EVIDENCING THE CONTRIBUTION OF GENDER BALANCE TO BOARD EFFECTIVENESS

LINTSTOCK

30% Club
GROWTH THROUGH DIVERSITY

MARCH 2023

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FOREWORD BY LINTSTOCK

As a Board Effectiveness Reviewer, we have long discussed the benefits of gender diversity and how we've seen firsthand that more gender-balanced boards provide more effective oversight. We have seen many examples of male and female directors focusing on areas of board performance differently but consistently by gender in a number of ways – for example, women being more likely to bite the bullet and raise difficult issues such as CEO succession than their male counterparts.

However, we've also experienced resistance and scepticism about the benefits of greater gender diversity on boards and it's been a frustration that we have previously been unable to prove our informed hunches about the areas where contributions to boards vary significantly by gender. Even the Financial Reporting Council (FRC) acknowledges that 'data on boardroom dynamics [is] almost nonexistent'.

But that's about to change. Lintstock is uniquely positioned to break open this black box, given the breadth of leading boards with which we work.

Taking up the challenge, we have drawn upon both qualitative and quantitative data from 100 of our recent board reviews for FTSE companies, and are able to demonstrate that boards with better gender diversity do indeed offer more effective oversight across the 60-plus metrics we track through our Lintstock Governance Index.

We feel a responsibility to maintain the standards that we advocate for our clients. While we are delighted with the team we have in place for 2023, our own journey helps us to understand some of the challenges clients face when trying to drive positive change. Our hope is that by sharing more evidence of the benefits of gender diversity on boards in this study - on which we are delighted to have partnered with the 30% Club - we will provide greater impetus for boards, and us, to continue to aim for gender balance.

Neil Alderton

FOREWORD BY HANNEKE SMITS, GLOBAL CHAIR OF THE 30% CLUB AND CEO OF BNY MELLON INVESTMENT MANAGEMENT

The 30% Club has been campaigning for greater gender diversity in corporate boardrooms since 2010 at a time when there were just 12.5% women serving on the boards of the FTSE 100.

Unfortunately progress has stalled over recent years as women account for just a quarter of executive committee roles, only eight female CEOs lead FTSE 100 companies and the number of women of colour on boards and executive committees is miniscule. All too often women are in non-executive director roles rather than chairing committees or boards outright, or serving as senior independent directors.

The 30% Club works with our network of more than 250 UK CEOs and board chairs who commit to beyond 30% female representation at executive committee and board level, with our ultimate aim being parity. We've also introduced in the UK a race equity target in recent years in support of the Parker-Tyler Review which obligated the FTSE 100 to have at least one person of colour at board and executive committee level by the end of 2021 and obligates the FTSE 250 to do the same by 2024. As we're a gender diversity campaign, we set a further target of half of those newly created seats going to women of colour.

Our argument has always been that diversity of thought in senior leadership makes business better. Analysis has corroborated that stance, with the business case for gender diversity strengthening over time, though the focus has often been on the financial case for diversity.[1]

Until now there has been very little analysis of the precise qualities men and women bring to leadership, and specifically how gender balance impacts director engagement in the boardroom, since data on boards is so hard to come by.

The 30% Club is proud to have partnered with board advisory specialists Lintstock to provide evidence of the differences in decision making within the boardroom. There has never been a detailed review in this area, with the findings further underlining the importance of diverse executive teams.

Perhaps unsurprisingly to some of you, the analysis has uncovered divergence in the way men and women approach their board roles on key business issues. However, what you may not have seen in such detail before are the areas which men and women emphasise and prioritise.

Some of the key differences which have emerged show that a more diverse group of board members is likely to consider a greater variety of issues and ask a wider range of questions. This can only be a good thing when it comes to risk management and provides further encouragement for board chairs and CEOs to commit to balanced leadership teams and talent pipelines.

Against the backdrop of a challenging macro and geopolitical environment there has never been a better time for firms to reflect on whether there is appropriate diversity on their boards, and on their existing and future executive teams. At the 30% Club our focus is unwavering: that this topic remains on the board agenda and the drive continues to ensure companies represent the society we live in.

Hanneke Smits

[1] McKinsey, 2019, https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters

INTRODUCTION

The past twenty years have irrevocably changed the face of Boards, and the push for greater diversity has been at the heart of that change. Since Derek Higgs observed in his 2003 report on the role and effectiveness of Non-Executive Directors that NEDs were 'typically white males nearing retirement age with previous PLC director experience' – with only 6% of Non-Executive posts held by women, and very few ethnic minority Directors – considerable efforts have been made to diversify corporate Boards.[2]

Boosted by government-backed initiatives with voluntary targets such as the Davies, Hampton-Alexander and Parker Reviews (focusing on gender and ethnic diversity), and assisted by diversity campaigns like the 30% Club, these efforts have met with success, particularly with respect to gender diversity – 2021's Hampton-Alexander Review report celebrated the achievement of its recommended target of 33% representation of women on FTSE 350 Boards. Under its updated name of the FTSE Women Leaders Review, it has recommended voluntary targets for 2025 of 40% female representation on FTSE 350 Boards and in their Leadership teams (defined as the combined population of Executive Committees and their Direct Reports), as well as recommending that FTSE 350 companies should have at least one woman in either the Chair or SID role, and/or the CEO or Finance Director role, by 2025.[3]

Diversity is a particularly prominent issue in the boardroom at present; under ever-growing scrutiny from politicians, regulators and the general public, companies are increasingly expected to have Boards that reflect both the stakeholders they serve and wider society. The need for greater diversity has also been highlighted by the urgency of responding to wider societal developments, from the social justice concerns highlighted by movements such as #MeToo and Black Lives Matter, to the ongoing fallout from the COVID-19 pandemic. A report published on employee expectations in 2021 indicates that commentary around diversity in employee surveys increased by over a third in 2020, signalling that 'employees increasingly expect their employers to take a clear stance on DE&I, communicate new initiatives, and listen to every voice at every level'.[4]

As Boards adjust to the social and business conditions that are forming in the wake of COVID and challenging geopolitical considerations, they appear to be at a cusp moment with respect to diversity. Following the long-awaited achievement of the Hampton-Alexander Review's 33% target for women on Boards, and considering the level of impetus behind diversity in the corporate world as well as in the wider social and cultural arena, where does the conversation on this topic go next?

While the growing diversity on Boards is clearly laudable, simply focusing on the numbers only gets us so far. UK plc can perhaps congratulate itself that a growing proportion of Boards are no longer 'male, pale and stale', but anecdotally we see there are still Boards which are motivated by targets rather than a genuine appreciation of how a more diverse Board can lead to superior performance. In this study, we at Lintstock wish to take this conversation forward, leveraging our extensive experience of working with corporate Boards and drawing on our unique set of qualitative and quantitative data from years of Board Reviews to definitively evidence the nuances between male and female Director engagement, demonstrating that a gender-balanced Board is greater than the sum of its parts. Our focus is on gender for this research, based on the availability of gender data across our Board Reviews for FTSE companies.

Through examining the engagement of male and female Directors in Board Reviews, this study aims to illustrate how gender diversity contributes positively to Board performance, over and above signalling that the Board understands and serves all sections of the company and the wider community. Better gender balance is not only a question of fairness – our findings show that it is also a matter of effectiveness. We see that diversity of gender contributes to diversity of thought around a number of Board performance areas, broadening the Board's horizons and bolstering the support and challenge that Directors are able to provide as a collective. We also take the opportunity to highlight areas where there was no meaningful disparity in views between genders.

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[2] Derek Higgs, *Review of the role and effectiveness of non-executive directors* (2003), p. 42.

[3] *FTSE Women Leaders Review* 2022, p. 10. "The FCA also confirmed in April 2022 that it will require listed companies to disclose on a 'comply or explain' basis whether their Boards meet a target of at least 40% of the members being women, and at least one of the senior Board positions (Chair, CEO, SID or CFO) being a woman."

[4] Peakon, *The Employee Expectations Report 2021*; Workday, 'Listening to Every Employee Voice: Honoring Diversity, Equity, and Inclusion', blog.workday.com, 8 July 2021.

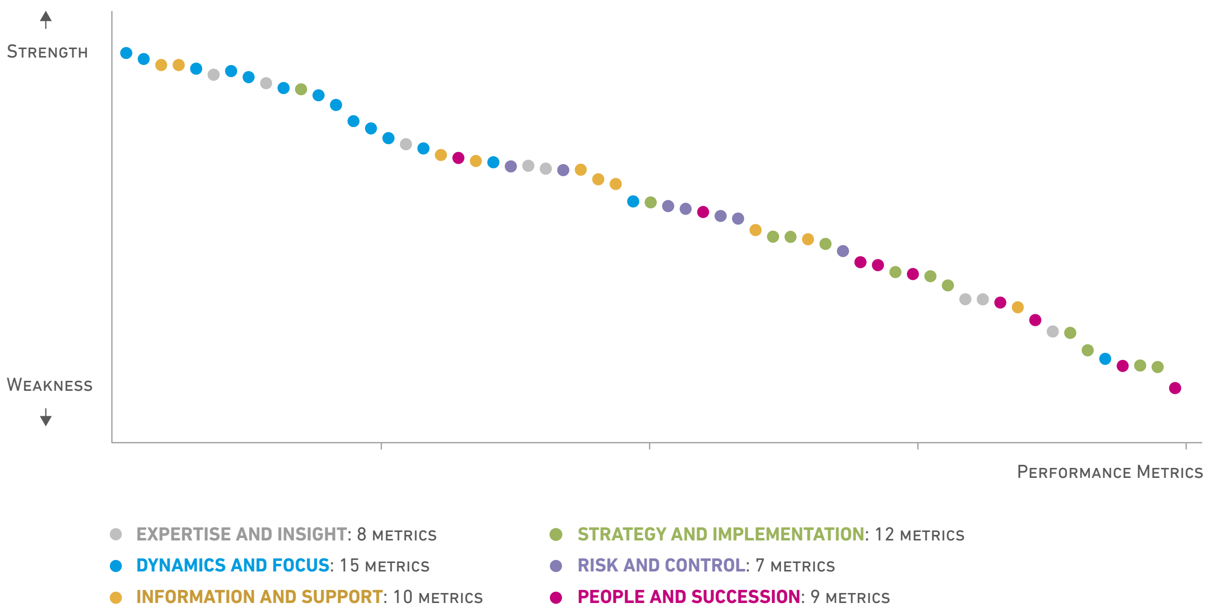
OUR APPROACH

By mapping the areas of sensitivity and engagement across some 100 Board Reviews, we have been able to build a picture of the overall contributions made by male and female Directors respectively, and observe how they inter-relate with and complement one another at an aggregate level. Research in this area has understandably been stymied by the high level of confidentiality that exists in the Board environment. Drawing on the data contained in the Lintstock Governance Index, however, we are able to track the engagement of male and female Directors across over 60 metrics of Board performance on an entirely anonymous basis, breaking open the black box of Board interaction to construct an analysis underpinned by information rather than anecdote.

