WOMENCOUNT2018

Role, Value, and Number of Female Executives in the FTSE 350

THE PIPELINE™

ABOUT THE PIPELINE & THE AUTHORS

THE PIPELINE™

The Pipeline was established in 2012 to enable organisations to achieve their diversity goals through outstanding diagnostic tools, excellent leadership programmes, and bespoke consultancy. We begin by providing organisations with data and insights on diversity across all groups. Once these results are known we can help organisations achieve sustainable gender diversity by focusing on the best interventions from our holistic range of services, including highly acclaimed executive programmes and consultancy projects.

Margaret McDonagh
Co-Founder

Margaret McDonagh is a dynamic business woman and member of the House of Lords. She has had a successful corporate career serving as a NED for both Standard Life and Spanish based infrastructure company Abertis -TBI (global airports). Margaret was also the founding Chairperson of Smart Energy GB.

Margaret actively supports several charities, including serving as trustee of the AFC Wimbledon Foundation and is the Chairperson of the Orthopaedic Research & Education Fund, which uses big data to improve outcomes for patients. By profession, Margaret is a global expert in leading 'big campaigns'. She ran Labour's 1997 and 2001 General Election campaigns, which produced the most successful results for any party in Britain's history.

Lorna Fitzsimons
Co-Founder

Lorna Fitzsimons is a trusted advisor to blue chip companies and Whitehall on gender diversity and developing executive female talent. She is also a Board member of the UK Fashion Textiles Association (UKFT), the Greater Manchester Local Enterprise Partnership, and a trustee of the education charity, SHINE. Lorna is deeply committed to unlocking women's potential at the top of corporate Britain and realising growth in the Northern Powerhouse.

Lorna was the Founder and Director of The Alliance Project, a £150m public-private partnership to bring back textile manufacturing to the UK, and CEO at the Britain Israel Communications and Research Centre (BICOM). She turned BICOM into an internationally renowned centre of excellence. She was also a visiting Fellow at the Defence Academy's Advanced Research and Assessment Group, and a former Member of Parliament.

FOREWORD

Rt Hon Nicky Morgan MP
Chair of the Treasury Select Committee

July 2018

In 2018-19, UK PLC cannot afford to ignore any lever of growth and value. And yet, as this year's 'Women Count' report shows, Britain is missing out on a £13 billion gender dividend through the failure to get more women onto more executive committees and into more senior, decision-making roles in business.

'Women Count 2018' gives us the proof that having more women on executive committees boosts profitability. It unpacks in forensic detail the status of women in FTSE 350 firms, the number of women on executive committees, and the correlation between female representation and economic performance. It finds that businesses where at least 25% of decision-makers are women significantly outperform companies where women are under-represented, or even completely absent.

We should all be shocked that for the third year in succession the percentage of women on FTSE 350 executive committees is flatlining at 16%, despite positive initiatives and stellar contributions from many firms. The underlying figure of only 5% holding P&L roles really shows us where we need to focus and how much more needs to be done.

This lack of progress calls into serious question the possibility of achieving the UK's target of 33% by 2020 which I set in response to the Davies Report, as Minister for Women and Equalities in 2015.

We set the target not just because extending opportunity and equality for women is the right thing to do, but because all the evidence shows that businesses are more successful when they have a healthy gender balance in decision-making roles.

It is also clear that businesses that don't promote women are increasingly out of step with the British public. Younger people are frank on this: they want progress on equality in the workplace and, if not achieved, they will simply go and work for companies that do prioritise gender equality. This should concern all who understand the essential role played by talented people in the competitive world of business.

As Michael Porter said in 2008, one of the most powerful levers we have for improving national economic performance is maximising the participation of women in work and business. 'Women Count 2018' reveals that all the progress thus far has come from the appointment of non-executive women to FTSE Boards whilst the position of female executives on those same Boards and executive committees remains frozen.

Businesses that don't understand the need to appoint more senior executive women are failing to meet their full potential. I ask them to read this report and wake up to reality, in their own interests and the country's interests.

EXECUTIVE SUMMARY

Women Count 2018 reveals how despite numerous government targets and corporate promises, women are still being excluded from key positions in many of the nation's major businesses. In this crucial area, our country remains stuck in the past, with our economy failing to achieve its full potential.

This is the third annual assessment of the number, value, and roles that women hold on executive committees and main boards in the FTSE350. It highlights how substantial barriers to the development of the nation's best talent continue to prevail, limiting the profitability of leading businesses and hurting UK plc in the pocket, whilst also systematically reinforcing indefensible gaps in pay between men and women. The absence of any meaningful change to advance women into senior positions is not only at odds with Government aims, it is also increasingly out of step with the British public, who want an end to this outdated, male-only world. Young people are even clearer; they want workplaces that have a better gender balance and, if not delivered, they will simply take their talents elsewhere.

Representation of women is just 16%, with no progress in 3 years.

These results are a stark wake-up call for business leaders. The granular and far-reaching analysis undertaken shines an unforgiving light on the lack of progress of so many organisations, showing how it is being left up to women CEOs to deliver the change we need. In 2018 despite all the warm words, PR, and positive statements advocating change, for women seeking senior executive opportunities, corporate Britain remains a largely unreformed, unfriendly, and unreachable place.

