

Corporate governance

ESG

Sustainability Research

Board diversity: Don't leave home without it!



Sustainability Research

Understanding diversity the key to growth?

Diversity is now a key proxy for assessing the ability of companies to develop or sustain their leadership, skills and expertise in areas outside their domestic markets, from a business culture point of view. This is particularly important where significant future revenue growth is dependent upon revenue from emerging markets.

Analysing the diversity gap at management and board level

Our research universe of the 50 largest European companies by market cap has significant exposure to emerging markets, but there is a clear discrepancy with the number of emerging-market directors on their boards or in their senior management teams.

The value of diversity: our top picks

We believe that good diversity ensures that the experience and expertise on the board should reflect the revenue and risk exposure of the business, leading to less volatility and improved corporate performance. We identify **ABB, Anglo American, British American Tobacco, Rio Tinto, Royal Dutch Shell, SABMiller, UBS and Unilever** as companies that we believe positively link geographic revenue exposure with diversity at board and management level.

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Executive summary

Future-proofing company leadership

Our research now points to a link between greater diversity at board level and a company's positive financial performance. Up to the present time, diversity as a topic has largely been focused on gender balance; nevertheless, other aspects such as nationality can increasingly be seen as a means to bring a broader range of views and experiences to bear in the leadership of European companies. As such, we analysed corporate diversity among the largest 50 European companies by market capitalisation.

Our analysis shows that European nationals make up 84% of board directors at the fifty largest European firms, even though a significant proportion of tomorrow's economic growth will come from outside Europe.

The results suggest that companies need to adjust their senior management and boards so that they may more effectively challenge their latent domestic bias in order to improve their chances of success in emerging markets.

The European diversity story so far

Larger European companies are now truly global: many have strong footprints in North America and are seeking to extend further into emerging markets like Africa, Asia and LatAm. We believe five factors have contributed to the shift into emerging markets: the search for growth, diversification, competitiveness, sources of capital and access to resources.

Our research suggests that companies in our sample understand the diversity story in terms of exposure to North America and, to a limited extent, wider Europe. Yet, as they increasingly look to emerging markets for new revenue growth, we see a growing need for board directors with a background in these markets that should be clearly reflected in succession planning.

European Commission to the rescue on diversity?

The European Commission is preparing to introduce a directive that will require listed European companies to disclose a 'diversity policy' or explain why they don't need one. This positive step will help investors to understand the potential diversity gap in European companies as well as provide an incentive for these companies to highlight and improve their diversity deficiencies.

However, companies will have the ability to opt out of this disclosure so long as they include a statement in their annual report, setting out why they believe such a policy to be unnecessary. As such, it is clear that investors will have to drive the take-up of this disclosure if increased transparency on diversity is to succeed beyond a best-in-class endeavour and become a common item of disclosure for listed companies in Europe.

Gender diversity: from best practice to regulatory obligation

Gender diversity has long been viewed as a best practice issue but recent European legislation has moved it to a regulatory obligation. France, Italy and Belgium have now passed legislation designed to encourage boards to increase the proportion of women directors. We acknowledge that gender parity on main boards particularly for non-executive directors is improving. However, there is still a disconnect at senior executive level where gender parity is often lower than on the main board. Given that any increase of women directors on the main board is somewhat dependent on the number of women at senior executive level, we find the lack of discussion concerning how to increase the number of women within the senior executive level as an issue of concern for investors.

Diversity winners and losers: what our universe tells us

In our sample universe, we identify eight companies – ABB, Anglo American, British American Tobacco, Rio Tinto, Royal Dutch Shell, SABMiller, UBS and Unilever – whose main boards we consider reasonably diverse and representative of their geographical revenue diversity given the companies' activities.

We believe that good diversity ensures that the experience and expertise on the board reflect the revenue and risk exposure of the business, leading to less volatility and improved corporate performance. In fact, we believe that beyond revenues, investors should also consider a company's production and supply chain exposure.

Finally, our research suggests that good diversity is not sector-dependent. Instead, it appears to be highly correlated to the business' country of origin. As such, our analysis suggests that British, North European and Swiss companies generally do better on diversity than their German, French, Italian and Spanish peers.

We believe investors should look beyond revenues, and consider production and supply chain exposure

Future-proofing company leadership

The larger European companies are truly global, with significant footprints in North America, extending to emerging markets in Africa, Asia and Latin America. The geographical diversity of European companies is a long-term trend based on structural drivers that are likely to push it further – it is the new reality.

The 1990s saw a rapid transformation of the larger European companies from domestic or regional players to companies that are now better described as rooted in Europe but with a global outlook. European companies have adapted their business strategies to take account of globalisation and embrace the benefits of globalisation as a means to continue to generate long-term shareholder value.

The globalisation of European companies

Most European companies are seeking growth outside Europe. In particular, many are predicating future growth on the increasing development of the BRIC countries and emerging markets and their consequent need to upgrade infrastructure and satisfy the consumer demands of an emerging middle class. The factors underlying the geographical shift of European companies include the following:

Diversification

Companies are increasingly adopting a model of geographical diversification to lower risks and smooth volatility of returns. The basic idea is to find decoupled geographies so that a bull market in one region can offset a bear market in another. Spanish banks and their Latin American strategies are good examples of this, whereby a mature home market is balanced by Latin American markets offering growth potential due to relatively lower levels of banking service penetration.

Competitiveness

Companies are internationalising their supply chain, seeking to benefit from the competitive advantages offered by different countries and outsourcing manufacturing activities to countries with lower manufacturing costs.

They are also taking advantage of the development of skilled talent outside Europe. The oil & gas industry, for instance, faces a major skill shortage,¹ with the supply of skilled petroleum engineers in Europe and North America unlikely to match the labour demand generated by increasing oil & gas production in the next few years. The future for the industry is thus in emerging markets, where a pool of talented engineers is growing. European companies will need to compete with national oil companies to attract and retain skilled talent if they want to remain competitive. A similar trend is also likely to affect other industries relying on engineers, such as chemicals, nuclear and mining.

**Geographical diversity
the new reality...**

**... underpinned by a
range of factors**

¹ AXA IM Skill Shortage report

Sources of capital

Globalisation also affects capital structures with an increasing representation of foreign investors in the share capital of European companies. Research by the Federation of European Securities Exchanges shows that 37% of European listed companies are held by foreign investors – up from 33% in 2005.²

This trend means that boards need to be more sensitive to the views of investors outside their home market but also outside Europe.

