

Warren Partners
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for Board talent



Developing a Board Diversity Policy

October 2012



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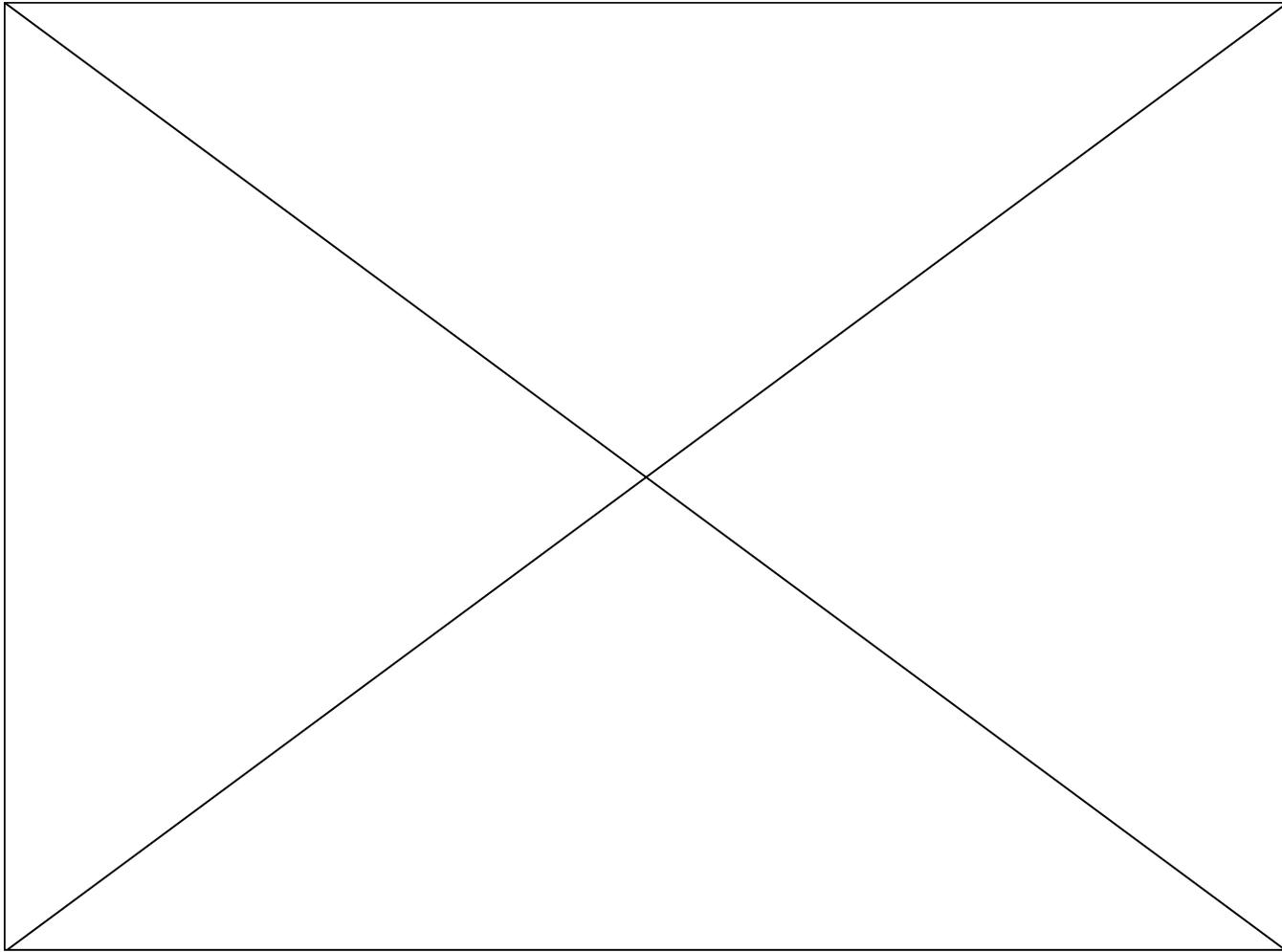
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Areas Covered

