of Abersoch, CBE

Executive Summary

This report monitors the progress of FTSE 100 companies on the diversity amendment made to the Corporate Governance Code on 1 October 2012. The Financial Reporting Council announced the change in October 2011 and “encouraged companies voluntarily to apply the amendments with immediate effect”. This report highlights the early adopters.

Women on Boards

Since the Davies Report in March 2011 the percentage of women on FTSE 100 boards has increased to 17.4% and on FTSE 250 boards has increased to 12.0%. The pace of change has increased significantly over each six month period. Since March this year, 44.1% of new appointments in FTSE 100 companies have gone to women and 36.4% of new appointments in FTSE 250 companies have gone to women. The turnover of NED appointments rose significantly after the Davies Report (from an average of 14% to 17.5%) but this has now dropped back to pre-Davies levels.

Early adoption of the 2012 Corporate Governance Code amendment

We analysed 92 of the FTSE 100 companies’ annual reports published this year and found that:

- 60% of FTSE 100 companies had stated a clear policy on boardroom diversity.
- 42% of companies had set or were intending to set measurable objectives to increase the number of women on their boards
- 26% of companies addressed diversity in the board evaluation process
- 47% of companies demonstrated clear policies or measures aimed at increasing the number of women in senior management.

The report provides a benchmark of best practice demonstrated by those companies already implementing the revised Code.

Introduction

This report marks another step in monitoring the progress of women's increased representation on the corporate boards of public limited companies (PLCs) in the UK. Whilst including headline figures of women on boards in the FTSE 350 companies, the report focuses on FTSE 100 companies' responses to the latest amendment to the UK Corporate Governance Code (known as 'the Code') — the principles by which UK PLCs operate, recorded in their annual reports and monitored by the Financial Reporting Council (FRC).

Over the past three years we have seen progressive steps towards gender diversity becoming an integrated part of corporate strategy.

Step 1:

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”.

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

Although some felt that the wording was initially quite weak, it should be noted that this was the first time gender had been put on the corporate governance agenda by the Code and was therefore a significant first step. It signalled to the business community that this was an issue that needed to be addressed.

In the 2010 Female FTSE Report we reported some reactions from interviews with FTSE Chairmen to the new Gender Diversity Principle.

“For Chairmen who already consider diversity in the appointments process, the new clause was welcomed as being in the forefront of good governance and as a helpful reminder: *‘I think that the fact that it is there as a spur to remind people is a good thing, but really it shouldn't be necessary’*... It was also felt that, as one Chairman put it: *‘It will underscore it for those who are not at the forefront’*... There is a strong sense emerging that the appointment of women to boards is now becoming a political issue that companies cannot ignore. Lord Davies' review had just commenced at the time of these interviews and most Chairmen seemed aware of the approaches taken by other countries. Despite the fatigue expressed by some about corporate governance measures in general, there was still some doubt that this measure has gone far enough.”¹

¹ Vinnicombe, Sealy, Graham & Doldor, Female FTSE Report 2010, p. 47

Step 2:

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 with various 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.

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 made ten recommendations for Chairmen and CEOs, institutional investors, executive search firms and other stakeholders, aimed at increasing the representation of women on boards.

Table 1: Summary of the main recommendations of the Davies Report (February 2011)

1. All FTSE 350 Chairmen should set aspirational targets for the percentage of women they aim to have on their corporate boards by 2013 and 2015. FTSE 100 companies should aim for a minimum of 25%.
2. Quoted companies should disclose proportions of women in their workforce and in Senior Executive positions. Chief Executives should review the percentage of women they aim to have on their Executive Committee.
3. **The Financial Reporting Council (FRC) should amend the UK Corporate Governance Code to require companies to establish a policy on boardroom diversity, including measurable objectives and disclose their progress annually.**
4. Chairmen will be encouraged to sign a charter supporting the recommendations.
5. Chairmen should disclose meaningful information about the board appointment process.
6. Investors should pay close attention to recommendations when considering companies.
7. Companies are encouraged to advertise NED positions.
8. Executive Search Firms (ESFs) should draw up a voluntary Code of Conduct addressing best practice for gender diversity on boards.
9. The pool from which potential female directors are drawn should be widened. As well as the current corporate mainstream, female academics, entrepreneurs, civil servants and those with professional services backgrounds should also be considered.
10. The Steering Committee should meet every six months to review and report progress.

The Committee has been very active in pursuing and reporting on each of these recommendations ^{2,3,4}, with the help of various organizations (e.g. Cranfield School of Management, The 30% Club, Equality & Human Rights Commission, GEO and BIS departments). In the Six Month Monitoring Report of October 2011, we focused on companies' responses to the requirement to set aspirational targets for the percentage of women on boards. We were also keen to see what support there might be for Recommendation 3 above. In October 2011 we analysed annual reports and corporate governance statements to monitor the extent to which companies were mentioning diversity at board level, in response to both the FRC's May 2010 comment on appointments and the Davies Report generally. We took the espoused support of both to be indicative of a positive approach to diversity in the boardroom and found that 56% of FTSE 100 companies had already expressed this. However, only 38% of companies specifically mentioned gender as an element of diversity and only 15% stated any measurable targets.

