



City Research Online

City, University of London Institutional Repository

Citation: Sealy, R., Turner, C., Pryce, P. & Vinnicombe, S. (2015). Women on Boards: Progress following the 2012 Corporate Governance Code. Cranfield School of Management.

This is the published version of the paper.

This version of the publication may differ from the final published version.

Permanent repository link: <https://openaccess.city.ac.uk/id/eprint/11689/>

Link to published version:

Copyright: City Research Online aims to make research outputs of City, University of London available to a wider audience. Copyright and Moral Rights remain with the author(s) and/or copyright holders. URLs from City Research Online may be freely distributed and linked to.

Reuse: Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge. Provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

City Research Online:

<http://openaccess.city.ac.uk/>

publications@city.ac.uk



Women on Boards:

Progress following the 2012 Corporate Governance Code

October 2014. Updated and reprinted March 2015

Dr. Ruth Sealy, Caroline Turner, Dr. Patricia Pryce & Professor Susan Vinnicombe CBE
Cranfield International Centre for Women Leaders, Cranfield School of Management



Contents

| | |
|---|-----------|
| Joint Ministerial Foreword | 2 |
| Foreword by Sir Winfried Bischoff | 3 |
| Foreword by Ian Powell | 4 |
| Executive Summary | 5 |
| Women on Boards..... | 5 |
| Adherence to the 2012 Corporate Governance Code Amendments..... | 5 |
| Introduction | 6 |
| Davies Report 2011..... | 6 |
| Financial Reporting Council Announcement 2011..... | 7 |
| Regulatory Context..... | 8 |
| Methodology | 9 |
| The Headline Figures | 11 |
| The Pipeline | 12 |
| The Pace of Change..... | 15 |
| Projecting Forward | 17 |
| Analysis of Annual Reports | 18 |
| Boardroom Diversity Policies..... | 18 |
| Measurable Objectives..... | 19 |
| Board Evaluation Processes..... | 21 |
| Code Compliance..... | 23 |
| Looking at the Pipeline..... | 23 |
| Berendsen Case Study..... | 26 |
| Building the Pipeline from the Bottom Up..... | 27 |
| Succession Planning in the Top 200 FTSE Companies | 28 |
| Concluding Remarks | 32 |
| Author Biographies | 33 |

Joint Ministerial Foreword



Three years on from the Davies Review in the UK, the argument for more women at all levels of British business is even clearer. Diversity and Inclusion represent a key business issue and a fundamental part of good governance.

Women now account for 22.8% of Board Directors of FTSE 100 and 17.4% of FTSE 250 companies, up from 12.5% and 7.8% respectively in February 2011. The number of women on our top UK boards has nearly doubled since our Government prompted action in 2011. It is a landmark event in the history of the London Stock Exchange that there remain no all-male boards in the FTSE 100 Index, compared to 21 three years ago.



Good progress has been made, albeit Lord Davies' initial target of 25% by 2015 is clearly not gender parity. To reach this target, both FTSE 100 and 250 companies will have to increase the pace of change. Companies need to harness all available talent and those companies with less than 25% of women on their board, need to take action now.

Since the amendments to the Financial Reporting Council's Corporate Governance Code in 2012, more and more companies are making progress on gender diversity, developing best practice and really understanding the complex issues at play which have prevented women reaching senior levels in their organisations.

Progress to improve figures at Executive level is not such a success story and this is where more work needs to be done. We must continue to break down the barriers which so often stop women progressing to all senior levels - those posts that build the pipeline directly to the boardroom, rather than directly into the boardroom.

We are pleased to see the *Think, Act, Report* initiative has prompted greater transparency of reporting and more meaningful disclosures on gender diversity. It has also encouraged a sharper focus on diversity across organisations and for many proved a catalyst for change and robust action.

A debate which began in the boardroom is now filtering through to all levels of the workplace. Many companies are doing sterling work to improve gender balance and this report highlights those companies that are really shifting the needle. Others still have a way to go, but the message is clear.

Together we are effecting large scale cultural change. We are building a business environment that reflects a diverse, modern day society, enables women to fulfil their potential and play a significant role at all levels in British business. This not only makes sound economic sense but also creates a fairer society for all.

A blue ink signature of Rt Hon Vince Cable MP, appearing as a simple, curved line.

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

A black ink signature of Rt Hon Nicky Morgan MP, written in a cursive style.

Rt Hon Nicky Morgan MP
Secretary of State

Foreword by Sir Winfried Bischoff



As a founding member of the 30% Club, I continue to believe strongly in the need to develop talent from a wide pool. I therefore welcome this year's Women on Board's report as it provides yet more evidence that the work of the 30% Club and other initiatives is having a real impact.

Diverse boards, and by that I not only include gender but diversity in its widest sense – including race, background and experience – encourage better leadership and governance, contribute to better all-round performance, engagement and innovation, and ultimately improved performance for the company and its shareholders.

The report highlights that the UK Corporate Governance Code's requirement for the annual report and accounts to include diversity policy information has encouraged companies to look at how they are managing their talent pipeline. Indeed there has been a slight increase in female executive appointments in the FTSE 100. There continue to be areas where further improvements would be beneficial. Too many FTSE 250 companies are falling short of full Code compliance. However, there are many good examples of reporting by FTSE 250 companies highlighted in the report, which I encourage their peers to emulate.

Companies must also pay attention to effective succession planning, which should be informed by a clear business strategy. This will ensure that boards have the right blend of skills and experience. The FRC is continuing to assess the focus on succession planning and the role of the Nominations Committee in this process; we plan to publish a discussion document on this topic next spring.

There is still much to do if we are to mine the great but underused seam of talent that remains in the business community. This is vital to build up the pipeline of executive talent. We must not relax in the belief that current momentum will carry us over the finishing line – history suggests most battles are lost when their leaders feel they have almost won.

A handwritten signature in black ink that reads "Win Bischoff". The signature is written in a cursive, flowing style.

Sir Win Bischoff
Chairman, Financial
Reporting Council

Foreword by Ian Powell



Increasing diversity in our business has been a top priority for the past six years – specifically the representation of women in senior roles. Having a truly diverse business that offers equality of opportunity for all is not just the right thing to do, but also a prerequisite for good business performance.

With one billion women entering the global workforce in the coming decade, and women now making up 54% of graduates in Britain, we need to ensure that women are able to reach senior positions in British business, and are treated fairly and equally throughout their careers.

Progress is being made: the trajectory for Board-level gender representation in the UK suggests women will comprise at least 25% of FTSE 100 Board positions by the end of 2015, consistent with the recommendations in Lord Davies' report of 2011. At PwC we continue to focus on our talent pipelines in order to achieve the gender targets we have set for our own business. This requires interventions in areas including recruitment, promotion and retention, together with challenging some of the barriers to women progressing in the workplace. For example, we embedded our award-winning unconscious bias awareness training, Open Mind, into our leadership development framework, in order to support our goal of developing inclusive leaders and a workplace where difference is valued.

This report provides hard evidence that many organisations are, like PwC, serious about addressing both the symptoms and causes of today's gender inequality. One small but vital step that companies can take is to become more transparent about the diversity of their workplace and holding themselves accountable to make real progress.

At PwC we have reported publicly on our diversity targets and data for a number of years. In 2014 we took this reporting a stage further, by publishing the findings of our gender pay-gap analysis – making us one of only a handful of private sector companies to do this.

Transparency drives accountability; since the amendments to the FRC's Corporate Governance Code in 2012, more and more companies are reporting their diversity policies and progress. In the latest annual CEO survey conducted by PwC in the UK, 57% of respondents stated they had a diversity strategy and 77% of those respondents reported that diversity enhanced their business performance. These findings provide a strong affirmation that diversity is a business imperative. Public reporting will create a stronger sense of responsibility to drive action internally to build and sustain workplaces where all talented people can grow their careers with equal opportunities.

A handwritten signature in black ink that reads "Ian Powell". The signature is written in a cursive, slightly stylized font.

Ian Powell
Chairman and Senior Partner
PwC UK

Executive Summary

This report monitors and recounts progress to date against the Financial Reporting Council's 2012 amendment to the Corporate Governance Code, considering inclusion of diversity reporting within annual reports. From this and from measuring the reality of the statistics on women in leadership and board positions across the top FTSE 350 companies, the report comments on the extent to which gender diversity is becoming an integral part of corporate strategy.

Women on Boards

Since the Davies Report in March 2011, the percentage of female-held directorships on FTSE 100 boards has increased by 88% to 23.5% and on FTSE 250 boards by 130% to 18%. The percentage of appointments now going to women has varied over the three years, but in the FTSE 100 companies is now just averaging at the rate required (33%) to reach Lord Davies' target of 25% during 2015. In order for the same target to be met by FTSE 250 companies, the pace of change still needs to increase. The main findings from the diversity reporting are highlighted below. In addition to the FRC amendments, our research also found that the new Narrative Reporting measures have helped increase transparency of gender demographics throughout organisations.

Adherence to the 2012 Corporate Governance Code Amendments

We analysed all FTSE 100 companies' annual reports and found substantial increases in some, but not all areas, from last year:

- 85% of FTSE 100 companies had stated a clear policy on boardroom diversity
- 58% of companies had set measurable objectives to increase the percentage of women on their board
- Only 38% of companies addressed diversity in their board evaluation process
- More than half, 52% of companies, demonstrated clear policies or measures aimed at increasing the number of women in senior management
- 98% reported on succession planning, with 32% specifying gender

In listed companies numbered 101-201, we found figures were lower than the FTSE 100, but higher than in a similar sample taken last year:

- 56% of companies had stated a clear policy on boardroom diversity
- 25% of companies had set measurable objectives to increase the percentage of women on their board
- 25% of companies addressed diversity in their board evaluation process
- Just 18% of companies demonstrated clear policies or measures aimed at increasing the number of women in senior management
- 94% reported on succession planning, but just 26% specified gender

Introduction

In March 2011 Lord Davies' report Women on Boards set out a road map of suggested steps for multiple stakeholders to contribute to increasing the utilisation of female talent at the most senior levels of public limited companies (PLCs) in the UK. One of these steps was for the Financial Reporting Council (FRC) to amend the UK's Corporate Governance Code (known as 'the Code') – the principles by which UK PLCs operate – to require companies to establish a boardroom diversity policy, with measurable objectives and annual disclosure.

