

Women in Power and Utilities

Index 2016

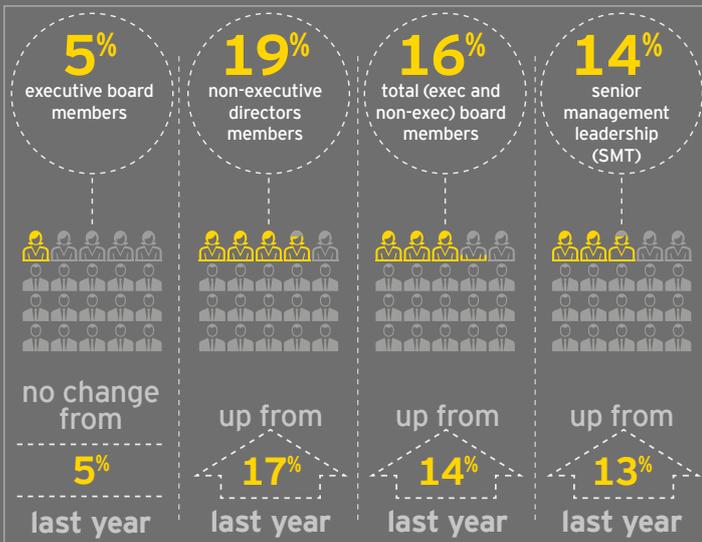


Dear Chair of the board

When I started working in the P&U sector in the 90s, I was one of a handful of women to don a hard hat. Perhaps it was those early experiences, perhaps it's just who I am, but I'm a great believer in plain speaking. So let me try to summarize the purpose of this report in a few paragraphs.

First and foremost, women in leadership is a business issue. It's not a female issue. It's not an HR issue. It's a performance issue with bottom-line impact. In previous issues of the Index, we've documented the business case for more women on the board, and on page 9 you can see the latest additions to the pool of evidence.

So where does the P&U sector stand? This year I am pleased to announce a positive trend in the Index:



However, a 1% improvement over three years (yes, it really is that slow – see page 4) isn't going to get us very far, very fast.

Why is progress so slow? Recent EY research into gender parity (to be published in Spring 2016) suggests that few companies are measuring and reporting on gender diversity in leadership. This, to me, says it all: shine a spotlight on a behavior and it changes. And the reverse is also true.

But I'm a practical person. What should utilities be doing here and now? This year we spoke with headhunter Kay Fuhrman, a partner in the executive search firm Heidrick & Struggles, about current practices in board recruitment (see page 8). From this and other conversations I've had, it's clear that leaders need to be encouraged to look beyond their own networks when recruiting future candidates.

In these times of disruptive change, as the sector undergoes fundamental transformation, diverse leadership teams make good business sense. And they're needed now. While diversity comes in many forms beyond gender – such as age, ethnicity, sexual orientation and nationality – getting women into leadership is an obvious starting point for P&U. We've suggested some steps for utilities to take on page 10.

So the upshot is this: put gender on your agenda in 2016. It makes good business sense. And the end result will be a better working world for all of us.

Yours sincerely,

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

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2016 Index results

The latest numbers are in: 16% of board members in the top 200 utilities are women. With a 1% rise over three years, progress is upward but lackluster. We have a new top 20 list of the most gender-diverse utilities.



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Regional top performers

Here we list the top three utilities for gender diversity in each region, and provide a breakdown of female board executives by region as well.



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What are boards looking for?

While utilities are definitely asking for a candidate list that's diverse, the practice of insisting on CEO and CFO experience means the majority of candidates will be male. Kay Fuhrman of executive search firm Heidrick & Struggles lays out what it takes to be board ready.



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More women in leadership = better business performance

For the second year running, we have run ROE analysis on the top 200 utilities. And for the second year running, the top 20 gender-diverse utilities significantly outperformed the bottom 20, confirming the now widely accepted relationship between gender diversity and financial performance.



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Next steps: take action

It's time to put gender on the agenda. Three things every executive can do immediately to bring gender parity forward are:

1. Sponsor potential female leaders
2. Make your culture more inclusive
3. Look at your entire talent pipeline

We also suggest some questions to put to your board.

