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HM TREASURY WOMEN IN FINANCE CHARTER: ANNUAL REVIEW 2017

MONITORING THE PROGRESS OF THE FIRST WAVE OF SIGNATORIES

March 2018

by Olivia Seddon-Daines and Yasmine Chinwala

> The first cohort of HM Treasury Women in Finance Charter signatories are off to an encouraging start – 85% have either met their targets or are on track to meet them

Women in Finance Charter

In collaboration with
HM Treasury

Supported by
Virgin money

INTRODUCTION

What this review is about

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 now has 205 signatories covering 650,000 employees across the UK.

The first cohort of Charter signatories submitted their first annual update to HM Treasury by September 30, 2017. This review analyses all 68 submissions with the aim of monitoring the progress of this group of signatories against their Charter commitments in their first year. This review also aims to offer the broadest possible insight into actions signatories are taking to drive progress towards their targets. Our analysis looks at:

Progress:	- those that met targets or had target deadlines in 2017
	- signs of improvement in female representation
	- whether signatories are on track to meet their deadlines
Challenge ahead:	- where signatories are today compared to their targets
Driving progress:	- what signatories are doing to achieve their targets
Context:	- how signatories define senior management

We have focused on presenting data that we believe will help both existing and potential signatories in their efforts to improve gender diversity.

We recognise that Charter signatories themselves are a very diverse group of firms at different stages of tackling the challenge of improving diversity and inclusion. We have deliberately highlighted a wide range of interesting practices and ideas shared by signatories – not all might be considered cutting edge, but they are all creative and often simple ways to support gender diversity that even the smallest firm without any dedicated resource can consider.

Methodology

This review presents annual update information reported* to HM Treasury by 68† signatories in September and October 2017. The data was shared with New Financial on a confidential basis. All data has been anonymised and aggregated, and no confidential data has been attributed without consent from the relevant signatory.

The aggregated data used in the charts in this review is either based on the full cohort of 68 signatories, or a smaller sample of 46 signatories that still have targets ahead of them. This sample of 46 excludes 19 signatories that have met or exceeded their targets and 3 firms whose targets are not comparable to the rest of the cohort.

The data was analysed by Oliva Seddon-Daines and Panagiotis Asimakopoulos, under the supervision of Yasmine Chinwala and William Wright.

*The figures reported by each firm have not been verified by HM Treasury or any other body. Enquiries on any individual firm's approach to the Charter should be directed to that firm.
†68 firms returned annual updates. Firms that signed the HM Treasury Women in Finance Charter in 2016 may not have been included where the status of the firm has changed or where reporting was not returned on time.

NEW FINANCIAL
Rethinking capital markets

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.

We provided data to Jayne-Anne Gadhia's government-backed review of senior women in financial services, *Empowering Productivity*, and we are working with HM Treasury to monitor the progress of signatories to the HMT Women in Finance Charter.

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

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SUMMARY

Highlights of the review

1. **Meeting targets:** Just over a quarter (28%) of signatories have met their targets for female representation in senior management since the Charter launched 18 months ago and more than half (57%) say they are on track to meet their targets.

2. **Moving in the right direction:** The proportion of female senior managers is growing – more than three-quarters (78%) of signatories either increased or maintained the proportion of women in senior management during the reporting period.

3. **But progress is slow:** The percentage of women amongst senior managers increased by 3% on average in the first year and will need to increase by a further 27% in order to reach the average target for the cohort by 2022.

4. **Laying the foundations:** While a 3% increase across the cohort may seem a low figure, the signatories' data clearly shows they have engaged in a wide range of activities in this first reporting year of the Charter in order to accelerate the pace of change in future years. Nearly half are using the Charter framework to set gender targets beyond senior management.

5. **Top actions driving change:** The most frequently reported actions signatories have undertaken are leadership and development programmes, widening accountability for improving gender diversity, and ensuring female representation on longlists and shortlists for senior roles.

6. **An achievable number:** About 2,300 women will need to join the ranks of senior managers across the 68 signatories in order for them all to meet their targets, equivalent to an increase of 16% on the number of senior female managers today. The 17 banks in the cohort will need to add two thirds of these 2,300 additional women.

7. **The wider influence of the Charter:** The commitments made by Charter signatories are also having an impact on their approach to non-gender diversity characteristics, particularly ethnicity.

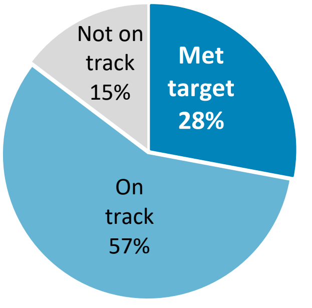
8. **Accountable executive is not just a title:** The senior leader named as accountable for improving gender diversity is more than a figurehead. For 80% of signatories, the accountable executive has taken specific actions to drive gender diversity, for example advocating to build momentum around the Charter.

9. **Link to pay:** A third of signatories believe the link to pay has been effective as a signal of intent, even though many have not been through a bonus season yet and the actual portion of pay linked to diversity is modest.

10. **The challenge ahead:** Average female representation in senior management (across signatories who still have a target to reach) is 27.9%, with an average target of 35.5%.

Fig.1 Progress against targets

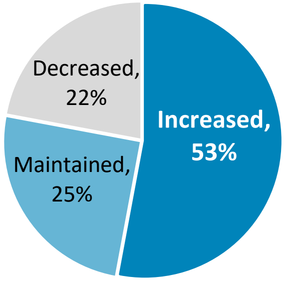
Percentage of signatories that have met target, said they are / are not on track to meet targets



n=68

Fig.2 Improving gender diversity

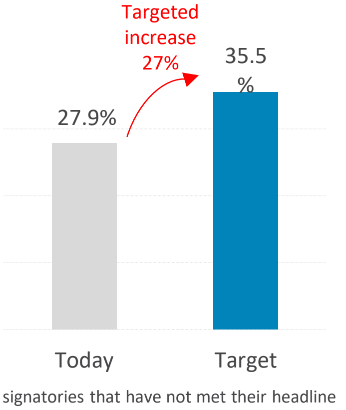
Percentage of signatories where the proportion of female senior managers increased, was maintained, or decreased



n=68

Fig.3 The road ahead

Average female representation as percentage of senior management



n=46 signatories that have not met their headline target for women in senior management

FOREWORD

Jayne-Anne Gadhia, Government Women in Finance Champion and chief executive of Virgin Money

205 firms have now signed the HM Treasury Women in Finance Charter. This is great news and demonstrates that the UK financial services sector is taking the issue of gender balance and diversity increasingly seriously. Talking to CEOs across the sector, it is clear that addressing gender balance issues has become a corporate priority for many financial services firms. This is clearly rooted in the evidence of the strong link between greater diversity and business performance.

This annual review shows that the Charter is acting as a catalyst for change. The analysis shows that many firms are setting demanding targets and are using creative and innovative practices to hit them.

Whilst it is early days – we should all be encouraged by the commitment to gender diversity shown by those firms who have signed the Charter and welcome the progress that is being made.

John Glen, Economic Secretary to the Treasury

I am pleased to welcome the publication of this first Women in Finance Charter annual review. The Government is committed to achieving gender balance at all levels across financial services firms, and this analysis shows how the Charter's earliest signatories fared in their first year. It shows the scale of the challenge, but it also offers the most developed insights yet on the impact of the Charter and its positive influence on wider approaches to diversity and inclusion. I look forward to future annual reviews that will track both this group and later signatories as they strive to change the industry for the better.

I am grateful to New Financial for their expertise, and to Virgin Money for their support, but above all to the ground-breaking signatories who have shared their experiences in these pages.

I also hope this work will encourage those firms who are yet to sign the Charter to commit to doing so, and to join us in building a more representative and more inclusive financial services industry.

Background to the HM Treasury Women in Finance Charter

In 2015, the UK government commissioned Jayne-Anne Gadhia, chief executive of Virgin Money, to lead a review of women in senior management across UK financial services. The review team published their findings in March 2016 in the report *Empowering Productivity: Harnessing the talents of women in financial services* http://uk.virginmoney.com/virgin/women-in-finance.

