

The Mentoring Foundation

House of Lords Select Committee on the European Union: Sub-Committee B Call for Evidence in relation to EU Women on Boards Proposal

The Mentoring Foundation operates the FTSE 100 Cross-Company Mentoring Programme which was established in 2003. It facilitates mentoring relationships for senior women executives in FTSE 100 or equivalent organisations and has recently expanded to apply to FTSE 250 companies and equivalent. The Programme's aims include: to bring the challenges of senior women executives to the attention of Chairmen and Chief Executives of leading companies and to help the women Mentees, through the advice and guidance provided by their Mentors, attain Board positions or otherwise progress their careers.

All 53 Mentors on the FTSE 100 Cross-Company Mentoring Programme are Chairmen or Chief Executives of FTSE companies, or their equivalent in the public sector. To date 94 Mentees have participated in the Programme and 81 of those Mentees have gone on to achieve significant career success. **14 of the female non-executive director appointments made in the last 24 months have been Alumnae of the FTSE 100 Cross-Company Mentoring Programme.** The Programme has been replicated in European countries such as France, Hungary and Ireland as well as outside Europe including in Australia and South Africa.

The Mentoring Foundation and the FTSE 100 Cross-Company Mentoring Programme can be regarded as part of the self-regulatory initiatives taking place in the UK, although the Programme pre-dates recent regulatory threats (namely of quotas) and self-regulatory interventions.

The Mentoring Foundation operates at the heart of the issues being examined by the Select Committee and is accordingly delighted to respond to the Call for Evidence made by the Sub-Committee. Peninah Thomson, CEO of The Mentoring Foundation and author of four books on the subject of gender and the board room, responded to the recent European Commission Consultation Process in her own name and on behalf of The Mentoring Foundation.

1. ***To what extent does the EU have a role to play in improving the representation of women on boards? Should this be backed through measures at a European level or is it a matter for national Governments? Do the approaches in board structures across the EU affect the pursuit of a common European approach?***

The FTSE 100 Cross-Company Mentoring Programme has operated for nearly 10 years achieving incremental results for its women Mentees, most of whom have gone on to achieve significant corporate success. At the time of launch and for most of its life the Programme operated in an environment free of government intervention, either national or international. It relied instead on a sense of urgency and a strong commitment among the participating company Chairmen to bring about change. The mentoring relationships facilitated by the Foundation (lasting 12 or 24 months) for senior women

have proved to be an extremely effective means of increasing the representation of women on boards. The Programme represents a medium-term investment for companies – it is not a quick fix solution. However, given its longevity, the Foundation has already created a significant pool of board-ready candidates. That pool continues to grow.

On the question of national government action, The Mentoring Foundation's work has increased in prominence and interest since the UK national initiative spearheaded by Lord Davies at the request of government, and there is a feeling of increased pressure in the corporate world to achieve results, particularly as all parties (women included) seem to be against quotas.

It is difficult to assess the impact of recent EU discussions, given that the UK government had already taken steps. Nonetheless, the European Commission has historically made important – if sometimes controversial - contributions to national law on questions such as discrimination and employee rights and so it is right to consider the most appropriate means through which the European Commission can support European corporations in effecting change.

In our view, the UK government intervention in commissioning Lord Davies' report represents a good model for intervention at national level. Further, national and EU government support for initiatives such as the FTSE 100 Cross-Company Mentoring Programme, which are working at the "coal face" to bring about real change, would be enormously beneficial. In addition it would highlight the commitment of those participating companies and Chairmen with a long track record of supporting diversity, without any regulatory compulsion to do so. This could provide a welcome boost to UK corporates' reputations.

In respect of both EU and UK government intervention, we believe that as in all areas, where the market is delivering results, government should not seek to impose unwieldy regulation. This is even more the case given the negative views of quotas, which Lord Davies' consultation shows exist widely. The perception of women who achieve success could be materially damaged where their representation is seen as mandated rather than merited.

It is also noteworthy that the Programme delivered by The Mentoring Foundation has been emulated in a number of countries including France, where both board structures and the regulatory environment are different from the UK. Nonetheless, the underlying issues around equality remain broadly the same and similar initiatives exist. The appeal of self-regulatory initiatives such as these is that they can be fine-tuned to fit the specific environments within different countries. We do not believe, therefore, that differences in structure or approach need hamper the pursuit of better representation for women across Europe.

2. *Can a "voluntary approach", or self-regulation achieve a fair representation of women on boards? How can change through voluntary measures be sustained?*

We believe that the UK self-regulatory approach is progressing towards proper representation of women on boards. A self-regulatory approach is unique in its ability to work across sectors and to encourage voluntary undertakings: for example Lord Davies'

report recommended that search consultants as well as corporations change their practices and since his initial report a voluntary code of conduct has been agreed amongst a material number of recruitment consultancies.