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Appendix: methodology and glossary

2016 Index results

EY's 2016 Women in *Power and Utilities Index* tracks the number of women in the boardrooms of the world's largest utilities in revenue. This year, there are 16% women on P&U boards, with progress a painfully slow rise of only 1% over three years.

EY's Women in P&U Index analyzes the boards and leadership teams of the top 200 utilities by revenue across the globe. The Index provides a baseline for measuring how much – or how little – the sector progresses each year.

Figure 1 shows that P&U numbers are creeping upwards, but progress is slow. The trend in the 2015 Index was negative for both non-executive directors and total board members. At the current rate of a 1% rise every three years, it would take as long as 42 years to reach 30% women on boards, and 72 years to reach 40%. That's too long.

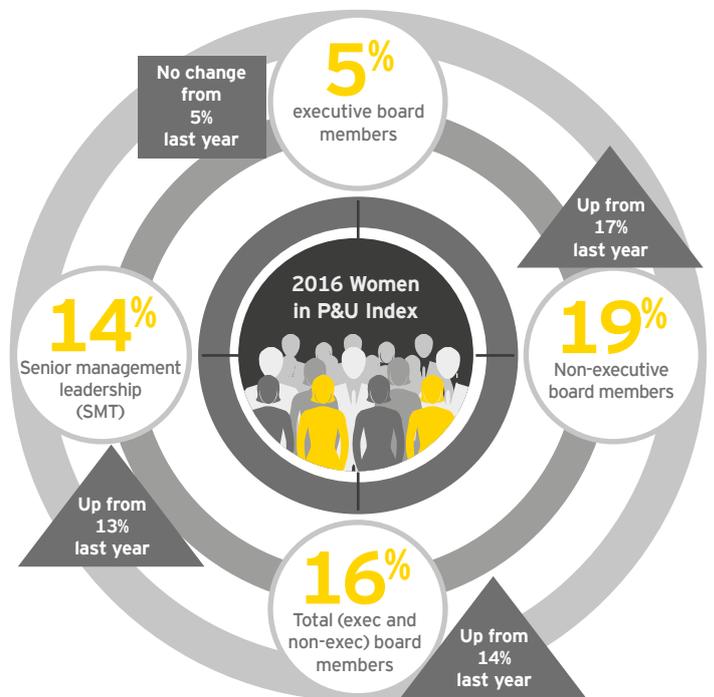
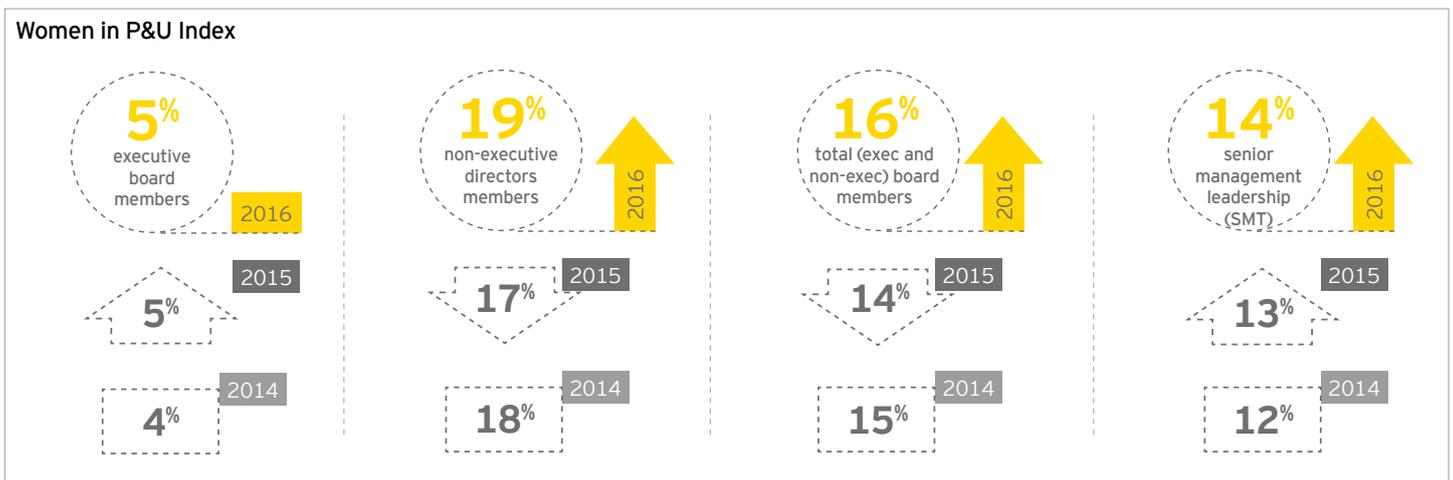


