



# HM TREASURY WOMEN IN FINANCE CHARTER: LEADING THE WAY

ANALYSIS OF SUBMISSIONS BY THE FIRST WAVE OF SIGNATORIES

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by Yasmine Chinwala, Esther Spaarwater and Panagiotis Asimakopoulos

*> The first 71 UK financial services firms to sign up to the HM Treasury Women in Finance Charter are aiming to increase female representation in senior management by nearly a third over the next five years*



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## What this report is about

Gender balance in UK financial services has leapt up the agenda since the government asked Jayne-Anne Gadhia, chief executive of Virgin Money, to lead a review of women in senior management, and launched the HM Treasury Women in Finance Charter in March 2016. The first 71 firms to sign the Charter made their submissions both publicly via company websites and confidentially to HM Treasury by September 30, 2016.

New Financial worked with HM Treasury to analyse all 71 submissions across the Charter principles. This report establishes a starting point for levels of women in senior management today, the targets signatories are aiming for, and how they are using the Charter principles to achieve those targets. The data analysis includes:

- Overall averages for female representation today and targets over the next five years, broken down by company sector and size
- Detailed analysis of the nature and time frame of targets
- The gender and role of the executive named accountable for diversity
- How the target is linked to executive pay
- What signatories choose to disclose beyond the requirements of the Charter

## What is the HM Treasury Women in Finance Charter?

The UK government launched the HM Treasury Women in Finance Charter in March 2016 to encourage the financial industry to improve gender balance in senior management. 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
- Publishing progress annually against these targets in reports on the company's website
- 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

More information about the Women in Finance Charter can be found at <https://www.gov.uk/government/publications/women-in-finance-charter>

Jayne-Anne Gadhia's review of senior women in financial services can be found at <http://uk.virginmoney.com/virgin/assets/pdf/Virgin-Money-Empowering-Productivity-Report.pdf>

## Methodology

In October 2016, New Financial collated submissions of the first 71 Women in Finance Charter signatories, using the information companies made public as well as information shared confidentially with HM Treasury. Submissions to HM Treasury were shared with New Financial on a confidential basis and all data was anonymised. The data was analysed by Panagiotis Asimakopoulos, Esther Spaarwater and Laurence Bax, under the supervision of Yasmine Chinwala and William Wright.

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.

New Financial launched in September 2014 as a social enterprise. We are funded by institutional memberships.

For more information on New Financial, contact:

[yasmine.chinwala@newfinancial.eu](mailto:yasmine.chinwala@newfinancial.eu)

+44 203 743 8268

[www.newfinancial.eu](http://www.newfinancial.eu)

