Corporate

Women on boards

Reporting on diversity in the annual report

May 2012

Freshfields Bruckhaus Deringer LLP
Women on boards

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Reporting on diversity in the annual report

One of the recommendations of Lord Davies’s February 2011 Women on boards review1 was that companies should report on diversity issues in their 2012 corporate governance statements. In this briefing we identify some recent trends in companies’ responses to this recommendation, based on our snapshot of 60 annual reports published by a selection of FTSE 100 and FTSE 250 companies in March and April 2012. We have also included a selection of extracts from reports in annex 1 to this briefing to illustrate some of the key themes we noted.

Annex 2 lists the 30 FTSE 100 and 30 FTSE 250 companies whose statements we analysed, with data about sector and board composition at the date of the annual report.

Lord Davies of Abersoch issued his first annual progress report on tracking progress against each of his Women on boards recommendations in February 2012.2 In parallel, Cranfield University School of Management published a new edition of its regular Female FTSE board report.3 For an outline of some of the key points made in each report, see our briefing Women on boards – one year on, available at freshfields.com.

Key conclusions

All but one of the 60 reports referred to diversity at board level and acknowledged the benefit of gender diversity on the board.

Targets

FTSE 150

- 37% set specific target for number of women directors
- 7% expressed aspiration to increase number of female directors – no target
- 13% did not set target for number of women directors and gave reasons why did not do so
- 26% did not set target nor expressly explain why did not do so
- 17% already had 25% female board representation

FTSE 250

- 13% set specific target for number of women directors
- 7% expressed aspiration to increase number of female directors – no target
- 30% did not set target for number of women directors and gave reasons why did not do so
- 50% did not set target nor expressly explain why did not do so

None of the surveyed FTSE 100 companies and two of the surveyed FTSE 250 companies with all-male boards set a target for female board representation.

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1 www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf
2 www.bis.gov.uk/assets/biscore/business-law/docs/w/12-p135-women-on-boards-2012.pdf
3 www.som.cranfield.ac.uk/som/dinamic-content/research/documents/2012femalftse.pdf
Changes to the diversity reporting under the Governance Code – a reminder

The Financial Reporting Council (FRC) will amend the UK Corporate Governance Code with effect from 1 October 2012 to include a gender principle requiring companies to explain their policy and report on its implementation. The changes will require companies to:

- establish a policy on board diversity and measurable objectives for implementing the policy; and
- disclose annually in the section of the annual report that describes the work of the nomination committee a summary of the policy and progress they have made in achieving those objectives.

Companies will also be required to consider diversity of the board, including gender, when evaluating board effectiveness. The FRC is encouraging compliance for annual reports published before then and will report on this in its monitoring report on the Governance Code later this year.4

Round-up of the ABI, NAPF and PIRC views on diversity reporting

The Association of British Insurers (ABI) published its report Board effectiveness in September 2011.5 It identifies diversity as one of its three key areas of focus for improving board effectiveness. On board diversity, the ABI recommends that:

- companies should ensure that achieving diversity of perspective is a key objective in appointing board members;
- companies should provide clear statements on the steps they are taking to achieve diversity in their boardrooms and should openly discuss the issues and challenges that they face in their annual reports;

Note: all percentages are approximate and relate to surveyed reports. The focus of our analysis was companies’ statements about gender diversity at board level, and not gender diversity in the group as a whole or other types of diversity. FTSE membership was determined as at 16 May 2012.

4 www.frc.org.uk/corporate/ukcgcode.cfm
5 www.ivis.co.uk/PDF/ABI_1684_v6_CS4.pdf
• chairmen should widen the search for non-executive directors, broadening traditional talent pools, when making board appointments;

• companies should recognise their role in developing the potential of women throughout the corporate pipeline; and

• companies should wherever possible set and report on measurable objectives and other steps being taken to promote gender and other diversity in their organisations, particularly at senior management level.

The ABI gives examples of barriers to gender diversity, of the sort of reporting on board appointments that is, and is not, helpful and of best practice disclosure about increasing the supply of women in senior executive roles. It says it will continue to monitor best practice on diversity and will report on it in its 2012 review. It will ensure that when it meets companies it ‘will engage on these issues and discuss the challenges that [companies] may face in addressing both supply and demand’.

The National Association of Pension Funds (NAPF) November 2011 Corporate governance and voting guidance has a section on board diversity. The NAPF’s position is that:

• investors now expect boards to set out an explicit policy for achieving a greater degree of diversity than has been the practice in the past;

• boards should track the implementation of that policy; and

• it encourages companies to state more fully the skills and experience that a director brings to his role – the statement should include other current appointments that might affect his ability to make a full contribution to the work of the board (eg, an executive role or a potential conflict of interest).

