

'The Power of Boards' FTSE 100 Companies and Women Directors

**Professor Susan Vinnicombe & Dr Val Singh
Centre for Developing Women Business Leaders**

November 30, 2004

- Equal Opportunities legislation 1970s
 - Hansard Report 1990 and 1995 on Women at Top
 - Opportunity 2000 --→ Opportunity Now
 - Catalyst studies of Fortune 500 in USA
- Higgs Review of Corporate Governance
 - Tyson Report 2003 – More Diversity Needed
 - Combined Code from Financial Services Authority, & Sarbanes-Oxley Act 2002 in USA
- Conference Board of Canada: Women on Boards: Not just the Right Thing but the Bright Thing
 - Women and Equality Unit, Brighter Boards
 - Support from Secretary of State for Trade & Industry

- Each year, since 1999
 - Database with company and director details
 - Checked against website for each company
- Corporate governance statements obtained from annual reports
 - Biographies of directors downloaded
- Statistical and qualitative analyses
- New strand/theme each year

FTSE 100 Boards	2003	2002	2001	2002	1999
Female-held seats	101	84	75	69	79
	8.6%	7.2%	6.4%	5.8%	6.3%
Female exec seats	17	15	10	11	13
	3.7%	3.0%	2.0%	2.0%	1.99%
Female NEDs	84	69	65	57	66
	11.8%	10.0%	9.6%	9.1%	10.8%

Companies with:	2003	2002	2001	2000	1999
1 woman director	46	44	42	46	49
2 women directors	13	11	12	12	14
3 women directors	7	6	3	0	1
4 women directors	2	0	0	0	0
No women directors	32	39	43	42	36

- More Non-Executive than Executive Directors
 - Separate roles for Chairman and Chief Executive
 - Appointment of Senior Independent Director
- Note on Corporate Governance on website/in report
 - Compliance with Combined Code
- Training and Induction for Directors
- At least the average number of board meetings (8)
- % of Non Executive Directors with less than two terms of tenure (< 7 years)

New for 2004

- Annual review of board performance
- Terms of reference for nomination committee – transparency, evaluation of composition of board (skills, experience, knowledge), succession planning, use of expert search consultants

Scores	No. of Companies	Boards all male	Boards with females
8	13	0	13
7	22	2	20
6	22	6	16
5	22	12	10
4	11	7	4
3	8	4	4
2	1	1	0
1	1	0	1

A Sectoral Comparison Companies with Women Directors

	Companies with women	Total companies in sector	% Companies in sector with women
Retail	11	11	100%
Banks	10	10	100%
Utilities	6	6	100%
Oil & Gas	3	3	100%
Leisure	5	6	83%
Telecoms	4	5	80%
Food Production	2	3	67%
Health	2	3	67%
Pharmaceuticals	2	3	67%
Engineering, Aero, Defence, Automobiles	3	5	60%
Finance, Insurance, Investment	10	13	77%
Construction	1	2	50%
Media	4	8	50%
Tobacco	2	3	67%
Transport	1	2	50%
Beverages	1	3	33%
Chemicals	1	3	33%
Mining	0	4	0%
Real estate	0	3	0%
Software & Computer Services	0	1	0%
Support Services	0	3	0%
	68	100	

- ❖ 7/17 female executive directors are finance directors
- ❖ 3 women directors from ethnic minority background
- ❖ 39% female directorships held by non-UK women (24 from USA)
- ❖ Proportion of female directorships held by titled women (31%) and titled men (20%)
- ❖ Women directors are younger than men

Executive directors	- Female 46	Male 51
– NEDs	Female 54	Male 59

- ❖ 52% of women directors sit on Remuneration Committee (compared to 33% of male directors)
- ❖ 40% of women directors sit on Audit Committee (compared to 34% of male directors)
- ❖ 42% of women directors sit on Nomination Committee (compared to 40% of male directors)
- ❖ Significant correlation between board size and numbers of women directors, but the top ten companies with women directors had average size boards.

- ❖ Lack of a transparent, open selection process (80% NEDs through personal invitation of Chairman)
- ❖ 1/3rd women directors have titles (compared to 1/5th male directors)
- ❖ 1/3rd women directors from overseas
- ❖ Key criteria is plc experience (Higgs recommends looking at directors in public sector/voluntary sector/professional services)
- ❖ Key routes to the board-general management, operations, finance. (Only 20 HR directors on FTSE 250 companies) *Higgs recommends that routes to the board include HR, Change Management and Client Management*