LINTSTOCK
GOVERNANCE INDEX

The Lintstock Governance Index comprises over 60 Board performance metrics, drawn from more than 200 Board Reviews that Lintstock has recently conducted. The Index serves as the foundation of research initiatives such as this study, and informs our Board Review practice.

While all Boards are unique, they also deal with similar challenges; the Index enables Lintstock to compare the relative strengths and weaknesses of Boards, thereby putting Board performance in context. The quantitative and qualitative data held in the Index provides unrivalled insight into Board effectiveness across multiple sectors and geographies, making it possible to track engagement and sentiment over time and identify trends and best practice for the benefit of Board performance.



LGI

— AREAS OF FOCUS —

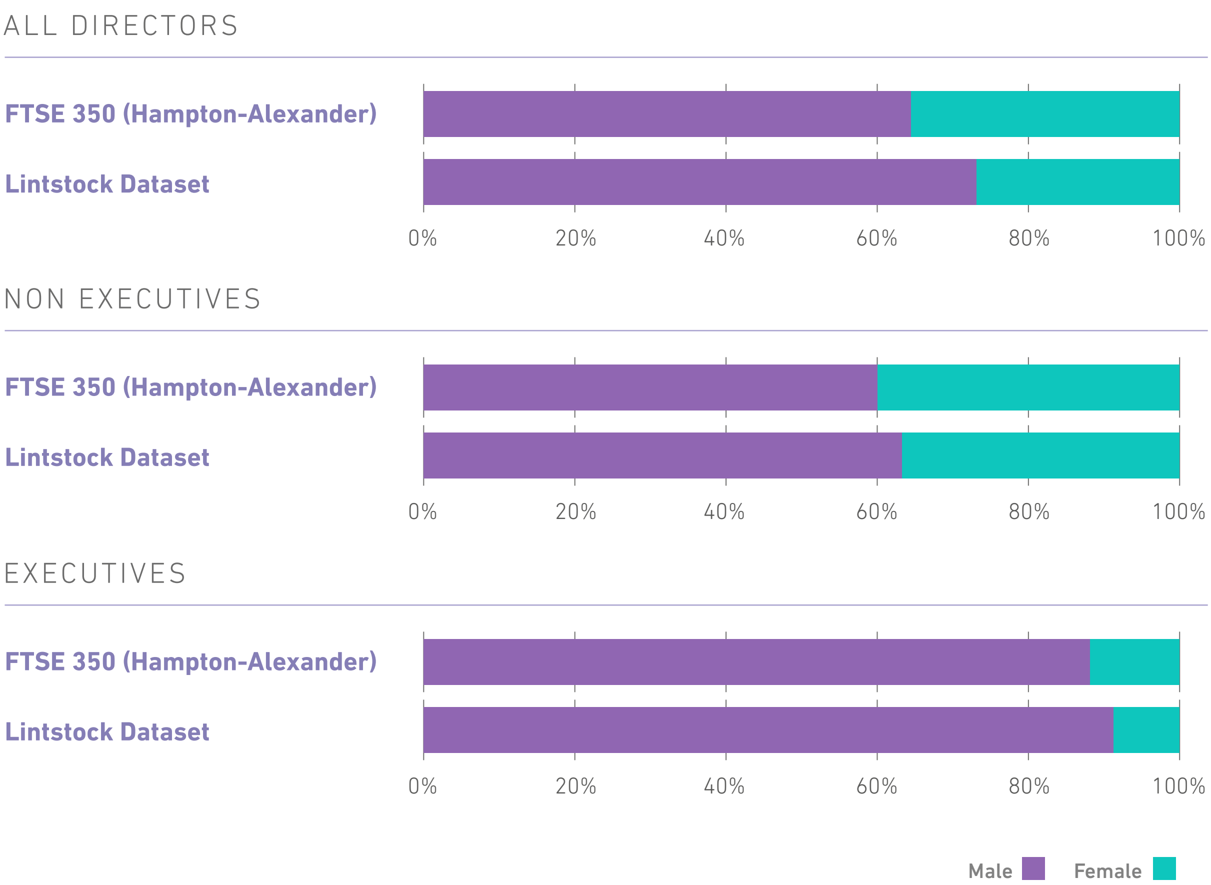
EXPERTISE AND INSIGHT Composition Stakeholder Oversight Employees and Culture	**DYNAMICS AND FOCUS** Relations around the Board Effectiveness of Decision Making Meeting Organisation	**INFORMATION AND SUPPORT** Support Available to the Board Information Provision
STRATEGY AND IMPLEMENTATION Strategic Plan Market Context	**RISK AND CONTROL** Risk Processes Oversight of Key Risks	**PEOPLE AND SUCCESSION** Top Level Succession Talent Management and Development

In addition to analysing the commentary provided by male and female Directors in Board Reviews (both in a quantitative and qualitive sense), we also map the areas of focus where male Directors gave materially more positive ratings than female Directors, or vice versa (these areas are marked in the sections that follow as '**Men ▲ positive**' and '**Women ▲ positive**'). '**Men** & **Women** 〓' denotes areas in which there was not a meaningful disparity between the ratings given by male and female Directors.

The Dataset

Much of Lintstock's Board Review practice is international, with over 40 of our retained clients based outside the UK. For the purposes of this study, however, we felt it was best to restrict the dataset to the UK in the interests of comparability and because much of the available data on – and push for – gender diversity comes from this market.

Our data is drawn from 100 FTSE Board Reviews conducted over the last few years, with a heavy weighting towards the FTSE 350 (at over 70%). The gender balance of Directors in our dataset is largely in line with the findings from the 2020 Hampton-Alexander Review:

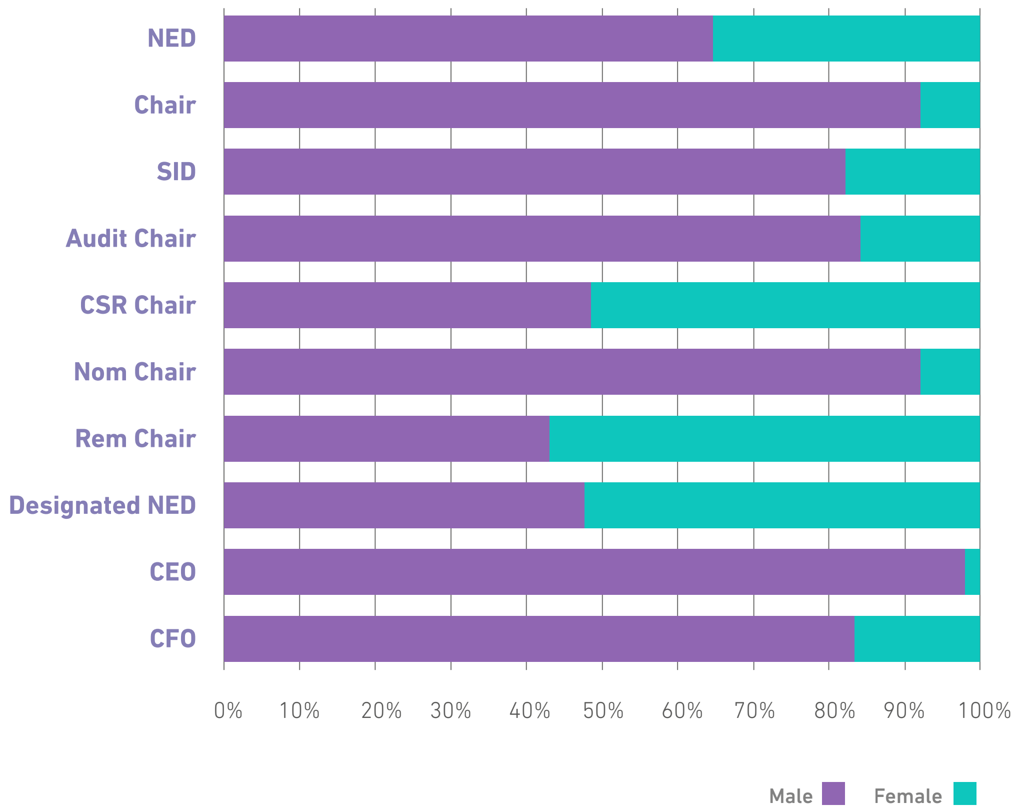


The median Board size in our dataset is nine Directors, and the median number of women on a Board is two. While it is heartening that there are no Boards with no female Directors, 15% of Boards are 'one and done' Boards, where only one woman sits on the Board.