The self-regulatory approach also encourages voluntary initiatives to assist progress. Lord Davies in his evidence before the Select Committee, on 25th June 2012, described how his study had revealed the need for more mentoring programmes. The Mentoring Foundation has expanded its existing Programme, opening it up to FTSE 250 companies, and is launching a new mentoring Programme for women in the “pipeline”, in order to meet the need identified by Lord Davies both for mentoring and to address the “attrition” in the pipeline that he referred to in *Women on Boards* (p17) .

Initiatives such as these, which address the root causes of female underrepresentation and which are supported through external scrutiny of female board appointments, provide an optimal environment to bring about change. This is evidenced by the progress reported in appointments of female board directors. The overall number of female board appointments has risen from a three-year plateau at 12.5% to 15.8% as at March 2012 (reported in Lord Davies’ first annual review)

Progress can be sustained at least initially by the monitoring of targets and publication of levels of female representation on individual company boards, as is the case in the UK since Lord Davies’ report. The threat of regulation if targets are not met is also an important catalyst for increased rates of change until targets are met.

It is widely believed that once female representation achieves the levels suggested by Lord Davies it will lead to a cultural shift within those organisations and that diversity (at least at the level of gender) will become the “norm”. It is anticipated that this will increase representation of women at executive as well as board level. It will also have reputational implications for companies which fail to meet the targets and reporting measures set by Lord Davies.

3. *How should progress be monitored and audited? Should monitoring be coordinated at the European level?*

In the UK the task force put in place by Lord Davies continues to meet every six months and to report annually on progress. This, together with other reporting methods - such as the Cranfield Female FTSE annual report, ensures that attention on the subject remains relatively high.

There is also a dynamic and varied reporting environment offered by the many organisations with an interest in this area. Any internet search will deliver different and largely consistent reports in multiple formats. We do not see any need for UK and European governments to intervene on monitoring, save that as ever, government support, through highlighting and publicising progress (or stagnation), can be very effective in maintaining pressure.

4. *Should progress be incentivised, or a lack of progress punished? If so, how could this be achieved?*

The current system of targets against a backdrop of regulatory threat and with regular reporting of progress, is delivering change at a significant pace. Continued government

and media interest and focus upon progress will, we believe, provide enough incentive for change. We are also convinced that those companies which refuse to progress with diversity are likely to meet resistance through their own governance procedures (for example shareholder action when voting for Chairmen etc). Recent events have shown how the regulation of corporations is a complex and often unwieldy matter and we do not believe that any other regulatory intervention at this time is either necessary or desirable when the current environment appears to be delivering sufficient progress.

5. *What level of progress is acceptable? Is there a point at which it should be determined that self-regulation is not working and that a legislative intervention (whether at national or European level) is needed?*

The Mentoring Foundation supports the targets and timeframes proposed by Lord Davies in his report and we note that the UK is on track to meet or exceed them by 2015. This has resulted in material changes identified in recent reporting (see above). In the UK, the current situation indicates that self-regulation is working. Were progress to stall, we note that Lord Davies has retained the option to consider recommending quotas, thereby applying pressure to corporations (and other bodies working in this area). The Mentoring Foundation would support the monitoring role carried out by Lord Davies' taskforce and would suggest that the taskforce is the appropriate body to determine if and when any other measures may become necessary.

At the EU level, we note that progress varies across countries, but that the question of female representation on boards is becoming a material concern certainly in the larger European countries. As many companies are international, it may be that change in one country will affect board compositions in other countries (although there does not yet appear to be any evidence or reporting of trends to support this). Given the different approaches adopted (between quotas and self-regulation) across Europe, we do not believe that regulatory intervention by the EU would be necessary or appropriate. We would suggest that - as with other matters of corporate governance - intervention should be left to national governments where they deem appropriate.

6. *Has the introduction of quotas in some Member States had any impact on the single market? What are the arguments for and against consistency across the EU on women on boards?*

We are not aware of any impact on the single market resulting from the introduction of quotas in certain EU countries. Current reporting indicates that where effective self-regulatory measures are put in place, such as in the UK, then goals can be met through these means. We believe that what matters is the end result and that at this time there is no market distortion resulting from these different methods to merit intervention at a pan-European level.

7. *What impact would a higher level of representation on boards across Europe have on the UK? Would it bring any advantages or disadvantages?*

Higher representation of women on boards in the UK is the principal aim of The Mentoring Foundation, using mentoring to ensure our Mentees are properly prepared and given the assistance and support they need in making that transition. We work in an increasingly global market and this is reflected in our Programme where we have Mentors and Mentees abroad (in Hong Kong, France and Canada, for example). We also co-operate with, and have advised, other similar initiatives in other countries.

