Talent at the table:
Women in Power and Utilities Index 2015
Dear Chair of the Board

How many women are on your board? Is that number more or less than last year’s?

EY is tracking the number of women in the boardrooms of the top 200 global utilities by revenue. The power and utilities (P&U) sector is in the midst of a massive transformation, and needs new ideas and innovative approaches like never before. The proven links between gender diversity on boards and better business performance show that more women in your boardroom makes good business sense.

The industry can’t afford to go backward. For utilities to reap the rewards of more diversity in the boardroom, change has to take place more quickly.

Our index reflects the glacial pace of change at a cross-industry level. In its Global Gender Gap Report 2014, the World Economic Forum estimates it will take until 2095 to achieve gender parity in the global workplace. That’s 80 more years until companies and governments are equally led by men and women ... and 80 more years of talent pipelines and professional promise not fully realized.

Change needs to accelerate, and leading P&U companies are showing how it can be done.

So my question to you is: what are you doing personally to get more women on your board? And on a broader level, what policies and practices are you putting in place to support the women already in your organization so they can become leaders in the future?

Yours sincerely,

Alison Kay
Global P&U Leader, Global Industry Vice Chair, EY

“So my question to you is: what are you doing personally to get more women on your board?”

Right now in P&U, women only account for:

- 5% of board executives (up from 4% last year)
- 17% of non-executive directors (down from 18% last year)
- 14% of board members (both executive and non-executive) (down from 15% last year)
- 13% of the senior management teams (SMTs) (up from 12% last year)
The Women in P&U index 2015

In 2015, the overall percentage of women in the boardrooms of P&U companies has decreased, but there were more female board executives and more women in senior management teams. At the apex of our global top 20 list is South Africa’s Eskom, followed by Duke Energy (US) and Sempra Energy (US).

Regional top performers

For a broader geographical representation, we expanded our analysis this year from the top 100 global utilities by revenue to the top 200. Here we list the top three performers in each region.

Gender parity: it’s time to accelerate change

Having more women on the board leads to a better-performing business. Our analysis shows that the global top 20 utilities for gender diversity, with a combined average return on equity (ROE) of 8.5%, significantly outperform the lower 20, with a combined average ROE of 7%. Decisive action is needed to get to gender parity in P&U.

Next steps

EY is committed to improving gender parity and exploring what this means for P&U. We are investigating what the highest-performing, gender-diverse P&U companies look like, and what are the barriers to and accelerators for change. It’s all about asking better questions to get to better solutions.

Appendix: methodology and glossary
EY’s 2015 Women in power and utilities index tracks the number of women in the boardrooms of the world’s 200 largest utilities by revenue. In the year since our last index, progress has been slow. And in some cases, the sector has even moved backward:

At a time when the P&U sector needs fresh thinking and new ideas more than ever before, this is discouraging news. There is more to be done to increase diversity in boardrooms and to reap the benefits this brings.

However, we have noted some exceptions to this overall trend. The number of female board executives1 has increased from 4% to 5% – this is encouraging as these are the roles with influence, strategy and profit and loss (P&L) responsibility. Twenty utilities in the global top 200 have one female board executive, and two notable utilities – China Power Resources and YTL Malaysia – have two.

It’s also heartening to see the number of women in SMTs2 rise from 12% last year to 13% this year. Such roles provide a CEO training ground for women and a pipeline of future leaders. The utilities with the highest number (five or more) of women on their SMTs were:

► BC Hydro (Canada)
► CLP Holdings (Hong Kong)
► CMS Energy Corp (US)
► Dominion Resources (US)
► Empresas Públicas de Medellín (Colombia) – the overall leader with 8 women on an 18-member SMT
► Manila Electric Co. (Philippines)
► NRG Energy (US)
► Singapore Power Ltd (Singapore)

But let’s not sugar-coat the results. The fact is that, this year, the percentage of women in the boardrooms of P&U companies has decreased. The number of non-executive
decreased. The number of non-executive directors has decreased as well. This highlights what a small number of women we are talking about, and the big impact of even minor changes to this population. All it takes is for a few utilities to lose one senior woman and fail to replace her with another woman, and the sector is in a net negative position.

The upshot is that there are fewer women in P&U boardrooms: decisive action must be taken to achieve gender-balanced boards.

Women in P&U index: top 20 utilities

The most gender-diverse utility in our index is South Africa’s Eskom, which had 7 women on its 12-member board at the end of 2014.

To create the diversity index, we ranked the top 200 utilities by revenue by assigning weights to women in executive positions. Executive board members received the highest weighting, followed by senior management team, non-executive board member/independent director, business unit leader and audit. The results are shown below in Figure 1.

The most gender-diverse utility in our index is South Africa’s Eskom, which had 7 women on its 12-member board at the end of 2014. Duke Energy, last year’s front-runner, has moved to second place, and Sempra Energy is in third.

