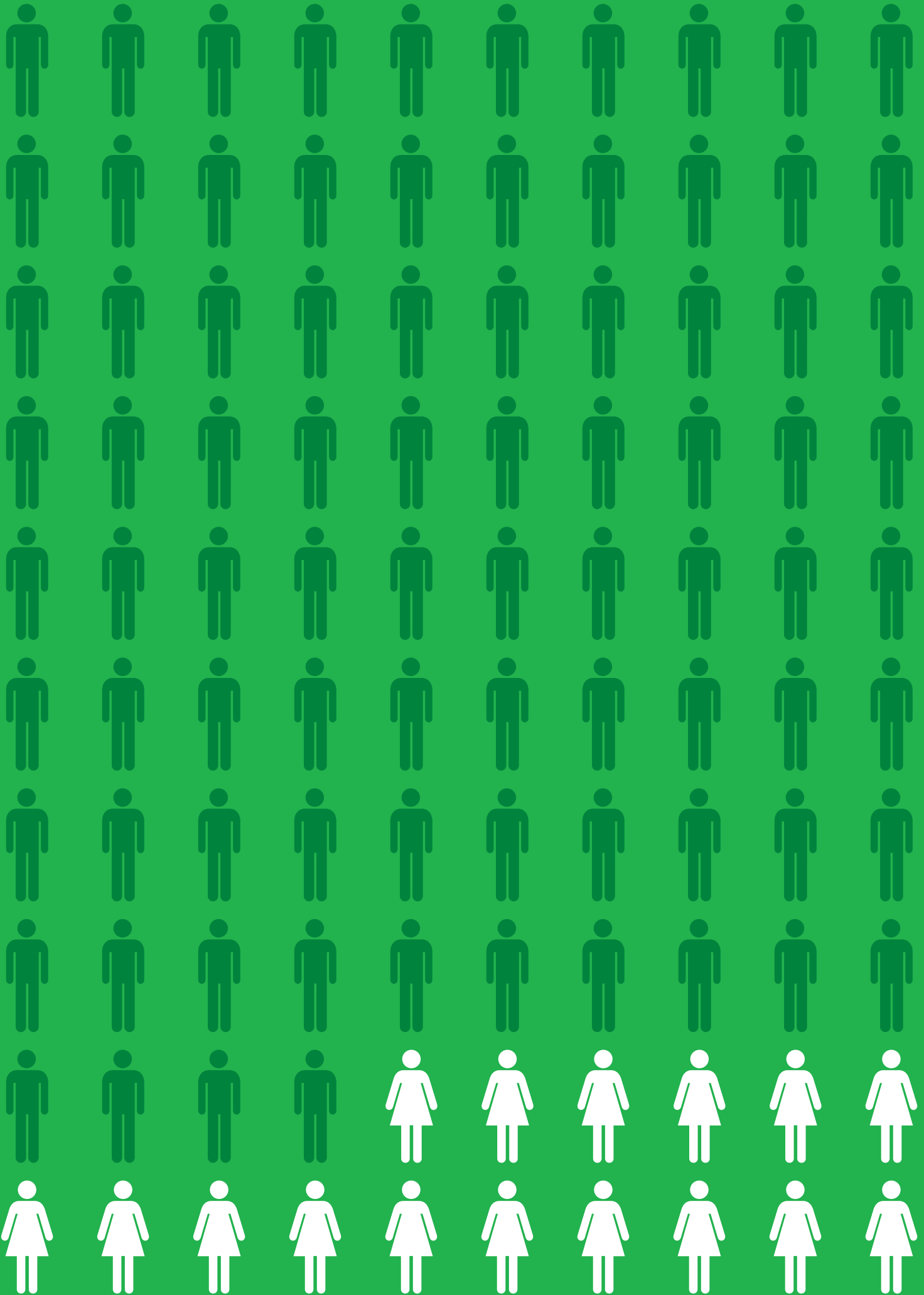


Women on boards March 2012



FTSE 100 boards. 84.4% men. 15.6% women.

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Foreword

Over the last year we have seen an unprecedented pace of change in the boardrooms of UK plc. We have seen a growing recognition of the importance of including more women in decision-making roles and of the benefits gained by society, the economy and business in doing so.

