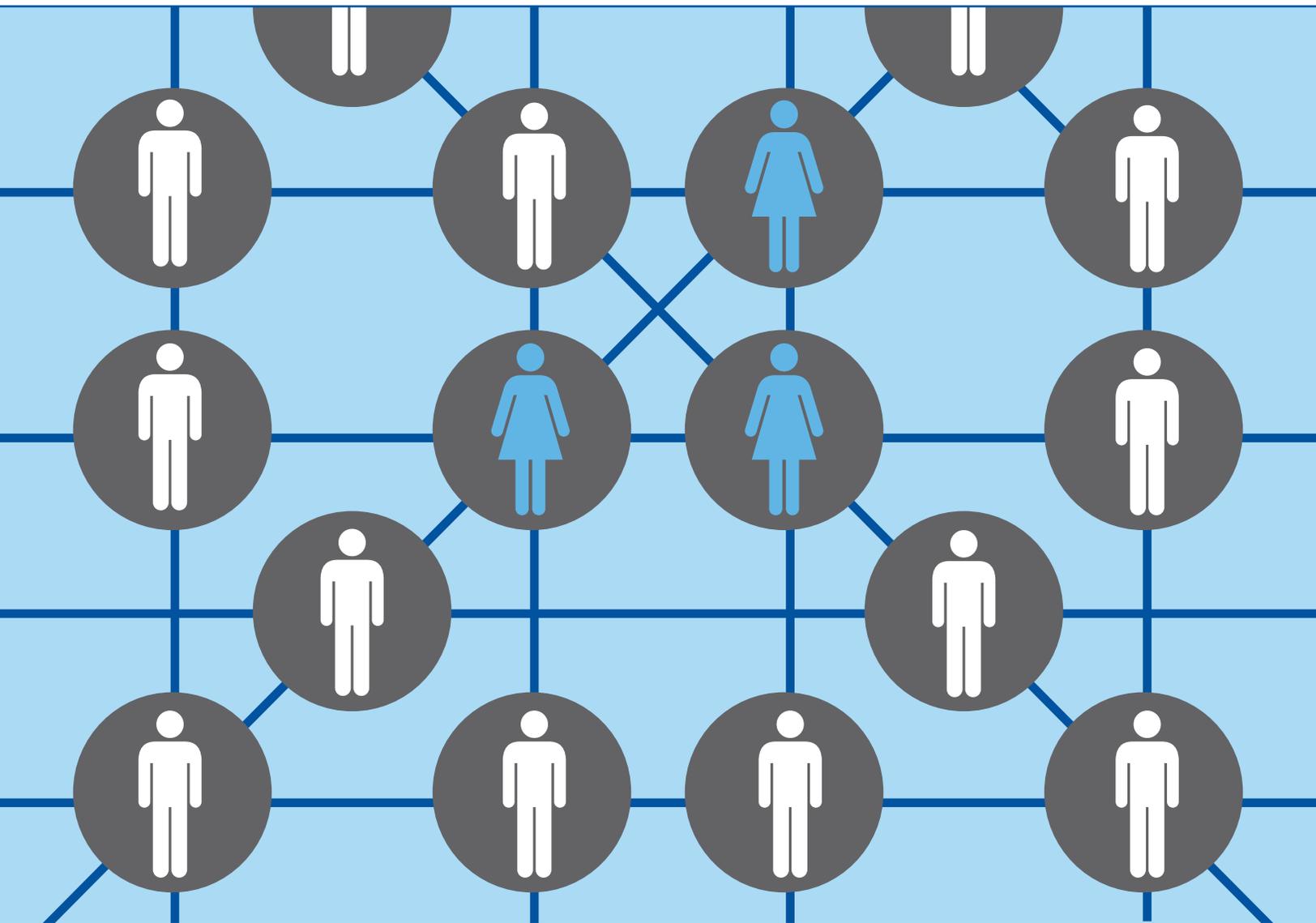


# Women On Boards

Benchmarking adoption of the 2012  
Corporate Governance Code in FTSE 350



**Dr Ruth Sealy, Caroline Turner and Professor Susan Vinnicombe OBE**

Cranfield International Centre for Women Leaders, School of Management, Cranfield University



## Contents

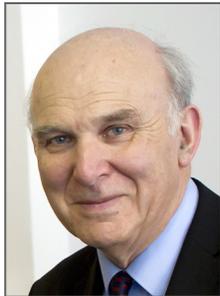
Foreword by Maria Miller and Vince Cable .....	4
Introduction by Sarah Hogg.....	5
Update on Progress by Lord Davies.....	6
Executive Summary.....	7
Women on Boards .....	7
Adoption of the 2012 Corporate Governance Code amendment .....	7
Introduction .....	8
‘The Code’ 2010.....	8
Davies Report 2011.....	9
Financial Reporting Council Announcement 2011 .....	10
EU Directive 614.....	10
EU Directive 2013/34 .....	10
EU Capital Requirements Directive IV.....	11
New UK Narrative Reporting Regulations.....	11
Methodology .....	12
The Headline Figures .....	14
Analysis of Annual Reports .....	16
Analysis of FTSE 100 Annual Reports .....	16
Looking at the FTSE 100 Pipeline.....	21
Succession Planning in the FTSE 100 .....	23
Analysis of FTSE 250 Annual Reports .....	26
Looking at the FTSE 250 Pipeline.....	28
Succession Planning in the FTSE 250.....	29
FTSE 350 Executive Director Appointments .....	31
Concluding Remarks .....	35
Author Biographies .....	36

## Foreword by Maria Miller and Vince Cable



In the drive to diversify, the boardrooms of UK listed companies are increasingly being embraced by business as the benefits of achieving a better gender balance are more widely accepted and understood.

Over 50% of the UK population and around 60% of our graduates are female, yet this is not reflected in the workplace. Businesses that have not yet fully absorbed the vital importance of this agenda are missing out on the talent and growth potential within their workforce.



The Women's Business Council, set up by the Government, recently argued that if the same proportion of women were in work as men, the UK could further increase GDP per capita growth by 0.5 percentage points per year, with potential gains of 10% of GDP by 2030.

The business case for diversity has now moved on from one of equality and political correctness to the bottom line. There are clear economic gains, for individual companies and for the country as a whole.

The amendments to the Financial Reporting Council's Corporate Governance Code have made board diversity integral to the way a company is governed and how it reports. There are some excellent case studies in this report, with evidence of good practice on talent management and developing the pipeline for women to progress within their organisation to the most senior roles. There are clear business benefits to be gained from developing and retaining the best talent.

On board appointments, steady progress is continuing to be made with almost 19% of FTSE 100 Board members being women – the highest since Cranfield began analysing the data and up from 12.5% in 2011. In addition to this we are particularly pleased with the progress made by companies in the FTSE 250, where the proportion of women on boards has now reached almost 15%. This shows that mid-sized companies are also able to compete with the UK's top 100 in attracting diverse talent. The emphasis on this improvement is placed on a cultural shift taking place within UK business rather than imposed quotas that some in Europe would wish to advocate.

We are approaching the third year since Lord Davies completed his first report on this issue, which set a target of 25% women on FTSE 100 boards by the end of 2015. We are both personally committed to this target and government will continue to work in partnership with business to make sure we achieve it.

We applaud those already engaging with this agenda and would encourage those that aren't to focus their business on making progress.

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

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

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

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



## Introduction by Sarah Hogg

In my foreword to last year's edition of this report, I highlighted the need for companies of all sizes, not just those in the FTSE 100, to address the issue of diversity at board level and to develop the executive pipeline. So I am very pleased that, this year, the scope of the report has expanded to look at reporting by FTSE 250 companies, and how companies report on succession planning.

Overall, the percentage of companies providing meaningful information on their diversity policies is lower in the FTSE 250 than the FTSE 100. This is consistent with what we have seen in the early stages after other changes to the Code have been introduced. But I am encouraged by the fact that FTSE 250 companies have already closed the gap on the FTSE 100 in terms of the rate at which female directors are being appointed. I hope we will have seen a similar trend in the quality of reporting by next year. All companies should be capable of describing clearly and succinctly what they do, and there are many good examples of reporting by FTSE 250 companies highlighted in the report.

The report highlights some areas where there is obviously room for improvement. Relatively few of the companies surveyed have set out clearly whether they have policies to increase the number of women in senior management, and reporting on succession planning more generally is variable.

The FRC has been paying particular attention to succession planning this year, after research by the Association of British Insurers found that it was one of the issues most commonly identified by boards as in need of more attention when they assessed their own effectiveness. This was borne out at a series of meetings the FRC held on board evaluation earlier this year.