The majority of Boards in the dataset have 20-40% female representation. Only a small number have more than this, and only a handful have gender parity. No Boards have more women than men.

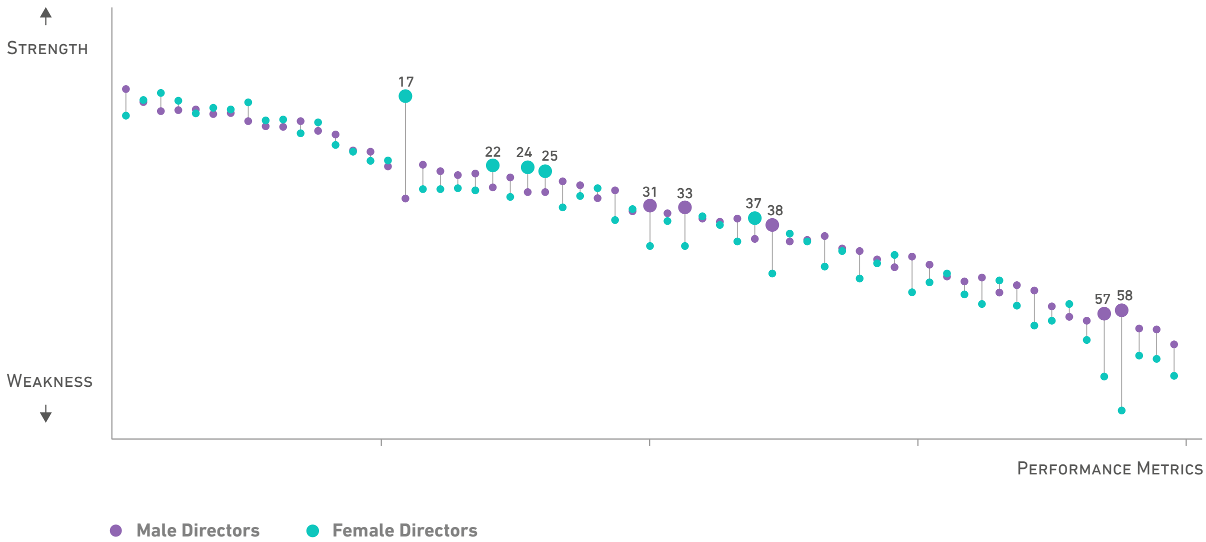
The situation for Non-Executives is slightly better, where the majority of Boards have 30-50% female representation amongst their Non-Executives. A few Boards have a greater number of women than men in Non-Executive roles.

DIRECTOR ROLES BY GENDER



- The roles of Board Chair, Nomination Committee Chair and CEO are overwhelmingly male
- Senior Independent Directors, Audit Committee Chairs and CFOs also tend to be men
- On the other hand, over half of CSR and Remuneration Committee Chairs are women, which is disproportionately high considering the overall split of Non Executives, as is the proportion of women serving as the Designated Non Executive for Workforce Engagement

Extracting data from 100 Board Reviews, we tracked Directors' quantitative and qualitative assessment of performance, splitting out the responses of male and female Directors and analysing the differences in their ratings of Board performance and levels of response in each area.



Top 5

Ranked Higher by Male Directors	Ranked Higher by Female Directors
58 Adequacy of HR Function	17 Understanding of Regulatory Environment
57 Review of Past Decisions	24 Engagement with Regulators
38 Clarity of Strategy	37 Length of Board Packs
31 Quality of Strategy Day	22 Duration of Meetings
33 Oversight of Main Risks	25 Board Composition

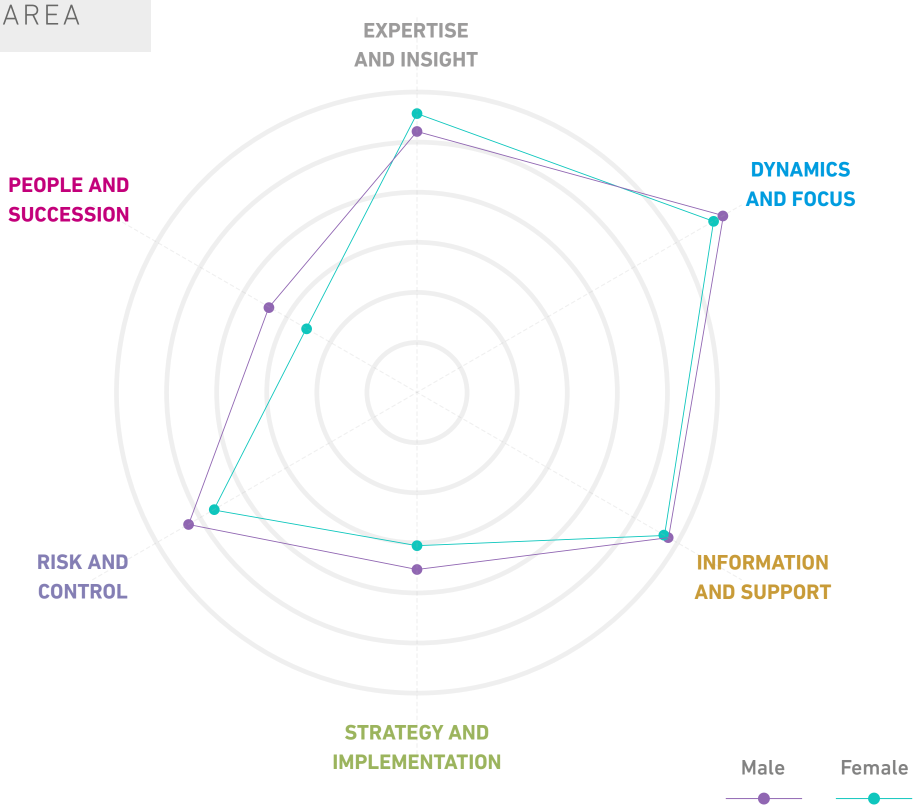
The table above shows some intriguing differences in ratings between men and women, which might broadly be summarised in terms of women being more satisfied with the manner in which governance responsibilities are discharged, whereas men express greater satisfaction with the way in which the business is run in terms of strategy, risk oversight and past decisions.

The fact that men rate the adequacy of the HR function higher is interesting, not least as this function is female-dominated and as this is one of the five lowest-ranked metrics in our LGI overall, and could be bottom if not for the supportiveness of male Directors.

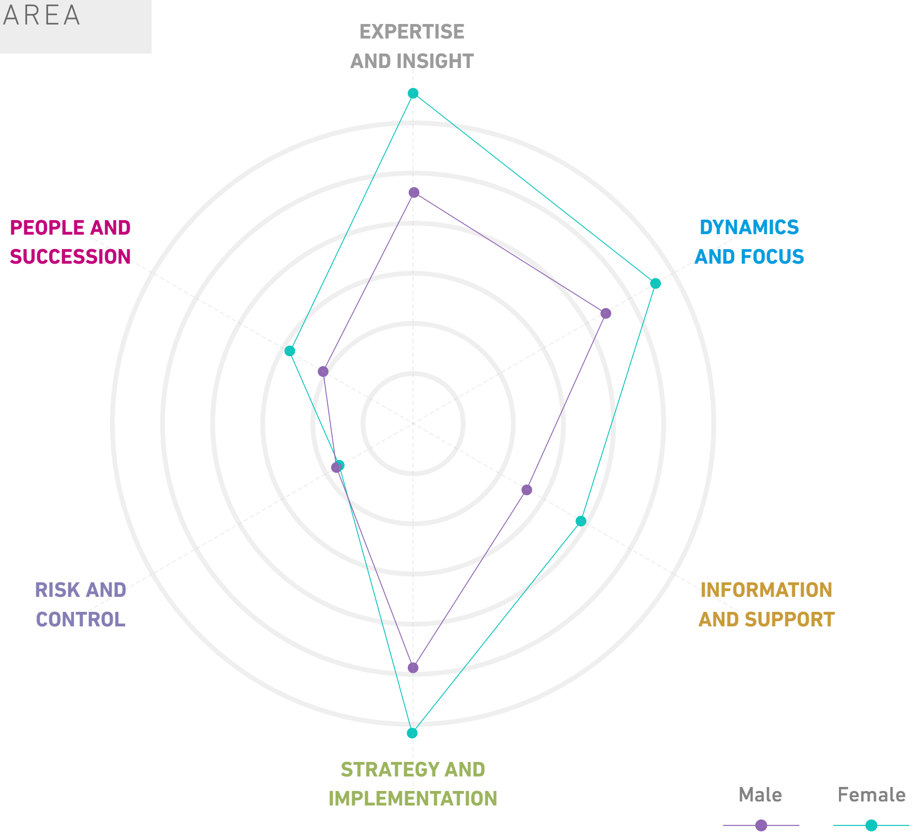
While male and female Directors gave similar ratings on the majority of Board effectiveness metrics – demonstrating that there is good consensus across Boards as a whole – women tended to utilise a broader spread of ratings, and gave slightly lower ratings than men on average, suggesting that they are both more willing to recognise areas of good performance and more comfortable with calling out areas of perceived weakness and questioning the status quo. There is a consistent theme throughout our Reviews of female Directors adopting a more critical (albeit constructive) attitude, an approach that they appear to apply as much to themselves as the Board as a whole: we commonly ask Directors to assess their own individual performance in their roles, and women are more likely than men to offer specific suggestions on how their own performance could be improved. On the other hand, male Directors are more likely to stress the importance of training for the Board as a whole.