Figure 1. Progress over three years



At the current rate of a 1% rise every three years, it would take as long as 42 years to reach 30% women on boards, and 72 years to reach 40%. That's too long.

Looking at progress over three years, the only statistic that has continued to rise year-on-year is the proportion of women in the senior management team (SMT). The fact that this represents the pipeline of future women leaders is encouraging. And hopefully, as it continues to grow, it will do away with the myth that there aren't enough qualified female candidates out there. They exist, but executives need to look beyond their current networks to spot them.

Top 20 utilities for gender diversity

To provide a ranking of gender diversity in leadership, we assign a weighted score (see methodology on page 11 for more detail) to each utility for the number of women in executive positions. Board executives receive the highest weighting, followed by the SMT, non-executive directors, business unit leaders (for generation/transmission/distribution/retail only) and members of the audit committee.

The top 20 most gender-diverse utilities from the Index are shown in Table 1. Topping the chart is China Resources Power Holdings Co., where women account for two of three board executives and one of eight non-executive directors. The utility also has one woman who is on its SMT and the head of generation (thermal power). In December 2015, China Resources Power Holdings Co. was awarded "Outstanding Practice" for the Corporate Social Responsibility Award by *China Business News*.

Second place goes to the US's Sempra Energy (2015 ranking: 3) and third to France's ENGIE (previously GDF Suez, 2015 ranking: 4). Following a tough year that involved many leadership changes, the 2015 Index leader Eskom (South Africa) moves to sixth place.

Geographically, the US makes the strongest showing, with 8 utilities in the top 20, followed by Europe (including Russia) with 7. On page 7, we show the top three utilities for gender diversity by region.

Once again this year, there was a great deal of movement in and out of the top 20: 9 of the top 20 utilities shown in Table 1 did not appear in last year's top 20 listing. Coming in at number five is EnergyAustralia, an electricity and gas provider where women represent 3 of 8 board members and 4 of 9 members of the SMT.

Table 1. Women in P&U Index top 20

2016 ranking	Company name (2015 top 20 ranking)	Country	Diversity score
1	China Resources Power Holdings Co. (9)	Hong Kong	3.40
2	Sempra Energy (3)	United States	2.73
3	ENGIE (4)	France	2.60
4	Duke Energy Corporation (2)	United States	2.53
5	EnergyAustralia	Australia	2.40
6=	CMS Energy Corp.	United States	2.00
6=	Eneco Holding	Netherlands	2.00
6=	Eskom Holdings (1)	South Africa	2.00
9=	Ameren Corporation (5)	United States	1.87
9=	Gazprom (11)	Russia	1.87
9=	National Grid plc	United Kingdom	1.87
12	National Grid USA	United States	1.80
13=	DONG Energy AS	Denmark	1.73
13=	YTL Corporation Berhad (8)	Malaysia	1.73
15=	American Electric Power Co. (16)	United States	1.67
15=	Empresas Públicas de Medellín (15)	Colombia	1.67
17=	Acquirente Unico	Italy	1.60
17=	Statkraft (7)	Norway	1.60
19=	Berkshire Hathaway Energy Company	United States	1.53
19=	MDU Resources Group	United States	1.53

Utilities that have moved up the Index because of significant female appointments include:

- **CMS Energy (6):** appointed Patricia Poppe as Senior Vice President of Distribution Operations, Engineering and Transmission, and Myrna Soto and Deborah Butler as non-executive directors. As of July 2016, Patricia Poppe will be appointed as President and CEO.
- **ENGIE (3):** appointed four women (Marie-Jose Nadeau, Barbara Kux, Catherine Guillouard and Mari-Noëlle Jégo-Laveissière) as non-executive directors