In support of the Gadhia review's recommendations, the UK government launched the HM Treasury Women in Finance Charter in March 2016. Firms of all shapes and sizes across financial services have signed up, with headquarters in the UK, USA, Europe and Asia. Firms sign the Charter on a voluntary basis. In becoming a Charter signatory, firms pledge to promote gender diversity by:

- Having one member of the senior executive team who is responsible and accountable for gender diversity and inclusion.
- Setting internal targets for gender diversity in senior management.
- Publishing progress annually against these targets on a page on the company's website dedicated to their Charter commitment.
- Having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.

https://www.gov.uk/government/publications/women-in-finance-charter

PROGRESS: MEETING TARGETS IN 2017

Fig.4 Six met targets in 2017 (in alphabetical order*)	
Association of British Insurers	45% by 2019
MasterCard (UK & Ireland)	40% by 2020
MetLife UK	40% by 2017
NEST Corporation	30% by 2019
Schroders	30% by 2019
Thomson Reuters	30% by 2020

Fig.5 13 met targets before signing† (in alphabetical order*)	
Affinity Capital	maintain 75%
Aviva	maintain 30%
Capital Credit Union	maintain 50%
Circle	50% by 2018
E2W	maintain 75%
Hannay Investments	50% by 2017
IonStar	maintain 50%
Leeds Building Society	33% by 2021
Market Harborough Building Society	maintain 33%
Nottingham Building Society	maintain 30%
Progressive Building Society	38% by 2019
Ridgeway Partners	maintain 33%
Sturgeon Ventures	maintain 50%

Note: fig.4 and fig.5 exclude three firms without headline targets for senior management
*These tables list signatories alphabetically and should not be read as a ranking of any kind
††HM Treasury permitted signatories that had already met their target before signing to set a "maintain" target if the target was above 30% female representation

Signatories that have met or exceeded their targets

Within 18 months of signing up to the Charter, just over a quarter (19) of the first cohort of 68 signatories have met or exceeded their targets for female representation in senior management. Six hit their target over the past year, five of them ahead of their deadline (fig.4). The remaining 13 were at or above their target when they joined the Charter† (fig.5).

Targets for these 19 signatories range from 30% up to 75%, with seven setting a target of at least 50% female representation. In terms of sectors, the 19 represent a mixture; in terms of size, smaller firms dominate – there are six micro companies (up 20 total staff) and eight small companies (21-250 staff) – but there are also two very large signatories (more than 10,000 staff).

Not the finish line

Just because these 19 signatories have met their targets does not mean their work is done. Signing the Charter demonstrates their ongoing commitment to gender diversity, maintaining their targets and sharing best practice. For example:
• **Leeds Building Society** said: "We realise there is still much to do to sustain and improve our position and we are working towards improving our female talent pipeline."
• **Association of British Insurers** said: "Diversity is not just a 'nice to have'. The ABI recognises that improving the sector's diversity and inclusion is vital to its future success."

Raising the bar

Two signatories have increased their targets after achieving them this year:
• **Schroders** has increased its target of 30% by 2019 to 33% by 2019: "We wanted to set a target that was both ambitious and achievable. When we reached our target in 2017, we reviewed our data and decided to increase it to 33% by 2019."
• **Thomson Reuters** has increased its target of 30% by 2020 to 40% by 2020: "We felt that we had been working towards this target since 2012 and our business understood and could articulate the business case for diversity, so it was time for us to effect change."

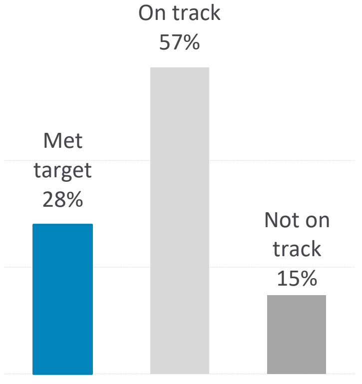
And what about the signatories with a 2017 deadline?

Six signatories in this cohort have a 2017 target deadline. Of these, three hit their targets and three did not.
• **Hannay Investments** remained above its target during the reporting period.
• **MetLife UK** exceeded its target of 40% women in senior management by seven percentage points.
• **Cicero Group** hit its target of 50% women for all new hires and interns.
• **Collinson Group** was within one percentage point of its target of 40% women in senior management.
• **South Manchester Credit Union** aims to meet its target of adding one woman to its board within six months.
• **Landbay** set a target of having at least one woman on every interview panel, which was met for all senior hires and the majority of new hires, but not all. Landbay said in future it will enable "cross-team" interviewing to achieve the target, specifically in the technology team.

PROGRESS: ARE SIGNATORIES ON TRACK TO MEET TARGETS?

Fig.6 Staying on target

Percentage of all signatories that have met target, said they are / are not on track to meet targets, %

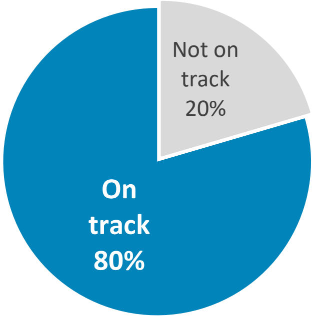


n=68

Fig.7 Mainly on track, but a steeper hill to climb

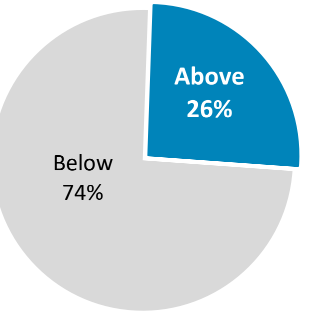
Of those signatories that have a target to meet:

a) Percentage of signatories that are on track, based on their own estimate, %



n=46
Excludes 19 signatories that have met targets and 3 without headline targets for senior management

b) Percentage of signatories that are above or below their required annualised rate of increase, %



n=46
Annualised rate of required increase by deadline for each signatory, assuming constant annual rate of increase

Monitoring interim progress against targets

While just over a quarter of signatories have met their targets, the remaining three quarters still have targets ahead of them to achieve (fig.6).

Four-fifths of the group with targets outstanding believe they are on track to meet their target, based on their own estimates and expectations (fig.7a). The remaining fifth said they were behind their interim objectives, due to progress being more difficult than they had expected, low turnover in senior management and organisational changes (for example, internal restructuring or merging with another company) leading to headcount cuts. However, these signatories were optimistic that they would be able to recover the ground lost over the past year.

The signatory data shows that overall female representation in senior management has increased over the reporting period (fig.2, fig.9), but it could be misleading to draw conclusions about the rate of increase from just one year of data. As a benchmark, we compared signatories' progress in year one to the annualised rate of increase in female representation they require in order to meet their individual deadlines, assuming a constant annual rate of increase. On this basis, only a quarter of firms are above the level they need (fig.7b).

While we would not expect progress to be constant (for example, one woman leaving or joining a company with a small senior management population has a dramatic impact on its gender ratio, so its progress is likely to be lumpy), those below their annualised rate will have to catch up in order to hit their targets.

It is important to acknowledge that every signatory is different, therefore their trajectory towards their target will be unique. For some there may be a rapid improvement initially and the pace of progress may then slow, others may reap the benefits of groundwork laid now in a few years' time. And the data shows that during the first year of the Charter many firms have been actively laying the foundations for their future progress (see p.10-11).

"We expect to make gradual progress in the first year as we raise awareness. We are investing more in our gender diversity efforts and expect an increase in our gender representation in 2019 and 2020."

London Stock Exchange Group

"Whilst our target deadline is 2020, achieving material progress towards this target in the year to date has proved more challenging than anticipated. Activity in 2016/17 has focused on building stakeholder engagement and buy in, and on analysis of drivers and blockers of diversity. Our expectation that these firm foundations will underpin progress in future years."

Ecclesiastical Insurance

PROGRESS: IS FEMALE REPRESENTATION IMPROVING?

A positive picture

It is encouraging to see the first cohort of signatories moving in the right direction in the first year of the Charter. Female representation in senior management is increasing – albeit slowly.

More than half (36) of firms increased their ratio of women in senior management over the past year, a quarter (17) maintained the same level, and at a fifth (15) the proportion of women fell (fig.8).

The average percentage increase for the group of signatories was 3% (fig.9). This varied from a 1% average increase for professional services (where five of the six firms have already met their targets) up to 7% for UK banks (where all seven firms are still working towards their targets).