In my report last year I set out a roadmap for business to achieve 25% female representation on boards by 2015. Of course, in a world where females outnumber men in terms of population and exceed them in terms of education, 25% is not parity, but 25% is a good place to start. This is not a figure plucked from the air. It was arrived at following close analysis of board trends over recent years: we recognised that FTSE 250 companies would, in many cases, find it more difficult to achieve than those in the FTSE 100 and explicitly stated that for our top companies 25% should be seen as a minimum goal.

In the three years prior to my report the number of women on boards had effectively plateaued, stalling at less than a single percentage-point rise year-on-year. Over the past year, however, we have seen the biggest-ever reported increase in the percentage of women on boards. Cranfield School of Management's Female FTSE report, published in parallel to this report, notes that should we maintain this momentum we would see a record 26.7% female board representation by 2015. This is great news, and demonstrates how a voluntary business-led approach can work.

I believe that we are finally seeing a culture change taking place right at the very heart of British business in relation to how women are seen within the workforce. In this report I want to share with you the progress that has been made, highlight some of the excellent work that is taking place and celebrate some of the successes.

I also want to take the opportunity to thank the many Chairmen, Chief Executive Officers, business organisations, training providers, networks, journalists and individual business men and women whose commitment to this issue has been, and remains, unstinting. But I also need to state clearly that these efforts need to be ramped up and this speed of change accelerated sharply if we are to avoid Government interference. I urge you all to maintain the pressure and continue the good work in order to consolidate and build on this progress.

A handwritten signature in black ink that reads "L. Mervyn Davies".

Lord Davies of Abersoch, CBE

Executive summary

We are pleased with the progress that has been made over the last year in increasing the number of women on FTSE company boards, especially considering the long lead times from identification of an opportunity through to appointment. Of course, measuring and tracking the changes to the companies making up the FTSE 350 is not simple, the total number of board seats shifts regularly, there are daily appointments and departures of directors and the turnover rate varies from year to year. And, of course, women leave FTSE boards as well as join them. The Professional Boards Forum and BoardEx have worked hard to monitor and analyse this constantly moving picture and Cranfield School of Management continue to provide their detailed annual analysis. It is with thanks to them that we can see that the last year has experienced the largest-ever annual increase in the number of women on boards. And as of the end of February 2012:

Within the FTSE 100:

- Women now account for 15.6% of all directorships, up from 12.5%
- 47 female appointments have been made since publication of the *women on boards* report last February
- 27% of all board appointments have been taken up by women, up from 13%
- Just 11 all-male boards remain, down from 21

Within the FTSE 250:

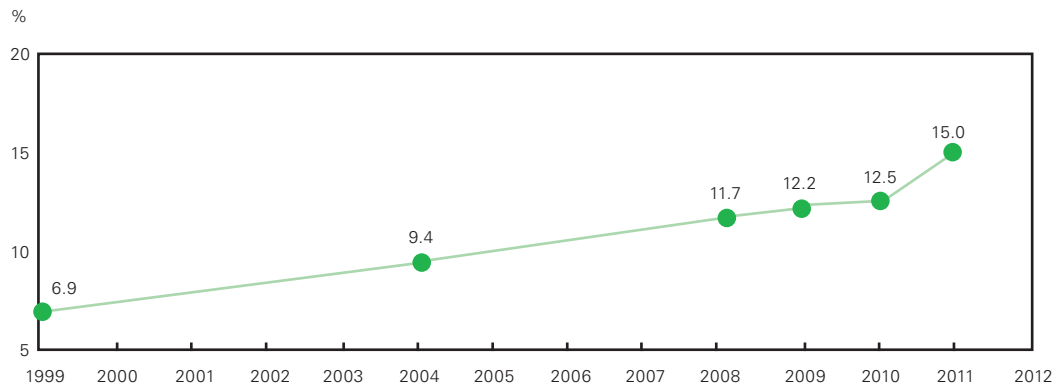
- Women account for 9.6% of all directorships, up from 7.8%
- 26% of all board appointments have been taken by women
- For the first time ever all-male boards are in the minority, 112 companies, or 44.8%, down from 52.4%
- 53 female appointments have been made since publication of the *women on boards* report last February

The number of women on FTSE 100 boards since 1999 can clearly be seen in the graph below

**History
1999-2011**

**FTSE100:
% women
directors**

Source:
Professional Boards
Forum BoardWatch.
Data kindly provided
by BoardEx and
The Female FTSE
Board Report.