Without proper succession planning for both executive and non-executive positions, informed by a clear strategy for the future development of the company, boards will struggle to ensure that they have the mix of skills and experience they need as the company evolves. Of course, succession planning needs to be broader than just developing a pipeline of female senior managers capable of serving on the board, but if companies can tackle this successfully, it bodes well for the wider task. Moreover, success in developing the female pipeline is critical to maintaining, let alone increasing, momentum of change in the gender balance of boards.

A handwritten signature in black ink that reads "Sarah Hogg". The signature is written in a cursive style with a horizontal line underlining the name.

**Baroness Hogg**  
Chairman, Financial Reporting Council



## Update on Progress by Lord Davies

Over the last year we have continued to see encouraging progress in the number of women recruited to the boardrooms of UK companies. Women now account for 18.9% of FTSE 100 and 14.9% of FTSE 250 board positions, the highest ever proportion. The pace of change has varied: this report sets out the way in which, since 2012, the proportion of female candidates appointed has varied from 26% to 44% in the FTSE 100 and from 26% to 36% in the FTSE 250. Recently, the figures have been towards the bottom end of this range. This shows that all involved will need to make renewed efforts in order to achieve our target that there should be 25% female representation on FTSE 100 boards by 2015.

More fundamentally, there has been a marked shift in perceptions – a genuine culture change. Chairmen and Chief Executives increasingly do not need persuading: the question is no longer “Why should I do this?” but “What are the root causes and how can I tackle them?”

The first step is to understand the female executive pipeline – in a number of companies, graduate recruitment is evenly balanced between the sexes yet the ranks of senior management are mostly male, sometimes overwhelmingly so. Companies need to understand how they identify and develop talented individuals within their organisations and what measures could deliver sustainable change.

The analysis in this report illustrates the difference between a compliance-based approach and real buy-in and commitment. Researchers found that of the FTSE 100 companies, 94 referred to the need for greater boardroom diversity or the new provisions of the Code. However, of these, fewer than half (42) had set a measurable objective and only 37 had recorded progress against that objective. This detailed research is invaluable in reaching a proper understanding and we are grateful to Cranfield University for their analysis.

There are real grounds for optimism in this report, not least the case studies and examples of good practice from companies across a range of sectors. They know that using all of the talent available to them, fostering the right mix of skills and backgrounds to provide different perspectives and customer insights, is not an optional extra. It is a compelling business need.

A handwritten signature in blue ink that reads "L. Mervyn Davies". The signature is written in a cursive, slightly stylized font.

Lord Davies of Abersoch, CBE

## Executive Summary

This report monitors progress to date among FTSE 350 companies against new provisions in the Corporate Governance Code 2012, first announced by the FRC in October 2011, requiring diversity reporting within annual reports. The progress is set against the latest figures on the number of women on FTSE 350 boards and the pace of change over the past six months.

### Women on Boards

Since the Davies Report in March 2011, the percentage of female-held directorships on FTSE 100 boards has increased to 18.9% and on FTSE 250 boards to 14.9%. The pace of change has varied over the two year period and after a significant drop reported in March 2013, we are pleased to reveal increasing levels again. However, given reasonably stable turnover rates, the percentage of new appointments going to women needs to increase substantially if Lord Davies' target of 25% by 2015 is to be hit.

### Adoption of the 2012 Corporate Governance Code amendment

We analysed all FTSE 100 companies' annual reports and found little change from last year:

- 65% of FTSE 100 companies had stated a clear policy on boardroom diversity
- 42% of companies had set measurable objectives to increase the percentage of women on their board
- 27% of companies addressed diversity in their board evaluation process
- 30% of companies demonstrated clear policies or measures aimed at increasing the number of women in senior management
- 99% reported on succession planning, with 43% specifying gender

In a sample of 50 companies from the FTSE 250 we found figures were lower on all measures under consideration:

- Only 18% of FTSE 250 companies had stated a clear policy on boardroom diversity
- 14% of companies had set measurable objectives to increase the percentage of women on their board
- 24% of companies addressed diversity in their board evaluation process
- Just 2% of companies demonstrated clear policies or measures aimed at increasing the number of women in senior management
- 72% reported on succession planning, but just 8% specified gender

## Introduction

Since 2011 we have seen progressive steps taken by many stakeholders, working together to increase the utilisation of female talent at the most senior levels of public limited companies (PLCs) in the UK. This report, sponsored by the Financial Reporting Council (FRC) and Government Equalities Office (GEO) and supported by the department for Business, Innovation and Skills (BIS), monitors the extent to which gender diversity is becoming a part of corporate overview, as revealed both in annual reporting and in the statistics on women in leadership and board positions across the top 350 companies listed on the Financial Times Stock Exchange (FTSE). The report focuses on the progressive inclusion of diversity in the reporting requirements of the UK Corporate Governance Code (known as ‘the Code’) – the principles by which UK PLCs operate – recorded in their annual reports and monitored by the FRC. It also reveals the latest headline figures for executive and non-executive women on boards and the current proportion of new appointments going to women.

### ‘The Code’ 2010

In May 2010, the FRC revised the UK Corporate Governance Code to include, for the first time, a principle recognising the value of diversity in the boardroom, stating that:

*“The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender”.*

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

Later that year, the government, concerned about women’s continuing low representation, commissioned a review into women on boards. The review was led by Lord Davies of Abersoch, former Chairman of Standard Chartered Bank, and included extensive consultation with a range of stakeholders, including senior business leaders, executive search consultancies, women’s networks and entrepreneurs. In addition, an online call for evidence received over 2,600 responses.

## Davies Report 2011<sup>1</sup>

In February 2011, the steering committee led by Lord Davies produced a report, in which it 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, 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.

The Davies Committee has been very active in pursuing and reporting on each of these recommendations<sup>2, 3, 4, 5, 6</sup> with the help of partner organisations such as Cranfield School of Management, The 30% Club, Equality & Human Rights Commission, FRC, GEO and BIS departments. At Cranfield, we have monitored the extent to which companies have started reporting on gender diversity at board level; how they have responded to the requirement to set aspirational targets for the percentage of women on boards; how the executive search firms have altered their appointment processes; and whether gender diversity is monitored or reported at senior management levels.

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

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)

## 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 on which the FRC will consult in early 2012, but the FRC has encouraged companies voluntarily to apply the amendments with immediate effect.”*

Financial Reporting Council, October 2011

**In October 2012<sup>7</sup>**, we reported on how many companies had, as recommended above, voluntarily applied the amendments, prior to the formal reporting period. This gave the FRC a benchmark of the numbers of early adopters of best corporate governance practice.

**This year, 2013**, has seen further guidance, recommendation and pressure, from a number of sources, applied to organisations to be proactive in addressing low levels of women in senior ranks or in the corporate boardroom.

### EU Directive 614<sup>8</sup>

For much of the year EU Justice Commissioner Viviane Reding’s proposed Directive on boardroom gender quotas, has been discussed across Europe. This would see a requirement of a minimum 40% of each gender on supervisory boards or 33% on unitary boards (as we have in the UK). As we go to press, the draft Directive has been approved by two European Parliament Committees – for Legal Affairs, and Women’s Rights and Gender Equality, respectively – with 40 out of a combined 55 members voting in favour. The draft legislation will pass to the next plenary session of the European Parliament after the European elections in May 2014, before being voted on by the EU Council of Ministers (representatives of the EU 28 Member States). The ultimate fate of the proposal will depend on political agreement in Council (which is proving elusive). Whatever the eventual outcome, there can be no doubt that the Directive has focused minds across Europe on the issue of gender balance on boards.

### EU Directive 2013/34<sup>9</sup>

Proposed amendments to Directive 2013/34 (on the annual financial statements, consolidated financial statements and related reports) are currently under negotiation. If agreed, these proposals would likely require listed and some other large companies, to include in their annual report details of their diversity

<sup>7</sup> Sealy & Vinnicombe, 2012 – op. cit.

<sup>8</sup> European Commission COM (2012) 614 final, Brussels, 14.11.2012

<sup>9</sup> Directive 2013/34/EU of the European Parliament and the Council, 26 June 2013, on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings

policies for their administrative, management and supervisory bodies with regard to aspects such as age, gender, geographical diversity, educational and professional background.

## EU Capital Requirements Directive IV

In August 2013 the Prudential Regulation Authority and the Financial Conduct Authority published consultation papers on the EU Capital Requirements Directive IV. This is aimed at the larger banks, building societies and investment firms and includes a regulation that companies with nominations committees should “*decide on targets for the underrepresented gender on the board and to prepare a policy on how to increase the number of the underrepresented gender... Institutions must make public their policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets, and the extent to which these objectives and targets have been achieved.*”<sup>10</sup> In the media discussion about this proposal there appeared to be confusion regarding whether the directive is aimed at board level or senior management and whether this amounts to quotas or targets. If enacted, these legal requirements will come into effect on January 1st 2014 and will affect up to 2,400 UK organisations, according to the Chartered Institute of Personnel and Development<sup>11</sup>, implying that other organisations are then likely to have to follow suit. In reality, the proposal is not inconsistent with the FRC’s amendments to the Code considered in this report and the recommendations made previously by the Davies Report for all premium listed companies.