While a 3% increase across the cohort may seem a low figure, this is only the first year of the Charter, and signatories are actively working on laying the foundations for their future progress (see p.10, 11).

"There are positive early indicators of progress. However, we recognise there is still much to be done as an organisation to reach our 2020 target."

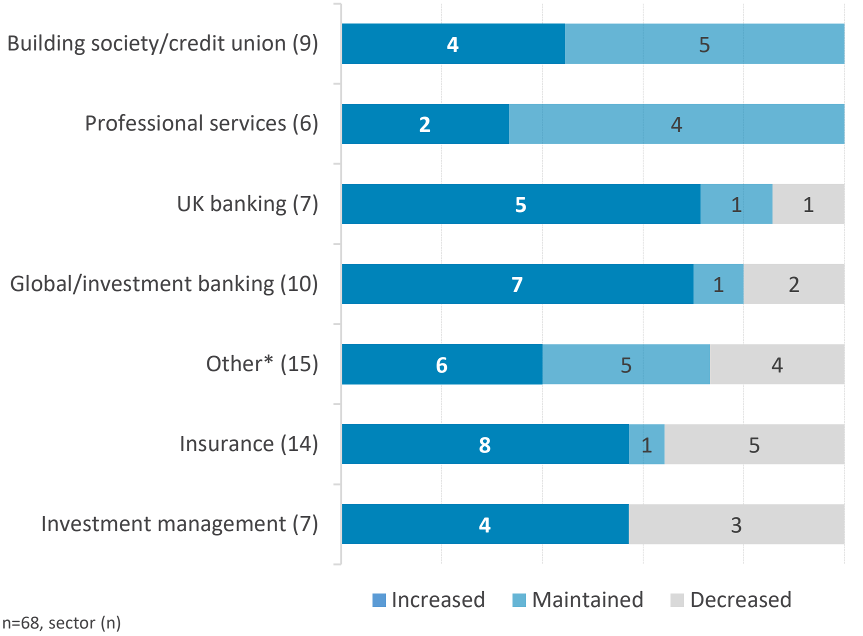
Standard Chartered

"During the first year of participation in the Women in Finance Charter we have focused on setting the foundations on which to build upon and the education of those involved."

Principality Building Society

Fig.8 Are signatories moving in the right direction?

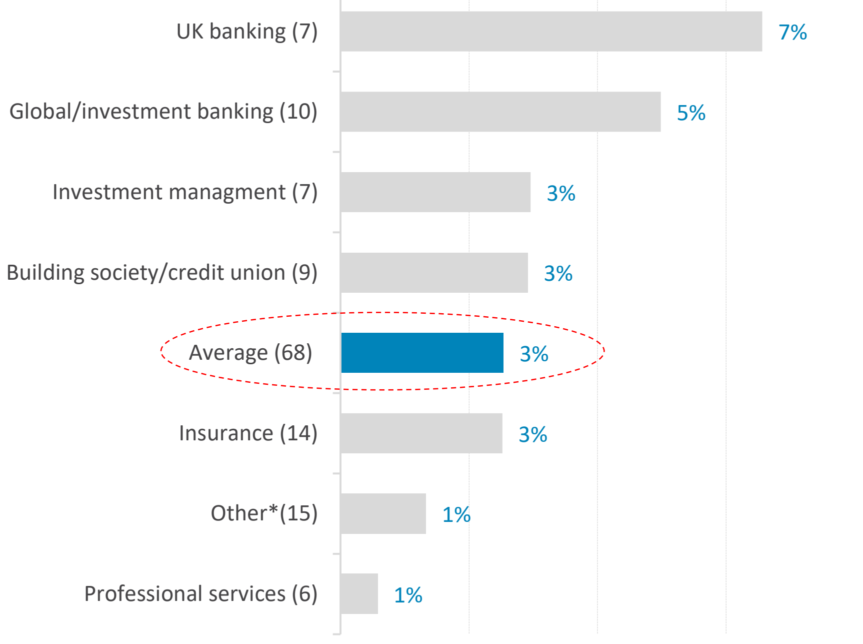
Number of signatories where female representation as % of senior management increased, was maintained or decreased over the reporting period, by sector



n=68, sector (n)

Fig.9 By how much did each sector improve female representation?

Average percentage increase in proportion of women in senior management during the reporting period, by sector, %



n=68, sector (n)

*Other includes fintech, market infrastructure, payment systems, government and regulators, financial advisory

THE CHALLENGE AHEAD: HOW MANY WOMEN?

More than a numbers game

In order to meet their targets, signatories need to increase the average proportion of women in senior management by more than a quarter, from an average of 27.9% today to a target of 35.5% (fig.3). But what does this mean in terms of the actual number of women that need to join the ranks of senior management?

The total population of senior managers across all 68 signatories today is nearly **48,000** people. About **15,000** of these are women. We estimate the signatories would have to add around **2,300*** women in order to meet their targets, which would be an increase of around **16%** on today's population of female managers (fig.10).

The 2,300 figure is somewhat rough and ready, but offers a more tangible representation of what it will mean for signatories to hit their targets.

2,300 people equates to:

- **22 x** full double decker buses
- **14 x** number of women in Team GB at the Rio 2016 Olympics
- **11 x** number of female MPs in the House of Commons
- **5%** of the total number of senior managers employed at the 68 signatories
- **0.21%** of the total number of people working in financial services in the UK

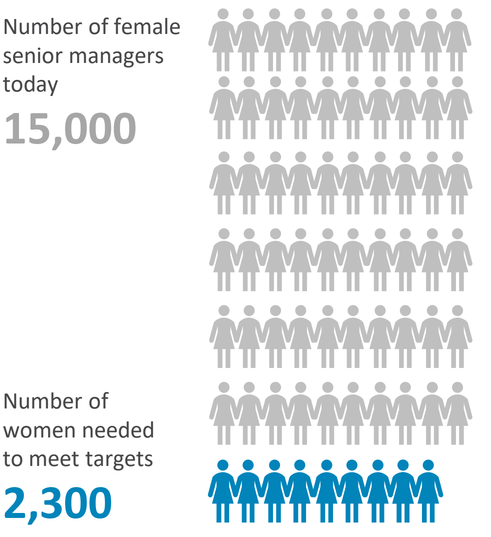
Where are women most needed?

In terms of sectors, UK banks and the insurance sector face the steepest challenge, having to increase their existing female management population by more than a quarter (fig.11).

If we break down the 2,300 additional women needed, nearly all (97%) will need to join senior management at large and very large firms. Two thirds will need to join senior ranks at UK banks (42%) and the global/investment banking (23%) sectors, and a fifth will need to be added to insurers (21%).

*This is a rough estimate with the following caveats:
- We assume the size of the senior management population will stay the same as it is today – we accept that this is unlikely.
- We used estimates where signatory data was incomplete or inconsistent.
- There is rounding error.
- For signatories with very small senior management populations, the addition of just one woman has a huge impact on the gender ratio.

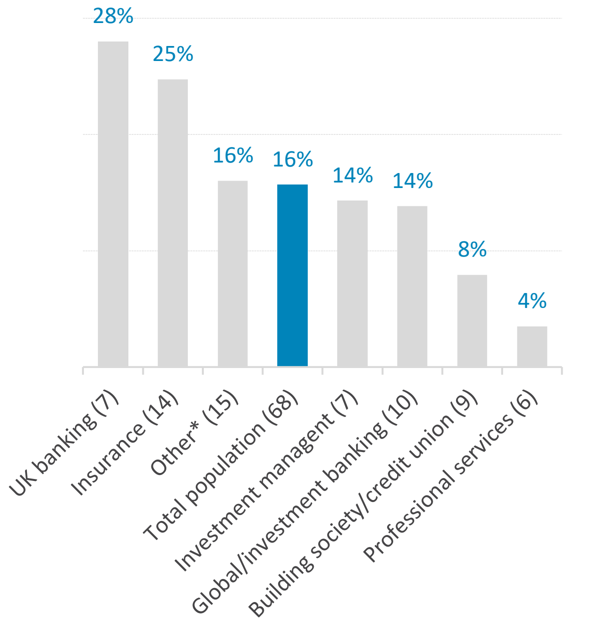
Fig.10 Additional women required to meet targets



(Each figure represents 250 women)

Fig.11 Growth required

Percentage increase in number of women in senior management required to meet targets, based on number of women in senior management today, by sector, %



n=68
*Other includes fintech, market infrastructure, payment systems, government and regulators, financial advisory

Targets by sector and size

The overall average levels of female representation in senior management of 28% today and 36% average target disguise a wide range.

