



SAVANNAH 2019 BOARD REVIEW

An analysis of the FTSE 100 & FTSE 250 Executive and
Non-Executive Board appointments in 2019





INTRODUCTION



Welcome to our analysis of the board appointments to the FTSE 100 and FTSE 250 listed companies in 2019. Following our 2018 report, we published quarterly updates for the first three quarters of 2019. This report will look at the Q4 appointments, give a summary of the whole of 2019 and examine some of the trends we are now seeing.

There are three standout findings discussed in some more detail in this report. First, we show with absolute clarity the success of the gender diversity movement. Women represented 71% of the 48 non-executive appointments to the FTSE 250 boards in Q4 but it is the trend that really tells the story and we will look at that in some detail later in this report. Men seeking FTSE 250 board positions now share the challenge faced by women in years past, at least until the rebalancing is complete.

Second, the 2019 board appointments clearly reflect the worsening political, social and economic uncertainty driven by Brexit. There were 118 executive director appointments to the FTSE 350 companies in 2018 but only 68 in all of 2019. That absolute fall in numbers is one thing but, again, it is the trend that is most telling. We look at this in some more detail later.

Third, we were surprised by the number of first-time appointments. Of the non-executive director appointments to the FTSE 100 boards in Q4, 59% had not previously sat on a FTSE 350 listed company board, or the international equivalent. For the FTSE 250, the proportion is lower but still a very significant 42%. Later, we propose some reasons for this.

Before moving on to the detail, however, readers of our report, **Good Governance Should Not be a Numbers Game**, may also have seen the more recent findings from Refinitiv, the financial markets data firm, on the top performing UK stocks over the last decade. The first and second ranked companies, i.e. the best performing in terms of total shareholder returns, were both ranked well down in the Institute of Director's good governance survey that we criticised in our report. There we showed clearly that there was no correlation between the Institute of Director's definition of 'good' corporate governance and total shareholder returns of the FTSE 100 companies. The Institute's survey focused on quantitative measures (box-ticking) and ignored any assessment of the most critically important measures being the competence, relevance and effectiveness of the board members themselves. The Institute has now stopped publishing that report, but we still see plenty of evidence of a box-ticking mentality when it comes to assessing UK corporate governance. Proxy advisors take note.

As with all of our reports, we are using BoardEx as our primary source. We edit the raw data to exclude, for example, internal promotions such as NED to SID or to Chair and non-independent shareholder employee appointments. I hope you find our report interesting and relevant.

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Q4 2019

Before summarising the full 2019 year, and to provide continuity from our earlier reports on board activity in Q1, Q2 and Q3, let's take a look at the final quarter of the year.

NON-EXECUTIVE DIRECTORS

In Q4, the FTSE 100 companies appointed 17 (11 female) non-executive directors. The FTSE 250 companies made 48 (34 female) non-executive directors. Overall, women made up 69% of the FTSE

350 non-executive appointments but there was only one woman amongst the six executive director appointments, Alison Rose, the new CEO at FTSE 100 RBS.

Chart 1
Q4 2019 FTSE 100 NED APPOINTMENTS

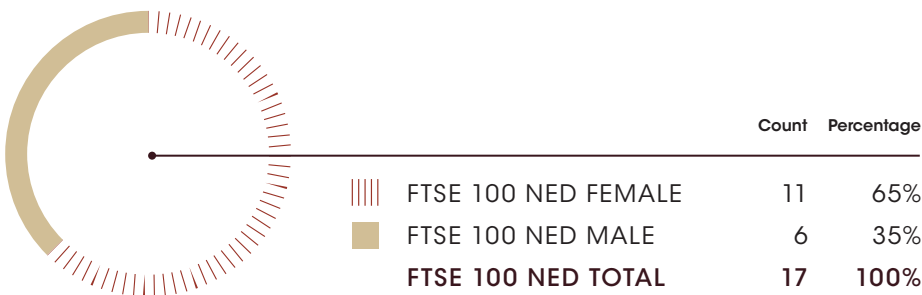
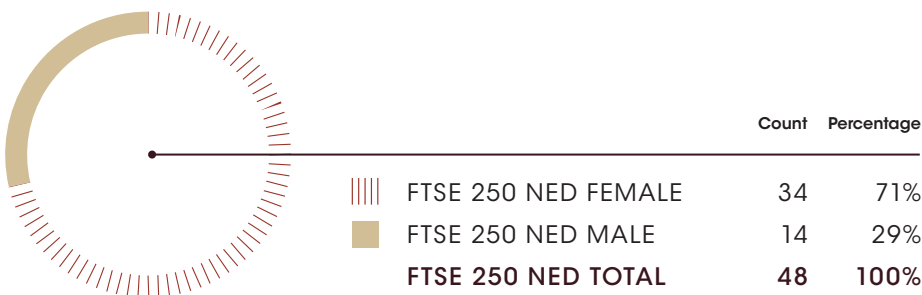


Chart 2
Q4 2019 FTSE 250 NED APPOINTMENTS





EXECUTIVE DIRECTORS

The FTSE 100 appointed 2 (one female) executive directors while the FTSE 250 appointed 4 (zero female) executive directors. This is a very small number of executive director appointments and we explore this in more detail when we look at the overall 2019 picture.