That female Directors are more prepared to offer criticism and / or recommendations for improvement is borne out in their relative engagement with the Board Review exercise: by word count, female Directors write on average 32% more than their male colleagues, demonstrating greater openness to providing feedback on Board performance.

RATING BY SUBJECT AREA



ENGAGEMENT BY SUBJECT AREA



As well as engaging more in general, we found in our sample that female Directors have a heightened sensitivity to the areas in which Boards tend to be struggling (i.e., the individual metrics towards the right of the LGI chart above) and are much more likely than male Directors to raise issues in these areas. Certain people oversight metrics in particular are regularly amongst the lowest-rated areas in our Reviews – since the oversight of people was becoming a headline concern for Boards even before the upheaval of COVID-19 (see our 2020 study 'People Oversight: the Performance Metric of the Future?'), the question arises of whether female Directors may be more attuned to emerging issues than their male colleagues, or whether the current cohort of female Board members takes a particular interest in this area.

Expertise and Insight

Composition

- Composition was one of relatively few areas of Board performance where men were more critical than women overall
- Women were more likely to identify the need for further Board diversity in areas such as age, culture and social background
- Women were three times more likely to recommend greater ethnic diversity than their male colleagues
- Men were more likely to raise the issue of gender balance on the Board

Stakeholder oversight

- Women were slightly more inclined to rate down the Board's understanding of customer views and to recommend greater focus in this area, including through Directors engaging with customers directly
- Men rated the Board's understanding of the regulatory environment significantly lower than women – this was the greatest variance in ratings between men and women

Employees and culture

- Women engaged heavily on employee sentiment and culture and were over 50% more likely to serve as a designated Non-Executive Director for engaging with the workforce – the most frequently-adopted employee engagement mechanism
- Women were also more than twice as supportive as male respondents of employee engagement initiatives and showed a greater inclination to understand how these operate, as well as the learnings that the Board can draw from them

Dynamics and Focus

Relations around the Board

- Relations among Non-Executive Directors were one of the ten highest-rated metrics for women, who were also more supportive of the Board's current composition
- Our data tallies with the results of the FRC's *Board Diversity and Effectiveness* (2021) study which found that the presence of women in the boardroom correlates with an emphasis on boardroom relationships and collaboration, and that Boards with better gender diversity have a greater focus on reaching consensus before important decisions are taken
- Women were almost 50% more likely to identify a need for Non-Executive only time and stressed the importance of strong relations amongst Non-Executives more often

Dynamics and Focus

Effectiveness of decision making

- The importance of following up on past decisions was stressed significantly more by women, and Board effectiveness in reviewing past decisions was ranked in the ten lowest-rated areas by women

Meeting organisation

- There is a greater drive to maintain the frequency and length of meetings amongst men, whereas women were over 30% more likely to suggest conducting more meetings
- The appetite for communication outside meetings was also markedly greater for women, who were over twice as likely to request further updates between meetings

Information and Support

Support available to the Board

- The 'Board Support' category was the area in which the ratio of female engagement was the highest relative to male input
- Women were very supportive of the value added by the company secretarial function, but were more than three times more likely than their male counterparts to identify the need for this function to receive further investment
- Men were more likely to request training compared to their female colleagues, whereas women were more likely to state that the Board would benefit from adding further specific skills through Non-Executive appointments

Information provision

- Men were more critical of larger Board packs and emphasised the need for the timely distribution of information more than women
- Women were more challenging on non-financial information, with non-financial KPIs ranking among the top 10 areas in which women rated performance lower than men
- Men were more likely to stress the importance of financial information, which may be attributable to the fact that men were more likely to have a finance background – this is also reflected in the gender balance of Audit Committee Chairs (82% male)
- Women were more likely to take a broader perspective on the company and focus more on the enablers of effective performance such as people, customers and the wider operating environment

Strategy and Implementation

Strategic plan

- Both men and women felt that Boards spend insufficient time on strategy
- Men devoted greater time to the more granular aspects of business performance but were also considerably more positive about the company's strategy overall than women, with both the clarity of the strategic plan and the quality of strategy days in the top 5 metrics ranked higher by male Directors
- Women showed greater interest in the enablers of performance (e.g. people, customers etc.) and drove a more macro focus, being over twice as likely as men to demand greater focus on external context and big-picture strategy

Market context

- Men were more critical about the information provided on market context and were more likely to identify the Board's oversight of company performance versus that of peers as an area for development
- Women were more likely to press for greater understanding of macro context, such as the extent to which digital developments pose threats and present opportunities to the company
- Women were over 50% more inclined than men to raise ESG performance as an area for improvement

Risk and Control

Risk processes

- Women were more critical in the area of risk oversight, which tallies with research quoted in the FCA, *Review of research literature that provides evidence of the impact of diversity and inclusion in the workplace* (2021) suggesting that gender diversity on a Board has a positive impact on risk management
- Women were marginally more likely than men to suggest that the Board ought to consider macro aspects and review the company's overall risk appetite

Oversight of key risks

- Men were more positive than women with respect to the oversight of the key risks, and somewhat more likely to stress that the calls on these risks are the domain of management
- In terms of overall appetite for risk we found no material difference between men and women

People and Succession

Top level succession

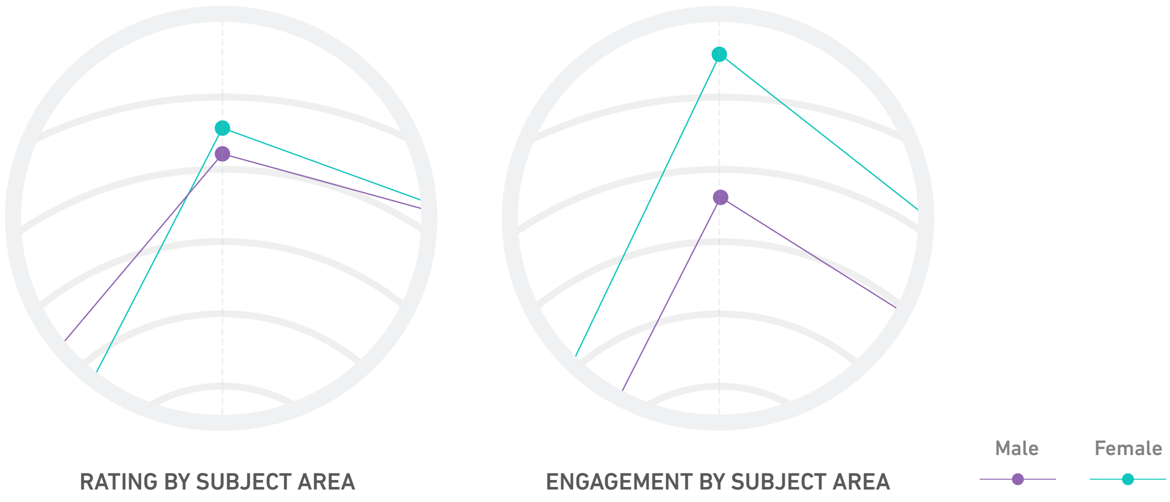
- Women were almost twice as likely as men to identify the need to spend more time on top level succession for specific positions, whereas men were more likely to state that top management succession was the domain of the Executive

Talent management and development

- Men were more positive than women about the effectiveness of the Board in overseeing talent management and development
- Women were more than twice as likely to identify the need to focus on people development and improve the diversity of the workforce
- The relative lack of confidence in the oversight of talent management and wish for engagement with, and development of, the workforce on the part of women tallies with the overall lowest-rated metric in the LGI for women: the adequacy of the HR function

8 LGI metrics

3 Areas of Focus



The LGI category of 'Expertise and Insight' was the only area in which women were more positive than men in terms of ratings and, relatively speaking, the area in which women were the most engaged in Board Reviews.

The category includes metrics around the Board's composition and understanding of stakeholders, areas that have experienced a greater degree of scrutiny in the UK since the 2018 UK Corporate Governance Code coined new principles mandating that Boards should promote diversity amongst their membership, and ensure effective engagement with (and encourage participation from) stakeholder groups. As the scope of Board oversight widens, and it becomes expected that they should have regard to an increasingly broad universe of stakeholders, today's Boards are faced with a growing challenge with respect to adequately covering all of their responsibilities, be it in terms of expertise amongst their membership or the allocation of time on their packed agendas.

Composition: Women ▲ positive

Men were more critical of Board composition than women, although there were divergences in the recommendations that male and female Directors were likely to make with respect to composition and the attributes to seek in future Board members. While diversity was a common improvement point for both men and women, and has frequently been among the key recommendations to come out of the exercises that we have conducted in recent years, the nature of the focus on diversity is noticeably different between male and female Directors (see the 'Diversity beyond gender' text box).

Women were more likely to identify 'specialist' skills which the Board was lacking, such as technology, engineering or marketing experience, whereas men were more comfortable with more 'generalist' Non-Executive representation (e.g. an ex-CEO).