Step 3:

Whilst supporting the principles of diversity was an important first step, both the Davies Committee and the FRC wanted to ensure action, not just words, in response to the need to increase the number of women directors on boards. Therefore, in May 2011 the FRC began the consultation on possible amendments to the Code that would require companies to publish their policy on gender diversity in the boardroom and report against it annually, as in Recommendation 3 above. In October 2011, the FRC announced the following:

"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 on 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

This report is published as these measures, announced a year ago, come into effect. Its purpose is to reveal how many companies have, as suggested above, voluntarily applied the amendments. **This will give the FRC a benchmark of the numbers of early adopters. The report will also highlight some examples of the best practice that we discovered in our analysis.**

² Sealy, Doldor, Singh & Vinnicombe, 2011 – Six month monitoring report

³ Sealy & Vinnicombe, 2012 Female FTSE Report

⁴ Doldor, Vinnicombe, Gaughan & Sealy, 2012 – Gender Diversity on boards: The appointment process and the role of executive search firms.

Methodology⁵

Data for this report were gathered using BoardEx and other business databases, as well as by conducting searches on company websites and other sources in the public domain.

We analysed the annual reports of 93 companies who were listed on the FTSE 100 on September 5th 2012. These companies had all produced annual reports between January and October 2012. The seven companies we omitted had published annual reports during the second half of 2011 and therefore would not have had time to respond to the FRC's October 2011 statement. These companies were:

- Aberdeen Asset Management plc
- Associated British Foods plc
- Compass plc
- Imperial Tobacco plc
- Sage plc
- Smiths Group plc
- Wolseley plc

We searched the reports for references to diversity, checking particularly the Chairman's Statement, the Corporate Governance Report and Directors' Reports. In addition we conducted a word search in each report with the five words 'diversity', 'gender', 'female', 'women' and 'evaluation'.

Regulatory News Statement (RNS) disclosures were searched (through Perfect Filings database) for statements made by FTSE 100 companies logged after October 1st 2011. These included interim/half-yearly reports, preliminary year-end statements, announcements and AGM statements. These were analysed with the global text search terms 'Women or Female or Gender or Diversity'.

Of the annual reports and other data, we asked seven questions:

- I. Does the report directly address or refer to the FRC new Code?
- II. Does the company have a clear policy on boardroom diversity?
- III. Does the policy specifically mention gender?
- IV. Does the company set measurable objectives for gender diversity?
- V. Does the company record progress against these objectives?
- VI. Is diversity mentioned as a part of the board evaluation process?
- VII. Does the company have any stated policies or measurable objectives for women in senior management positions?

The following notes clarify how we set about the analysis:

- I. In analysing the data we were clear that we wanted to identify those organizations that had gone further than recognising and acknowledging the Davies Report and who specifically demonstrated awareness of the new changes to the Code identified above.

⁵ We would like to acknowledge Caroline Turner's assistance on the data collection.

- II. To clarify, the majority of FTSE 100 companies (78) made some reference to the Davies Report and espoused general support for the principle of diversity. This was not taken as evidence of having a clear policy on boardroom diversity. For question II above, we looked for specific reference to a stated policy and/or actions regarding increasing boardroom diversity.
- III. Companies needed to set out clear measurable objectives for the boardroom diversity policy, rather than a vague statement loosely agreeing in principle with Lord Davies' aspiration of boards having a minimum of 25% women.
- IV. Question VII was not addressed in the new Code. However, following recommendation 2 of the Davies Report and the obvious need for companies to address the failing executive pipeline, we felt it would also be useful to highlight some best practice examples of companies who appear to be managing their female talent pipeline effectively.

Although the new changes to the Code are applicable to all listed companies, our report is restricted to FTSE 100 companies who are more likely to be the 'early adopters' of the new Code proposals on boardroom diversity. We provide brief case examples of good practice around the questions above.

The Headline Figures

Table 2:
Headline figures
for women on
boards in FTSE
350 companies

	FTSE 100		FTSE 250	
	March 2012	November 2012	March 2012	November 2012
Female-held directorships	170 (15.6%)	191 (17.4%)	194 (9.6%)	241 (12.0%)
Female executive directorships	20 (6.6%)	21 (6.7%)	28 (4.6%)	31 (5.2%)
Female non-executive directorships	150 (19.1%)	170 (21.7%)	166 (11.7%)	210 (14.9%)
Companies with female executive directors	17	19	25 (10%)	28 (11.2%)
Companies with at least one female director	89	92	135 (54%)	170 (68%)

The headline figures for women on the boards of our largest PLCs continue to rise at an encouraging pace. During the 18 months since the publication of the Davies Report we have seen an increase of almost 5% to 17.4% on FTSE 100 boards. As ever, there has been some movement of companies between the FTSE 100 and FTSE 250 lists which affects the figures. For example, until November the number of female Executive Directors had remained at 20, although not the same 20 women, but the percentage had decreased from 6.6% to 6.4% as the total number of Executive Directors in the current FTSE 100 had risen from 305 to 314. At November 14th 2012, 21 of 313 Executive Directorships were held by women (6.7%) and 92 of the FTSE 100 companies had at least one woman on their board.