In its 2012 Shareholder voting guidance, Pensions Investment Research Consultants (PIRC) has restated its policy that boards should extend their search for non-executive directors beyond the boards of other listed companies to promote diversity: ‘too many [NEDs] seem to be recruited for their chief executive characteristics from other boards’. It supports the Davies recommendation that boards should aim for a minimum of 25 per cent female representation by 2015 and the planned changes to the Governance Code.

Investor reaction

Lord Davies recommended in 2011 that investors should pay close attention to his recommendations when considering company reporting and appointments to the board. The NAPF has said shareholders should consider abstaining on or voting against re-election of the chairman of the nominations committee if companies fail to have a policy to achieve diversity. The Co-operative Asset Management has said that shareholders should do this where companies fail to disclose targets. Cranfield notes that a number of major investors responded very positively and now expects companies to comply with Lord Davies’s recommendations. It encourages chairmen and company secretaries to demonstrate best practice and leadership in this area.


7 Available at www.pirc.co.uk
Annex 1

Examples of diversity reporting

Targets

Target already met
‘The Board recognises, in particular, the importance of the debate about gender diversity, prompted by the publication in the UK in February 2011 of the report by Lord Davies, “Women on Boards”. Since the formation of AstraZeneca in 1999, the proportion of women Board members has been approximately 25% and the Board intends to continue with its current approach to diversity in all its aspects, while at the same time seeking Board members of the highest calibre and with the necessary experience and skills to meet the needs of the Company and its shareholders.’
AstraZeneca

‘It shall have an aspirational target of at least 25% of the Board being women by 2015.’
BAE Systems

‘The current level of female representation on the Board stands at 25 per cent, the 2015 aspirational target level of female representation on Boards for FTSE 100 companies… The Company hopes to at least maintain, and possibly to increase, this level of representation …’
British American Tobacco

‘In the light of Lord Davies’ report on “Women on Boards” and the new Code provisions on gender diversity, we report that Pearson has four female board members (constituting one-third of the board). All were appointed for their outstanding records of achievement in their respective fields, and for the significant skills and insights that they bring to our company.’
Pearson

‘In nominating directors, Unilever considers diversity in terms of nationality, race, gender and relevant expertise and directs that, wherever possible, the Boards’ should reflect Unilever’s consumer base. I am pleased that already 25% of Directors on our Boards are women, and we will continue in our aim to increase that percentage. However, Unilever feels that gender is only one part of diversity, and Unilever Directors will continue to be selected on the basis of their wide-ranging experience, backgrounds, skills, knowledge and insight.’
Unilever

Target set
‘It shall have an aspirational target of at least 25% of the Board being women by 2015.’
BAE Systems

‘bwin.party will aim to appoint at least one woman to the Board by the end of 2013, with at least two women serving on the Board by 2015. Over that period the Board will also be reduced in size so that the percentage of women on the Board will be greater than it would be if it remained at its present size.’
bwin.party digital entertainment

‘The Board has noted the recommendations of the Davies Report “Women on Boards” and intends to achieve a minimum of 25 per cent female representation by 2015.’
Capital Shopping Centres

‘We are committed to continuing to improve diversity at Board level and have an aspiration to have more than 25% female representation by 2013.’
GlaxoSmithKline

‘Achieving diversity is more difficult in certain sectors and, as an engineering business, the demographic profile of the current talent pool presents significant challenges. Notwithstanding this, we will work towards extending the female composition of our board as vacancies arise and suitable candidates are identified, with an aspiration of 25% female membership by 2015.’
GKN

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

8 BAE Systems has stated a target, although women already exceed 25 per cent of board

9 ie the boards of Unilever PLC and Unilever NV

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on the Board in the near term. We do maintain, though, a robust merit based approach to selection as we do for all appointments.’

**Hammerson**

‘The Group welcomes and publicly supports the Davies Review. The Board has committed to show demonstrable progress towards the goal of achieving at least 25 per cent (and ultimately 30 per cent) female representation on the Board by 2013 and expects to meet this by 2015.’

**Lloyds Banking Group**

‘On 30 September 2011, the Board issued a statement to confirm their strong support for the spirit of Lord Davies’ report “Women on Boards” and that it aspires to 25% of board positions being filled by women by 2015.’

**Meggitt**

‘National Express is determined to ensure that all people – regardless of background or gender – are well represented at all levels of our business. Not only is that the right thing to do, it is also good business practice. Therefore, while maintaining our existing policy of selecting the best available candidates for any position, National Express is content to set the aspirational target that by 2015, 30% of its Board will be women, in line with the recommendations of the Davies Report.’