- ❖ The 2012 AFM Corporate Governance Report
- ❖ Why develop a Board diversity policy
- ❖ Examples of relevant policies
- ❖ The benefits of having a policy
- ❖ The issues around implementation



An Inspirational Journey



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AFM 2012 Corporate Governance Report

*'We are aware that organisations are consciously considering gender diversity on their Boards, with a number of smaller organisations recently reporting **difficulty** in hiring suitable women directors. However the sector is **moving more slowly** at present **than listed companies**, which is perhaps surprising for member-owned organisations; we asked companies to report in general terms on their board diversity policy:*

- One-third indicated they **have a formal diversity policy**, of whom three indicated they reported against this in the remuneration committee's report in this year's report and accounts;*
- Similarly another third indicated that they **plan to introduce a gender policy in 2012**;*
- The final third said they had **no plans** to introduce a policy.*

AFM aims to help members that are keen to introduce a gender diversity policy, with a paper on emerging good practice in this area due before the end of 2012.'



Key strands of diversity

- ◆ Age
- ◆ Disability
- ◆ Gender
- ◆ Race
- ◆ Religion or Belief
- ◆ Sexual Orientation

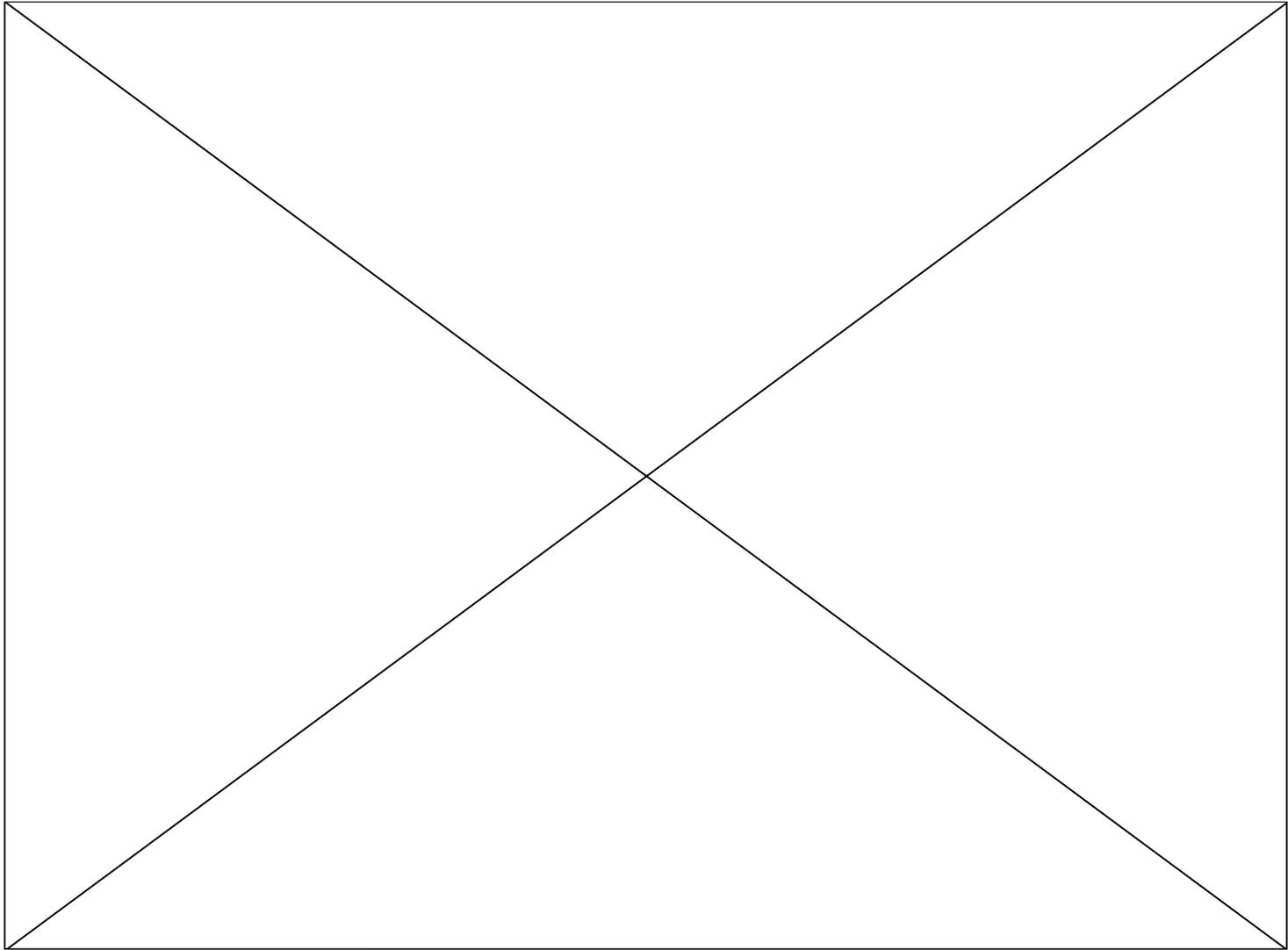


Why implement a diversity policy?