We feel that this is real evidence that business is taking board diversity seriously and is working to bring about change voluntarily.

Our initial report set out our recommendation that FTSE 100 boards should aim for a minimum of 25% female representation by 2015. Over the last year 197 new appointments were made. This means that boardroom turnover reached a peak of 17.9%, a 5.3% increase on the preceding year and much higher than the 14.24% average over the preceding six years, on which the 25% target was based. To date, 17 companies in the FTSE 100 have already reached the 25% target and a further 17 are currently between 20% and 25%. Some 21 FTSE 250 companies have likewise reached the 25% target and a further 28 companies are between 20% and 25%.

This positive progress is a good start, though we recognise that the next 12 months will be crucial in determining whether the 25% target will be achieved.

Our priorities over the next year must be to work towards this minimum target of 25% of women on the boards of FTSE 350 companies and towards building a sustainable, credible supply of board-ready women by concentrating on current training and development initiatives swelling the ranks of female executives as well as non-executives.

The rest of this report sets out the progress that has been made against each of the recommendations laid out last year.

Recommendation 1

All Chairmen of FTSE 350 companies should set out the percentage of women they aim to have on their boards in 2013 and 2015. FTSE 100 boards should aim for a minimum of 25% female representation by 2015 and we expect that many will achieve a higher figure. Chairmen should announce their aspirational goals within the next six months (by September 2011). Also we expect all Chief Executives to review the percentage of women they aim to have on their Executive Committees in 2013 and 2015.

We asked Chairmen to set out their aspirational targets for the number of women on their boards by developing individual strategies tailored to the needs of their business. We recommended that these be reviewed in 2013 and 2015. The Government supported us in raising awareness of this recommendation and Ministers wrote to company Chairmen, Chief Executives and Company Secretaries on this issue. The Prime Minister also demonstrated his commitment to this agenda at an event in Number 10 in October 2011 to drive awareness, share good practice and encourage compliance. Subsequently he has debated this issue at the Northern Futures Forum in February 2012.

To date 38 FTSE 100 companies and 34 FTSE 250 companies have set themselves targets. Many companies have told us that they are planning to set targets in their coming annual reports, while some wished to wait for the Financial Reporting Council to report back on changes to the UK Corporate Governance Code, which they have now done. We therefore expect that the number of companies setting targets will increase in the new financial year. Details of those companies that have set targets can be accessed at Board Targets¹ and are attached at annex A.

Other companies have not set targets because they already have a relatively good proportion of women on their board and feel that this recommendation is not relevant to them. However, we were always clear that 25% is the minimum starting point, not the ultimate goal. Setting targets would provide the incentive for these companies to build on their good progress to date and work towards real gender parity, avoiding any risk of complacency and inertia.

Of those companies which have set targets and which are already achieving around 25%, only one third could be said to have set stretching targets to aim for. We would ask such companies to reconsider their targets and to demonstrate their commitment by stretching these targets further.

¹ <http://www.bis.gov.uk/policies/business-law/corporate-governance/women-on-boards/ftse-100-and-ftse250-published-targets>

As part of the target-setting process we also recommend companies commit to put in place better systems for monitoring the proportion of women in their workforce; in senior management roles and on the board. We suggest companies follow the lead of organisations such as Tesco and GlaxoSmithKline by adopting the Voluntary Gender Equality Reporting approach to tackling barriers for women in the workplace (see ACAS and Home Office websites).

Public sector appointments update

The Government has set itself the aspiration that women will comprise 50% of all new appointments to the boards of public bodies by the end of the current Parliament. Currently this proportion stands at about one third. A new Code of Practice on the process for making appointments will come into effect from 1 April 2012. The Code emphasises a light-touch and proportionate approach, with more flexibility for Departments, so long as their processes meet the principles of being Fair, Open and Transparent. The Code will be reflected in a cross-Government strategy, underpinned by practical actions delivered through a range of stakeholders including with FTSE Companies and other business networks, which will be published by 31 March 2012.

