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**The Select Committee on the European Union**

**Internal Market, Infrastructure and Employment (Sub-Committee B)**

Inquiry on

**WOMEN ON BOARDS**

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MONDAY 25 JUNE 2012

4.05 pm

Witnesses: Helene Reardon-Bond, Jonathan Rees, Caroline  
Normand and Helen Whitehead

Lord Davies of Abersoch

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### Members present

Baroness O’Cathain (Chairman)  
 Lord Brooke of Alverthorpe  
 Lord Clinton-Davis  
 Lord Fearn  
 Lord Haskel  
 Baroness Scott of Needham Market  
 Baroness Valentine  
 Lord Wilson of Tillyorn

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Lord Boswell of Aynho

### Examination of Witnesses

**Helene Reardon-Bond**, Head of Gender Equality Policy and Inclusion, and **Jonathan Rees**, Director General, Government Equalities Office; **Caroline Normand**, Deputy Director for Corporate Governance, and **Helen Whitehead**, Assistant Director, Department for Business, Innovation and Skills.

**Q1 The Chairman:** Good afternoon, everybody. Thank you very much for coming, and at fairly short notice too. Members of the Committee with relevant interests will declare these when they ask a question. The session is on the record. It is being webcast live and will subsequently be accessible via the parliamentary website. The witnesses will receive a transcript of the session to check and correct. This will be put on the public record in printed form and on the parliamentary website.

I want to ask the witnesses individually if they could begin by stating for the record their name and official title, and does anybody want to make an opening statement before we get into the questions? So shall we go from the left?

**Helene Reardon-Bond:** I am Helene Reardon-Bond. I am a Deputy Director at the Government Equalities Office, based in the Home Office, and I am Head of Policy.

**Jonathan Rees:** I am Jonathan Rees. I am the Director General of the Government Equalities Office and, if it is okay with you, I will just say a few words at the beginning.

**Caroline Normand:** I am Caroline Normand. I am a Deputy Director at the Department for Business, Innovation and Skills and I am responsible for corporate governance.

**Helen Whitehead:** I am Helen Whitehead, Assistant Director at the Department for Business, and I lead on the policy for women on boards.

**Q2 The Chairman:** Thank you very much. We are in for a very interesting session, I am sure. Mr Rees, you wanted to make an opening statement?

**Jonathan Rees:** Yes. I will be relatively brief, but I thought it would be helpful just to make three key points. One, clearly the Government firmly supports the objective of increasing diversity, including on private sector boards. The coalition programme for Government states that we will look to promote gender equality on the boards of listed companies. We do that because it is good for equality but also it is good for growth, it is good for business and so on. It was very early on in this Government that Lord Davies was asked to produce his report, which he did in February 2011. We worked very closely with him. People from both BIS and the GEO acted as the secretariat, and we continue to work very closely with him, so the first point is very clearly we support the agenda.

The second point is that the Government's view is that the voluntary business-led approach is beginning to show dividends. We would be happy to talk more about that, but you will have seen that since Lord Davies' report, one in four of all appointments have been women and that the number of all-male boards in the FTSE 100 has reduced from 21 to eight and so on. There is some evidence—but clearly we need to explore that further—that the voluntary business-led approach is working.

That then brings us to the EU potential proposals. I think the Government has been very clear that it sees no need for the EU to legislate in this area, nor do we believe that quotas

are necessary in order to make progress. We think it is much better that action is left to Member States to take account of the circumstances of different corporate governance structures, different companies, and we believe that we should give time for the voluntary business-led approach to show it is effective. Thank you.

**The Chairman:** Thank you very much indeed.

**Q3 Baroness Valentine:** Let me just declare an interest. I am Chief Executive of London First, a business membership organisation. I am also on the board of a quoted venture capital trust called Triple Point.

The Government has stated that businesses could be forced to comply with quotas if they do not voluntarily raise the number of women on their boards. At what stage would this legislative intervention become necessary?

**Jonathan Rees:** What the Government has said is that what we call the voluntary business-led approach should be given time to work. What Lord Davies said in his report, which the Government welcomed, was that we would hope to see progress by 2015, by which time we would hope to see 25%. That was his target of FTSE 100 boards having women on them. Therefore what we are doing is that we are reviewing annually what progress we are making. Therefore our line is that, until that process has finished, we continue to see no need for quotas.

**Q4 Baroness Valentine:** Can I just ask a supplementary? I believe the FTSE 250 is making less progress than the FTSE 100. Is that correct?

**Jonathan Rees:** That is correct. Indeed, I think there are two issues. One, although we are really pleased with the progress that is being made at overall board level, most of that is non-executive directors, so the figure for executive directors—people of the executive management team—is still very low. It is only 6.6% of FTSE 100 companies. That is one of the issues that Lord Davies has said should be a priority going forward. Secondly, you are

right; there is a difference between the FTSE 100 and the FTSE 250/350, where a lot less progress has been made. But progress is still being made slowly.

**Q5 The Chairman:** Can I just ask a point of clarification? When you made your opening statement, Mr Rees, I thought you said that there had been a development and that only 25% of the FTSE 100 now have no women on the board, is it the other way round?

**Jonathan Rees:** Sorry. In a sense, since March 2011 25% of new appointments have been women. The target that Lord Davies set, which the Government is happy to go along with, is that overall 25% of boards to be women. In a sense, if you understand—

**Q6 The Chairman:** To have women on the board?

**Jonathan Rees:** Yes, that is right.

**Q7 The Chairman:** That is the FTSE 100?

**Jonathan Rees:** Yes.

**Q8 The Chairman:** That is a very small target, is it not?

**Jonathan Rees:** The actual turnover of boards is quite slow, so one of the things that Lord Davies did was a lot of work looking at how often both non-executives and executives turned over. When you look at these figures, it takes an awfully long time to get to, say, 50:50. So he worked that through and thought it was a reasonable target.

**Q9 Baroness Scott of Needham Market:** Also, just for clarification on your opening remarks, you talked about equality and diversity. Clearly we are focusing on the question of women on boards, but does your work go into other forms of equality and diversity, such as ethnicity and disability and so on?

**Jonathan Rees:** It is a really good question. The report that Lord Davies did and the Government commitment was around women, but the Government Equalities Office cover all of, in our language, the protected characteristics. We believe—and I know that Lord

Davies does too—it is just as important to get that broader diversity. So it is not just about women, but the focus, both here and indeed in Europe, has been on the women end of it.

**The Chairman:** Lady Valentine, do you want a supplementary?

**Q10 Baroness Valentine:** If you like. The Government have stated they are not in favour of EU level quotas at the moment. If UK businesses do not voluntarily raise the number of women on their boards, would the Government consider supporting EU-level quotas?

**Jonathan Rees:** What we have said is that, for all sorts of reasons, we do not think that quotas are the right way forward. We have also said that clearly, if the voluntary business-led approach does not work, we will need to look at all options, and that includes quotas. But the Government's clear view is it believes that the voluntary approach will work.

**Q11 Lord Haskel:** You speak very enthusiastically about leaving it to companies to do it on their own. Has the Government given any consideration to encouraging companies to do a bit more? For instance, we have had some evidence from My Family Care about childcare vouchers, where the rules exclude nannies, elder care, informal care, maternity coaching for female leaders and so on. Are you going to encourage companies to do a bit more by making these various allowances, or are there any other ways that you can tell us the Government is going to encourage the businesses to do this voluntarily?

**Jonathan Rees:** I think it is a fair point. In a sense, there is a range of different policies that are designed to promote women's place in the workforce: childcare—as you know, the Government has just announced a review of the regulations around childcare—is one of them; flexible working; shared parental leave; work that we are leading around encouraging companies to voluntarily report on their gender equality performance. There is a whole range of what you might call enabling measures, which are really important in order to take forward women's position. I think it is also fair to say—

**Q12 Lord Haskel:** Are you going to encourage those enabling measures?

**Jonathan Rees:** We are indeed. Helen will be happy to say a bit more in a minute about the Women's Business Council that the Home Secretary set up, which is a time-limited group of businesswomen designed to come up with policies. Indeed, we have a meeting tomorrow with all Government departments that have an interest, because clearly it is a range of different Government departments with an interest. What I am saying is we may not do exactly what people want on childcare, but the issue is very much on it. One of the reasons that women drop off is when they have babies. All the evidence is that essentially that is the turning point, both in terms of income and their position. We need to tackle that, and childcare and shared parental leave are clearly key parts of that.