Access to resources

Historically some industries like oil & gas or mining have had major asset exposure to developing countries, particularly in the Middle East and Africa. The geography of oil & gas production has radically changed over the past decade. With unconventional types of resources, such as deepwater or shale gas reserves, becoming economically viable to exploit, production has become much more geographically diversified. For instance, companies are developing new deepwater fields in Brazil, and shale gas operations in China, where oil & gas activities were previously limited.

These factors are not transitory and we believe that their impact on European companies will become even more significant in view of the challenging economic circumstances facing European companies in their traditional home markets.

The fit-for-purpose board

The UK Corporate Governance Code states that "The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard to the benefits of diversity on the board, including gender."

Likewise, the Association Française de la Gestion Financière (AFG) recommends that the composition of the board should be diversified in terms of educational background, nationality, gender, etc, as diversity entails a better functioning.

We believe companies should think holistically and systematically about their present and future geographical footprint and integrate this information into their board planning. A company's strategy and the resulting geographical footprint of its activities should be taken into account in determining the backgrounds, skills and experience needed on its board to ensure that its strategy is appropriately defined and successfully implemented.

The importance of boards to the modern corporation is very well defined. The board leads the company, oversee its activities on behalf of its owners and is collectively responsible for the long-term success of the company³. The board's success in delivering on objectives naturally depends on having the right mix of directors. It is therefore essential that individual directors have the right skills, background and experience to enable the board discharge its collective leadership function.

37% of European listed companies held by foreign investors

For many companies, the continued ability to generate sustainable shareholder value depends on how well they can manage the impacts of markets outside their home base

Long live meritocracy!

Corporate governance codes promote diversity

²http://www.bourse.lu/contenu/docs/commun/societe/Actualites/2008/FESE_SHARE_OWNERSHIP_SURVEY_2007.pdf

³ The UK Governance Code June 2010

At a minimum the board needs to comprise a range of directors who, individually and collectively, understand the company's strategy; can contribute their knowledge and expertise to the development of its businesses; understand the environment in which it operates; have a knowledge of the markets where it conducts its businesses; are aware of the risks associated with the strategy; and have insights into the different stakeholders, including regulators, customers and shareholders and wider society, whose views impact on the company or whose support is necessary for its continued success⁴.

In view of these important responsibilities it is necessary for shareholders to consider whether companies are taking account of their future and current strategies and the impact of globalisation on such strategies in determining the experience, skills and backgrounds that are required for the boards to effectively carry out their leadership, monitoring and oversight functions on behalf of shareholders.

Having the right international and geographical expertise on the board becomes even more crucial when companies move away from their traditional home markets. This is especially important as the emerging markets where European companies are increasingly focusing have been identified as having particular complexities.

This means that having the skills and knowledge relevant to these markets on the board can be a differentiating factor between companies who manage to implement their strategies successfully and those that don't.

As companies become more global, we believe their strategies and the resulting geographical footprint of their activities should be important considerations when reviewing the skills and experience needed on the board. This requires the nomination committee to consider as part of its process the geographical diversity of the company's activities and integrate this into the board planning procedure to ensure that the company continues to have a 'fit-for-purpose' board.

This means taking account of a range of factors that determine the geographical footprints of the company and are important for its continued success in maximising shareholder value. The necessary factors will depend on a company's particular circumstances but may include: where the company derives its revenues; to which regions its supply chain is most exposed; where its employees and production units and other assets are located; etc. This of course is an evolutionary process. While it is necessary to consider the current shape of the company's geographical footprint, the board should also take account of the company's evolving strategy and how that would impact on its future geographical footprint.

Taking account of these factors and assessing the relative importance of different geographies to the achievement of the company's strategy should be important inputs in determining the relevant geographical knowledge needed on the board, and should feed directly into the board appointment process.

Bottom-up diversity

⁴ Review of the role and effectiveness of non-executive directors; Higgs p.28

A systematic integration of these and other relevant factors will ensure that the composition of the board is business-led and the company leadership is influenced by "bottom-up", diversity which is board composition rooted in the diversity of the company's activities.

Beyond the board: implications for executive management

Management diversity also matters. While a lot of attention is focused on boards, management's role in implementing the company's strategy will also benefit from better alignment with the company's geographical exposure. Of course, most executives of large European companies have had extensive experience of international mobility in many regions but, however valuable, international mobility sometimes is not enough. Understanding of a culturally distant region can hardly be gained in just a few years of work abroad.

Another reason why geographical diversity is needed in top management is that it sends a signal to employees on the company's commitment to equal opportunities. With European companies having employees of increasingly diverse nationalities, showing employees that they are well represented at the top is a key motivational issue.

In addition, management diversity improves retention as it sends a message to employees about internal progression even if they are not from the host country; ie that the hierarchical structure is not biased. This may help companies retain investments they make in employees.

Leading companies are increasingly focusing on this aspect, moving from a diversity to an "inclusion" agenda – making sure the organisation is equally diverse at all levels and integrates well all employees.

This is also true for future employees. A recent AXA IM study, "Mind the gap: experienced engineers wanted", showed that the oil & gas industry will increasingly have to rely on talents from emerging markets. Indeed, the supply of new engineering graduates is getting narrower in industrialised countries, the traditional source of oil & gas engineers, while developing countries are ramping up their higher education capacities. In addition to this trend, perceptible also in other industries, globalised companies are also increasingly resorting to the use of local labour rather than expatriates.

The "diversity premium"

A number of recent studies have explored the potential link between corporate board diversity—which entails a mix of nationalities, backgrounds and gender balance—and a company's performance. According to McKinsey & Company, in "companies ranking in the top quartile of executive board diversity, ROEs [returns on equity] were 53% higher, on average, than they were for those in the bottom quartile. At the same time, EBIT margins [earnings before interest and taxes divided by net revenue] at the most diverse companies were 14% higher, on average, than those of the least diverse companies⁵."

⁵ Is there a payoff from top-team diversity? Thomas Barta, Markus Kleiner, and Tilo Neumann. McKinsey & Company, April 2012.

**Demonstrating a
commitment to
equal
opportunities**

While it is difficult, to demonstrate a causal relationship between board diversity and company performance, there is reason to believe that certain factors may be at work that contribute to a company's success. There is academic support for the idea that diversity improves decision-making by fostering creativity and innovative problem solving—effectively reducing the risk of groupthink (a breakdown in group decision-making whereby a set of individuals succumb to the illusion of invulnerability, favouring minimisation of conflict over critical assessment of issues).