**National Express**

‘In September 2011, the Company issued a statement in response to the Davies Report on Women on Boards in which we set a target of increasing female representation on the Board to at least two members by the end of 2013 and to at least three members by the end of 2015. The Company has already achieved the target announced for the end of 2013.’

**Old Mutual**

‘The Company realises, however, that throughout the business and at Board level we could improve our gender balance. We therefore support Lord Davies’ Report on Women on Boards and aspire to have 25% female Board representation by 2015.’

**Petrofac**

‘Phoenix Group supports the recommendations in principle and we believe that it is appropriate for FTSE 350 companies to set out clear targets for female representation on their Boards. We are a recently listed FTSE 250 Company (from July 2010) and none of our Directors was appointed to the Board prior to September 2009. As we already have a large Board of 14 Directors (including one female director) and are unlikely to want to increase its size, it is difficult at this stage to commit to firm percentages regarding the number of women on our Board in 2013 and 2015. Nonetheless, we have set targets of two female directors by 2013 and a further female director by 2015. Our overriding aim remains the appointment of the most appropriate candidates to the Board.’

**Phoenix Group Holdings**

‘The Reed Elsevier Nominations Committee considers the knowledge, experience and background of individual Board directors. In the year, in line with the recommendations of the UK Davies Review, the Committee announced a 2013 target of 30% women on the Reed Elsevier NV Combined Board and 22% women on the Reed Elsevier PLC Board.’

**Reed Elsevier**

‘The Rexam board is aware of the benefits of all forms of diversity, including gender diversity, when seeking new candidates for the board. It is the board’s aspiration that by 2015 at least 25% of the board will be women.

**Rexam**

‘The board supports Lord Davies’ recent report regarding women on boards and has a stated aim that 25% of its non-executive directors will be women by the end of 2012.’

**Rotork**

‘This statement, published on the Tullow website in September 2011, affirms that the Board strongly supports the analysis and principles of the Davies Report and shares its aspiration that 25% of Board positions should be filled by women by 2015.’

**Tullow Oil**

**General aspiration to increase women on board**

‘Female representation on our Executive Committee is currently 20%. We will increase female representation on the Board if appropriate candidates are available when Board vacancies arise. Females represent about 20% of our employees.’

**Bodycote**

‘We aspire to increase [women’s] representation in the future.’

**Cookson**

‘The Board of International Power fully recognises the benefits of diversity and encourages it at all levels of the organisation.'
Accordingly International Power aspires to increase the diversity (including gender) of employees, management, senior executives and Directors across the Group. Our foremost aspiration is to appoint the most appropriate candidates to the roles available. Within the context of our diversity aspirations, we assess capability within the pool of talent available at the relevant time and in the prevailing circumstances whenever we undertake recruitment, promotion within the Company or nomination to management or executive positions.

*International Power*

‘We will take opportunities to increase diversity at Board level, and have committed to make demonstrable progress on this by 2015.’

*Rolls-Royce Holdings*

Explaining why a target has not been set

‘The [Nominations] Committee will consider the collection of detailed data on gender diversity and the setting of targets during 2012.’

*Cobham*

‘However, the Board is uncomfortable with the idea of setting out the percentage of women it aims to have on the Croda Board, as it believes that all Board appointments should be based on merit and not on a policy of positive discrimination. Ultimately the best way to get women onto the Board is to increase the number of women rising to senior positions within the Company and this will receive increased focus as part of the Company’s own succession planning and development programmes. The Board will also keep the criteria for Board candidates under review to ensure that they do not inadvertently exclude particular categories of candidate.’

*Croda*

‘I am aware of the suggestion that we publish an aspirational target in respect of gender diversity but am reluctant to do so as we are in the process of recruiting two additional non-executive Directors over the next eighteen months and I would not want to suggest that positive discrimination might influence our selection.’

*Derwent*

‘As a result of these [succession] plans, the Board has not embraced as a matter of priority the proposals of Lord Davies on gender diversity. The Board agrees that women can contribute a great deal in the boardroom, in executive and non-executive roles, and Elementis will seek to include women candidates in its succession planning process. However, the Board will appoint candidates on the basis of the best qualified person, rather than based on setting specific quotas.’

*Elementis*

‘We welcome the recent initiatives on diversity, including the focus on gender diversity on boards and in senior management. However, we believe that the setting of meaningful, achievable targets along with the associated review of selection criteria and procedures is a considerable task for any organisation, and throughout the last 12-18 months the major focus of the Board and management has been the acquisition and integration of the Gartmore business and managing the combined business as effectively as possible in volatile and depressed investment markets.’