Table 3:
Percentages
of new
appointments to
women

Female FTSE 100	6 mth to Sept 2011	6 mth to Mar 2012	6 mth to Sept 2012
New female appointments	21	21	26
New male appointments	72	54	33
Total new appointments	93	75	59
Female % of new appointments	22.5%	28.0%	44.1%

Female FTSE 250	6 mth to Sept 2011	6 mth to Mar 2012	6 mth to Sept 2012
New female appointments	21	33	43
New male appointments	102	92	75
Total new appointments	123	125	118
Female % of new appointments	17.1%	26.4%	36.4%

In the decade prior to publication of the Davies Report, the annual turnover of FTSE 100 board seats had ranged between 12.5% and 17% and the annual percentage of those new seats going to women had averaged just 14.2%. Thus the Davies Report stated that in order to achieve the aspiration of 25% of FTSE 100 board positions held by women by 2015, a third of all new board appointments must go to women. In 2011, although the percentage of new appointments did not reach one third for women, the turnover was higher than in the previous six years (at 17.5%). **We are delighted to report that on a six month basis, the percentage of new appointments going to women in both the FTSE 100 and FTSE 250 companies continues to rise**, with the latest figures of 44.1% for FTSE 100 and 36.4% for FTSE 250. During the last six months, however, the number of new appointments has dropped back to pre-Davies levels.

Analysis of Annual Reports

Table 4: Data from Annual Reports on new Code Changes

	No. of Companies	Percentage of Sample
Does the report directly address or refer to the FRC new Code?	27	29.0%
Does the company have a clear policy on boardroom diversity?	56	60.2%
Does the policy specifically mention gender?	56	60.2%
Does the company set measurable objectives?	39	41.9%
Does the company record progress against these objectives?	7	7.5%

As mentioned above, we were very clear in our analysis of the annual reports that espousing general support for diversity was insufficient for the new Code requirements and we were looking for specific reference to a stated policy and/or actions regarding increasing boardroom diversity. The percentage of companies specifically referring to the new FRC Code changes was 29%. However, more importantly **60% of companies have already stated a clear policy on boardroom diversity**. Those who articulate such a policy were also clear that it **specifically mentioned gender** as one of the elements of diversity.

The Committee also agreed the statement on diversity made by the Chairman at the 2011 annual general meeting and, in March 2012, as part of the early adoption by the Company of proposed changes to the UK Corporate Governance Code, approved the new Board diversity policy. (Nomination & Corporate Governance Committee, Experian)

The [Davies] Report fostered much debate around gender diversity, culminating in the amendment of the UK Corporate Governance Code. 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. 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. (Chairman's Statement, GKN)

I firmly believe that diversity, both at Board level and within management and staff at the Company, is an important factor for maximising performance. Within Hammerson we have significant diversity, including gender diversity. The male:female ratio in the Group as a whole is 44:56. At Board level, frankly, we are behind. We have recently welcomed Judy Gibbons as a Non-Executive Director, who brings significant online experience which is fundamental to our future strategy. We are aiming to add to female representation on the Board as soon as practicable and aim to reach over 20% female representation on the Board in the near term. (Chairman's Statement, Hammerson)

The Board currently includes two women members, 28% of its total composition. The Board's policy is that female representation should be maintained at not less than 20% and aspires that this should be higher than 30%. This policy will continue to be considered as part of the Nomination Committee's regular review of the Board's composition and skills. (Morrison Supermarkets)

The company has taken several steps to promote diversity, including gender diversity, at senior management level and in the boardroom. The basis of these measures is in developing policies and processes that prevent bias in relation to recruitment and promotion, but the key to progress is in actively promoting diversity, ensuring that other positive measures are taken. These include requesting balanced shortlists when recruiting, looking at diversity mix in company events, actively discussing diversity in succession planning...and developing family friendly and flexible employment policies. (Johnson Matthey)

We considered the recommendations made by Lord Davies on diversity on Boards and indicated a strong support for the principle of diversity in its widest sense. We have since adopted a diversity policy for the Board. Currently BT has 27% female representation on the Board and our aim is to continue to have at least 25%. (Nominations & Governance Committee Report, BT)

In October 2011, 24% of companies had already stated targets in response to the Davies Report request for them to do so. A small percentage of companies (7.5%) were already able to report on achieving those targets.

During 2011, the Nominations Committee acknowledged explicitly the benefits of promoting diversity on the Board and has used this as a criterion during its consideration of a number of senior roles, as well as for the Board recruitment... In September 2011, the Company issued a statement in response to the Davies Report on Women on Boards in which we set a target of increasing female representation on the Board to at least two members by the end of 2013 and to at least three members by the end of 2015. The Company has already achieved the target announced for the end of 2013. (Old Mutual)

In 2012, almost 42% of companies had set or were intending to set themselves measurable objectives.

As part of the update of our board governance principles we have included a policy on board diversity. At the time of writing we have 12.5% female representation on the board. Our goal is to increase the number of women on the board to three by 2013 and to work towards 25% representation by 2015... The Nominations Committee has determined to develop during 2012 a set of measurable objectives for implementing its board diversity policy on which it will report back to shareholders. (BP)

The best practice examples had clear objectives not just for the numbers but also the process.