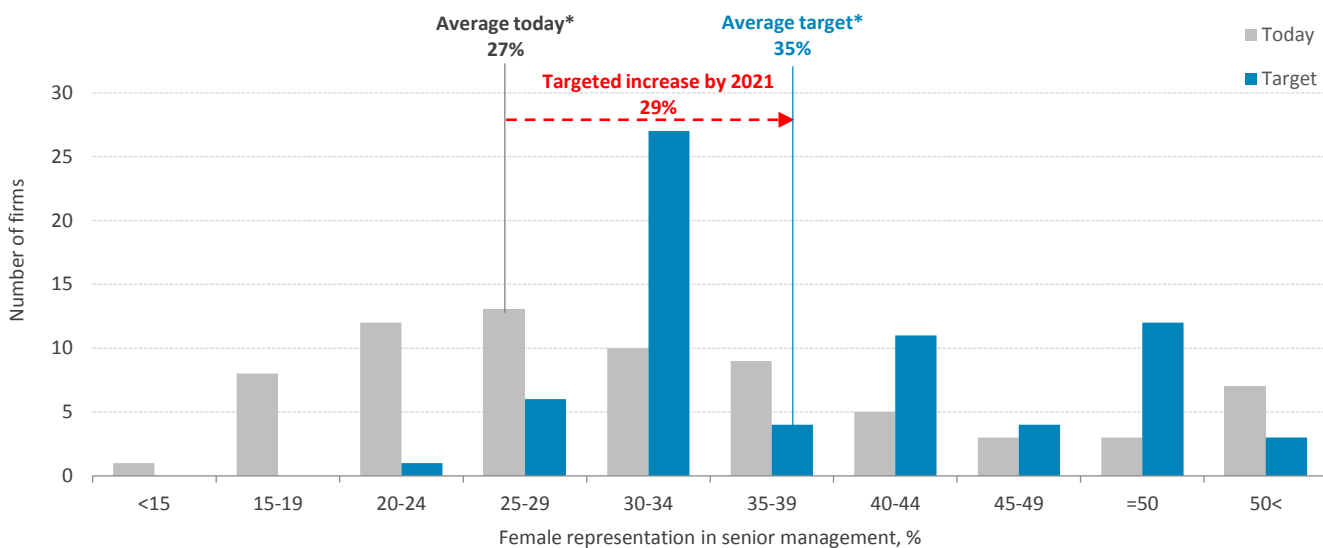
@newfinancialLLP

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**Fig. 1 The starting point and the destination**

The distribution of signatories by starting point for female representation in senior management today, and target, %



\*Averages exclude the 15 companies that have already met or exceeded their targets.

Note: The targets data here excludes three firms whose targets are for a subset of senior women, as this chart refers to women as a percentage of all senior management

## Highlights of this report

- The first wave of signatories to the HM Treasury Women in Finance Charter is starting out with average female representation in senior management of 27%, with firms aiming to hit 35% over the next five years. This equates to an ambitious increase of nearly one third over the next five years.
- The starting point for signatories today ranges from 10% up to 47%\* female representation. Half of signatories currently have between 20% and 40% of senior roles held by women, and 10 have parity or more women than men in those roles.
- There is a big range in ambition amongst signatories. Targets range from 21% to 50%\* with 15 firms aiming for at least 50% female senior management over the next five years. On an annual basis, a third of signatories need to increase women in senior management by up to 5%, and another third by between 5% and 10%.
- The data shows clear differences by sector, ranging from a starting point of 23% female management at global banks and asset managers, up to 36% for professional services firms. Banks have set the most ambitious targets relative to today's levels, aiming for an increase in senior women of more than 40% over the next five years.
- Company size also has an impact. Medium-sized companies face the steepest climb – firms with 500 to 1000 employees aim to increase the level of women in senior management by nearly 50% on average.
- Two-thirds of signatories have named men as their executive accountable for diversity and inclusion actions, and nearly half have named their CEO.
- Nearly three-quarters of the first wave of signatories indicated a timeframe for their proposed target for women in senior management, with 60% aiming to reach their targets over the next three years.
- Incorporating gender diversity targets into bonus awards or as part of a balanced scorecard approach are the most common ways of linking targets to manager's pay, with more than 60% tying targets to bonuses and nearly half using a balanced scorecard.
- A fifth of signatories (15 firms) have already met or exceeded their targets. For them, being a Charter signatory is a means of publicly showing their commitment to gender diversity and sharing best practice.