Stanford academics Deborah Rhode and Amanda Packel propose three main justifications for the role of diversity in improving decision-making. First, the inclusion of individuals with different strengths or abilities ensures a fairer representation of capabilities that may prove valuable to the discussion. Second, diversity can have a positive contribution by generating cognitive conflict—differing opinions, knowledge, and perspectives—that result in a more thorough consideration of a wide range of interpretation, alternatives, and consequences⁶. This may improve the board's capacity to challenge the CEO when needed. Third, the presence of visibly diverse members enhances a group's ability to handle conflict by signalling ahead of time that differences of opinion are likely.

Kickstarting diversity... enter the European Commission

On 16 April 2013 the European Commission adopted a proposal for a directive aimed at improving transparency of large European companies on social and environmental issues. We note that transparency on diversity is a significant part of this new directive.

Furthermore, it is clear that while some member states have sought to increase transparency on environmental and social issues that go beyond the new directive there is still very little disclosure (even from member states such as the UK who are leaders on ESG disclosure) concerning board diversity, particularly the geographical diversity of the board and how this relates to present and future strategy.

This is positive step in our view as the European Commission outlines a number of rationales for increased diversity that we highlight and discuss in greater detail in this report. For instance, one of the EC's main arguments concerning the diversity gap is that a lack of diversity on the board creates a narrow 'group-think', making it harder to conduct a wider debate on issues and to innovate, and more significantly, hampering the board's ability to challenge and monitor management effectively, resulting in companies that are less well managed, less inclusive and that therefore contribute less growth.

Our research suggests that investors' ability to understand the diversity gap is hindered by lack of transparency and disclosure on diversity, which we believe this new directive should begin to address.

Under the new EU directive, listed EU companies will be required to disclose a diversity policy in their annual report, which will provide information on age, gender, geographical diversity and educational background. This policy must be included in the governance section of the annual report and must include objectives and details of how the policy has

⁶ Rhode & Packel, 2010.

been implemented. However, the directive is not compulsory and companies can opt out as long as they explain why they believe they do not need a diversity policy.

Investors will clearly need to drive the diversity story!

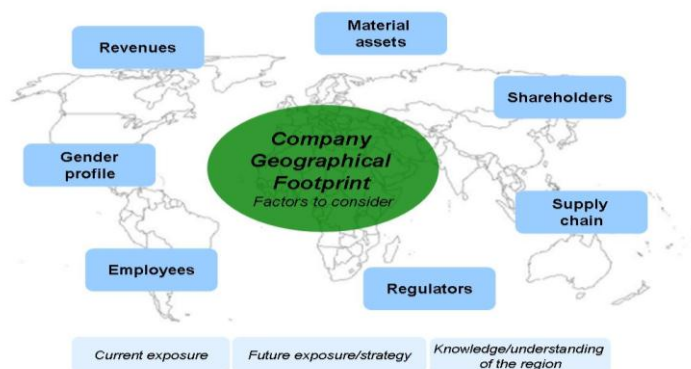
The decision to allow companies to opt out of having a disclosure policy means there is some scope for companies to provide boiler-plate statements to avoid thinking about the 'diversity' issue or for companies to fail to link their strategic and geographical revenue footprint to the diversity and skillset of the board and senior management. As such, investors will be the most critical component of the drive towards more diverse and innovative boards.

The European diversity story

In this section we assess the diversity of the boards and senior management of the 50 biggest European companies by market capitalisation and ask whether it reflects the geographical diversity of their strategy and activities.

Assessing a company's geographical footprint

Chart 1: Corporate footprint



Source: AXA

The purpose of this research is to identify whether the diversity of boards and executive management is correlated to both current geographical revenue streams and future strategic needs

Geographical revenue exposure

Each company follows a particular path to internationalisation. Taking account of a range of factors that determine the geographical footprints and assessing the relative importance of different geographies to the achievement of the company's strategy should be important inputs in determining the relevant geographical knowledge needed on the board, which should feed directly into the board appointment process. A systematic integration of these and other relevant factors will ensure that the composition of the board is business-led and the company leadership is influenced by "bottom-up" diversity; ie board composition is rooted in the diversity of the company's activities.

"Bottom-up" diversity is rooted in the diversity of the company's activities

Board and management geographical experience

We identified the nationality and expertise of board directors and senior executives on each of the boards within our research universe. We focused on nationality for a number of reasons:

Many companies disclose the nationality of their directors and senior executives.

- Disclosure of geographical experience is very patchy (we have taken account of this when available).
- Nationality can be used as a reasonably proxy for geographical experience.
- Nationality is the most objective element to determine international experience.
- While the long-term experience of expats in a country can yield valuable insights, it usually cannot rival that of nationals of the country.

Gender disparity at board and senior executive level

Given the introduction of reforms in a number of European countries to increase gender parity on corporate boards, we looked at the level of gender balance within the main board and senior management teams.