**Q13 Lord Fearn:** You mentioned quotas twice in your opening statement and since then. Why does the Government believe that quotas should only be considered as a last resort, and what are the benefits of a business-led approach as opposed to Government intervention?

**Jonathan Rees:** There are three broad areas. Firstly, if you want to make a change, you have to get people to buy into the change. By and large, an increasing number of companies buy into the need to have more diversity, not only on their boards but throughout their organisation, so we think it is better to make sure that companies believe in the change agenda rather than to impose it.

The second reason why we are not huge fans of quotas is it needs to fit the circumstances of each organisation. Some organisations are well advanced with this agenda but many of them are not, so if you had a quota that was a single figure that would cause all sorts of difficulty. Also, if you look at the European level—and we are happy to explore this further—you have a huge range of different corporate governance systems. In Germany you have supervisory boards. In the UK we do not have those; we have a single unified corporate structure.

The third reason, broadly, that we are against quotas is that when we consulted women, 89% of them said that they did not want to have quotas. So there is a whole range of reasons why we actually do not think quotas will secure the level of change that I think we all want to see, but equally, if we are wrong, that is why all the options need to be looked at again.

**Q14 Lord Clinton-Davis:** Before we come to the next question I want to ask: have the TUC been consulted and what was their response?

**Jonathan Rees:** The TUC have been consulted. We have engaged broadly with them. It is fair to say that they are more in favour of quotas.

**Q15 Lord Clinton-Davis:** Why?

**Jonathan Rees:** Because essentially they are not yet convinced that the business-led approach will produce results sufficiently quickly.

**Q16 Lord Clinton-Davis:** You do not agree with that?

**Jonathan Rees:** The Government of the day does not agree with it, no.

**Q17 Lord Clinton-Davis:** No, I asked you, whether you agree with it?

**Jonathan Rees:** You may not remember—

**The Chairman:** Lord Clinton-Davis, that is a bit unfair; we are just asking what the Government view is.

**Jonathan Rees:** I was just going to say I used to work for Lord Clinton-Davis when he was a Commissioner.

**The Chairman:** I see. I thought there must be something there.

**Jonathan Rees:** He has probably forgotten, but I have not.

**The Chairman:** So there is an old needle coming out. Lord Clinton-Davis, are you going to ask your question?



**Q18 Lord Clinton-Davis:** Does the Government believe that an increase in the proportion of women on boards across the EU would have an impact on the UK, and do you think this impact would be positive or negative?

**Caroline Normand:** The Government firmly believes that increasing the diversity of boards, and increasing the number of women on boards, is an economically positive thing to do. In a situation where 50% of the population are women, 60% of the graduate population are women and 70% of purchasing decisions are made by women, it makes sense to ensure that you have a full range of views on your board and it will help boards to make better decisions. If boards make better decisions, it follows that you are going to have better strategies and have a positive economic impact. The arguments are well known, that increasing diversity will reduce groupthink and those pitfalls that boards can fall into.

If that is the case for UK boards, it obviously follows that it is going to be—we think—positive if there is an increase in the number of women in the diversity of boards across Europe, given our trading links with Europe. Obviously it is not something we can prove with figures and statistics at this stage, but it stands to reason it is an economic argument.

**Q19 Lord Clinton-Davis:** Do you think that the introduction of quotas in Europe has had any effect in the UK?

**Caroline Normand:** Again, we have seen legislative quotas in a number of European countries, most recently I think in France but also Belgium and Italy, and there are a variety of legislative proposals close to that in Europe. It is too early to say what the impact of those quotas is. A lot of them have only recently come into force, and at this stage I think it would be hard for us to judge whether it is going to be positive or negative.

**Q20 Lord Clinton-Davis:** But you are optimistic about the future?

**Caroline Normand:** I am certainly optimistic that the number of women on boards in the UK and then around Europe will increase, and I think that is a good thing.

**Q21 Baroness Scott of Needham Market:** You have just outlined some very good reasons why there ought to be more women on boards. Given your very persuasive arguments, why on earth are businesses not seeing that this would be a good thing and just doing it? Why do we have such a lamentable record thus far when the reasons are so compelling?

**Caroline Normand:** It is an interesting and fair point. If you look at the figures of women on FTSE 100 boards, indeed it has been a slow progress. In the last 10 years the increase has gone up by a mere percentage, maybe 5% or 6%. I genuinely think there has been something of a step change in the attitude, particularly of our FTSE 100 companies. We have a very active business community now on the case for women on boards, led by the 30% Club. There we have 50 chairmen, a number of whom are in FTSE 100 companies, but also in other types of companies, who have signed up and are making a very positive case for women on boards. For example, when we were responding to the European Commission's consultation we held a round table with a number of people from the 30% Club. They were telling us, "We have made a target". I think they were trying to get 100 responses from businesses to the Commission to say, "Women on boards is a good thing, but we do not think quotas are the right approach to it", but in a very positive way. So there has been a significant change in the last year and a half, and we are seeing it just in the trajectory of how the figures for women on boards have changed.

**Q22 The Chairman:** Does anybody else want to contribute or to ask a question on this particular issue? I will ask a supplementary then. The fact that a lot of networking groups have been set up by women—for example, Women in Banking and Finance and Women in the City—and they have been having sessions and lectures from chairmen of companies has stimulated a lot of demand for women from women. I wonder if you have made any assessment at all about where that push is coming. Rather than male directors on boards

saying, “We have to have other women”, has there become a general realisation that women themselves want to be on boards and believe that they can make a contribution, because, prior to, say, 10, 12, 15 years ago, this was not so?

**Caroline Normand:** It is an interesting point that came up very clearly in the discussions that we had around the time of the Davies review, where we spoke to over 300 people from all sorts of groupings. He made clear in that report that, as far as demand and supply is concerned, there are some specific issues. One of them was indeed to make sure that women made it clear that they were interested in promotion as well as being pulled up through, as well as the demand coming from chairmen and others. Obviously, it is a question of getting those things aligned. If you do not have the pull, if you do not have the demand, it is very hard and there is no space, so the demand side is extremely important. Therefore, something like the 30% Club is an important initiative. As you say, the supply—and that includes the way in which women address the issue of wanting to go on boards—is also very important.

**Jonathan Rees:** Can I just add to that? There has been some interesting research, which the Home Secretary helped launch the other day, around the importance of sponsorship. There is research that people sponsor in their own kind. That is, men will tend to sponsor other men looking a bit like them. One of the real challenges is to get people to sponsor—if it is a man or woman—not just a woman but a younger woman who has a totally different way of doing things. That is part of the next step forward, and I think it begins to help answer Baroness Scott’s question. It is not just about diversity in one protected characteristic, but it is about recognising that lots of different people probably lead to better decisions.

**Q23 Lord Brooke of Alverthorpe:** I do not hear a great deal of support for a European intervention. Does the Government believe that any work could be done at EU level, which would improve the representation of women on boards, or is it really a dead duck as I seem

to be hearing? If it is not, what kind of work do you think could usefully be done that might help?

**Caroline Normand:** We really ought to give credit where credit is due. Vice-President Reding has done an enormous amount to raise the profile of this issue around Europe and make Member States aware of the importance of the issue. I know that she is very passionate about it and has made some very strong interventions about why it is important. As a result of that, we are seeing a lot of Member States developing their own approaches. They are different approaches in different ways. We do genuinely think that the EU has a role in shining the light on the issue and disseminating good practice. They are well positioned to do that.

However, the point is that we do not think that legislative measures should be taken forward at the EU level, and there are some very well-worn reasons for this as Jonathan has already described. Member States are very different. Their company law regimes are very different. You have countries that have two-tier boards, countries that have unitary boards, which have all evolved from the culture and the history of how commerce developed in their countries. You have different situations in relation to who is working when and how much. They are very, very different situations, and so they are all starting from a different place. So crude one-size-fits-all measures are not really likely to work as effectively as each country deciding what works for them from where they are starting, given the kind of system that they have, and then taking that forward. We think this sort of flexibility is really important. The worst thing that could happen is that you have a one-size-fits-all, which destabilises boards and brings the policy into disrepute, and you do not get the end game that you are trying to get to, which is effective boards and many more women on those boards.

**Q24 Lord Brooke of Alverthorpe:** If all the focus is on the FTSE 100 doing well—and we are singing praises because of the degree of success there—yet the smaller companies in the FTSE 250 fall behind, what do you do about that?