\*excluding firms that have met their targets

## Targets in context

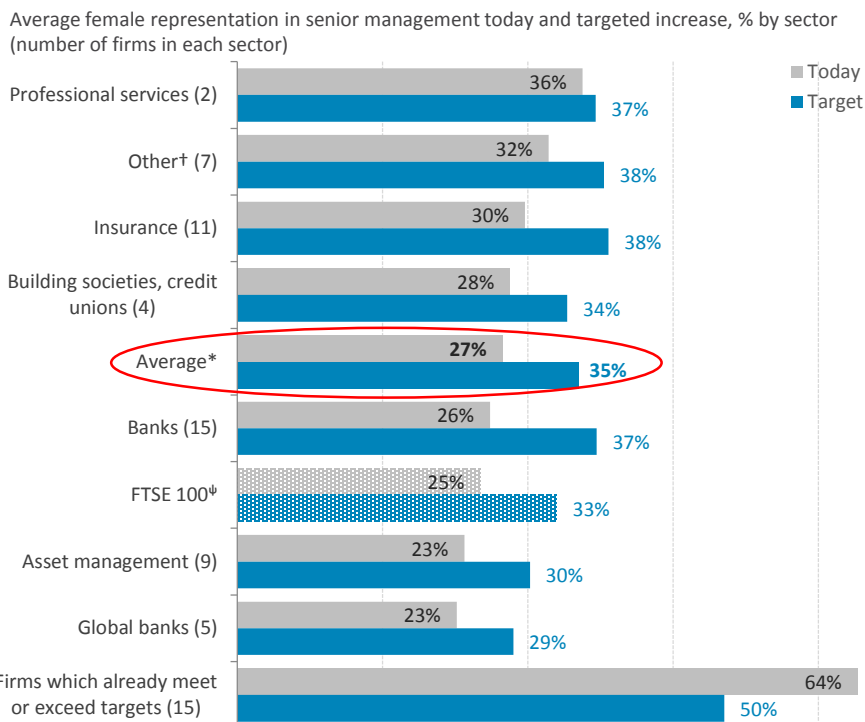
The overall average level of female representation in senior management today of 27% and average target of 35% disguise a wide range across the financial services industry. The starting point for signatories ranges from 10% up to 100%, if we exclude those who have already met their targets the range is 10% up to 47%. Half of signatories currently have between 20% and 40% of senior roles held by women, and 10 have parity or more women than men. Targets range from 21% to 100%, if we exclude those who have already met their targets the range is 21% to 50%. There are 15 firms aiming for at least 50% female senior management (Fig 1).

The Charter is aimed at all UK-regulated financial services firms, but that does not mean that they are all the same. Our analysis shows that there is a range of gender diversity and targets across different sectors (Fig 2). It is interesting to note that the asset managers and global banks, which have significant institutional businesses compared to the retail end of the spectrum, have the lowest starting points at 23% female representation in senior management as well as the lowest targets at 29% and 30%. Banks have set the most ambitious targets relative to their starting point, aiming for an increase in senior women of more than 40% over the next five years.

In addition to company type, company size also has an impact. Our overall averages exclude the 15 signatories which already meet or exceed their targets – six of these are building societies or credit unions, and six have fewer than 10 staff. Medium-sized companies face the steepest climb – firms with 500 to 1000 employees aim to increase the level of women in senior management by nearly 50% (Fig 3).

It is important to remember that the financial services industry is not alone in the challenge of improving gender diversity. Fig 2 shows that the average level of female representation at 27% and target of 35% for signatories is slightly higher than for the FTSE 100, which are at 25% with a target of 33% suggested by the Hampton-Alexander Review.

