



Government
Equalities Office

Putting equality at the heart of government

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Women on boards: Strong business case

Improving performance: Research has shown operational and share price performance is higher where women make up over 20% of board members

Accessing the widest talent pool: If in UK we fully used the skills and qualifications of women who are currently out of work, it could deliver economic benefits of £15 - £21 billion per year

Being more responsive to the market: Women make around 70% of household purchasing decisions

Achieving better corporate governance: Women more assertive on key governance issues

Barometer effect: Measure of progress on the extent to which women are making it to senior positions



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Diversity increasingly seen as key to corporate governance

- UK one of few countries to monitor women on boards. We have been working closely with **Cranfield University** who have been measuring this since 1999.
- **Higgs report** (2003) looked into the role and effectiveness of Non-Executive Directors (NEDs). Recommended broadening the pool of candidates for corporate boards.
- **Tyson report** (2003) on the Recruitment and Development of NEDs. This also called for greater diversity and highlighted the positive impact of this on overall board effectiveness.
- **Walker Review** (2009) on the governance of banks and other financial institutions, highlighted the importance of improving diversity and focusing on the development of women to “take senior executive and executive board positions within companies in which they are employed”.



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Part of a wider culture change:

- Extending the right to request flexible working to all
- Introducing a new system of flexible parental leave
- Providing support for enterprise
- Improving skills and careers advice
- Equality Act 2010: Positive Action



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Political Commitment and drive:

The Coalition Agreement pledged to “promote gender equality on the boards of listed companies.”

Government appointed **Lord Davies** to lead a review into how obstacles can be removed to allow women to make it to the board.

“I want to see more companies setting out their plans for women on boards and driving this forward.” **David Cameron, Prime Minister**

“I am determined to...get women to the very top of our best companies and to the very heart of our economic future”. **Theresa May, Home Secretary and Minister for Women and Equalities**

“I would urge all companies to set their own goal for increasing diversity on their board and look at what they can do to support the female talent in their business.” **Vince Cable, Business Secretary**



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Media promoting this agenda

'Women director percentage rises to record high':
BBC website, 13th March 2012

'The future is female: Male only boards are in retreat':
The Guardian, 18th April, 2012

'Shaking up the boards of Britain' (article on Lord Davies): **19th February 2012**



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FTSE Index:

- FTSE 100: An index of the share prices of the 100 largest companies (by market capitalisation)
- FTSE 250: the next largest 250 companies;
- FTSE 350: combination of FTSE 100 and FTSE 250

Composition of UK Boards : unitary board system

- Non-executive director (NED): not an employee of the company
- Executive Directors (ED): serves or previously served as an executive manager of the company



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Government established review: Lord Davies 2010

Approach:

- Consulted with a wide range of stakeholders
- Consideration of quotas
- Overall recommendation: A voluntary, business led strategy



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Recommendations (1):

1. Encouraged Chairmen of FTSE 350 companies to set aspirational targets for number of women on boards, with FTSE 100 boards aiming for a minimum of 25% by 2015.
2. Quoted companies to disclose figures on positions of female employees
3. The Financial Reporting Council (FRC) to amend the UK Corporate Governance Code
4. Chairmen to sign a charter supporting the recommendations
5. Chairmen to disclose information on the company's appointment process and how it addresses diversity in the company's Annual Report



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Recommendations (2)

6. Role of investors
7. Advertising non-executive board positions
8. Development of a Voluntary Code of Conduct by Executive Search firms
9. Recognition and development of a broader pool of candidates for board positions
10. Steering board to meet every six months to consider progress and report annually



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Results so far:

Unprecedented progress since Lord Davies reported in February 2011:

- 12.5% to 15.8% in FTSE 100
- All male boards dropped from 21 to 9
- 100 new female appointments: 47 in the FTSE 100 and 53 in the FTSE 250. The majority of which had no prior FTSE 350 board experience, suggesting that the appointment process is opening up to new women
- Real partnership approach: Business, Lord Davies, Government, Regulators, Investors, media, academia



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Also:

- Voluntary Code of Conduct for Executive Search Firms
- New initiatives being developed independently of Government
- Investors have engaged and are actively working with us to bring about change
- Changes to be made by the Financial Reporting Council to the Corporate Governance Code
- Commitment from the top of Government: Prime Minister hosted No 10 event; Ministerial promotion



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Going forward (1):

- A sectoral approach
- Increasing the talent pool
- Focus on increasing the number of women at Executive Director level
- Continue to identify and share best practice
- Work to eradicate all male boards in the FTSE 100
- Sharing good practice between Member States



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Going forward (2):

- Continue to measure and monitor progress
- Keep up pressure on all male boards
- Support launch of Female Charity Index
- Women's Business Council
- Support for female rural businesses
- Mentoring programme
- Quotas: Flexible and voluntary approach working in the UK



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Conclusion

Result: A successful voluntary, business led approach making a real difference in UK

Direction: More women at senior executive levels

Trajectory: Within the FTSE 100, 26.7% by 2015 and 36.9% by 2020