No women in P&L roles in 63% of companies.

These results are a call to action for those seeking a more modern, better future for women and Britain's businesses.

THE KEY FACTS

Key Fact 1: No progress in getting more women on executive committees

- Representation of women remains at only 16%, with no real progress since 2016.
- Staggeringly, nearly a quarter of FTSE 350 companies have no women on their executive committees.
- 95% of all P&L roles on executive committees in the FTSE 350 are held by men, and just 5% by women. This matters as P&L roles are springboard jobs for advancement to CEO.
- 63% of companies have no women in P&L roles.

Key Fact 2: Women promote women and make change happen

- Only 4% of FTSE 350 companies have women CEOs, yet within a year these women CEOs have increased by 10% the average number of female executive committee members (2.9 in 2018 compared from 2.6 in 2017).
- Women CEOs have more than twice the number of women on their executive committees than male CEOs.
- Women CEOs have four times the number of women executives in P&L roles on their executive committees compared to male-led companies (1.6 to 0.4), showing it can be done.

Key Fact 3: Correlation continues between profitability and more women in senior roles

- FTSE 350 companies with no women on their executive committee only achieve an average 8.9% net profit margin. Where there are at least 25%

Corporate UK is missing out on a £13bn gender dividend.

women on executive committees, average net profit margins increase by 5%, to 13.9%.

- There is a £13bn gender dividend on offer for UK plc, if all FTSE 350 companies performed at the same level as those with women on their executive committees.

Key Fact 4: Company boards – women executives do not break through

- 92% of executive directors on main boards are men, whereas only 8% are women, reducing significantly the chance of increasing the number of female CEO's in the FTSE.

92% of executive directors on main boards are men, whereas only 8% are women.

- The percentage of women executives on main boards has flatlined between 2017 and 2018.
- Astonishingly, 248 FTSE 350 companies have no women executives on their main board.
- In most cases where there are women executive directors on the main board, there is only one. Only 7 companies have 2 or more women executive directors on the main board.

Key Fact 5: Women still hugely underrepresented in other senior leadership positions

- 95% of Chairs of main boards are men, with only 5% being women. Only 6 companies in the FTSE 100 have women Chairs.
- When the Chair of the main board is a woman, the average number of women on executive committees is 2.6, compared to 1.5 if the Chair is a man.
- Where a woman holds any of these key positions - CEO, Senior Independent Director (SID), Chair of the Remuneration Committee, Chair of main board – the company is likely to have a larger number of women on executive committees than if the positions were held by men.

Companies with woman CEOs have a 6% lower average median pay gap than those run by men

Key Fact 6: Gender pay gaps are worse without women executives and CEOs

- Companies with higher numbers of women executives have lower median pay gaps.
- Companies with women CEOs have an average median pay gap between men and women of 11%, compared to 17.4% when the CEO is a man.
- Gender pay gaps are highest in sectors with some of the lowest numbers of women executives.

Key Fact 7: Young people demand greater gender diversity at work

- 62% of people aged below 35 agree that having a balance of men and women at all levels in the workplace matters to them, decreasing to 35% in the 65+ age group.
- More than half of all women of all ages believe that increasing the number of women in senior roles at work would give them more role models to look up to. The majority of young men and women (16-34 yr olds) hold the same opinion.

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OUR RECOMMENDATIONS

This report demonstrates the chronic lack of women on the executive committees of FTSE 350 businesses. Companies need to make significant changes, and fast, if they are to meet the tests set in the Hampton Alexander review and, as with any other serious business challenge, this requires a target and a plan. The following interventions offer companies a solution to the challenge of achieving greater gender diversity.

ONLY THE CEO CAN MAKE IT HAPPEN

Companies take their lead from the boss and if organisations are to deliver true gender diversity, it has to start at the top. Well meaning words are fine, but it is actions and behaviours that count. CEOs must step up and treat gender diversity in the same way as other key business issues and commit to targets, create deadlines, empower people to deliver, and hold the organisation and individuals to account for their performance.

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JUST DO IT

Too many organisations seek the perfect women candidate before making senior appointments. Yet for men it seems they are prepared to take risks. It's clear, men are appointed for potential and women for attainment. This 'attainment trap' stops women of potential getting onto executive committees. Businesses must take the same risks on promoting and appointing women as they do with men and encourage women to seek opportunities that stretch their capabilities. Pipeline research reveals sponsorship initiatives are more successful than other interventions, for example coaching or mentorship schemes.

FOCUS ON THE EXECUTIVE COMMITTEE AND PLAN THE FUTURE

Rigorous and actioned succession planning is vital for achieving gender diversity on executive committees. Know which woman is right for which job and be transparent about it. Also, be clear that getting more women on the executive committee is the biggest priority. Setting a transparent target for this, and by when, sends a powerful message to women everywhere that businesses are prepared to take tough action to move the dial on this crucial issue.

Businesses must take the same risks on promoting and appointing women as they do with men.