- ◆ Regulatory
- ◆ Economic
- ◆ Ethical



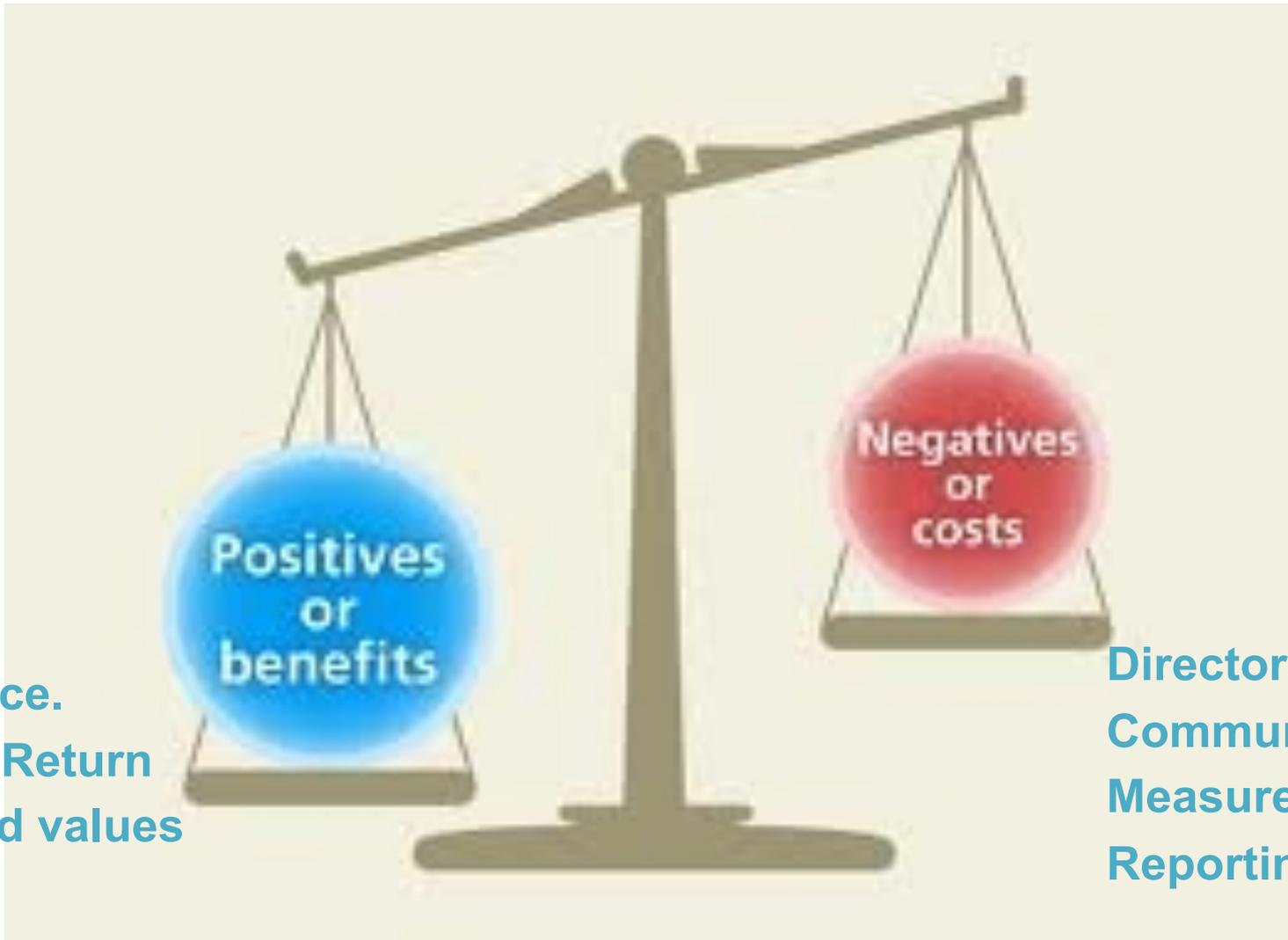
Women on boards FT.com



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Costs and benefits