Table 1: Diversity universe by market cap

Name	ICB sector name	Market cap (EUR bn)
ABB LTD-REG	Industrial Engineering	36 518
ALLIANZ SE-REG	Nonlife Insurance	38 031
ANGLO AMERICAN PLC	Mining	41 615
ANHEUSER-BUSCH INBEV NV	Beverages	74 867
ASTRAZENECA PLC	Pharmaceuticals & Biotechnology	46 710
BANCO BILBAO VIZCAYA ARGENTA	Banks	33 116
BANCO SANTANDER SA	Banks	54 562
BARCLAYS	BANKS	38 170
BASF SE	Chemicals	55 063
BAYER AG-REG	Chemicals	43 812
BAYERISCHE MOTOREN WERKE AG	Automobiles & Parts	41 059
BG GROUP PLC	Oil & Gas Producers	56 823
BHP BILLITON PLC	Mining	151 970
BNP PARIBAS	Banks	39 046
BP PLC	Oil & Gas Producers	103 709
BRITISH AMERICAN TOBACCO PLC	Tobacco	69 411
DAIMLER AG-REGISTERED SHARES	Automobiles & Parts	44 973
DEUTSCHE TELEKOM AG-REG	Mobile Telecommunications	37 721
DIAGEO PLC	Beverages	42 332
E.ON AG	Gas, Water & Multiutilities	32 436
EDF	Electricity	31 727
ENI SPA	Oil & Gas Producers	67 450
FRANCE TELECOM SA	Fixed Line Telecommunications	30 052
GDF SUEZ	Gas, Water & Multiutilities	46 337
GLAXOSMITHKLINE PLC	Pharmaceuticals & Biotechnology	86 051
HENNES & MAURITZ AB-B SHS	General Retailers	40 970
HSBC HOLDINGS PLC	Banks	113 233
INDITEX	General Retailers	41 763
L'OREAL	Personal Goods	49 072
LVMH MOET HENNESSY LOUIS VUI	Personal Goods	61 725
NESTLE SA-REG	Food Producers	145 771
NOVARTIS AG-REG	Pharmaceuticals & Biotechnology	113 759
NOVO NORDISK A/S-B	Pharmaceuticals & Biotechnology	51 414
RIO TINTO PLC	Mining	88 527
ROCHE HOLDING AG-GENUSSCHEIN	Pharmaceuticals & Biotechnology	113 289
ROYAL BANK OF SCOTLAND GROUP	Banks	35 344
ROYAL DUTCH SHELL PLC-A SHS	Oil & Gas Producers	170 581
SABMILLER PLC	Beverages	45 863
SANOFI	Pharmaceuticals & Biotechnology	75 668
SAP AG	Software & Computer Services	56 093
SIEMENS AG-REG	General Industrials	65 987
STANDARD CHARTERED PLC	Banks	43 924
STATOIL ASA	Oil & Gas Producers	61 463
TELEFONICA SA	Fixed Line Telecommunications	60 404
TESCO PLC	Food & Drug Retailers	30 491
TOTAL SA	Oil & Gas Producers	94 704
UBS AG-REG	Banks	39 742
UNILEVER PLC	Food Producers	75 201
VODAFONE GROUP PLC	Mobile Telecommunications	102 879
VOLKSWAGEN AG	Automobiles & Parts	59 891

Source: Bloomberg as at December 2012

International diversity: Europe and North America - emerging markets

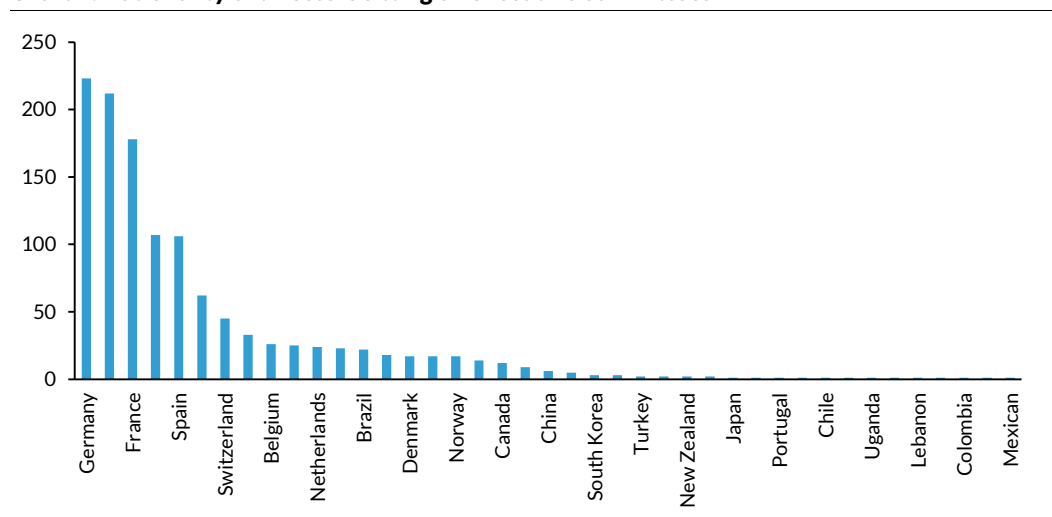
Companies understand the need for directors with relevant market background in North America and Europe (outside their home market). There is indeed a practice of appointing directors from these long established markets.

This view is reflected in our sample universe, where over half the companies are exposed to North America and a significant majority of companies, 75%, have at least one board director from North America.

Pharmaceutical companies are a good illustration of this phenomenon. All seven pharma companies in our sample (AstraZeneca, Bayer, GlaxoSmithKline, Novartis, Novo Nordisk, Roche, Sanofi) generate above 20% of revenues in North America, while AstraZeneca, Novo Nordisk, Roche and Sanofi have North America as their main market. Reflecting this exposure, they have appointed North American nationals as directors, almost two on average, in order to better position themselves there.

However, the representation of North America and Europe within executive committees is also relatively high, matching the geographical footprint of employees.

Chart 2: Nationality of directors sitting on executive committees



Source: : Kepler Cheuvreux, AXA

The future is emerging markets, but director experience remains poor

European companies are increasingly looking to emerging markets to deliver new revenue growth: for more than 50% of the companies in our sample, emerging markets represent above 20% of revenue; and most of them, even when they do not have an important exposure at present, say that at least one emerging market (mostly Asia) is of high importance in their strategy for the future.

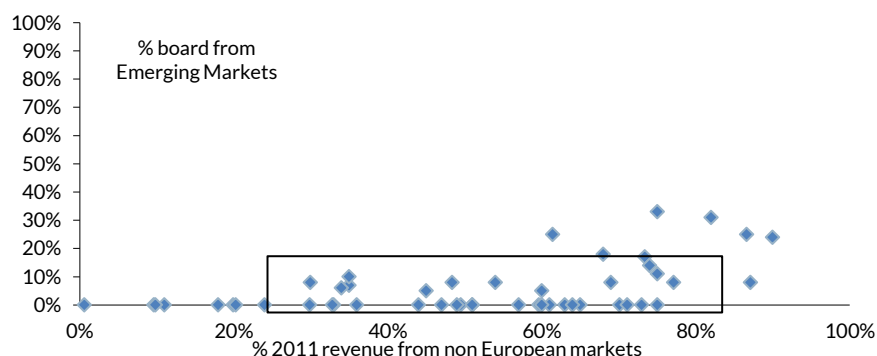
However, in most cases, the representation of directors from emerging market countries needs to improve. Directors from BRIC countries are still a small minority on boards, in sharp contrast to the role these countries are expected to play in the creation of long-term shareholder value for European companies.