Chart 3
Q4 2019 FTSE 100 ED APPOINTMENTS

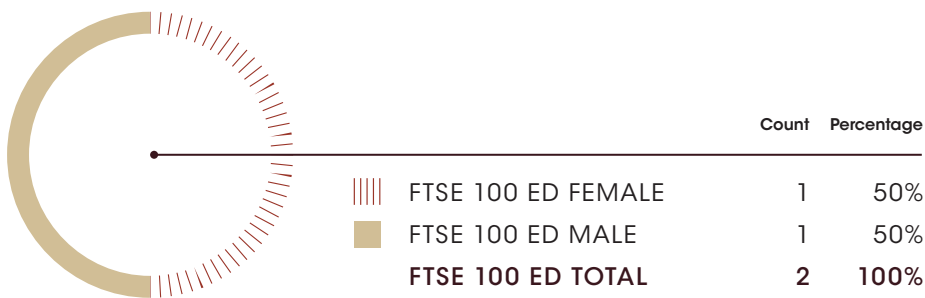
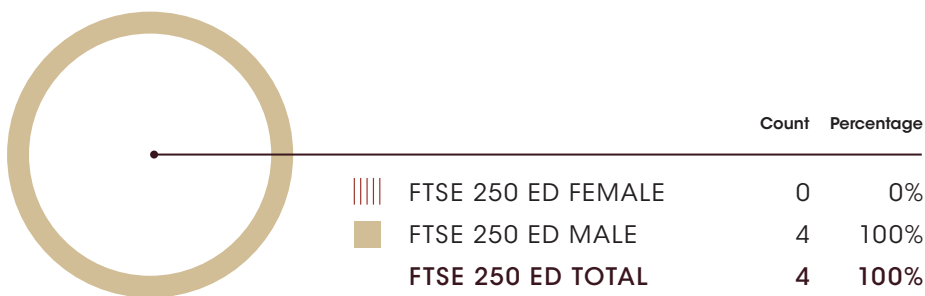


Chart 4
Q4 2019 FTSE 250 ED APPOINTMENTS





GENDER DIVERSITY PROGRESS?

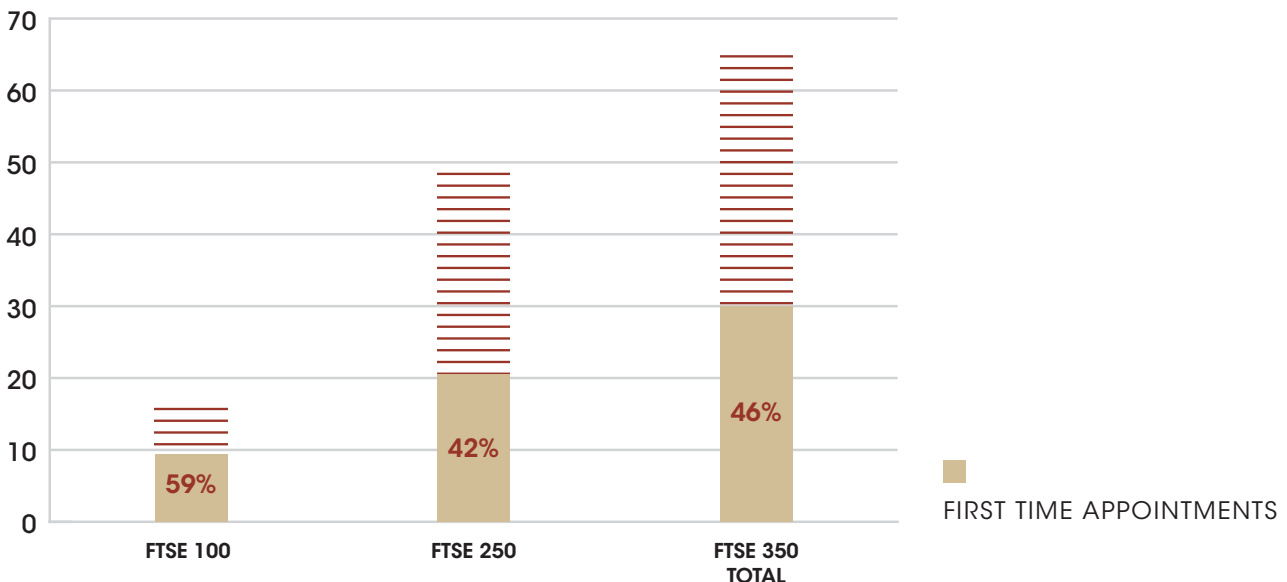
Given that women currently fill 36% of the FTSE 350 non-executive director positions and now 12% of the executive director positions, the Q4 appointments should be seen to represent further progress for women, most clearly so at the non-executive level. Our earlier reports have addressed the massive gender imbalance at the executive director level and pointed to this as the single issue requiring immediate action if we are to seriously address real

gender diversity in the long term. One appointment out of six in Q4 may well represent 17%, but it was still only one. As we have said before, there is no quick fix here. A talent development strategy, starting at schools and universities and continuing through the corporate and professional services firms is needed but it will require a champion. We will come back to this topic later in our full year review.

FIRST TIME APPOINTMENTS

An interesting aspect of the Q4 appointments is the very high proportion of first timers – men and women joining the “big league” of listed boards for the first time. Of the FTSE 100 NED appointments, a very significant 59% were people who had not previously sat on a FTSE 350 listed board (or an international equivalent). For the FTSE 250, 42% of the appointees were first timers, also a very significant number. There is no bias towards men or women in either case.