This report, sponsored by the FRC, Business, Innovation and Skills (BIS) and Government Equalities Office (GEO), monitors whether companies have complied with these changes to the Code. It considers the extent to which gender diversity is becoming an integrated part of corporate strategy, as revealed in corporate annual reporting, the initiatives organisations are taking and the reality of the statistics on women in leadership and board positions across the top 200 companies listed on the Financial Times Stock Exchange (FTSE). The report also reveals the latest headline figures for executive and non-executive women on boards across the FTSE 350 companies and the current rate of new appointments going to women.

Davies Report 2011¹

In February 2011, the steering committee led by Lord Davies produced a report, which 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 FTSE Chairmen and CEOs, the Financial Reporting Council, 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 annually their progress.**
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 Board should meet every six months to review and report progress.

¹ Davies, 2011 – Women on Boards (BIS, February 2011, URN 11/745)

The Davies Committee has been very active in pursuing and reporting on each of these recommendations^{2, 3, 4, 5, 6, 7, 8} with the help of partner organisations such as Cranfield School of Management, The 30% Club, Equality & Human Rights Commission, the FRC, GEO and BIS departments.

Financial Reporting Council Announcement 2011

In October 2011, the FRC responded to Davies' recommendation 3, following a consultation on amendments to the Code. 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 in which the FRC will consult in early 2012, but the FRC has encouraged companies voluntarily to apply the amendments with immediate effect.”

Financial Reporting Council, October 2011

In October 2012⁹, and October 2013¹⁰ we reported on how many companies had, as recommended above, voluntarily applied the amendments, prior to the formal reporting period.

This year, all companies bound by the Code should have adopted these amendments and should have reported as such in their 2013/14 annual reports.

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

³ Davies, 2012 - Women on Boards (BIS, March 2012, URN 12/P135)

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

⁵ Sealy & Vinnicombe, 2012 - Benchmarking early adopters of the Corporate Governance Code 2012

⁶ Davies, 2013 - Women on boards *BIS, April 2013, URN 13/P135)

⁷ Sealy, Turner & Vinnicombe, 2013 - Women on Boards: Benchmarking Adoption of the 2012 Corporate Governance Code in FTSE 350

⁸ Charlotte Sweeney Associates - Women on Boards Voluntary Code for Executive Search Firms: Taking the Next Step, March 2014

⁹ Sealy & Vinnicombe, 2012 - Benchmarking early adopters of the Corporate Governance Code 2012

¹⁰ Sealy, Turner & Vinnicombe, 2013 - Women on Boards: Benchmarking adoption of the 2012 Corporate Governance Code in FTSE 350

Regulatory Context

EU Directive on Women on Boards

The EU Directive 614 calls for a quantitative objective for gender balance on corporate boards. The Directive is currently blocked in Council by a number of member states including the UK government - its objection is not to the principle of more equitable representation of women on boards, but on the grounds of proportionality and subsidiarity. However, the new law would give Member States the possibility of reaching the target by different means. Member States that have measures in place (legislative or otherwise) to ensure a more balanced representation in company boards would not need to change those measures, if they show that they can reach the objective of 40% NEDs (or 33% in the case of unitary boards such as in the UK). Those Member States could opt to maintain their existing measures instead of the procedural requirements under the proposed Directive. If in 2020 it emerges that those Member States do not manage to achieve the 40% objective, the procedural obligations under the proposed Directive would kick in¹¹. However, whatever the eventual outcome, there can be no doubt that the Directive continues to focus minds on this issue across Europe.

New Narrative Reporting Regulations

Following examples in other countries, in addition to the FRC's amendments to the Code, new narrative reporting regulations came into force in October 2013. It is believed that increased narrative reporting on gender metrics will help organisations not only to become aware of where they face challenges, but also to assist them in addressing the under-utilisation of female talent at the most senior levels. Led by the Secretary of State, Dr Vince Cable, the new rules require quoted public companies to include in the narrative of their Strategic Report a breakdown showing:

- (i) the number of persons of each sex who were directors of the company;
- (ii) the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)); and
- (iii) the number of persons of each sex who were employees of the company.¹²

We believe this has had quite an impact on companies' reporting of their gender metrics and discuss this in the findings.

¹¹ http://ec.europa.eu/justice/gender-equality/files/gender_balance_decision_making/boardroom_factsheet_en.pdf
¹² Statutory Instruments: 2013 No. 1970 Companies - The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013

Methodology

Data for this report were gathered using the BoardEx database and listed companies' published annual reports, as well as company websites and other sources in the public domain. For the Headline Figures of FTSE 350 women on boards and new appointments (see Tables 2, 4 & 5), data were downloaded from BoardEx on 1st March 2015. For the Annual Reports section, we analysed reports published from October 2013 – September 2014 by all of the FTSE 100 companies and the top 100 companies in the FTSE 250 list (companies 101-201¹³), as listed on August 4th 2014. **All of the companies should be following the FRC's new Code amendments, which “apply to financial years beginning on or after 1 October 2012”.**

In the past there has been a belief that FTSE 100 companies are more likely to be adopters of corporate governance 'best practice', due to a combination of resources and being more in the media spotlight. Since the increased attention on gender diversity in corporate leadership, post the 2011 Davies Report, it has been interesting to watch the FTSE 250 companies begin to close the gap on the FTSE 100 companies in terms of gender balanced leadership. We hope this demonstrates an increasing understanding that gender diversity is good for all companies, not just our 100 largest PLCs. However, **beyond the boardroom figures this report seeks to get behind the numbers to reveal whether and how companies are actually developing and implementing good governance on gender diversity.**

As previously mentioned, we published similar reports on the voluntary take up of the new Code in 2012 and 2013, since the FRC announced its intended amendments. For consistency of comparison, this is the third year we have used the seven questions below and the second year we have also considered succession planning. However, it is important to note that the companies listed in the FTSE 100 and FTSE 250 do fluctuate. **A useful comparison may be made in this report between the companies listed 1-100 and those 101-201.**

Of the total of 200 annual reports, we asked the following eight questions:

- I. Does the company address or refer to the need for boardroom diversity, including gender and/or refer to the changes in the Code (B.2.4)?
- 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 in the boardroom?
- 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, measurable objectives or detailed initiatives aimed at increasing the number of women in senior management positions?
- VIII. Does the company specifically address issues of director succession planning? If so, is gender specified?

We searched the reports for references to diversity, checking particularly the Strategic Report, including the Chairman's Statement; the Corporate Social Responsibility Report; and the Corporate Governance Report, including the Directors' Report and Committees' Report. In addition we conducted a word search in each report with the eight keywords 'diversity', 'gender', 'female', 'women', 'evaluation', 'succession', 'successor' and 'nominations committee'.

13

Just Eat PLC entered the 101-200 listing in 2014. As they have not yet submitted an Annual Report we used company number 201: Aveva Group PLC

Notes on the questions:

- I. In analysing the data we were clear that we wanted to identify those organisations that had gone further than recognising and acknowledging the Davies Report and who specifically demonstrated awareness of the need to be proactive and/or the new changes to the Code identified above. The provision in the Code is worded as follows:

B.2.4. A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.

Section B.2 Appointments to the Board (p. 13)

- II. To clarify, the majority of FTSE companies espouse general support for the principle of diversity and many made some reference to the Davies Report. However, we did not take this 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 clear intentions regarding increasing and/or maintaining boardroom diversity.
- IV. Companies needed to demonstrate a proactive decision about and commitment to measurable objectives for the boardroom diversity policy, rather than a vague statement loosely agreeing in principle with Lord Davies' aspiration of 25% women on boards.
- VI. The wording in the 2012 Code on board evaluation is as follows:

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.

Section B.6 (p. 15)

- VII. 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 continue to review which companies are proactive in taking measures and describing detailed policies aimed at women in senior management in order to grow the female talent pipeline.
- VIII. We were interested to find out how proactive companies are being with regard to succession planning to the board, both for executive and non-executive directorships and whether gender is overtly addressed. The Code states 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. The board should satisfy itself that plans are in place for orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board.

Section B.2 (p. 12)

The Headline Figures

Table 2: Headline Figures for FTSE 350 Women on Boards

| March 2015 | FTSE 100 | FTSE 250 |
|--|-------------|-------------|
| Female held directorships | 263 (23.5%) | 365 (18%) |
| Female executive directorships | 24 (8.6%) | 25 (4.6%) |
| Female non-executive directorships | 239 (28.5%) | 340 (23%) |
| Companies with female directors | 100 (100%) | 227 (90.8%) |
| Companies with at least 25% female directors | 41 (41%) | 65 (26%) |

The headline figures for women on the boards of our largest PLCs continue to rise at a steady pace.

During the **past four years** since the Davies Report, the percentage of women on boards of the **FTSE 100 companies has increased by 88% and of the FTSE 250 by 130%**. The momentum that has gathered is a testament to the many and varied stakeholders involved in making this change happen. Whilst the pace of increase has understandably waxed and waned, it does still look as if the **Davies Committee's target of 25% female representation on FTSE 100 boards will be met during 2015**.