We will report against the objectives below in 2012/13:

- *maintain a level of at least 30% female directors on the Board over the short to medium term;*
 - *ensure non-executive directors 'long lists' include 50% women candidates;*
 - *only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice;*
 - *report annually against these objectives and other initiatives taking place within the Company which promote gender and other forms of diversity;*
 - *consider candidates for appointment as non-executive directors from a wider pool including those with little or no listed company board experience;*
 - *and*
 - *report annually on the outcome of the Board evaluation, the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company.*
- (Marks & Spencer Group)**

Table 5: Diversity in the Evaluation Process

	No. of Companies	Percentage of Sample
Does the company report on their Board evaluation process?	87	93.5%
Is diversity mentioned as a part of the board evaluation process?	24	25.8%

The requirement to carry out a board evaluation as part of the Code was introduced back in 2003, following the Higgs Review⁶. However the provision for the evaluation to be carried out by an external agent every three years was only added in 2010. Many of the FTSE 100 companies will not have had an evaluation between the October 2011 statement and the publication of their annual report. Therefore, we were not expecting many positive responses to the question of addressing diversity in the board evaluation process. **It is encouraging to see that 26% have already included diversity as an evaluative element.**

The outcome of the evaluation process was considered at the Board meeting held in January 2012. The findings of the evaluation continued to be positive and the suggestions included further consideration of diversity and succession planning. (SSE)

The Nominations committee also addressed a key action arising from the 2011 Board effectiveness review, namely developing a strategy on Board diversity, which was subsequently approved by the Board. (Tate & Lyle)

Board effectiveness: Matters considered in evaluations include: ...the composition of the Board and each committee, focusing on the blend of skills, experience, independence and knowledge of the Group and its diversity, including geographic location, nationality and gender. (BHP Billiton)

⁶ Higgs, D. (2003) Review of the role and effectiveness of non-executive directors, Department of Trade and Industry, London, UK.

The FRC also announced in October 2011 that a new supporting principle would be included in the Code to the effect that evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity including gender, how the board works together as a unit and other factors relevant to its effectiveness...The Board is following this principle in its board and committee evaluation process.
(Johnson Matthey)

Looking at the Pipeline

Complimenting the FRC's requirement for a policy on boardroom diversity, we analysed annual reports for any stated policies or measurable objectives for women in senior management positions. Whilst it is encouraging to see the increase in the percentage of female NED positions, the numbers of female EDs are not increasing. Recommendation 2 in the Davies Report puts the onus on Chief Executives to improve the management of female talent through to Executive Committee level. Barriers to executive roles have been well-documented and it is clear that little progress has been made.

It is crucial that more focus is now given to addressing the barriers that women experience at every level of their labyrinthine career paths. Media focus has begun to shift to the issue of the pipeline and organizations should endeavour to learn from each other regarding successful initiatives and progress⁷.

Table 6:
Managing the
Pipeline

	No. of Companies	Percentage of Sample
Does the company have any stated policies or measures specifically aimed at increasing women in senior management positions?	44	47.3%
Does the company have any stated measurable objectives for the number of women in senior management positions?	17	18.3%

We found that 47% of the companies whose reports we analysed demonstrated clear policies or measures specifically aimed at increasing women in senior management positions, and 18% of companies stated measurable objectives. We found some excellent case examples of companies who realise that they need to work hard at this, as illustrated below.

By year end, the overall proportion of women throughout the Group had increased to 15% (2010: 14%). At management level, women accounted for 22% (2010: 21%). To drive further improvement in the representation of women in management and the workforce as a whole, each of our businesses has drafted an action plan. These plans include clear internal stretch targets to be achieved by December 2012 and December 2014 (for the percentage representation of women in the workforce as a whole and women in management), as well as a description of the measures that will be taken to achieve these targets. (Anglo American)

We aim to increase the representation of women ... at senior management levels. In order to broaden the pipeline for senior management, we have focused on these populations at middle management with initiatives such as mentoring, targeted development programmes and focus on diverse external hiring and will continue to do so. (Standard Chartered)

⁷ Interested companies should contact Cranfield regarding forthcoming research on the 'Pipeline Project', to be run with Opportunity Now in 2013.

The following case example is from Aviva who, despite not hitting a target it set for itself on increasing the percentage of women in senior management, reports good work and intentions in this area.

Whilst still within the upper quartile for financial services, the number of women in senior management has fallen by 2% over the past two years. Having implemented a 'balanced leadership' programme in 2010, we recognise that we need to continue progressing our talent pipeline to reverse this trend...

We are taking special interest in the gender balance of the organisation in order to create a more gender-balanced leadership. Our total female population is 50.4%, whereas the number of senior women in the workplace is 20%. We currently have three female non-executive directors, making up 21% of our board, with a target of maintaining a minimum of 25% by 2015 as a commitment to the Lord Davies review. We have followed through with many of the commitments we made last year, including:

- *Developing a more diverse talent pipeline and measuring our gender mix.*
- *Establishing a mentoring programme to help develop executive directors' awareness of diversity issues.*
- *Raising awareness of gender diversity through articles on our intranet and external sponsorships.*

The Group has embedded gender KPIs throughout the talent management process...At the date of this report, 20% of senior executives in the Company are female. It is the Company's intention to increase this number as it is recognised that a higher number of women in senior management will create a stronger talent pipeline and is better for business. (Aviva)

Babcock International, an engineering support services company, admits that it is "starting from a background of relatively low female participation, especially in management positions". However, in seeking to make changes, the company has recently appointed its first female board director and is committed to having suitably qualified women on its candidate lists going forward. However, realising the need to address this issue at every level, Babcock has:

