







Board Diversity and Effectiveness in FTSE 350 companies

21 July 2021









How Directors Think About Diversity



questions, and an opportunity to work together to solve the world's problems)

Diversity positively leveraged	% of total answers
We diversify to bring in diverse perspectives (that we think will improve decisions).	32%
It helps us reach our customers or specific markets when someone is on the board;	21%
It helps us match society/trying to reach a quota;	12%
It helps us understand the whole organisation because we have all of the functions represented;	12%
Other	12%
We diversify to bring in specific skills;	10%
No Example	3%

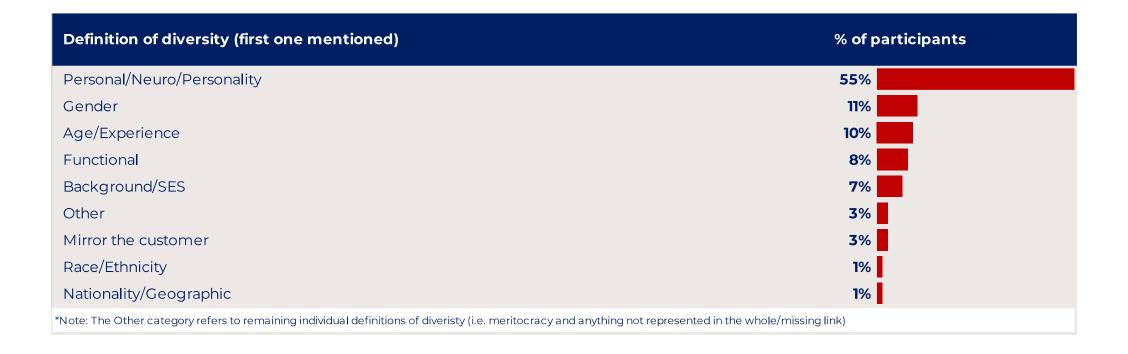
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Interviewee's Definition of Diversity

Interviewee's definition of diversity (original categories)	% of participants
Personal/Neuro/Personality	86%
Gender	73 %
Race/Ethnicity	73 %
Other	72 %
Functional	63 %
Age/Experience	63 %
Nationality/Geographic	37 %
Sexual Orientation	15%



Definition of Diversity (First Mentioned)



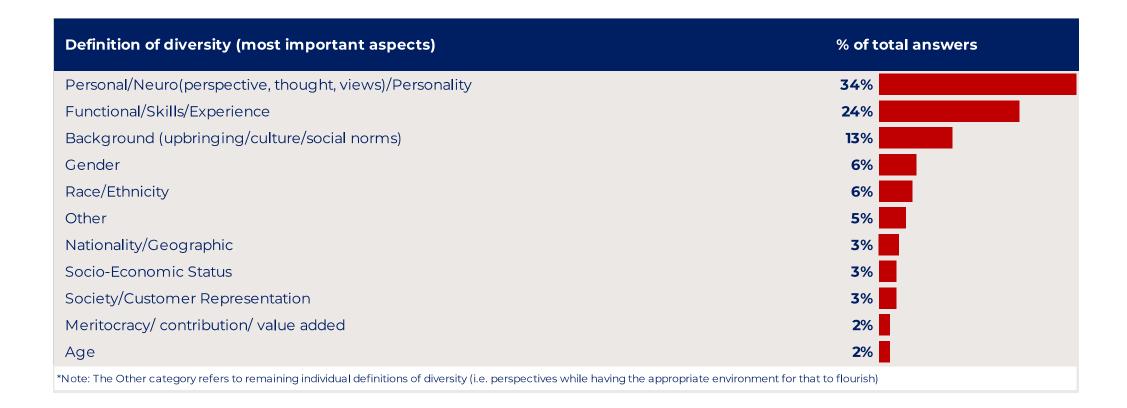








Definition of Diversity (Most Important Aspects)