As at 1st March 2015, the figure for women holding directorships on FTSE 100 boards has risen to **23.5%**. Since June 2014 the FTSE 100 has had zero all-male boards. For the FTSE 250 boards, the same figure has risen to **18%**, with **only 23 out of 250 company boards remaining all male**.

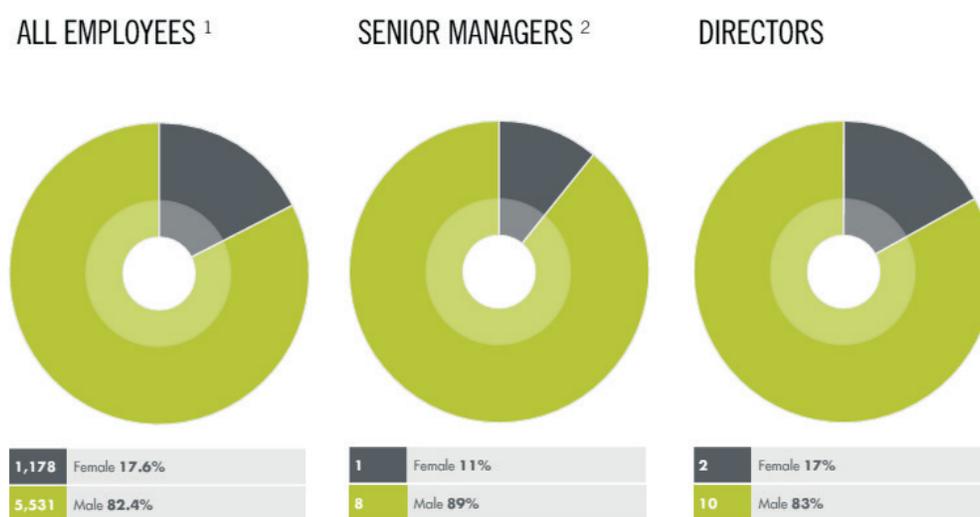
What is most encouraging is that, **finally, the percentage of female Executive Directors has started to rise in the FTSE 100**, having stagnated at 5-6% for many years. In the FTSE 100, on 1st March 2015, **24 women hold 8.6% of executive directorships**. The requirement to report has encouraged companies to look at how they are managing their talent pipeline. Reports such as this, which continue to focus on the need for increased transparency of figures and which highlight the failing female talent pipeline, increase awareness and promote the sharing of best practice in managing these issues. This often involves setting measurable objectives, to drive efforts to build the female talent pipeline and increase the proportion of women reaching executive levels.

In February 2014, Lloyd's Banking Group set a target that 40% of their top 5,000 senior management positions will be held by women by 2018.

The Pipeline

In previous years it has been challenging to obtain a good picture of gender diversity throughout companies, as reporting figures below the board was uncommon. Following the introduction of the new Narrative Reporting measures in October 2013, most companies now include the information requested on the gender breakdown of the board, senior management and total employees. Many companies present this information in infographics.

OCADO – Food & Drug Retailers



¹ Number of employees as at period end (including employees in Poland).

² Senior Managers means the Management Committee excluding Executive Directors.

The widespread use of infographics in this year's Annual Reports not only makes the information more accessible, but also allows meaningful assessments to be made of how well companies are managing women's progression, depending on their overall gender demographic context. For example, achieving 25% women in senior management when the total workforce is only 25% female sends a different message from if the total workforce is 70% female. Companies in traditionally male-dominated sectors, such as mining, engineering, construction, oil and gas, tend to have a low overall proportion of women in their employee base. As Table 3 shows, the Narrative Reporting requirement to reveal the gender split of all male/female employees reveals that in a number of these organisations women's participation in senior roles compares quite favourably with the overall proportion of women in the workforce. Many of these companies are making efforts to increase gender diversity through their pipelines, from recruitment to senior leadership.

Table 3: Companies with a 'relatively' high proportion of women in leadership

| Listing | Company | Sector | Percent Female Employees | Percent Female Senior Management | Percent Women on Board |
|---------|----------------|--------------------------------------|--------------------------|----------------------------------|------------------------|
| 100 | Anglo-American | Mining | 16% | 23% | 25% |
| 100 | Babcock | Engineering & Construction | 21% | 20% | 17% |
| 100 | BAE | Aerospace & Defence | 20% | 17% | 18% |
| 100 | BG Group | Oil & Gas | 28% | 21% | 25% |
| 100 | BHP Billiton | Mining | 17% | 18% | 15% |
| 100 | Fresnillo | Mining | 9% | 5% | 17% |
| 100 | Rio Tinto | Mining | 19% | 14% | 17% |
| 101-201 | Balfour Beatty | Construction & Building Materials | 20% | 13% | 20% |
| 101-201 | Drax Group | Electricity | 24% | 24% | 22% |
| 101-201 | DS Smith | Packaging - Containers | 20% | 10% | 22% |
| 101-201 | Howden | General Retailers | 26% | 38% | 14% |
| 101-201 | Ocado | Food & Drug Retailers | 18% | 11% | 18% |
| 101-201 | PZ Cussons | Clothing Leisure & Personal Products | 29% | 32% | 27% |
| 101-201 | QinetiQ | Aerospace & Defence | 29% | 14% | 25% |
| 101-201 | Stagecoach | Transport | 14% | 16% | 20% |
| 101-201 | Taylor-Wimpey | Construction & Building Materials | 31% | 25% | 22% |
| 101-201 | Victrex | Chemicals | 20% | 25% | 25% |

In the Narrative Reporting section, the definition of 'senior management' was left for companies to define and several did so very clearly. In addition, some companies elaborated with more information on alternative layers of management, primarily to reveal higher proportions of women.

UBM – Media & Entertainment

The table below provides a breakdown of the gender of the Directors.

| | Male | Female | Total | % Male | % Female |
|--------------------------------|-------|--------|-------|--------|----------|
| UBM plc Board | 7 | 2 | 9 | 78% | 22% |
| Senior management ¹ | 71 | 47 | 118 | 60% | 40% |
| All employees ² | 2,162 | 2,752 | 4,915 | 44% | 56% |

¹ We have defined 'senior management' as divisional CEOs and their direct reports, to accurately reflect those individuals we believe have responsibility for planning, directing and controlling strategically significant parts of the Company.

² Includes those employees listed above as Board members or senior management.

In 2013, the percentage of women in wider management roles was 47% (2012: 45%).

It would appear that this increased use of infographics has encouraged individual companies to display other elements of information about their workforce demographics. For example, **Phoenix Holdings Group** was one of a few companies who report, not only on their gender composition, but also that of ethnicity.

Phoenix Group Holdings – Speciality Finance

Key employee metrics and diversity statistics are summarised below.

| | 2013 | 2012 |
|--|--------------|--------------|
| Total workforce | 1,192 | 1,229 |
| Male | 679 | 688 |
| Female | 513 | 541 |
| Senior Managers | 18 | 19 |
| Male | 15 | 15 |
| Female | 3 | 4 |
| Board of Directors | 11 | 14 |
| Male | 10 | 13 |
| Female | 1 | 1 |
| Black, Asian or Ethnic Minority | 213 | 197 |

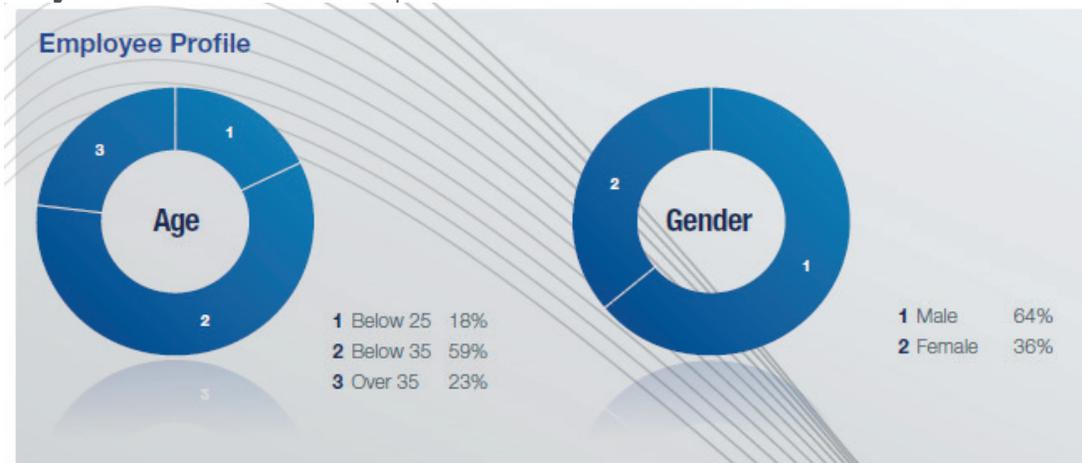
For example, **PZ Cussons** report figures on age and employees with long service:

PZ Cussons – Clothing, Leisure & Personal Products

| | 2013 | | 2014 | |
|---------------------------------------|--------|----|--------|----|
| | Number | % | Number | % |
| Women employees | 1,899 | 31 | 1,676 | 29 |
| Women senior managers | 86 | 31 | 91 | 32 |
| Women Group Board Directors | 2 | 20 | 3 | 27 |
| Employees with over 15 years' service | 1,286 | 21 | 1,156 | 20 |
| Employees over 50 | 429 | 7 | 520 | 9 |

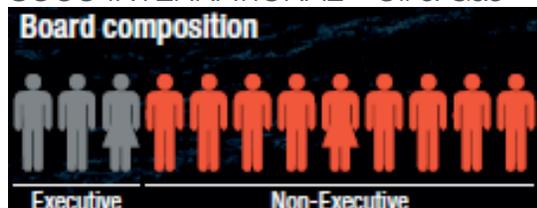
Diversity of age is also reported by **Playtech**, an organisation with a predominance of younger workers:

Playtech – Software & Computer Services



And relevant to a number of companies but only reported by a few, information on nationality:

SOCO INTERNATIONAL – Oil & Gas



The Pace of Change

In 2011 the Davies Report set a target for the FTSE 100 companies, on aggregate, to hit a target of 25% women on the corporate boards by 2015. The calculations at that time showed that this could be achieved only with a substantial increase in the proportion of new directorships being won by women. It was calculated that the percentage of new appointments going to women needed to be 33% per year. We have closely monitored the percentage of new appointments going to women since then (see Table 4). In our report last year¹⁴ we noted the rate of appointments to women was higher in the FTSE 250 than the FTSE 100. However, this year, we report a drop in the rate of female appointments in the FTSE 250, at 23.3% in the six months to March 2015, compared with 33.3% in the six months to March 2014. This year, the FTSE 100 also shows a drop over the last year in the rate of female appointments – from 35.5% in the six months to March 2014, to 31.6% in the six months to March 2015. Taking the two last columns, **the figure in the FTSE 100 aggregated over the last year is 31.7%**. The same aggregated figure for the **FTSE 250 is 23.8%**.