*Henderson Group*

The value in diversity does not come from setting targets. Hikma is committed to employing and engaging the best people, irrespective of background, gender, orientation, race, age or disability. Our diversity continues to be demonstrated by the broad range of people in our organisation. It would be inappropriate to select for or against an individual on grounds of diversity, which could be required were Hikma to set a target for its Board composition. Our target is to continue to employ the best and, in doing so, we will achieve the diversity of society required to continue to make Hikma a success.’

*Hikma Pharmaceuticals*

‘At Board level, we believe that the current representation of one female Non-Executive Director (14%) is the minimum acceptable and whilst below the target that has been set for 2015, with a small number of Directors this percentage can increase quickly with a new appointment. However, we are reluctant at this stage to increase the size of the Board as a small Board fits [the company’s] entrepreneurial culture and approach to fast commercial decision making and we do not want to accelerate the departure of existing male Non-Executives, who are both high quality and high contributors to the Board and the business. As opportunities arise through natural vacancies and rotation, our intention is to ensure we achieve an increasing level of women membership of the Board.’

*Informa*
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‘The Group Board believes that diversity can bring insights and behaviours that make a valuable contribution to its performance. In considering new members, we will aim to select individuals best able to contribute to an effective, challenging and cohesive Board by blending a diversity of skills, experience, knowledge, independence, cultural background and gender. Given constraints on the size of the Board, this will be achieved by taking into account the overall contribution to diversity alongside other desired characteristics in new appointments rather than by setting specific targets on any single dimension of diversity. We would expect this to lead to greater diversity on the Group Board and divisional boards over time. We will monitor our success in developing the diversity of the Board as part of our annual evaluation of Board effectiveness.’

Interserve

‘Given constraints on the size of the Board, board diversity will be achieved by taking into account the overall contribution to diversity alongside other desired characteristics in new appointments rather than by setting specific targets on any single dimension of diversity. We would expect this to lead to greater diversity on the Board and in the divisional boards over time.’

Interserve

‘JLT supports the recommendation in the Code that Boards should consider the benefits of diversity, including gender, when making Board appointments. Our aim as regards the composition of the Board is that we should have a balance of skills, experience, independence and knowledge to enable each Director and the Board as a whole to discharge their duties and responsibilities effectively. For us, the issue of gender is one aspect of this broader issue of diversity. While we agree that it is entirely appropriate that we should seek to have a diverse membership on our Board, we do not believe that this can sensibly be addressed by establishing quotas or targets. Continuing to select the best candidate, irrespective of background, is paramount.’

Jardine Lloyd Thompson

‘The inclusion of women extends to the plc Board and is an important consideration during searches for new Board members. Prudential embraces the proposition that more women on boards would be advantageous to companies as well as to society at large. We remain duty bound to recruit the best available talent, and although the Board does not endorse quotas, it does commit to having an increasing representation of women in senior positions in the Company and on the Board.’

Prudential

‘Ensuring, facilitating and driving diversity in its broadest sense has helped drive the success of the Company to date: 20% of the Board is female and 50% is non-UK nationals; 22% of the Executive Committee is female and 78% is non-UK nationals; and 15% of the Top 40 managers is female and 75% is non-UK nationals. Additionally, 13% of the Top 40 managers can be classed as Black or minority ethnic (BME). When added to the number of female Top 40 managers, 28% of the Top 40 managers come from the groups usually under-represented in most organisations. The recent appointments to the CEO and CFO roles and the addition to the Executive Committee were two females and one BME.’

Reckitt Benckiser

‘The Board considered the Davies Report on Diversity carefully. It believes in the value and importance of diversity in the boardroom and throughout the Group but it does not consider that it is appropriate or in the interests of the Company and its shareholders to set prescriptive targets for gender or nationality on the Board.’

Schroders

Explaining the company’s diversity policy more generally

‘BG Group recognises the need for, and desirability of, diversity on boards. Diversity in the profile of board members provides the necessary range of perspectives which, undoubtedly, has a positive effect on corporate performance. The BG Group Board’s continued focus on its own optimal balance and composition is particularly important given the increased size, complexity and international reach of the Group’s global operations today.’

BG Group

‘The Board is aware of the provisions of the Governance Code and has due regard for the benefits of diversity, including gender, on the Board...’

EnQuest

‘The Davies Report sparked a further discussion for the Board this year on how to develop our senior management to ensure that we can provide opportunities for long-term executive development which, in turn, will provide a
diverse range of potential candidates for future roles on the boards of UK companies. As a result the Nominations Committee has proposed that succession planning for executive management will again be an agenda item for the full Board during 2012.’

Inchcape

‘Female representation as a percentage of the full Board is 22%. The Board is comfortable with its current composition.’