The tendency of male Directors to prioritise 'generalist' colleagues may spring out of an unconscious wish for more Board members who are like themselves, since the profile of a generalist – someone who has likely served at the top of companies in a variety of industries – is more likely to match a male candidate given the historic paucity of women serving at the top of big corporates. 'Generalist' is not a term of opprobrium in this context, as having developed a sufficiently broad skillset to be able to run a huge company is (paradoxically) a rare skill in itself. C-suite experience gives Board members a valuable ability to act as a bridge to the business, and as the number of women in executive roles increases – especially given the FTSE Women Leaders Review's recommendation this year that FTSE 350 companies should have a woman occupying either the Chair or SID and/or the CEO or Finance Director role by 2025, as well as 40% representation of women in their Leadership teams – the pool of female candidates with broad executive experience should see a significant boost.[5]

Diversity beyond gender

Diversity is a commonly identified issue in discussions of Board composition, and this has been the case in our Board Reviews for a number of years; in our sample, both male and female Directors were likely to raise it, with gender being the most frequently specified area for improvement by all. That said, the data suggested that diversity is an evolving area: whereas men were 25% more likely than women to highlight the need to improve gender diversity on the Board, female Directors were much more focused on augmenting other areas of diversity.

Female Board members in our sample were three times more likely to recommend greater ethnic diversity than their male colleagues. In the years prior to 2020, we could literally count on one hand the number of times ethnic diversity was raised, but our recent Board Review seasons – against the backdrop of the political and social fallout of the killing of George Floyd and Black Lives Matter – saw over half of our exercises (and practically all of those involving financial services clients) prioritising the appointment of an ethnic minority Director in forthcoming searches.

Women are also more likely to identify the need for further diversity in areas such as age, culture and social background – particularly when we review non-corporate entities such as utilities providers, building societies etc. Female Directors also had a stronger focus on diversity in the wider workforce, being over twice as likely as their male colleagues to identify the need to improve the overall diversity of the employee base and top management positions.

Despite the increased focus in this area, we are yet to see any Boards truly grapple with diversity in its wider forms – with some mismatches occurring between the aspects of diversity that Boards' representation actions are focused on and what the rest of their companies are working towards. Disability, neurodiversity, socio-economic background, sexual orientation and gender identity beyond the binary of cis male / female are receiving increasing attention in corporate diversity strategies from companies proactively trying to better reflect society in their employee population and behave inclusively towards their diverse customer base, but there has been very limited suggestion in the UK that those aspects of diversity should also be represented at Board level. As with ethnic diversity, we anticipate that the conversation will broaden to encompass other aspects of diversity in the coming years.

[5] *FTSE Women Leaders Review* 2022, p. 10.

As the focus moves beyond what we have seen several Boards refer to as 'visible diversity' in recruiting new Directors, companies will need to continue to balance diversity considerations with ensuring that the Board retains the skills and expertise necessary for effective oversight of the business. As efforts from the initial focus on improving gender diversity on Boards are already highlighting, the companies that are putting time and resource into going beyond the traditional candidate pools / networks and definitions of experience required are finding more diverse candidates and recruiting them – so diversity and skills / experience on Boards is not an 'either / or' question

Stakeholder Oversight: Women ▲ positive

The oversight of key stakeholder groups such as investors, suppliers and customers is an area which has grown in importance over the years, not least as a result of the UK Corporate Governance Code's focus on the duty of Directors to have regard to a wide range of stakeholder perspectives when arriving at Board decisions.

With respect to stakeholder oversight, the overall ratings – with the exception of regulators – were about equal between male and female Directors, although women were slightly more inclined to rate down the Board's understanding of customer views and to recommend greater focus in this area, including through Directors engaging with customers directly.

Understanding of regulatory environment

The largest absolute difference in terms of rating between men and women was the extent to which the Board understands the regulatory environment, with the somewhat surprising result that men rated the Board's understanding of the regulatory environment significantly lower than women.

In general terms, we have noted a change in emphasis re regulatory engagement on the part of Boards and companies over the last few years, insofar as there is greater stressing of the need not only to be aware of the views of regulators, but also to broaden understanding as to the reasons why regulators hold their views. Boards are increasingly emphasising the need to work in partnership with regulators rather than simply responding to their demands on a reactive basis, and at least anecdotally we find that it is often women who counsel that the more bruising encounters with regulators ought to be avoided.

Women might be slightly less entrenched in their views re the regulatory regime than their male counterparts, and also show a willingness to invest time in building a broad perspective. As we have outlined elsewhere, women show higher levels of engagement in Board Reviews and are also more inclined to accept the overhead of Board service, including by tolerating larger Board packs and being prepared to meet more regularly. The average female Non-Executive is somewhat younger than her male counterpart, and there is commentary that suggests women have increasingly seen Board service as a viable alternative to a latter-stage executive career.[6]

[6] Harriet Agnew, 'Push to recruit women on boards drains companies of top talent', *Financial Times*, 6 April 2016.

One might argue that women occasionally take this latter-stage executive mindset into their Non-Executive roles, but it is clear that the professional attitude to Board service ensures that women tend to maintain high levels of continuing education, and engage well to ensure that their knowledge in areas such as the regulatory environment remains current.

Employees and Culture: Men and Women = positive

Whilst the ratings are equally low between men and women in this area, employee sentiment and culture are two of the principal areas in which female Directors engage more than male Directors. A theme in this study is that women engage more in the areas in which Boards tend to struggle the most, and employee engagement and culture are both ranked in the bottom quartile of the Lintstock Governance Index.

We have also suggested elsewhere that female Directors tend to engage more on emerging issues, and employee engagement has certainly moved further up the agenda in recent years – a development that will only have hastened following the pandemic's impact on working practices and employee wellbeing. Concerns around issues such as pay ratios and the treatment of workers in the gig economy have put pressure on Boards to devote greater attention to the views and requirements of the workforce. The growing salience of this issue was crystallised in the 2018 UK Corporate Governance Code's introduction of a requirement for Boards to engage with their workforce through the appointment of an employee to the Board, the establishment of a formal workforce advisory panel, or the appointment of a designated Non-Executive Director for employee engagement.

Looking at our data sample, women were more likely than men to identify the need for the Board to improve its understanding of employee views, and – dovetailing with our finding above that female Directors have a greater appetite for direct interaction with customers – women are 70% more likely to recommend greater direct contact with employees. Some of the disparity in engagement could be attributed to the new Code requirements themselves: female respondents were over twice as supportive of employee engagement initiatives (such as employee forums etc.) and showed a much greater inclination to seek to understand how such forums operate, as well as the learnings that the Board can draw from them.

Culture was another area in which women pushed more than men – they were over twice as likely to recommend that the Board should spend more time on overall workplace culture. Anecdotally, we see this manifesting through women being more likely than their male counterparts to recommend that the Board should reflect upon the role that culture can have in supporting business performance, and take a more holistic approach to culture issues in the business.

The profile of the designated NED

Appointing a designated Non-Executive Director to engage with the workforce has been by far the most frequently adopted employee engagement mechanism among FTSE Boards, with 61% of firms who responded to an FRC survey indicating that they had implemented this measure.[7] Amongst the companies in our study, female Directors were over 50% more likely to serve in this role, and this is borne out in subsequent estimations – the 2021 UK Spencer Stuart Board Index stated that 65% of designated Non-Executives in the top 150 companies in the FTSE were women.[8]

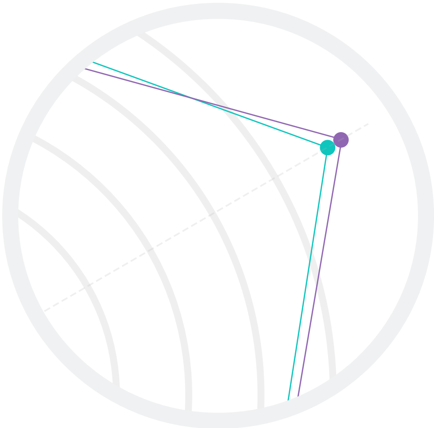
Practice is still developing in this area, and the most effective skillset or remit for a designated NED has not yet been established. The FRC's report on workforce engagement stated that it was 'unclear why particular individuals were thought suitable for the designated NED role in most cases', citing the relative lack of HR experience or experience as a workforce representative among the current crop of Directors in this role.[9] Specialist human resources experience was identified as a Board composition priority in only 3% of the Reviews in our sample, and although COVID-19 will undoubtedly have changed some Boards' thinking in this area, there is still some way to go if the consensus is that HR expertise is a key skillset for all Boards.

In any case, it is questionable whether HR experience should be a requirement for a designated NED. We explore some of the trade-offs between generalist and specialist experience on Boards in the Composition section above, but mandating that the designated NED must be an HR specialist may give rise to a risk of that NED being felt to have ownership of employee engagement as a whole, contravening the principle of collective responsibility.

As Boards – rightly – pay more heed to emerging issues around sustainability and employee wellbeing, more NEDs are being given a remit to cover a particular issue or support a particular interest group. We have seen Boards with a designated NED for sustainability, and there has been a growing number of 'disability champions' in the boardroom. While it is laudable that these issues and groups are receiving more attention, Boards will need to ensure that the appointment of specific Directors to briefs such as these does not infringe on the principle of collective responsibility, or make excessive demands on Directors' time relative to their other Board oversight duties.

[7] FRC, *Workforce Engagement and the UK Corporate Governance Code: A Review of Company Reporting and Practice* (2021), p. 10.
[8] *2021 UK Spencer Stuart Board Index*, <https://www.spencerstuart.com/research-and-insight/uk-board-index/workforce-engagement>.
[9] FRC, *Workforce Engagement and the UK Corporate Governance Code*, p. 12.

15 LGI metrics 3 Areas of Focus



RATING BY SUBJECT AREA

ENGAGEMENT BY SUBJECT AREA

Male Female

Good dynamics in and around the boardroom are the bedrock of an effective Board. As can be seen in the diagram above, dynamics was the highest-rated area of Board performance overall (and indeed, all metrics relating to dynamics appear in the top quartile of the LGI), with men and women giving similarly positive assessments.

Relationships around the Board: Men and Women = positive

It is encouraging that the relationships in and around the Board are amongst the highest-rated metrics for both men and women, with high levels of collegiality and respect being the norm in FTSE boardrooms.