Table 4: Percentage of New Appointments to Women

| Female FTSE 100 | 6 mth of Mar 2012 | 6 mth to Sept 2012 | 6 mth to Mar 2013 | 6 mth to Sept 2013 | 6 mth to Mar 2014 | 6 mth to Sept 2014 | 6 mth to Mar 2015 |
|-------------------------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| New female appointments | 21 | 26 | 19 | 20 | 33 | 27 | 25 |
| New male appointments | 54 | 33 | 55 | 53 | 60 | 58 | 54 |
| Total new appointments | 75 | 59 | 74 | 73 | 93 | 85 | 79 |
| Female % of new appointments | 28.0% | 44.1% | 25.7% | 27.4% | 35.5% | 31.8% | 31.6% |
| Female FTSE 250 | 6 mth to Mar 2012 | 6 mth to Sept 2012 | 6 mth to Mar 2013 | 6 mth to Sept 2013 | 6 mth to Mar 2014 | 6 mth to Sept 2014 | 6 mth to Mar 2015 |
| New female appointments | 33 | 43 | 46 | 36 | 33 | 44 | 30 |
| New male appointments | 92 | 75 | 112 | 87 | 66 | 137 | 99 |
| Total new appointments | 125 | 118 | 158 | 123 | 99 | 181 | 129 |
| Female % of new appointments | 26.40% | 36.40% | 29.1% | 29.3% | 33.3% | 24.3% | 23.3% |

14 Sealy, Turner & Vinnicombe, 2013 - Women on Boards: Benchmarking adoption of the 2012 Corporate Governance Code in FTSE 350

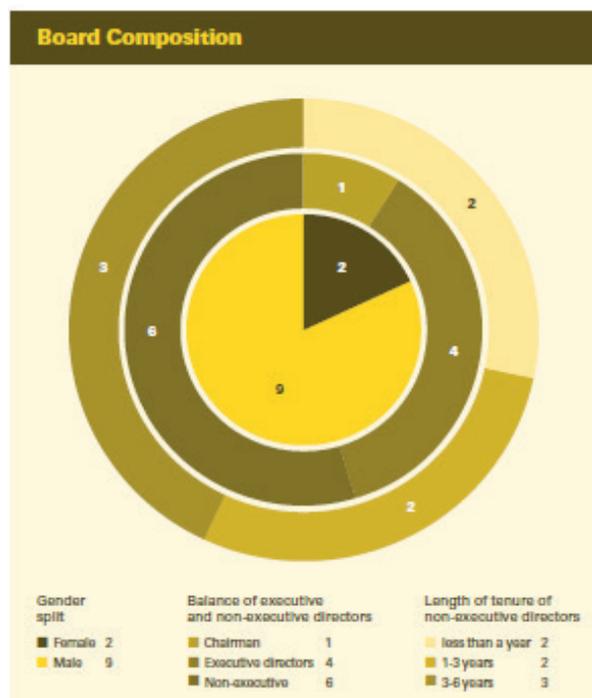
For this report we also analysed the new appointments by directorship type. In both the FTSE 100 and 250 it is clear that the proportion of new appointments going to women is much higher for NED rather than ED positions (see Table 5).

Table 5: Male & Female New Appointments (6 mths)

| Female FTSE 100 | All | NED | ED |
|-------------------------------------|--------------|--------------|-------------|
| New female appointments | 25 | 24 | 1 |
| New male appointments | 54 | 41 | 13 |
| Total new appointments | 79 | 65 | 14 |
| Female % of new appointments | 31.6% | 36.9% | 7.1% |
| Female FTSE 250 | All | NED | ED |
| New female appointments | 30 | 27 | 3 |
| New male appointments | 99 | 66 | 33 |
| Total new appointments | 129 | 93 | 36 |
| Female % of new appointments | 23.3% | 29.0% | 8.3% |

There has been much discussion in the past year about the tenure of directors and whether and how guidelines that directors remain in place for no more than nine years²⁵ could be enforced. In light of this discussion, it is interesting to note that several companies provided this information about the tenure of their directors in accessible infographic format.

LEGAL & GENERAL – Life Assurance

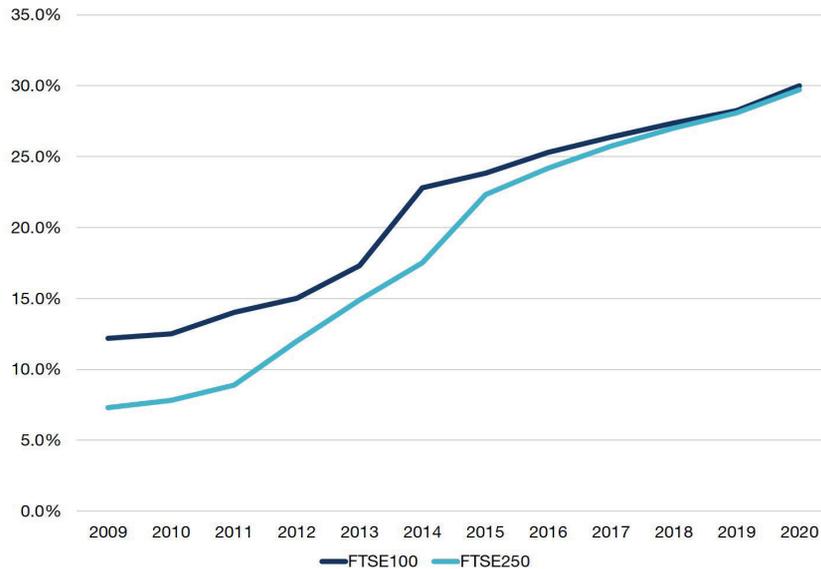


15 A recommendation from: Higgs, D (2003) Review of the role and effectiveness of non-executive directors, Department of Trade and Industry, London, UK

Projecting Forward

By taking into account the number of directors, the turnover, the percentage of new appointments going to women and average tenure of directors, we can estimate the figures for women on boards going forward.

Figure 1: FTSE 100 & 250 Trajectories*



*assumes number of directors remains constant, that new appointments are split 67/33% male/female, tenure is 6 years, turnover remains at 15% for FTSE 100 and 17% for FTSE 250 (currently 18.5%).

These data indicate that as long as the current pace of change is maintained, the FTSE 100 will hit the 25% target during 2015, with the FTSE 250 following in 2016. With the above assumptions, **just 17 more women are needed in the FTSE 100 and 142 across the FTSE 250 in order to reach the target of 25%**. In addition, with reference to the possible EU quantitative targets, companies across the FTSE 350 should be approaching 30% female board representation by 2020.

Analysis of Annual Reports

Table 6: Data from FTSE 200 Annual Reports on new Code changes

| | FTSE Ranked 1-100 | FTSE Ranked 101-201 |
|--|------------------------|------------------------|
| | Number of Companies | Number of Companies |
| Does the report directly address or refer to the FRC new Code? | 98 | 97 |
| Does the company have a clear policy on boardroom diversity? | 85 | 56 |
| Does the policy specifically mention gender? | 78 | 55 |
| Does the company set measurable objectives? | 58 | 25 |
| Does the company record progress against these objectives? | 52 | 25 |

This is the first year when all listed companies should be adhering to the new Governance Code changes. We are therefore pleased to report **substantial increases in the number of FTSE 100 companies clearly stating a boardroom diversity policy, with reference to gender, setting and recording progress against objectives**. The figures for the companies ranked 101-201 are also substantially up on those from our sample of 50 last year.

However, **all premium listed companies should be explicitly reporting** on this and it is clear that those outside of the top 100 have a lot of catching up to do. In this light, we aim to illustrate a number of best practice examples of how companies can (and do) address the various requirements of the new Code. Although not exclusively, the majority of our examples are taken from the companies outside of the FTSE 100.

Boardroom Diversity Policies

In the FTSE 100 and 101-201, 98 and 97 companies respectively directly addressed the issue of boardroom gender diversity. We can report that **85% of FTSE 100 companies and 56% of FTSE 101-201 companies are already stating a clear policy on boardroom diversity - compared with 65% and 18% respectively last year - with 78% of FTSE 100 and 55% of FTSE 101-201 specifically mentioning gender**.