Levels today range from 0 to 100%; if we exclude those who have already met their targets the range is 0 to 43%. Just over a quarter of signatories today have up to 25% female representation, while at the top end there are nine signatories with at least 50% women in senior management.

Targets range from 8% up to 75% (or 8% to 50% if we exclude those who have met their targets). Forty percent of signatories have a target of between 30% and 35% female representation. Eleven signatories have a target of gender parity.

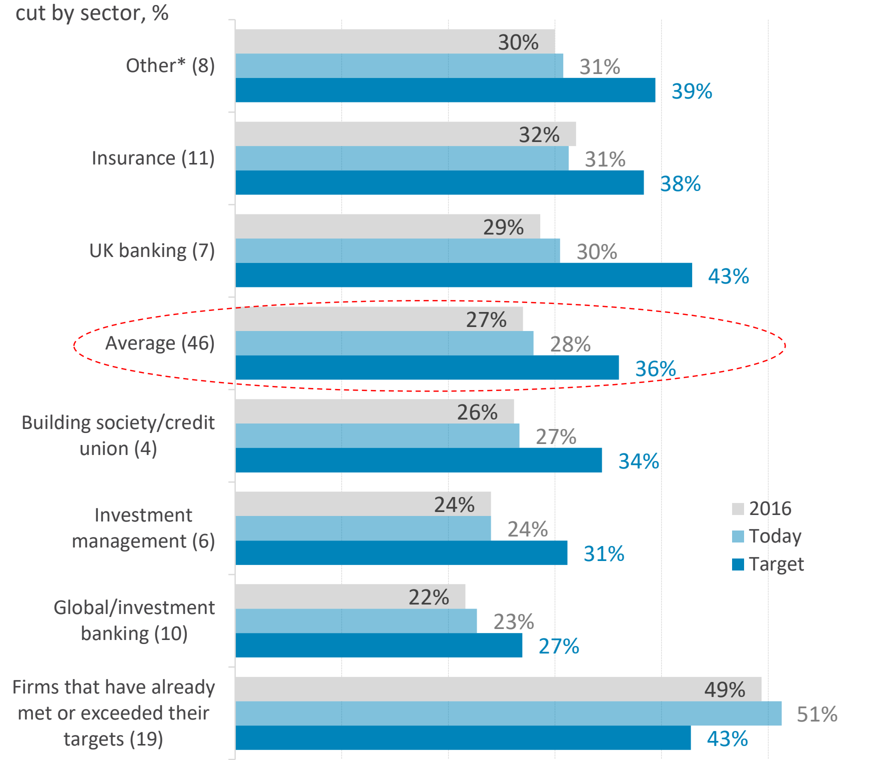
Levels of female representation today also vary considerably by size and sector – the global and investment banking signatories have the lowest average proportion of women in senior management of the cohort at 22%, and the lowest average target of 27% (fig.12). The UK banks are in a better position today at 30%, but have further to go to reach an ambitious average target of 43% female representation.

A wider business challenge

The financial services industry is not alone – improving gender diversity is on the agenda across UK business. Women account for 25.2% of FTSE 100 leadership roles (defined as exco and direct reports to exco), with a target of 33% by 2020, according to the Hampton-Alexander Review 2017. It is encouraging to see more than half of Charter signatories have a target of at least 33% female representation in senior management roles.

Fig.12 The sector view

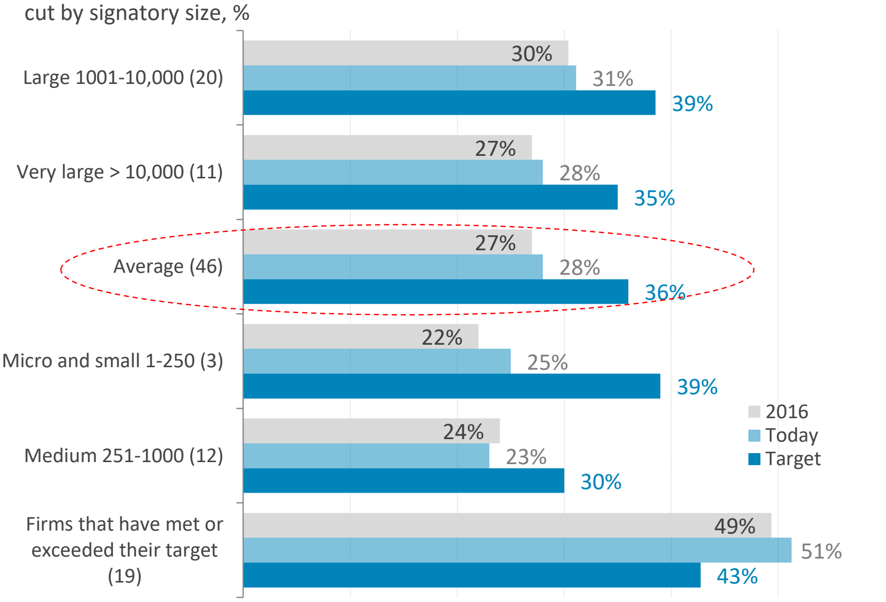
Average† level of female representation in senior management, 2016, today, and target, cut by sector, %



†Averages exclude 19 signatories that have met targets (because they skew the overall picture of what sectors need to achieve in order to reach outstanding targets) and 3 without headline targets for senior management
*Other includes fintech, market infrastructure, payment systems, government and regulators, professional services

Fig.13 Does size matter?

Average† level of female representation in senior management, 2016, 2017, and target, cut by signatory size, %



†Averages exclude 19 signatories that have met targets (because they skew the overall picture of what different sized firms need to achieve in order to reach outstanding targets) and 3 without headline targets

Developing data: *"We refreshed our analysis this year to get underneath the data, and check we truly understood what barriers (perceived and/or actual) existed for women in our organisation. Through analysis of data trends, confidential focus groups, wider surveys, one to one discussions, at all levels and parts of our business, we established clear trends and gained a much more informed understanding of women's experiences which we have reflected in our refreshed gender action plan."*

Standard Life Aberdeen
(formerly Standard Life)

Communicating why: *"We are unapologetic about our positive action approach and have overcome resistance from employees (male and female) who thought we were paying lip service to 'fixing women' or 'not doing enough for men'. We worked to ensure our colleagues understood that this wasn't the case, and when we do achieve gender balance, positive action will stop, or we'll apply a similar approach if the balance tips the other way (e.g. we have already introduced reverse targets where we need to increase the proportion of men and have recently launched a male ally initiative)."*

The Royal Bank of Scotland

Rethinking job adverts: *"On a recent advert for a senior executive we removed any mention of financial services as we decided that in this particular role we could up-skill the candidate in financial services knowledge with some intensive training and other skills were far more important. This widened our talent pool and enabled us to recruit the best person for the job from a range of skills rather than focusing on financial services experience."*

Virgin Money

So what are signatories doing to improve gender diversity?

The annual update reporting shows that during the past year signatories have been busy strategising, planning and executing both big and small changes to move them ever closer to their targets. Below we summarise the common action points signatories mentioned.

Embedding diversity into business

> Cascading accountability for gender diversity: Half of signatories undertook a strategic review of why and how improving gender diversity is important to their business. A third are increasing accountability for delivering Charter commitments – beyond HR and executive sponsors of diversity – to leaders of business lines and divisions. For example, **The Co-operative Bank** is "helping each business function improve gender diversity through plans tailored to colleagues' needs and challenges".

> Improving data collection and analysis: Signatories are taking their diversity data to the next level (see panel, left) – they are using the data to generate insight into the impact of key decisions (such as pay reviews, bonus awards and promotions) on female staff and identify when to intervene. For example, **Virgin Money** has incorporated a gender analysis tool into its annual pay process that enables managers to see the impact of salary and bonus decisions on the gender pay gap for their team, and **Fidelity International** has made diversity data available to managers so they can see where the challenges are in their business by function and identify specific actions to address them.

> Communicating internally: Ten signatories are strengthening their internal communications and advocacy to build a broader base of senior support for Charter commitments (see panel, left).