**Jonathan Rees:** Again, it is a fair point. What we are doing is a range of different measures. I mentioned earlier that the Government is rolling out voluntary reporting, and one of the issues we have found is lots of the smaller companies—and we are talking about companies of 150 plus—do not know what the data is about: how many women there are in senior management positions, what the pay gap is, what the talent pool is and so on. That is why we call it *Think, Act, Report*. First of all, we want them to think about it, then we want them to take some action, and then we want them to report on it. One of the things that Lord Davies' work has shown is that transparency actually does drive changes in behaviour. The fact that practically every other day you can read about this in the *Financial Times* has really driven a change in the FTSE 100. Clearly the *FT* does not cover some of the smaller companies in the same way, so we are looking at different ways of trying to reach them. But it comes back to the point that we do think it is in the businesses' interest, so the other half of it is to say it does not actually require lots of new systems. Most companies have this data. Most companies ought to know—just to take one example—how many women who go off on maternity leave return. The best companies will end up with return rates of about 99%. The worst companies are down to about 50%.

**Q25 Lord Clinton-Davis:** Where there is reluctance to take any action at national level, do you think in those circumstances some pressure from the EU is worth while?

**Jonathan Rees:** As Caroline said, certainly the threat of legislative action from the EU will make it easier to make sure that the voluntary approach works. Therefore that is why the Government—from the Prime Minister down—has been very clear that if the voluntary approach does not work then all options, including quotas, need to be considered. Having

said that, we as officials can see all sorts of practical problems with how quotas would work, in terms of the company structure, in terms of, “Are you dealing with executive or non-executive?” and so on. It is not a “Yes” or “No” question, but I do think that we want to continue to work with the European Commission, as we have, about what makes sense.

Helen has just been in Norway talking about our approach. The Norwegians in some ways are the frontrunners on this, and we can learn from them, but also I think they are quite interested in learning from us.

**Q26 The Chairman:** On this point, Mr Rees, could I ask Helene Reardon-Bond—I cannot see properly, I am sorry—are you going to do a report on this, on your visit to Norway? If so, would it be in order that you could let us see it or even use it as evidence?

**Helene Reardon-Bond:** Yes, we certainly could. What I would say is that we were specifically asked to give evidence by the EU, which has the exchange of good practice programmes on gender. We were in a very good position because the UK is the envy of Europe, in terms of the fact that we have been monitoring this issue very closely for over 10 years and the Government has been supporting the Cranfield University female FTSE very actively, and I think that we should all really applaud the work that they do. So we did a two-header with them, and then we presented the voluntary case alongside Norway. Very few Member States felt that quotas were a golden bullet. They felt that it needed to be a range of packages, and it was acknowledged that the UK is really showing leadership in this area. So we would most certainly be able to submit what we learnt from that exchange of good practice, which I think goes back to the point Lord Clinton made around how the EU could add value to this agenda. That exchange of good practice is an area that we would look to.

**The Chairman:** That would be most useful. Thank you very much indeed.

**Q27 Lord Haskel:** You have made the point that boards in Member States vary, and you have made the point that legislation at Member State level you really do not think would

work although the threat of it might do something. But of course part of our approach in the UK is to improve corporate governance, and part of our approach is also that the executive search code should reflect what we are discussing. Do you think that these could be applied through the EU, or should these just be applied at Member State level in the first place?

**Caroline Normand:** The European law, the fourth company law directive, ensures that every Member State has a corporate governance code and, indeed, there is a “comply or explain” approach alongside the corporate governance code.

**Q28 Lord Haskel:** What if you do not stick to it?

**Caroline Normand:** Again, just as is the case with company law systems, these are applied slightly differently in every Member State, which has a slightly different history. Obviously in the UK we pioneered the corporate governance code approach and comply or explain, but it is pretty universally adopted in some form or other. That is reflected in the way that different countries are taking forward this agenda. For example, in Denmark, Finland, Germany, Poland and Sweden, their measures in relation to women on boards are all being taken forward through their corporate governance codes. In other countries, for example, Belgium, France, Italy and potentially the Netherlands, they are looking at more of a legislative approach. I think the answer is that corporate governance codes are a very good thing. They are something that is absolutely at the backbone of UK corporate governance. Again, it is hard for the Commission to impose a single approach on different systems that use different tools differently. We think the corporate governance code is a good one, and that is why the changes that the FRC<sup>1</sup> is bringing in this October are very much in line with our approach in this country.

If I turn to the head-hunters code, which I think is the first of its type, it is a voluntary code that now has 26 signatories. All the major search firms who do recruitment for FTSE 100

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<sup>1</sup> Financial Reporting Council

firms have signed up. This is a very good development. It is a voluntary approach, but it is one that the Association of Executive Search Consultants is looking to push out through its associated organisations in Europe, and we encourage them to do so. We think it is helpful. It has provisions around how executive search firms conduct their searches and around the nature of shortlists and longlists.

Again, though, it is not necessarily the case that every country or companies in every country use the same kind of executive search process that we do in the UK. Obviously, where you have perhaps bigger block shareholdings or a different structure for your board, it is perfectly possible that the kind of executive search that we have will not apply in the same way. We think it is a good thing and we will encourage the association to push this out and let others join with it but we also have to bear in mind, it may not be appropriate in every situation in every country.

**Q29 Lord Haskel:** For my benefit, could we just differentiate between the law and corporate governance? For instance, if I remember rightly, when I used to go to Sweden, in Sweden the four largest shareholders choose the non-executive directors. It is not the chair.

**The Chairman:** Goodness gracious.

**Lord Haskel:** Is that part of the law or is that part of corporate governance?

**Caroline Normand:** I apologise; I do not know what the answer is for the Swedish law.

**Q30 Lord Haskel:** No. But what I am trying to get at is, is there a line between corporate governance and the law?

**Caroline Normand:** In this country signing up to the corporate governance code forms part of the listing requirements, so if you have a primary listing in the UK you must sign up to the corporate governance code and you must report on how you have implemented it on a “comply or explain” basis, so—

**Lord Brooke of Alverthorpe:** Or breached it?



**Caroline Normand:** —you comply or explain, and shareholders pay attention to how you have complied and what your explanation is. It does have legislative effect, in that it is a requirement for you do it. It is done on a “comply or explain” basis for the same reasons we have been talking about on other things. It is not the case that in every single company you are going to have exactly the same situation and, therefore, everything in the code fits automatically with those companies, so that is the degree of flexibility that is built into the code.

**Q31 Lord Brooke of Alverthorpe:** But is the real answer there not that the law is the law and corporate governance is on the basis of voluntary observance, if we take Marks & Spencers, which had a CEO and a chairman completely in breach of the corporate governance?

**Caroline Normand:** Indeed. The underlying regulatory situation was a code with principles in it saying, “On principle, you should have a separate chairman and chief executive and, if you do not, you must comply or you must explain why”. They explained, but they had to run the gamut of their shareholders at the same time, who are the people who oversee what boards do, as owners of the company.

**Q32 The Chairman:** Yes, but it has evolved?

**Caroline Normand:** The code?

**The Chairman:** Yes, absolutely.

**Caroline Normand:** Indeed.

**Q33 The Chairman:** Also, the fact was that this was supported by the Government. It was Higgs, was it not? Higgs brought in the code first and the “comply and explain”, and the first people ironically to fall by the wayside were the FSA, as I recall. That is not for the records of the minutes, but it just shows you it is a bit difficult. It is flexible though. When you consider it has been going on for hundreds of years—you know, a nod and a wink, and

so and so goes on your board. The position has changed hugely. If it changes as much in the next 10 years as it has done in the last 10, I think we will probably find men saying, “Please can we have a quota for boards?” That is also a joke. Any other point on that question?

Yes, have we asked that question about the international nature of many executive search firms? Could an executive search code be effective at a European level?

**Jonathan Rees:** Yes.

**The Chairman:** Oh yes, I think we have asked. Yes, I do know what struck me when we were listening to this. Do we have a copy of the executive search code for executive search firms? If you could let us know where we can get it, that would be very useful, actually.

**Q34 Lord Wilson of Tillyorn:** A good deal has been said about trying to create a demand for more women on boards and a certain amount said about supply. Do you think there is a role for the EU in trying to create supply and, if so, what would that role be?