Compliance.
Financial Return
Embedded values

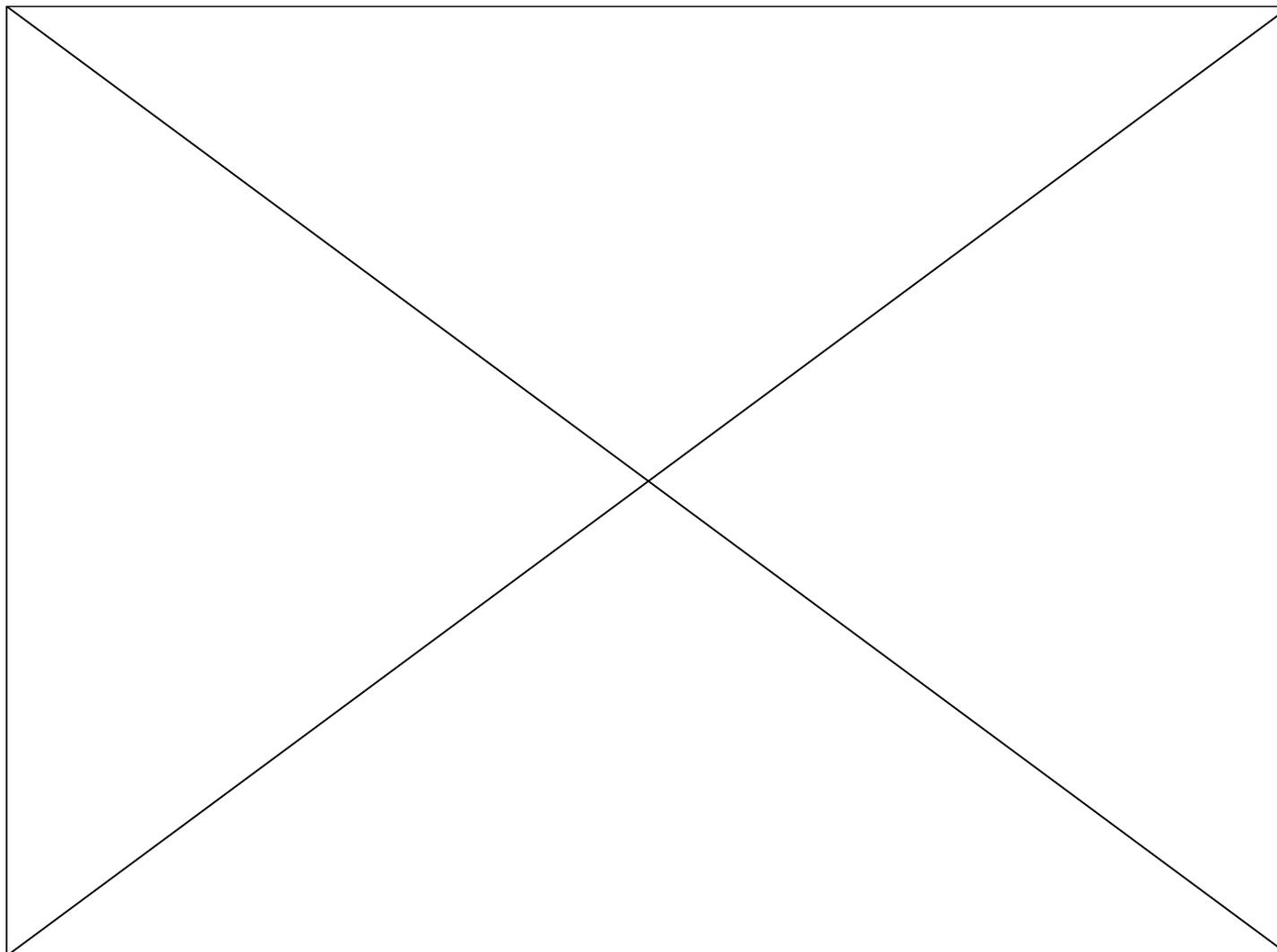
Directors' time
Communication
Measurement
Reporting