Recruitment

> Challenging external recruiters: Nearly a quarter of signatories said they are educating external recruiters on their diversity objectives and selecting suppliers with track records for identifying diverse talent.

> Ensuring female representation on longlists and shortlists: Thirty percent of signatories are challenging their hiring managers and recruiters to deliver more qualified female candidates. For example, **Lloyds Banking Group** expects a third of those shortlisted for senior management roles to be women, resulting in "the proportion of female external hires into senior management increasing by more than 4% since the beginning of 2016".

> Returnship programmes: Ten signatories are targeting women who have left financial services or are returning to work after extended career breaks with programmes, placements and workshops.

> Gender neutral job advertising: Signatories, for example **Aviva**, are using text analytics software to improve gender neutrality of job adverts and thinking more carefully about how (see panel, left) and where they advertise.

> Female interviewers: Six signatories are taking steps to ensure they have at least one women on interview panels. For example, **Cicero Group** now has one woman (not from HR) involved at every stage of the hiring process.

Retention and promotion

> Leadership and development programmes: A third of signatories are launching and improving schemes, workshops and events targeting high potential women, with the aim of inspiring them and offering them opportunities to develop confidence, resilience and skills to accelerate their careers. For example, **Standard Life Aberdeen** offers senior women the opportunity to develop board experience, and **Aviva**'s leadership programme included a "listening project" enabling women to hear other participants' career and development stories.

> Mentoring opportunities: Eleven firms said they are increasing access to mentoring schemes, both internally and externally (see panel, right), matching high potential women with senior leaders as mentors. For example, Schroders is providing senior mentors to its top 10% of female talent.

> Identifying female talent: Signatories are taking a more granular and consistent approach to identifying and managing gender diversity in the talent pipeline, using internal 'women to watch' lists and frameworks. For example, **Unum** ensures rising stars are provided with executive sponsorship and stretch assignments.

> Succession planning: A number of firms are proactively incorporating gender diversity into succession planning and ensuring women are 'future ready'. For example, **Deutsche Bank** is applying new insights gained from looking at professions and "gateway roles" across the UK.

> Flexible working: Nine signatories said they are launching campaigns, refining policies and producing manager and employee guides to make agile working more accessible, acceptable and visible. For example, **NEST Corporation** has put in place more transparent flexible working policies including job-sharing and compressed hours; while **Virgin Money** said it will match a candidates' existing flexible working policies for senior hires.

> Accommodating caring responsibilities: A small number of firms are challenging themselves to think more creatively to support and retain staff requiring leave to care for children or others, or on compassionate grounds. For example, **TSB Bank** has set up a support programme pairing staff going on parental leave with a 'buddy' who has had a similar experience.

Behaviour and culture

> Unconscious bias training: More than a fifth of signatories are rolling out training – initially to senior managers and then more broadly – to help them understand their potential for bias and highlight strategies to eliminate bias in hiring, via workshops or online modules.

> Increased transparency on HR processes: A common theme amongst signatories is the increasing formalisation and transparency of processes in key areas such as flexible working and maternal and paternal leave. Policies are being planned with a view of best practice rather than formulated on an ad hoc basis.

> Senior leaders as role models: A handful of signatories are actively equipping senior leaders with practical tools and techniques to 'call-out' non-inclusive behaviour and language, and are being encouraged to make themselves more accessible. For example, **Hermes Investment Management**'s exco led informal sessions to emphasise expectations around performance culture and to provide a platform for senior female exco members to engage with new junior staff.

Female leaders: *"More than 400 women have been through Lloyds Banking Group's 'Women in Leadership Programme' since 2014. More than a quarter (25%) of mid-level managers that participated have achieved a promotion to senior management level, further strengthening the talent pipeline."*

Lloyds Banking Group

Cross-company mentoring: *"In addition to global activities such as manager training, there are also focused actions in place to address the specific challenges of business functions – for example, for our investment management function we have established a Gender Parity Working Group, joined the 30% Club external cross-company mentoring scheme and have become a founding member of the CFA Gender Partner Programme."*

Fidelity International

DRIVING PROGRESS: ADDITIONAL TARGETS

Attracting diverse talent

A common complaint about financial services is that the industry has little appeal for women and school leavers. However, there are signatories actively challenging these perceptions to attract greater diversity into the sector. For example:

Morgan Stanley has targeted a 5% increase in the number of women hired into full-time and summer analyst roles in the EMEA region by 2019. The bank aims to "proactively debunk" some of the myths and educate women about the huge variety of roles that exist across the investment banking industry. "We proactively strive to introduce potential female recruits to senior female role models and have a host of school outreach, A-level programme and university-focused initiatives." The investment bank has also introduced meetings for heads of divisions to see granular metrics at every stage of the process to drive increased ownership, accountability and creativity in its female campus hiring efforts.

Mizuho International is targeting 50% female graduate intake by 2018. It set this target "to ensure Mizuho International's pipeline of talent is balanced, setting the tone for all recruitment within the firm".

Standard Life Aberdeen (formerly Standard Life) has a target to increase the percentage of under 25 year olds it employs to between 8% and 10%. It has put in place a school leaver programme offering six month placements, putting aside qualifications and experience to assess individuals on talent, values and attitude. "We haven't just focused on one programme or piece of recruitment to increase the number of young people working for us, we have changed our entire approach and philosophy."

Targets above and beyond women in senior management

All signatories are required to set a headline target for female representation in senior management, but more than half (36) are also using the Charter framework to set additional targets and deadlines. They have done so to improve diversity more widely and to support their headline target. Nearly half (31) have set additional gender targets and 10 have set targets based on non-gender diversity characteristics.

The most common additional targets focus on improving gender balance across the total workforce (9, ranging from 30-50%), followed by targets for recruitment (8), board targets (7), and targets for a defined group below senior management level (6).

Examples include:
- **Standard Chartered** has met its target of 25% female representation on its board by 2017 and is reviewing its target to reflect the Hampton-Alexander Review recommendation of a minimum of 33% by 2020.
- **Landbay** has a target of ensuring there is at least one women on every interview panel.
- **Association of British Insurers** has a target of gender balanced shortlists for external hires and aims to retain 50% of staff returning from parental leave.
- **Deutsche Bank** has committed to 25% female representation among managing directors and directors, and 35% for associate up to managing director level by 2018.
- One signatory has a target of 33% female representation for exco -1 by 2019.

Applying the Charter principles to non-gender diversity characteristics

Signatories' non-gender targets are focused mainly on ethnicity and improving levels of self-reporting in order to build reliable reference data about their workforce – it is much harder to identify problem areas and solutions without having a starting point for representation today.

Examples include:
- **Financial Conduct Authority** set a target for 8% of senior leadership team to identify as BAME (black, Asian, and minority ethnic) by 2020 and 13% by 2025.
- One signatory has a BAME declaration rate of 78% and is aiming for 100% by the end of 2018.
- **HM Treasury** has set a target to reduce non-declaration rates of sexual orientation, staff with disabilities and staff from a BAME background in order to identify the impact of their policies on their workforce.
- **Lloyds Banking Group** has committed to increase declaration rates to 70%.

"We have mirrored the approach to gender diversity in our BAME diversity strategy."

PwC

"We are introducing formal targets to pull through more BAME leaders at the end of 2017 and have leveraged our gender plan to support these targets."

A global banking signatory

How AEs are driving change

All Charter signatories must name an 'accountable executive' responsible for gender diversity and inclusion. Two thirds (66%) of AEs are men (fig.14a), and slightly more (68%) are in revenue-generating roles (fig.14d), as recommended by the Gadhia review. A strong indication of the seniority of AEs is that 91% sit on the exco, 56% on the board and more than half sit on both (fig.14b).

At 80% of signatories, the AE has undertaken specific actions to both reinforce Charter commitments and drive a wider diversity agenda. The five key areas of AE actions were:

1) **Internal advocacy:** raising the profile of the Charter with leaders and across the business, eg. Aviva's AE has a strong voice in internal communications with the aim of instigating cultural change.

2) **Mentoring and sponsorship:** personally contributing to the development of the female talent pipeline, eg. Nationwide's AE hosted 'career conversations' for junior female staff, Morgan Stanley's AE regularly hosts 'senior insight sessions' for women on its leadership scheme.