**Jonathan Rees:** The starting point is—and we talked earlier about some of the figures—in order to get 25% of women on boards, you are only talking about 99 more women on FTSE 100 boards, so we are not talking about enormous numbers of people here, and there are clearly more than 99 really good women who could come on to boards at the moment.

One of the other things that I know Lord Davies feels very strongly is that it is also looking at the pool of people who go on to boards, because in the past the pool has tended to be rather narrow in terms of people who understand profit and loss. If you compare us, say, with the Americans where you have a lot more people interchanging between state service, Government service, academia and so on, and going on boards, we traditionally have not had that. One of the interesting things that has happened in the last year or 18 months is you have seen a broader diversity, so going back to the point that diversity of background is just as important. We think that there is an important role, in terms of trying to ensure that

there is a proper supply of women, so there are quite a lot of programmes that the CBI and others are doing, mentoring, supporting, coaching and bringing people through.

I think your question was then what was the role for the EU in this, and I am not sure that we see quite so much of a role for the EU because we come back to the question that the sorts of people who serve on boards are very different in every country. If we go back to the German model, with the two-tier supervisory board, there is a set proportion of people from a trade union background and a set proportion of people from a management background. It is more difficult to see how you could do that at the EU level, but I think—as Helene will say in her report—other countries are really interested in the work that we have set up to try to improve the supply. Very often, it is just about—and we have seen this in public appointments, too—encouraging women to put themselves forward. The old story is that if there are six things that you are looking for and a man has one, he will say, “Wing the other five”; if a woman has five, she will not put herself forward because she does not have the sixth. There is actually academic evidence to support that.

**Q35 The Chairman:** Before we go further with this questioning, I would like to introduce Lord Boswell, who has now become the overall Chairman of the EU Select Committee. As you know, we are a Sub-Committee of EU Select, though some of us do sit on Select as well. Lord Boswell did say that he might be able to come and he just wants to sit in. Of course, he is quite at liberty to ask questions if he wants to, so thank you.

Now, are there any other comments on that answer?

**Helene Reardon-Bond:** I would just add that I think the Government feels very strongly that we need to do much more work around the supply chain. Women on boards or the lack of them is actually a barometer for what is going on deeper down in business. We know that if we could release the full potential of women it would really add to the growth agenda. That is why our Ministers have set up something called the Women’s Business Council,

which will take forward the work programme on this. The supply pipeline will be a key factor of some of the work they are doing.

Interestingly, I should say that the Women's Business Council is chaired by one of the few women BME<sup>2</sup> CEOs from a 250 company, Ruby McGregor-Smith. We think she is absolutely going to be very good in this role to drive forward change.

**Q36 Lord Wilson of Tillyorn:** Could I just change tack for a moment? I think when you answered originally you said you only need 99 women for the FTSE 100, and there are far more than 99 women who are capable of doing it. Then you said that actually you need to be training people up, so much, much broader, which seemed right to me, because we are not just talking about the FTSE 100, are we?

**Jonathan Rees:** No.

**Q37 Lord Wilson of Tillyorn:** You produced a lot of rather interesting examples of the sort of things that are being done.

**Jonathan Rees:** Yes. It goes back to this point where we must not get over-fixated on the targets, because the targets are about the overall numbers, both non-executives and executives. As I said earlier, the challenge is much more to increase the number of women on executive management teams where the figure is very low. Therefore, that is part of the work that Helene has just mentioned. It is interesting as to why that should be—and we all have our reasons—and, indeed, childcare is one of the reasons for that, but there is quite a lot of work that can be done to get these people ready for those positions. That is why it is not going to be a quick process to get that 6.6% up to something like 25%. It is going to be a very slow process.

**Q38 Baroness Scott of Needham Market:** Coming back to this question of the disciplines from where you are drawing people in, it certainly strikes me that we are quite

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<sup>2</sup> Black and Minority Ethnic

siloes in this country. People who go into academia stay there. I wonder whether you would like to comment on something I have observed anecdotally, which is that a lot of women in senior positions have come from the public sector for various reasons, but the business sector tends to rather discount experience that has been gained in the public sector. If you have been the chief executive of a large local authority, for example, quite often businesses simply do not value that kind of experience. I wonder whether you would agree with that, and whether you have some evidence or observations.

**Jonathan Rees:** I think we would agree with it. It was one of the points that Lord Davies very much considered in his review.

**The Chairman:** Can I just interject a moment? Lord Davies has just joined us.

**Jonathan Rees:** We did have a number of discussions—and he will be able to tell you about the discussions he had—as to why particularly the larger FTSE companies were not putting such a premium on people with different kinds of experience. We have just done some work looking at the voluntary sector where again you find that the larger the charity or the voluntary organisation, the more likely it is to have a man chair or a man chief executive. Again, I think part of that is: if we want to really crack this, we need to see women coming to the top in both the charity sector and the private sector. I have to say that the Civil Service is actually one of the better organisations. At one marvellous stage half of the Permanent Secretaries were women. I think we have just slightly gone under that, but 35% of senior civil servants are women. We have been working at it very consciously for the last 20 years.

**The Chairman:** Yes, for 40 years.

**Jonathan Rees:** Or 40 years.

**Caroline Normand:** Just as a supplementary to that. I think one of the other issues that is now coming more to prominence as a result of changes to the corporate governance code is

around looking at the evaluation of boards and how they are actually operating, because by bringing that to the fore, it sets the skills of the board in the round as opposed to focusing so much on the skills of individuals, which tends to happen when you are looking at the nomination process. If you can shift that more clearly to “What skills does the board as a whole need?”, it is then much easier to go and think about, “What range of people could I go to, to fill those skills?” I think they work positively together. One of the changes that the corporate governance code is bringing in this October is exactly around how evaluation can play into this picture.

**Q39 The Chairman:** I am conscious, Ms Whitehead, that you have not made any contribution, because they have been going on hammer and tongs at it. Is there anything you would like to ask us or to say to us that we should have asked you?

**Helen Whitehead:** No, I do not think so.

**Q40 The Chairman:** I wonder if any of you have any idea—and on a different subject, the thing that struck me about this most interesting session is the word “education”—whether educating women to have an aspiration to go on the boards is getting anywhere. Has it started? It certainly was not around when I was going through school or college. That is looking at the supply side again. You have to have people who think they are capable of doing it, want to do it and want to take on the courses during their business career that will get them to the position where they should be automatically ready for selection in that area. Has anyone thought that one through?

**Helene Reardon-Bond:** Yes, that will form part of the Women’s Business Council work programme, but we have an awful lot of research that we can show. If you look back, as you say, over the last 20 years women are now much better qualified; 47% of graduates in 2010-2011 were women. For instance, about 60% of most law courses are women, and likewise accountancy. We have a much bigger pool of women there. As a country, we have these

highly educated women. Why would we want to waste all that talent? It does not make economic sense, let alone the fairness argument. Those women now have far more positive role models as well that they can aspire to. We definitely think that there is quite a lot of work that we can share.

**Q41 The Chairman:** And confidence building?

**Helene Reardon-Bond:** Yes. The really interesting thing about Lord Davies' report was that all of the recommendations were not aimed at women. They were aimed at businesses. We think that that is where the focus needs to be. There is not a lack of talent. The other structures actually need to change. I would just add one thing. The Government is doing things in terms of extending flexible working to all, and we think that you need to put in place the culture and the infrastructure to facilitate that change, because women definitely feel that there is a lack of flexible working and quality part-time work.

**Q42 Lord Haskel:** I wonder if I might be allowed to raise something that people may find a little offensive. In American science, they are making a big effort to try to get more women into the pipeline and to introduce flexible working by appointing married couples to job shares. In fact, I can see you nodding; you have obviously come across this. I just wonder whether we could learn anything from that.

**Jonathan Rees:** I do not know about married couples, but one of the things that we have done in the Civil Service is, indeed, to do job shares. One of the things that the Cabinet Office set up three years ago now was a matching service because there are a lot of people—generally when they have children but also when they have other caring responsibilities—who want to work part-time. I am afraid sometimes it is still the case that people say, “It is quite difficult to do this job part-time”, so I do think that job sharing is part of the solution. One of the things that actually comes back to where we started is that the public services clearly find it much easier to do job sharing than the private sector. Is that a

cultural issue? I do not know; sometimes, and this is just anecdote. We have talked to lots of financial services companies and lots of lawyers. Client-driven businesses are very much driven by the demands of the client. What they say to us is, “Job sharing/flexible work/part-time work does not work for us”. I think that is part of the cultural debate that we need to have, because we have made it work in the Civil Service really very effectively.