Inmarsat

‘Our commitment is to diversity in its broadest sense rather than simply in the context of gender.’

International Personal Finance

‘Gender is one component of diversity and although no formal target for female representation on the Board was agreed, the Board is supportive of the recommendations’ aims, and continues to seek to ensure that in considering appointments to the Board a diverse range of candidates are presented.’

Intertek

‘Appointments to the Board, as with other positions within the Group, are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, religion or gender. The Board is comprised of eight male directors and one female director. At the next senior management level, there are thirteen male directors and eleven female directors.’

Next

‘Although the requirement to have a diversity policy has not yet been formally implemented in the Code, the Board has instructed its SVP Human Resources to develop a policy that reflects the existing strengths of Reckitt Benckiser in this area. The proposed policy will maintain our strong foundations and provide a platform for Reckitt Benckiser to build on its excellent diversity credentials.’

Reckitt Benckiser

‘Since 2003, at least 25% of the executive Directors have been female and currently over 40% of senior management within the Group are female. The Nominations Committee will have regard to the recommendations of the “Women on Boards” report from Lord Davies published in February 2011 in its deliberations on future appointments.’

The Restaurant Group

‘As regards the executive team, the Committee noted that they have all been Directors of the Company or other group companies for many years and there are no plans to change the executive team in the short-term. … The Board agrees with the description used in the Financial Reporting Council (“FRC”) guidance on board effectiveness – that boards should aim for diversity in psychological type and background, as well as gender. In this way, the Board is more likely to consist of people from different backgrounds and skill sets so as to avoid any kind of “group thinking” and enhance constructive discussion and challenge at Board meetings. As a result of the above, whilst the Board will seek to ensure that there is sufficient diversity (in the wider sense) on the plc Board at all times, as illustrated by the appointment of [a woman director] to the Board, it does not believe that setting a target for female representation is appropriate at this time.’

St James’s Place

Difficulties faced in specific sectors

‘In view of the complex and technical nature of our business, one of the principal challenges that we have faced in recruiting new members to the Board has been securing relevant geographic and sector experience. At the same time, gender is an important aspect of the overall diversity to which chairmen of boards and nomination committees should pay due regard when assessing the most effective balance within the boardroom.’

BG Group

‘The Nominations Committee… recognises that within the mining industry opportunities to consider female appointments to the Board and senior positions would be more restricted than in other sectors. … Against this backdrop, the Nominations Committee will consider female candidates for future appointment to the Board as part of the process of succession planning and future changes to the Board as and when the composition of the Board is refreshed.’

Fresnillo

‘Petrofac faces particular challenges in seeking to build a Board with more women. The majority of our employees are engineers, which is a male-dominated profession and furthermore our Board has an equal number of Executive and Non-executive Directors. In common with other companies we are therefore only likely to meet our aspirational targets for 2013 and 2015 by recruiting female Non-executive Directors.’
Emphasising the importance of leadership

‘This is an area where board chairmen can drive change and one that I am happy to support. However, the timescale over which change can be achieved must be realistic.’

BAE Systems

‘As a founder member of the 30% Club, which encourages UK companies to aim for at least 30 per cent female representation on their boards by 2015, Sir Winfried Bischoff takes an active interest in promoting diversity within the Group and in business more generally.’

Lloyds Banking Group

‘Our approach to diversity varies from country to country. In the UK, we have a dedicated UK Diversity Board. Consisting of senior directors, the board regularly reviews, initiates and drives our policies forward. The group takes its responsibilities very seriously and is totally committed to the cause.’

Michael Page

‘Diversity is a matter of organisational culture largely set by example from the top. A Board that actively considers diversity is better able to support diversity efforts in the rest of the organisation and is equipped to identify the organisation’s requirements.’

Reckitt Benckiser

‘Our global governance framework for diversity includes a senior executive Global Diversity Steering Group that provides leadership and shapes strategic direction. During 2011, our most senior executives have been reverse mentored by a colleague who is junior to them in the organisation. The reverse mentors are a diverse group in terms of gender, nationality, business, function and their working location. The aim is to give senior executives a different perspective from a colleague who can share diverse experiences and ideas.’

Rolls-Royce Holdings

Monitoring progress and future reporting

‘We undertake to report on progress against targets and action taken in future years.’

BAE Systems

‘Finally, we are measuring our performance, with each business developing aspirational targets to increase gender diversity in their leadership ranks.’

BAE Systems

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

BAE Systems

‘The Board will continue to review and report further on the Company’s approach to diversity and related ambitions, particularly in the context of any developing guidance in this area.’

British American Tobacco

‘The Company collects data in respect of the number of women at different levels and thus will be able to keep the position under review.’