... taken the decision to focus its graduate recruitment programme, especially of engineering graduates, on those universities that have a richer undergraduate gender mix so as to improve the diversity of the pool of talent from which it recruits its engineers and managers of the future – this is already bearing fruit and female graduates now make up 20% of the annual intake, with numbers rising each year...[In addition] the senior executive management team is actively considering how to make management roles more attractive and amenable to female candidates so as to increase the numbers interested in applying for them. (Babcock International)

Focusing specifically at the level just below the Executive Committee, National Grid takes a targeted approach:

The Board reviews the talent pipeline to the Executive Committee and the quality and diversity of talent further down the organisation. Individuals who are identified as potential successors to the Executive Committee within a three year timeframe also undergo an external benchmarking and assessment process carried out by an independent third party. At the same time, we have initiated a programme of executive sponsorship and mentoring of high potential female and minority ethnic managers in order to ensure increased diversity throughout the leadership of the Company. (National Grid)

For some companies, diversity of local geography is as equally important as gender, as demonstrated by Randgold Resources:

At a corporate level a number of senior positions are occupied by female employees including the group General Manager Corporate Communications, the Group Financial Manager and Group Business Assurance Manager... [Figures are]: 2/23 (9%) women Executives; 3/24 (12.5%) women senior managers. We are determined to help drive up this number and in 2012 will continue to give priority to recruiting female employees with suitable skills... We have made progress in developing women in our various management teams. We have a number of women in key executive and senior managerial positions and this includes several national women who hold key positions on our mine management teams. (Randgold Resources)

BAE Systems Case Study – from Annual Report 2011

BAE Systems in the Aerospace & Defence sector, is not one that benefits from a naturally high proportion of women in its workforce. However, it was one of the first companies to make a public statement about an aspirational target of 25% women on boards, in response to the Davies Report.

Chairmen and boards can provide leadership in championing the benefits of greater diversity within businesses. To achieve real change we need to focus on the senior executive 'pipeline' that ultimately leads to the Board and from which executive directors can be drawn. Importantly, it is from this pipeline, and those of many other companies, that the majority of our future non-executives will also be drawn. (p. 73)

The Board adopted a statement to act as a guide to future Board succession planning activity and to make a clear public statement of its support for greater diversity in the boardroom. (p.74)

With regard to gender diversity the Board has agreed the following:

- *In seeking candidates for appointment to the Board, the Nominations Committee shall only engage the services of search consultants who have open and inclusive recruitment processes that draw from an appropriately diverse pool of candidates.*
- *It shall have an aspirational target of at least 25% of the Board being women by 2015.*
- *Through its regular reviews of management resources it shall oversee the effectiveness of the actions being taken by management to ensure that the composition of the executive leadership team reflects the entirety of the management talent pool available within the Company and the wider market.*
- *It shall support external programmes that seek to improve gender balance at board level.*
- *It shall report progress against targets and action taken in the Annual Report and Accounts.*

At the end of 2011, 25% and 17% of Board and Executive Committee members, respectively, were female. Globally, 19% of the Group's workforce is women. (p.58)

Consistent with the Group's commitment to grow the female talent pipeline at senior executive levels and to support the achievement of the aspirational target of 25% female membership of the Executive Committee...the Chief Executive's leadership team participated in Inclusive Leadership/Unconscious Bias training (p.55) and approved the following actions:

- *Fostering a culture of inclusion, by investing in inclusive leadership education and establishing a flexible work culture.*
- *Accelerating the development of high potential women, through mentoring by Executive Committee members and increasing participation in global high potential programmes.*
- *Hiring and selecting the top performing diverse talent, by ensuring leadership jobs have diverse candidate lists.*
- *Measuring performance, through each business developing aspirational targets to increase significantly gender diversity in leadership ranks.*

Progress against diversity and inclusion objectives will form part of the annual incentive plan for senior executives in 2012. As with all corporate responsibility objectives, the Committee sets the targets and, based on performance during the year, makes recommendations on award levels to the Remuneration Committee (p.73)

However, despite all the good work carried out by a number of FTSE 100 companies in the 12 months to September 2012, of the 22 Executive Directors appointed, not one went to a woman. Of the additional seven Executive Director appointments made in October 2012, Karen Witts broke the all-male trend by being appointed Group Finance Director to Kingfisher plc.

Although not captured in the tables below, both the FTSE 100 and FTSE 250 figures will be negatively affected by the announcements during October 2012 that three female Chief Executive Officers will be standing down from their posts: Dame Marjorie Scardino – CEO of Pearson, known as the ‘First Lady of FTSE’, as she was the first female FTSE 100 CEO; Cynthia Carroll – CEO of Anglo American, the global mining giant; and Kate Swann – CEO of WHSmith. This will bring the number of female CEOs in the FTSE 100 down to two (2%) and in the FTSE 250 down to seven (2.8%).