The relationship amongst Non-Executives is one of the ten highest-rated metrics for female Directors, which may be a self-fulfilling prophecy – the FRC's *Board Diversity and Effectiveness* study found that the presence of women in the boardroom is correlated with an emphasis on boardroom relationships and collaboration.[10] The study also suggested that Boards with better gender balance have a greater focus on reaching consensus before important decisions are taken, and our data certainly bears this out. It is also clear that women are more willing to highlight the performance of individual Directors, being somewhat more inclined to identify the need for improved performance in colleagues and over 50% more likely to compliment individual Directors on their performance.

Female Directors were almost 50% more likely to identify a need for NED-only time. Taken with the FRC's findings, it is possible to discern a drive (perhaps associated with increased gender diversity on Boards) to institute NED-only sessions as regular opportunities to build consensus and cohesion, rather than as ad hoc problem-solving events; indeed, it is somewhat surprising to us that some Boards still fail to set aside regular NED-only time, as doing so only when it is required to address a specific event (e.g. management underperformance) has clear disadvantages in terms of signalling.

[10] FRC, Board Diversity and Effectiveness, p. 35.

Effectiveness of decision making: Men ▲ positive

A Board is defined by how well it makes decisions. Whereas the ratings with respect to the process around decisions and the degree to which decisions are subjected to an appropriate amount of challenge received broadly equivalent ratings from both male and female Directors, the importance of following up on past decisions was stressed significantly more by women; Board effectiveness in reviewing past decisions was ranked in the ten lowest-rated areas for women, and saw one of the largest divergences in terms of the ratings given by male and female Directors.

Meeting organisation: Men and Women = positive

The cadence of Board meetings throughout the year is clearly fundamental to Board oversight, and the importance of having a cycle of meetings that enables adequate coverage of all the topics requiring oversight – while also leaving room to deal with emerging issues – is well recognised. Even before the disruption caused by COVID-19, many Boards were struggling to get a handle on the increasing amount of topics that today's governance environment requires them to cover on their agendas. We found that women were more likely to suggest changes to the annual cycle than men, and specifically that they were over 30% more likely to suggest conducting more / longer Board meetings. Female Directors' appetite for communication outside of meetings was also markedly greater, with women being over twice as likely to request further updates between meetings.

Engagement in remote settings

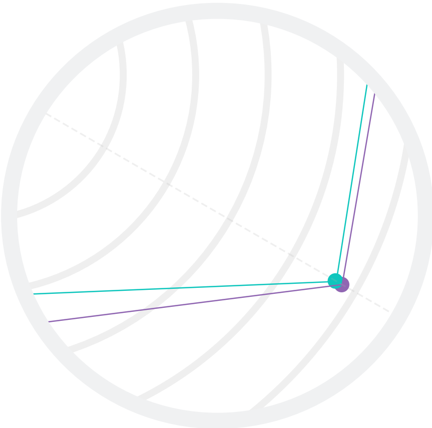
The last few years have seen the process by which Board meetings are run being turned on its head, with almost all of our clients worldwide reporting a near-total reliance on remote meetings. Most of our clients have recommenced physical meetings more recently, anticipating that those will deliver some sort of return to relative normality. That said, one of the few permanent changes in Board governance is that remote meetings are here to stay. Indeed, the majority of our clients expect that their annual cycle will continue to include a proportion of remote meetings, with some expecting that proportion to be over half.

While remote meetings have established themselves as a genuinely viable alternative to physical meetings given the rapid improvements in remote technology, Boards have an opportunity now to rethink the way meetings are run and supported (particularly in terms of information flow) as they move to hybrid ways of working. When the Board does meet physically, we would expect Boards to take greater advantage of the occasion; most Boards anticipate using physical meetings to address the more challenging events in the annual cycle such as strategy offsites and succession reviews. Virtually, there is more scope to be flexible in terms of adding ad hoc meetings, whilst taking care to ensure that those meetings are shorter and the time commitment of Directors is respected. In this context, female Directors' requests for more communication between meetings take on greater salience: if the comparative convenience of remote meetings makes for a more dynamic annual cycle, it will be imperative to ensure that Directors are supplied with sufficient relevant information in advance to make the meeting meaningful.

Remote meetings also arguably require greater discipline from those participating than physical meetings in order to be effective, insofar as the bar for contributing to meetings could be considered to be higher given the 'cost' of an interruption. Whilst Chairs have become increasingly adept at managing remote meetings, we have heard complaints that it is typically male Directors who interject rather than using the 'raise hand' functionality provided in remote meeting platforms, as well as being less likely to make use of the 'mute' function when not contributing. To ensure that all Directors have a fair opportunity to contribute, Chairs should remain mindful of drawing on the different inclusive participation practices needed to make both physical and remote meetings work well.

INFORMATION AND SUPPORT

10 LGI metrics   2 Areas of Focus



RATING BY SUBJECT AREA

ENGAGEMENT BY SUBJECT AREA

Male   Female

The 'Information and Support' category – was the area in which the ratio of female engagement was the highest in relation to male input. That said, it was men who were more likely to criticise the length of Board packs and to stress the need for greater summarisation and signposting to support the focus of Board meetings.

Support available to the Board: Men ▲ positive

All Boards benefit from effective support in areas such as induction, training and access to independent advice, and the role of the Company Secretary as a trusted advisor to the Board has developed greatly over the years. Whereas in the past the role could be seen – as stated by a FTSE 250 Executive Director in a study we conducted on the subject – as being a 'glorified clerical position', it is now generally accepted that CoSecs can add significant value in managing the focus of the Board and providing strategic counsel.[11] Both male and female Directors are firm supporters of the value added by the company secretarial function, but women are more than three times as likely as their male counterparts to identify the need for this function to receive further investment.

On the other hand, it is interesting to note – as addressed in the Composition section above – that men are significantly more likely to request training, whereas women are more inclined to request that Non-Executives be recruited with specific skills.

[11] Lintstock, *Elevating the Role of the Company Secretary: Lessons from the FTSE All Share* (2012), p. 38.

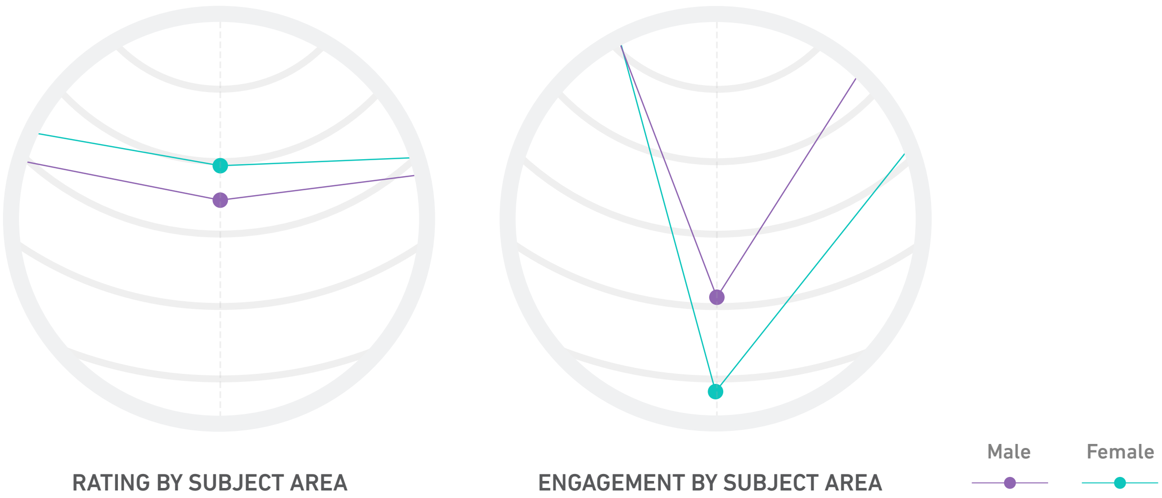
Information provision: Men and Women = positive

The quality of a Board's oversight is only as good as the information it receives, and whilst the overall sentiment with respect to Board information balanced out between male and female Directors, there was a fair degree of variation. It was notable, for example, that female Board members were significantly more tolerant of larger Board packs, whereas their male counterparts were more likely to demand improved summarisation of information from management. Male Board members were also more critical of the timeliness of the information distributed to them.

Another point to note is that women were more challenging on non-financial information, with non-financial KPIs ranking among the top 10 areas in which women rated performance lower than men. Their male colleagues tended to prioritise financial information to a greater degree – this is perhaps due to the fact that the background of male Board members is more likely to be in finance, as is supported by the fact that 82% of Audit Committee Chairs in our sample were men. Conversely, women were more likely to take a broader perspective on the company, and focused significantly more on the enablers of effective performance such as people, customers and the wider operating environment.

The reporting from the Committees to the Board is routinely rated very highly in Board Reviews, and in fact the reporting from the Audit Committee was the highest-rated LGI metric overall (displaced in the last few years by the Board's response to COVID-19, which we will come to later under 'Risk'); the positive sentiment in this area was shared by both male and female Directors.

12 LGI metrics 2 Areas of Focus



The focus on strategy in Board Reviews is necessarily tailored to individual companies, and therefore many of the metrics we consider are not contained in the Lintstock Governance Index. In terms of the LGI, we consider topics such as the effectiveness of the strategy session, clarity, implementation and capacity to deliver, along with overall market context such as the competitive environment. The ratings provided in this area by female Directors were lower, with women contributing somewhat more feedback overall.