International Personal Finance

‘During the course of the year the Board reviewed what initiatives were in place within the Group to develop gender diversity and reviewed feedback from the biennial employee survey which included, amongst other things, data on equality of treatment and gender engagement.’

Interserve

‘We will monitor our success in developing the diversity of the Board as part of our annual evaluation of Board effectiveness.’

Interserve

Diversity in senior management – the pipeline

Explaining the company’s approach in general

‘To achieve real change we need to focus on the senior executive “pipeline” that ultimately leads to the Board and from which executive directors can be drawn. Importantly, it is from this pipeline, and those of many other companies, that the majority of our future non-executives will also be drawn.’

BAE Systems

‘As mentioned in the introduction to this Statement, gender diversity is considered as one aspect of those discussions, along with, for example, ways of developing and strengthening the pipeline of talent within the Group and ways of increasing the interaction between Board
members and senior members of executive management and talented future executives.’

**BBA Aviation**

‘The Group continued with long-term plans to ensure it develops talent and diversity to foster leaders across the organisation, looking ahead a minimum of five years.’

**BG Group**

‘Whilst the Company has a number of initiatives to improve gender diversity at senior management levels, the Board recognises that these will take time to be reflected in the numbers of senior women in the Group. The recently appointed Group HR Director will be taking this forward in 2012.’

**British American Tobacco**

‘The Group aims over time to be a leader in its approach to gender diversity. It will continue to focus on diversity and inclusion in order to build a diverse talent pipeline so that there is an appropriate number of talented women ready to make the next move in their careers.’

**Lloyds Banking Group**

‘We also launched a Group-wide initiative to increase the number of women in senior positions. Women currently hold 13% of senior management jobs within the Group, with the figure rising to 40% in Mutual & Federal’s executive team.’

**Old Mutual**

‘Pearson continues to show evidence of progress in relation to the retention of people with diverse backgrounds for both entry level and management positions and has made significant progress over the years in advancing women and culturally diverse people. As at December 2011, 27% of Pearson’s top managers were women, a 35% increase from 2008. The plan for 2012 is to continue to develop programmes and relationships that help attract talented diverse people into our business and retain them and to continue to track our progress.’

**Petrofac**

‘We intend over the next year to develop an inclusion and diversity policy including aspirations associated with gender. The policy will build on our Code of Business Conduct equality of opportunity statement and will be supported by diversity and inclusion training for all managers and supervisors. We will formally report on our progress in next year’s corporate governance report.’

**Prudential**

‘The Company seeks, through its diversity policy, to encourage the recruitment and retention of talented women at all levels. Furthermore, the Board remains committed to inclusion in all its forms and believes that leading companies seek out, and not simply tolerate, diversity.’

**Reed Elsevier**

‘In addition, a diversity and inclusion strategy was adopted in 2010 with support of senior leadership throughout Reed Elsevier, with each business unit asked to incorporate diversity and inclusion into its strategic plans.’

**Rexam**

‘The Group’s gender balance in senior management roles is currently 86% male and 14% female and, throughout the Group, 76% male and 24% female. The board reviews how diversity, in all forms, can be enhanced through the senior management team and across the Group with the overriding objective that the most appropriate candidates are employed and the most effective employees are retained and promoted.’

**Specific industry challenges**

‘The Board encourages diversity in senior management positions and throughout the workforce and the Group actively seeks to attract and retain women at every level of the Group. There are specific challenges in the aerospace and defence industry, which has not traditionally attracted sufficient women into the talent pool.’

**Meggitt**

‘Approximately two thirds of our workforce is in engineering or manufacturing roles where female representation has been historically low. We continue to counter this through active involvement in education outreach along with recruitment and development planning in order to maximise the potential of diverse talent across our global business. We are encouraged by some of the progress we are making in graduate recruitment where female representation has steadily increased over recent years. 25 per cent of participants in our graduate development
programmes are female and this increases significantly in functions outside of engineering and manufacturing.’

**Rolls-Royce Holdings**

**Internal training and development programmes**

‘We have made progress on our evolving global diversity and inclusion strategy following research carried out in 2010 to better understand the barriers to women progressing into more senior roles in the organisation. Under the leadership of a global steering group chaired by our CEO and made up of senior leaders from across the business, we are driving change in three key areas: “Leadership & Management Capability”; “Transparency in Talent Management & Career Progression”; and “Work Life Challenges”. We track gender representation at different levels of the organisation and the country of origin of our senior leaders to measure progress over the medium term.’

**AstraZeneca**

‘The Group supports management and educational programmes that are intended to increase diversity within the specialised technical fields from which senior leadership is selected.’