Chart 5
Q4 2019 FIRST TIME APPOINTMENTS NED



Historically, chairman have indicated in the search mandate a preference for NED candidates to have previous Plc board experience and, in that context, these high numbers are a welcome surprise. Perhaps this influx of new talent is a reaction to the greater pressure to limit the number of boards on which a director sits but we sense this is just the result of a preparedness to increasingly look outside the usual pool to find new talent. We will continue to monitor this in future reports.



Before moving onto the full year review, here are the names of the people appointed to the FTSE 350 boards in Q4 2019.

FTSE 100 ED

Bernard Bot	KINGFISHER plc
Alison Rose	ROYAL BANK OF SCOTLAND GROUP plc

FTSE 250 ED

Tim Harris	DIRECT LINE INSURANCE GROUP plc
Bill Hocking	GALLIFORD TRY plc
Paul Sandland	DECHRA PHARMACEUTICALS plc
Jos Sclater	ULTRA ELECTRONICS HLDGS plc

FTSE 100 NED

Funmi Adegoke	MELROSE INDUSTRIES plc
Horst Baier	WHITBREAD plc
Celia Baxter	DS SMITH plc
Italia Boninelli	POLYMETAL INTERNATIONAL plc
Irene Dörner	TAYLOR WIMPEY plc
Sam Fischer	BURBERRY GROUP plc
Andy Higginson	FLUTTER ENTERTAINMENT plc
Rosemary Hillary	ST JAMES'S PLACE plc
Charlotte Hogg	RELX plc
Shaun Kelly	CRH plc
Debra L Lee	BURBERRY GROUP plc
Sarah Legg	LLOYDS BANKING GROUP plc
Rob Noel	TAYLOR WIMPEY plc
Hixonia Nyasulu	ANGLO AMERICAN plc
Cecilia Reyes	STANDARD LIFE ABERDEEN plc
Siggas Sigurdardottir	AUTO TRADER GROUP plc
Keith Weed	WPP plc

FTSE 250 NED

Sonita Alleyne	TEMPLE BAR INVESTMENT TRUST plc
Nick Bannerman	BMO GLOBAL SMALLER COMPANIES plc
Kirsty Bashforth	PZ CUSSONS plc
Kate Bolsover	TR PROPERTY INVESTMENT TRUST plc
Angela Bromfield	MARSHALLS plc
Sharon Brown	BAILLIE GIFFORD JAPAN TRUST plc
Méka Brunel	HAMMERSON plc
Dr Mike Clasper	SSP GROUP plc
Tim Cobbold	TI FLUID SYSTEMS plc
Marianne Culver	TRAVIS PERKINS plc
Katie Davis	KAINOS GROUP plc
Ana de Pro Gonzalo	NATIONAL EXPRESS GROUP plc
Jacqueline de Rojas	FDM GROUP plc
Elías Díaz Sesé	DOMINO'S PIZZA GROUP plc
Nicky Dulieu	MARSHALLS plc
Karen Geary	NATIONAL EXPRESS GROUP plc
John Gibson	GVC HOLDINGS plc
Martin Greenslade	TULLOW OIL plc
Paul Grimwood	PZ CUSSONS plc
Georgina Harvey	CAPITA plc
Friederike Helfer	VESUVIUS plc
Baroness Hogg	ROYAL MAIL plc
Bill Holland	CLS HLDGS plc
Richard Illingworth	TRAVIS PERKINS plc
Sandra Kelly	FINSBURY GROWTH & INCOME TRUST plc
Sarah Kuijlaars	AGGREKO plc
Amy Lashinsky	ENERGEAN OIL & GAS plc
Susan Levine	TI FLUID SYSTEMS plc
Jette Nygaard-Andersen	GVC HOLDINGS plc
Lord Davies of Abersoch	INTERMEDIATE CAPITAL GROUP
Graham Oldroyd	BMO GLOBAL SMALLER COMPANIES plc
Dame Sue Owen	PANTHEON INTERNATIONAL plc
Lynne Peacock	ROYAL MAIL plc
Dame Shirley Pearce	UNITE GROUP plc
Louise Provan	HOWDEN JOINERY GROUP plc
Tony Quinlan	HILL & SMITH HLDGS plc
Dr Pete Raby	HILL & SMITH HLDGS plc
Dr Bandhana Rawal	WORLDWIDE HEALTHCARE TRUST plc
Dana Roffman	SAVILLS plc
Mary Ann Sieghart	PANTHEON INTERNATIONAL plc
Karen Slafford	SOFTCAT plc
Joan Wainwright	ELECTROCOMPONENTS plc
Rosemary Wardle	CITY OF LONDON INVESTMENT TRUST plc
Helen Weir	CINEWORLD GROUP plc
Karen Whitworth	RANK GROUP plc
Karen Whitworth	TRITAX BIG BOX REIT plc
Ben Wishart	PAYPOINT plc
Shefaly Yogendra	TEMPLE BAR INVESTMENT TRUST plc

“An interesting aspect of the Q4 appointments is the very high proportion of first timers – men and women joining the “big league” of listed boards for the first time.”





2019 — FULL YEAR IN REVIEW

NON-EXECUTIVE DIRECTORS

Taking into account the Q4 numbers, we now have a view of the full year and the opportunity to compare against 2018 and to look for trends. In 2019, the FTSE 100 companies appointed 104 non-executive directors, totally consistent with the 100 appointed in 2018. Looking at the gender mix, 45 (43%) were women, down from 48% in 2018. This is not a surprise and consistent with our observations in Q2 and Q3 and reflects the fact that the FTSE 100 boards are already at close to 40% female NEDs. Even at the current reduced rate of intake of women to the big boards, the overall composition will continue to rise.

