HM TREASURY WOMEN IN FINANCE CHARTER: SIGNATORIES SURVEY 2017

ASSESSING THE IMPACT OF THE CHARTER ON SIGNATORIES AND THE BENEFITS AND CHALLENGES THEY FACE

July 2017

by Olivia Seddon-Daines and Yasmine Chinwala

> Just one year after the launch of the Charter, two thirds of signatories believe signing up will lead to permanent and sustainable change within their companies and across the financial services industry
What this report is about

The UK government launched the HM Treasury Women in Finance Charter in March 2016 to encourage the financial services industry to improve gender balance in senior management. By March 2017, 122 firms had signed up to the Charter. These firms employ more than 500,000 people in the UK and cover almost half of the financial sector.

The number of signatories illustrates how seriously the sector is taking the Charter. But what impact has joining the Charter had on signatory companies? What benefits are they realising and what challenges do they face in meeting their Charter commitments? New Financial surveyed Charter signatories in May 2017 to answer these questions.

Our aims in conducting the survey were:

- To better understand the benefits and the challenges associated with becoming a Charter signatory;
- To build an evidential base to inform and encourage both existing and future Charter signatories;
- To capture specific actions prompted by becoming a Charter signatory;
- To share ideas around best practice.

This report summarises the findings of our survey.

What is the HM Treasury Women in Finance Charter?

The Charter is targeting UK-regulated financial services firms with more than 250 staff, but encourages firms of any size to sign. Firms sign the Charter on a voluntary basis. In becoming a Charter signatory, firms pledge to promote gender diversity by:

- Setting internal targets for gender diversity in senior management;
- Having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity;
- Having one member of the senior executive team who is responsible and accountable for gender diversity and inclusion.


Methodology

New Financial invited all 122 signatories to the HMT Women in Finance Charter to participate in the survey in May 2017. We received 84 responses. Of these, 43 were from the first cohort of signatories who signed between March 22 and July 10 2016, 20 were from the second cohort who signed between July 11 and November 7 2016, and 21 were from the third cohort who signed between November 8 2016 and March 21 2017.

Acknowledgements

New Financial would like to thank all the signatories who took part in the survey. We would also like to thank our institutional members for their support, and particularly Virgin Money for funding this research.

New Financial is a think tank and forum that believes Europe needs bigger and better capital markets to help drive its recovery and growth.

We believe diversity in its broadest sense is not only an essential part of running a sustainable business, but a fundamental part of addressing cultural change in capital markets.

We provided data to Jayne-Anne Gadhia's government-backed review of senior women in financial services, Empowering Productivity, and we will be working with HM Treasury to conduct analysis of HMT Women in Finance Charter signatories, including the annual review to monitor progress in December 2018.

We are a social enterprise that launched in September 2014. We are funded by institutional membership.

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Highlights of the report

- The HM Treasury Women in Finance Charter is having an impact – two thirds of the signatories surveyed believe signing the Charter will drive permanent sustainable change in their company and across the financial services industry.

- The most popular reasons companies chose to sign up to the Charter are to demonstrate leadership on gender diversity and to do the right thing. But being a signatory is not just about paying lip service – for 62% of respondents joining the Charter has led to specific actions to support their gender diversity efforts.

- The Charter is having a positive impact on wider diversity efforts at signatory firms, not just on female representation. Nearly 70% are considering extending the Charter principles to other diversity characteristics, and nearly half said the Charter has prompted them to take specific actions in their approach to non-gender diversity.

- Fine tuning the mechanism linking pay to gender diversity targets is the most challenging of the Charter requirements, and signatories are very concerned about publishing poor numbers or even missing their targets.

- The biggest challenge signatories face in meeting their Charter commitments and driving sustainable change is to ensure that gender diversity remains high on the business agenda despite all the other pressures on the financial services industry.

“ We signed the Charter to demonstrate leadership not only on gender diversity but as part of a wider strategy to show leadership in creating a truly inclusive firm for all ”

Schroders
BENEFITS AND CHALLENGES

A trigger for stepping up action

We asked signatories how they are benefiting from signing the Charter. More than half (54%) of respondents said they are accelerating their actions on gender diversity (Fig.3), which is encouraging as accelerating action was a motivation for 40% (Fig.2) to sign the Charter in the first place.