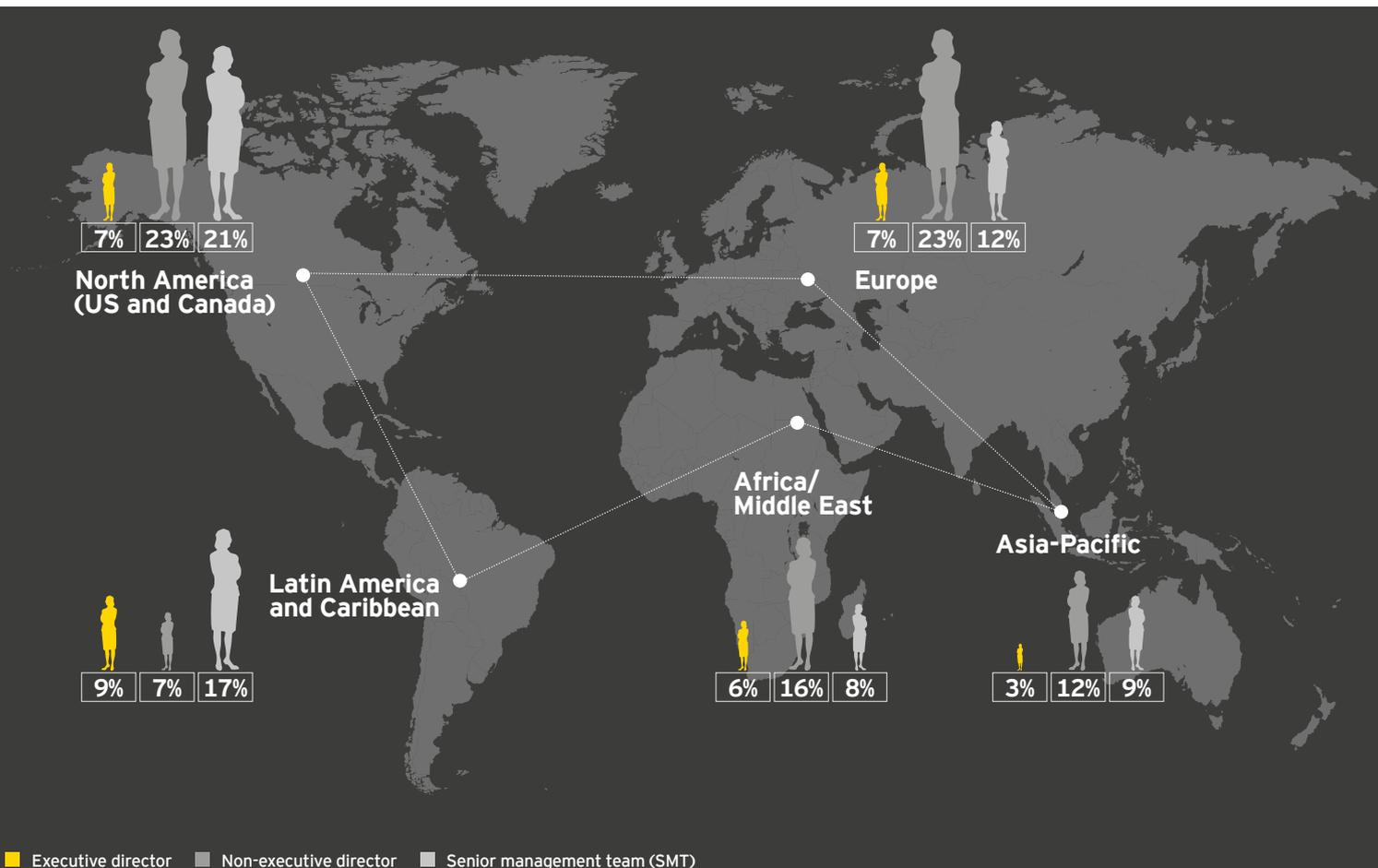
Regional top performers

So which are the most gender-diverse utilities in each region? And which continent has the most women board executives? The answers may surprise you.