Table 7: FTSE 100 Female Executive Directors

Name	Role	Company	Sector	% Female Board	No. of Female Directors
Deirdre Mahlan	CFO	DIAGEO PLC	Beverages	36.4%	4
Angela Ahrendts	CEO	BURBERRY GROUP PLC	General Retailers	33.3%	3
Stacey Cartwright	Executive VP/CFO	BURBERRY GROUP PLC	General Retailers	33.3%	3
Jackie Hunt	CFO	STANDARD LIFE PLC	Life Assurance	33.3%	4
Rona Fairhead	Division Chairman/CEO	PEARSON PLC	Media & Entertainment	30.8%	4
Lucy Neville-Rolfe	ED - Corporate	TESCO PLC	Food & Drug Retailers	30.8%	4
Dame Marjorie Scardino	Chief Executive	PEARSON PLC	Media & Entertainment	30.8%	4
Laura Wade-Gery	ED	MARKS & SPENCER GROUP PLC	General Retailers	30.8%	4
Maggi Bell	ED - Business Development	CAPITA PLC	Business Services	30.0%	3
Linda Hudson	COO	BAE SYSTEMS PLC	Aerospace & Defence	27.3%	3
Tracy Robbins	Executive VP - HR	INTERCONTINENTAL HOTELS GROUP PLC	Leisure & Hotels	27.3%	3
Karen Witts	GFD	KINGFISHER PLC	General Retailers	25.0%	3
Anne Richards	Chief Investment Officer	ABERDEEN ASSET MANAGEMENT PLC	Speciality & Other Finance	21.4%	3
Liz Doherty	CFO	RECKITT BENCKISER GROUP PLC	Clothing, Leisure and Personal Products	20.0%	2
Cynthia Carroll	CEO	ANGLO AMERICAN PLC	Mining	18.2%	2
Alison J Cooper	CEO	IMPERIAL TOBACCO GROUP PLC	Tobacco	18.2%	2
Lucinda Bell	FD	BRITISH LAND CO PLC	Real Estate	16.7%	2
Tracey Taylor	GFD	HARGREAVES LANSDOWN PLC	Speciality & Other Finance	11.1%	1
Maeve C Carton	FD	CRH PLC	Construction & Building Materials	8.3%	2
Dr. Zaure Zaurbekova	CFO	EURASIAN NATURAL RESOURCES CORP PLC	Mining	8.3%	1

In the 12 months to September 2012, there were 55 ED appointments made to FTSE 250 companies, seven of which went to women.

**Table 8: FTSE
250 Female
Executive
Directors**

Name	Role	Company	Sector	% Female Board	No. of Female Directors
Katherine Garrett-Cox	CEO/Chief Investment Officer	ALLIANCE TRUST PLC	Investment Companies	42.9%	3
Su Cacioppo	ED - Legal/Personnel	WETHERSPOON(J.D.) PLC	Leisure & Hotels	37.5%	3
Barbara Richmond	GFD	REDROW PLC	Construction & Building Materials	33.3%	2
Saila Miettinen-Lähde	Deputy CEO/CFO	TALVIVAARA MINING CO PLC	Mining	30.0%	3
Sarah Ellard	Group Legal Director/Secretary	CHEMRING GROUP PLC	Aerospace & Defence	28.6%	2
Lynn Fordham	CEO	SVG CAPITAL PLC	Investment Companies	28.6%	2
Dr. Louise Makin	CEO	BTG PLC	Pharmaceuticals and Biotechnology	28.6%	2
Suzanne Baxter	GFD	MITIE GROUP PLC	Business Services	22.2%	2
Jann Brown	MD/CFO	CAIRN ENERGY PLC	Oil & Gas	22.2%	2
Susanne Given	COO	SUPERGROUP PLC	Clothing, Leisure and Personal Products	22.2%	2
Ruby McGregor-Smith	Chief Executive	MITIE GROUP PLC	Business Services	22.2%	2
Caroline Banszky	MD	LAW DEBENTURE CORP PLC	Investment Companies	20.0%	1
Shirley Garrood	CFO	HENDERSON GROUP PLC	Speciality & Other Finance	20.0%	2
The Hon. Dido Harding	CEO	TALKTALK TELECOM GROUP PLC	Telecommunication Services	20.0%	2
Carolyn McCall	CEO	EASYJET PLC	Transport	20.0%	2
Amy Stirling	CFO	TALKTALK TELECOM GROUP PLC	Telecommunication Services	20.0%	2
Victoria Hull	Chief Legal Officer/General Counsel/Secretary	INVENSYS PLC	Electronic & Electrical Equipment	18.2%	2
Elizabeth Lee	General Counsel/Company Secretary	CLOSE BROTHERS GROUP PLC	Speciality & Other Finance	18.2%	2
Vyvienne Wade	Group Legal Director	JARDINE LLOYD THOMPSON GROUP PLC	Insurance	18.2%	2
Trish Corzine	Division ED	RESTAURANT GROUP PLC	Leisure & Hotels	16.7%	1
Dr. Alya Samokhvalova	Strategic Director	PETROPAVLOVSK PLC	Mining	16.7%	2
Sarah Soar	Regional MD	BREWING DOLPHIN HOLDINGS PLC	Speciality & Other Finance	16.7%	2
Kate Swann	Group CEO	WH SMITH PLC	General Retailers	14.3%	1
Diane Alfano	Division MD	EUROMONEY INSTITUTIONAL INVESTOR PLC	Media & Entertainment	12.5%	2
Katie Bickerstaffe	Regional Chief Executive	DIXONS RETAIL PLC	General Retailers	12.5%	1
Jan Wilkinson	ED - Mktg	EUROMONEY INSTITUTIONAL INVESTOR PLC	Media & Entertainment	12.5%	2
Julia Wilson	GFD	3i GROUP PLC	Private Equity	12.5%	1
Avril Palmer-Baunack	Deputy CEO	STOBART GROUP LTD	Real Estate	11.1%	1
Dorothy Thompson	CEO	DRAX GROUP PLC	Electricity	11.1%	1
Suzanne Wood	GFD	ASHTED GROUP PLC	Business Services	11.1%	1
Dr. Alison Fielding	Group COO	IP GROUP PLC	Speciality & Other Finance	10.0%	1