Nearly half said the Charter is promoting discussion of gender diversity at the highest levels of the company as well as promoting awareness and engagement with external stakeholders (Fig.3). This tallies with the desire to demonstrate leadership on gender diversity, which was the most popular reason stated for companies to become signatories (Fig.2).

Maintaining accountability

The Charter has four principles which all signatories are asked to apply. The easiest to execute was appointing a senior accountable executive (Fig.4), which is not surprising given that Charter membership was driven by a passionate executive for 30% of respondents (Fig.2).

Signatories found establishing a link to pay to be the trickiest of the four principles—half of respondents ranked link to pay as ‘quite’ or ‘very challenging’. Respondents said working out the mechanism for the link to pay required discussion at and approval from multiple levels across their organisations and that they had to ensure the pay criteria were applied consistently and weighted appropriately.

When it came to setting internal targets, signatories found it difficult to balance their aspiration and desire to drive rapid progress on the one hand with the risks associated with potentially not reaching an aspirational target on the other. Strong leadership, male advocacy, allied with a clearly articulated business case, compelling data and robust discussions helped respondents get their targets internally approved.

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**Fig.3** The top six benefits of becoming a Charter signatory

<table>
<thead>
<tr>
<th>Benefit</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerating actions on gender diversity</td>
<td>54%</td>
</tr>
<tr>
<td>Promoting discussion at the highest levels of the company</td>
<td>49%</td>
</tr>
<tr>
<td>Promoting awareness of/engagement with gender diversity agenda externally</td>
<td>49%</td>
</tr>
<tr>
<td>Learning from peers and sharing best practice</td>
<td>42%</td>
</tr>
<tr>
<td>Promoting awareness of/engagement with diversity agenda internally</td>
<td>32%</td>
</tr>
<tr>
<td>Enhancing reputation</td>
<td>26%</td>
</tr>
</tbody>
</table>

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**Fig.4** Link to pay is the most challenging Charter principle

Which (if any) of the four Charter principles did you expect to be/have proved to be the most challenging for your organisation?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Average difficulty rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including gender diversity targets as a criteria for awarding variable pay</td>
<td>1.69</td>
</tr>
<tr>
<td>Setting internal target(s) for gender diversity in senior management</td>
<td>1.46</td>
</tr>
<tr>
<td>Publishing the target(s) and annual progress against the target(s)</td>
<td>0.96</td>
</tr>
<tr>
<td>Appointing a senior executive responsible and accountable for gender diversity and inclusion</td>
<td>0.08</td>
</tr>
</tbody>
</table>
The clarion call of the Charter

The Charter covers a wide variety of firms at all stages of thinking when it comes to diversity. It is easy to assume that the Charter has greater appeal to companies that are already committed to gender diversity. But when we asked signatories if the Charter has led to specific actions to support gender diversity, 62% said yes, while only a third said their Charter commitments were aligned with their existing efforts (Fig.5). The ‘yes’ figure is even higher at 79% for companies from the first cohort of signatories.

“[Our commitments were] already in train when we signed... That said, it is useful to have the Charter in order to be able to refer to its recommendations as evidence we are tracking in the right direction”

Royal Bank of Scotland

When asked what specific actions signatories had taken, the top three were: examining hiring practices, improving female representation in succession planning and implementing unconscious bias training (Fig.6). The responses fall into a range of actions with no single standout action point. This indicates that signatories understand there is no single silver bullet that will lead to change. Instead, the only path to permanent, sustainable change is a multi-pronged approach undertaking numerous actions that fit into each company’s strategy for achieving their diversity targets.

“The Charter has led us to a ‘deep-dive’ analysis of qualitative and quantitative data, sponsored by the CEO, and to a refresh of our actions to continue to pull our strong talent pipeline through to the most senior roles”

Standard Life
A rising tide lifts all boats

A common concern raised by both existing and potential Charter signatories is a reluctance to be associated with a gender-only initiative. However, our survey data shows this fear is unfounded. The vast majority of respondents (90%) are working on improving diversity in areas other than gender, more than two-thirds are considering applying the Charter principles beyond gender (Fig.7), and nearly half (46%) said signing the Charter has prompted specific actions related to their approach to non-gender diversity (Fig.8). Nearly a quarter (23%) of respondents said they have increased participation in non-gender diversity networks or organisations and 15% said they have increased the tracking of non-gender data after signing the Charter.