Chart 6
NED APPOINTMENTS FTSE 100

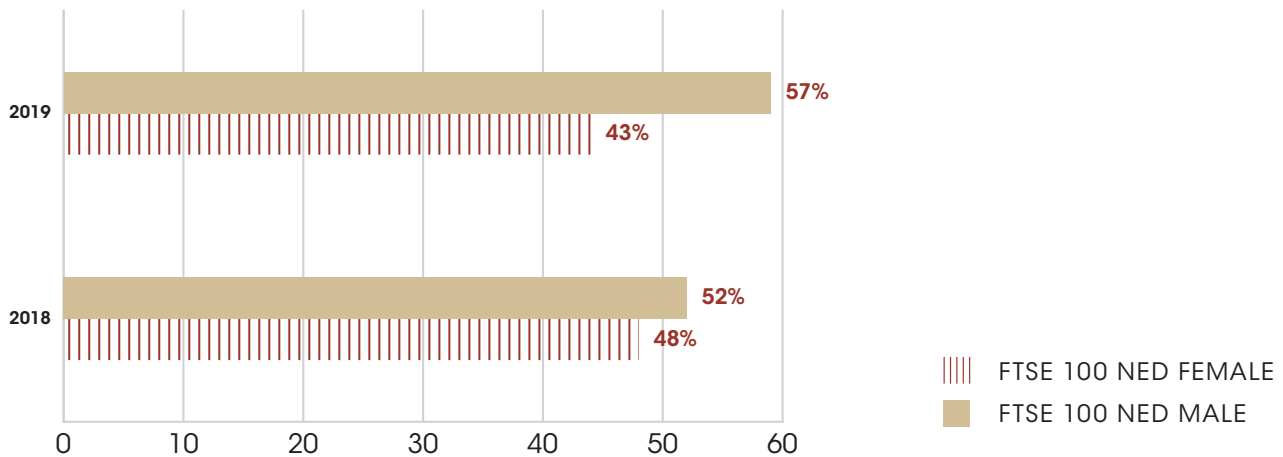
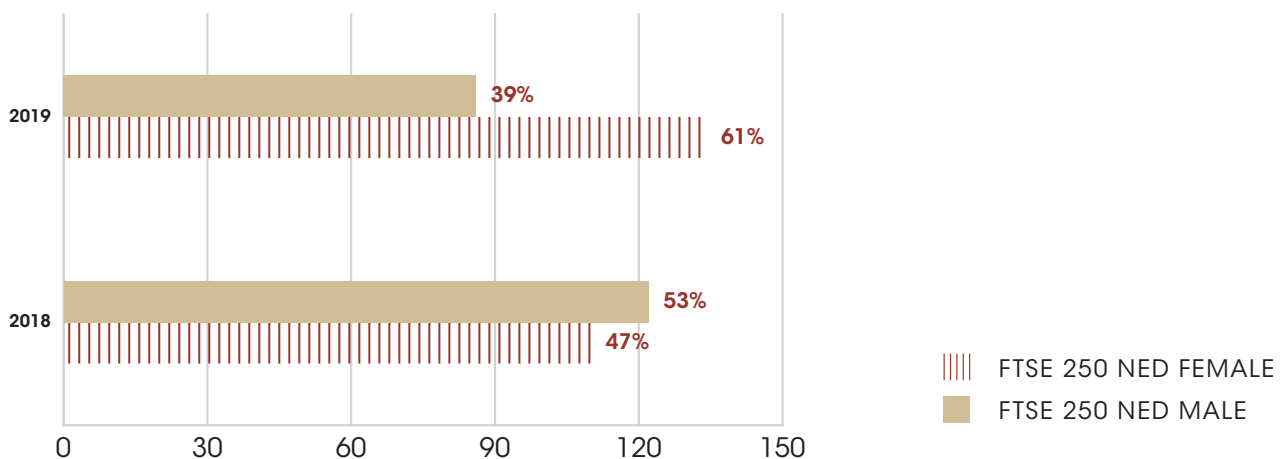