While North America represents a significant proportion of European companies' geographical exposure, this looks set to change soon

Executive directors with US nationality comprise the fourth biggest group in terms of nationality behind the UK, Germany and France

The following graph highlights this emerging market gap, despite the fact that the majority of companies within our sample universe generate in excess of 20% of their total revenue from emerging markets.

Chart 3: Revenue generated outside Europe vs emerging market diversity



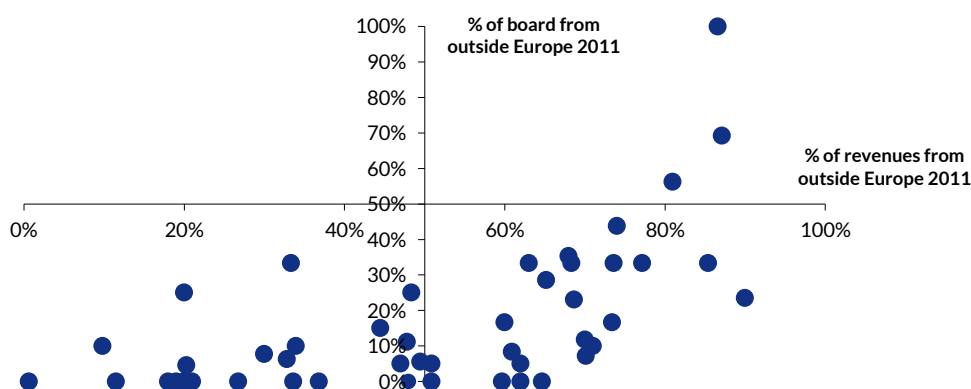
Source: AXA Investment Managers, Kepler Cheuvreux as at December 2012.

Companies within the rectangle may have significant revenue exposure outside Europe but low board diversity from emerging markets

This gap can also be observed at senior management level. Companies are increasingly resorting to production sites in emerging markets; also the trend is to move from an intense use of expatriates from Europe to the recruitment of locals including at senior management positions within the subsidiaries. However, this is poorly reflected at group senior management level, with only 15 companies having senior executives from emerging markets.

Our research suggests that for European companies with a strong revenue exposure to emerging markets, refocusing the diversity of the board to include directors with a background from such markets should be a priority for succession planning.

Chart 4: Board and company revenues ex-Europe



Source: AXA Investment Managers, Cheuvreux Kepler, as at December 2012. 49 of the 50 companies disclosed the reported information.

Chart 4 further highlights the emerging market gap at board level. Looking at the proportion of company revenues coming from outside Europe compared with the proportion of non-European board members, our analysis reveals that a number of companies show reasonable balance in terms of geographic sources of revenues and board nationalities; however it is the extreme examples (or outliers) that are most telling. In the Chart above, 15 companies appear to have boards that are at least 90% European yet source more than one-third of their revenue from outside Europe. In our view, this should be of concern to investors, particularly where a significant proportion of revenue is earned abroad but the board composition does not reflect this global orientation.

Barriers to improving diversity

Nationality clustering

Given the strategic importance of sectors such as utilities and oil & gas, it is unsurprising that a small number of companies have close ties to national governments, resulting in near 100% dominance of the nationality in question among non-executive directors on the main board.

However, what is surprising is that 66% of the companies in our sample have a main board where one nationality comprises more than 50% of that board, which will clearly have an impact on any opportunities to increase international diversity.

We highlight ENI, Inditex and H&M as three interesting examples of companies with nationality clustering at board and senior executive level. In our view, the diversity of these companies has not adapted to their shifting strategic focus and international growth.

It is mostly at board level rather than within senior executive leadership that we see significant nationality clustering

Table 2: Nationality clustering

Company	Sector	Largest revenue market	Main board nationality	% of board
BBVA	Banks	Latin America (50%), Spain (30%)	Spanish	100%
E.ON	Electricity Utilities	Germany (42%), Europe (58%)	German	100%
GDF SUEZ	Gas Utilities	France (35%), Europe (31%)	French	100%
H&M	General Retailers	Europe (32%), US (21%)	Swiss	100%
ENI	Integrated Oil & Gas	Italy (30%), Europe (30%)	Italy	100%
INDITEX	Retail	Europe (37%), Spain (27.2%), ROW (35%)	Spanish	100%

Source: Kepler Cheuvreux

Clearly, investors may view a board that is 100% composed of one nationality as problematic.

However, the question of how this imbalance might be corrected is difficult, particularly given that for market and historic reasons some companies will always face particular clustering problems.

For example, Inditex has an all-Spanish executive board and management. Yet the company structure consists of local shop managers led by a country head who reports to management and the main board. In our view, emerging market growth makes it preferable that the country heads from such markets should have the opportunity to be promoted into executive management to ensure that the main board has visibility of this market.

The nomination process

According to best practice standards across different European markets, boards should appoint a nominations committee to lead the recruitment process for the appointment of new directors. The main responsibility of this committee is to make proposals regarding the search for and appointment of board members, contribute to succession planning for both executive and non-executive directors and organise the integration of new directors into the board. This norm has been adopted by a significant majority of listed companies in Europe.

Despite the increasing professionalisation of the nominations process, there is still a high level of opacity around how the board identifies and nominates members. While many boards now provide a short biography of directors, it is still relatively difficult for shareholders to ascertain the main drivers behind the appointment of a particular director to the board or the factors that boards consider when determining future appointments.

It is clear that boards do not always have free rein to determine their composition, which may be significantly influenced by external factors outside their control. For example, board composition may be influenced by company history (eg where founders, regulators or significant shareholders are given rights in the company charter to nominate directors); regulations or best practice codes prescribing a minimum number of independent directors; or jurisdictions that give rights to stakeholders (eg German law requires that employee representatives should make up half the supervisory board). These factors and others may limit the board's flexibility to ensure its make-up fits the particular needs of the company.

The net result of this opacity in the nominations process is that shareholders do not normally have sufficient information to act in a considered manner when electing directors at a general meeting; and it's one of the reasons that shareholders fall back on objective criteria for independence when deciding how to vote.

The supervisory board story

Despite the problems facing boards, who need to match their growing emerging market ambitions with real expertise at board and senior executive levels, our research also suggests that international diversity is also a common problem for companies within our sample universe, outside what could be seen as strategic sectors.

As mentioned, this issue is a particular problem for Germany, where co-determination laws require a number of employee representatives to be placed on the supervisory board. This arguably reduces the ability of German boards to recruit directors able to bring a more international mindset and expertise to the supervisory board. The issue of the nationality of supervisory boards is perhaps best exemplified by Siemens, whose supervisory board is of course 100% German including the employee representatives, despite the fact that 68% of employees are non-German.