Recommendation 2

Quoted companies should be required to disclose each year the proportion of women on the board, women in senior executive positions and female employees in the whole organisation.

In line with the recommendation, the Department for Business have conducted a consultation on proposals to improve the quality of narrative reporting by quoted companies in their annual reports, and included a proposal for companies to disclose the proportion of women on their boards and in the company as a whole. Of the 114 responses which were received, 44% were in favour of the disclosure proposal, 13% were against and 43% of the respondents did not express a view on the proposal.

A response to the consultation will be published in March 2012 and proposed changes will come into force in April 2013.

Recommendation 3

The Financial Reporting Council (FRC) should amend the UK Corporate Governance Code to require listed companies to establish a policy concerning boardroom diversity, including measurable objectives for implementing the policy, and disclose annually a summary of the policy and the progress made in achieving the objectives.

In May 2011 the FRC consulted on possible amendments to the Corporate Governance Code that would require companies to publish their policy on boardroom diversity and report against it annually, and to consider the board's diversity, amongst other factors, when assessing its effectiveness. As well as consulting on this recommendation, the FRC also sought views on:

- Whether the Code should be amended to set out some of the most important issues, including the board's diversity, to be addressed as part of the board effectiveness review
- Whether some of the elements of a gender diversity policy should be set out, either in the Code or as separate guidance
- The timing of any changes to the code.

In accordance with the views of the vast majority of respondents, the FRC announced in October 2011 that they would amend the Corporate Governance Code to include a gender principle requiring all companies to explain their policy on boardroom diversity and to report on how it is being implemented. In addition the FRC announced that the Code would be amended to require companies to consider diversity as a factor when evaluating the effectiveness of the board.

The changes, detailed below, will be incorporated in an updated version of the code that will apply to all listed companies with financial years beginning on or after 1 October 2012. This will coincide with any changes to be made as a result of the narrative reporting consultation.

Supporting principle 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.

Supporting principle B.6 (board evaluation)

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.

Although the amended code will not formally apply until October 2012, the FRC is actively encouraging all companies to disclose this information voluntarily in annual reports published during 2012, and will report on the extent to which they are doing so in its monitoring report on the Code, which will be published in late 2012.

Recommendation 4

Companies should report on the matters in recommendations 1, 2 and 3 in their 2012 Corporate Governance Statement whether or not the underlying regulatory changes are in place. In addition, Chairmen will be encouraged to sign a charter supporting the recommendations.

The majority of FTSE 350 companies have a year-end of either 31 December or 31 March, so the majority of 2011 Annual Reports will be published between February and June 2012. Corporate Governance disclosures or statements will be included in those Reports. It is therefore difficult at this time to ascertain the exact number of companies reporting on the first three recommendations. However, we take this opportunity to remind company Chairmen and board members that they should be reporting on the above recommendations in their 2011 Annual Reports, demonstrating clear leadership and best practice.

The 2011 ICSA² Hermes Transparency in Governance Awards for the Best Annual Report reflected the need for boards to respond to the recommendations by including considerations of gender diversity within the assessment methodology. For the 2012 Awards the assessment methodology for the Best Board Disclosure will also include a need for

² Institute of Chartered Secretaries and Administrators

meaningful disclosure 'on diversity in its widest sense and not limiting disclosure to the targets set for board representation'. These Awards set the 'gold standard' of corporate reporting and seek to drive behaviours and encourage better governance. They reflect best practice and highlight the continually-improving standards of disclosure in Annual Reports.

The second part of this recommendation called for a Charter for Chairmen to sign, publicly pledging their commitment to seeing more women reaching the boardroom. In March 2011 EU Justice Commissioner Vice-President Viviane Reding launched the 'Women on the Board Pledge for Europe', which she challenged listed companies in Europe to sign by March 2012. We decided that an additional, separate UK pledge could potentially lead to confusion and would therefore not be in the interest of business.