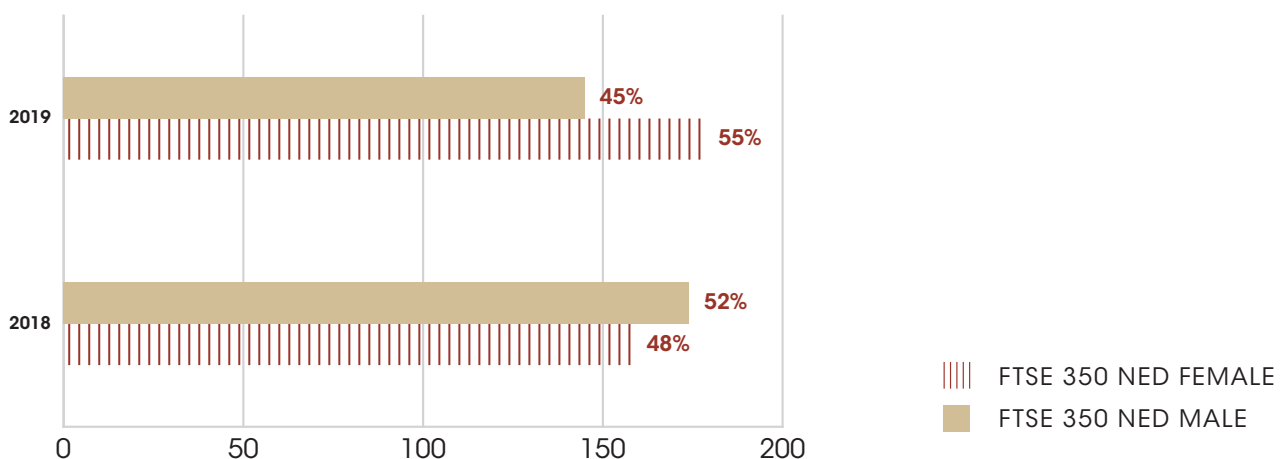
Chart 7
NED APPOINTMENTS FTSE 250





The FTSE 250 companies appointed 219 non-executive directors, down a little from the 232 appointed in 2018. Women made up 61% of these appointments, up significantly from the 47% in 2018. This is clearly a catch-up. The FTSE 100 chairmen reacted quickly to the Hampton-Alexander Report, and the activist lobby groups, in meeting the targets set for women on boards. At the time we wrote our 2018 report, 38% of the non-executive director positions on the FTSE 100 boards were occupied by women while the FTSE 250 had only 30%. At the time of writing this report, however, the FTSE 100 is at just over 39% and the FTSE 250 has jumped to 35% female non-executive directors.

Chart 8
NED APPOINTMENTS FTSE 350

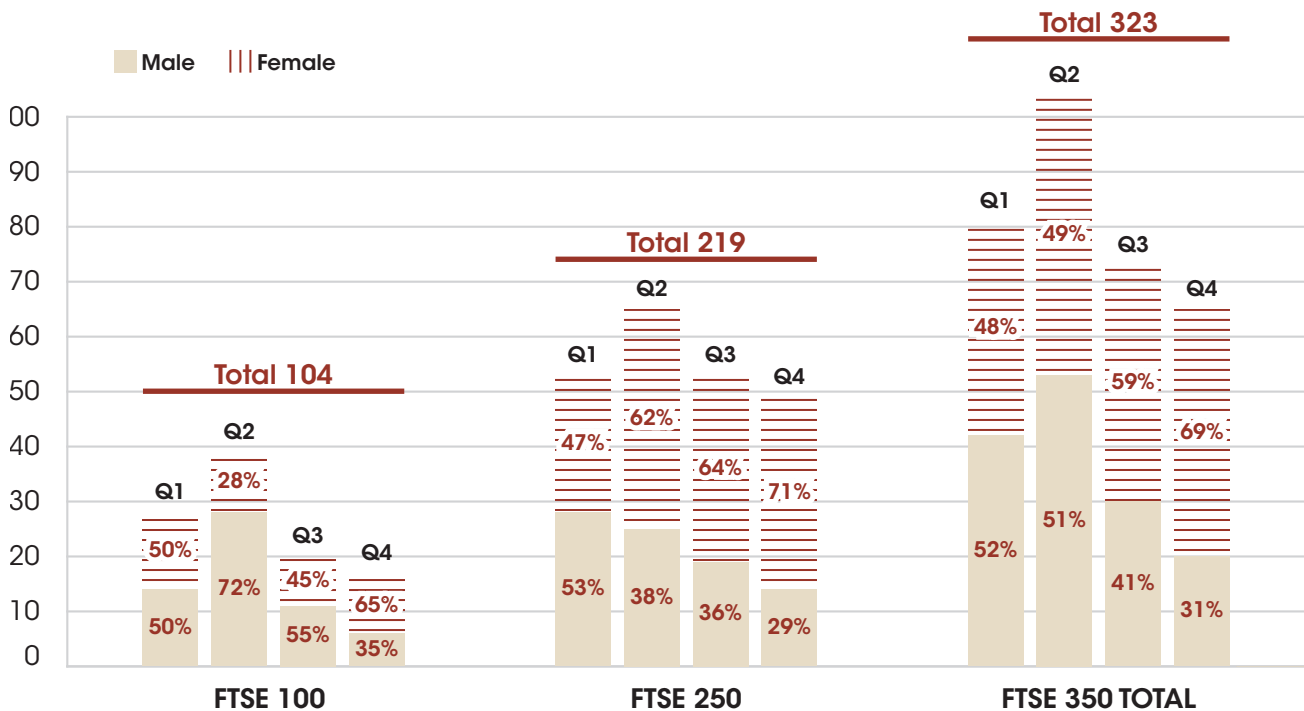


The FTSE 250 might have been slower than its big sister in embracing women NEDs, but it has caught up now. Clearly, there has been a concerted effort by the FTSE 250 chairmen over the course of 2019 – demonstrated conclusively by the increasing proportion of women appointed in each quarter of the year. In Q1 women made up 47% of the intake, in Q2 it was 62%, in Q3 it was 64% and Q4 it was 71%!

As a point of interest, at the time of writing, there are 25 FTSE 100 boards where women hold at least 50% of the non-executive director positions. Indeed, there are now only 6 FTSE 100 boards where women occupy



Chart 9
NED APPOINTMENTS 2019 BY QUARTER & GENDER



less than 30% of the non-executive director appointments. On a cautionary note, there are marked swings in these percentages. Two women represent 25% of an eight-member board but the addition of one woman takes that to almost 40% and these numbers are changing all the time as appointments are made and board members

step down; often incoming and outgoing board members overlap. Measurement at a single point in time can be misleading.

“Clearly, there has been a concerted effort by the FTSE 250 chairmen in meeting the targets set for women on boards over the course of 2019. In Q1 women made up 47% of the intake, in Q2 it was 62%, in Q3 it was 64% and Q4 it was 71%!”