## New UK Narrative Reporting Regulations

In addition, from October 1st 2013, new narrative reporting regulations came into force in the UK. 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.<sup>12</sup>

Following examples in other countries, such as on the Australian Stock Exchange, it is believed that these new narrative reporting rules on gender metrics, together with the FRC’s requirements within the Code 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.

10 [http://europa.eu/rapid/press-release\\_MEMO-13-690\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-690_en.htm) European Commission – Memo/13/690 16/07/2013 Capital Requirements – CRD IV/CRR – Frequently Asked Questions

11 <http://www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2013/08/13/financial-firms-to-face-boardroom-gender-targets.aspx> – accessed 10/09/2013

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, new appointments and female executive directors (see Tables 2, 3, 12 & 13), data were downloaded from BoardEx on October 1st 2013. For the Analysis of Annual Reports section, we took the reports of those companies listed on the FTSE 100 and FTSE 250 on August 7th 2013.

We analysed the annual reports of the FTSE 100 companies, all of which were published between July 2012 and July 2013. The majority (86%) of the companies' reports had been produced after the Code amendments of October 2012.

Past research has largely focused on the top FTSE 100 companies. It is often believed that these organisations are more likely to be early adopters of corporate governance 'best practice', due to a combination of resources and being more in the media spotlight. Historically, the figures for women on boards and in senior management have been substantially lower in the FTSE 250 than the FTSE 100 companies. However, our data reveal that the FTSE 250 companies are showing signs of catching up. Therefore, in this report we also shine the spotlight on FTSE 250 reporting. Time and resource limitations restricted our investigation to a subset of 50 organisations selected from the FTSE 250. The subset comprised 50 companies which, at the time of data collection, had most recently published their annual reports. These reports were for companies with Year Ends between March and April 2013, therefore maximising the time period following the FRC's announcement of the Code amendments, 18 months earlier.

**Of the total of 150 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 2012 (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 Chairman's Statement, the Corporate Governance Report and Directors' 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'.

Notes on the questions:

- I. In analysing the data we wanted to identify those organisations that had gone further than recognising and acknowledging the Davies Report and that specifically demonstrated awareness of the need for boardroom gender diversity and/or the 2012 changes to the Code. 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. The majority of FTSE 100 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 a clear policy on boardroom diversity. For question II above, we looked for specific reference to a stated or intended policy to increase boardroom diversity.
- III. Companies needed to demonstrate a proactive decision about and commitment to measurable objectives for gender diversity in the boardroom, rather than a vague statement loosely agreeing in principle with Lord Davies' aspirational target of 25% women on boards.
- IV. 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)*

- V. Question V 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 wanted 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.
- VI. 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)*

We would like to acknowledge significant help with the data collection by our research assistant Yiarayong Klanboonkrong – thank you.

## The Headline Figures

**Table 2:  
Headline  
Figures for FTSE  
350 Women on  
Boards**

	FTSE 100		FTSE 250	
	March 2013	October 2013	March 2013	October 2013
Female-held directorships	194 (17.3%)	206 (18.9%)	267 (13.3%)	295 (14.9%)
Female executive directorships	18 (5.8%)	18 (6.0%)	32 (5.4%)	31 (5.4%)
Female non-executive directorships	176 (21.8%)	188 (23.9%)	235 (16.6%)	264 (18.6%)
Companies with female executive directors	17	17	29 (11.6%)	29 (11.6%)
Companies with at least one female director	93	94 (94%)	185 (73.2%)	199 (80%)

**The headline figures for women on the boards of our largest PLCs continue to rise, but at a much decreased pace.** During the initial 18 months following the publication of the Davies Report we saw an increase of five percentage points, similar in size to that which took the previous decade to achieve. This was considered encouraging, particularly because the proportion of new appointments going to women was hitting the recommendation of one third, made in the Davies Report. However, as reported in the Female FTSE Report 2013<sup>13</sup> in April this year, the wave of optimism soon dissipated as the percentage of new appointments fell below that required (see Table 3 below). As at October 1st 2013, the figure for women holding directorships on FTSE 100 boards has risen to 18.9% and only 6 of the 100 companies have all-male boards. For the FTSE 250 boards, the same figure has risen to 14.9%, with 51 company boards remaining all male. This year saw a handful of senior executive females in FTSE 100 leaving their roles and the percentage of women in those roles has remained stubbornly at around 6% since 2010.

The FTSE 100 companies with no women on their boards are:

- Antofagasta
- Croda International
- Glencore Xstrata
- London Stock Exchange Group
- Melrose Industries
- Vedanta Resources

We look forward to seeing how these companies respond to the Code next year.

*The Board will develop a Board diversity policy and consider diversity in the context of the wider Croda organisation. (Croda International)*

There are still 51 of the FTSE 250 companies with all-male boards, but this figure has decreased rapidly in the past two years and is down from 65 earlier this year.

<sup>13</sup> Sealy & Vinnicombe, 2013 – The 2013 Female FTSE Report: False dawn of progress for women on boards

**Table 3:  
Percentage  
of New  
Appointments to  
Women**

Female FTSE 100	6 mth to Mar 2012	6 mth to Sept 2012	6 mth to Mar 2013	6 mth to Sept 2013
New female appointments	21	26	19	20
New male appointments	54	33	55	53
Total new appointments	75	59	74	73
Female % of new appointments	<b>28.0%</b>	<b>44.1%</b>	<b>25.7%</b>	<b>27.4%</b>

Female FTSE 250	6 mth to Mar 2012	6 mth to Sept 2012	6 mth to Mar 2013	6 mth to Sept 2013
New female appointments	33	43	46	36
New male appointments	92	75	112	87
Total new appointments	125	118	158	123
Female % of new appointments	<b>26.40%</b>	<b>36.40%</b>	<b>29.1%</b>	<b>29.3%</b>

In the decade prior to publication of the Davies Report in 2011, the annual turnover of FTSE 100 board seats had ranged between 12.5% and 17% and the annual percentage of those new seats going to women had averaged just 14.2%. Thus the Davies Report stated that in order to achieve the aspirational target of 25% of FTSE 100 board positions held by women by 2015, a third of all new board appointments must go to women. In the subsequent 18 months the percentage rose steadily, hitting a peak in 2012 for both FTSE 100 and FTSE 250 board appointments, when four out of ten new appointments were going to women. However, this fell back earlier this year with both indices showing women obtaining less than 30% of new appointments. In our Female FTSE report published in April 2013<sup>14</sup>, we called on FTSE 350 companies to regain momentum in female board appointments and are encouraged to see these figures are on the increase again. It is also interesting to note that the FTSE 250 rate of new appointments going to women has this year been higher than the FTSE 100. This would suggest that a number of those 250 Chairmen have understood the importance of this issue. However, with turnover back to pre-Davies levels (currently 13% per annum), if the rate of new appointments to women in the FTSE 100 companies stays at 27%, the headline figure (currently 18.9%) is unlikely to hit Lord Davies' target of 25% female-held directorships by 2015. **If the rate of female appointments goes up to 35% for the next 24 months, with turnover staying at 13%, the headline figure may reach 24% by the end of 2015.**

It is encouraging, however, to see a good pace of change in the FTSE 250 companies. In the six months from March to September 2013, almost 30% of new appointments in those companies went to women. If the current turnover rate (12%) and new appointments stay constant, then, interestingly, it is likely that the headline figure for the FTSE 250 (currently 14.9%) will catch up with that of the FTSE 100 and also reach 24% female-held directorships by the end of 2015. Future research may consider why the pace of change has been easier to maintain in the FTSE 250 companies.

## Analysis of Annual Reports

### Analysis of FTSE 100 Annual Reports

**Table 4: Data from FTSE 100 Annual Reports on new Code changes**

	No. of Companies
Does the company refer to the need for greater boardroom diversity and/or the FRC new Code?	94
Does the company have a clear policy on boardroom diversity?	65
Does the policy specifically mention gender?	61
Does the company set measurable objectives?	42
Does the company record progress against these objectives?	37

As mentioned above, we were very clear in the analysis of the annual reports that espousing general support for diversity was insufficient. For the first question we looked for demonstration of awareness of the need for boardroom gender diversity and/or acknowledgement of the new Code requirements in this respect. We were pleased to see this was the case for 94 of the FTSE 100 companies. We then looked for specific reference to a stated policy and/or intentions to increase boardroom diversity. We can report that 65% companies are already stating a clear policy on boardroom diversity, with 61 of those 65 companies specifically mentioning gender as one of the elements of diversity.