Geographically, we see North America making the strongest showing, with 8 utilities in the top 20; see page 7 for a list of the top-three utilities by region.

There are lots of new names in the top 20 this year: 12 of the utilities to the right were not on last year’s list. This is largely due to changes in our methodology (see page 11 for details), which were introduced to provide broader geographical representation, give large subsidiaries their own listings and reduce volatility from small changes to the board.

Two companies leapt more than 10 places on the index because of female appointments to the board:

- **GDF Suez** moved from 17 to 4 after appointing Judith Hartelsmaan as CFO and Isabelle Kocher as Deputy CEO.
- **Vattenfall** moved from 34 to 20 as a result of appointing two women (Jenny Lahrin and Åsa Söderström Jerring) to its board.

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1. A board executive is the person (or people) responsible for the day-to-day management of the organization who has a seat on the board, typically the chief executive officer (CEO). A glossary of terms used in this report is provided in the appendix.

2. We defined senior management teams (SMTs) as the executive management of the company, including the CEO, chief financial officer (CFO) and other roles. A glossary of terms used in this report is provided in the appendix.

3. A non-executive director (also called external director, independent director or outside director) is a member of a company’s board of directors who is not part of the executive team. A non-executive director typically does not engage in the day-to-day management of the organization, but is involved in policy making and planning exercises. A glossary of terms used in this report is provided in the appendix.
Regional top performers

Figure 2. Geographical breakdown of women in strategic roles in top 200 utilities

Talent at the table: Women in Power and Utilities Index 2015
The expanded number of utilities on the index this year, from the top 100 global utilities to the top 200, enables us to look at top performers regionally. (For more information, see our appendix on methodology on page 11).

As you’d expect, there are very strong regional differences in the presence of women on boards and in senior management teams.

Figure 2 to the left shows the breakdown of women in strategic roles at the top 200 global utilities by region:

► At 14%, Africa tops the list for the highest percentage of female board executives — with double the number of Europe, which holds second place with 7%. This reflects research that shows developing countries often have more women in management than developed ones.

► The US is third at 5%. This is largely a reflection of the country’s corporate board structure, in which the CEO is often the only person to hold a position on the board as well as an operational position in the company.

Africa also vies with the US for the top slot for non-executive directors (Africa 22%; US 23%). The US leads in the number of women on senior management teams at 18%; this is also a stronghold for women in Latin America and the Caribbean at 17%.

The three most gender-diverse utilities for each region are shown in Figure 3 on this page.

For additional information and discussion of regional performance. Go to www.ey.com/womeninutilities where we continue the conversation.

Figure 3. Top three utilities for gender diversity by region

<table>
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<th>Region</th>
<th>2015 rank in top 200</th>
<th>Utility</th>
<th>Country</th>
<th>Score</th>
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Gender parity: it’s time to accelerate change

More women = better business performance

What it all comes back to is the business case for gender diversity: more women on the board has clear links to better business performance. Considerable global research, as documented in our 2014 index, confirms this link.

Analysis of the top 200 utilities in our index provides further evidence. We compared the return on equity (ROE) for the top 20 most gender-diverse utilities with the bottom 20. We chose ROE because it reflects actual performance, management efficiency, sales growth and changes in capital costs, apart from the impact on performance from macroeconomic conditions.

Given the asset-heavy nature of this industry, a 1.5% difference in ROE between the two groups can translate to millions less in profit.

The most diverse P&U companies have higher ROE

We found that the top 20 most diverse utilities significantly outperformed the lower 20 in terms of ROE. The top 20 utilities had a combined average ROE of 8.5%, outpacing the bottom 20’s combined average ROE of 7%.

Given the asset-heavy nature of this industry, a 1.5% difference in ROE between the two groups can translate to millions less in profit. For example, a medium-sized utility with US$10b in assets would earn US$75m less profit after tax with a 7% return than an 8.5% return, assuming 50% of its funding requirements were met with shareholder equity.

Our financial analysis of the top 200 utilities strongly indicates the correlation between higher gender diversity and higher business performance. Our findings dovetail with numerous studies that confirm the now widely accepted relationship between gender diversity and financial performance.
Gender parity

In late 2014, when we compiled the index, there were 300 women serving on the boards of the top 200 global utilities: this represents 14% of the total board members. Twenty-four of these women were board executives, representing 5% of total board executives.

That's the current picture. But what would gender parity look like in P&U companies?

There is no definitive conclusion on what number constitutes gender parity on boards, but there are a diverse range of factors suggesting it is between 30% to 40%:

- Countries around the world that have targets or quotas to increase gender diversity typically set them between 25% to 50%
- Research studies cite gender parity between 30% to 50%, with 40% the most commonly accepted figure.