"[We] are trying to apply the same approach, and the Charter has certainly given this impetus"

Columbia Threadneedle Investments

Of those respondents that said they were considering applying the Charter principles beyond gender, most said they might extend the framework to ethnicity. When companies were asked how they would like to see the Charter develop, 65% said they were keen to see the Charter principles extended to other diversity characteristics. Ethnicity is the most frequently cited focus for non-gender diversity activity, followed by disability and LGBT+. Signatories are also directing their attention to cognitive diversity and developing their working carers agenda.

"[The Charter is] driving stronger accountability for our targets for both gender and ethnicity"

PwC

Fig. 7 The Charter does not exclude other diversity characteristics

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7a) Is your company working on improving diversity in areas other than gender?</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>7b) Does your company apply or is it considering applying the Charter principles beyond gender?</td>
<td>68%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Fig. 8 Actions to support non-gender diversity

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has signing the Charter prompted specific actions in your company’s approach to non-gender diversity characteristics?</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>No, we have continued our non-gender work regardless of becoming a signatory</td>
<td></td>
<td>10%</td>
</tr>
</tbody>
</table>

Fig. 9 Focus of signatories’ diversity efforts beyond gender

<table>
<thead>
<tr>
<th>Diversity Characteristics</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnicity</td>
<td>75%</td>
</tr>
<tr>
<td>Disability</td>
<td>67%</td>
</tr>
<tr>
<td>LGBT+</td>
<td>64%</td>
</tr>
<tr>
<td>Age</td>
<td>46%</td>
</tr>
<tr>
<td>Socio-economic background</td>
<td>46%</td>
</tr>
<tr>
<td>Religion / belief</td>
<td>33%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
</tr>
</tbody>
</table>
THE PROCESS OF BECOMING A SIGNATORY

Preparing to join the Charter

No company is going to sign up to a government-backed initiative without serious consideration of what is required of them and going through a sign-off process. We asked signatories about all the hoops they had to jump through in order to sign the Charter in the first place. The biggest challenge for respondents was managing their concerns about publishing poor numbers or even missing their targets. While narrative reporting will help contextualise the numbers, respondents are also concerned about how and what data they need to disclose.

“The main challenge is collecting the data and sharing the story regardless of what it looks like... We currently are in a good place... However, if it was to change, I think we would face issues to continue telling our story publicly.”

Anonymous signatory

Almost half of respondents (48%) said overcoming reluctance to be associated with what they viewed as the Charter’s exclusive gender focus was ‘quite’ or ‘very challenging’, but as we have already discussed, the Charter is not exclusive; it can be used as part of a wider diversity strategy. Otherwise gaining approval from different parts of the company was less challenging than respondents expected.

“We had numerous conversations between our CEO and HR Director, partnering with our data and management information team, to explore what will stretch us and what will help towards our longer term growth as an organisation.”

Unum

Fig.10 Lining up ducks before signing the Charter

How difficult was it to overcome the challenges listed below?

Average difficulty rating, where easy = 0, quite challenging = 2, very challenging = 4

**Going public with the numbers**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Difficulty Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerns about publishing poor numbers/missing target(s)</td>
<td>1.91</td>
</tr>
<tr>
<td>Uncertainty about how data should be disclosed</td>
<td>1.42</td>
</tr>
<tr>
<td>Uncertainty about what data needed to be disclosed</td>
<td>1.28</td>
</tr>
<tr>
<td>Concerns about the annual review process</td>
<td>1.21</td>
</tr>
</tbody>
</table>

**Data collection and presentation**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Difficulty Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>External transparency on data</td>
<td>1.50</td>
</tr>
<tr>
<td>Global firm not organised on a country-by-country basis</td>
<td>1.41</td>
</tr>
<tr>
<td>Sensitivity to data protection</td>
<td>1.20</td>
</tr>
<tr>
<td>Internal transparency on data</td>
<td>0.77</td>
</tr>
</tbody>
</table>

**Stakeholder buy-in**

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Difficulty Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reluctance to be associated with exclusive gender focus</td>
<td>1.43</td>
</tr>
<tr>
<td>Buy-in from management</td>
<td>0.94</td>
</tr>
<tr>
<td>Buy-in from employees</td>
<td>0.69</td>
</tr>
</tbody>
</table>