*The Board believes that diversity is important for board effectiveness. However, diversity is much more than the issue of gender, and includes diversity of skills, experience and background. In response to Lord Davies's report on Women on Boards, Barclays published a Board Diversity Policy in April 2012, which sets out Barclays approach to diversity on the Board. The Board Diversity Policy can be found in the Corporate Governance section of Barclays' website. All Barclays Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. Nevertheless the Board is aiming to ensure that at least 20 per cent of the Board is made up of women by the end of 2013 and for that position to have exceeded 25 per cent by the end of 2015. Women currently represent 15% of the Board. In 2013, the Committee will continue to carry out regular reviews of the balance of skills and experience on the Board against the skills matrix that has been developed and will seek to make further progress towards achieving the Board diversity targets that have been set. (Barclays)*

*This year diversity at Board level has continued to be a key topic of governance for companies within the EU and remains high on the agenda of Unilever's Boards and the Nominating and Corporate Governance Committee... We have long understood the importance of diversity within our workforce because of the wide range of consumers we connect with globally. This goes right through our organisation, starting with the Boards... The Nominating and Corporate Governance Committee reviews Unilever's Diversity Policy on an annual basis. (Unilever)*

*Diversity is a principle which the Board strongly supports. In early 2012, the Board adopted a Board Diversity Policy which recognizes that a Board with a diverse mix of skills, experiences, background and gender is best able to serve the interests of the Company, its shareholders and other stakeholders. The Board Diversity Policy is applied when considering appointments to the Board and when annually reviewing the performance effectiveness of the Board. The value of diversity is mirrored throughout the Company with similar policies in place for employee recruitment. (Shire)*

*The Board believes in the importance of diverse Board membership. Of the eight directors currently on the Board, three are women including two of the executive directors (comprising 37% of total membership). This means that our Board already reflects the goal as set out in Lord Davies' report on diversity in Britain's boardrooms, of a minimum of 25% female representation on FTSE 100 boards by 2015. The Board will monitor diversity and take such steps as it considers appropriate to maintain Burberry's position as a meritocratic and diverse business. The Board believes that it is critical that women are able to succeed at all levels of the organisation. (Burberry)*

Over the past two years, a number of long-standing highly respected FTSE 100 Chairmen, have become increasingly vociferous in calling for greater boardroom diversity:

*As the justifiable clamour for diversity on company boards intensifies, there is a risk that this comes to be seen as a mere compliance issue. It is not. Making sure we utilise all of the talent available to us, and fostering a mix of skills and backgrounds to provide challenge and different perspectives around the board table, is all about making better decisions in the interests of the Company. (John Parker, Chairman, Anglo American)*

Since the Davies Report of 2011, which recommended companies set themselves targets, the number of companies with measurable objectives to increase women on boards has gradually grown. **In 2013, 42 companies had set or intended to set themselves measurable objectives for gender diversity in the boardroom.** What is encouraging this year is that **37% (up from 7.5% last year) were able to report on progress in achieving their targets.** The number of FTSE 100 companies that already have at least 25% female representation on their board has more than doubled from 12 in 2011 to 25 in 2013<sup>15</sup>.

*24% of the board were women during 2012. However, with the retirement of Euleen Goh and Mary Francis during the year to concentrate on other commitments the Board currently only has one female non-executive director, representing 10% of the Board. In its last report the Committee stated that it intends to maintain a minimum of 25% female representation on the Board by the end of 2013. The Company remains committed to having a diverse Board in terms of gender as well as diversity of experience, skills and knowledge, background and nationality. Recruitment of additional non-executive directors is on-going and the Committee is taking diversity into account in the selection process. ...we are actively searching for two additional female non-executive directors. **(Aviva)***

*Last year, the Board agreed a policy statement on board diversity. As part of that statement, we undertook to report in future annual reports on progress against actions taken. In respect of the last 12 months I can report the following: There are currently three women on the BAE Systems Board (2012 three), 27% of the total membership (2012 25%). Below the Board, there are three women on the Executive Committee (2012 two), 25% of its total membership (2012 17%), and 20% of the Group's global workforce are women (2012 19%)... The Board and the Nominations Committee reviewed the Group's management resources during 2012 and noted the actions being taken to grow the female talent pipeline at senior executive levels. **(Dick Oliver, Chairman, BAE Systems)***

A few companies have stated that they believe they have already reached the EU Directive target of 40% female non-executives (e.g. "Women comprise 40% of our non-executive directors" – Aggreko).

However, for some this is only the case if the Chairman is excluded from the calculations. Companies should be aware when they are assessing whether or not they have hit the EU recommended target that the Chairman, if listed as a non-executive, must be included in the calculations. This is in contrast to the UK Corporate Governance Code, under which the Chairman is not classed as a non-executive director for the purposes of compliance with the provisions on board and board committee composition.

*In considering the issues around gender diversity we can report that Babcock has two female directors (currently representing 18% of the whole board and 40% of the independent non-executives). **(Babcock)***

The best practice examples have clear objectives not simply in relation to the numbers, but also in the processes they have put in place to increase gender diversity at boardroom level.

We have set out our ambitions and objectives in shaping the Board for the future in our Board Diversity Policy... We remain committed to our target and advocating the role women play at the top of organisations and at M&S in particular...

- A number of women were shortlisted and interviewed for the non-executive director position and we remain committed to increasing the representation of women on the Board. However, all appointments will continue to be based on merit, measured against objective criteria and the skills and experience the individual offers.
  - The Board is committed to ensure high performing women achieve greater exposure to the nomination committees of FTSE 100 companies, which is why we have committed to ensuring that all of our non-executive director long lists in the short to medium term include 50% female candidates.
  - The Board supports the aims of the seven principles of the Executive Search Firms Voluntary Code of Conduct on gender diversity. We only engage executive search firms who are signatories to this code.
- (Marks & Spencer Group)**

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 measures include requesting balanced shortlists when recruiting, looking at diversity mix in company events and conferences, actively discussing diversity in succession planning, promoting industrial and scientific careers to women and developing family friendly and flexible employment policies... The board recognises that gender diversity is a significant aspect of diversity and acknowledges the role that women with the right skills and experience can play in contributing to diversity of perspective in the boardroom. ...The board will keep under review and evaluate its balance and composition...in doing so, the board will take into account diversity, including diversity of gender...the board will consider suitably qualified candidates for non-executive director roles from as wide a pool as appropriate, including candidates with little or no previous listed company board experience but whose skills and experience will add value to the board. **(Johnson Matthey)**

**Table 5:  
Diversity in  
the Evaluation  
Process of  
FTSE 100  
Companies**

	No. of Companies
Does the company report on their Board evaluation process?	99
Is diversity mentioned as a part of the board evaluation process?	29
Is gender specified?	16

Since the 2003 Higgs Review<sup>16</sup>, there has been a recommendation for companies to conduct annual evaluations of the effectiveness of the board. In 2010 the provision requiring evaluation to be carried out by an external agent every three years was added to the Code. Thus, we would now expect most companies to be in the rhythm of having board evaluations every year and one in three evaluations to be conducted by an external independent agent. All the FTSE 100 companies should have conducted an evaluation between the October 2011 statement and the publication of their most recent annual report. Last year we reported that a quarter of companies addressed diversity as an evaluative element. This has **increased slightly to 29% this year, with 16 specifically mentioning gender**. We would expect this figure to be significantly higher in next year's annual reports.

*Priorities identified by the evaluation for focus in 2013 included a commitment to increasing the diversity of the Board and ensuring appropriate use is made of the Non-Executive Directors' skills both inside and outside formal meetings, along with support for tailored training programmes. (RSA Insurance Group)*

### **Where diversity was mentioned, it was often as an outcome of the evaluation.**

We would strongly encourage those external agents and organisations involved in conducting board evaluations to incorporate an assessment of diversity including gender as standard. A good practice example in this respect is National Grid:

*The Board agreed this year it would be beneficial and timely, given the changes in Board composition, to undertake an external evaluation of Board and committee performance to provide fresh insight and objectivity to the process... In considering the review process this year, it noted the anticipated benefits to be gained by undertaking an external review from an inclusion & diversity perspective... The focus for these discussions was on the behavioural aspects of Board effectiveness such as:*

- *how the Board works together as a unit;*
- *the quality of inputs, discussions and decision-making;*
- *the leadership demonstrated both individually and collectively; and*
- *specific themes, for example differences in perspectives between male and female Board members and more recently appointed Non-executive Directors were asked about their integration and induction to the Board.*
- *Findings, which were debated openly, had been grouped into three themes:*
- *Mechanics: for example the role, composition and processes of the Board and its committees.*
- *Dynamics: such as teamwork, quality of discussions, debate and decision-making.*
- *Specifics: including leadership, succession planning, risk appetite and reporting, and inclusion & diversity. (National Grid)*

<sup>16</sup> Higgs, 2003 – Review of the role and effectiveness of non-executive directors, Department of Trade and Industry, London, UK.