Strategic plan: Men ▲ positive

A common complaint in Board Reviews is that insufficient time is spent in the area of strategy, and we found that men and women were equally sensitive to the balance of time spent in this regard. What is interesting, however, is that within this context men were more inclined to focus upon the specifics of the company's strategic plan and the shape of the business itself, whereas women showed greater interest in the enablers of performance (e.g. people, customers etc.) and drove a more macro focus. This tallies with the general perception – reinforced below – that men are significantly more likely to recommend spending more time focusing on the business, with female Directors paying more heed to wider context; to that end, it makes sense that women are over twice as likely to demand greater focus on macro and big-picture strategy, and rated the clarity of company strategy significantly lower.

There is always a balance to be struck between maintaining a clear view of a strategy's arc and ultimate goals on the one hand, and ensuring that there is adequate oversight and scrutiny of its implementation on the other. To help manage the risk that a Board may either lose sight of the realities on the ground or conversely get too much into the weeds, there must be concerted efforts to follow up on implementation once consensus has been built around a strategic plan. To this end, the emphasis on closely following strategic implementation was broadly equal between men and women.

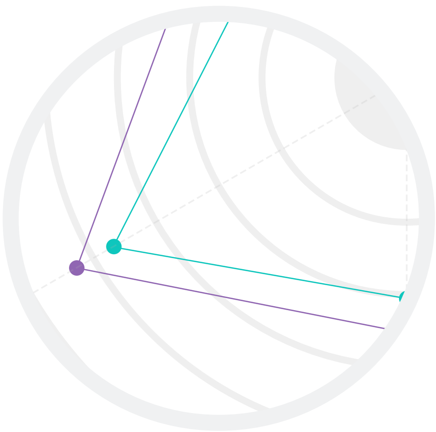
Market context: Women ▲ positive

This interplay between operational and macro focus also carries through to the Board's understanding of the market context overall, where we can see that women are more likely to press for greater understanding of external context, such as the extent to which digital developments pose threats and present opportunities to the company. That said, men were more critical about the information provided on the market context and were more likely to identify the Board's oversight of company performance versus that of peers as an area for development. The fact that men push more for opportunity to make direct comparisons of relative performance using specific data perhaps tallies with our general finding that men are more likely to focus on the more granular aspects of business performance than women.

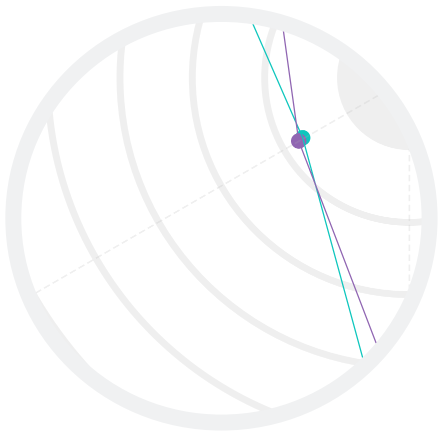
ESG as a future performance metric

In keeping with the general trend in our sample for female Directors to devote greater focus to external developments and emerging issues, we found that women were over 50% more inclined to raise ESG performance as an area for improvement. Fostered by increasing concerns around the environment and climate (especially centring on Net Zero), as well as social and political upheaval in the wake of COVID-19, the last 12 months have seen a huge increase in focus on ESG. The topic has gone from being rarely addressed directly in our Board Reviews – with the odd industry-specific exception, such as the natural resources clients which we have in our portfolio – to becoming a feature of almost all Reviews which we conduct. The preliminary signs are that women are more inclined to address the company's performance in these areas and to push for greater Board oversight, as with other non-financial topics such as culture and employee wellbeing.

We would expect the focus on ESG to continue and likely expand as Boards continue to diversify – indeed, the issue of diversity itself falls under the 'S' (Social) of the ESG umbrella. Boards are still finding their feet here and have already been struggling to balance the 'E', 'S' and 'G' elements of the brief. It is such a vast subject that it is challenging for Boards to calibrate the appropriate level of oversight in today's kinetic environment, especially when even the intended outcomes of ESG reporting are being very publicly questioned. We await further developments in this area, though it seems clear that further engagement will be expected from Boards in the coming years.



RATING BY SUBJECT AREA



ENGAGEMENT BY SUBJECT AREA

Male Female

Risk remains the area of lightest engagement in the Board Reviews we conduct when adjusted for section length. Even then, we find that there is a perception amongst many men (almost 50% in our sample) that the Board spends too much time on risk, and that greater trust ought to be placed in management. This is consistent with the fact that men are slightly more positive with respect to the metrics on the oversight of risk – as well as the tendency for male Directors to promote greater focus on business issues.

That said, the tendency for female Directors to give lower ratings in the area of risk oversight potentially suggests that they provide valuable balance in terms of paying heed to threats to the business; certainly this reflects recent research suggesting that gender diversity on a Board has a positive impact on risk management, with one Moody's study stating that sub-30% female representation on a Board is 'one of many indicators that stray from the standards we define as a credit-friendly Board'.[12]

Risk processes: Men and Women = positive

The Board's oversight of risk is perhaps the area which has come the longest way in the two decades that we have been reviewing Boards. We are now able to discuss a number of granular questions about the various aspects of risk oversight, whereas a decade ago our discussions tended to centre on the need to put an adequate system in place, rather than the effectiveness of the system itself. As can be seen from the graph above, the company's risk management systems are rated highly and provide material comfort to Boards. So much so, in fact, that the trend over recent years has been for Boards to engage less in this area in Board Reviews and demand a clearer delineation of the fact that *risk management* per se is the function of the Executive rather than the Board.

[12] Quoted in FCA, *Review of research literature that provides evidence of the impact of diversity and inclusion in the workplace* (2021), p. 40.

We have seen an increase in the degree to which Boards question how they can add value in the area of high-level risk oversight, which is undoubtedly driven somewhat by the fact that almost all Boards missed COVID-19 as a risk (as addressed below). We have seen some demand for a re-examination of the Board's role in risk and greater desire to sit back and consider the more macro issues rather than getting into the minutiae and second-guessing management's calls on the major risks. To this end, we see that women are marginally more likely to suggest that the Board ought to consider macro aspects more in addressing the company's overall risk appetite.

Oversight of key risks: Men ▲ positive

Men were more positive than women with respect to the oversight of key risks, and somewhat more likely to stress that the calls on these risks are the domain of management. That said, we found no material difference between the propensity for risk (i.e. risk appetite) between men and women. We have seen a trend recently for Boards to be less inclined to engage in debates with respect to individual risks – perhaps betraying a degree of Board risk aversion in the current climate – and instead focus on the risk management system in a more holistic sense.

Given the extent to which Boards have been blindsided on risks which have materialised over the last few years, it is understandable – and in our view correct – that Boards are increasingly stressing the need for companies to war game the response to hypothetical key risks which might materialise, rather than being overly concerned with whether 'Risk X' ought to be 3rd or 5th on the risk matrix.

Whilst there is clearly a balance to be drawn here, as the Board can provide value in challenging management to justify their assessments, part of the attractiveness of focusing on the system and mitigation is that the learnings are often transferable from one risk to another. If we take as examples the seemingly unconnected risks of trade barriers, a terrorist incident, a major cyber event or a pandemic, we can see that the resilience and flexibility of the company's supply chains, its ability to safeguard employee wellbeing and the effectiveness with which management communicates will all be hallmarks of how effectively the company responds to the aforementioned risks, whichever one materialises.

This is arguably the level at which Boards ought to focus more, and the pandemic has provided Boards with a real-life war game, in which most feel that their companies have fared rather well. Boards ought now to challenge themselves to capture the lessons from the crisis, not only in terms of what has worked well but also the degree to which they can add value in road-testing the response to the next unforeseen risk, in addition to trying to guess what that risk might be.

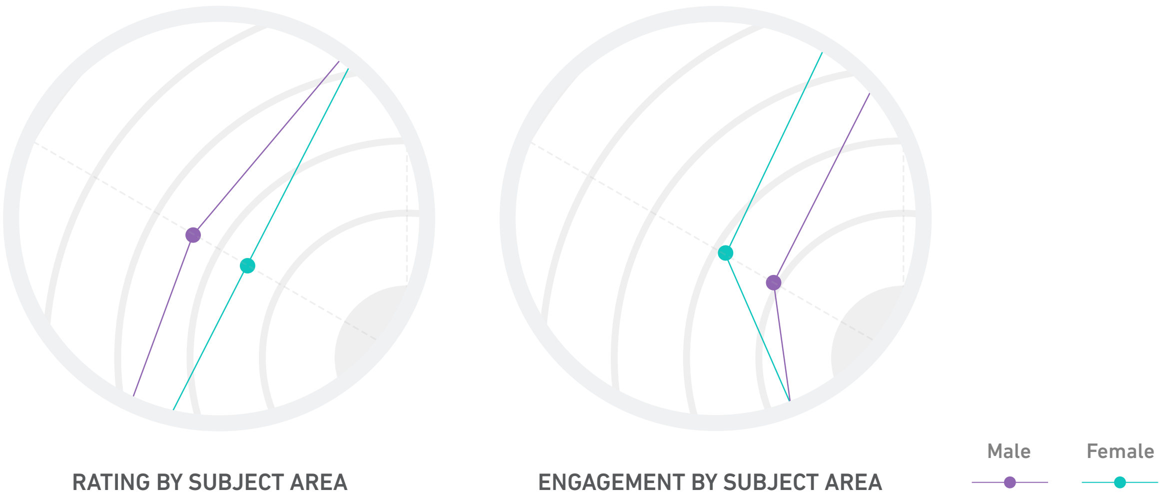
Impact of COVID-19 on risk oversight

We would expect Boards' focus on risk to develop in the aftermath of the pandemic. While the response to COVID-19 was the most highly rated metric in the Lintstock Governance Index for 2021, it is striking that very few Boards had a pandemic on their radar, let alone on their risk register; we can count the number of our clients who had registered a pandemic as a major risk on one hand. Feedback in evaluations over the past two years suggests that Boards were on the whole blindsided by the pandemic, including clients in highly COVID-adjacent industries such as insurance and pharma, with many respondents remarking that no other companies had spotted it either.