EXECUTIVE DIRECTORS

The big surprise is in the executive director appointments. In 2018, the FTSE 100 appointed 38 executive directors (7 female). In 2019, the number of appointments fell sharply to only 20 (6 female). This slump is reflected in the FTSE 250 appointments where we saw 80 (9 female) appointments in 2018 but only 48 (7 female) in 2019.

In 2019, the number of executive director appointments declined rapidly. There were 44 appointments in the first half of the year but only 24 in the second half. In Q4 there were only 6 appointments against an average of just over 20 in each of the preceding three quarters.

Chart 10
ED APPOINTMENTS FTSE 100

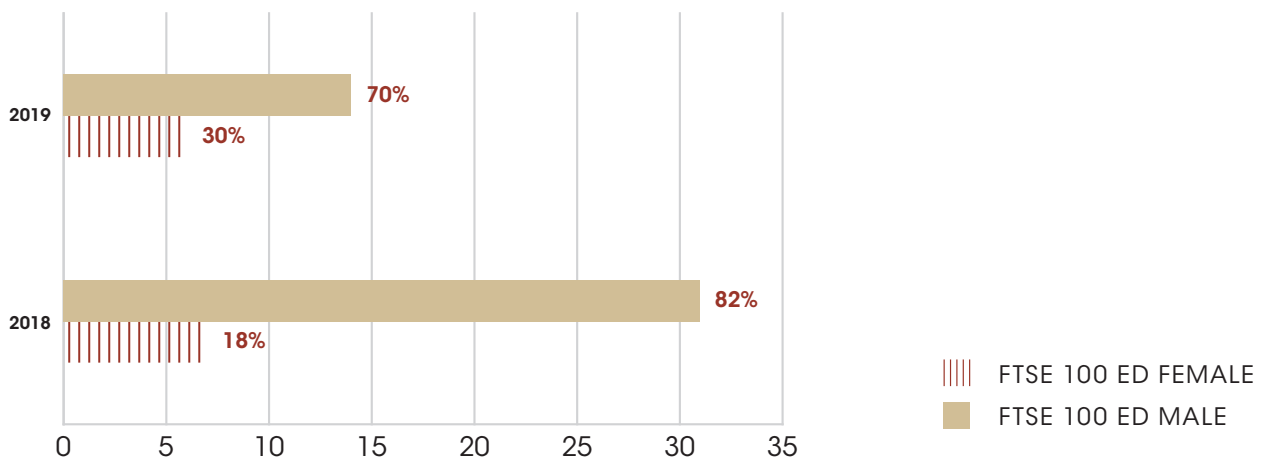
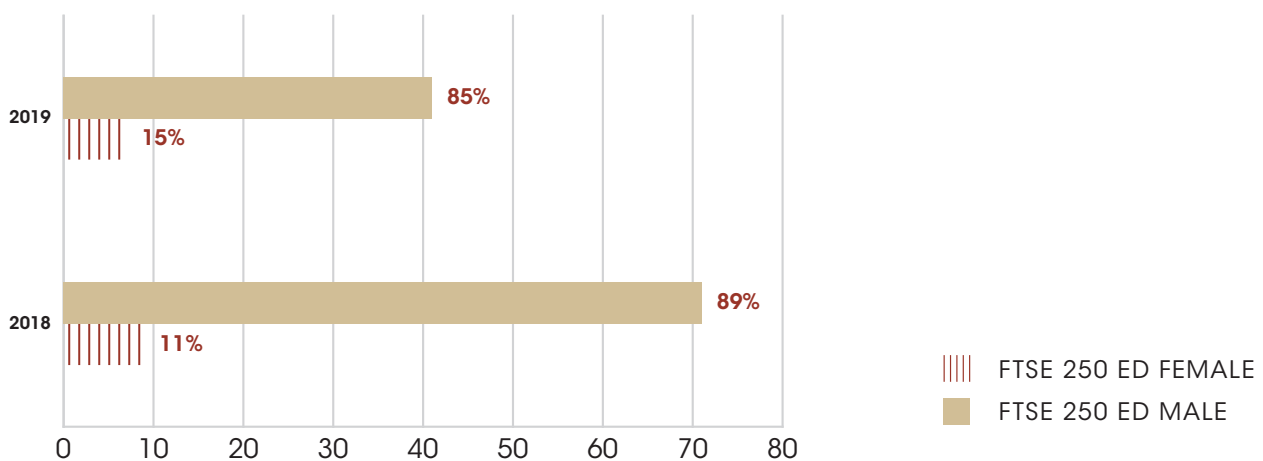