There are significant regional differences in the number of women in key leadership roles across regions, due to a combination of macro factors such as government mandates and cultural differences.

Figure 2 shows the regional breakdown of women in strategic roles at the top 200 global utilities.

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



Latin America and Caribbean is the only region to have more women in executive than non-executive board roles.

For executive directors, the Americas (Latin America, the Caribbean and North America) have higher female representation, closely followed by Europe. Africa/Middle East (6%) has double the executives of the Asia-Pacific region (3%), where all-male boards are still prevalent in some countries. Government mandates on gender diversity are relatively new to Asia-Pacific and, in some countries, cultural factors remain an issue.

For non-executive board members, North America and Europe top the list, followed by Africa/Middle East. The relatively high percentage of female non-execs in Europe may result from government mandates to make boards more gender diverse, as well as increasing attention from shareholders and the public to the issue of women in leadership. Where quotas exist, companies have historically tended to appoint women in non-executive roles; this may account for Europe's lower percentage of women in the SMT (12%) vs. North America's (21%).

Latin America/Caribbean is the only region to have more women in executive than non-executive roles. It is also encouraging to see the high percentage of women in the SMT (17%).

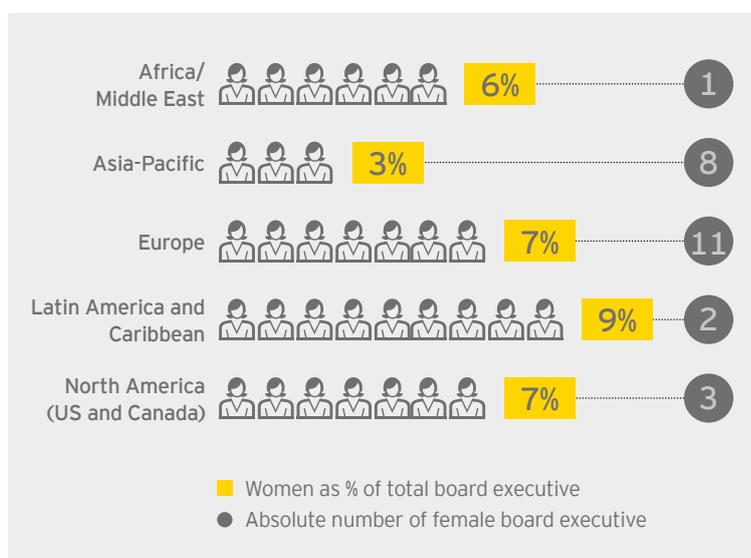
Table 2. Top three utilities for gender diversity by region