## Looking at the FTSE 100 Pipeline

Recommendation 2 in the Davies Report puts the onus on Chief Executives to better manage female talent through to Executive Committee level. During the last year, much focus within the media, government and companies themselves has shifted from what has sometimes been called the ‘symptom’ of a lack of women in the boardroom, to the ‘cause’ of a lack of women in the executive pipeline. Much has been written by Cranfield and others on the many and varied barriers faced by women aspiring to reach the upper echelons of their organisations. However, little is known about policies and actions that are really delivering positive outcomes. Are companies actively influencing the female pipeline and what talent management strategies are they using? One thing is known: ignoring the status quo or believing that ‘things will get better in time’ is not the answer and often leads to female talent ‘walking out the door.’

Complementing the FRC’s requirement for a policy on boardroom diversity, we analysed annual reports for stated policies, special initiatives or measurable objectives to increase the number of women in senior management positions.

**Table 6:  
Managing the  
Pipeline**

	No. of Companies
Does the company have any stated policies or measures specifically aimed at increasing women in senior management positions?	30
Does the company have any stated measurable objectives for the number of women in senior management positions?	13

Thirty of the FTSE 100 companies demonstrated clear policies or measures specifically aimed at increasing women in senior management positions and 13 stated measurable objectives. In some instances these were not the same companies. In addition, a number of companies reported the percentage of women in senior management or on the executive teams, often revealing increasing numbers. However, only those companies stating specific measures or measurable objectives were included in Table 6. We found some excellent case examples of companies who realise that they need to work hard at building the female talent pipeline, a few of which are illustrated below.

As recommended in the Davies Report, BAE Systems’ Chief Executive and his Executive team commit to and report on actions to increase the number of women in senior management.

*In 2012, the Executive Committee progressed actions to grow the female talent pipeline at senior executive levels, with an aspiration of continuing to achieve 25% female membership of the Executive Committee by 2015:*

**Fostering a culture of inclusion** – unconscious bias training for executives globally has been scoped and will be rolled out during 2013. The objective of the training is to enhance talent management decisions by raising awareness of unconscious and conscious bias that influence those decisions.

**Accelerating the development of high-potential women** – an Executive Committee mentoring programme was launched during 2012 to leverage the readiness of high-potential women across the organisation and 24 high-potential women were mentored during the year. This programme was supported by increased participation by high-potential women in training and development programmes.

**Increasing leadership diversity** – to ensure diverse candidate lists for leadership roles, where possible, executive search firms were employed with a track record of open and inclusive recruitment processes, and drawing from an appropriately diverse pool of candidates, with the overall aim of appointing the best person for the role.

**Measuring performance** – on a national basis, defined aspirational objectives and actions have been put in place to increase gender diversity. Gender diversity in leadership positions and succession plans is monitored. At the end of 2012, 27% and 25% of the Board and Executive Committee members, respectively, were women. Globally, 20% of the Group's workforce are women. **(BAE Systems)**

**Aviva** and **BHP Billiton** both made strong commitments in their previous annual reports to senior women's career development and it is encouraging to see their figures rising.

*At the date of this Report, 29% (2011: 18%) of Group Executive members and 21% (2011: 20%) of senior executives in the Company were female. It is the Company's intention to increase this number as it is recognised that a higher number of women in senior management will create a stronger talent pipeline and is better for business. **(Aviva)***

*In FY2011, we committed to ...continue to focus on increasing female participation in the Accelerated Leadership Development Program (ALDP), moving to 40 per cent for FY2012. We are pleased to report that participation in the ALDP was 29 per cent in FY2011 and is 43 per cent for FY2012.*

**(BHP Billiton)**

**Diageo** is an inspiring case of how a company can pull female talent through to senior roles. The company's good track record of relatively strong female representation on the board was not previously reflected at the Executive Committee level. Their example shows how application and will can dramatically alter the status quo. For Diageo, this was both an internal and external demonstration of commitment to increasing gender diversity.

*In March 2013, Diageo became the first beverage alcohol company to sign up to the Women's Empowerment Principles. The principles, a joint initiative between the UN Women and the UN Global Compact, set a blueprint for the business in advancing the equality of men and women in business generally, the market place and communities. This is aligned with Diageo's target to have 30% of its senior leadership roles filled by women by the end of the year ending 30 June 2014, and the coming year will see further initiatives aimed at encouraging more women to develop their careers with Diageo. Diageo has set itself a goal to increase the number of women in leadership positions in the company. **Currently, five of the fifteen members of the executive committee are women (compared to one of fourteen shown in last year's annual report), and 28% (2012 – 26%) of leadership positions across the business are filled by women. (Diageo)***

## Succession Planning in the FTSE 100

In this study we also wanted to investigate the extent to which 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 7: FTSE 100 Director Succession Planning**

	No. of Companies
Does the company specifically address issues of director succession planning?	99
Is gender specified in issues of director succession planning?	43

**We were pleased to find that 99 of the FTSE 100 companies addressed succession planning** in their reports. Succession planning is usually listed amongst the duties of the board and specifically within the roles and responsibilities of the Nominations Committee. Commonly, across the FTSE 100 and FTSE 250 companies, succession planning to the board was mentioned as something that the Nominations Committee received updates on from Human Resources and other executive functions.

*The Board received biannual presentations from the Group director, HR and corporate affairs. These presentations dealt with succession management at Executive Committee level. **(Anglo American)***

However, beyond that we found little consistency in what was reported. Succession planning was discussed in a number of ways, whether referring to internal or external candidates, for executive or non-executive roles.

A number of the FTSE 100 and FTSE 250 organisations made extensive reference to succession and development generally across the organisation, for instance as part of leadership development programmes, without specifically addressing the issue at board level. However, there were some examples of board and management committee working together on this as a strategic priority. For

example, Experian revealed a level of detailed succession planning not seen in many of the reports:

*The plans for senior leadership succession are regularly reviewed by the Group Operating Committee and the Board's Nomination and Corporate Governance Committee... The most recent review highlighted the following: Approximately 93% of senior leadership roles have successors ready to cover these roles in the short term through emergency cover, and 52% have one or more candidates identified as permanent successors over the short and medium term. (Experian)*

More companies reported details of executive rather than non-executive succession plans:

*The Board, at their meeting in December 2012, considered the Group's current Succession Plan which considered the senior roles within the Group and identified whether there was emergency short-term cover in place in the event that the individual left the organisation, and whether there was a permanent replacement available within the organisation, or whether the position would need to be filled externally. It also identified where there were individuals who, with further experience and guidance, would be capable of moving into particular senior management roles. At this meeting the emerging talent across the Group was discussed in detail with the Executive team identifying key individuals within the organisation who had impressed in their current roles and who had the potential to contribute to the business by working on projects in other areas of the Group. Such exposure would also assist with their development in order that, at the appropriate time, they might be in a position to succeed to senior management positions. The Committee remains satisfied that succession plans for Directors and senior management are in place to ensure the continued ability of the Group to implement strategy and compete effectively in the markets in which it operates. (Admiral)*

*All businesses made progress against their measurable objectives set out in their multi-year diversity plan... high-potential women were identified as part of the succession management process and development plans were created to foster their development. (BHP Billiton)*

Succession was also often addressed within the 'Risk Assessment' sections of the annual reports where companies highlighted that the inability to attract and/or retain highly skilled personnel may weaken succession plans for critical positions. However, it was not always specified whether the senior positions being referred to were at board or senior management level.