WOMEN AND MEN AREN'T THE SAME

Many companies try to solve the gender gap by designing out bias. Don't. Instead recognise that men and women are different, and that specific interventions are needed for each, for example tailored leadership and development programmes. Women respond to clarity in job roles and reward packages, so organisations need to be more specific in these key areas about what they want if they are to attract and promote more women.

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CONTENTS

Women Count 2018 is a detailed analysis of the role of women executives for companies within the FTSE 350 at 19th April 2018. With gender diversity now accepted as a powerful tool in helping to achieve better decision-making and improved business performance, whilst also satisfying the wishes of customers and investors, this report is an important contribution to understanding where Britain's major businesses stand.

THE KEY FINDINGS ARE GROUPED INTO SEVEN THEMES:

- Women on executive committees
- Companies with women CEOs
- The relationship with company performance
- Women executives on main company boards
- Gender and other leadership positions
- Gender pay
- Future problems for companies failing to modernise

This is the third annual **Women Count** report and, disappointingly, there has been a decline in the number of companies publishing their executive committee data compared to last year (220 in 2018 versus 241 in 2017)[1].

Companies are required to publicise their data on gender pay and this same principle should be applied to executive committees and gender diversity. We continue to support the recommendation made by the Hampton-Alexander Review[2] for all FTSE 350 listed companies to disclose in their Annual Report and Accounts the gender balance on the executive committee and its direct reports.

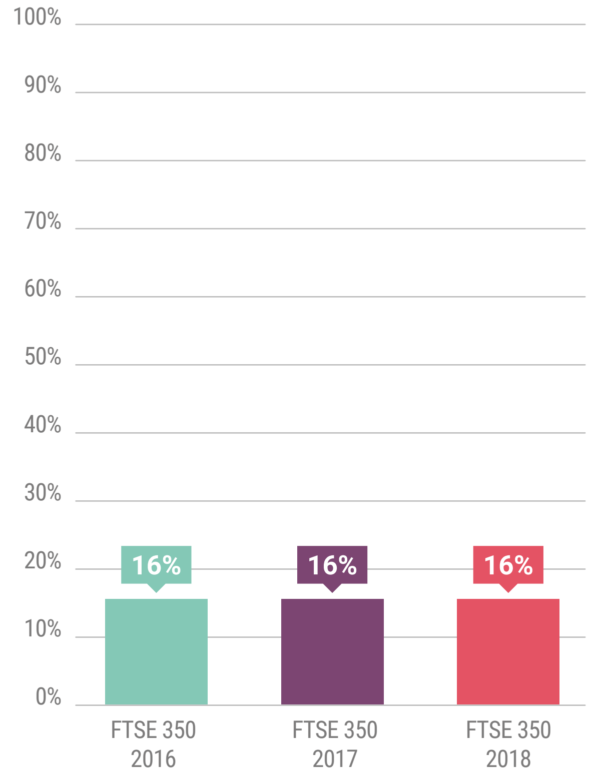
1. Women on Executive Committees

The failure to appoint women to key positions in business continues. For the third consecutive year, the data shows there has been no real progress in the number of women on executive committees – it has flatlined at just 16%. This chronic lack of progress in such a vitally important area is a major issue for those seeking change in Britain's businesses and raises serious questions.

The Government has set FTSE350 companies a target for 33% of their executive committee members and their direct reports to be women by 2020, but as this report shows, this will not be met without serious intervention and rapid action.

The lack of women in such senior positions is alarming, but the issue becomes even more concerning when looking at the roles performed by women who do achieve promotion to executive committees. In 2018 a substantial 63% of FTSE 350 companies had no women executive committee members in crucial P&L roles, growing from 61% in 2017. In 2018, 95% of all P&L roles on executive committees in the FTSE 350 are held by men, and only 5% by women. This is important as these are springboard jobs for advancement to CEO.

Figure 1 - Percentage of women on executive committees in the FTSE 350



2. Companies with women CEOs

Leadership matters, and it is very concerning to see just how far women have to go in reaching the top spot in Britain's businesses, with men constituting the overwhelming majority of FTSE 350 CEOs (96%).

At the date of collection, the data showed there were 14 women CEOs in the FTSE 350; 7 of these are in the FTSE100 and 7 in FTSE 250. Following this it has been announced that Jayne-Anne Gadhia will be stepping down from her position as CEO of Virgin Money, reducing further the already small number of women CEOs at the top of Britain's businesses.

Despite only 4% of companies having women CEOs, where they are in place they deliver positive change, making a substantial difference to the number of women executive committee members, with an average of 2.9 (up from 2.6 in 2017) compared to 1.4 for male-led businesses.

There is even more evidence of the difference made by women CEOs in the level of women executives in Profit and Loss (P&L) roles[3], as they employ four times the number compared to companies with male CEOs.

Strikingly, **Women Count 2018** has identified that 63% of companies had no women on their executive committees who held P&L roles, something that should sound a huge alarm bell for those seeking a better balance in key positions. All of these companies are male-led and the contrast with businesses where women CEOs are in charge is stark.