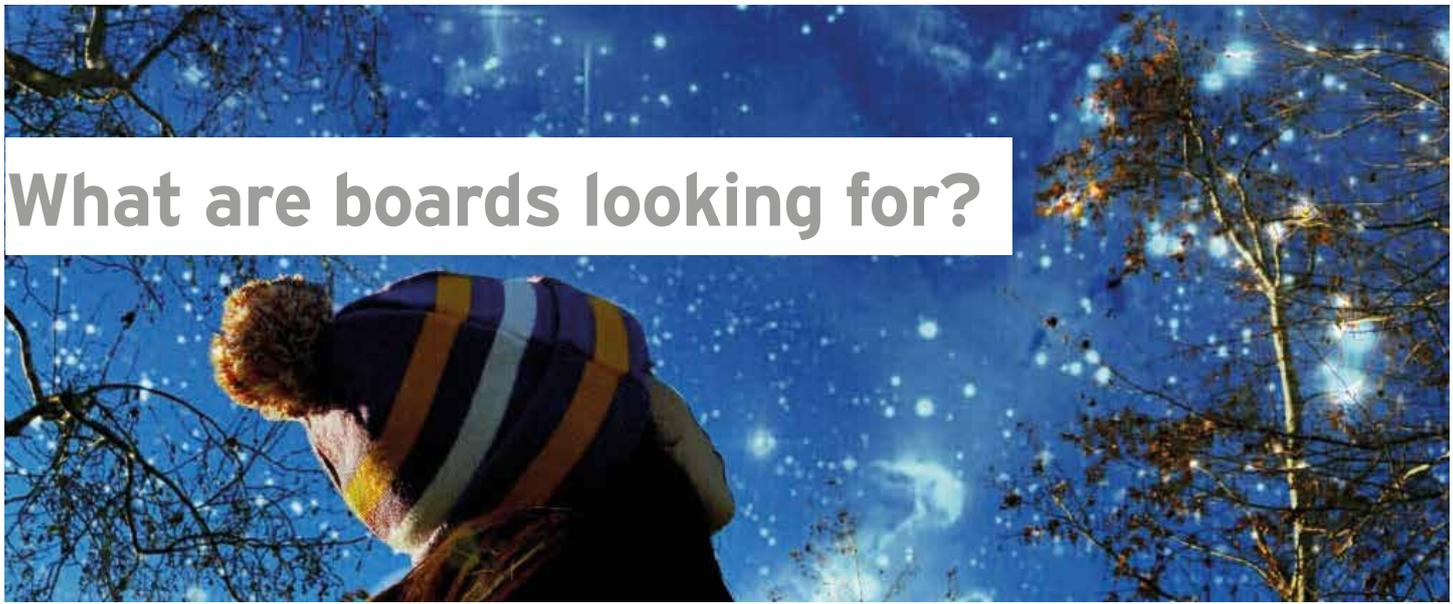
2016 rank in top 200	Region/utility	Country	Score
Africa/Middle East			
6=	Eskom Holdings SOC Limited	South Africa	2.00
53	Electricidade de Moçambique	Mozambique	1.00
82	Israel Electric Corporation Limited	Israel	0.67
Asia-Pacific			
1	China Resources Power Holdings	Hong Kong	3.40
5	EnergyAustralia	Australia	2.40
13=	YTL Corporation Berhad	Malaysia	1.73
Europe			
3	ENGIE	France	2.60
6=	Eneco Holding	Netherlands	2.00
9=	Gazprom	Russia	1.87
9=	National Grid plc	United Kingdom	1.87
Latin America/Caribbean			
15=	Empresas Públicas de Medellín	Colombia	1.67
23	Neoenergia	Brazil	1.40
25	CPFL Energia	Brazil	1.33
North America			
2	Sempra Energy	United States	2.73
4	Duke Energy Corporation	United States	2.53
6=	CMS Energy Corp	United States	1.87

Which region has the most women board executives?

Board executives are where the greatest influence and decision-making power on a board reside. They are the people running the assets. For women to make real inroads into the business of P&U, they must be represented in this population.

Globally, there are 25 women board executives in the top 200 utilities. Latin America has the highest percentage of female board executives (9%) in its region. But in absolute terms, Europe has the greatest number of board executives, with 11 of the 25. This is primarily due to differences in board structure, as many utilities in Europe and Asia-Pacific have multiple executives (CEO, CIO, CFO and so on) on the board. While European utilities tend to have 2 to 6 board executives, there are 10 utilities in our Index with 10 or more board executives: 9 are in Asia-Pacific and 1 is in Latin America. In the US, utilities usually have only one board executive: the CEO.





What are boards looking for?

More utilities are seeking to improve board diversity, but the top ask is still for CEO and CFO experience – and that population is still primarily male.

Article by Kay Fuhrman, Partner, Heidrick & Struggles.

For the vast majority of board placements in P&U, the No. 1 ask is for sitting or recently retired CEOs; the second is sitting or previous CFOs. Given that the majority of executive leaders in this industry have come up through the ranks over the past four decades, these candidate lists are predominantly male. In general, boards source candidates from their own networks, advisors and executive search firms.

We are seeing more interest in diversity from P&U clients. In the US, 30% of the total independent (non-executive) directors appointed in 2014 at FORTUNE 500 companies were female.¹ It's always exciting and rewarding when we see progress by strong, capable, motivated, ambitious women who are growing and succeeding in their careers.

So how can aspiring women differentiate themselves and get onto the list? Well, it really comes down to skill sets. Women need to be thoughtful about how they develop expertise and understand how this expertise aligns with the priorities of the boards they are interested in.