Recommendation 5

In line with the UK Corporate Governance Code provision 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" Chairmen should disclose meaningful information about the company's appointment process and how it addresses diversity in the company's Annual Report including a description of the search and nominations process.

The Amendments to the Corporate Governance Code under supporting principle B.2.4 and the anticipated changes brought about by the narrative reporting consultation should ensure that annual reports are much more meaningful to all stakeholders from 2012. In addition, transparent appointment processes and demographic disclosure across organisations will assist businesses to identify where the talent blockages and attrition black spots lie within their systems, enabling organisations to build effective development routes in order to build a sustainable talent pool upon which to draw in future years.

Recommendation 6

Investors play a critical role in engaging with company boards. Therefore investors should pay close attention to recommendations 1-5 when considering company reporting and appointments to the board.

We are delighted that not only are investors now engaged on this issue but they are increasingly becoming one of the most active and vocal groups championing women on boards. The FRC consultation and subsequent action has served to galvanise the investment sector to take action.

Evidence suggests that diversity is becoming a key component of stewardship dialogue between investors and companies. Some of the UK's largest institutional investors have now published their own policies setting out how they intend to engage with the companies in which they invest on the issue of diversity. Other key areas of progress include:

In February 2011 the Association of British Insurers (ABI) announced that it was going to begin reporting on the number of women on FTSE boards and would incorporate the figures into its Institutional Voting Information Service, placing direct pressure on Chairmen to appoint more women and allowing investors a real avenue of challenge. Representing the most significant group of institutional investors in the UK, the group announced that it would review what listed companies were already doing in respect of board effectiveness and the role diversity plays in this, board evaluation and proper succession planning.

In September 2011 the Co-operative Asset Management wrote to the Chairmen of Nominations Committees at their top 80 holdings detailing the critical importance of diversity in the boardroom, asking them to disclose their aspirational targets and informing them of a new voting policy, effective from October 2011, that *"should an investee company fail to disclose its aspirational targets or fail to elect any women to an all-male board, they will in the first instance, abstain on the re-election of the Chairman of the Nominations Committee"*.

In November 2011 the 30% Club launched the 30% Club Investor Group, which currently consists of 11³ major institutional investors with combined assets under management of £1.7trillion, who are working to encourage greater engagement between investors and Chairmen and to consider the issue when voting on the appointment and re-election of board members.

³ Aviva Investors, The Co-operative Asset Management, F&C Investments, Jupiter Asset Management, Legal & General Investment Management, Newton Investment Management, Railpen, Aberdeen Asset Management, BlackRock, Hermes Equality Ownership Services and the Local Authority Pension Fund Forum

November also saw the National Association of Pension Funds (NAPF) update its Corporate Governance Policy to state: *"The importance of gender diversity had been emphasised in the past year and investors now expect boards to set out an explicit policy for achieving a greater degree of diversity than has been the practice in the past. They should also track the implementation of that policy. They see this as an integral part of good succession planning, in the absence of which shareholders should consider abstaining on or voting against the re-election of the Chairman of the Nominations Committee."*

This action by such a critical body of stakeholders is a significant step towards engaging investors and shareholders on the issue of greater board diversity and effectiveness.

Recommendation 7

We encourage companies periodically to advertise non-executive board positions to encourage greater diversity in applications.

The need to increase transparency in the recruitment process remains a high priority. Company Chairmen and Executive Search Firms are crucial in ensuring that opportunities at board level are open to as wide and diverse a field as possible, ensuring in turn that companies have access to a better quality and quantity of candidates.

We are not advocating any one particular way of recruiting, as companies must determine what is most suitable and appropriate for their business, but we would propose that companies consider various means of recruitment and advertising to gain access to a broader pool of candidates for board positions. We have seen little evidence that business has taken up this recommendation or that more boardroom positions are being advertised. We still feel that this is a crucial part of tackling this agenda.

Going forward we will continue to work with business to look at innovative ways in which to make progress in this area, including talking to those women recently appointed to FTSE 100 boards to identify and develop good practice and lessons learned.

Recommendation 8

Executive search firms should draw up a Voluntary Code of Conduct addressing gender diversity and best practice which covers the relevant search criteria and processes relating to FTSE 350 board level appointments.