The Board and Nomination Committee will continue to consider Board balance and diversity, in particular during the annual Board evaluation review...However, now that the Board is at a more manageable size, we are taking immediate action to recruit an additional female director to add better balance to the Board (Phoenix Group Holdings - Speciality Finance)

From a gender diversity point of view, I am happy to say that 27% of the Board are women. This benefits greatly the quality of Board discussions and, incidentally, already exceeds the corporate governance targets set for FTSE 100 companies for 2015. It is very significantly ahead of the position in FTSE 250 companies generally (Sir Howard Davies, Chairman) ... Board diversity was a regular agenda item at Committee meetings during the year. In the previous financial year,

the Committee developed a Board Diversity Policy which was approved by the Board. This Policy is available on the Company's website www.dcc.ie. Taking account of the Davies Report, the gender disclosure requirements of the UK Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, the Code and the Board Diversity Policy, the Nomination and Governance Committee remained focussed on increasing the number of female non-executive Directors and those with experience in the sectors in which we operate. Dr. Pamela Kirby's appointment to the Board in September 2013 brought the proportion of female directors to 27%. (DCC PLC- Business Services).

We believe that the Board's perspective and approach is greatly enhanced through gender, age and cultural diversity and it is our policy to consider overall Board balance and diversity when appointing new Directors...We are committed to a target of a minimum of 25% women on our Board by 2016. (Spirax-Sarco Engineering – Engineering & Machinery).

Measurable Objectives

Since the Davies Report of 2011, which recommended companies set their own targets, the number of companies with measurable objectives to increase the proportion of women on their boards has gradually risen. **In our analysis of Annual Reports this year we found 58 FTSE 100 companies have set clear measurable objectives regarding boardroom diversity - compared with 42 last year - and more than half report their progress against previously set objectives (see Table 6).** The comparable figures in the FTSE 101-201 were substantially lower at 25% on both counts, although this was an improvement on the 14% in the 250 companies researched last year. Companies in the FTSE 250 and other premium listings should consider following the example of their larger peers who have clearly demonstrated that setting measurable objectives can focus the minds to achieve the goals.

The number of FTSE 100 companies who already have 25% female representation on their board has multiplied more than three-fold from 12 in 2011 to 39 today. A number of these boards have had more than 25% women for a considerable period of time and therefore do not feel the necessity to set themselves such targets.

Since the formation of AstraZeneca in 1999, the proportion of female Board members has been approximately 25%. Although it has not set any specific measurable objectives, the Board intends to continue with its current approach to diversity in all its aspects (AstraZeneca PLC – Pharmaceuticals & Biotechnology).

The Committee considered and reaffirmed the existing policy that the Board should not adopt a target for gender diversity aspects (Alliance Trust PLC – Investment Companies – have consistently had over 40% women on their board for several years).

Among the **FTSE 250, just 64 (25.6%) have reached the 25% target** (see Table 2). We have noted a substantial decrease in the number of all-male boards in the FTSE 250 companies, as a very large number of these companies have appointed just one female director. Whilst this may be a first step for these companies, we would urge them not to be complacent with a single female director, but to ensure that this is the start of a strategic journey to increase gender diversity within the boardroom and across all levels of their organisation.

*The Board aims to increase the proportion of women on the Board to 25% by 2015. Thereafter, the Board aims to maintain a minimum Board composition of 25% women, such percentage to be reviewed annually. ...In terms of Board diversity, the appointment of Susan Searle brings the current proportion of women on the Board to 25%, which is in line with our objective. Any future appointments will always be made on merit and will continue to take into account diversity, not only in terms of gender, but also in terms of the appropriate mix of skills and experience (**QinitiQ Group PLC** – Aerospace & Defence).*

*While our existing policy is to select the best available candidate for any role irrespective of race, gender, disability or age, we have set the aspirational target that by 2015, 30% of the Board will be women, in line with the recommendation of the Davies Report on Boardroom Diversity. We are making good progress towards our target and with the recent appointment of Jane Kingston, 20% of our Board are now women (**National Express Group** – Transport).*

*It is an essential part of good governance that we maintain a strong Board with a majority of independent Directors and a good gender balance. ...The Board has previously highlighted that it is an advocate of diversity in the boardroom and a supporter of Lord Davies' aim to raise the proportion of women on UK Boards, as reflected in the 2013 Women on Boards report. The Board is pleased that, going forward, we are moving towards our aspiration of 20% of board positions being filled by women by 2015 (**FirstGroup PLC** – Transport).*

The best practice examples have clear objectives not just for the numbers but also the process of increasing gender diversity at boardroom level, as demonstrated here by **Johnson Matthey**.

*The company has taken, and continues to take, several steps to promote diversity, including gender diversity, both at senior management level and in the boardroom. Developing policies and processes that prevent bias in relation to recruitment and promotion form the basis. However, the key to progress lies in actively promoting diversity and ensuring that other positive measures are taken. These include requiring balanced shortlists when recruiting, ensuring diversity mix in company events and conferences, actively discussing diversity in succession planning and talent management, promoting industrial and scientific careers to women and developing family friendly and flexible employment policies. There are challenges to overcome, particularly in respect of gender diversity given the sector in which Johnson Matthey operates, but we are continuing to make good progress ...In making its most recent non-executive director appointment, the board required an all women short list for the selection process (**Johnson Matthey** – Chemicals).*

A further example from **Marks & Spencer**, whom we have featured in previous reports, highlights the fact that these are actions that need to be followed through over several years in order to have real impact.

Our Board Diversity Policy sets out our ambitions and objectives for shaping the Board. We have also focused on the skills, experience and backgrounds we want to support the business for its future. We are pleased that, following the AGM, 31% of our Board will be women (29% at date of publication). This is in line with the target we set ourselves, but importantly, is appropriate for M&S and its customer base... (We aim to) maintain a level of at least 30% female directors on the Board over the short to medium term... We have made good progress refreshing the Board during the year, which has resulted in an increase in the proportion of female directors on the Board, from 21% at the end of March last year to 29% in March this year. This will increase further to 31% in July, when Steven Holliday steps down from the Board. We remain committed to at least maintaining this level of female representation in the medium-term, whilst ensuring that diversity in its broadest sense remains a central feature of the Board... Despite the progress that has been made, the (Nomination) Committee is conscious that the increase in the proportion of women on our Board has been driven largely by the appointment of non-executive directors. The Board remains committed to strengthening the pipeline of senior female executives within the business and has taken steps to ensure that there are no barriers to women succeeding at the highest levels within M&S... The Board continues to support the principles of the Executive Search Firms Voluntary Code of Conduct on gender diversity, demonstrated by remaining committed to only engaging executive search firms who are signatories to this code (Marks & Spencer – General Retailers).

Board Evaluation Processes

Table 7: Diversity in the Evaluation Process of FTSE 200 Companies

| | FTSE Ranked 1-100 | FTSE Ranked 101-201 |
|---|------------------------|------------------------|
| | Number of Companies | Number of Companies |
| Does the company report on their Board evaluation process? | 98 | 96 |
| Is diversity mentioned as a part of the board evaluation process? | 38 | 25 |
| Is gender specified? | 18 | 11 |

Since the 2003 Higgs Review¹⁶, there has been a recommendation for companies to conduct annual evaluations of the effectiveness of the board. However, the provision for the evaluation to be carried out by an external agent every three years was added in 2010. By now we would expect all companies to be conducting board evaluations every year with evaluations conducted by an external independent agent every three years. We found that **98 of FTSE 100 and 96 of companies ranked 101-201** reported on having a board evaluation. Last year we reported that

¹⁶ Higgs, D (2003) Review of the role and effectiveness of non-executive directors, Department of Trade and Industry, London, UK.

just 29% specified that they had included diversity as an evaluative element. This has **increased slightly to 38%, with 18 specifically mentioning gender** in the FTSE 100 companies and to **25% and 11** in the companies 101-201. Whilst the lower listed companies have most work to do, it is very disappointing that across the 200 companies, these figures are not higher. **Where diversity was mentioned, in many cases, it was an outcome of the evaluation – i.e. something that needed to be addressed.** We urge external evaluators, involved in conducting board evaluations, to **include assessment of gender diversity as a standard measure of board performance, to drive accountability for gender diversity.**

The annual Board evaluation is externally facilitated at least every third year, in compliance with the Code, and is conducted in-house in intervening years. Both the 2012 and 2013 Board evaluations were conducted internally and formally facilitated by the Chairman and the Secretary. The 2014 evaluation will be externally facilitated and the outcome of that review will be reported in the 2014 Annual Report and Accounts...The 2013 Board evaluation consisted of a detailed and comprehensive bespoke questionnaire ...The questionnaire required detailed consideration by each Director of the balance of skills; experience; independence; knowledge of the Company; diversity; succession planning; gender...A number of action points designed to increase the overall effectiveness of the Board came out of the 2013 performance evaluation and have either already been implemented or will be implemented during 2014 which include... further work to ensure the progress made in the area of diversity is embedded into the Company's day to day operations and forward planning (Taylor Wimpey PLC – Construction & Building Materials).

During the year, an independent externally facilitated Board evaluation was conducted... with the Directors completing on-line questionnaires...P. 39 [one key action] Gender diversity on the Board: New female Non-Executive Director appointed in December 2013 (Millennium & Copthorne Hotels PLC – Leisure & Hotels).

Overall, the (Board Evaluation) process confirmed the right blend of behaviours and skills around the Halma Board table although the Board recognises that additional geographic spread of experience and more gender diversity would aid more effective debate (Halma PLC – Engineering & Machinery).

Building on the developments in previous years and taking account of the results of the Board evaluation last year [specifically mentioning the need for more gender diversity], we have sought to achieve further improvements in the way the Board operates: We increased the size of the Board with the appointment of Claudia Arney and Nancy Cruickshank (at the same time as Sahar Elhabashi stepped down) which has enhanced its breadth of skills and experience (Telecity – Software & Computer Services).