**Gaining approval from:**

<table>
<thead>
<tr>
<th>Group</th>
<th>Difficulty Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group executive committee</td>
<td>0.61</td>
</tr>
<tr>
<td>Group board</td>
<td>0.55</td>
</tr>
<tr>
<td>Executive committee</td>
<td>0.32</td>
</tr>
<tr>
<td>HR team</td>
<td>0.32</td>
</tr>
<tr>
<td>Board</td>
<td>0.27</td>
</tr>
<tr>
<td>Legal team</td>
<td>0.19</td>
</tr>
<tr>
<td>Compliance team</td>
<td>0.18</td>
</tr>
</tbody>
</table>
Top 10 challenges signatories face in meeting their Charter commitments

We asked signatories to describe the difficulties they expect to address in order to meet their commitments as Charter signatories and drive sustainable change. Below are the top 10 themes from the responses (in order of frequency of mentions).

1. **Maintaining stakeholder engagement / buy-in**: Respondents said maintaining momentum with senior stakeholders, management and employees to ensure everyone remained engaged and committed to gender diversity would be a significant challenge as other pressing business matters rise up the agenda.

2. **Shortage of female talent**: Companies said they face a shortage of qualified women, particularly with STEM backgrounds, which is frustrating their efforts as Charter signatories. Fintech firms in particular are conscious of recruiting senior females in technology. Respondents felt this skills gap is a societal, long-term issue, which requires collective action and promotion by government.

3. **The law of small numbers**: The departure of just one woman can dramatically impact their target numbers. No company wants to feel obliged to hire a woman into a role just to meet or maintain a target.

4. **Low turnover in senior roles**: Respondents said the limited number of senior roles available and low natural turnover of roles will make it more difficult for them to meet their gender diversity targets and to influence and change biases.

5. **Hiring talent externally**: Several signatories highlighted the challenge of overhauling their recruitment and promotion processes. They raised concerns about pushing their recruiters (both internal and external) towards better gender-balanced candidate lists, and more competition for female candidates because of increased focus on gender diversity across the industry.

6. **A cultural shift**: Companies surveyed feel sustainable change requires a broader shift in culture towards a more inclusive mindset and outlook, both within organisations and across the industry.

7. **Organisational change**: Respondents expressed concerns that changes they had not foreseen at the time of signing the Charter could impact their ability to meet commitments, eg. rapid growth of business lines where women are under-represented, mergers, restructuring as a consequence of Brexit (as candidates may not take up roles or join teams whose future may be uncertain).

8. **Time pressure**: Respondents are concerned about the pace of change that is required to meet their targets, as it takes time to get processes up and running, to communicate the importance of diversity and to embed practices within corporate culture.

9. **Attracting talent to the sector**: Whether at entry level or later in an employee’s career, respondents feel strongly that the perceived culture of the industry and the fact that is still so male-dominated is deterring women from taking up or even applying for roles in financial services in the first place.

10. **Ensuring a level playing field**: Several respondents cited the challenge of being proactive and inclusive with their gender diversity agenda to ensure that men and non-gender diversity groups do not feel alienated or face unfair practices.
APPENDIX

Survey questions

- Why did your company become a Charter signatory? (Select up to three answers from a choice of 15).
- How is your company benefitting / expecting to benefit from becoming a Charter signatory? (Select up to three answers from a choice of 11).
- Has signing the Charter led to specific actions at your company to support gender diversity? (Yes / No / No, our Charter commitments are aligned with our existing approach to gender).
- What specific actions have been prompted by becoming a Charter signatory? (Select up to five actions from a choice of 15).
- Has signing the Charter prompted actions in your company’s approach to non-gender diversity characteristics? (Select all that apply from a choice of five).
- Do you apply or are you considering applying the Charter principles to non-gender diversity characteristics? (Yes / No / We are considering this).
- Which non-gender diversity characteristics is your company focused on? (Select all that apply from a choice of eight).
- Which (if any) of the Charter signatory requirements did you expect to be/have proved to be the most challenging for your organisation? (Select one of “easy / quite challenging / very challenging/ not applicable to my company” against the four Charter principles).
- How difficult was it to overcome common challenges faced by Charter signatories? (Select one of “easy / quite challenging / very challenging/ not applicable to my company” against 18 common challenges).
- What do you expect to be the main challenges to meeting your commitments as a signatory and driving sustainable change? (Free form text).
- Do you believe becoming an HMT Charter signatory will drive permanent sustainable change in your company? (Yes / No / Maybe).
- Do you believe becoming an HMT Charter signatory will drive permanent sustainable change across the financial services industry? (Yes / No / Maybe).
- How would you like to see the Charter develop? (Select all that apply from a choice of seven, including free form text).