**Lord Haskel:** In America it is becoming quite popular in science where, of course—

**Jonathan Rees:** There are very few women in science here, as you know.

**Lord Haskel:** —it is the way they are trying to get more women into science.

**Q43 Lord Brooke of Alverthorpe:** It is not really a European issue, but you talked about the number of Permanent Secretaries now and good progress has been made there. There are also boards within Civil Service departments as well. Are the figures holding up there or doing well? Secondly, on the European angle, what is the position within the Commission?

**Jonathan Rees:** The answer on public boards is: the figure is about 36%. To be truthful, the figures actually fluctuated between 32% and 36% for the last 10 years, so the Government has set an objective that 50% of new appointments should be women by 2015. While the public sector—

**Q44 Lord Brooke of Alverthorpe:** Did I hear a quota mentioned there?

**Jonathan Rees:** It is a target. Indeed, in a way we think targets are good because they drive behaviour, but the target is one that in the circumstances would fit the needs of public bodies. But setting a target with nothing behind it will not help. Behind that—and both Helene and I used to do a lot of work on this under the last Administration—you need to have support programmes, mentoring, all sorts of other things to help people through. I think the public sector is better, but we are not saying it is perfect.

**Q45 Lord Brooke of Alverthorpe:** And the Commission?



**Jonathan Rees:** Sorry, I do not know what the figures are for the Commission.

**Helene Reardon-Bond:** I have actually asked the question. I sit on something called the high level group on gender, and when they have raised this subject I have suggested actually that they probably need to look to themselves. That might be something you are—

**Lord Brooke of Alverthorpe:** What a surprise.

**Q46 The Chairman:** Do you want us to help you?

**Helene Reardon-Bond:** You might want to ask them the question as a part of your evidence because I think—

**The Chairman:** Thank you. That is a good tip.

**Q47 Lord Wilson of Tillyorn:** I will try to be as short as I can. The point was made a moment ago that it makes economic sense to have women on boards. You must not waste this pool of talent—totally understood, the point about fairness. But earlier it was said, in rather more general terms, it produces better decisions. Has anybody measured the decision-taking and what companies do better because they have a higher percentage of women and, if so, is there some sort of crossover point?

**Jonathan Rees:** The short answer is that we have research, both from McKinsey and Accenture, which says that those organisations that have more diverse boards produce better return on shareholder capital, more profit and so on. Part of the difficulty, of course, is: which is the chicken and which is the egg? What is the cause and the effect of that, because these are well-run companies? It is something that we are doing quite a lot of work on with our colleagues in BIS, in terms of the business case for equality, and we will be coming out with a report in September. Also there is much more anecdotal evidence that actually—it is a horrible term—groupthink does not help organisations, so the more diverse the background the better. Again, there is quite a lot of academic evidence on that.

**Q48 Lord Wilson of Tillyorn:** But you have said “more diverse” each time—

**Jonathan Rees:** I have.

**Lord Wilson of Tillyorn:** —and diversity is not simply gender diversity but throw in some sort of oddball and produce diversity?

**Jonathan Rees:** I think diversity is, indeed, more than gender, but actually there is quite a lot of evidence that women are much better at assessing risk than men.

**The Chairman:** I was going to say that would be a wonderful way for a woman chairman to end, but Lord Clinton-Davis wants the last word.

**Q49 Lord Clinton-Davis:** All I can say, as a former member of the Commission, is that when I was on it from 1985 to 1989 the situation affecting women was appalling. Has there been any improvement in recent years?

**Jonathan Rees:** There has been some improvement. There are now more women Directors General and there are more women Commissioners. But I think as Helene said, it is nowhere near good enough.

**Q50 The Chairman:** Thank you very much indeed. It has been a great session. I have certainly learnt a lot, and I am sure every other Member of the Committee has. We thank you very much for giving up your time. If you can give us any additional information that we have not asked for—because you are the experts and we are just probing at the moment—we would be very grateful to have it.

**Jonathan Rees:** Thank you. We would be happy to give that, and obviously to come back if and when there are clearer signs of what the Commission are going to propose, which we would expect to be some time in—well, they claim the third quarter, but I guess it will be a bit like the Civil Service version of autumn, so it will be later on in the year.

**The Chairman:** Christmas Eve. Thank you very much indeed.

## **Examination of Witness**

### **Lord Davies of Abersoch.**

**Q51 The Chairman:** My Lords, first of all we want to give a big welcome to Lord Davies, our colleague, the noble Lord. I have to make a terrible admission that I have not read your report, but I will have read it by the time we have our next meeting of the Committee, which is this time next week. Of course, I have read all the comments and the press and all the rest of it. You were not here during the whole session, but you have heard there are so many references to your report, so we are looking forward very much to this session. Your report puts forward an argument for increased representation of women on boards. That goes beyond fairness and into the business case. Is there a benefit, then, in looking to accelerate progress elsewhere in Europe where efforts have been less prominent than in the UK?

**Lord Davies of Abersoch:** Funnily enough, I was struck by Lord Haskel's comment to start with that what I should be doing is job sharing. I am going to go home and tell my wife of 33 years that she should have been doing this. Look, I was struck by the comment at the end there that in the UK we need a culture change in the boardroom. I think it has started, and through the work of this report, together with the 30% Club, we are reaching a tipping point where boards of directors, chairmen who are in the wrong place or have the wrong attitude as regards having the right diversity on a board—well, firstly they should not be chairmen but, secondly, they will be found out.

The second bit is that I think we need a cultural change vis-à-vis flexibility of working. Out of this report has come the realisation that, look, women make up 51% of the UK population, 46% of employed people, and yet the numbers of women on the boards of the top 100 companies—the fact that there were 21 all-male boards—was a disgrace. It is not just about

equality, as was mentioned before; it is about business performance. The more diverse the team is, the better the performance. As was mentioned previously, every type of research shows that if you have a diverse team with different approaches, difficult intellectual approaches and different backgrounds, the better the performance.

In summary, I think we have made great progress in the last 12 to 18 months, but we have to keep the pressure up. I am very encouraged by the fact that women now account for 16% of the FTSE 100 boards; that the number of all-male boards has fallen from 21 to eight. I know who the eight are. I am in active dialogue with the chairmen. It will not be eight by the end of the summer.

But I do think that it has highlighted a number of issues for the UK. If we are going to be competitive, there is the supply. The supply is there. It is undoubted. I have spoken at over 200 engagements. Everywhere I have gone I have just seen so much talent in the charity sector, in the health sector, in education, in all sorts of different disciplines. There was a stigma or there was a sense that there was not the supply, so the chairmen blamed the head-hunters, the head-hunters blamed the supply and everybody was blaming each other. I am trying to summarise everything, really. I do believe that self-regulation and self-correction is the right course of action. I do not believe the quotas are the right thing to do, but on the other hand if this does not work by 2015 I do believe we should have quotas. I think the signals are that the corporate sector is putting its house in order very quickly. In summary, this is about good business. I think we are making good progress. A lot of countries have this problem, notably the US and other countries. So far so good, but we have to keep the pressure up.

**Q52 The Chairman:** You probably know that our Sub-Committee has the remit of the internal market, infrastructure and employment. Is there any risk of distortion of the internal

market, the single market, through divergent policies on improving gender diversity in the boardroom?

**Lord Davies of Abersoch:** I do not think so. We obviously did not look at how this fits in within a European context, although we did go and meet Commissioner Reding. It would be very beneficial if every country were able to put its house in order in a voluntary way, but some countries are so behind the curve that they may well elect for quotas. My worry about quotas for those countries that have implemented it is that you tap into the same gene pool of women, so it is a small number of women that get on to lots of boards. What is really encouraging about what has happened in the UK is, of the over 100 women that have gone on boards of FTSE 100 companies in the last year, 50% have never sat on a board before. Very publicly in every speech I always give the example of Jasmine Whitbread, who is CEO of Save the Children. I was her mentor for a number of years. I started to take the name around to people to say, “This is a great candidate for a board. She runs a big organisation and what a great non-executive”. People would say, “She has no P&L experience—no profit and loss experience”. I would say, “Rubbish. She runs a large organisation; she is more than equipped”. One of the chairmen, Mike Rake of BT, eventually put her on the board, and he would tell you now publicly what an outstanding non-executive. This was about old-fashioned thinking. It is very narrow, looking in a very small pool. We have to get the chairmen and the head-hunters—which is why we have implemented this head-hunter code—to really think a bit more laterally, because the talent is there.