Chart 11
ED APPOINTMENTS FTSE 250

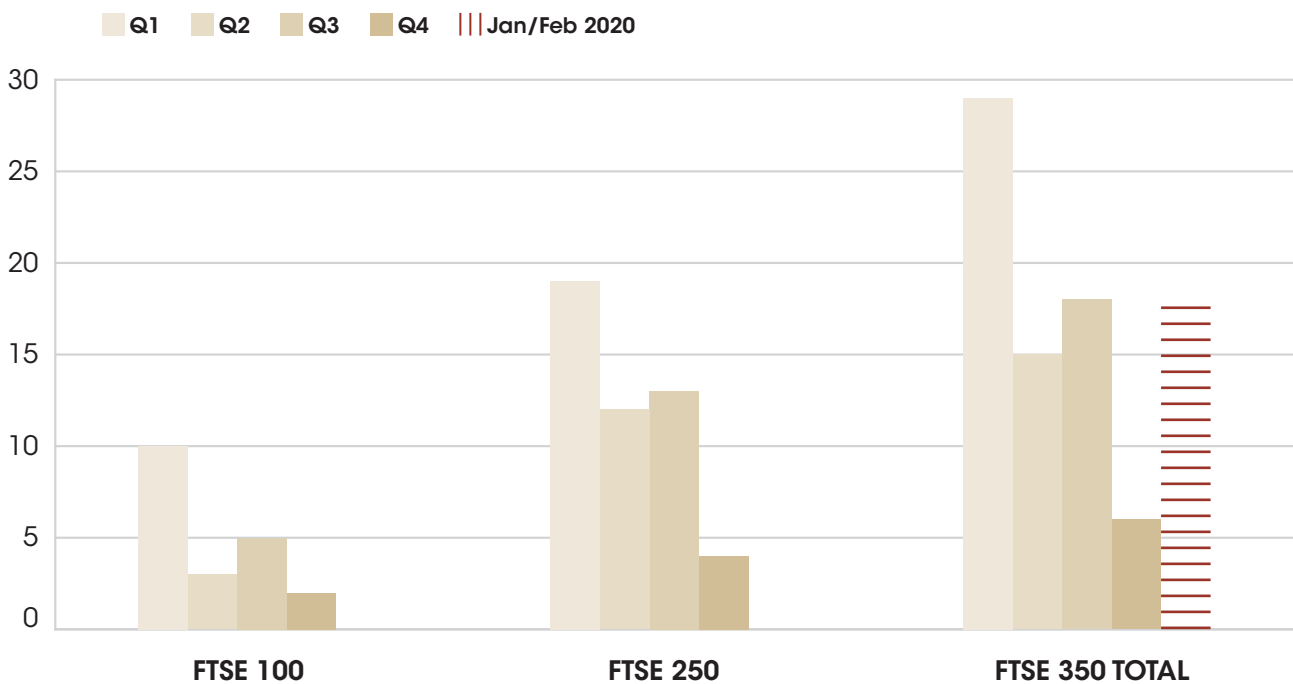




There is no normal tendency to change CEOs and CFOs in the first half of the year although we do recognise that it might be unusual for an appointment to take effect in mid-December and this may have some impact on the last quarter. It seems more likely that the extreme political, economic and social uncertainties driven by Brexit were contributors to this marked slowdown in top management changes in UK's largest companies as 2019 progressed. This is clearly reinforced by the fact that there were 18 (four female) executive director appointments in only the first two months of this year, probably reflecting deferred decisions in the lead up to the election. Perhaps the Boris Bounce?

We did check this against the 2018 executive director appointments. Looking at the absolute year-on-year change for the full FTSE 350, there were 118 executive director appointments in 2018 but only 68 in all of 2019. The FTSE 100 appointed nine executive directors in Q1 2018 and six in each of the other three quarters. The FTSE 250 showed similar consistency. Clearly, something changed in 2019 and Brexit seems to be the issue.

Chart 12
ED APPOINTMENTS 2019





THE REAL GENDER DIVERSITY CHALLENGE

In our 2018 report, we discussed the “Executive Director Gap” and we criticised the lack of attention this was receiving. At that point, women made up only 10% of the executive directors on the FTSE 100 boards and 7% at the FTSE 250. In 2019, we can see some progress with women making up 12.7% of the FTSE 100 executive directors and 11% of the FTSE 250 executive directors but these numbers remain woefully low. We have repeatedly said that, unlike the non-executive director challenge, there is no short-term solution. To point to the number of women filling other senior executive positions misses the point. Women make up 66% of the FTSE 100 HR directors, 46% of the company secretaries and 38% of the general counsel but they only make up 5% of the CEOs and 17% of the CFOs, i.e. the executive directors sitting on the boards of these companies.

The solution will require much more than a campaign to appoint more women. We are already seeing some gender re-balancing in the recruitment and selection process but progress is slow. A concerted focus on developing female talent across the education and business chain is required by multiple stakeholders. For some more reading on this see **“Improving Gender Balance in FTSE Leadership”**, published by the Hampton-Alexander Review in November 2019. Note that some of the Hampton-Alexander percentages of female representation on boards is slightly different to ours because we look at the non-executive directors and executive directors separately as we find this more meaningful.

While the H-A focus is on women in leadership teams and executive committees overall, ours more finely points directly to women in executive director roles on the boards of UK Plc. Of course, this is not just a UK Plc issue. Women hold only 6% of the executive director positions on the S&P 500 companies and only 7% on the S&P ASX 100. France’s CAC 40 is at 7%, Germany’s DAX is slightly ahead with just over 12% and amongst Japan’s Nikkei 225 companies the proportion of women in these roles is even lower. It’s a global issue.

“A concerted focus on developing female talent across the education and business chain is required by multiple stakeholders.”