Survey respondents

Aberdeen Asset Management
Ageas UK
AIB UK
Aldermore
Association of British Insurers
Atom
Azimo Limited
Barclays
BP
Brightstar
British Bankers’ Association
Cambridge & Counties Bank
Capital Credit Union
Chartered Insurance Institute
CIBC
Cicero Group
Circle
City Hive
Collinson Group
Columbia Threadneedle Investments
Co-operative Bank Plc
Covea Insurance
CYBG
Deutsche Bank
Direct Line Group
E2W
East Sussex Credit Union
Ecclesiastical Insurance
esure Group
Financial Conduct Authority
Fintech Circle
Handelsbanken
HSBC
iionStar
Isban UK
Investment Association
Jupiter Asset Management
Landbay
Leeds Building Society
Legal & General
London Stock Exchange Group
LV=
Market Harborough Building Society
Mastercard UK Management Services Ltd
Mercer
MetLife Europe
Mizuho International Plc
Monzo
Morgan Stanley International Limited
National Skills Academy for Financial Services
NatWest Building Society
NEST Corporation
Northern Trust
Nottingham Building Society
NUmeg
O A C Plc
OneSavings Bank
Opportunity Network
Paragon Group of Companies Plc
Phoenix Group
Pinsent Masons
Pioneer Mutual Credit Union
Principlality Building Society
Progressive Building Society
PwC LLP
RBC
Royal Bank of Scotland Plc
Santander
Scalable Capital
Schroders
Simply Business
SMBC E
Standard Chartered Bank
Standard Life
Starling Bank
State Street
Thomson Reuters
TSB
Unum
Virgin Money
West Bromwich Building Society
Yoyo Wallet Ltd
Zerado
Zurich

We are very grateful to all the Charter signatories who took the time to participate in the survey.
10 suggestions for debate

The HMT Women in Finance Charter provides a framework for and a public commitment to improving female representation at the highest levels in financial services. But there are no short cuts to achieving better gender balance. This report is part of a wider discussion on diversity, cultural change, best practice and developing a more sustainable business model for the industry. Here are some suggestions to feed into the debate:

1. In its first year, the Charter is already being taken seriously by the UK financial services industry, with 122 signatory firms that employ more than 500,000 people in the UK. Non-signatories need to appreciate the pressure on them to sign up to the Charter will only build, not fade away.

2. While the Charter is focused on women in finance, it is not about privileging one strand of diversity over another, or excluding men. It is encouraging to see that 90% of survey respondents are working on improving diversity in areas other than gender, and for more than half signing the Charter has prompted specific actions around their approach to non-gender diversity characteristics.

3. Signing the Charter goes hand-in-hand with the belief that change is not only possible but achievable and desirable. Two thirds of respondents believe signing the Charter will drive permanent and sustainable change in their company and across the industry.

4. The Charter provides a framework for action to catalyse change. More than half of respondents said that being a signatory is accelerating their actions to tackle gender imbalance.

5. Being a Charter signatory is not an end to itself. Every company needs to work out why diversity is important to its strategy and how improving diversity can drive better business outcomes for them.

6. For change to genuinely be permanent and sustainable, diversity has to move beyond being driven by a handful of passionate individuals and instead become embedded in the day-to-day culture and processes of running a business.

7. Signatories are bound to be nervous about going public with their numbers, but the numbers are meaningless without context. The Charter is not about meeting targets at any cost, instead it encourages companies to communicate their motivations and actions to support reaching their targets.

8. A common concern signatories raise is a lack of qualified and/or experienced women in certain areas such as finance and technology. As there is not going to be a sudden influx of STEM-educated women in the next few years, companies need to think creatively about the skills required for these roles rather than focusing purely on educational background or work experience.

9. The financial services industry would benefit from more open discussions and greater collaboration on diversity. It is encouraging to see a third of respondents signed the Charter to support an industry-wide approach to gender diversity and more than 40% want to learn from peers and share best practice.

10. The biggest challenge signatories face in meeting their Charter commitments is maintaining engagement with both internal and external stakeholders. While there is a role for government and regulators to play, companies need to step up and take responsibility for keeping diversity on the agenda despite the other pressures they face.

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