Yet the lack of international diversity is not just a problem for German supervisory boards, given that our research universe is clearly dominated by companies with a large number of European directors (both non-executive and executive) who belong to one or two nationalities, which we term "nationality clustering". In fact, at GDF Suez the employee

representatives are also exclusively French, which suggests that nationality clustering is also an obvious structural consequence for supervisory boards.

Furthermore, nationality clustering is also a clear effect of a company that has historically operated in one main market and that perhaps has not adapted (or does not believe it needs to adapt) its board and senior executive leadership to reflect its current strategic reality. For example, H&M historically is a Swedish company whose main European markets are Germany, the UK and the US and yet its main board consists entirely of Swedish nationals.

Gender diversity: the hourglass effect

Gender diversity is moving from a best-practice issue to a regulatory obligation. With regulatory pressure, companies increasingly now have no choice but to make progress on representation of women on boards.

France, Italy and Belgium have recently passed legislation designed to encourage boards to increase the proportion of women directors.

In addition, moves by the European Union to implement further legislation on the proportion of women at board level will undoubtedly put even more pressure on boards to appoint women directors. However, not all European member states have opted for the legislative approach, with several countries including the UK deciding to adopt a voluntary approach in addition to clear commitments within their Corporate Governance Codes to improve gender diversity.

Within the top 50 European companies that we studied, women account for 18% of board directors, 11% of senior executives and 35% of employees. Thirteen of the 50 companies have no female senior executive. None of the fifty firms has a female CEO at the time of writing.

While the proportion of women on boards is improving, we note the emergence of what we have called an "hourglass effect": gender balance is high at the bottom of organisations, decreasing when going up the hierarchy towards senior management; but increasing again at board level. In particular, gender diversity is much lower at senior executive than board level.

Chart 5: The hourglass effect



Source: AXA Investment Managers, Kepler Cheuvreux as at December 2012.

**Gender diversity:
moving from best
practice to regulatory
obligation**

**Britain and Germany are
the two countries with
the biggest number of
companies lacking
gender diversity at
senior executive level.**

Britain and Germany are the two countries with the biggest number of companies lacking gender diversity at senior executive level.

It is clear that there will in future be a greater demand for women directors, particularly at companies incorporated within jurisdictions that have legislated on this issue. For change to be long-lasting and effective, a necessary measure is to improve the number of women reaching the senior executive committees of Europe's largest companies.

The senior executive committee is often the pool from which executive candidates are selected to join the main board and from which external companies select candidates to join their boards as non-executive directors.

Without an increase in the number of women coming through at executive level there is a danger that a small pool of women candidates will become overloaded as they are sought out to sit on too many boards.

Companies are starting to meet this challenge by including workforce gender diversity targets, with leading companies disclosing details of their commitment and setting measurable targets aimed at improving female representation at senior executive level.

A small number of companies have gender representation at board level that matches the overall gender balance within their workforce: Anglo American, BHP Billiton, Siemens, Statoil and Total. Nevertheless, these companies are mostly in sectors where the overall representation of women in the workforce is low compared with other industries.

Our research highlights that gender parity on main boards, particularly among non-executive directors, is improving but there is still a disconnect at senior executive level where gender parity is often significantly lower than on the main board.

Initiatives to improve gender diversity at companies, whether voluntary or legislative, often focus on the main board. However, lack of discussion on how to improve the number of women at senior executive level is a concern, given that this is the potential pool from which European companies will recruit women non-executive directors.

We believe that investors should challenge disclosure from companies on how they are improving gender balance at management levels, including plans to increase gender parity at senior executive level.

The future non-executives that companies will need to appoint will predominantly come from executive management

Table 3: Current legislation concerning women on boards in Europe

	2009	2010	2011				
Norway	36	35	36	Quota	2006	40% in 2008	A company that does not have a board that fulfils the requirements may be dissolved by a court order
Sweden	24	28	26	Comply or Explain			Government threatens to impose quotas if companies do not improve female representation
Finland	24	24	26	Comply or Explain	2008	Listed companies must have at least 1 woman on the board	Media published positive and negative examples
France	9	13	17	Quota	2011	Companies over 500 employees or EUR50m revenues have to meet 20% quota by 2015, 40% by 2018	Cancellation of directors elections; cancellation of director fees
Netherlands	13	14	13	Quota	2009	30% target in both board & management immediately, but non-binding	No sanctions
Germany	11	11	13	Comply or Explain			Government threatens to impose quotas if companies do not improve female representation
UK	10	10	11		2011	Davies Review recommends 25% of directors for FTSE 100 companies	Government threatens to impose quotas if companies do not improve female representation
Austria	7	7	11			Publication of all gender diversity initiatives to promote women onto management boards	
Spain	8	9	10	Quota	2007	40% by 2015	No sanctions but may be taken into account in awarding public contracts
Belgium	7	8	9	Quota	2011	33% by 2017-2019 (depending on the size of the company)	Financial sanctions; cancellation of directors elections
Ireland	8	10	9				
Switzerland	9	9	9				
Greece	8	10	7				
Italy	4	4	5	Quota	2011	33% by 2015	Financial sanctions; cancellation of directors elections
Portugal	2	2	2				

Source: AXA Investment Managers, Kepler Cheuvreux as at December 2012.

Diversity winners and losers

Companies are not equal when it comes to reflecting their geographical exposure in their board composition: there is a clear divide between best and worst performers in this area.

It is interesting to note that the ability to align board composition with geographical exposure does not seem to be sector-dependent. Rather, it seems to be more a question of country, with British, North European and Swiss companies generally doing better than their Germany, French, Italian and Spanish counterparts.

Identifying best practice

We identify: ABB, Anglo American, British American Tobacco, Rio Tinto, Royal Dutch Shell, SABMiller, UBS and Unilever within our sample universe as companies that have main boards that we view as reasonably diverse and that reflect the geographical diversity of the company's activities. In addition, each of these companies has a number of non-executives from the US, reinforcing our argument that on average US non-executive directors continue to be a staple of European boards. What is clear is that these companies appear to have embraced the need for clear board diversity.

It is important to highlight that a well-aligned board composition does not mean that the board has to have a high representation of directors from outside Europe. BNP Paribas for instance is among the most aligned companies in the top 50 European companies while it does not have a single director from outside Europe.