**BAE Systems**

‘We continue to support the career development of our female managers, with the aim of increasing the proportion of women in senior management roles. This includes drawing up development plans for our senior women and monitoring progress against them, assigning mentors and encouraging recruitment consultancies to draw up gender-balanced candidate shortlists when we recruit externally.’

**British American Tobacco**

‘Improve the diversity of our people by... delivering a roadshow highlighting our development programmes, career progression and role models to encourage more women to progress into senior roles throughout Greggs.’

**Greggs** [A target for 2012]

‘In December we launched Breakthrough; our new women’s network which has over 600 members and we have established a series of development interventions, specifically targeted at women at various stages of their career to ensure they are equipped with the necessary skills and experience to successfully compete for senior positions.’

**Lloyds Banking Group**

**Coaching and mentoring**

‘Capita established a network of diversity champions across the Group in 2008 and the Company’s training and mentoring initiatives actively support the fostering of talent at all levels in the business across the Company’s diverse workforce.’

**Capita**

‘We participate in the FTSE 100 Cross Company Mentoring Programme, the objective of which is for the chairmen and chief executives to provide advice and guidance to senior females with the aim of attaining a non-executive and/ or an executive director role. Our Chairman is a mentor and three of our female executives have participated to date.’

**Rolls-Royce Holdings**

‘“X Factor” is our senior mentoring and development program... which prepares high-potential women in our operating companies for the next level of leadership.’

**WPP**

**External programmes and co-operation**

‘Mondi is also increasing its involvement with universities to encourage female graduates to consider careers within the Group.’

**Mondi**

‘Rotork anticipates its co-operation with numerous universities, apprentice schemes and secondment programmes will promote gender diversity, leading to a better pipeline of appropriate female senior executives.’

**Rotork**

**External recognition**

‘Pearson was again named joint winner of the FTSE Executive Women Award and included in The Times Top 50 Employers for Women, both run in partnership with Opportunity Now.’

**Pearson**

**Facilities and flexible working**

‘BAE Systems is fostering a culture of inclusion by investing in inclusive leadership education and establishing a more flexible work environment for all employees. We recognise that we can do more, particularly at the more senior levels, and to help achieve this members of our Executive Committee are mentoring high potential women executives and increasing the diversity of participants in our global high potential development programmes.’

**BAE Systems**
‘A working group has also been established to consider the needs of women in business and how best Mondi can support career development. The establishment of a kindergarten at the Mondi corporate office in Vienna, Austria is one example of putting these proposals into practice.’

Mondi

‘We formally established a women’s development network with a view to widening this from the UK to other Group locations…”

Standard Life

Promoting diversity in recruitment

‘We ensure that our talent pipelines are diverse, for example our Global Graduate Programme includes people from more than 20 countries, with, in recent years, over 40% of our graduate intake being female. At all levels we are focused on increasing our diversity … When recruiting we strive to ensure that our shortlists of candidates are diverse and that our people are trained to avoid bias in the process in order to ensure fair selection criteria.’

IMI

‘With gender diversity high on the international agenda the Boards have reviewed the Mondi talent pool and considered gender diversity performance indicators. Specific recruitment commitments with a percentage of female candidates at long and short list stage for each management function in accordance with industry standards have been agreed.’

Mondi

‘We also require recruitment agencies to consider the diversity of candidates when sourcing staff.’

Petrofac

Internal surveys

‘Over the past few years, we have focused on improving the representation of women in the workplace. Today, 30% of our Non-Executive Directors are women, and the proportion of women in senior positions rose from 23% in 2007 to 28% in 2011. In our annual Global People Pulse Survey, gauging managers’ views of the company, approval of our diversity and inclusion measures rose by four percentage points in 2011 to reach 83%, well above the external benchmark of 74%.’

Unilever

Diversity in the recruitment process

Diversity in general

‘The committee therefore requires that when external search consultants are engaged to identify future candidates for Board roles, the goals of promoting an inclusive environment and diverse participation on the Board are reflected in their search criteria.’

BBA Aviation

‘The search process focused on the need for candidates who are current or recently retired CEOs, CFOs, or Audit partners, or who have other significant financial expertise, and sought candidates who further increased the diversity of the Board’s composition.’

GlaxoSmithKline

‘The Board will continue to actively encourage its recruiters to seek out qualified women as potential directors.’

Greggs

‘The Committee ensures that the search for any Board candidate is conducted, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.’

Intertek

‘In December 2011 the Committee agreed that a further independent non-executive director should be recruited in 2012, using the services of an external search consultancy. It was noted that due care and attention would be placed on ensuring the appropriate emphasis was placed on diversity as part of the selection process.’