In an unprecedented step, leading executive search firms joined forces last year to develop a Voluntary Code of Conduct for the industry. Launched on 22 July 2011, the code sets out the steps for executive search firms to follow throughout the search process, from accepting a brief and working with Chairmen to refine the job specification through to individual appointment and induction. To date, 21 executive search firms have signed up.

We are pleased that The Association of Executive Search Companies (AESC), the Association of Executive Recruiters and the 30% Club continue to champion the code.

The Equality and Human Rights Commission is currently researching how the appointments process operates in practice in terms of gender diversity, including the working relationship between executive search firms and their clients; how much this acts as a barrier or enabler to greater diversity; and what impact the new voluntary code of conduct for executive search firms is having across the sector. We look forward to the findings of this report.

Recommendation 9

In order to achieve these recommendations, recognition and development of two different populations of women who are well-qualified to be appointed to UK boards needs to be considered:

- **Executives from within the corporate sector, for whom there are many different training and mentoring opportunities; and**
- **Women from outside the corporate mainstream, including entrepreneurs, academics, civil servants and senior women with professional service backgrounds, for whom there are many fewer opportunities to take up corporate board positions.**

A combination of entrepreneurs, existing providers and individuals needs to come together to consolidate and improve the provision of training and development for potential board members.

The six-month monitoring report published by Cranfield School of Management in October 2011 showed that a large proportion of the new female appointments that have been made had no previous FTSE experience. As at January 2012, 29 of the 47 new appointees (62% overall) had no prior FTSE 350 board experience. This is good news, given that in previous years Cranfield had reported a relative recycling of female directors. This evidence suggests that companies are opening up the appointment process to new women. It is important that we build on this momentum.

Progress on appointment of women Executive Directors continues to be slow. Research suggests that although the numbers of female board members are increasing, the rate at which Non-Executive Directors are rising is much faster than that for Executive Directors. It is important that companies commit to changing the culture from the inside, by developing the pipeline of staff that they already have. Over the last year just 15% of executive posts within the FTSE 100 were awarded to women, 7% of those within the FTSE 250⁴.

We are aware that a mass of new initiatives have been developed over the last year with the express aim of developing this pipeline of female talent, and this may also be an issue that the new Women's Business Council, established by the Home Secretary, will wish to consider. Steering group members will continue to work with the Home Secretary to look at supply issues.

Recommendation 10

This steering board will meet every six months to consider progress against these measures and will report annually with an assessment of whether sufficient progress is being made.

Over the course of the year the steering group has continued to meet at six-monthly intervals to discuss the progress against the recommendations and to debate possible next steps. We have actively worked to champion our cause at every opportunity and reaffirm our commitment to continue do so over the next year.

⁴ Cranfield School of Management

Conclusion

The progress that has been made against each of these recommendations has helped to increase the number of women reaching the boardrooms of UK plc. Many individuals, too numerous to mention here, have developed new initiatives and activities over the last year that are helping to swell the ranks of board-ready women and making it easier for them to gain appointments. Our thanks extend to the Chairmen of organisations open to adapting to change, to the executive search firms that have embraced new ways of working, to Company Secretaries who are ensuring that this issue is on the agenda and to the press who have ensured that women on boards has enjoyed a constant and beneficial media presence.

This enquiry has raised so many questions on other subjects including childcare, work-life balance, flexible working and indeed a number of professions like the legal and accounting profession face huge challenges around some of these issues.

What is also clear is that we need more women role models in business, more women entrepreneurs. The more we do on this the more we will assist growth.

In these difficult times it is now more important than ever that British businesses benefit from the skills, abilities and insights of the whole population, not just a portion. This is still only the start of the journey. If we are to create a lasting change the next 12 months will be crucial. We urge you all to continue the good work that has been started. To build on and consolidate the progress that has been made to date, and to maintain the momentum and pressure for change in order to make a positive difference to the lives and careers of women in the UK.