At board level, succession is also discussed more holistically as part of board effectiveness, for example:

*Directors have regular contact with, and access to, succession candidates for senior executive management positions. (AstraZeneca)*

As such for some companies succession planning was addressed as part of their board evaluation process, often with the outcome of requiring improvement:

*It was considered appropriate that succession planning and the provision of information to the Board should be areas of focus for 2013. (Rolls Royce)*

**However, in analysing what was reported, we found that many of the companies talked about non-executive succession planning when in fact they were referring retrospectively to the appointment process. Transparency around the appointment process forms part of good corporate governance reporting and there were a number of good detailed examples of this. However, it should not replace reporting on forward-thinking succession planning.**

At NED level there were some companies which explicitly linked succession planning and gender with the board's diversity policy, quoting "with due regard to diversity, including gender". Otherwise statements about NED succession were mostly very generic. Only a few directly addressed the issue of 'unplanned' succession scenarios:

*The Nomination and Governance Committee considers both planned and unplanned (unanticipated) succession scenarios. (AstraZeneca)*

Rolls Royce was one of the few companies that was explicit about long-term planning:

*During the year, the committee continued to develop its succession plans for new non-executive directors taking into account their respective tenures of office as far forward as 2020, analysing the skills which were either missing or could be missing in future and how different personalities would fit around the board table. (Rolls Royce)*

BAE Systems highlights how succession planning can be specifically addressed at a strategic level, for both executive and non-executive roles, taking into account diversity including gender:

*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. ...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:*

- *It shall have 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 shall only engage the services of search consultants who have open and inclusive recruitment processes that draw from an appropriately diverse pool of candidates.*
- *It shall report progress against targets and actions taken in the Annual Report and Accounts. (BAE Systems)*

Thus, although the figures in table 7 would suggest that almost all of the FTSE100 organisations studied cover succession planning in their annual reports, as suggested above, for a number of companies this meant only slight reference to succession planning in the context of the role and responsibilities 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.

### Analysis of FTSE 250 Annual Reports

We analysed a sample of the 50 latest annual FTSE 250 reports published and found quite mixed results. At just 18%, the proportion of companies in our sample that have clear boardroom diversity policies is significantly lower than that of the FTSE 100 companies at 65%. Clearly the FTSE 250 companies have some catching up to do in terms of reporting. However, special mention should go to WS Atkins which was the only company from our sample of 50 who scored 'a perfect 10', covering all of our reporting questions.

**Table 8: FTSE 250 Data from Annual Reports on new Code changes**

	No. of Companies	Percentage of Sample
Does the company refer to the need for greater boardroom diversity and/or the FRC new Code?	41	82.0%
Does the company have a clear policy on boardroom diversity?	9	18.0%
Does the policy specifically mention gender?	8	16.0%
Does the company set measurable objectives?	7	14.0%
Does the company record progress against these objectives?	6	12.0%

There are however some encouraging examples, which we illustrate below.

*In accordance with the Board Diversity Policy, we plan to increase the number of female directors on the board. Other key attributes for new nonexecutive directors include substantial direct senior experience in the UK and/or continental European businesses, relevant to the diverse business sectors and geographies in which DCC operates. Jane Lodge's appointment to the Board on 4 October 2012 met both of the above criteria. (DCC PLC)*

A few companies, such as **QinetiQ**, clearly reported within their board diversity policy a Statement, Objectives and Actions being taken to achieve the objectives:

- *The Board should ensure an appropriate mix of skills and experience to ensure an optimum Board and efficient stewardship;*
  - *The Board should ensure that it comprises Directors who are sufficiently experienced and independent in character and judgement; and*
  - *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.*
- (QinetiQ)**

Of the small number of companies that did introduce a diversity policy and objectives last year, **12% of our sample also reported on the progress of their objectives.**

*Following on from introducing last year a Boardroom Equality & Diversity Policy, which incorporated the recommendations of the Davies Review 'Women on Boards', the Board has continued to promote equality and diversity across the Group. We have had during most of the year 25% female representation on the Board but we recognise that this will not be maintained, at least for a period, whilst the Board transition referred to above takes place. We will still endeavour to achieve a minimum of 25% female representation on the Board by 2015 and a minimum of 25% female representation in our senior management. (Pennon)*

**Table 9: FTSE 250 Diversity in the Evaluation Process**

	No. of Companies	Percentage of Sample
Does the company report on their Board evaluation process?	50	100.0%
Is diversity mentioned as a part of the board evaluation process?	12	24.0%
Is gender specified?	2	4.0%

Similar to the FTSE 100 companies, **the entire sample reported on their board evaluation process, with just under one quarter mentioning diversity.** However, the number specifying gender within that was very small in the FTSE 250 sample, at 4% compared with 16% in the FTSE 100.

*The results of recent evaluations are showing that the significantly greater diversity of experience and expertise brought to the table as a result of new Board appointments over the past four years is paying dividends, in terms of the quality of Board discussion and its contributions to decision-making.*  
**(DCC PLC)**

### Looking at the FTSE 250 Pipeline

In contrast to the findings for the FTSE 100 companies, in our sample of 50 FTSE 250 companies, only one company, **WS Atkins**, both details the specific measures it is taking to increase the numbers of women in senior management positions and sets itself measurable objectives in this regard. **Synergy Health** also indicates it has initiatives to improve gender diversity at senior management level.

*Women currently comprise 40% of the members of the Board... The Davies report also examines the gender diversity at management levels below the Board. The Group has a number of initiatives to improve diversity at a senior management level but recognises that these will take time to be reflected in the number of women in the senior management team. We will continue to review our approach on gender diversity, particularly in the context of any developing guidance in this area.* **(Synergy Health)**

**Table 10:  
Managing the  
Pipeline**

	No. of Companies	Percentage of Sample
Does the company state any policies or measures specifically aimed at increasing women in senior management positions?	2	4.0%
Does the company have any stated measurable objectives for the number of women in senior management positions?	1	2.0%

*We are committed to building a diverse Organisation... This year we have focused on gender diversity recognising that, in common with many engineering and science-based organisations, women are underrepresented, particularly in senior management positions. ...In April 2013 Lord Davies of Abersoch published his second annual progress report on this matter. He has called for chief executive officers to set out the percentage of women they aim to have on their executive committees and in senior management levels within their organisation by 2015. We are pleased to confirm that we have set a short term target of increasing female representation in both the senior management population (the top 1,000 employees in the Group) and the Senior Leadership Team (SLT) to 15% by 31 March 2015. At present, women account for 12.4% of the senior management population (2012: 11.3%) and 14.3% of the SLT. (p.68) ...To help us achieve this aim, more than 80 women have participated in our women's career development programme and we have reaffirmed our commitment to providing further support during the coming year. Diversity training is now included in many of our leadership programmes and in nominating candidates for these programmes we ensure that a high proportion of female colleagues attend. We have also made significant changes to the operation of our selection and promotion panels, ensuring that we draw from the widest possible talent pool to select high calibre recruits. (WS Atkins)*

## Succession Planning in the FTSE 250

Almost three-quarters of our sample specifically addressed the issue of succession planning but only a very small percentage (8%) specified gender within that. Diversity in general was mentioned more frequently.

**Table 11: FTSE 250 Director Succession Planning**

	No. of Companies	Percentage of Sample
Does the company specifically address issues of director succession planning?	36	72.0%
Is gender specified in issues of director succession planning?	4	8.0%

A number of those who did mention succession planning had rather generic statements:

*The Committee is responsible for succession planning at Board level, overseeing the selection and appointment of Directors, regularly reviewing the structure, size and composition of the Board and making its recommendations to the Board. (TalkTalk)*

As in the FTSE 100, some FTSE 250 companies in our sample demonstrate good practice in integrating succession as an element of their Boardroom Diversity Policy:

*In accordance with the UK Corporate Governance Code (2010 edition) the Committee is pleased to report that the Board has a Boardroom Diversity Policy which confirms that the Board is committed to:*

- *The search for Board candidates being conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.*
- *Satisfying itself that plans are in place for orderly succession of appointments to the Board and to senior management to maintain an appropriate balance of skills and experience within the Group and on the Board and to ensure progressive refreshing of the Board.*
- *In addition, within the spirit of Principle B.2 of the Code, the Board will endeavour to achieve and subsequently maintain:*
  - *A minimum of 25% female representation on the Board by 2015*
  - *A minimum of 25% female representation on the Group's senior management team by 2015. **(Pennon)***

The following example suggests a forward-thinking, proactive approach to diversity as part of the succession planning process, rather than simply reactive replacement response:

*The [Nomination] Committee's work on succession planning continued during 2012/13. The Nomination Committee was closely involved in the consideration and planning of the changes which the Group has made during the year to its structure and the impact of those changes not only on the Board, but also at the senior executive level below the Board. Succession planning remains a focus into the future and the Committee continues to maintain a watching brief for additional candidates who might improve further the balance of skills, backgrounds, experience, knowledge and diversity amongst the board.*

**(Dairy Crest)**

Oxford Instruments, in response to joining the ranks of the FTSE 350, reveals how it has become more aware of the governance requirements and states:

*During the year, the Board and Nomination Committee have reviewed the composition of the Board. The length of service of its Non-Executive Directors, the promotion of the Company into the FTSE 250 and the changing requirements of the Governance Code for FTSE 350 companies, together with further reflection on diversity within the Company, have led it to conclude that changes to the membership of the Board and its Committees need further consideration. **(Oxford Instruments)***

Whilst there were a handful of good examples, the FTSE 250 sample revealed itself to have less sophisticated levels of reporting on succession planning than the FTSE 100.