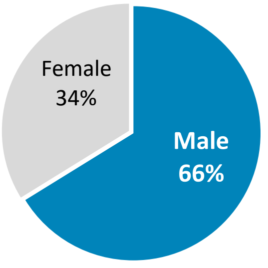
3) **External advocacy:** speaking on panels, at public events and to the press on the subject of gender diversity, discussing best practice and what it means to have gender equality across senior management.

4) **Working closely with gender networks**: reinvigorating employee-led networks by expanding membership and reach, eg. the AE of one signatory is the executive sponsor of its gender network.

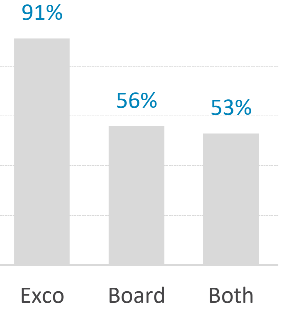
5) **Dedicating resources/staff to diversity**: ensuring resources are available to deliver Charter objectives, eg. Standard Life's AE carried out research to better understand the experiences of its employees.

Fig.14 The vital role of the accountable executive

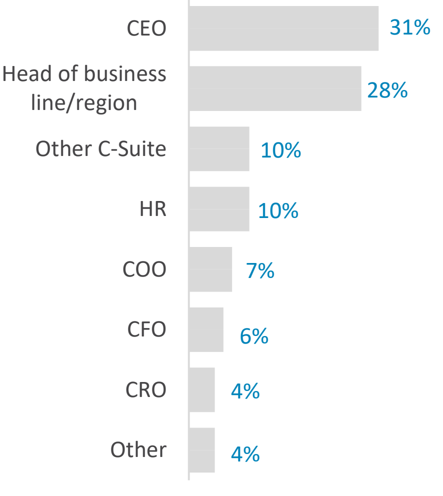
a) AE breakdown by gender



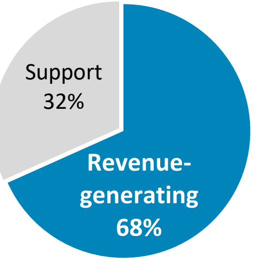
b) AEs who sit on exco, board, both, %



c) Breakdown of AE job titles



d) Breakdown of AE jobs by role



Note: All data based on 71 AEs because three signatories have two AEs

Helen Rose is chief operating officer and Charter accountable executive at TSB. "Helen led TSB's 'Gender Balance Matters' campaign pioneering a transparent approach to gender pay gap reporting, and called on others to follow TSB's lead and come clean on the causes of their gender pay gap, and what they are doing to fix it. Helen also wrote to all of TSB's suppliers encouraging them to be early adopters of gender pay gap reporting and participated in a Financial Services Industry Reward Forum to share TSB's experiences of gender pay gap reporting."

TSB Bank

The intricacies of incorporating diversity targets into bonus pay

As part of their Charter commitments, signatories are required to link the pay of senior executives to performance against gender diversity targets. Of the 68 signatories in the first cohort, all but five* report some kind of link to pay.

The most common mechanism (58 signatories) for linking targets to pay is to include gender diversity criteria among the factors that contribute to variable pay, as recommended by the Gadhia review. Four companies said they will award a specific sum if the target is hit, for example **Hannay Investments** will pay out 5% of profit share if diversity targets are met. One signatory has adopted a unique approach – it does not pay bonuses, so instead is incorporating performance to support gender targets into executives' annual salary review.

The structure and nature of bonus payments is often opaque and complex, and this is reflected in the varying degrees of disclosure in signatories' submissions. Diversity is one of a wide range of factors included in bonus pay – for one signatory it was one of seven criteria, for another it was one of 30. This range effects how much of the bonus payment is impacted if diversity targets are not met – for the 11 signatories that provided a breakdown of the portion of bonus allocated to diversity, the portion ranged up to 10%.

Although this portion seems small and for most firms the link to pay is not yet in effect, a third of signatories believe the link has been effective as a signal of intent (fig.15). For example, one signatory said the link to pay has "raised awareness, which has led to more discussion and some behavioural change".

Quantitative and qualitative factors

More than half (35) of signatories include diversity targets under the non-financial metrics that contribute to the bonus award. For example:
• One signatory awards bonuses to senior executives in equity via a share option scheme. In the deadline year, the bonus amount will be calculated in the same way as usual, on top of which executives will be eligible for plus or minus 10% of the total depending on whether Charter targets have been met.

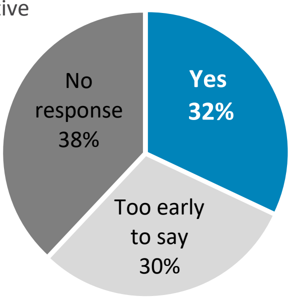
A similar number (32) include fostering diversity and inclusion as part of their behaviours or values-based personal objectives. For example:
• **Hermes Investment Management** staff are assessed equally on their technical performance and their performance against the "Hermes Behaviours". These behaviours form "a significant input into determining annual incentive awards, thus aligning the interest of management with other stakeholders and supporting the delivery of the Women in Finance objectives".

About a quarter (18) of signatories include aspects of both metrics and behaviour, with some giving greater weight to one or the other. For example:
• One signatory will have an annual objective for executives linked to achieving the Charter targets. Every year, executives will be required to write a self-evaluation describing their actions to address Charter targets. The pay award will be based on the evaluation, the target metrics, plus any mitigating circumstances.

*Due to not having variable pay, or already having met targets. Firms that do not offer variable pay can still be signatories, but are required to state their position on variable pay to HM Treasury in writing.

Fig.15 Impact of link to pay

Percentage of signatories that said they believed the link to pay has been effective



n=68

"The link to pay is effective in ensuring diversity remains a high strategic priority and in communicating to employees that it is clearly on the firm's agenda.

As [our] emphasis is on behaviours, the link focuses on how well the gender action plan has been carried out and what activities and efforts have been undertaken to effect change.

Improving gender balance is easier in some parts of the business than others for a host of reasons, many of which are outside of the control of individuals and the firm. We therefore focus on what we can achieve – we have a detailed gender action plan that is reviewed by the executive committee quarterly.

Senior management are scored according to how effectively and proactively or otherwise they ensured the plan was carried out within their department."

Columbia Threadneedle Investments

Who is included in senior management?

The Charter allows signatories to choose how they define their senior management population based on their own strategy for improving gender diversity. This approach recognises the huge variety of company types, sizes and structures across the financial services industry.

More than three quarters (76%) have chosen a definition which includes the top three levels of management (fig.16a), with the most common definition being exco-2 (exco and the two reporting layers below it).

The submissions indicate the level of rigour signatories have applied to choosing their senior management population. For example:

• One signatory's definition covers all managing directors, who "are also all identified as material risk takers under the PRA FCA Remuneration Code.

• **Phoenix Group** includes its top 100 highest paid staff to capture "all key influencers and decision makers in the organisation".

The size of the senior management population varies enormously from signatory to signatory, even amongst firms of a similar size. For the majority (59%) of signatories, senior management accounts for up to 10% of the total workforce (fig.16b) – but that ranges from 0.01% up to 100% across all signatories. There is generally a higher proportion of senior managers at smaller signatories, with an average of 44% for micro companies dropping to 7% for very large firms (fig.16c). The number of staff in the senior management population varies from one to 9,000, while the number of total staff ranges from three at the smallest signatory to nearly 100,000 at the largest.

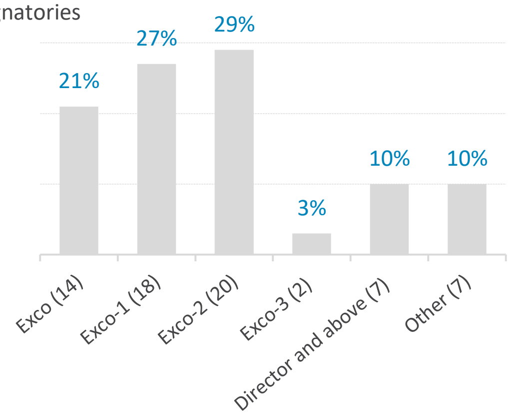
Signatories that changed their definition (3) during the reporting period or are considering changing it (2) said they wanted to increase consistency with existing reporting lines or to accommodate company growth.