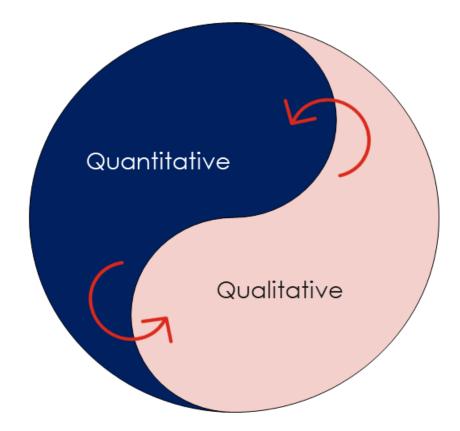


Research Approach and Methods

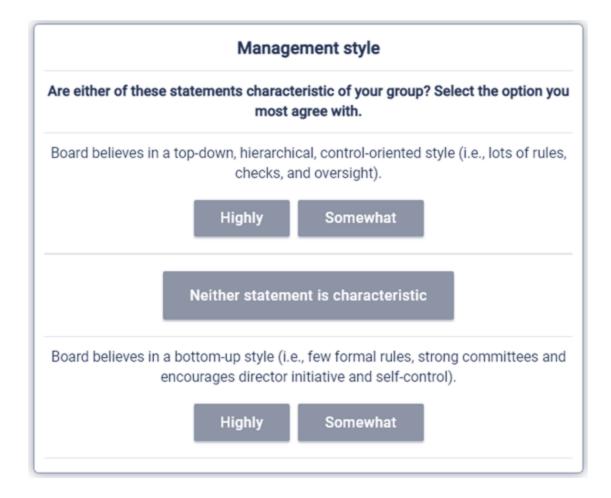


- Literature review
- Statistical analysis
- In-depth interviews with board members
- Board Effectiveness Profile (BEP) / Q-sort

Board Diversity and Effectiveness















Research Questions



1. How have board effectiveness and dynamics been affected by the gender and ethnic diversity of board membership?







Effects of Gender and Ethnic Diversity on Board Effectiveness and Dynamics

Gender Diversity



Improved **EBITDA** margin

Higher stock returns

Reduced shareholder dissent

Collaborative boardroom culture

Ethnic Diversity



Reduced shareholder dissent

Limited ethnicity data

Less ethnic diversity on boards



2. What attributes, skills and experience do today's board members expect to be needed in boardrooms of the future?

Boardroom Skills of the Future

Attributes, Skills, and Experiences for Boardrooms of the Future	% of participants
Adaptability and resilience	49%
Strategic thinking	46%
Stakeholder management	46 %
Interpersonal skills	44%
Embracing diversity	38%
Digital skills and technology understanding	37 %
Deep experience in business, or as an executive	30%
Facilitating leadership and talent management	24%
Learning and growth mindset	20%
Financial literacy	15%
Confidence, courage and integrity	10%
Risk tolerance and risk appetite	10%
Performance management, development of KPIs, and impact management	8%
Understanding the culture and values of the business	7 %
Transparency	4%
Other	1%



3. How can nomination committees be helped to take a more objective and diversity-friendly approach to recruitment?

What Nominations Committees Can Do

Actions nominations committees can take to take a more diversity-friendly approach	% of participants	
Choose the right search firm, provide a clear mandate and start early	77%	
Manage the pipeline of diverse talent	52 %	
Set clear targets and report regularly	44%	
Use a skills assessment	41%	
Be prepared to invest time and energy in making diverse appointments	35%	
Ensure that the Nomination Committee is itself diverse	23%	
Other	7 %	
*Note: The Other category refers to remaining individual answers (i.e. don't recruit in your own likeness - be very conscious of the subconscious stereotypes you hold)		







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Chairs

Be considered a good listener

Actively monitor the pipeline of potential directors

Ensure you have an inclusive culture

Look at challenges from many perspectives

Have strong diversity targets and clear policy

Pay attention to social mobility

Directors

Be adaptable and resilient

Focus on creating an inclusive culture

Strategic thinking

Prioritise stakeholder management

Have strong interpersonal skills

Embrace diversity

Effects of Diversity

Boardroom culture becomes more relationship focused and collaborative

Better future financial performance (as measured by EBITDA margin), especially after three years

Higher stock returns, especially when diversity is well managed

Boards less likely to experience shareholder dissent

Choose a diverse search firm, provide a clear mandate

Nominations Committees

Manage the pipeline of diverse talent

Set clear diversity targets and report regularly

Use a skills assessment to recruit directors

Invest time and energy into making diverse appointments

Ensure that the nominations committee itself is diverse

Board Evaluators, Educators, and Regulators

Highlight the need for continuous board development

Focus on an inclusive 'diversity friendly' culture

Support 'board-ready' and other interested candidates

Be specific because diversity can mean many things









Chair comment

Danuta Gray, Chair, Direct Line















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Q & A