Indeed, BNP Paribas is a bank focused on European operations, and indeed its board presents a good pan-European experience – even though French nationals still dominate. In our view, what is important is that the experience and expertise around the board reflect the revenue and risk exposure of the business.

**Diversity
outperformers mostly
in UK, Northern Europe
and Switzerland**

Table 4: Best practice – companies with good board diversity

Company	Sector	Largest revenue market	Dominant nationality	Comment
ABB		Europe (39%) & Asia (29%)	Switzerland	ABB has a significantly diverse board with directors from Europe, the US and China.
British American Tobacco	Oil & Gas	America (35%)	UK	Despite the presence of a large number of UK directors (5), the board is in our view very diverse with directors from the US, Netherlands, Canada, Brazil and Ireland.
Rio Tinto	Mining	China (30%)	UK	Excluding the UK directors, the rest of the board is international with directors from the US, South Africa and Canada.
Royal Dutch Shell	Oil & Gas	Europe (43%) & China (30)	Netherlands	Director nationality includes US, UK and Switzerland.
SABMiller	Beverages	Latin America (33%), Europe (25%) & South Africa (24%)	UK	Directors with UK nationality are a significant presence on the main board but do not dominate. As such, we consider the main board to be reasonably diverse with directors from Australia, South Africa, India and the US.
UBS	Banks	Switzerland (41%) & US (33%)	Switzerland	The board is diverse with broad expertise from around Europe: Austria, Germany, Italy and the UK. In addition directors from the US and China provide international experience.
Unilever	Food	Asia & Africa (41%) & America (33%)	Netherlands	Despite the large number of directors from the Netherlands, we consider the main board to be diverse with directors from Brazil, India and the US.

Source: Kepler Cheuvreux

Table 5: Engagement watch list: diversity gap (companies lacking in diversity)

Company	Sector	Largest geographical revenue market	%	Dominant nationality	Comments
BASF	Chemicals	Europe	56%	Germany	Despite revenue coming predominantly from Europe, the dominance of German nationals on the board is a concern given that 17% of European revenue does not emanate from Germany. In addition, the lack of directors with direct experience of American and Asia/Pacific markets, which deliver 20% and 18% of revenue respectively, indicates a clear need for further international diversity on the main board. These concerns are also mirrored on the executive committee, where 87% of directors are German nationals, with no reflection of US or emerging market expertise.
Bayer	Chemicals	Europe	40%	Germany	European revenue has been in decline for the last three years and North America and Asia/Pacific are both Bayer's second largest revenue markets. However, both the supervisory board and management board remain predominantly German and are therefore misaligned to the company's strong and rising international presence. We note that there are 0 directors from emerging markets like China, where Bayer invested EUR2.1bn in 2011, and that 52% of Bayer's workforce now comes from outside Europe (23% from Asia/Pacific).
BMW	Autos	Europe	49%	Germany	51% of revenue is achieved outside Europe, but both the supervisory board (95%) and management board (86%) are dominated by German nationals. BMW has committed itself to raising production capabilities in China, the US, South Africa, India and Russia, and it is clear that the composition of both supervisory and management boards will need to be aligned to reflect BMW's ambitions. In particular, there is a need to appoint directors with background and experience in the emerging markets, BMW's second largest revenue generator.
E.ON	Gas, Water & Multiutilities	Germany	42%	Germany	Both the supervisory board and management committee are comprised predominantly of German nationals, although the supervisory board does have some diversity in the form of European directors from the UK, Norway and the Netherlands. E.ON has significant market shares (above 20% of network length) in Germany, Sweden, Hungary and Bulgaria. In Hungary, it is even above 50%. This important presence may expose the company to significant risks if it does not effectively manage its footprint and stakeholder relations in these countries. However, no experience in these countries is represented in the company's leadership.
EDF	Electricity	France	58%	France	The main board and senior executives are predominantly French, which is unsurprising given that EDF is controlled by the French state. However, with growing revenue exposure to the UK and Italy and international projects in Turkey and China, we believe the present composition of both boards needs to change to reflect future strategic growth.
ENI	Oil & Gas Producers	Rest of Europe (ex-Italy)	30%	Italy	ENI has significant revenue exposure to Italy (30%), but this has been declining over a number of years and Europe ex Italy is now the group's largest geographic region. However, both the main board and senior executive are Italian and there is no international diversity on either board. Furthermore, exposure on the supply side to Africa, where ENI has more than 50% of its oil & gas reserves and Kazakhstan (15%), indicates that the diversity of both the board and senior management urgently needs to be realigned.

Source: Kepler Cheuvreux, AXA

Table 6: Engagement watch list: diversity gap (companies lacking in diversity)

Company	Sector	Largest geographical revenue market	%	Dominant nationality	Comments
GDF Suez	Gas, Water & Multiutilities	France	35%	France	Revenue exposure to Europe is reflected in board composition, which is majority French at both supervisory and senior executive level. However, with 85% of GDF's power capacity in construction in the developing countries: Africa, the Middle East and Asia and 30% of growth capital expenditures to be spent in fast growing countries over 2012-17, we would expect the diversity of both the supervisory and management boards to become less French and more international.
H&M	General Retailers	Germany	23%	Sweden	Germany, the US and China: Germany is H&M's largest market followed by the US and the UK, which are considered to have the highest growth potential. The main board is comprised entirely of Swedish industrial nationals, which is a reflection of the company's history.
Inditex	General Retailers	Europe	37%	Spain	Europe ex Spain is now the company's biggest revenue market, but this is not reflected at board level where the main board is still predominantly Spanish. International diversity at senior management level is hampered by a lack of disclosure, although we suspect that like the main board most directors are predominantly Spanish nationals. In addition, we believe the shareholder structure under which the company is controlled by Garter SL may make internationalisation of the main board difficult.
Novo Nordisk	Pharma	North America	41%	Denmark	Both main board and executive committee are comprised predominantly of Danish nationals, which makes sense given the proportion of the company's headcount in the country (43%) and the fact that it is effectively controlled by a Danish shareholder; however, it makes less sense from a revenue point of view (<1% of revenues derive from this country). The main board does have some international diversity in terms of directors from Europe and the US, the company's main revenue market. However the executive committee has no diversity, being comprised entirely of Danish nationals, and is in our view misaligned with the company's presence in North America and, increasingly, Asia particularly China.
Santander	Banks	Europe	43%	Spain	Spanish nationals continue to dominate the board and senior executive committee despite Spain representing only 12% of European profits. In fact, 48% of 2011 revenues were generated in Latin America and 40.8% of Santander's customers are in Latin America, with 31.3% in Europe. We believe that non-Spanish nationals should be a core focus of future board diversity, particularly given the geographic shift of Santander's employee base with over half based in Latin America.
Telefónica	Fixed Line Telecoms	Latin America	47%	Spain	The strategic importance of Brazil as a growth driver for Telefónica is not reflected on either the board or the executive committee, with both being dominated by Spanish nationals, although the main board could be considered more internationally diverse.
Total SA	Oil & Gas Producers	France	22%	France	The high representation of French nationals in the company's leadership (81%) is in line with its European revenue footprint, but misaligned with regions of reserves and production in Africa and the Middle East.