Figure 2 - Percentage of women CEOs in FTSE 350

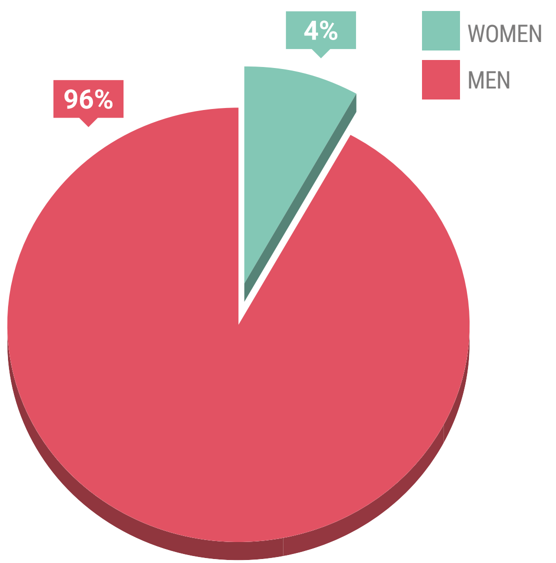


Figure 3 - Average number of women on the FTSE 350 executive committees by CEO gender

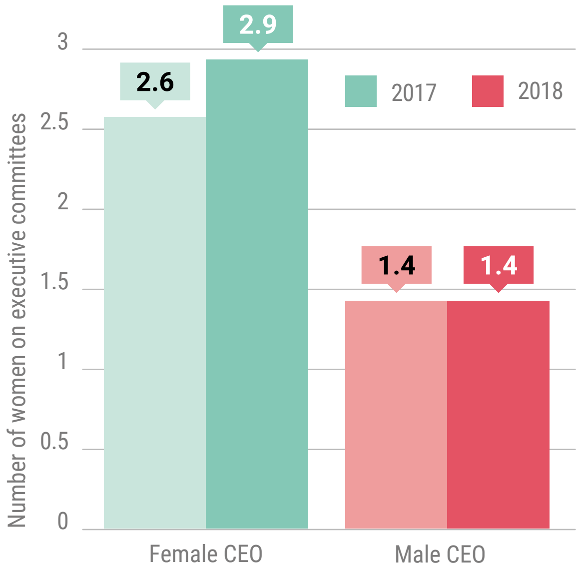
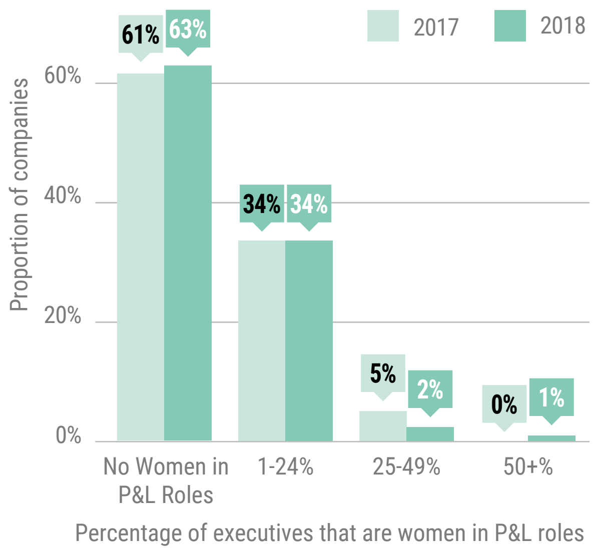


Figure 4 - Proportion FTSE 350 executive committees that have women with P&L roles



3. The relationship with company performance

As with other significant studies in this area[4], **Women Count 2018** finds a correlation between achieving a better gender mix in senior company roles and the level of profit achieved. FTSE350 companies with no women on their executive committee only achieve a net profit margin[5] of 8.9%, whereas the figure soars by 5%, to 13.9% in businesses with at least 25% women at this level. Britain's businesses and the country are missing out on a bumper pay day because of their lack of progress in getting women into the positions they deserve. If all FTSE350 companies were to perform at the same level as those with women on their executive committees, the impact would be a £13 billion gender dividend for the country.

4. Women executives on main company boards

The huge disparity between the levels of men and women at the top of FTSE350 companies is not just confined to the operational side of business life. The composition of company main boards tells a familiarly disappointing story, where 92% of executive directors are men and only 8% are women. This shockingly low level of women executives on main boards has not changed between 2017 and 2018.[6]

The failure to advance women executive directors is further revealed in the vast number of FTSE350 companies (248) which have none on their main company board. That's a huge proportion of

Figure 5 - Net Profit Margin for FTSE 350 companies by women on executive committees