## FTSE 350 Executive Director Appointments

Over the past 12 months three of the very few well-known female CEOs across the FTSE 350 have stood down from their posts: Dame Marjorie Scardino – former CEO of Pearson, known as the ‘First Lady of FTSE’, as she was the first female FTSE 100 CEO; Cynthia Carroll – former CEO of Anglo American, the global mining giant; and Kate Swann – former CEO of WHSmiths. Below, Tables 12 and 13 give the details of all the female-held executive directorships in the FTSE 100 and FTSE 250 companies, at 1st October 2013.

In the 12 months to October 1st 2013, of the 33 new Executive Directors appointed to FTSE 100 boards, only four (just 12%) were women:

- Julie Brown, (01/02/13) CFO, Smith & Nephew;
- Jane Shields, (01/07/13) Sales & Marketing, Next;
- Carol Ann Fairweather (31/07/13), CFO Burberry Group; and
- Jackie Hunt (05/09/13) Regional CEO, Prudential.

This is clearly too small a percentage of new female executive directors to effect any significant increase in the percentage of women holding these positions. In the FTSE 100 companies, the figure for female EDs has plateaued at approximately 6% since 2010. Whilst progress has clearly been made on the overall women on board figures, all of the increase is through non-executive appointments. This may be being reinforced by the EU Directive for women on boards, which, because the structure of most European boards is two-tier, is focusing on the supervisory board and therefore just refers to non-executive roles.

**Table 12: FTSE  
100 Female  
Executive  
Directors**

Name	Role	Company	Sector	% Female Board	No. of Female Directors
Deirdre Ann Mahlan	DIAGEO PLC	CFO	Beverages	44.4%	4
Angela Jean Ahrendts	BURBERRY GROUP PLC	CEO	General Retailers	33.3%	3
Carol Ann Fairweather	BURBERRY GROUP PLC	CFO	General Retailers	33.3%	3
Maggi Bell	CAPITA PLC	ED - Business Development	Business Services	33.3%	3
Tracy Robbins	INTERCONTINENTAL HOTELS GROUP PLC	Executive VP - HR	Leisure & Hotels	30.8%	4
Louise Smalley	WHITBREAD PLC	Group Director HR	Leisure & Hotels	30.8%	4
Anne Helen Richards	ABERDEEN ASSET MANAGEMENT PLC	Chief Investment Officer	Speciality & Other Finance	28.6%	4
Linda Parker Hudson	BAE SYSTEMS PLC	COO	Aerospace & Defence	27.3%	3
Karen Witts	KINGFISHER PLC	GFD	General Retailers	27.3%	3
Jane Shields	NEXT PLC	Group Director - Sales/Mktg	General Retailers	27.3%	3
Julie Brown	SMITH & NEPHEW PLC	CFO	Health	27.3%	3
Laura Katharine Wade-Gery	MARKS & SPENCER GROUP PLC	ED	General Retailers	23.1%	3
Lucinda M Bell	BRITISH LAND CO PLC	FD	Real Estate	20.0%	2
Carolyn Julia McCall	EASYJET PLC	CEO	Transport	20.0%	2
Jackie Hunt	PRUDENTIAL PLC	Regional Chief Executive	Life Assurance	18.8%	3
Alison J Cooper	IMPERIAL TOBACCO GROUP PLC	CEO	Tobacco	18.2%	2
Maeve C Carton	CRH PLC	FD	Construction & Building Materials	15.4%	2
Tracey Patricia Taylor	HARGREAVES LANSDOWN PLC	GFD	Speciality & Other Finance	12.5%	1

In the same period, of the 53 new Executive Directors appointed to FTSE 250 boards, only 8 (just over 15%) were women:

- Cynthia Cagle (05/12/12) VP Finance/Company Secretary, SOCO International;
- Elaine Whelan (01/01/13) CEO, Lancashire Holdings;
- Lisa Gaye Mitchell, (26/04/2013) CFO/Company Secretary, Ophir Energy;
- Robyn Perriss (22/04/13) FD/Company Secretary, Rightmove;
- Anne-Francoise Nesmes (30/04/13) CFO, Dechra Pharmaceuticals;
- Paula Bell (10/06/13) GFD, John Menzies;
- Angela Spindler (01/07/13) CEO, Brown Group; and
- Mary Waldner (01/07/13) GFD, Ultra Electronics Holdings

**Table 13: FTSE 250 Female Executive Directors**

Name	Role	Company	Sector	% Female Board	No. of Female Directors
Katherine Lucy Garrett-Cox	ALLIANCE TRUST PLC	CEO/Chief Investment Officer	Investment Companies	57.1%	4
Doctor Harriet Green	THOMAS COOK GROUP PLC	Group CEO	Leisure & Hotels	42.9%	3
Susan (Su) Alina Cacioppo	WETHERSPOON (J.D.) PLC	ED - Legal/ Personnel	Leisure & Hotels	37.5%	3
Barbara Mary Richmond	REDROW PLC	GFD	Construction & Building Materials	22.2%	2
Lynn Rosanne Fordham	SVG CAPITAL PLC	CEO	Investment Companies	33.3%	2
Angela Lesley Spindler	BROWN (N.) GROUP PLC	CEO	General Retailers	30.0%	3
Elizabeth A Murphy	AMLIN PLC	Division CFO	Insurance	27.3%	3
Elaine Whelan	LANCASHIRE HOLDINGS LTD	CFO	Insurance	27.3%	3
Julia Susan Wilson	3i GROUP PLC	GFD	Private Equity	25.0%	2
Doctor Louise Makin	BTG PLC	CEO	Pharmaceuticals and Biotechnology	25.0%	2
Robyn Perriss	RIGHTMOVE PLC	FD/Company Secretary	Media & Entertainment	25.0%	2
Sarah Louise Ellard	CHEMRING GROUP PLC	Group Legal Director/ Secretary	Aerospace & Defence	22.2%	2
Anne-Francoise Nesmes	DECHRA PHARMACEUTICALS PLC	CFO	Health	22.2%	2
Katie Bickerstaffe	DIXONS RETAIL PLC	Regional Chief Executive	General Retailers	22.2%	2
Dorothy Carrington Thompson	DRAX GROUP PLC	CEO	Electricity	22.2%	2

Victoria Mary Hull	INVENSYS PLC	Chief Legal Officer/General Counsel/Secretary	Electronic & Electrical Equipment	22.2%	2
Paula Bell	JOHN MENZIES PLC	GFD	Business Services	22.2%	2
Suzanne Claire Baxter	MITIE GROUP PLC	GFD	Business Services	22.2%	2
Ruby McGregor-Smith	MITIE GROUP PLC	Chief Executive	Business Services	22.2%	2
Janice (Jann) Margaret Brown	CAIRN ENERGY PLC	MD/CFO	Oil & Gas	20.0%	2
Elizabeth Lee	CLOSE BROTHERS GROUP PLC	Head of Legal Affairs/General Counsel	Speciality & Other Finance	20.0%	2
Caroline Janet Banzky	LAW DEBENTURE CORP PLC	MD	Investment Companies	20.0%	1
Lisa Gaye Mitchell	OPHIR ENERGY PLC	CFO/Company Secretary	Oil & Gas	20.0%	2
The Hon. Diana (Dido) Mary Harding	TALKTALK TELECOM GROUP PLC	CEO	Telecommunication Services	20.0%	2
Mary Waldner	ULTRA ELECTRONICS HLDGS PLC	GFD	Aerospace & Defence	14.3%	1
Diane Elizabeth Alfano	EUROMONEY INSTITUTIONAL INVESTOR PLC	Division MD	Media & Entertainment	13.3%	2
Jane L Wilkinson	EUROMONEY INSTITUTIONAL INVESTOR PLC	ED - Mktg	Media & Entertainment	13.3%	2
Doctor Zaure Galimovna Zaurbekova	EURASIAN NATURAL RESOURCES CORP (ENRC) PLC	CFO	Mining	12.5%	1
Suzanne H Wood	ASHTAD GROUP PLC	FD	Business Services	11.1%	1
Susanne Given	SUPERGROUP PLC	COO	Clothing, Leisure and Personal Products	11.1%	1
Cynthia Beach Cagle	SOCO INTERNATIONAL PLC	Vice President - Finance/Company Secretary	Oil & Gas	9.1%	1

## Concluding Remarks

The aim of this report was to monitor progress to date against new provisions in the Corporate Governance Code 2012, requiring diversity reporting within annual reports. From our analysis of FTSE 100 annual reports, a sample (50) of FTSE 250 annual reports, and the latest figures on women in leadership and board positions across the top FTSE 350 companies, we have provided some insights into the extent to which gender diversity is becoming an integrated part of corporate strategy.