If other countries go their own way, I do not think it is a problem. What we need to do is put the UK’s house in order, and make sure that we are seen internationally as a place where women can be in the boardroom and can excel. I have been struck in the last 12 to 18 months just how many women entrepreneurs we have and how much talent we have. I think there is an issue about when you ask a man whether he can do a job, he will say “Yes”,

but you have not even told him what the job is, whereas women would be a bit more reserved—as was mentioned earlier, a bit more cautious—so their CVs do not read quite as well as the male CVs. That is reality. We do need to encourage women, which was mentioned previously, and that is why I am really encouraged that the head-hunting fraternity is putting in place many, many programmes to encourage women, train and develop them, mentor them, and I think that is very encouraging.

**Q53 The Chairman:** Yes. But it needs to start a lot earlier than that, in the sandpit, virtually.

**Lord Davies of Abersoch:** Yes. I have a personal view that we need more women role models. If you go back 10-20 years, Anita Roddick was a great role model for a lot of people. She was ahead of her time in so many different respects. We need a few more British women role models, and lots of agencies are working on that as we speak.

**Q54 Baroness Scott of Needham Market:** This question of the business case I find intriguing, because it is so evidently there and yet it does not happen, which just keeps making one ask the question: well, why? Whose job is it to help businesses to understand that this will be good for them, that this is not just about forcing something on them in the name of equality, that it is good business?

**Lord Davies of Abersoch:** The 30% Club, which is really aimed at getting FTSE 100 to be at 30%, already has 50 chairmen signed up. The chairmen now, who are mainly men—obviously, 99% men—have the message. I suppose I see it as my job partly. I see it as the job of the chairmen to collectively, I suppose, sell the message. The evidence is there. When I talk to chairmen, or when the Committee talks to chairmen, and you look at the 30% Club as well, it is very obvious to everybody that you get a better return on equity and you get a better sales result. But the reality is, if you are a chief exec or a chairman and you run a company where 50% of your employees are female, and a big percentage of your clients are

female, and yet you are an all-male board, how could you possibly be doing a good job? In the same way as if it was the other way round, I think this is about good business sense.

**The Chairman:** Absolutely right.

**Q55 Lord Haskel:** Could I just piggyback on that one and ask you, Lord Davies, whether you are not confusing better performance through diversity with better performance through having women. For instance, I think that many people agree that one of the reasons why many immigrants have done well in business here is because they do not have baggage to carry. They do not have the baggage of a previous generation of people being in business here. If you talk to people who have been immigrants and built up a business, often they will tell you that. Is not the same argument applying to women: that a lot of women who you have mentioned have not been on boards before so do not have the baggage of what they are meant to do? It is that diversity that improves the performance rather than the fact that they are just female.

**Lord Davies of Abersoch:** I fundamentally disagree. If you get a room of men, the nature of a discussion in a boardroom will change if you put one woman into the meeting.

**The Chairman:** Absolutely right.

**Lord Davies of Abersoch:** If you put one woman on her own, I think that is a bad idea. Basically, you need to put two. Therefore, I think it is about the nature of the discussion. As regards good boards—and I sit on one—I always cite Diageo as a great British company, and 44% of the board are female. It is a tiny board. It works well as a team. My experience in business is that one knows one's strengths. You know what you are good at, what you are bad at and, therefore, you will compensate for your own strengths and weaknesses in the way that you assemble the team. The idea in business that you will have an all-male team in a lot of these companies just does not make sense. I think it is about the change in the nature of the dialogue and discussion. Yes, diversity has many facets and we need to make sure that

if you are running an international business you have international diversity, you have enough handicapped people in the company, and so on, but I think it is about a nature of a discussion.

**Q56 Baroness Valentine:** You have sort of answered this already, but you are against quotas in the UK, supporting instead a voluntary approach with targets in place. Should we pursue voluntary targets at the EU level?

**Lord Davies of Abersoch:** We have many more experts on the EU that I am looking at than myself. What I would say is when I took this on, the reason I took it on is because I saw in business first hand in Asia how different the role of women was. There is a different social infrastructure, but in many of the businesses I ran out there the vast majority of my direct reports were women. I found them to be great managers, and I was struck when I came back to the UK how we had not moved on. When I was the Minister for a brief time I did make a big issue on this, and after the election I was asked to lead this public inquiry.

I think that each country has its own set of issues. The European situation is quite complex, but I am struck by how Australia has put its house in order very quickly. It has done it voluntarily, and I think that is what most European countries should do. However, Commissioner Reding made the point that a number of countries are so behind on this issue that—there is just a total brick wall or reluctance—that maybe quotas will be necessary. I would like to see a situation where those countries that are showing progress, like the UK, have until maybe 2015 to put their house in order. If they do not, then something else should happen. For others that just have no initiatives and are not fixing it, maybe quotas would be a good idea.

**The Chairman:** Interesting. That we should set the pace in the European Union would be quite a novel thing, would it not?



**Q57 Baroness Valentine:** Some stakeholders want to see a “comply or explain” system where measures to improve diversity would be applied when less progress could be demonstrated. Is this idea feasible and, if so, is it desirable?

**Lord Davies of Abersoch:** If you go back a few years, report and accounts were very thin documents, and now they are very thick. They have a huge amount of detail on remuneration, corporate social responsibility, you name it. But the thing that is not really dealt with in depth is: why are those people on the board, and how were they selected? There is no doubt that we would like to see more transparency in the nominations committee process. Where did that chairman look to? Did they use head-hunters? Where did they look? Why were these people selected? What are their skills? Clearly, we have been working with the Financial Reporting Council, and so on. I would like to see a situation where the chairman, he or she, really puts in detail in the report and accounts why this board is suitable for this company.

In that regard, the stakeholder group that has been slow on this—as they were on pay, as they were on the banks—has been the shareholders themselves. They own these companies. Where were they in the last decade? Why were they not campaigning against one or two banks who were overstepping the mark? Why were they not talking about pay two or three years ago? Yes, they are making a lot of noise now, but I did not hear them making a lot of noise about women on boards 18 months ago. I am very critical of the shareholders as to why they did not do something, so I am hoping that with more transparency in the report and accounts, more interest from the stakeholder group, we will end up with a good mix at the board table.

**Q58 The Chairman:** Can I just ask you to clarify that point, Lord Davies, please? When you talk about shareholders, you are talking about institutional investors?

**Lord Davies of Abersoch:** Yes, institutional investors.

**Q59 The Chairman:** Yes, because otherwise shareholders really do not have any opinion. I think that is fairly important. In fact, it has been a complete block on progress in—

**Lord Davies of Abersoch:** Yes, we did have a number of meetings with the shareholder groups. The chairman will quite often rightly say, “Hang on a minute, because 30% to 40% of my company is owned by hedge funds and they may only hold the shares for a short period of time”, which then links into one or two issues that the UK has to address. I know there are various taskforces looking at it. We need longer-term shareholders that are in the companies for the long term, supporting industrial and other growth, and at the same time we need a radical change in flexibility in the workplace.

If I may just lead into that, one of the surprising unintended consequences of this work has been the demands on me personally, and the team, to speak to the accounting and legal profession. Now, why? Well, because all the women are leaving. A huge percentage of women—not all, but a huge percentage—are leaving. Why are they leaving? Because, yes, it is a client business but it is about work/life balance. They have to change their working practices. We are in a very different era in terms of attitude to work. One of the challenges we have in the UK—and I know Win Bischoff and others are looking at it—is we need to be leaders in this arena, and we are not today in the UK. I think there are lots of unintended things that have come out of this piece of work.

**Q60 Lord Brooke of Alverthorpe:** Of course, you did bring it back to Europe; this is the point of our inquiry. If I heard you correctly, you were indicating that you do see potentially a case for quotas at European level.

**Lord Davies of Abersoch:** In certain countries where there is no action and no willingness on behalf of the chairmen, yes. Look, we have gone from a situation where very few women were being appointed on to the boards. Now we have a run rate of more than 25%, probably more like 30% of all new appointments are women and the number of all-male

boards has dropped and so on, and we are up to 16% in the FTSE. The Cranfield trajectory is showing that we will exceed the 25% by 2015. If we were not in that position today I would be sat here saying, “I have failed; we need quotas”.