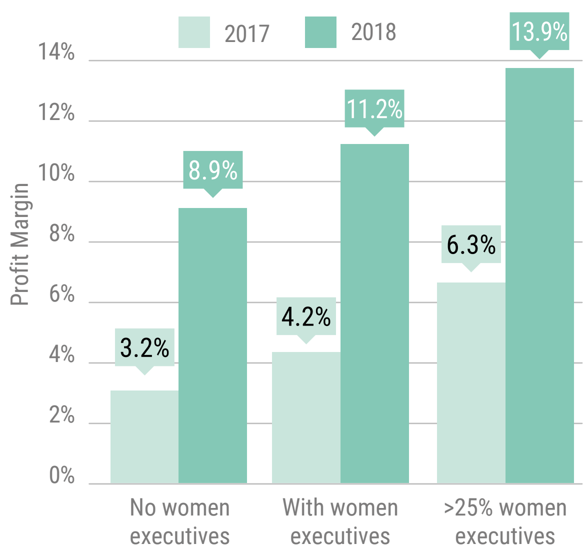


Figure 6 - Number of Executive Directors on FTSE main plc boards

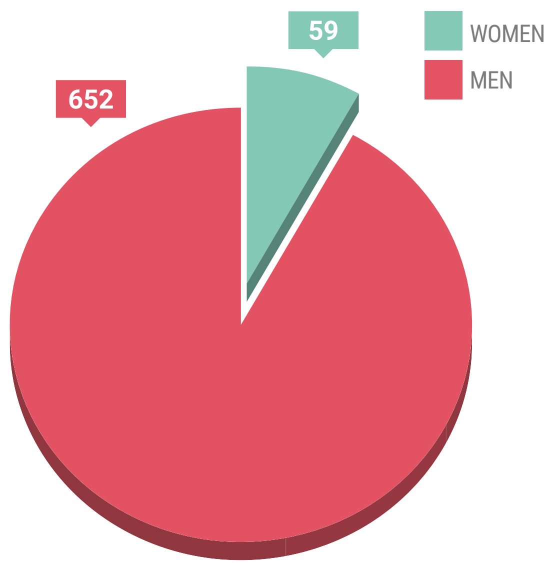
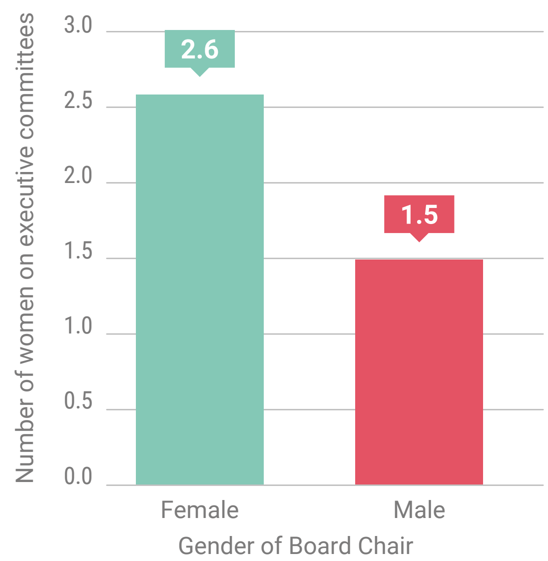


Figure 7 - Average number of women on FTSE 350 Executive Committees by gender of main Board Chair



Britain's major businesses without a single women executive on this crucial body.

The situation is hardly improved for those companies that have taken at least some steps in the right direction, as in most cases where there are women executive directors on the main board, there is only one.

In the entire FTSE 350, only 7 companies have more than 1 woman executive director on the main board.

5. Gender and other leadership positions

Women Count looked further into the most senior leadership positions in FTSE350 companies – CEO, Chair of the main board, Senior Independent Director (SID), Chair of the Remuneration Committee – and, in common with other areas, found that once again, women are very much second-class citizens. The headline figures are clear – there are only 19 women Chairs of FTSE 350 companies (6 in the FTSE 100 and 13 in FTSE 250.

Women Chairs are making a difference with the average number of women members of the executive committee in these businesses being 2.6, as opposed to 1.5 when the Chair is a man. This achievement is only slightly lower than the correlation between women CEOs and the number of women on executive committees.

The data shows that appointing a women into any of these senior positions makes a difference, with companies likely to have a larger number of women executives than if the same senior positions were held by a man.

Figure 8 - Average Median Pay Gap (hourly pay) by Number of Women on FTSE 350 Executive Committees (%)

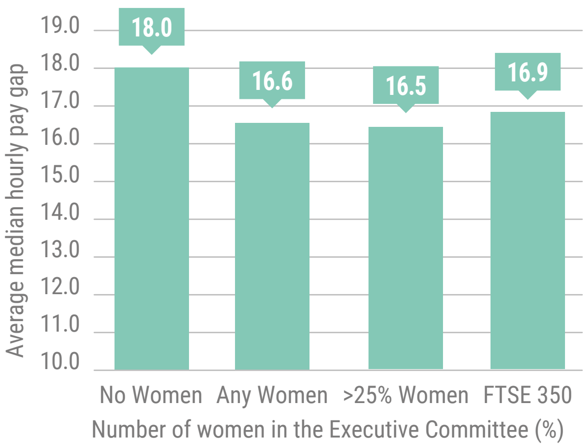


Figure 9 - Average Median Pay Gap (hourly pay) by CEO gender (%)