"We chose a fairly large pool (about 2000 people) as our definition of senior management because it is at the middle management level and upwards that we see the biggest drop off in representation of women. We believe it is important to focus not only on the very top of the organisation, where small changes can make a big difference, but also on the pipeline of talent we are building for the future."

Legal & General

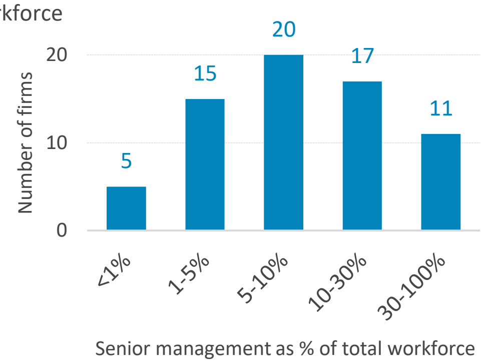
Fig.16 All shapes and sizes

a) Senior management definitions by percentage of signatories



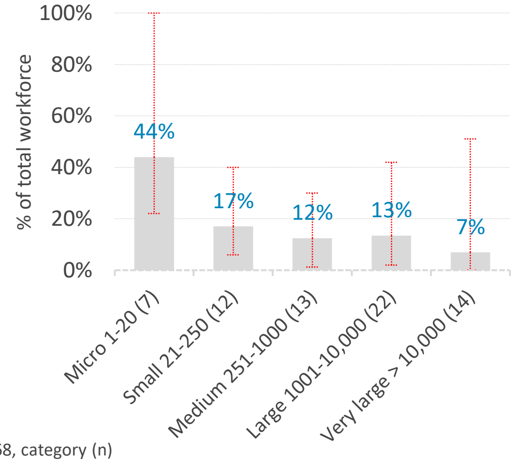
n=68, category (n)

b) Distribution of senior management as a percentage of total workforce



n=68

c) Senior management as a percentage of total workforce, average by signatory size, %
(Red bars show range within each size category)

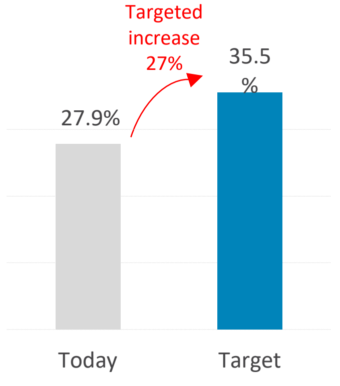


n=68, category (n)

NEWFINANCIAL
Rethinking capital markets

Fig.17 The road ahead

Average percentage female representation in senior management



n=46 signatories that have not met their headline target for women in senior management

10 suggestions for debate

The UK government is committed to increasing female representation in senior management across financial services with the HM Treasury Women in Finance Charter. This review monitors the progress of the first wave of signatories, and contributes to a wider debate on the importance and impact of improving diversity. Below are 10 discussion points raised by the findings of the review:

1. **Paving the way**: It is encouraging to see the 68 companies in the first wave of signatories are taking their Charter commitments seriously and making progress towards their targets. The first cohort has taken a risk in breaking new ground and setting an example, and others will surely follow.
2. **A long game**: Progress in this first year appears to be slow, but promising. The cumulative effect of even a small increase in female representation is very powerful, and the wider data shows signatories have been busy sowing seeds in this initial phase that they expect to bear fruit in future years.
3. **Baring all**: Despite being a fundamental Charter principle, public disclosure is still uncomfortable for many signatories. All companies, whether they are signatories or not, will need to adjust to greater transparency around their diversity data – for example to explain their gender pay gap numbers.
4. **Honesty is the best policy**: Even the best-laid plans come unstuck, so it is encouraging to see that a handful of signatories have admitted they are not yet on track to meet their targets. The Charter is designed to encourage an open discussion about what is and isn't working, and offer signatories an opportunity to reassess and move forward.
5. **No silver bullet**: There is no single change that can redress gender imbalance. The long list of signatory actions illustrates how different approaches work for different firms at different times. The list also shows that every company, big or small, can and should be taking action.
6. **Transparency around HR processes**: A common theme amongst actions taken by signatories is to formalise and communicate HR policies, for example around flexible working options and parental leave packages. Planning policies proactively allows time to incorporate best practice and industry standards, rather than only reacting to requests on an ad hoc basis.
7. **Accountable executive more than just a title**: The data shows that the leader named accountable for gender diversity at each signatory has a vital role to play in building internal momentum around the Charter and keeping diversity high on the corporate agenda.
8. **Link to pay as a signal**: Linking gender diversity to pay was the most controversial Charter principle, and for many signatories the link appears relatively modest and is one of many criteria used to determine variable pay. But it is already having an impact as a signal to senior staff that improving diversity is a strategic priority.
9. **Meeting the target is not the end**: A handful of first cohort signatories that have met their targets are already raising them. The Charter is not just about hitting a number: it represents a public commitment to a long term programme to address gender diversity at all levels.
10. **Challenges come with benefits**: It is easy for signatories to be so focused on the challenges they face to improve gender balance that they almost forget there are benefits too. Companies need to identify why and how diversity benefits their strategy and apply the Charter principles to catalyse change.

APPENDIX: BREAKDOWN OF THE FIRST COHORT

Fig. i List of signatories, grouped alphabetically by sector

This review includes data from the 68* signatory firms listed below. These are all from the first cohort of Charter signatories.

All signatories allocated themselves to a sector as listed below, however the sector categories may well evolve in future annual reviews as the Charter continues to grow.

For an up-to-date list of all Charter signatories, visit https://www.gov.uk/government/publications/women-in-finance-charter

*68 firms returned annual updates. Firms that signed the HM Treasury Women in Finance Charter in 2016 may not have been included where the status of the firm has changed or where reporting was not returned on time.

Insurance
Association of British Insurers
Aviva
Collinson Group
Direct Line Group
Ecclesiastical Insurance
Legal & General
Lloyd's of London
LV=
MetLife UK
National House Building Council
Phoenix Group
Prudential
Royal London Mutual Insurance Society
Unum

Global/investment banking
Barclays
BNY Mellon
Credit Suisse
Deutsche Bank
Handelsbanken
Mizuho Bank
Mizuho International
Morgan Stanley
Royal Bank of Scotland
Standard Chartered

Building societies/credit unions
Capital Credit Union
Leeds Building Society
Market Harborough Building Society
Nationwide
Nottingham Building Society
Principality Building Society
Progressive Building Society
South Manchester Credit Union
West Bromwich Building Society

Investment management
Aberdeen Asset Management †
BlackRock
Columbia Threadneedle Investments
Fidelity International
Hermes Investment Management
Schroders
Standard Life †

UK banking
Aldermore Group
Co-operative Bank
HSBC UK
Lloyds Banking Group
Santander UK
TSB Bank
Virgin Money

Other
Chartered Insurance Institute
E2W
Financial Conduct Authority
HM Treasury
NEST Corporation
Sturgeon Ventures

Professional services
Affinity Capital
Cicero Group
EY
IonStar
PwC
Ridgeway Partners

Fintech
Atom Bank
Circle
Landbay
Santander UK Technology (formerly Isban)

Market infrastructure
London Stock Exchange Group
Thomson Reuters

Payment systems
Bacs Payment Schemes Limited
MasterCard (UK&I Division)

Financial advisory
Hannay Investments

†Standard Life and Aberdeen Asset Management merged in August 2017, but provided separate annual updates to HMT, so have been treated them as two signatories for this reporting period.

Methodology notes

What data is included: This review presents annual update information reported* to HM Treasury by 68† signatories in September and October 2017. The data was shared with New Financial on a confidential basis. All data has been anonymised and aggregated, and no confidential data has been attributed without consent from the relevant signatory.