The Women Matter research from McKinsey demonstrated that financial performance improves before the parity figure of 40% is reached. Its 2007 report stated the critical threshold was at least three women out of 10 people on a management committee. At this point, businesses realize significant improvements in their performance; of equal importance is that below this threshold, no significant difference in company performance was observed.

Since our last index, further research has been published documenting the relationship between gender and diversity; this includes:

- Journal of Economics and Management Strategy, which showed that for one multinational company, going from an all-male or all-female office to one evenly split along gender lines was associated with a 41% increase in revenue.
- McKinsey’s Diversity Matters, which revealed that companies in the top quartile for gender diversity are 15% more likely to have financial returns above their national industry peers.

For P&U to go from 14% female board members to 40%, assuming the same total number of board members, 553 more women must be appointed to board positions. And for every 5% increase in the number of female board executives (currently at 5%), another 24 women need to be appointed CEO or as board executives. How long will that take?

Given the current rate of change, it's unlikely the sector will ever get to gender parity without decisive action.

It's time to accelerate change.

EY is exploring the issue of gender parity and what it means for P&U. In the coming months, we will be interviewing inspiring women in P&U and profiling them on www.ey.com/womeninutilities.

We are currently conducting further research into the barriers and accelerators for change within P&U, which we expect to conclude in the second half of 2015.

We understand that each company – including ours – is on a journey, and it will take time for leaders across P&U worldwide to embrace the full potential of women in the workforce.

We want to help speed up that change by working together to seek new answers and new solutions to attracting, retaining and promoting women into leadership positions in P&U.

We look forward to sharing our findings with you later in 2015, and to working with P&U companies to bring about real and meaningful change.

Women. Fast forward.

Our initiatives are designed to ask better questions to reach better answers so that we can find better solutions for gender parity in P&U.

To that end, we will be inviting you to investigate with us:

► What do the most high-performing, gender-diverse P&U companies look like?
► What do they do to attract and retain women?
► What does it take for women to get to the top, and what barriers are they encountering?
► What can be done to remove these barriers for women building their careers in P&U?
► How can the industry build a strong pipeline of women leaders for the future?
Appendix: methodology and glossary

Methodology

Our research team identified the largest 200 global utilities by revenue and investigated the number of men and women on the board of directors as well as in senior management teams. Information sources included company websites, annual reports, secondary sources and databases and data gathered directly from the company by email or telephone. The research was conducted in September 2014, refined for the top 20 utilities in December 2014 and represents a snapshot accurate at that time.

To create the diversity index, we ranked the utilities using a weighted index that favored women in executive positions. Executive board members received the highest weighting, followed by senior management team, non-executive board member/independent director, business unit leader and audit.

This year there were two changes to our methodology:

1. We expanded the breadth of the utilities surveyed: we increased the number of utilities we ranked from 100 (2014) to 200 (2015 and going forward). This introduced a wider geographical spread and made regional comparisons possible.

2. We reduced the volatility created by small changes in board composition: although we continued the same principle of weighting positions in favor of executive positions as outlined above, we narrowed its range from 5 points (used in 2014) to 1 point (used in 2015). Therefore, the diversity scores for 2014 are not directly comparable to the 2015 scores. The impact of this change did not alter the rankings greatly, but we believe it provides a fairer and more balanced picture of women in the boardroom and will minimize the volatility from future changes in board members.

We are confident that these changes have improved the quality of our index and have provided an evenhanded evaluation of the current state of gender diversity on boards within the P&U industry.

Glossary

Board: This is the body charged with overseeing the actions of the firm’s executive management in the interests of the owners of the company. In the case of private companies, this includes independent representatives appointed directly by shareholders. In the case of state-owned companies, this may include political appointees. In some countries, the board is termed the Supervisory Board (as distinct from the Management Board) and includes employee representatives.

Board executive: The person (or people) responsible for the day-to-day management of the organization who has a seat on the board, typically the CEO.

BU: Business units: This refers to how the company is organized below the level of the senior management team and the board. For the purposes of this research, we looked at people heading the business units involved in the following activities: generation, transmission and distribution, retail, trading and customer. Please note that this is not an exhaustive list of business units within a company. Where companies have more business units than those listed we have only sourced those falling broadly into the above categories.

Non-executive director (also called external director, independent director or outside director): is a member of a company’s board of directors who is not part of the executive team. A non-executive director typically does not engage in the day-to-day management of the organization, but is involved in policy making and planning exercises.

SMT: Senior management team: The executive management of the company including the CEO and CFO or equivalent roles (such as Executive Director, Managing Director). Typically this group will comprise 5 to 10 individuals with ultimate responsibility for the day-to-day running of the company. In some countries, such as Germany, this group is formally constituted into a Management Board.

If women were members of both the SMT and the board, they were included as board members but not included in the SMT group for percentage purposes, to avoid double counting.
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