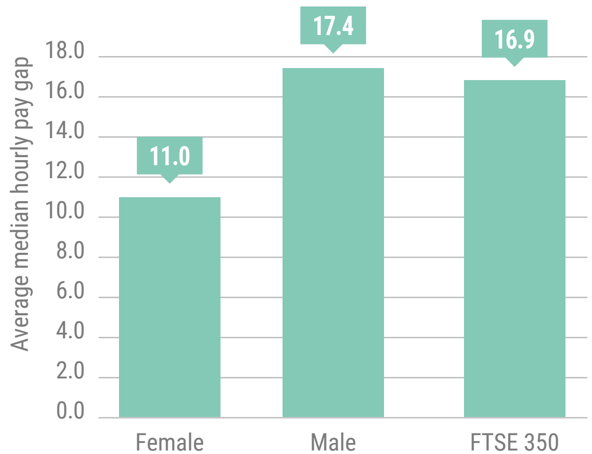
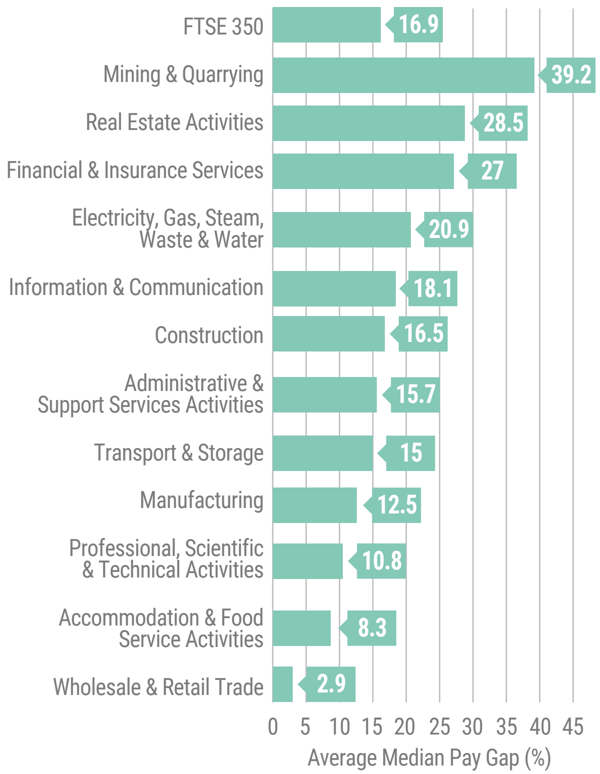


Figure 10 - Average Median Pay Gap (hourly pay) by sector (%)



6. Gender Pay

Companies that promote women into senior positions do better on gender pay. **Women Count 2018** shows how companies with higher numbers of women on their executive committees have lower median pay gaps between men and women.

Interestingly, the data also shows that the difference in pay between men and women has a relationship with the gender of the company CEO, with women-led businesses having an average median pay gap of 11%, which rises to 17.4% when the CEO is a man.

This same relationship between women in key positions and the gender pay gap is evident across different industries, with the highest gaps in sectors with some of the lowest numbers of women executives. Once again, the lower the number of women executives the higher the gender pay gap.[7]

7. Future problems for companies failing to modernise

The lack of progress by companies in getting more women onto their executive committees is increasingly out of step with popular opinion, especially with younger people. Companies will face growing pressure to change as young people's views on gender diversity diverge with the older generation. This will impact on the ability to attract and retain the best talent, a key differentiator in the highly competitive business world, and an especially important factor when considering how to recruit younger people, who will be the lifeblood of a company's future.

The emphasis on the importance of better gender balance for younger people can be seen with 54% of under 35s who think that increasing the number of women in senior roles at work would give them more role models to look up to. Conversely, only 27% of 55-64 year olds think the same way, illustrating the wide gulf that exists between key sections of the population.

Younger people also care strongly about the gender mix with a significant 62% of people aged below 35 agreeing that having a balance of men and women at all levels in the workplace matters to them. Once again, this decreases as people get older with only 35% in the 65+ age group sharing the same sentiment.

The wider public has a firm view on a healthy gender mix for businesses, with 59% saying that all-male or male-dominated workplaces should be a thing of the past, with the same number agreeing that young people want to work in workplaces that have a good balance of men and women.[8]

Figure 11 - Sentiment about gender diversity in the workplace

CONCLUSION

Women Count 2018 lays bare the ongoing exclusion of women from key positions in Britain's major businesses. Fine speeches have been made, policies constructed, Government reviews commissioned, yet for the third year running the number of women on executive committees in the FTSE 350 has flatlined at 16%.

This report shows how such a lack of progress is inhibiting company performance, at the same time as entrenching divisions in pay between men and women. Urgent and far-reaching change is required if FTSE 350 companies are to meet the Government's target for 33% of their executive committee members and their direct reports to be women by 2020. Carrying on as before is not an option.

We urge a new approach that understands and embraces gender diversity, making it as important to a company as any other business critical issue. CEOs must take ownership and lead from the front, with hard actions matching warm words. Companies must take risks on women with potential, as they currently do with male colleagues. Women should be encouraged by transparency on roles and targets; in particular, FTSE 350 companies should place the 33% target for women on executive committees by 2020 on their risk register. And, companies must change tack and recognise that men and women require and respond to different types of support and incentives.

Some companies are making strides to a more positive future, especially where a woman CEO is in charge, and they are providing perhaps the greatest lesson from **Women Count 2018**; it is being left to women in senior positions to deliver the change we need.