Interestingly, the wording of the new Code 2012 specifies that this new diversity reporting should be contained within the section describing the work of Nominations Committees. In the 2012 report, when companies were responding to the notification of the future amendment, diversity reporting tended to be within the Chairman's statement or loosely within the governance report. Placing it within the Nominations Committee section has actually made it a little harder to distinguish the policy, objectives and process from more general statements about the Nominations Committee work. Whilst undoubtedly much of what we are looking for should be covered in the remit of the Nominations Committee, there was perhaps some benefit to these changes being led by the Chairman with a clear statement of intent.

Another noteworthy issue emanating from our analysis, particularly with regard to reporting on succession planning, is that there is no format for this reporting. This leads to very varied content and often it is unclear whether the words refer to executive or non-executive, senior management or board, external or internal appointments. However, we are also aware of the dangers of a 'boiler-plate' approach, which may discourage the very valuable personal reporting of governance by the Chairman, as recommended in the preface of the Code.

Overall, we urge companies to see compliance with the 2012 Code as an opportunity for improved corporate governance; to focus on outcomes, rather than activities, in monitoring their progress towards increasing gender diversity in senior roles. Thus setting measurable objectives and sharing practices that appear to really work is crucial.

Whilst we congratulate those companies that have reported thoughtfully and in detail on their responses and actions to the issues in this report, it is a little disappointing that a greater proportion of the companies analysed have not fully responded to the new Code stipulations in relation to reporting on diversity, in particular pertaining to gender. Recognising that the 2012 Code requirements are only mandated for "financial years beginning on or after 1 October 2012", we therefore look forward to significantly increased reporting on gender diversity in the boardroom in forthcoming FTSE 350 annual reports.

## Author Biographies



### Ruth Sealy BSc, MSc, PhD, MCIPD

Lecturer Organisational Psychology, City University  
Visiting Fellow and former Deputy Director International Centre for  
Women Leaders, Cranfield School of Management

[ruth.sealy.1@city.ac.uk](mailto:ruth.sealy.1@city.ac.uk)

With global expertise on women on corporate boards, Ruth has been the lead researcher of the UK's annual Female FTSE Report since 2007. Sponsored by government and major 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 over 100 broadsheet newspapers, radio and television channels, and practitioner journals across the world each year. Ruth was the academic advisor for a recent CBI report into women on boards, advised a cross-party parliamentary group and has led the research following Lord Davies' review for the UK government on the same subject.

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

Ruth speaks regularly at academic and practitioner conferences, lectures postgraduate and doctoral courses, and has written a number of book chapters and journal articles. She is a Chartered Member of the CIPD and has written various articles for practitioner audience magazines. Prior to becoming an academic, Ruth was the Managing Director of a specialist holiday company, which she sold to a larger tour operator. She then worked for a number of years as a management psychology consultant.



## **Caroline Turner, BSc, MSc**

Doctoral Researcher, International Centre for Women Leaders,  
Cranfield School of Management

[caroline.turner@cranfield.ac.uk](mailto: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, over a period of some 20 years. She has led numerous research projects, learning and development programmes for private and public sector bodies, including a ten-year appointment as independent expert in 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 women in enterprise over two consecutive five-year Action Plans. She has consulted to governments in Ireland, Portugal and Greece and authored best practice guides, policy documents and evaluation reports designed to strengthen the role of women in business leadership, in a European context.

Caroline has extensive experience working with corporate clients in the design and delivery of Diversity and Inclusion strategies, including leadership workshops in areas such as unconscious bias, gendered organisations and women's career advancement. Caroline's particular research interests are gendered organisational cultures and talent management processes, leadership styles and women's career progression to senior roles. With an academic background in social anthropology and economics, Caroline has been at Cranfield since 2012, conducting doctoral research on talent management processes from a gender perspective. She has authored a number of working papers and contributed to the Female FTSE Report 2013 and the Women on Boards Interim Report 2012, produced by Cranfield for the FRC, GEO & BIS.



## **Susan Vinnicombe, OBE, MA, PhD, MCIM, FRSA**

Professor of Organisational Behaviour and Diversity Management  
Director of the Leadership and Organisation Development  
Community  
Director of the International Centre for Women Leaders  
Cranfield School of Management

s.m.vinnicombe@cranfield.ac.uk

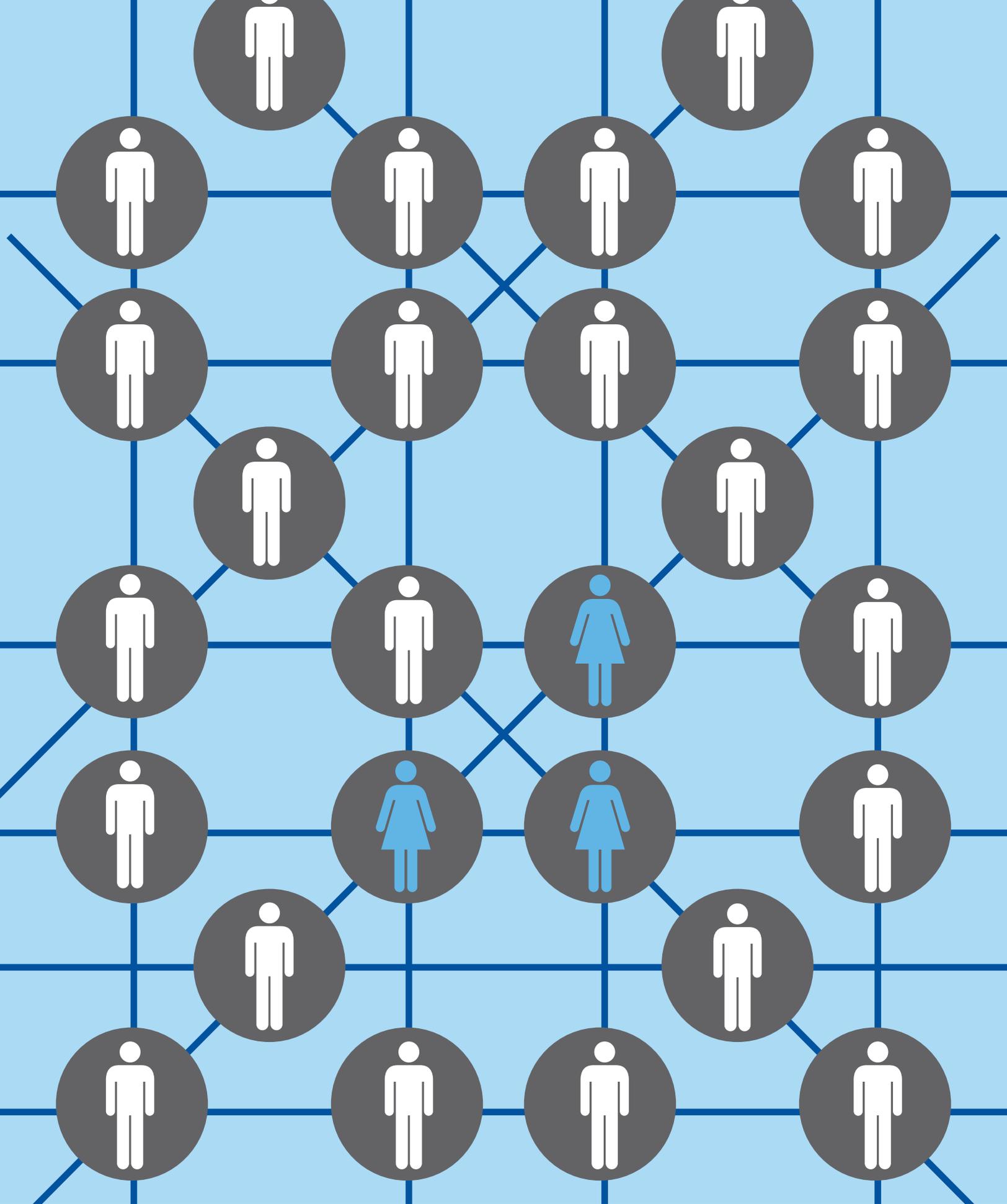
Susan's particular research interests are gender diversity on corporate boards, women's leadership styles, and the issues involved in women developing their managerial careers. Her Research Centre is unique in Europe with its focus on women leaders and the annual Female FTSE Report is regarded as the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

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

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

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





CRANFIELD INTERNATIONAL CENTRE FOR WOMEN LEADERS

**Cranfield**  
UNIVERSITY  
School of Management

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