In 2012, we commissioned an independently facilitated Board effectiveness review...in accordance with the provisions of the Code. The Board effectiveness review for 2013 focused on monitoring progress...As a result, the Board has actioned the following: (amongst others) Reviewed succession planning and development of senior managers; Actively engaged in diversity through the deployment of diversity training for all UK employees and being involved in senior succession planning, including the appointment of females in the roles of President of Spirax Sarco Inc, in the USA, and Engineering Procurement and Construction Key Account Manager, Americas (Spirax-Serco Engineering – Engineering & Machinery).

Code Compliance

The previous sections have addressed the sections of the new Code. In the FTSE 100, only 12 companies have addressed every point in their reporting. These are: **BG Group, BHP Billiton, Lloyd's Banking Group, Marks & Spencer Group, National Grid, Old Mutual, Royal Bank of Scotland, Royal Dutch Shell, RSA Insurance Group, United Utilities, Vodafone Group and WPP.**

Across the companies ranked 101-201, only six companies addressed every aspect. These are: **Atkins (WS), DCC, Rentokil Initial, Spirax-Sarco Engineering, Taylor Wimpey and Telecity.**

Although it is disappointing that the numbers are so low across our largest 200 companies, congratulations should be offered to the 18 listed above. However, there is clearly substantial room for improvement across the remaining companies in their adoption of the Code elements.

Looking at the Pipeline

Recommendation 2 in the Davies Report puts the onus on Chief Executives to manage better the female talent through to Executive Committee level. The lack of women in the boardroom has sometimes been referred to as the 'symptom' of a lack of women in the executive pipeline. Whilst we are very pleased finally to be reporting a small increase in the percentage of female Executive Directors, this issue still needs to be actively addressed. Longitudinal data from the Female FTSE Reports show us that ignoring the status quo or believing that 'things will get better in time' is not the answer and drives female talent out of the door. Many organisations have taken initiatives, but what matters is whether the policies and actions taken by organisations really make a difference. It is interesting to note that during 2013/14, although not listed companies, a number of the larger law firms have very publicly set targets, either for the percentage of new partners made up to be female (predominantly set at 30%) or for senior management, executive committee or board proportion (again, predominantly at 25-30%). Are companies actively influencing the female pipeline and what talent management strategies are they using? This is what we endeavour to capture in this section of the report. Complementing the FRC's requirement for a policy on boardroom diversity, we analysed annual reports for stated policies, measures or measurable objectives to increase the presence of women in senior management positions.

Table 8: Managing the Pipeline

| | FTSE Ranked 1-100 | FTSE Ranked 101-201 |
|--|------------------------|------------------------|
| | Number of Companies | Number of Companies |
| Does the company have any stated policies or measures specifically aimed at increasing women in senior management positions? | 52 | 18 |
| Does the company have any stated measurable objectives for the number of women in senior management positions? | 28 | 7 |

Last year, 30 of the FTSE 100 companies **demonstrated clear policies or measures** specifically aimed at increasing women in senior management positions. This year we can report this has increased to over half, with **52 companies**, and **28 companies having stated measurable objectives** (see Table 8). In some instances these were not the same companies. The figures for companies 101-201 were significantly lower at **just 18 demonstrating policies and just 7 with measurable objectives**. Although a long way behind, these figures are similar to those of the FTSE 100 two years ago. We hope that by sharing best practice these companies will leapfrog in their learning and catch up quickly. All companies should now be reporting their numbers of men and women in 'senior management'. However, if they did this without further stating specific measures or measurable objectives, they were not included in the above table.

We found some excellent case examples of companies who are proactively working to increase the number of women in senior management, a few of which are illustrated below.

A third of our board is female but these are all non-executive members. I believe there is an increasing recognition that the real issue is not Board composition but the balance of women in senior executive positions. It is this that will provide the opportunity for talented women to become directors, both executive and non-executive, and it is here that, in my view, we should be focusing. Within Serco we are, therefore, maintaining our focus on diversity across our management team. At present, 12.5% of our senior managers are female and we will be seeking to increase this over time (Alastair Lyons CBE, Chairman, Serco Group PLC – Business Services).

Gender balance makes good business sense. The (Nomination and Governance) Committee will work assiduously with management in the coming years to increase diversity in our senior management cadre... We acknowledge that the business sectors in which the Group operates have not supported the achievement of the gender balance we aspire to, either at employee or at senior management level. All our businesses are focussed to address this (DCC PLC – Business Services).

We want to help female colleagues to realise their potential and remove any potential barriers to career progression, including into senior leadership roles... We have plans in place to support women as they progress into senior leadership roles including networking sessions, mentoring programmes and enhanced diversity training for line managers... As at 31 December 2013, 2029 of our workforce of 3872 were male and 1843 female (48%). Of these, there are 146 male and 50 female senior managers (26%) (Friends Life – Life Assurance).

Having made substantial progress with gender diversity at Board level, the Board continues to focus on the next level of senior management in order to develop potential within this team to step up to Board level at the appropriate time and to identify and develop potential within the wider organisation with a view to strengthening the female representation within the senior management team (Rightmove – Media & Entertainment).

Rotork responded to Lord Davies' call for action in the Second Annual Review of Women on Boards by announcing the future action it will take to improve diversity in senior management and throughout the organisation. Rotork has published a diversity policy which covers diversity in senior management and throughout the organisation (Rotork PLC – Engineering & Machinery).

In his 2011 report, Lord Davies asked the CEOs and executives to commit to and report on actions to increase the number of women in senior management. The companies in the lower listing on the whole did not go into as much detail as those on the FTSE 100. We would advise those companies not yet directly addressing this issue to look to their larger peers and benefit from their experience.

(Strategic Report) An area of continued focus is gender representation, particularly at senior levels of our organisation. We are addressing bias in hiring, promotions and talent identification, expanding mentoring and sponsorship, introducing better support for returning parents, and increasing flexible working opportunities.

Overall, global female representation was 52.3% at 31 December 2013, having been as high as 53.3% in 2009. Female representation at senior levels rose from 21.4% in 2010 to 22.7% in 2013, and our target is to improve this to 25% by 2014/15. The proportion of females in our talent pipeline improved from 25.8% in 2010 to 32.2% in 2013 and female representation on the GMB increased significantly from 10% (one out of 10) to 19% (three out of 16) in December 2013.

*In 2014, our diversity and inclusion priorities will include continuing to address unconscious bias through targeted education, encouraging the career development of diverse talent with an emphasis on gender and local nationals, enhancing a bias-free approach to performance management and improving internal and external candidate lists (**HSBC HLDGS PLC** – Banks).*

*In May 2013 the Nomination Committee carried out a detailed review of leadership talent across the Group, facilitated by the Group HR director and the Group Director of Leadership and Talent. The review included an assessment of talent across the top 100 leaders of the business and the current strengths and weaknesses within the Company's leadership succession plan. Particular focus was given to recent actions to improve the talent pipeline, including the introduction of internal assessment and development programmes at senior and early career stages and other performance management initiatives (**Smiths Group** – Engineering & Machinery).*

The Group is committed to the promotion of equal opportunities, diversity and inclusion. In 2013, a new diversity and inclusion programme was launched with focused activity to support its delivery... Our key area of focus is to strengthen our pipeline of female employees in senior leadership positions. We have a number of initiatives under way, including a global female sponsorship programme, female networking events and mentoring programmes. Enhanced flexible working opportunities have been introduced, along with a new global recruitment policy and increased intake of females on our global talent programmes.

In 2013, we entered into a partnership with Mumsnet, a UK social networking site for parents and carers, and RSA is a member of its Family Friendly Employer scheme.

*In line with our diversity strategy, we aspire to have equal numbers of male and female employees on these [development] programmes. In 2013 the representation of females was 47% on the Executive Development Programme, up from 18% in 2012, 27% on the new Senior Talent Acceleration Programme and 43% on the Fast Track Programme. (**RSA Insurance PLC** – Insurance).*

Berendsen Case Study

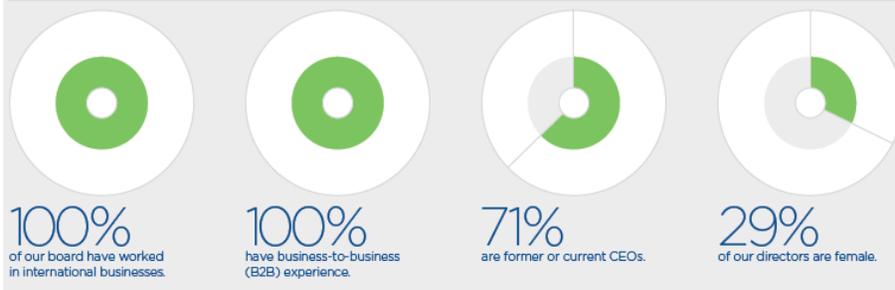
Increasing our talent pool

Succession planning measures

- Two identified successors for each position in Top 50 list;
- Promote from within = 70% of management appointments; and
- Senior Leader retention >90%.



Diversity of experience



The board has decided that the minimum target for board gender diversity is 25% female directors.

All appointments are preceded by a detailed evaluation of the current composition of the board taking into account the balance of skills, experience, knowledge and diversity (including gender)... Our Gender Diversity Policy ensures that each time a member of senior management or a director is recruited at Berendsen at least one of the shortlisted candidates is female...

In 2012 we outlined our commitment to improving gender diversity with particular emphasis on the numbers of women in management roles. In 2013 we have continued to focus on this area through a number of initiatives... Each member of the “Women in Berendsen” network took on the responsibility of mentoring another more junior woman manager to strengthen the network deeper into the company and to encourage and build confidence... In 2014 we will undertake a more detailed analysis of women in management positions across the company with a view to achieving a better understanding of their aspirations and career development needs.