If corporate Britain is to finally begin meeting the expectations of Government and the wider public, especially the young, of better gender diversity at work, it must change direction, and fast. Time is running out and the country is watching.

METHODOLOGY

The Pipeline has produced **Women Count 2018** as the third study in a series of reports, building on previous findings published in 2016 and 2017. The **Women Count** series is the only study undertaken to measure and monitor the role, value, and number of women executive directors on the FTSE 350 executive committees and main boards. This year, we have extended the report significantly to:

- Examine the number, role and value of women Chairs, Senior Independent Directors and Remuneration Committee Chairs on FTSE 350 main boards
- Review the inaugural gender pay data publicised by FTSE 350 companies and identify any correlations
- Survey the attitudes of British men and women through a quantative poll carried out by Populus towards gender diversity from a wide range of ages, locations, and socio-economic backgrounds

The data was gathered through a mixed-methods approach, which included researching company websites, annual reports and other company communications (as at 19th April 2018), gender pay gap data (as at 25th May 2018), and polling responses. The quantative polling of British attitudes was carried out by Populus, surveying 2,000 people between 2nd/3rd May 2018.

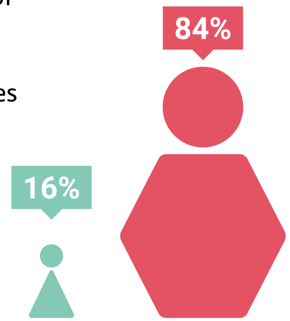
For further information, please contact **Ana Pacheco**, Director of Planning, **The Pipeline** on **020 7636 9002**.

Female Male

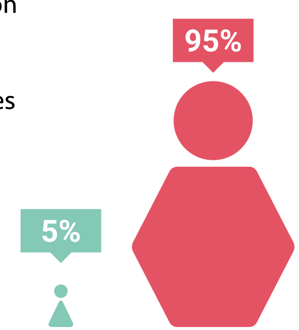
WOMEN COUNT 2018 AT A GLANCE

Corporate UK missing out on
£13bn
Gender Dividend

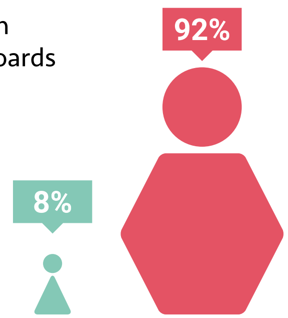
Members of FTSE 350 Executive Committees



P&L roles on FTSE 350 Executive Committees



Executive Directors on FTSE 350 Boards



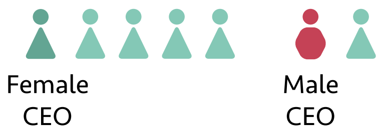
BENEFITS OF WOMEN CEOs

Executive Committee Roles

2x Women CEOs have more than twice the average number of women on their executive committees than male CEOs

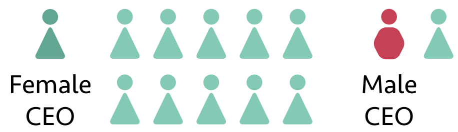
P&L Roles

4x Women CEOs have four times the average number of women executives in P&L roles on their executive committees than male CEOs



Executive Director Roles

10x Women CEOs have almost ten times the average number of women executive directors on their boards than male CEOs