**Q61 Lord Brooke of Alverthorpe:** Of course, we are failing badly with the FTSE 250?

**Lord Davies of Abersoch:** Absolutely. You have to start somewhere. This is a journey. Fix the big companies, then move on to the FTSE 250 or 350, and then fix the executive committees. Because one level below the board in Britain we just do not have enough women on the executive committees. If you are a chairman, and you are sat with your chief executive and you do not have a sense that there is a momentum to this, then I think you are really in the wrong place and you must have been asleep for the last 12 to 18 months.

**Q62 Lord Brooke of Alverthorpe:** You appreciate, of course, that if you have a directive or even a regulation coming from Europe you cannot pick out a particular country or set of countries, you have to have a uniform approach that runs across the board. I come back to my point. Assuming that we had hit particular targets ourselves that were on a voluntary basis, there could be lower targets on a legislative basis across the whole of Europe with which we could live quite comfortably.

**Lord Davies of Abersoch:** There might be, but I truly believe the best way to fix this is voluntarily. I do accept that the FTSE 350 is our next challenge, and I think after the summer we really have to put the pressure on those companies to put their house in order. But until the top 100 are sorted, we do not want to tackle them. This has been a bit of a campaign, and now with Helena Morrissey and all these chairmen of the 50 signing up for the 30% Club I think we are going to get there on the top 100, and then after the summer we will tackle the next leg.

**Q63 Lord Brooke of Alverthorpe:** I was just really trying to see if you felt that a little bit of stick or the threat of the stick might produce results.

**Lord Davies of Abersoch:** I do not think so. Look, the reality is women do not want quotas. Of the 2,600 replies we got—I am no longer a government minister so they will pass me a piece of paper and I will get it wrong—some 89% of the respondents did not want quotas. Women did not want quotas. I did an event with five major multinationals about three weeks ago, with 250 women in the room. I said, “What would you like? How many of you would like quotas?” Three hands went up out of 250. Women would much rather us fix this and get there through merit.

**Q64 Lord Brooke of Alverthorpe:** They think they are going to get a breakthrough in the banking industry, then?

**Lord Davies of Abersoch:** I am not going to cover banking.

**The Chairman:** Nasty.

**Q65 Lord Clinton-Davis:** You said, Lord Davies, that you have had discussions with the accountancy and legal professions. I know nothing about the accountancy profession, but at the Bar and among solicitors there has been a rapid increase, has there not, in women members of the Bar and the solicitors profession? How was that accomplished? What devices were utilised by the Bar Council and the Law Society?

**Lord Davies of Abersoch:** I am not sure, actually, but what I do know is that when I met with the partners of the main legal firms—Slaughter and May, Clifford Chance and so on—there were one or two firms who really have grabbed hold of this. That is more the big firms—the Eversheds, and so on. John Heaps, the Managing Partner of Eversheds, is a good example of somebody who is at the top of a legal firm who really gets this. They have what they describe as “leakage”. They have a lot of women partners leaving. I do not know their statistics or how they did it, but it is a very different situation at the Bar. The bigger problem is among the big legal firms and the accounting profession. What they are going to have to do is change their working practices. We have some of the world’s best and biggest, and

London is very much a centre for accounting and legal, but if you are losing your talent then you are not going to have a business in 10 years. I do not think there is a managing partner in those firms where this is not a top priority. I do not know the answer to your specific one as to how they did it.

**Q66 Lord Fearn:** A lot of the impact of the UK approach has been attributed to your proactive engagement with this issue. How can such an engagement be incentivised or, indeed, a lack of engagement deterred elsewhere? Should such efforts that we have been taken at an EU level?

**Lord Davies of Abersoch:** Very rarely would I sit anywhere and thank the media, but on this occasion I will thank the media. The *FT* and a number of leading newspapers have really helped the case in naming and shaming companies that were not fixing it. I would like them to keep the pressure up. In talking to other countries, Japan—if the number is right—has less than 1% female representation on the boards, and maybe that is not a surprise. Maybe I should not have said that. But what I would say is that in Europe some countries are pretty advanced in their thinking; a lot of multinationals you see in countries get it. I am not sure if I am answering your question, but I just feel that we have real momentum. We have passed a tipping point; we are going to see a lot of women coming out of very interesting backgrounds going on to boards of major companies in the UK. That has to be good for business.

**Q67 Lord Fearn:** Do you think the publicity is following what you are doing?

**Lord Davies of Abersoch:** I have to say that I have worked very hard in educating the media and working with the media and explaining why this is good for business. It is about business performance. It is just obvious business sense. What really shocked me when I got involved is how resistant one or two of the male chairmen were. They certainly were not keen to engage with me, talk to me or meet me. My response to them was, “Well, you should not be

a chairman. You just should not be a chairman". I am not going to name them, but I would say I am very grateful to one or two chairmen who really helped me. They run great boards, they run great companies, and they in turn really started to pass the message. I think a combination of publicity, role modelling, and also initial success has led to a bit of momentum. Cranfield has been just a huge help in this because they are able to give the fact-based data, as have McKinsey, which we can then show to chairmen and say, "This is about results".

**Q68 Baroness Scott of Needham Market:** This is just a complete punt; I would just be interested in your view. Do you think that some of that agenda has been helped by what happened in the financial services market, where there is a strong sense about the masters of the universe running out of control and no women?

**Lord Davies of Abersoch:** It is still the case, I think.

**Q69 Baroness Scott of Needham Market:** Yes, I just wonder if you think that played into it and helped to make everything more receptive?

**Lord Davies of Abersoch:** I am not sure. Obviously, my background is in the financial services industry mainly. What I would say is that that is an industry where lots of surveys and papers have been written by universities and leading authorities about whether the boardrooms or whether the risk-taking would have been different if we had had more women. I would say I think it might have been different. It is too late now, and we will never know. It is a sweeping generalisation and maybe you will say it is not fact based, but I think women are more risk averse. They will think about risk in a different way to men. It is Venus and Mars. I think that you need lots of different backgrounds, lots of different thinking. In the financial services industry, you had a situation where a lot of trading and a lot of other businesses were totally run and occupied by men, which inherently cannot be a good thing.

**Q70 The Chairman:** For clarification again, I am sure that in the last set of evidence we were told that women were better at taking risk?

**Lord Davies of Abersoch:** Better at handling it.

**The Chairman:** Handling it, yes, that is right.

**Lord Davies of Abersoch:** Handling it.

**The Chairman:** That is right. Thank you for correcting me.

**Q71 Lord Haskel:** The question here refers to the Davies approach, which I presume is voluntary action and, if not, the threat of legal action. I think most people consider that to be the best way forward. Do you think that the drive for European action should be used as an opportunity to export that approach? Do you think your approach is best exported to Europe to speed them up?

**Lord Davies of Abersoch:** It is interesting that we have had a lot of demand from other countries who have said, “We would really like to see how you approached this problem and how you have made a lot of progress in a short period of time”. We have had a number of countries ask, and if I had accepted every invite to go to all these countries, I probably would have been fired from my day job.

I will tell you the example of a country and a market that really got it very quickly and that was Hong Kong. We were invited to speak in Hong Kong. All of the big companies came. The stock exchange sponsored it. Within a very short period of time, they now have a huge campaign going on because their percentages had fallen so dramatically. The chairmen got it, they understood it and now they are fixing it. I think there are other countries that have studied our approach and are now adopting it.

**Q72 Lord Haskel:** What about the EU countries? Do you think that your approach could be exported to them?

**Lord Davies of Abersoch:** I am not in a position to ever comment on whether we could export this, but I think if you have somebody who has been a chairman and maybe understands how Governments work or inquiries work, it is quite helpful. There is no doubt that it helped our cause that I had been a chairman. There is no doubt, and it was good that I was a man. I will say this: that, honestly, Helen and Caroline in BIS have done quite a stunning job. I hear so much criticism of the Civil Service and whatever, and all I would say is these two ladies have worked relentlessly and have been a fantastic inspiration to everybody on the steering committee. That is very much part of the success of this, that they have really been able to give us the ammunition that we needed to go out to the market and persuade chairmen who were very set in their ways.