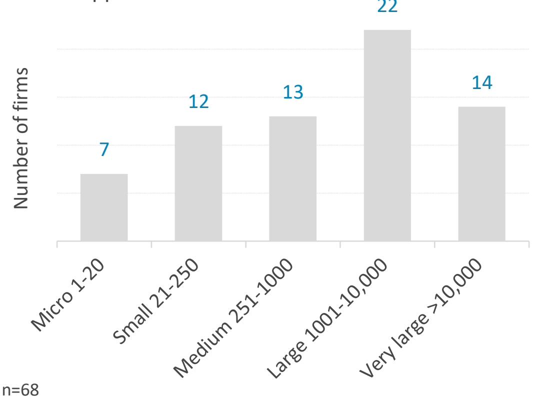
The 68 and the 46: The aggregated data used in the charts in this review is either based on the full cohort of 68 signatories, or a smaller sample of 46 signatories that still have targets ahead of them. This sample of 46 excludes 19 signatories that have met or exceeded their targets and 3 firms whose targets are not comparable to the rest of the cohort. We use the sample of 46 in charts where the data refers to targets that are still to be met.

Headline targets: All analysis of targets is based on a single headline target and deadline for each signatory. For firms that set targets for multiple levels/bands of senior management we used an average weighted by the size of the senior management population in each band. For firms that submitted targets against multiple deadline years, we used the longer-term target and deadline provided (for example, if a signatory set targets for 2018, 2019, and 2020 we used the 2020 deadline year and corresponding target as the headline target). For firms that set a target range, we used the midpoint. For firms that set a minimum target, we used the minimum.

*The figures reported by each firm have not been verified by HM Treasury or any other body. Enquiries on any individual firm's approach to the Charter should be directed to that firm.
†68 firms returned annual updates. Firms that signed the HM Treasury Women in Finance Charter in 2016 may not have been included where the status of the firm has changed or where reporting was not returned on time.

Fig. ii Signatories by size

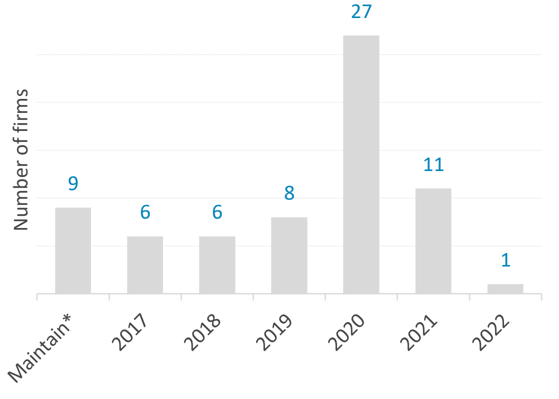
Signatories grouped by number of employees to which the Charter applies



n=68

Fig. iii Signatories by deadline year

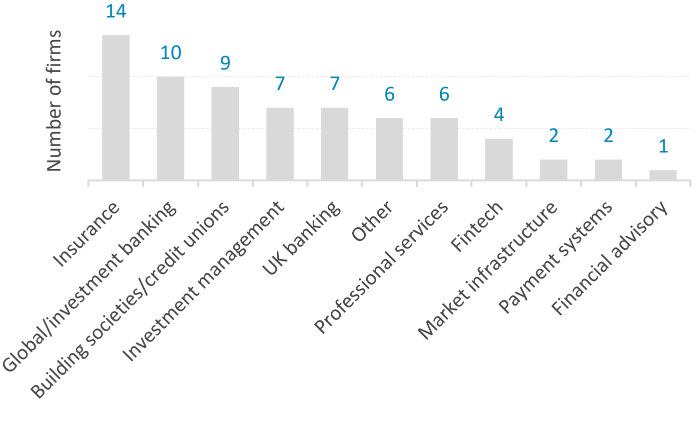
Signatories grouped by year of target deadline



n=68
*Maintain category refers to those without a deadline as they have already met their target and are seeking to maintain it

Fig. iv Signatories by sector

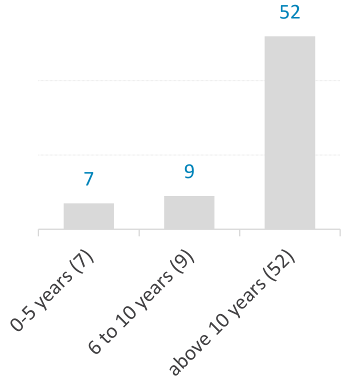
Signatories grouped by sector



n=68

Fig. v Signatories by age

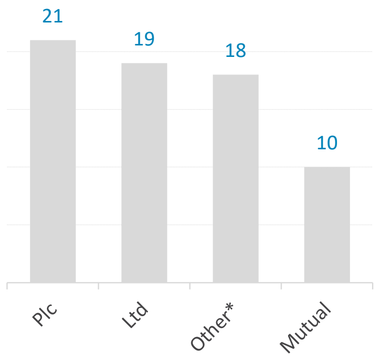
Signatories grouped by age of firm



n=68

Fig. vi Signatories by company type

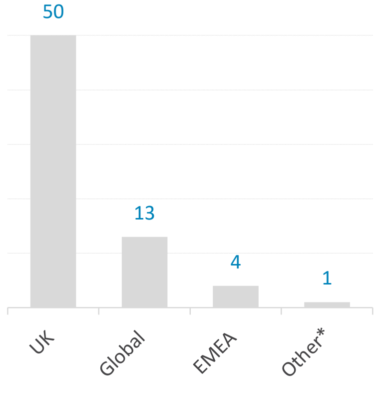
Signatories grouped by company type



n=68
*Other includes governmental bodies, regulators, LLPs, branches or subsidiaries of internationally listed entities

Fig. vii Region to which target applies

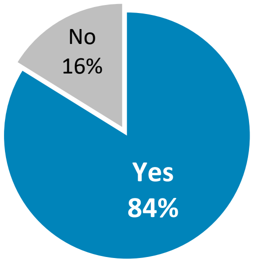
Signatories grouped by region to which Charter target applies



n=68
*Other refers to one firm whose target applies to UK, Ireland and India

Fig. viii FCA-regulated

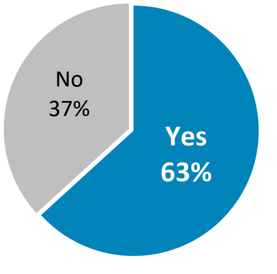
Is signatory regulated by the Financial Conduct Authority?



n=68

Fig. ix Location of headquarters

Is signatory headquartered in London?



n=68

Fig. x Size of total workforce at Charter signatories

Sector (n)	Number of employees to which Charter applies	Number of senior managers	Number of female senior managers in 2017
Global/investment banking (10)	364,651	16,178	3,933
UK banking (7)	148,688	10,776	3,472
Insurance (14)	84,160	10,000	1,983
Professional Services (6)	36,786	5,789	4,025
Building society/credit unions (9)	22,724	2,621	429
Investment management (7)	23,711	1,221	698
Other* (15)	16,611	2,979	356
Total (68)	**702,645†**	**47,789**	**14,896**

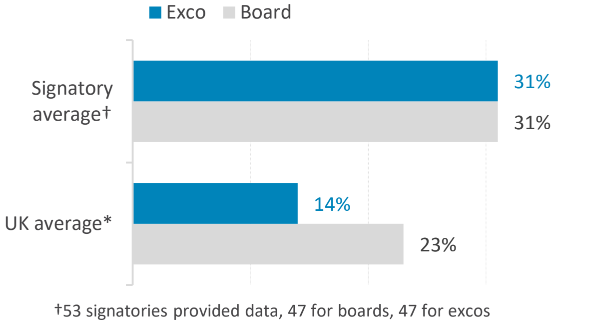
*Other includes fintech, market infrastructure, payment systems, government and regulators, financial advisory
†Total number of employees to which the Charter applies here for these 68 signatories is larger than the HMT figure of 650,000 which is based on UK employees only for all 205 signatories. Where signatories set global or wider regional targets for women in senior management and provided us with corresponding global or regional workforce data, we used that data in order to reflect the geographical pool from which senior managers may be drawn.

Above the UK average

Fig.xi shows average female representation on the boards and executive committees of the signatory firms in the first cohort that provided this data in their submissions to HMT. Signatories have higher ratios of women on both boards and excos than the average for UK financial services, which is a clear sign that they are taking gender diversity at the highest levels of decision-making seriously. However 31% for boards currently fall short of the Hampton-Alexander Review recommendations of 33% by 2020.

Fig. xi More women on boards and excos

Average female representation on boards and excos, %



†53 signatories provided data, 47 for boards, 47 for excos
*UK average data from New Financial data for Jayne-Anne Gadhia's *Empowering Productivity* review in 2016