“To stand out and be noticed, have a point of view. It doesn't have to be polarizing. But don't fall into the trap of trying to be all things to all people.”

Kay Fuhrman

For example, two skill sets we didn't recruit for 10 years ago are cybersecurity and culture. Cybersecurity is so fast-moving that people with IT and security skills are highly valued by utilities, to complement other skills on the board. Second is the impact of organizational culture and leadership on operating results and financial performance, for example, how to engage employees and create a thriving, productive culture.

Candidates with executive experience of leading a company through a significant transformational change, or executives from data-centric, high-transaction, highly mobile and digital industries will move up the list.

So many people want to be considered for boards that women need to set themselves apart with very specific experience. My advice to aspiring women is:

1. Be extraordinary at your current job.
2. Think about the collaboration model, and how you work across your organization. You need to develop and demonstrate impact and influence.
3. To stand out and be noticed, have a point of view. It doesn't have to be polarizing. But don't fall into the trap of trying to be all things to all people. Be thoughtful, have a point of view and share it.
4. Take lateral moves. If you stick to one area of the business, you will reach a point where you're blocked. That won't happen if you move across the organization and broaden your operational and functional experience. This also puts you in a better position to have a point of view because you have been part of the broader organization.

Kay Fuhrman is a partner at Heidrick & Struggles, a global firm leading executive search assignments for board candidates and C-suite executives. Fuhrman specializes in the power and utilities sector.

1. Board Monitor: Four Boardrooms Trends to Watch, Heidrick & Struggles International Inc., 2015.

More women in leadership = better business performance

Having women on the board makes good business sense. It's a performance issue with bottom-line impact. It's true across sectors, and it's true for P&U.

There is a well-documented body of evidence that shows the links between the presence of more women on the board and increased profitability, return on investment and innovation. Well-known global organizations have done the analysis, and we've presented it in previous issues of the Index.

Recent additions include:

- ▶ EY's 2015 *Women. Fast Forward* study, in which 64% of high-performing companies reported that men and women have equal influence on strategy in their organizations, compared with only 43% of the lower-performing companies.
- ▶ Index provider MSCI's research, which revealed a 36% better return on equity for boards with more women (based on the 1,643 companies that make up the MSCI World benchmark). It also concluded that companies lacking board diversity tend to suffer more governance-related controversies than average.²

More women = higher return on equity (ROE) for utilities

For this year's Index, we once again compared the ROE for the top 20 most gender-diverse utilities with the bottom 20.

We chose to measure ROE (the ratio of net profit to shareholders' equity) because it reflects actual performance, management efficiency, sales growth and changes in capital costs. Higher ROE translates into higher returns for shareholders, as it implies that

each unit of equity invested produces higher returns. However, high ROE could mean either high returns or a lower share capital base. ROE is a particularly important measure for utilities as several utilities are subject to regulated maximum returns, and efficient operations can result in better ROE.

What we found was this: the top 20 most gender-diverse utilities significantly outperformed the bottom 20 in terms of ROE, with a 1.07% difference in ROE between the two groups. Given that utilities are so asset-heavy, this difference in ROE is significant as it could result in millions less in profit.

The fact that similar conclusions have been reached in two different years (the 2015 Index showed a 1.5% difference between the two groups) with two different data sets strengthens the conclusion that gender diversity in leadership is tied to better business performance for P&U.



2. 36% better return on equity for boards with more women," *Financial Times*, 6 December 2015, www.ft.com/cms/s/0/7325af98-9a9d-11e5-a5c1-ca5db4add713.html#axzz3wyDKVrqM - accessed 11 January 2016.



Next steps: take action

It's time to put gender on the agenda. Here are three things your organization can do immediately and some questions to ask of your board.

The evidence is clear – greater gender diversity on the board delivers business benefits that P&U needs more than ever as it faces disruptive and transformative changes.

But soon-to-be-published EY research shows that few utilities are putting in place structured programs to support women in leadership. Nor are they measuring and reporting on gender diversity. These have to happen to create any meaningful change. Without facts and disclosure, people are left with anecdotal evidence and personal perceptions (or misconceptions).