**Q73 Lord Wilson of Tillyorn:** When we talk of whether our experience is exportable to the European Union, a lot of the emphasis here I think has been on corporate governance, search codes and so on. Is that exportable to Europe, or are there differences in the way in which they run their companies, such that the models used here do not necessarily apply across Europe?

**Lord Davies of Abersoch:** What I think would be a really interesting exercise is to benchmark what is good about governance and the way we do things in the UK versus other countries. You never have all the answers. We are not the best at everything. I do think our governance standards in the UK are very high. But as always is the case it evolves. I have been struck by how we have learnt from looking at other countries, and I do think that an interesting exercise for BIS would be to look at what Germany is doing well on governance and the running of boards and so on, what we are doing well and what France is doing well. Everybody has something that we can learn from each other. What they can learn from us is that generally our standards of governance in Britain have been very high, but we had a



problem because it was all male and now we are fixing that aspect. That was a weak link in our make-up.

**Q74 Baroness Scott of Needham Market:** I have been involved in this area with regard to political parties. It seems to me one thing that political parties have in common with business is that there is not so much a demand problem now as a supply problem. I wonder if you could say something about these pipeline issues. You have already referred to the relatively poorer performance of the FTSE 250 and the problems of executive boards, so where are the women going to come from?

**Lord Davies of Abersoch:** They are everywhere. I think the Cranfield estimate is that there are about 2,000 eligible women in every walk of life. I always laugh with my wife because I meet all of these women, I go home and tell my wife, “I met so and so, this amazing woman”, and she does not smile anymore.

**The Chairman:** Are you surprised?

**Lord Davies of Abersoch:** Yes. They are in the entrepreneurial class. They are in every aspect of society. But the head-hunters have to be more creative in their searching. Boards of directors or chairmen have to stop saying, “That individual has to have run a big profit and loss and has to have done this and this and this”, because all you have done is you have ended up with a man like the chairman. If you run a big health authority as a CEO or a chair, you have board experience—or if you run a big charity or are a university vice-chancellor. I appreciate there are conflicts or whatever but the supply is there. But it needs more creativity from the head-hunters, from the chairmen, and it also needs the women to push themselves forward a bit more. Look, in this climate some people are saying, “I really do not want to go anywhere near a public company board with all this fight about remuneration, and so on”. But that will pass. We have to explain to the women how they get to become board members, train and develop, mentor them, and so on. Mentoring is a big issue. If you

run a big company or a small company now, you have to mentor and train and develop your talent. Britain has huge talent, and we have a very diverse economy, great strengths in all sorts of different industries, and there are women everywhere. We have to make sure that we tap into the various gene pools, not into one.

**Q75 Lord Haskel:** Sorry, could I just put a question to Lord Davies that we put to the previous group, and that was about—

**Lord Davies of Abersoch:** I hope I answer it the same way.

**Lord Haskel:** It is about the fact that, of course, we recognise the objectives but Government can do quite a lot to encourage these objectives. We had an example, for instance, about childcare vouchers, but the rules exclude nannies, elder care, informal care, maternity coaching for female leaders and so on. Do you think that the Government could do more to encourage the Davies system?

**Lord Davies of Abersoch:** We could be here for another half an hour now. I think the childcare system needs a complete overhaul in the UK. One of the unintended consequences of this work is that the allowances, tax benefits and so on for childcare are not good enough. If women make up 51% of the UK population and 46% of employed people, then childcare really needs a profound and new look at. I would advocate that we should have a public inquiry of sorts into looking at it because I do not believe that it is competitive. At a time of austerity, and so on, I realise it may not be top of everybody's agenda, but if we are going to really be competitive, we need to make sure that at a time of recession women do not go out of the workforce. We need to make sure the childcare benefits are sound. This is a personal view, but I think it is shared by the steering committee: of the unintended consequences of this work, one was about flexibility of working—we need a radical think and cultural change—and the second is about childcare, which needs looking at.

**The Chairman:** I am sure a lot of people would agree with that.

**Q76 Lord Brooke of Alverthorpe:** What should be done about the head-hunters? You say that there should be more creativity. What do you mean by that? Secondly, finally, do you not think you have the ingredients there for a good TV show?

**Lord Davies of Abersoch:** I will avoid that one. Leave that one to Alan Sugar. I would say that there is no doubt that when you look at women in the workplace we can really unleash something in the UK. There is just so much talent there. What I think we have done is focused with a laser approach on an issue, and I think that if we can keep this momentum going, it will move into other strands of business. What was the second part of your question?

**Lord Brooke of Alverthorpe:** It was about the head-hunters.

**Lord Davies of Abersoch:** I was going to link into that. What I would say is that we have a very strong head-hunting fraternity in the UK. It is true to say that they were somewhat reluctant at the start, but I had an email two days ago from a firm that had not signed up to the head-hunting code but wanted to. Look, they have signed a code. We are monitoring their progress. They are telling me that the number of women approaching them is overwhelming them. They are telling me the chairmen have got it. I think that the head-hunting fraternity is not a problem anymore.

I would still like to see the shareholders do a bit more. What I would like to see the shareholders do is once a year when they sit with the chairman I would like them to be quizzing the chairman more—particularly in the 350—as to, for example, “Why do you have an all-male board when half of the clients, the customers, are female? How could this be good for business? How could you sense and read your clients if the gender of your board does not align with your customer base or your staff base?” I would still like to see more from the shareholders, but with the head-hunters generally I think there is progress.

**Q77 The Chairman:** Thank you very much indeed. That has been a brilliant session.

**Lord Davies of Abersoch:** Thank you very much.

**The Chairman:** I have to say when we decided to go down this route and launch this inquiry I was slightly dubious about it and what was going to happen, but in fact it has been revelatory. Thank you so much. You were only our second witness, and the first lot you heard today. We are very grateful to you for giving up your time.

**Lord Davies of Abersoch:** Thank you—a pleasure.

**Q78 The Chairman:** I usually ask at the end of these witness sessions whether there is any question that you think I should have asked you that I did not ask, and whether you would like to answer it.

**Lord Davies of Abersoch:** No. It is unusual for a public inquiry for the steering committee to stay together, which we have because everybody feels so passionately about the subject. I think we felt that if we just published a report the danger is it would have died and been just another report. Very briefly, I will tell you the story of one chairman who said he got the report, put it in his briefcase, and then he said he thought that it will pass.

**The Chairman:** It will die.

**Lord Davies of Abersoch:** It will die. He took the report home and his daughter saw the report and took the report out of the briefcase and said, “I am going to read this”. Before he could say, “No, do not bother”, she came down the next morning and said, “Dad, are you one of the prehistoric monsters?” He wrote to me—and I certainly will not name him—and said, “I have changed the company’s board”. My plea to you would be that if you find good ideas for things that we should be doing so that we can keep up the momentum they would be very gratefully received.

**The Chairman:** That is very kind of you. Yes, I am sure after all the witnesses we will be seeing there will be quite a few.

**Q79 Lord Brooke of Alverthorpe:** Just following up on that, is there any suggestion you can make to us about how we might speak to anybody representative of shareholders?

**Lord Davies of Abersoch:** I do not know what your powers of calling them are.

**The Chairman:** Quite good, yes.

**Lord Davies of Abersoch:** But I would have said it would be really interesting to get three or four of the big shareholder groups and the ABI in, just because I think they will have an interesting perspective.

**Q80 The Chairman:** Yes, I think that is very useful, Lord Davies. I remember when I was heading up a remuneration committee—one of the first actually, about 20 years ago or more—I went to see Mick Newmarch, who was head of Prudential at the time. I think he thought, “What on earth is this slip of a girl—as he referred to me; I was a slip of a girl by comparison with him—“doing here?” It was very instructive, and that actually encouraged me to go further along this route. I am very grateful to you for all you are doing and have done.

**Lord Davies of Abersoch:** My pleasure.

**The Chairman:** There is no doubt about it; in two or three years’ time it will make a huge difference to profits.

**Lord Davies of Abersoch:** Yes, and growth.

**The Chairman:** And growth. Thank you very much.

**Lord Davies of Abersoch:** Thank you.

**Q81 The Chairman:** You were not here actually when we said you will be getting a copy. I did not repeat the instructions, I know, but the session was on the record. It is being webcast live.

**Lord Davies of Abersoch:** I do not want to change anything I said.

**The Chairman:** No, I did not think you would. You will receive a transcript of the session to check and correct. This will be put on the public record in printed form and on the parliamentary website. So, thank you again.