Several succession planning reviews have taken place at board and Executive Board level. Management development programmes are now in place for all senior and high potential leaders...In 2013 we maintained our focus on succession planning and talent development. The Executive Board reviewed succession plans for the top 50 Berendsen roles. In addition, succession reviews at the business line level focused on the wider talent pool beyond the top 50 list (**Berendsen – Business Services**).

Building the Pipeline from the Bottom Up

This year we noticed a number of firms recognising the need to bring more women in at lower levels of their organisations – especially in traditionally male dominated industries, such as resources or engineering. It is good to see this being proactively managed.

We acknowledge that we have fewer women in senior engineering roles, but we are committed to building a pipeline of talent from the bottom up and to that end, I am pleased to report that 26% of our graduate recruits during 2013 were female, which is favourable when compared with the UK industry average of 14% for 2011/12 (as reported in Engineering UK 2014) (Norman Murray, Chairman, Petrofac LTD – Oil & Gas).

The Company will continue to recruit and advance women to positions of senior management and elsewhere in the group's operations. The company has a number of women in key executive and senior management positions and this includes several national locals who hold key positions within the company's mine management teams. Similarly, the company continues to progress introducing women to positions throughout the organisation which traditionally have been male domains and this constitutes a major advance in the patriarchal societies of West and Central Africa where the company operates (Randgold Resources LTD – Mining).

We can and need to do more to attract and, particularly, retain exceptional women. The engineering sector has not always been a favoured destination for well-qualified women and there may cultural and historical reasons for this. For a Group like Rolls-Royce, this should be as much of an opportunity as a problem. Purposeful diversity is an important part of our long-term planning...Over recent years we have seen increased levels of diversity in both our early career pipeline and high potential pool, with females making up 26 percent of our UK graduate intake in 2013 (Rolls-Royce Holdings PLC – Aerospace & Defence).

Succession Planning in the Top 200 FTSE Companies

In this study we were interested to investigate to what extent companies are reporting on their succession planning to the board. Therefore, we asked the question “Does the company specifically address issues of director succession planning? If so, is gender specified?”

Table 9: Succession Planning in Top 200 FTSE Companies

| | FTSE Ranked 1-100 | FTSE Ranked 101-201 |
|---|---------------------|---------------------|
| | Number of Companies | Number of Companies |
| Does the company specifically address issues of director succession planning? | 98 | 94 |
| Is gender specified in issues of director succession planning? | 32 | 26 |

We were pleased to find that **98 of the FTSE 100 and 94 of the next 100 companies addressed succession planning** in their report. Succession planning is usually listed amongst the duties of the board and specifically within the roles and responsibilities of the Nominations Committee. However, beyond that there is still very little consistency in what is reported. We found that succession planning is discussed in a number of ways, whether referring to internal or external candidates, for executive or non-executive roles.

In analysing what is reported, some still only report non-executive succession planning in terms of replacing individual board directors, who are known to be leaving. This is really a retrospective response and does not address the more strategic issue of longer term succession planning, including the development of executive strength within the organisation. Transparency around the appointment process forms part of good corporate governance reporting and there were a number of good detailed examples of this. However, this should not replace reporting on forward-thinking succession planning. For some companies, succession planning was referenced as an outcome of board evaluation – for example, as “a desire for additional information on succession planning”. However, some reported more specifically on these recommendations.

[Board Evaluation] 2014 objectives: Engage with all directors on executive development and succession planning. Increase the levels of diversity and bench strength in key roles and make progress against the Company’s diversity objectives (**BAE Systems – Aerospace & Defence**).

Additionally in a number of the 200 companies, the only reference to succession planning was a generic statement regarding a HR Director reporting annually to the Nominations Committee who “continue to review succession planning on a regular basis”. It is very hard to make any realistic appraisal based on such statements.

A number of the 200 companies reported on succession and development generally across their organisations (e.g. as part of leadership development programmes) but we were specifically looking for how this was addressed at board level. However, there were some examples where the board and a management committee were clearly working together on this as a strategic priority.

*The Nomination Committee's responsibilities include considering the leadership needs of the group and considering succession planning for directors and other senior executives (**Close Brothers Group PLC** – Speciality & Other Finance).*

*The Chairman and the (Nomination) Committee will continue their work in the current year to continue to monitor and develop the Board's succession plans...Developing and maintaining strong leadership and succession within the organisation will be significantly enhanced with the introduction of our Performance and Talent System. Succession planning principles will be designed and agreed as part of our talent strategy work...During the year, we launched the executive development programme for 53 of our leaders. The purpose of the programme is to provide key leaders with a personal profile of strengths, targeted improvement areas and development options that will enhance job performance. During 2014, we will continue with this programme to ensure that we are identifying the correct individuals as we build our succession pipelines (**Thomas Cook Group PLC** – Leisure & Hotels).*

*The Nominations Committee Reviews the structure, size and composition of the Board and Board Committees and considers succession planning for directors and senior management... Our focus on succession planning has delivered significant progress in building our talent pipeline, through a more rigorous and consistent approach to assessing talent and a greater focus on preparing and monitoring personal development plans. We have also invested significantly in our two leadership development programmes. 'Horizons' fosters emerging talent at junior levels, while 'Aspire2' develops senior leaders. These programmes challenge and engage our employees, build their understanding of the wider Group, increase their exposure to our senior leaders and enhance their core leadership competencies. The programmes will also improve the diversity of candidates, especially in the areas of gender and emerging market backgrounds (**Smiths Group** – Engineering & Machinery).*

There were a few examples where the announcement of a change of CEO role appears to have prompted integrated succession planning for the board, senior management and below, seen here in the example of **William Hill**.

*A process is underway to identify a successor for the Chief Executive as Ralph Topping has indicated his intention to retire by the end of 2015. This process, which is being led by the Chairman and the Nomination Committee, is reviewing both internal and external candidates... We reviewed our talent pool again in 2013, building on the extensive review first conducted in 2011 and updated in 2012. This is a critical part of our internal succession planning process, identifying the development needs and potential of our top 240 managers. For the second time, a small group of high-potential individuals are taking part in a 14-month programme to develop both their commercial and leadership skills...The [Board] review highlighted the importance of ensuring an effective governance and transition process for Chief Executive succession planning. This included ensuring an effective overall Board composition in light of the appointment of a successor to the Chief Executive. A good deal of good work had been done on Chief Executive succession; ...The Non-Executive Directors had become more familiar with the pipeline of talent in the business...During 2013 the committee...discussed succession planning and the composition of the Non-Executive Directors (**William Hill PLC** – Leisure & Hotels).*

Less than 30% of the 200 companies explicitly addressed gender in their succession planning (see Table 9 above). There was no significant difference between the top 100 and those ranked 101-201. We therefore **encourage all listed companies to focus their attention on including gender diversity in their talent management and succession planning processes.**

Some companies referred to the benefits of gender diversity quite briefly.

*Babcock recognises that in making decisions regarding succession planning, recruitment, promotion and training there needs to be an active consideration of the benefits of diversity, including gender diversity (**Babcock International Group** – Business Services).*

But there were also some good examples where companies were clearly integrating gender into the succession plans of the Board.

*During 2013/14 the Committee has focused heavily on executive and Board succession with the following key outcomes: The appointment on 1 May 2014 of Christopher Bailey as Chief Creative and Chief Executive Officer succeeding Angela Ahrendts. The appointment of Carol Fairweather as a director on 11 July 2013, who succeeded Stacey Cartwright as Chief Financial Officer on 31 July 2013; Implementation of the Board succession plan to refresh the Board over a two-year period: This has been aimed at balancing Board evolution with stability and in keeping with the Board's composition principles including promoting diversity, including in terms of gender. Good progress has been made on this during the year with the appointment of Matthew Key and Jeremy Darroch as non-executive directors, and the announcement that Carolyn McCall is appointed as a non-executive director effective from 1 September 2014... Board succession and composition will remain a priority for the coming year as the Board continues to execute its succession plan (**Burberry Group PLC** – General Retailers).*

*The Board takes its responsibilities with regard to succession planning very seriously... The Board has a policy in place for succession planning, which addresses its approach to maintaining a balanced Board, including the benefits of diversity... The Company previously reported that its succession planning was aimed at increasing both independence and diversity as a priority. This is fully reflected in the Board's appointments, including Ms Cynthia Cagle as an Executive Director in December 2012, followed by Ms Marianne Daryabegui as a Non-Executive Director and Mr Rob Gray as the Senior Independent Director in 2013 (**SOCO International PLC** – Oil & Gas).*

The two examples below, of BAE Systems and Taylor Wimpey, show how gender is not only integrated in the succession planning at board level, but that this has permeated down into senior management and the talent pipeline.

Following review by the Nominations and Corporate Responsibility committees, the Board adopted the statement shown below 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.

– The Board has an aspirational target of at least 25% of the Board being women by 2015.

– In seeking candidates for appointment to the Board, the Nominations Committee will only engage the services of search consultants who have open and inclusive recruitment processes that draw from an appropriately diverse pool of candidates.

– The Board will report progress against targets and actions taken in the Annual Report and Accounts.

Succession planning is used by the Board to deliver two key responsibilities, firstly to ensure that the Group is managed by executives with the necessary skills, experience and knowledge, and secondly to ensure that the Board itself has the right balance of individuals to be able to effectively discharge its responsibilities.