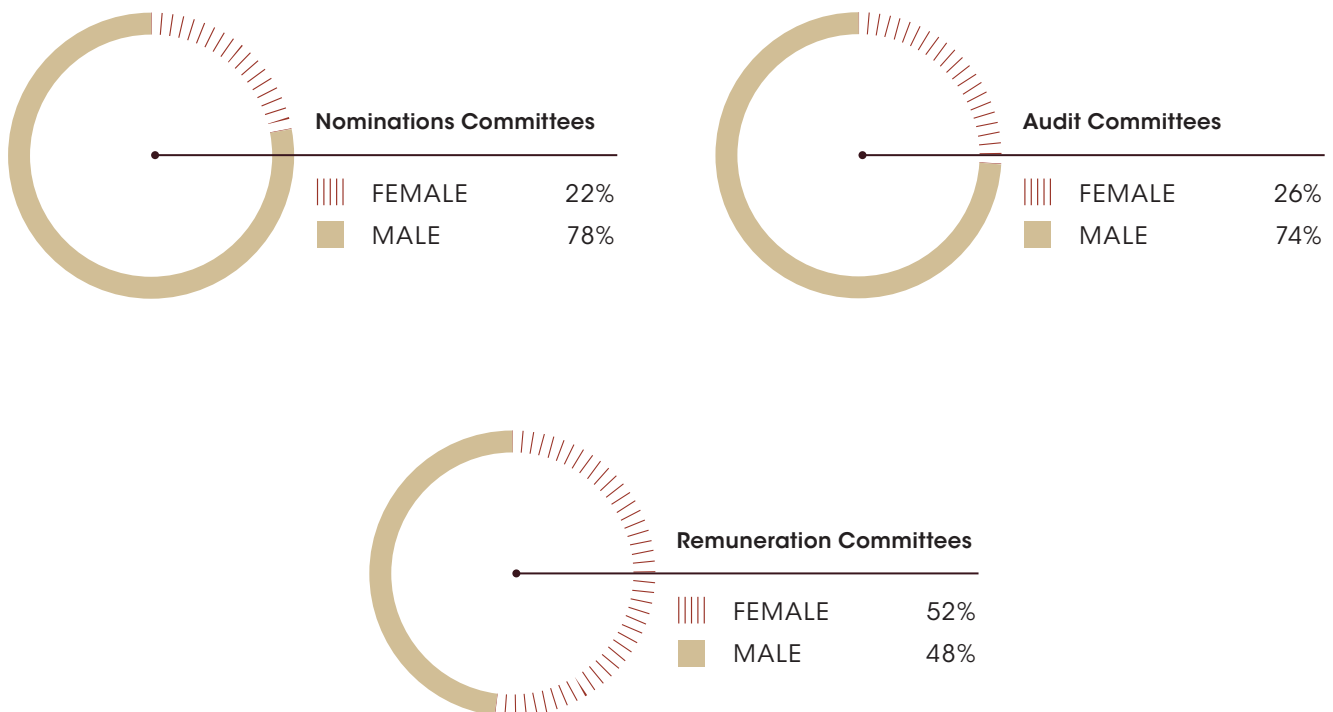


A gender bias in Committee Chair Appointments?

While on the topic of gender balance, readers might be interested to know that the Nominations Committees of the FTSE 350 companies are chaired mainly by men (78%) and men also dominate the Audit Committee chair roles at 74%. On the other hand, women hold 52% of the Remuneration Committee chair positions. In fact, there is a strong correlation between the proportion of women in CEO, CFO and HRD roles and their representation as chairs of the Nominations, Audit and Compensation Committees, respectively.

Chart 13

FTSE 350 COMMITTEE CHAIRMEN BY GENDER



IPOs

A final word about our methodology. We do not include in our quarterly review numbers those directors who come into the FTSE 350 on the back of IPOs. For example, in Q4 2019, M&G Plc was listed and entered the FTSE100 and Helios Towers Plc listed and was admitted into the FTSE 250. None of the non-executive or executive directors of those companies joined those boards in Q4 and are not reflected in the Q4 numbers earlier in this report. We do, however, include them when we are looking at overall board numbers. For the sake of the detail, M&G added five NEDs and two EDs to the FTSE 100 while Helios added six NEDs and two EDs to the FTSE 250.



ABOUT SAVANNAH GROUP'S BOARD PRACTICE

Governance practices of UK companies are being rightly challenged. Ticking the boxes on "governance" does not protect financial integrity, shareholder returns and broader stakeholder interests. At Savannah Group, we have the proven experience, knowledge and intelligence to advise and assist Chairs and shareholders in building effective boards and top management teams. To discuss how we can help, please contact one of our Board Practice members.



Damian Walsh
Lead Partner

In an international career spanning some 35 years, Damian has worked with leadership teams across multiple geographies and sectors and brings insight into effective governance and leadership. He has advised boards of FTSE100, FTSE250, AIM, ASX40, TSX, Euronext and large privately held corporations, often at challenging stages of their life cycle. Until very recently, he was also a Non-Executive Director of one of the largest companies in the UK.



Chris Donkin
Partner

Chris brings over 30 years' experience in Board and senior executive search, talent management and marketing communications to his role as Head of Executive Search and the Industrial Practice at Savannah. His particular sector focus covers automotive and mobility, aerospace and defence, transportation and infrastructure and he was acknowledged recently by the Financial Times as "one of the industry's leading head-hunters."



Lisa Gerhardt
Partner

After an early career in industry, Lisa is now a prominent voice in the executive search industry, Lisa has nearly 20 years' experience across multiple sectors. She brings deep expertise in cross-border recruitment and an extensive personal network. Lisa has led the development of Savannah's bespoke assessment tool and contributes her assessment expertise to Board & CEO level searches.



Tony Simpson
Partner

Tony is a former AIM-listed CEO who has led organisations of scale and stature in Europe and the Middle East. He leads the firm's Diversity programme. Tony's clients include many of the world's leading businesses and their governing bodies. His understanding of how leadership teams operate at board level has contributed to the transformation of many organisations.