**Fig. 2 The sector view**

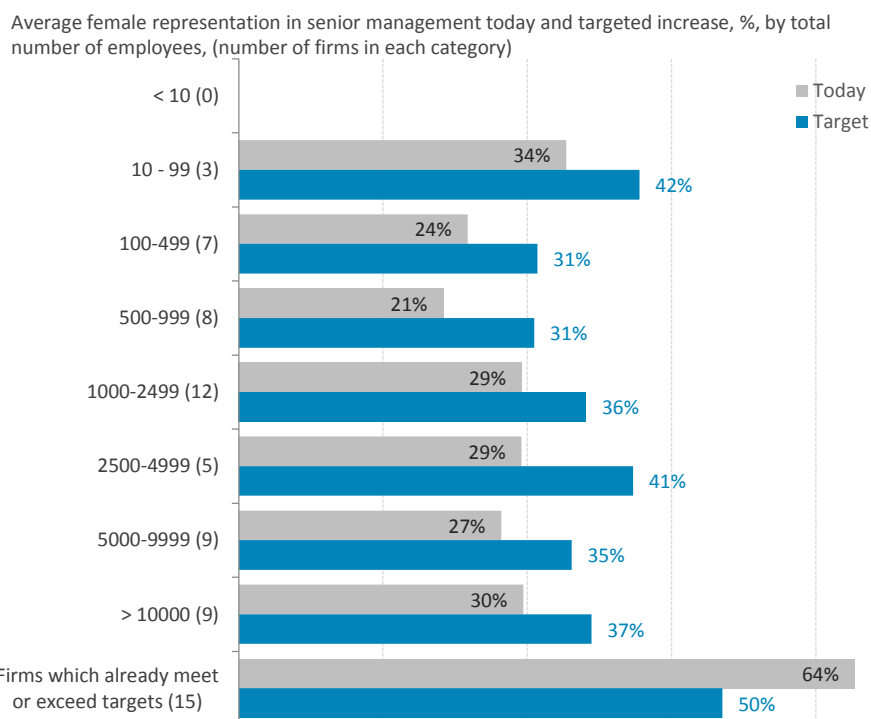


\*Averages exclude firms which already meet or exceed their target

†Other includes sectors with less than five firms: trade bodies (3), government and regulators (2), fintech (2), market infrastructure (1), venture capital (1)

‡Source: Hampton-Alexander Review 2016

**Fig. 3 Does size matter?**



## Timing is everything

Setting a timeframe for achieving a target is crucial for measuring progress, and HM Treasury requires signatories to set targets over a period of one to five years.

More than 70% of signatories indicated a timeframe to meet their proposed target for women in senior management (Fig 4i), and a fifth have already met or exceeded their target so setting a deadline is not relevant. Of the 51 firms that set a deadline, 18 disclosed a precise date. Our analysis interprets a target date of “by 2022” to mean by the end of 2021 rather than during 2022. Fig 4ii shows 62% of signatories are aiming to reach their targets over the next three years.

The Charter requires firms to set at least one numerical target, but encourages signatories to set multiple goals. Fig 5 shows that more than 60% set more than one target, and more than a third of signatories set three or more.

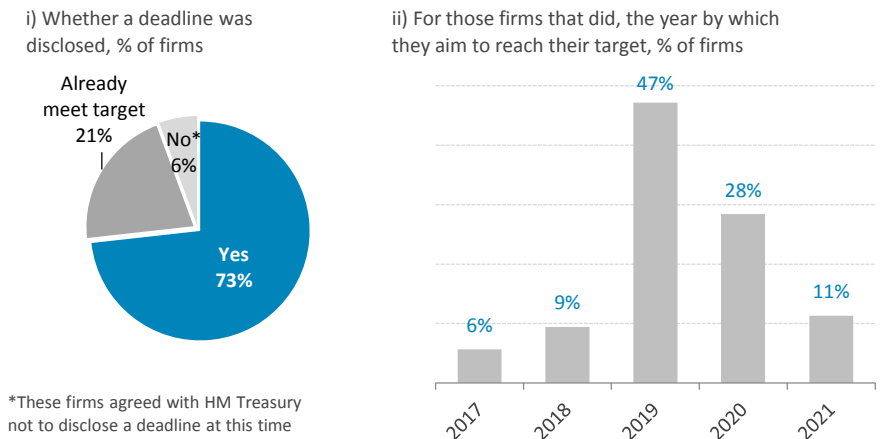
## Quantifying ambition

Fig 6 looks at signatories’ targets in terms of the increase in female representation compared to their starting point. A handful are aiming to almost double the number of women in senior management roles over the next five years, and nearly 60% are aiming for an increase in female representation of more than a fifth on today’s levels (Fig 6i).

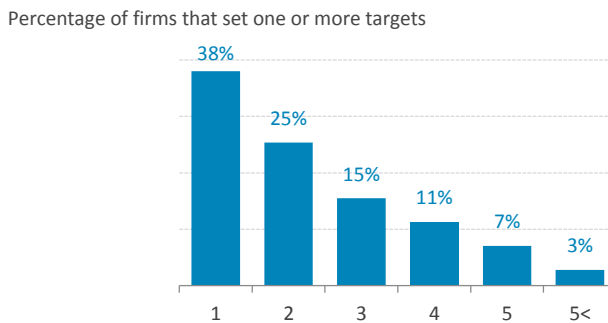
In Fig 6ii, our analysis breaks the targets down into the annual percentage increase in senior women required in order to reach the target by the deadline.