Therefore, whilst we believe that higher representation of women on boards across Europe would bring benefits in general, our experience suggests it would not specifically affect either the work of the Foundation or the achievement of targets in the UK. The UK is in any event making steady progress in accordance with Lord Davies' recommendations and activity in other European countries is unlikely to materially impact that progress.

8. *What are the positive and negative effects of legislative quotas?*

The immediate outcome of quotas is apparent from the high rate of increase in female appointments to boards in countries such as Norway and France where they have been imposed.

However, the imposition of quotas does not address the complex barriers that hold women back, as identified in Lord Davies' report and consistently fed back to us by the Mentees on our Programme. Questions of confidence, lack of suitable role-models and access to the right networks are not remedied through the imposition of quotas. Failure to address the root causes of underrepresentation in a measured and sustainable response will not secure lasting change and is likely to lead to a perception that women are being appointed on their gender alone. This will aggravate rather than resolve the barriers women face and will move the debate away from one of fair representation to a discussion on the merits of quotas. In our view (and in line with Lord Davies' findings) neither companies nor female board candidates endorse this approach.

There is some anecdotal evidence to support this from both Norway and France. In the former, female appointments have been reported to be of inferior quality or inadequate experience and in France we understand that companies are now looking abroad to fill their board positions as they do not believe they have the necessary numbers of good candidates in France. None of this kind of publicity furthers the cause of diversity through merit.

The work of The Mentoring Foundation and other initiatives to prepare women (and Chairmen) for increased female appointments of the right calibre are delivering material and uncontroversial change at a pace that meets Lord Davies' targets. Therefore, we believe that the potential negative consequences of quotas far outweigh any benefits particularly in the dynamic UK market which is delivering change in any event. The UK corporate environment, with its myriad initiatives to support women in their career advancement, risks being materially undermined by the imposition of quotas.

9. *Other than quotas, what measures could be considered at European level to directly improve the representation of women on boards? Are there alternative measures that should be pursued, but which are better suited for action at national level?*

We have referred to the invaluable support that can be offered by national and EU government to self-regulatory initiatives that bring about change, such as the work of The Mentoring Foundation. At the EU level, the UK model could well be considered as a blueprint for best practice in achieving diversity both in terms of gender and beyond. The key features of the UK model are, in our view:

- Government sponsored research or action to review the situation in each market and to recommend steps to bring about change (as with Lord Davies' report);

- Recommendations which look at all sides of the market such as supply (ensuring a true pipeline of board-ready women is developed), the demand side (recommending changes in hiring practice used by company Chairmen) and other intermediaries such as codes-of-conduct for intermediaries; and

Monitoring of progress against specific targets, against a backdrop of regulatory threat if targets are not met.

Any pan-European study is likely to be broken down into individual country markets in any event with different countries requiring bespoke solutions to bring about lasting change. The EU could play a valuable role in encouraging more recalcitrant countries to make progress through benchmarking and other initiatives, if appropriate.

10. *Is support needed for women when making their choice of careers, and throughout their careers to ensure that there are sufficient candidates for board appointments? Is this a matter for European-level action, or should it be a matter for national government?*

The core of the Foundation's work is to support women in achieving career success at the highest level through first class mentoring relationships. We also believe, and Lord Davies' report showed, that much greater support is needed for women as they come through their careers particularly at mid-management level, where what Lord Davies described as "attrition" occurs.

As progress develops in the UK, focus is now turning to sustainable long term change through supporting the "pipeline" of next-generation talented women. To that end, with support from some of our existing member companies, The Mentoring Foundation is launching a new pilot initiative (Programme 2.0) to offer women at the junior end of senior management mentoring from very senior female executives in other companies. The Mentors for Programme 2.0 are all Alumnae of the main FTSE Programme. Therefore, women in the pipeline will be supported by some of the most senior female executives in UK companies, who have themselves benefitted from mentoring from Chairmen of FTSE 100 or equivalent companies. This "ripple" effect from one Programme to another will provide women in the pipeline with Mentors and role models as well as access to a growing network of powerful women and the Chairmen who have supported them. We believe that these initiatives offer a sustainable model for change that address the root causes of why women are being held back.

11. *What does success look like? What should the ultimate goal with respect to women on boards across the EU?*

It seems natural to suggest that success will be achieved when board and companies are staffed with people of all types who are there because they deserve to be. We believe that this will be manifest for women when they reach approximate parity on boards in an environment that supports sustainable change and where their success is considered to have been merited not mandated.

Peninah Thomson, OBE, Chief Executive, The Mentoring Foundation
Clare Laurent, Associate, The Mentoring Foundation
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