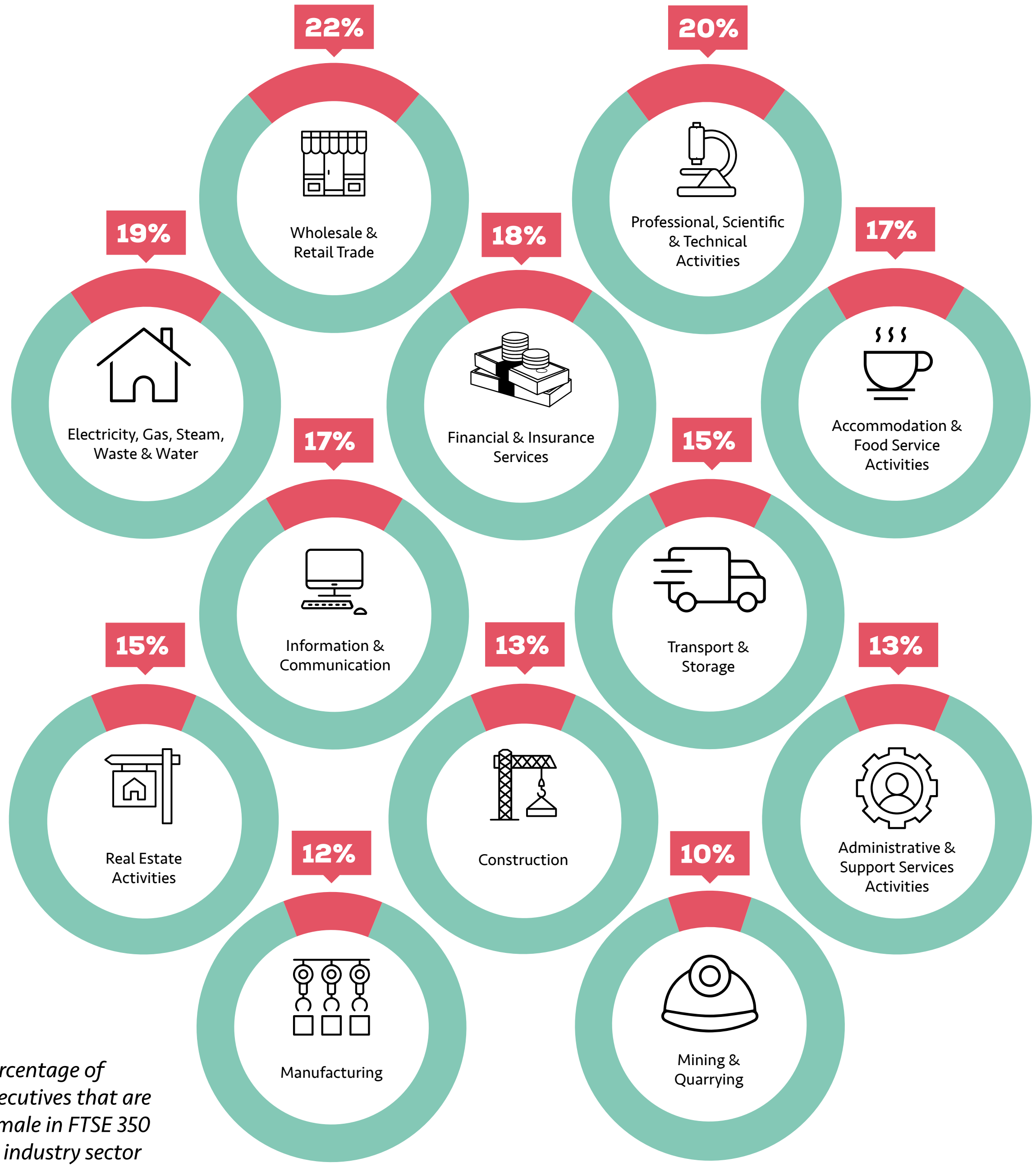
APPENDIX 1: INDUSTRY INSIGHT

It is alarming that **Women Count** found representation of women on FTSE 350 Executive Committees remains at only 16%, with no real progress since 2016, but is that the case in individual industry sectors? It is even more discouraging to find the results are low whichever industry sector we analysed.

The only sector that is slightly higher than the FTSE 350 is Wholesale and Retail Trade, continuing its position as a higher performer in 2017. This reflects the high percentage of women they employ compared to other sectors. At the other end of the scale, Manufacturing, Mining and Construction continue to be in the bottom quartile, echoing the dominance of male employees and leaders in these sectors.

The picture is even more dispiriting in terms of women in P&L roles on FTSE 350 executive committees, especially as these are springboard jobs for advancement to becoming a CEO. Although the stand out statistic is Mining with 1% of women in P&L roles on their executive committees, all sectors in the FTSE 350 have much work to do.

To read more about our research on different industry sectors, go to our website:
www.execpipeline.com



Percentage of executives that are female in FTSE 350 by industry sector

FOOTNOTES

1. Only 220 companies in the FTSE350 publish full details of their Executive Committee, of which 82 are from the FTSE100 and 138 from the FTSE250.

2. Hampton-Alexander Review (2017) FTSE Women Leaders.

3. For the purpose of this research, we identified the following roles as having P&L responsibility: Chief Executive, Deputy Chief Executive, Chief Finance Officer, Finance Director, Managing Director, President/Executive Vice-President/Senior Vice-President/Director of a division, country/region or product, Chief Operations/Supply Chain Officer, Chief Commercial Officer, Sales Director and Trading/Merchandising Director. We also analysed biographies on company websites to determine if their role involved responsibility for running P&L accounts.

4. Various renowned organisations, such as the IMF, McKinsey and Grant Thornton, have produced reports which also found a correlation between financial outcomes and women in senior roles.

5. Net Profit Margin is the ratio of net profits, before tax, to turnover (i.e. revenue). Expressed as a percentage, Net Profit Margin expresses how much of each pound collected in revenue is converted into profit.

6. This section of the report focuses on women executive directors only and must not be confused with non-executive directors. FTSE 350 company boards are made up of executive directors and non-executive directors. Executive directors are responsible for running the organisation full-time on a day-to-day basis. Whereas, the non-executive director's role on main boards is to represent shareholders' interests and, more broadly, of wider stakeholders including responsibility for oversight and governance.

7. We collated and analysed gender pay data published as at 25 May 2018 which showed all or the majority of employees based in the UK entities of companies listed in the FTSE 350.

8. Populus polled over 2,000 people, representing a cross-section of the general public, on the 2nd & 3rd May 2018 on their attitudes to gender diversity.

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Role, Value and Number of Female Executives in the FTSE 350

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Front cover: **Nimisha PradeepKumar -** *Finance Product Owner, Lloyds Banking Group — Listed in the EMpower 100 Ethnic Minority Leaders (featured in the FT)*