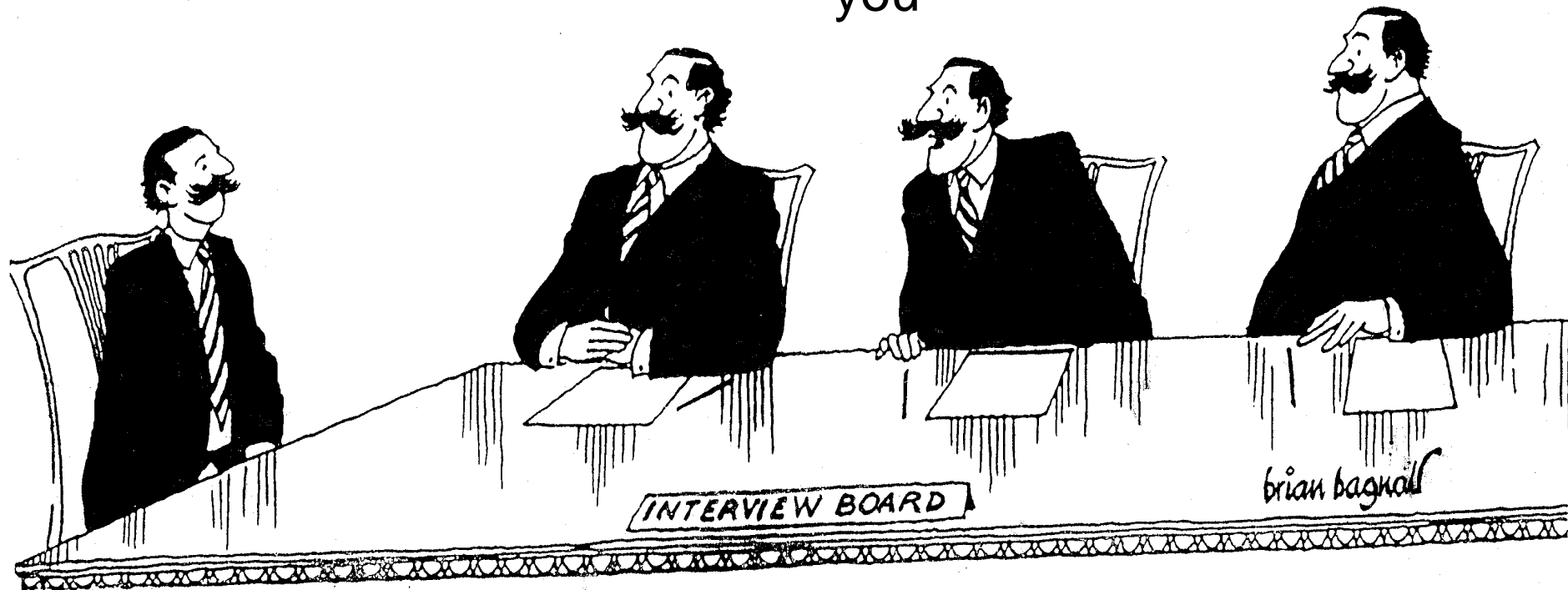
- By 2010 just a third of the workforce of the UK will be male and under 45. 80% of workforce growth will be among women. Women will form a significant part of the available talent pool. If we select our leaders from only half the population – waste of talent.
- Economic cost of losing women, e.g. a 3rd year associate is over \$1 million.
- 8128 women filed sex discrimination claims – 2003 in UK.
- Companies with women on the board perform better financially (market capitalisation) and have better corporate governance.
- Overall corporate financial status (e.g. in USA Pension Funds vet companies for investment in terms of presence of women on boards.)

- Reputation as an employer of choice for women.
- Need to reflect client base e.g FTSE 100.
- Strategic input on women's product/market issues (Nike example).
- Better corporate decision making. The biggest difference shown by Canadian Research is the significantly increased use of non-financial performance measures by boards with more women (e.g. innovation, CSR, employee satisfaction, customer satisfaction, communication, strategy implementation).
- In a meta analysis of leadership studies in USA in 2002, concluded that women have more transformational leadership styles than men and these styles are connected with a greater effectiveness.
- Contributions to corporate women employees in terms of mentors, role models, female retention and better understanding of issues facing women at work.

- Slow but steady increase of women non-executive directors.
- A new generation of women is starting to come through.
- Companies need to address internal pipelines of talent, for more executive women directors
- Some chairmen and CEOs are championing change.
- But business case for women still not strong enough – one third of top UK companies have no women on the board.

Can women ever get past this?

“Frankly, Dinsdale,
we like the look of
you”



- Annual Female FTSE 100 Index and benchmarking study
- Networking dinners
- DTI round tables
- NED programmes
- Other suggestions:
 - reporting a diversity in annual reports
 - companies declaring their requirements for new board appointments
 - using search consultants
 - advertising all directorships
 - a woman on every list