One third of signatories need to increase the proportion of women in senior management by up to 5% a year to reach their longer term target; another third will need an annual increase of between 5% and 10%, and the final third have set themselves an ambitious target of increasing female representation by more than 10% per year. It is important to note that progress will not be linear – for some companies there may be a swift uptick initially and the pace of improvement may then slow, others may reap the benefits of groundwork laid now in a few years’ time.

**Fig. 4 Setting deadlines for reaching targets**



**Fig. 5 Number of targets**



**Fig.6 The rate of change**

Targeted percentage increase in women in senior management i) over five years and ii) per year, number of firms



## A statement of intent

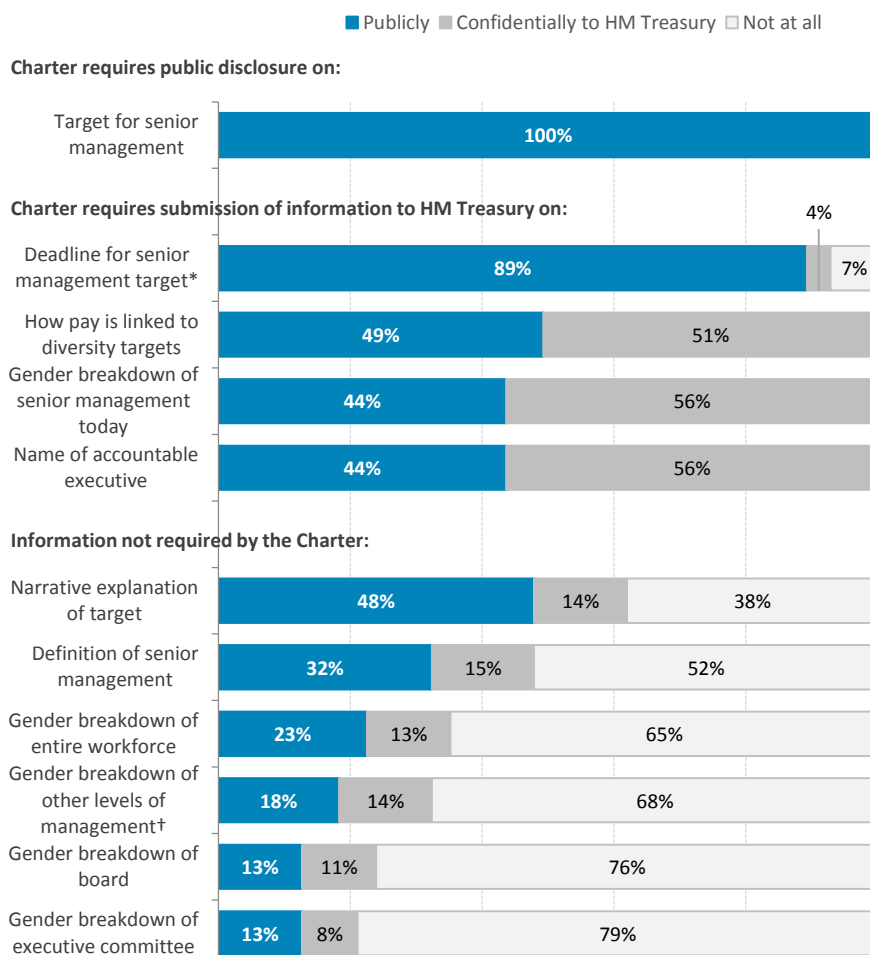
HM Treasury is very clear in its guidance on what information signatories need to make public and what can be shared confidentially: companies must publish their target clearly online. All other information – including the starting point for senior women in management positions, how the signatory links targets to pay and the name of the accountable executive – can be submitted confidentially to HM Treasury, but HMT has encouraged all firms to be as open as possible on all their Charter commitments. Jayne-Anne Gadhia's review of women in financial services, which underpins the Charter principles, suggests that greater openness and publishing gender data can catalyse firms to review policies and practices that prevent women from progressing and tackle problems.