Meggitt

‘The Board is mindful of the benefits of having a diverse range of members with a broad range of skills, backgrounds and experience. …We will continue to follow a policy of ensuring that we appoint the best people for the relevant roles and recognise the importance and benefits of greater diversity both at board level and throughout the Group and will take this into account when considering any particular appointment.’

Spirent

Using recruitment consultants

‘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.’

BAE Systems
‘In addition, when hiring and selecting for senior positions within the Company, we are ensuring that candidate lists are appropriately diverse.’

_BAE Systems_

‘The appointment process is initiated by identifying suitable external search consultants for the vacancy and preparing details of the role and capabilities required for the appointment. (Such consultants will be a signatory to the voluntary code of conduct for executive search firms on gender diversity.)’

_BBA Aviation_

‘Cookson will only use executive search firms that have adopted the Voluntary Code of Conduct addressing gender diversity and best practice.’

_Cookson_

‘The Nomination & Governance Committee currently utilises the services of an Executive search firm which has signed up to the 30% Club’s voluntary Code of Conduct for Executive Search firms.’

_Lloyds Banking Group_

‘Diversity is one of the important factors in the specification given by the committee to recruitment consultants when appointing new directors and the committee ensures that, with the assistance of executive recruitment consultants who adhere to the Voluntary Code of Conduct, it has visibility of a range of suitable candidates, including women.’

_Reexam_

**Specifying composition of long- and short-lists of candidates**

‘During its search for additional Non-Executive Directors in 2011, culminating in the appointment of Ann Godbehere, the Company made clear to its external search consultancies that male-only shortlists of candidates would not be accepted.’

_British American Tobacco_

‘The Board … will ensure that any long list of candidates for future Board appointments includes a good proportion of women.’

_Croda_

‘However, a specific requirement of the appointed recruitment adviser will be to ensure any long list and short list of candidates presented to the Board for consideration is in line with the Davies recommendations – that is, at least 25 per cent should be women considered to have met the essential criteria for the role in question.’

_Elementis_

‘The Committee fully supports diversity in the Board and takes this into account in its work. It has introduced a new policy whereby search consultants are requested, where practical and appropriate, to ensure that at least 50% of the long list of candidates is female.’

_International Personal Finance_

‘When engaged in future searches for Non-executive Directors, we will continue to require search consultants to include a minimum number of female candidates on the long and short lists.’

_Petrofac_

‘The Board does not believe it would be appropriate to ask a search firm to narrow their search towards female (or male) candidates. All suitable candidates will be considered on merit, with the Nomination Committee recommending to the Board the person they consider to be the best suited to the role.’

_St James’s Place_

‘The Committee has reviewed the Board’s succession planning and selection procedures and will encourage executive search consultants appointed to assist in the selection process for both new Executive and non-executive Directors to include the strongest possible field of female candidates when presenting their long lists of candidates.’

_Tullow Oil_

**Defining how the diversity policy applies to new appointments**

‘The diversity policy also stipulates, in relation to new appointments, that: (a) only recruitment advisers who are able to demonstrate a commitment to gender equality and the ability to identify suitably qualified female candidates for Board positions will be engaged; and (b) where two candidates are equally matched against a role specification, the Board will give preference to a female candidate. The Board considers that this policy will help to ensure women are given every opportunity to be considered for appointment and, in the scenario described, will be given preference over a male candidate.’

_Elementis_

**Defining the skills set**

‘The Committee spent time defining the current skills set represented on the Board...’
and in particular discussed the position in respect of diversity, including gender, and the findings of the Davies Report. The Committee identified several areas where additional knowledge and experience would enhance the Board and the desired skill set for potential candidates was agreed in order to commence the recruitment process.

Inchcape

‘In our search for two new directors, we have identified the personal attributes, background and experience that we require for the next phase of growth. We will also seek to increase the diversity of the Board – both gender and nationality – as part of this process and will conduct the searches sequentially to ensure that the two successful candidates bring complementary skills and experience to Tullow.’

Tullow Oil

Reviewing the Nominations Committee terms of reference

‘Recognising the role that the Nominations Committee is required to play in facilitating progress in the area of diversity, the Board agreed during 2011 that the Committee’s terms of reference should be changed to make specific reference to diversity.’

BAE Systems
## Annex 2

Companies whose reports we analysed

### FTSE 100

<table>
<thead>
<tr>
<th>Name</th>
<th>Sector</th>
<th>Size of board</th>
<th>Female EDs</th>
<th>Female NEDs</th>
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11 Reports for year ended 31 December 2011, published March and April 2012. The number of directors is as stated in the annual report. FTSE status determined as at 16 May 2012.
### FTSE 250

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