FTSE 100 Board Targets

Annex A

Company	Current % of women on board	2013 Target	2015 Target
ADMIRAL GROUP PLC	18.2%		25%
ANGLO AMERICAN PLC	18.2%	30%	
AVIVA	21.4%	25%	
BAE SYSTEMS PLC	23.1%		25%
BARCLAYS PLC	16.7%	20%	25%
BHP BILLITON PLC	25%	25%	
BP PLC	12.5%	25%	
BRITISH SKY BROADCASTING GROUP PLC (BSKYB)	7.1%	25%	25%
CAPITAL SHOPPING CENTRES GROUP PLC	7.1%		25%
CENTRICA	25%		25%
EURASIAN NATURAL RESOURCES CORP PLC	8.3%		20%
G4S PLC	20%		25%
GKN PLC	10%		25%
GLAXOSMITHKLINE PLC	20%	25%	
HSBC HLDGS PLC	22.2%		25%
INTERCONTINENTAL HOTELS GROUP PLC	25%		25%
KINGFISHER PLC	22.2%		25%
LAND SECURITIES GROUP PLC	18.2%		25%
LLOYDS BANKING GROUP PLC	8.3%		25%
MARKS AND SPENCER	23.1%	30%	30%
MORRISON (WM.) SUPERMARKETS PLC	28.6%		30%
NATIONAL GRID PLC	25%		25%
OLD MUTUAL PLC	9.1%	18%	27%
PETROFAC LTD	11.1%	15%	25%
REED ELSEVIER PLC	11.1%	22%	
REXAM PLC	11.1%		25%
ROLLS-ROYCE HOLDINGS PLC	6.7%		25%
ROYAL BANK OF SCOTLAND GROUP PLC	23.1%	25%	
ROYAL DUTCH SHELL PLC	15.4%		25%
SAGE GROUP PLC	25%	25%	25%
SAINSBURY (J) PLC	20%		25%
SMITH & NEPHEW PLC	18.2%		25%
TESCO PLC	21.4%		25%
TULLOW OIL PLC	9.1%		25%
UNILEVER PLC	25%		25%
VODAFONE GROUP PLC	14.3%		25%
WHITBREAD PLC	27.3%	27.3%	
WOLSELEY PLC	22.2%		25%

FTSE 250 Board Targets

Company	Current % of women on board	2013 Target	2015 Target
AMLIN PLC	9.1%		20%
BEAZLEY PLC	0%		10%
DIGNITY PLC	11.1%		25%
DOMINOES PIZZA UK & IRL PLC	22.2%	20%	20%
DS SMITH PLC	0%		25%
ELECTRA PRIVATE EQUALITY PLC	50%	33%	33%
EUROMONEY INSTITUTIONAL INVESTOR PLC	11.8%		13%
FIDELITY EUROPEAN VALUES PLC (Quoted)	0%		20%
FIDELITY CHINA SPECIAL SITUATIONS PLC	16.7%		25%
FIRSTGROUP PLC	0%		20%
GO-AHEAD GROUP PLC	14.3%	17%	17%
GRAINGER PLC	18%	18%	18%
GREENE KING PLC	0%		14%
INFORMA PLC	14.2%	14%	14%
INVESTEC PLC	18.8%		25%
JUPITER FUND MANAGEMENT PLC	20%	20%	20%
LAIRD PLC	0%	13%	25%
MONDI PLC	22.2%	25%	25%
PENNON GROUP PLC	14.2%	14%	25%
PHOENIX GROUP HOLDINGS	7.7%	14%	21%
PREMIER FARNELL PLC	25%	25%	25%
REDROW PLC	33.3%		33%
RENTOKIL INITIAL PLC	0%	20%	20%
RESTAURANT GROUP PLC	16.7%	17%	17%
ROTORK PLC	0%	12.5%	12.5%
RPS GROUP PLC	25%	25%	25%
SENIOR PLC	0%	15%	15%
STAGECOACH GROUP PLC	22.2%	22%	22%
SVG CAPITAL PLC	25%		25%
SYNERGY HEALTH PLC	33.3%	33.3%	33.3%
TAYLOR WIMPEY PLC	22.2%	22%	22%
TUI TRAVEL PLC	6.7%		25%
WILLIAM HILL PLC	25%		25%
WS ATKINS PLC	22.2%		33.3%



FTSE 100 executive directorships, 93.4% men. 6.6% women.