Though the pandemic appears to be receding in many countries at the time of writing, at least in terms of the most severe consequences of the virus, Boards ought to challenge themselves to redefine their focus on risk and re-evaluate the scope of issues that might have a material effect on the companies they serve. The world has grown more volatile in many respects, and the type and severity of risks are continuing to change – the Russian invasion of Ukraine has given rise to a non-zero possibility of a nuclear strike on European soil, an event that was practically unthinkable previously.

Boards will need every help they can get to navigate this uncertain landscape, and the increased focus on risk that appears to be associated with gender diversity can only be a positive in this context; the introduction of perspectives that will sensitise Boards to underexplored areas of risk is a strong argument for further diversification.

9 LGI metrics 2 Areas of Focus



RATING BY SUBJECT AREA ENGAGEMENT BY SUBJECT AREA

It is in the area of people oversight – comprising succession for the Board and top management, and the management of talent across the company as a whole – that Boards feel they struggle most, and we find that Boards are still coming to terms with their new remit in this area following the 2018 update to the UK Corporate Governance Code. The 2018 Code brought with it new requirements around Non-Executive tenure, extended the Board's remit around succession planning to senior management as well as Directors, and also encouraged Boards to consider talent across the organisation as a whole in far greater detail, including in terms of training and diversity.

Given the degree to which Boards are still grappling with their new responsibilities in this area, and the tendency seen over this study for female Directors both to engage more in areas in which Boards struggle and to focus on the enablers for performance, it is unsurprising that people oversight is one of the key areas in which women tended to contribute the most feedback relative to men.

Top level succession: Men and Women = positive

Whilst women and men rate top level succession processes equally on the whole, women were almost twice as likely to identify the need to spend more time on succession in specific positions (e.g. in each of the top positions such as Chair, CEO, CFO or other Executive Directors). This ties in with our initial hypothesis – as outlined in the Foreword – that women would be more prepared to raise CEO succession, and is part of the drive on the part of women to have more regular Non-Executive only meetings.

Robust succession planning can both safeguard a company's future and help to minimise negative consequences from unexpected events, so it is clearly valuable to have voices on the Board who are ready to call out any need for improvement in planning processes. A lack of communication or process around this sensitive topic can lead all too easily to confusion, misunderstanding or conflict at times when clear leadership is most critical.

Enabling gender balance – what's next?

For more than a decade now, the strongest diversity focus across the UK stakeholder ecosystem of government, regulators, investors, companies and wider society has been around growing the share of women in leadership. Following all the efforts that have already been made, where should Boards focus now to continue to improve the gender balance in their companies?

Barriers to the top positions still exist, and some of these are self-fulfilling. For instance, since female Directors are likely to lack Chair experience, they are at a disadvantage as candidates for Chair positions. This is compounded by the new Code restrictions around Board tenure: since 70% of female Chairs are appointed from within the Board that they have already been a Non-Executive Director on for a number of years – with their service effectively being 'a multi-year interview before appointment' – the nine-year limit on Non-Executive tenure makes these candidates less attractive given they will have less time to serve in the position.[13]

The vicious circle of female candidates not having the relevant Board experience and therefore not being given the opportunity to gain it is now hopefully changing as the presence of a 'critical mass' of female members on FTSE Boards becomes the norm, though there are measures that Boards can take to break that circle: initiatives such as Board apprenticeships and shadow Boards can give high potentials valuable experience of the demands of Board service.

Nomination Committees can do more to ensure that they keep their finger on the pulse of potential opportunities to improve gender balance in the populations they are accountable for. Following the lead of those organisations that have already overseen significant gender balance improvements in their Boards, Leadership teams and/or wider employee bases, NomCos must go beyond 'talking the talk' (e.g. participating in training or speaking with specialists focusing on gender diversity in their stakeholder organisations). They must 'walk the walk' in order to deliver different outcomes: reviewing and questioning more granular gender data and insights to avoid assumptions about the experiences of different genders, challenging traditional processes and criteria, focusing resource on the areas most critical to success, making recruitment and policy decisions differently, and engaging with people regardless of gender to learn about what's working and what needs further improvement in their company.

A number of other actions can support positive change here too. NomCos can benefit from requiring demonstrable inclusive leadership skills in candidates for all Board and Leadership team positions to strengthen organisational capabilities in this area over time. Non-Executive Directors should sponsor diverse high-potential employees, not only to grow the diverse talent in their networks but also to give that talent greater visibility and insight around what happens at Board level. Regular engagement with employee resource groups focused on different aspects of diversity within the company can also help build Non-Executives' awareness of and connectivity to key people and diversity-related issues in their company.

[13] See Lintstock, *People Oversight: the Board performance metric of the future?* (2020), p. 13.

Talent management and development: Men ▲ positive

Women are less positive than men about the effectiveness of the Board in overseeing talent management and development, although this is slightly clouded by the fact that men are more than 1.5 times more likely to state that the oversight of talent is sufficient already. There is a perception amongst many male Directors that the oversight in this area risks creeping into executive territory (which itself may be weighted by the majority of executive respondents being male). 'Talent' is a vast topic, encompassing everything from oversight of the executive succession pipeline to pay ratios across the business, so it is understandable that Boards are still zeroing in on their remit in this area. The Board's role in people oversight feels rather like risk oversight in the 2010s, insofar as we often discuss the system which ought to be put in place for Board oversight rather than its effectiveness.

Boards tend to have a tapered degree of oversight of talent, with more insight into the top levels of the organisation versus a greater focus on the talent processes in place when considering the wider workforce given the number of employees that can be involved. Women tend to engage more on the wider workforce and the development of talent, being more than twice as likely to identify the need to improve the diversity of the workforce, and the need to focus on people development.

Female Directors' relative lack of confidence in the Board's oversight of talent management and their interest in further engagement with, and development of, the workforce clearly connects with their lower rating of the HR function. The adequacy of the HR function was the overall lowest-rated metric in the LGI for women. It was also the metric women gave the lowest rating to relative to men. In our Board Review discussions about people oversight, we frequently hear that HR functions can struggle to provide Boards with adequate information and assurance around talent. The degree of divergence between men's and women's ratings in this area, however, is thought-provoking – not least as the leaders of HR functions are disproportionately likely to be female.[14]

[14] At 179, the number of female HR Directors in the FTSE 350 stood at 64.2% of the total in June 2019, growing to 69% (189) in October 2021 – *FTSE Women Leaders Review* 2022, p.47.

AFTERWORD

When bringing this research to a conclusion, the Lintstock team undertook a training session on unconscious bias at the firm's offices in Borough Market – since increasing numbers of our clients are integrating diversity training into their Boards' development programmes, we felt that we ought to gain a better understanding of what is involved, as well as keeping ourselves up to the mark in terms of D&I.

The session was delivered by Mervin Taylor and Pat Rose of The Diversity Trust, a non-profit that seeks to create a fairer and safer society through influencing social change. As we sat with a cup of coffee around the boardroom table, we heard about the subconscious attitudes and imperceptible cognitive shortcuts that shape decision making and how people see one another; it was instructive to take a step back and see how the beliefs that shape a workplace, and indeed wider society, are rooted in external and often unnoticed factors, be they social, economic or cultural – at times resulting in assumptions or blind spots that unwittingly create barriers to participation.

We pride ourselves on our objectivity and focus on delivery, but it was useful for us to be able to reflect on areas where – as a tight-knit firm with a strong culture – we could benefit from the introduction of different perspectives, and on aspects of inclusion we may have overlooked in the past (for example, how to mitigate the access issues posed by the steep stairs of our Victorian office building). It is easy to see how high-performing Boards, which are by necessity highly focused on getting through their increasingly packed agendas, might find value in a session that makes space to demonstrate the benefit of alternative viewpoints, ensuring that there is sufficient diversity of thought and perspective to provide effective oversight.

We hope that this study will, through proving the impact of gender balance on Boards, help to underline the benefits of diversity in the boardroom and articulate the worth of maintaining focus on this topic; in an increasingly volatile world, Boards will need all the insight they can get, and now more than ever it is clearly imperative for corporates to draw on as wide a pool of talent as possible, acknowledging the significant and as yet untapped potential within historically underrepresented groups.

As organisations in the corporate world – Lintstock not excepted – continue their diversity journey against a backdrop of considerable uncertainty, it is important to keep the benefits of inclusion front-of-mind; leveraging diversity of all kinds within an aligned and inclusive framework will enhance the effectiveness of corporates and Boards, and ultimately lift the performance of UK plc as a whole.

ABOUT LINTSTOCK

Lintstock

Established in 2002, Lintstock is a London-based corporate advisory firm that provides objective and independent counsel to leading international companies. Our services enable Boards to reduce operational and reputational risks, meet the needs of financial regulators, enhance their profile with investors and add further value to the businesses they represent.

This study is informed by the Lintstock Governance Index, which includes over 60 Board performance metrics drawing on a cross-section of 200 Board Reviews that Lintstock has recently facilitated. While all Boards are unique, they also deal with similar challenges; the Index enables Lintstock to compare the relative strengths and weaknesses of Boards, thereby putting Board performance in context.

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