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P & G diversity



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What does a Board Diversity Policy look like?

- ◆ BUPA
- ◆ Marks & Spencer
- ◆ Barclays



“Bupa places great emphasis on the principle of diversity, including gender diversity. Diversity throughout the organisation makes great business sense, not least because it means that, as a growing international healthcare company, Bupa is better able to understand and meet customer needs if the organisation reflects its customer base.

Bupa's policy is to ensure that there is broad experience and diversity on the main Board. Diversity in Bupa embraces knowledge and understanding of relevant diverse geographies, peoples and their backgrounds including race, disability, gender, sexual orientation, religion, belief and age, as well as culture, personality and work-style. Diversity also includes a diversity of perspectives on what motivates and interests Bupa's existing and potential customers. In particular Bupa's Board is focused upon increasing Board diversity without compromising on the calibre of directors. Bupa maintains that appointments to the Board should be based on merit as well as complementing and expanding the skills, knowledge and experience of the Board as a whole. Within this context the Board aspires to having an appropriate proportion of directors who have direct experience of some of Bupa's key markets with different ethnic backgrounds, and may be non-UK nationals, of both genders, reflecting Bupa's business base.

The policy has the full support of the Chairman and the Board of Directors.’



Marks & Spencer

'Our Board diversity policy introduced this year seeks to ensure that diversity in its broadest sense continues to remain a significant feature of the M&S Board. We will report against the objectives below in 2012/13:

[the objectives are to]

- maintain a level of at least 30% female directors on the Board over the short to medium term;*
- assist the development of a pipeline of high-calibre candidates by encouraging a broad range of senior individuals within the business to take on additional roles to gain valuable board experience;*
- consider candidates for appointment as non-executive directors from a wider pool including those with little or no listed company board experience;*
- ensure non-executive directors 'long lists' include 50% women candidates;*
- only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice;*
- report annually against these objectives and other initiatives taking place within the Company which promote gender **and other forms of diversity**; and*
- report annually on the outcome of the Board evaluation, the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make up of the Company.'*



'Barclays recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.'

The Board Corporate Governance & Nominations Committee ('the Committee') reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. The Committee also oversees the conduct of the annual review of Board effectiveness.

- In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board.*
- In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.*
- As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Committee will consider the balance of skills, experience, independence and knowledge of Barclays on the Board and the diversity representation of the Board.'*



Key points for consideration

1. statement on overall Diversity Policy
2. state commitment to a diverse board
3. state appointments made on merit

...then points specific to your organisation:

- ❖ specific targets
- ❖ what you will do differently
- ❖ link to organisational values



Moving on to implementation

- Recruitment processes
 - Wording of job specification
 - Make your recruiters work harder
 - Assessment
- Communication
- Suppliers and procurement



Monitoring and Reviewing

‘The Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

At the date of adoption of this Policy, the Board is aiming to ensure that at least 20 per cent of the Board is made up of women by the end of 2013 and for that position to have exceeded 25 per cent by the end of 2015.’

Barclays



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Monitoring and Reviewing

- ❖ Focus is on gender for quantifiable targets
- ❖ Consider board pipeline
- ❖ Directors and Chair are responsible
- ❖ Need a complaints mechanism



Key Principles

- ❖ Let economics and ethics drive policy
- ❖ Make it relevant to YOUR organisation
- ❖ Include targets and measurement
- ❖ Look past gender
- ❖ Ensure consistency across the organisation



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