Female Executive Director Case Studies



Karen Witts – Group Finance Director, Kingfisher plc

Kingfisher, a FTSE 100 company, is Europe's largest home improvement retailer with 988 stores in eight countries. It employs 80,000 people and nearly six million customers shop in its stores every week. Kingfisher's brands include B&Q, Castorama and ScrewFix.

Karen was appointed to the Kingfisher Board as Group Finance Director in October 2012 and has held an NED position at Saficom Ltd since 2010. Prior to joining Kingfisher, Karen was Regional CFO for Africa, Middle East & Asia at Vodafone Group plc. Before that, Karen spent more than 10 years in BT Group in various CFO and General Management roles. Her earlier career included finance and management roles at Paribas (1997-99), Diageo (1993-97), Mars Electronics (1992-93) and The Observer newspaper (1989-92). She qualified as a chartered accountant (ICAEW) and started her career at Ernst & Whinney where she worked from 1985-89. She holds an MA in French with Business Studies.



Laura Wade-Gery – Executive Director Multi-Channel E-Commerce, Marks & Spencer Group plc

Marks & Spencer Group is one of the UK's leading retailers, with 21 million visitors to its stores each week. It has over 700 stores across the UK and an expanding international business. The group employs 78,000 people in the UK and abroad.

Laura joined Marks & Spencer Group as an Executive Director in July 2011. Laura was previously at Tesco plc where she held a variety of senior roles from 1997. Laura has considerable retail and consumer experience, including significant e-commerce knowledge as Chief Executive Officer of Tesco.com and Tesco Direct. She was appointed a director of the Royal Opera House Covent Garden Limited on 02 March 2012 and was a non-executive director of Trinity Mirror plc for six years until 10 May 2012. Prior to joining Tesco, Laura held various roles at Gemini Consulting and Kleinwort Benson. Laura holds an MA from Oxford and an MBA from INSEAD.



Avril Palmer-Baunack – Deputy CEO, Stobart Group plc

Stobart Group is a FTSE 250 company specialising in multimodal logistics, warehousing and biomass fuel. It employs 5,500 people across 40 UK sites, manages 6 million square feet of warehousing and 150,000 containers a year, and makes a delivery somewhere across the EU every 20 seconds.

Avril Palmer-Baunack joined Stobart Group as Deputy CEO in September 2012, following its acquisition of Autologic Holdings plc. Avril served as CEO of Autologic from 2007, during which time she led a successful turnaround. Prior to that Avril had led a successful turnaround of Universal Salvage plc and had previously been Managing Director of FMG Support Ltd, the UK's largest independent provider of fleet management services. With 20 years of senior business roles, she has held management positions at Europcar UK, Northgate Motor Holdings plc and the Caudwell Group. Avril was previously non-executive director at Alexon Group plc, has been non-executive chairman at Molins plc since 2010 and non-executive chairman at Helphire plc since 2011.



Susanne Given – Chief Operating Officer, SuperGroup plc

SuperGroup, a FTSE 250 company, is a distinctive branded UK fashion retailer offering quality trend clothing and accessories. It operates a multi-channel business through a combination of standalone stores, concessions, e-Commerce and its UK and International Wholesale operations. Founded in 1985, the Superdry brand is now sold worldwide in 54 countries via its franchised and licensed network and in 101 countries via its websites.

Susanne Given was appointed to the COO role in April 2012 and is responsible for the central support functions including marketing, logistics, sourcing, IT, HR, UK Retail, Merchandising and Property. Susanne has over 20 years' experience of senior roles, buying and merchandising for a number of leading retailers including House of Fraser, Sainsburys, Harrods and TK Maxx. Before joining SuperGroup Susanne was a Division Director (Buying Director Fashion) at the John Lewis Partnership.

Concluding Remarks

The aim of this report was to monitor and report progress to date against Recommendation 3 of the Davies Report. The FRC has introduced amendments to the Code as recommended and this report set out to reveal how many FTSE 100 companies have, as proposed by the FRC, become voluntary early adopters of the amendments. We hope this report will give the FRC a benchmark of compliance at this stage and some examples of best practice for other companies from which to learn.

Author Biographies



Ruth Sealy, BSc, MSc, PhD, MCIPD

Senior Research Fellow,
Deputy Director of the International Centre for Women Leaders,
Cranfield School of Management

With global expertise on women on corporate 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 analyses 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 over 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 has led the research following 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 speaks regularly at academic and practitioner conferences, lectures post-graduate and doctoral courses, and has written a number of book chapters and journal articles. She is a Chartered Member of the CIPD and has written various articles for practitioner audience magazines.

