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## labour and employment lawflash

15 April 2013

### One Step Closer to Boardroom Equality in the UK?

*Reports show that the number of female board members at UK-listed companies continues to grow but that the rate of appointments must increase to meet targets for gender-balanced boardrooms.*

Recently published reports from former UK government minister Lord Davies of Abersoch and the Cranfield University School of Management indicate that the push to increase the number of women on boards of UK-listed companies is slowing down. However, the UK government continues to encourage companies to address the imbalance, rather than imposing gender quotas and sanctions for noncompliance.

#### **Women on boards 2013**

On 10 April, Lord Davies of Abersoch published his *Women on boards 2013* report,<sup>1</sup> which follows his 2011 report commissioned by the UK government to look into the poor representation of women on the boards of directors of UK-listed companies. The original 2011 report starkly highlighted the lack of gender equality amongst board members, and it set out a series of recommendations that businesses should follow to address the gender imbalance. One of those key recommendations was that, by 2015, the boards of FTSE 100 companies should be made up of at least 25% women. Importantly, Lord Davies's approach to tackling this issue, which has since been adopted as the government's approach, fell short of imposing mandatory gender quotas on companies. Instead, Lord Davies considered that a business-led approach would be sufficient to bring about the desired changes.

*Women on boards 2013* provides an overview of the progress that has been made to improve female board representation in the two years since the original report was published. The 2013 report shows that women now occupy 17.3% of all board positions of FTSE 100 companies. In 2010, this figure was just 12.5%. Also encouraging is the fact that there are now only six FTSE 100 companies that do not have a female representative on the board, as compared to 21 companies in 2010. The majority of new female board appointments are to nonexecutive positions, and there is recognition that more needs to be done to replicate this increase in executive positions.

Supporters of the government's business-led approach to tackling the gender issue will likely celebrate the latest figures. In response to the report, Lord Davies stated that it shows that the UK's top companies are "stepping up and responding." Vince Cable, the UK's Business Secretary, also responded, stating that the government "continues to believe that a voluntary approach is the best way forward."<sup>2</sup>

#### **Cranfield University Report**

The Cranfield University School of Management published its report *The Female FTSE Board Report 2013: False Dawn of Progress for Women on Boards?* (Cranfield Report) on 10 April.<sup>3</sup> The Cranfield Report suggests that any

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1. View *Women on boards 2013* at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/182602/bis-13-p135-women-on-boards-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182602/bis-13-p135-women-on-boards-2013.pdf).

2. Press Release, Dep't for Bus. Innovation & Skills, Dep't for Culture Media & Sport, & Gov't Equalities Office, *Women on boards 2013: Two years on* (Apr. 10, 2013), available at <https://www.gov.uk/government/news/women-on-boards-2013-two-years-on>.

3. View the Cranfield Report at <http://www.som.cranfield.ac.uk/som/dinamic-content/media/Research/Research%20Centres/CICWL/FTSEReport2013.pdf>.

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progress made to date is of only limited significance and that the pace of change needs to accelerate if the targets set by Lord Davies in 2011 are to be achieved. The Cranfield Report shows that, in the last six months, only 26% of directors appointed to FTSE 100 boards were female. The report suggests that this percentage should be contrasted with the preceding six months, in which 44% of appointments went to women. The reasons for the recent slowdown are uncertain, however, care must be taken to ensure that companies do not lose momentum in striving to achieve a more diverse boardroom.

Dr Ruth Sealy, co-author of the Cranfield Report, warns that “Lord Davies’ target for FTSE 100 companies is still in sight but only if the rate of new appointments going to women regains momentum promptly.”<sup>4</sup>

The Cranfield Report also highlights that the percentage of women participating in executive committees has fallen from 18.1% in 2009 to 15.3% in 2013. As executive committees are typically seen as a talent pool for potential promotion to executive positions, the drop suggests that the pipeline of women for board promotion is currently not strong. This can be contrasted with the legal, marketing, and human resources professions, which are still dominated by females.

## Implications

Neither *Women on boards 2013* nor the Cranfield Report are likely to change the UK government’s approach to tackling the lack of women on the boards of UK-listed companies. The government remains committed to encouraging companies to address the imbalance, rather than imposing gender quotas and sanctions for noncompliance. Notwithstanding this, if sufficient progress is not made by 2015 and the UK does not achieve Lord Davies’s 2011 targets, there is a very real possibility that the question of mandatory quotas will be revisited.

## Contacts

If you have any questions or would like more information on the issues discussed in this LawFlash, please contact any of the following Morgan Lewis lawyers:

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4. Press Release, Cranfield Univ. School of Mgmt., Progress stalls again for women on boards (Apr. 10, 2013), available at [http://www.som.cranfield.ac.uk/som/som\\_applications/somapps/oecontent.aspx?pageid=14249&apptype=newsrelease&id=4856](http://www.som.cranfield.ac.uk/som/som_applications/somapps/oecontent.aspx?pageid=14249&apptype=newsrelease&id=4856).

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