*A particular current focus is increasing female representation in the pipeline for senior roles where this is possible. A standard Management Resource Review, which includes succession and development planning, is conducted annually at Group and business level. The 2013 review showed that 20% of the high-potential population are female. Across the Group, businesses have put in place plans to 2015 to support and progress this aim. Activities include a focus on succession planning (**BAE Systems** – Aerospace & Defence).*

*It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusiveness, including gender... We believe strongly in the opportunity for internal succession and believe that internal candidates make valuable business leaders because they understand our culture and approach... We have increased our emphasis on succession planning at all levels of the organisation. The Nomination Committee has visibility of a wider range of employees with leadership potential. A Talent Management Group comprising the Chief Executive, the Group HR Director and the two UK Housing Divisional Chairmen has been established. Further actions to support succession planning have been introduced, including the development of career paths linked to experience, exposure and education; an assessment and development centre; and the promotion of the Company's mentoring scheme. We are also focusing upon recruiting individuals from a wider range of backgrounds (**Taylor Wimpey PLC** – Construction & Building Materials).*

Included as part of **WS Atkins'** talent management and succession work is engaging in a BIS initiative to help some of their women acquire Non-Executive roles in other listed companies. This allows the women to gain experience on other boards, progressing their development towards an Executive Directorship.

*As part of the succession planning exercise, a number of female employees have been identified as potential future leaders of the Group. It is hoped this will create a pipeline of senior female talent in both management and technical roles. Furthermore, we have engaged actively with an initiative promoted by the Department for Business, Innovation & Skills (BIS), to identify female senior employees to become potential candidates for non-executive director roles in other listed companies... We created a women's leadership council to enable the 50 most senior women in the business to support, mentor and encourage the next generation of Atkins' female leaders (**WS Atkins PLC** – Business Services).*

Although the figures in Table 9 would suggest that almost all of the top 200 FTSE organisations studied cover succession planning in their annual reports, as hinted at above, for a number of companies this only meant a sentence or two stating that succession planning was one of the roles of the Nominations Committee. Some companies appeared to have good processes for

considering succession planning to their most senior management, which they implied included the executive roles on their board. Others gave a nod to the executive roles but appeared to focus more on replacing their non-executive board members when their tenure was due for termination. We have endeavoured to include some more detailed examples in this report so that companies may learn from each other.

Concluding Remarks

The aim of this report was to monitor and recount progress to date against the Financial Reporting Council's October 2012 changes to the Code, considering progressive inclusion of diversity reporting within annual reports. From this, and from measuring the reality of the statistics on women in leadership and board positions across the top FTSE 350 companies, we aimed to comment on the extent to which gender diversity is becoming an integrated part of corporate strategy.

It is undoubtedly clear that significant progress has been made in the past three and a half years on increasing the overall proportion of female-held directorships in the FTSE 350 companies. What is also encouraging to see is the substantial number of companies reporting thoughtfully and in detail on various aspects of their diversity strategies.

In the FTSE 100, the number of companies complying with some aspects of the amended Code have increased substantially. However, many are let down by not addressing diversity in their board evaluation.

When compared to a sample of 50 FTSE 250 companies researched last year, this year companies 101-201 also reveal greater consideration of diversity in their reports. However, most fall far short of the Code's new guidelines. This report has really focused on the good practice within companies ranked 101-201 and so we would encourage them to learn from each other as well as their larger peers in the FTSE 100.

We strongly recommend the following plan of action for all premium listed FTSE companies:

- 1. Continue appointing one in three new directorships to a female candidate;**
- 2. All companies, individually, need to aim for 25% or more of their board directors to be women;**
- 3. Continue to measure, monitor and report against internally set quantitative objectives for better gender balance at all levels of the organisation;**
- 4. Focus on proactive succession planning at board level and down through management levels, considering diversity as part of an integrated talent management strategy;**
- 5. Ensure the Board's awareness of, engagement with and commitment to diversity is embedded in all future board evaluations, to drive accountability.**

Author Biographies

Ruth Sealy BSc, MSc, PhD, MCIPD
Deputy Director, Organisational Psychology
City University London.
Visiting Fellow, Cranfield School of Management
ruth.sealy@cranfield.ac.uk



Ruth is a lecturer and researcher in Organisational Psychology at City University London. With global expertise on women on corporate boards, her research areas include Women in Leadership; Board composition; Role Models; and various aspects of Corporate Governance.

In her previous role as the Deputy Director of the International Centre for Women Leaders, Cranfield School of Management, Ruth was the lead researcher of the annual Female FTSE Report 2007-2013. Sponsored by government and major organisations, the report analyses the demographic composition of the FTSE 350 corporate boards and executive committees. She has co-authored similar reports in Hong Kong and India. Ruth has presented the reports' findings to both academic and practitioner audiences, globally. The annual report has a considerable reputation and research impact, with the findings cited in 100+ broadsheet newspapers, radio and television channels, and practitioner journals across the world each year.

Her doctoral research considered the importance of role models for female directors in investment banks, and how organisational demography may affect their work identity formation and career aspirations. Ruth has spoken at many academic and practitioner conferences, lectured on Doctoral, MBA and MSc courses, and has written a number of reports, book chapters and journal articles. She has co-authored papers which have won Best Paper awards at both British Academy of Management and American Academy of Management Conferences.

Ruth is a member of the editorial review board for Gender in Management - an International Journal. She is a Chartered Member of the Institute of Personnel and Development, and a member of the British Psychological Society Division of Occupational Psychology. 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 Business Psychology Consultant. She specialised in process-oriented Developmental Feedback based on a variety of psychometric instruments.

Caroline Turner, BSc, MSc
Doctoral Researcher,
International Centre for Women Leaders,
Cranfield School of Management
Visiting Lecturer in Cross-Cultural Management,
University of Buckingham
caroline.turner@cranfield.ac.uk



Caroline's experience in the field of women in leadership is built on research and practice in a European context, including a ten-year appointment as independent expert on women in business at the European Commission in Brussels. In this context, Caroline led research across the member-states which formed the essence of EU Policy in the field of female entrepreneurship over two consecutive 5-year Action Programmes, and authored a series of good practice guides and evaluation reports. Caroline has consulted to governments in Ireland, Portugal and Greece and led working groups and conferences with high level political and business decision makers across Europe, addressing international audiences in diverse contexts, including the OECD, ILO and European Parliament. She has delivered a wide range of learning and development programmes for private and public sector bodies, including leadership workshops in areas such as unconscious bias, cross-cultural competence and women's career advancement.

Caroline's research interests are gendered organisational cultures and talent management processes, leadership styles and women's career progression to senior roles. At Cranfield International Centre for Women Leaders since 2012, Caroline is conducting doctoral research on talent management from a gender perspective and is author of several working papers on how gendered concepts and identification of talent may inhibit women's career progression. Caroline co-authored Cranfield's Women on Boards Interim Report 2013 and Female FTSE Report 2014. With an academic background in social anthropology and economics, Caroline is also a Visiting Lecturer in Cross-Cultural Management at the University of Buckingham. Caroline served as Secretary General on the Board of the British-Hellenic Chamber of Commerce 2011 – 2014 and since April 2014 is a NED on the Board of the Confederation of British Chambers of Commerce in Europe.

Patricia Pryce BSc, MSc, MRes, PhD
Visiting Fellow,
Cranfield International Centre for Women Leaders,
Cranfield School of Management
patricia.pryce@cranfield.ac.uk



Patricia is a Researcher and Visiting Fellow at the Cranfield International Centre for Women Leaders (CICWL). Patricia's research is focused on the concept of social capital and the part that this plays in senior-level promotion. She is also interested in the gendered aspects of senior-level promotion systems. She completed her PhD at Cranfield University specifically looking at the role social capital plays in MD-level promotion in investment banking. Her work has been published and she has presented at several conferences in the UK and overseas. Patricia's work with the CICWL includes the production of the annual Female FTSE Board Report and its supplement, 100 Women to Watch. Sponsored by government and major organisations, 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 100+ broadsheet newspapers, radio and television channels, and practitioner journals across the world each year.

Alongside her academic interests, Patricia continues to run her own learning and development consultancy specialising in management and leadership development. She is also a qualified executive coach. Patricia works with listed PLCs as well as a number of SMEs, both in the UK and abroad. She is a member of the British Academy of Management, the British Psychological Society, the Association for Business Psychology and the Association of Coaching.

Susan Vinnicombe CBE MA PhD MCIM FRSA
Professor of Women and Leadership
Director, Cranfield International Centre for Women Leaders
Cranfield School of Management
and
Deloitte Ellen Gabriel Chair for Women and Leadership
Simmons 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. Her latest book "Handbook of Research on Promoting Women's Careers" (Eds. S Vinnicombe, R.J. Burke, S. Blake-Beard and L.L. Moore) was published by Edward Elgar in 2013.

Susan has consulted for organisations in over twenty countries including the UAE, the Philippines, Trinidad, Nigeria, Australia and New Zealand on how best to attract, retain and develop women executives. 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 and a judge for the Sunday Times best NEDs of the year awards. She is 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 has been elected to Fellow of the British Academy of Management in 2013 and honoured by The International Alliance of Women (TIAW) who have named Susan as a recipient of the TIAW World of Difference 100 Award 2013, that recognises those who have made a significant contribution to the economic empowerment of women.

Susan was awarded an OBE for her Services to Diversity in the Queen's New Year's Honours List in 2005 and subsequently awarded a CBE for her Services to Gender Equality in the Queen's Birthday Honours, 2014.



Cranfield
UNIVERSITY

School of Management

CRANFIELD INTERNATIONAL CENTRE FOR WOMEN LEADERS

Cranfield School of Management, Cranfield, Bedford, England, MK43 0AL
Tel. +44 (0) 1234 751122
www.cranfield.ac.uk/som