Fig 7 shows that there is a wide range of what companies choose to publicly disclose above and beyond the Charter requirements. About half of signatories disclose information on the main Charter principles that they have to submit to HM Treasury, such as the name of the accountable executive, how targets are linked to pay and their current level of women in senior management, and nearly half publish narrative around why they chose that particular target and how the target will improve gender diversity within the organisation. A small number have also published workforce data that helps contextualise their target.

The Charter allows signatories flexibility to define the population of senior management that is subject to the target as there is no definition of senior management that would work for all sizes and types of businesses. Half of firms do not explicitly define senior management (Fig 8i), and for the half that do, the most common definition includes the executive committee plus the two levels of management beneath it (8ii).

## Fig. 7 Adjusting to public disclosure

What the signatories disclosed publicly, confidentially to HM Treasury, or not at all, % of firms

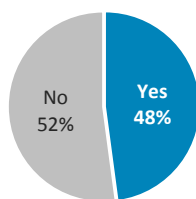


\*Excludes 15 firms which have already met their target

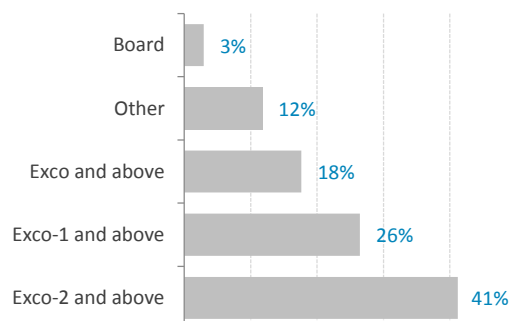
†Other levels of management excluding board and executive committee

## Fig. 8 Clarity on senior management

i) Whether senior management was defined, % of firms

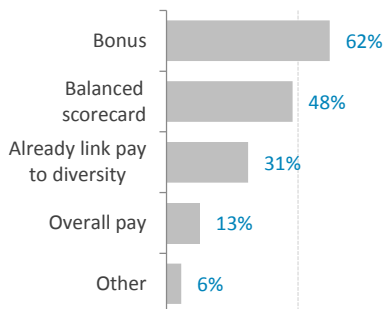


ii) For those firms that did, how senior management was defined, % of firms



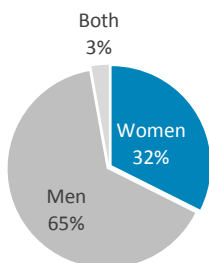
**Fig. 9 Types of link to pay**

Different methods employed to link diversity targets to pay, % of firms



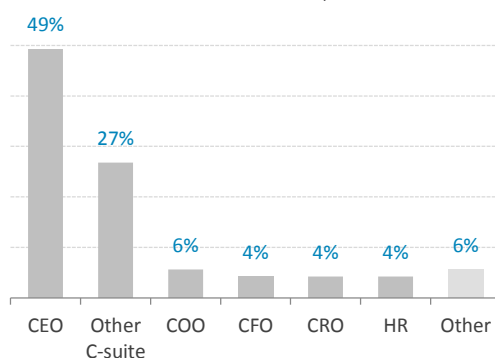
**Fig. 10 Men at work**

Gender breakdown of accountable executive, % of firms



**Fig.11 Division of labour**

Job titles of accountable executive, % of firms



## Linking targets to pay

Incorporating gender diversity targets into bonus awards or as part of a balanced scorecard approach are the most common way of linking targets to manager's pay (Fig 9). Four firms disclose the amount of pay tied to meeting gender targets. For most financial services firms, the portion of bonus allocated to non-financial criteria is small, but the action of creating this link sends a clear signal of intent that diversity is taken seriously by a company. The "other" category in our analysis includes targets as part of an overall assessment and linking the target to pay of specific roles (eg CEO).