In the 2016 Index, there were 345 female board members in a total of 2,149 people, or 16%. To reach 40%, assuming the same number of total board members, 515 more women would need to be appointed to board positions. We've made a gain of 38 this year – but how long will it take to get to 515?

And for every 5% increase in women board executives, another 24 women would need to be appointed board executives. We are no further ahead than last year. Again, how long will it take to reach even 10%?

The good news is there are things that all leaders can do today. Three steps executives can take immediately are:

- 1. Sponsor future female leaders and encourage other senior leaders – male and female – to do the same.** If you're not aware of promising women in the pipeline, seek them out. Help to open doors to new opportunities and encourage women to stretch themselves. Two common career-limiting tendencies mentioned by female P&U executives in our Inspiring Women series are "waiting to be noticed" and "underestimating their capabilities." Help to correct these tendencies and shape the next generation of leaders.
- 2. Make your culture more inclusive.** By this I don't mean a one-off event or a tacked-on low-priority initiative. I mean figuring out how to offer real workplace flexibility for all employees,

and ensuring there's no penalty if employees take up the offer. Consider how to recruit more women into operational roles. Tackle unconscious bias and measure gender diversity so that your people can exchange facts, not opinions.

- 3. Look at your entire talent pipeline.** While the Index measures women in leadership, it's just as important to examine what is happening below board level. For example, while there are good numbers of girls studying STEM subjects at university, few are entering utilities on the operational side. Build a real culture of support at all levels, especially in recruitment and performance management in those early years, and it will pay off throughout your organization.

Longer term, there are more considered strategies, measures and policies that executives can implement to improve gender parity. Here are some questions to put to your board to get the conversation started in earnest:

- ▶ Board candidates are often sourced from existing members' networks – how can we avoid appointing "more of the same" and challenge the status quo?
- ▶ What gender diversity measures do we report on? What are the high performers doing?
- ▶ Do our female employees value the initiatives we've put in place to identify and promote future women leaders? How do we know what they think?
- ▶ Have we identified a talent pipeline several levels below the board? What is our approach to ensuring it is gender balanced?
- ▶ When and why do women leave our company? Are we losing women with the potential to run the company?

Every business leader can make a choice to optimize his or her full workforce by making gender parity a reality – faster. At EY, we are on our own journey with more work to do. Why wait to adopt a business opportunity with this much potential?

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 December 2015 and represents a snapshot accurate at that time.

To create the *Women in P&U 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 teams, non-executive board members/independent directors, business unit leaders and audit.

As in the 2015 Index, we tuned the ranking model to reflect the pace of change within the sector. Each year, we rank the utilities, taking into account the collective average of women in decision-making positions in the industry and rewarding those who stand above the average.

Glossary

Corporate governance structures are complex and vary across the world. Several countries have structures adapted in accordance with national regulations. We have tried to harmonize variations within corporate governance structures using the following broad definitions:

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 executives (typically the CEO/Chair): the people responsible for day-to-day management of the utility who have a seat on the board.

Non-executive directors (also called external directors, independent directors or outside directors): members of the company's board of directors who are not part of the executive team, and typically are involved only in policymaking and planning exercises. They are external to the company, and they function in a supervisory role.

Senior management team (SMT): the executive management of the company, including the CEO, CFO and equivalent roles (designation varies from region to region with terms such as Executive Director and Managing Director commonly used). Typically, this group will comprise 5 to 10 individuals with ultimate responsibility for the day-to-day running of the company. We identify the SMT as an indicator of the utility's pipeline of future women leaders.

Business units (BU): this refers to how the company is organized below the level of the board and the senior management team. For the purposes of the Index, we looked at people heading the business units vital to the power sector: 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.

Audit: The team responsible for choosing the external auditor, deciding on auditor remuneration and overseeing the audit process for the company. Typically, they are part of the board as non-executive directors.

If executives 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.

For more information on EY's Women in Power and Utilities Index, go to our website ey.com/womeninutilities

To learn more about EY's programs for women, share your ideas and get involved, go to ey.com/womenfastforward

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