Prior to becoming an academic, Ruth was the Managing Director of a specialist holiday company, which she sold to a larger tour operator. She then worked for a number of years as a management psychology consultant.

Email: ruth.sealy@cranfield.ac.uk



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
Cranfield School of Management

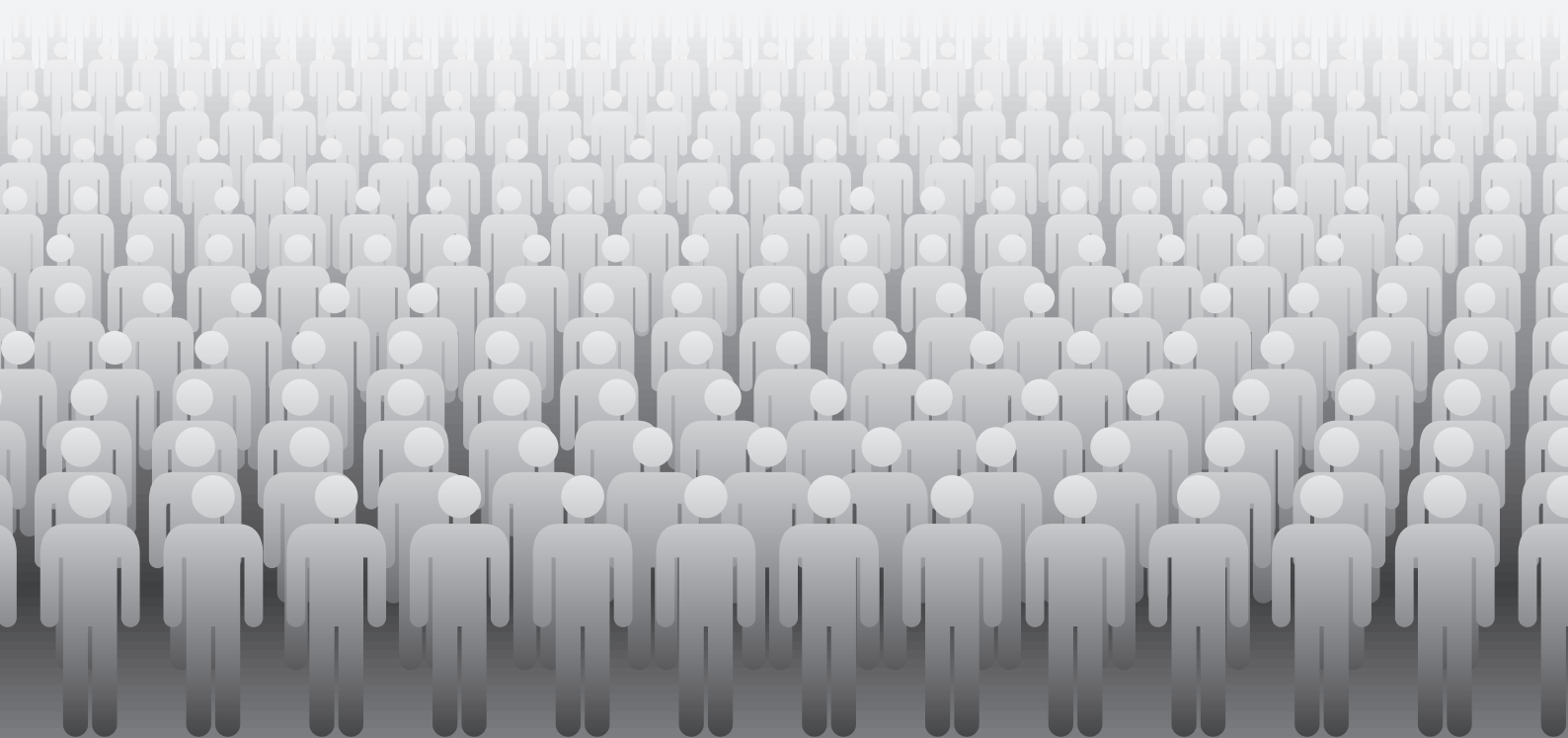
Susan's particular research interests are gender diversity on corporate boards, women's leadership styles, and the issues involved in women developing their managerial careers. Her Research Centre is unique in Europe with its focus on women leaders and the annual Female FTSE Report is regarded as the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

Susan has written ten books and over one hundred articles, reports and conference papers. "Women on Corporate Boards of Directors – International Research and Practice" (with R. Burke, D. Billimoria, M. Husen and V. Singh published by Edward Elgar) was published in 2009. Her latest book "Handbook of Research on Promoting Women's Careers" (with R. Burke, L. Moore and S. Blake-Beard) will be published by Edward Elgar in 2013.

Susan has consulted for organisations in over twenty countries including the UAE, Sultanate of Oman, Kingdoms of Bahrain and Saudi Arabia on how best to attract, retain and develop women executives. She has advised 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 and Chair of the judges for Women in the City 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 Honours List in 2005.

Email: s.m.vinnicombe@cranfield.ac.uk



CRANFIELD INTERNATIONAL CENTRE FOR WOMEN LEADERS

Cranfield
UNIVERSITY
School of Management

Cranfield School of Management, Cranfield, Bedford, England MK43 0AL
Telephone: +44 (0)1234 751122 **Fax:** +44 (0)1234 751806