## The role of accountable exec

The concept of allocating an executive to be accountable for diversity and inclusion was inspired by the introduction of the Senior Manager Regime by UK regulators. Jayne-Anne Gadhia's review of women in financial services makes the case for

companies to appoint men to the role so diversity is not seen as a woman's problem that should be solved by women. Two-thirds of signatories have named men as accountable executive (Fig 10).

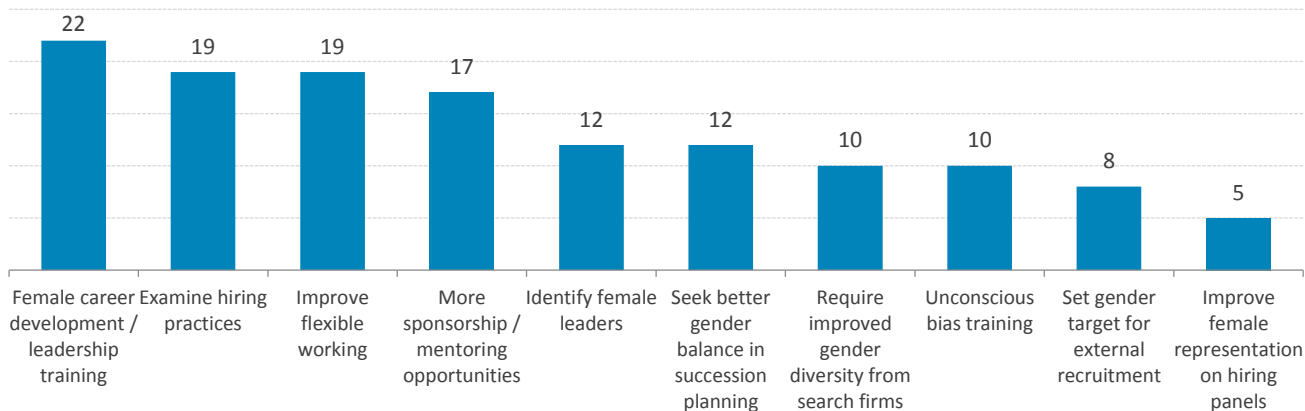
The review also suggests that the executive should be a person in a business-facing P&L (profit and loss) function rather than within HR, and that appointing the chief executive was the best way to set the tone from the top on diversity. Half of signatories have named their CEO to the role of accountable executive, and 90% have named a C-suite executive (Fig 11).

## Strategies for change

The Charter asks companies to work out for themselves what actions they can take to help achieve their targets. Fig 12 shows the 10 most commonly stated measures signatories employ to recruit, train, retain and promote female staff.

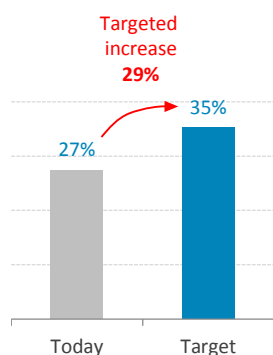
**Fig. 12 Actions to achieve targets**

Top 10 strategies disclosed by signatories to reach targets for women in senior management, number of firms



**Fig. 13 The challenge ahead**

Percentage female representation in senior management



## 10 suggestions for debate

The UK government has a clear agenda to improve gender balance in senior management across financial services with the HM Treasury Women in Finance Charter. This report is a starting point for a wider discussion on diversity and the constant search for best practice in developing a more sustainable business model for the industry. Here are some suggestions to feed into the debate:

1. It is encouraging to see 71 companies in the first wave of Charter signatories, signalling that there are leaders willing to set an example by facing the challenges of setting targets and making them public.
2. The starting point for each company – regardless of size, sector, or current gender ratios – is to work out why diversity is important to it and how improving diversity fits into its overall strategy. The Charter provides a framework of action points to catalyse change.
3. The average target of 35% female representation in senior management over the next five years set by the first wave of signatories now draws a line in the sand – and that line should be viewed by the industry as a pit stop, not the finish line in the journey towards better gender balance.
4. Setting a numerical target for senior management is a headline principle of the Charter, but more than 60% of signatories set multiple targets. A multi-faceted approach to diversity and inclusion will yield better results and more quickly.
5. While the Charter's principles offer considerable flexibility to signatories, it is essential that firms are clear as to who they are targeting with their definition of senior management. A simplified best-practice approach such as executive committee plus their direct reports removes guesswork (and excuses) and reassures signatories that they will be compared as apples with other apples.
6. Public disclosure is uncomfortable for many signatories, but it is an important part of the commitment that the Charter is seeking. As the financial services industry gets used to increased data transparency it can inform the diversity debate with facts and open up difficult discussions that need to take place.
7. Targets should be informed by data. If companies apply the rigour of data analysis that is customary in product development, sales and marketing to their own people data, they can better monitor diversity and inclusion practices and assess what is and isn't working.
8. While the Charter focuses on women in senior management, its principles can be applied beyond gender. New Financial's previous research on diversity disclosure found that companies that take public actions on gender also tackle other aspects of diversity – gender is a gateway, not the final destination.
9. Becoming a Charter signatory sends an important message about a company's commitment to diversity and should be communicated effectively both internally and externally. Staff, clients and wider stakeholders need to better understand why working for or with a signatory will benefit them.
10. Whether the UK financial services industry likes it or not, the government has set its sights on bringing more women into senior management positions. The HM Treasury Women in Finance Charter is voluntary, but if companies fail to show willing and make real progress, the industry could face stricter measures.



# APPENDIX: LIST OF SIGNATORIES

The 71 companies listed below comprise the first cohort of Charter signatories included in this research, broken down into sectors. We have grouped the signatories into broadly representative sectors, and we anticipate these sectors will evolve as the Charter grows.

## Asset management and investment (10)

Aberdeen Asset Management  
Affinity Capital Ltd  
BlackRock  
Columbia Threadneedle Investments  
Fidelity  
Henderson Global Investors  
Hermes Investment Management  
Nest Corporation  
Schroders  
Standard Life

## Building societies / credit unions (10)

Capital Credit Union  
Leeds Building Society  
London Capital Credit Union  
Market Harborough Building Society  
Nationwide  
Nottingham Building Society  
Principality Building Society  
Progressive Building Society  
South Manchester Credit Union  
West Bromwich Building Society

## Global banks / investment banks (5)

BNY Mellon  
Credit Suisse  
Deutsche Bank  
Morgan Stanley  
Standard Chartered PLC

## Banks (includes challenger banks, payment systems,16)

Aldermore  
Atom Bank plc  
Bacs Payment Schemes Limited  
Barclays  
Handelsbanken  
HSBC UK  
Landbay  
Lloyds Banking Group  
MasterCard (UK&I Division)  
Mizuho Bank Ltd  
Mizuho International plc  
Santander UK  
The Co-operative Bank  
The Royal Bank of Scotland  
TSB  
Virgin Money

## Professional services (including communication, financial advisors, 8)

Cicero  
E2W  
EY  
Hannay Investments  
ionStar  
PwC UK  
Ridgeway Partners  
Thomson Reuters

## Insurance (13)

Aviva  
Collinson Group  
Direct Line Group  
Ecclesiastical Insurance  
Legal and General  
Lloyd's of London  
LV=  
MetLife  
National House Building Council  
Phoenix Group  
Prudential plc  
The Royal London Mutual Insurance Society  
Unum

## Other (trade bodies, government and regulators, market infrastructure, venture capital, fintech, 9)

Association of British Insurers  
British Bankers' Association  
Chartered Insurance Institute  
Circle  
Financial Conduct Authority  
HM Treasury  
Isban UK  
London Stock Exchange Group  
Sturgeon Ventures LLP

To see a list of the Charter's most recent signatories, visit <https://www.gov.uk/government/publications/women-in-finance-charter>

**Fig. 14 Breakdown of signatories by sector and size**

Charter signatories grouped by sector and number of employees