Source: Kepler Cheuvreux, AXA

Addressing the diversity gap...

Interestingly, some companies in our universe, while they look at first sight to have a very internationally diverse board, still reveal a misalignment with their geographical focus. An example of that is Anglo American which, while its board is among the most diverse in the sample, especially with a high representation of emerging market experience, would benefit from board members with Latin American experience, where the company's strategic projects are currently located.

Integrating diversity

In this section, we welcome the input of AXA Investment Managers, who spoke to companies to discuss the practicalities of engaging with them on this issue.

AXA believe that for large European companies, key revenue markets are increasingly shifting away from Europe and North America towards emerging markets. As such, it is unclear whether succession planning and board diversity have adapted to reflect not only the geographical revenue footprint of the company but also the future revenue markets that offer significant rewards as well as risks for both boards and investors. Directors on the board with relevant knowledge and insight into the markets are important for the successful implementation of the company's strategy.

Reality of engaging with companies on diversity

Common barriers to diversity

Some of the barriers identified in our interviews with 14 companies are the following:

Language. A number of companies – perhaps surprisingly to some – mentioned language as one of the main barriers to diversity. Some boards in non-English speaking countries want to operate in their local language, which they find makes discussions deeper and easier.

Ability to attract. While the intention is there, many companies believe that emerging market candidates are not interested in joining their boards because they are not well known in the relevant regions. Some companies first need to get known by potential board members.

Board structure. Some companies have legal requirements determining part of the board's composition. In Germany, for instance, half of the supervisory board must consist of employee representatives.

Coordination of the board's work. Arranging meetings with directors from different countries can be burdensome. Not all directors from emerging markets are necessarily willing to go to Europe on a regular basis for board meetings.

Path dependency/history. Most companies have a strong representation of nationals from the country of incorporation. For instance, an industrial company acknowledged that its strong technocratic heritage led to the predominance of nationals from the country of origin. Also since many director appointments remain dominated by contributions from networks, existing networks of directors from Europe will generally be mostly European.

Key findings

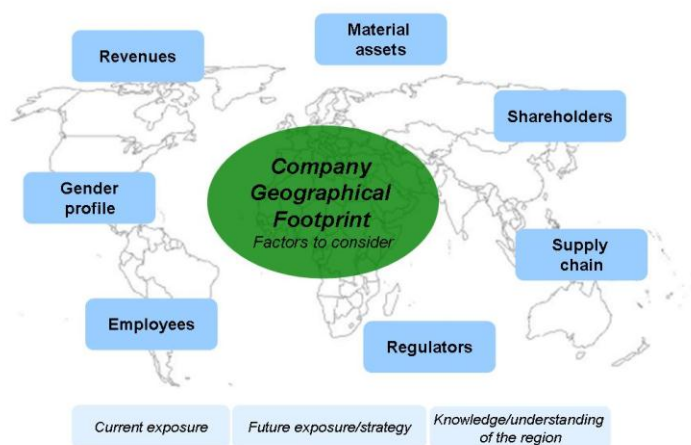
- Companies understand the need to take into account their business exposure to Europe (excluding home market) and North America in their leadership composition but not yet their exposure to emerging markets.
- International diversity is hampered by nationality clustering, whereby one nationality dominates the board or the executive committee.
- A general lack of disclosure is a barrier to assessing the importance of international experience within current leadership composition and nomination committee thinking around new appointments.
- Gender balance is improving at board level, but it is still in disconnection with low gender representation within executive management teams.

Engaging on diversity: a tool kit

A comparison of companies' leadership geographical diversity with their business footprint must take account of various dimensions of exposure: revenues, location of material assets, origin of shareholders, supply chain, regulatory regimes, location and nationality of employees and gender balance within the workforce and customers.

All these elements should be considered in relation to the company's current exposure – and its future exposure as developed in its strategy. The level of knowledge of specific regions can be also integrated.

Chart 6: Corporate footprint



Source: Kepler Cheuvreux, AXA

Anticipating the "yes buts"

"Our directors and executives all have global experience, having run global companies."

Companies intend to build global leaders through international mobility programmes within the company. Having lived and worked in a foreign country can certainly bring knowledge of the market, but only after a long period of time. Furthermore, managing a company's operations abroad cannot be counted as real in-depth knowledge of a market. Therefore it is very rare for a single individual to have true "global experience".

"Our group board and management may not be diverse enough, but our subsidiaries are managed by locals."

Companies are increasingly relying on local talent rather than expatriates from Europe, to manage subsidiaries. But the major strategic decisions impacting subsidiaries are ultimately taken by the board and implemented by group management. Bottom-up contribution happens, but top-down decision-making is still the dominant model.

"We would risk decreasing the quality (lack of skills, over-boarding) of board directors if we push for more diversity."

A recent GMI study (*The French board diversity law: new female directors dispelling mandate myths*, 2012) shows that even when gender quotas are introduced, as in France, new

Common questions and their rebuttals when discussing diversity with the board

appointments do not necessarily have a weaker profile. This research shows that new female directors are not less qualified, do not hold more directorships, and are not more linked to a controlling shareholder.

"We are looking for candidates with international experience but struggle to find one who speaks the language used in the company."

A number of companies use only the language of their home countries for board and management meetings, on the basis that discussions are then easier and deeper. However, many successful companies do not have a problem working in a foreign language, such as for example Royal Dutch Shell, whose CEO is Swiss, or BG Group, whose CFO is Brazilian.

Table 7: Diversity – questions to ask

What is the ideal profile of new candidates for appointment on the board/management committee?

What are the biggest barriers to getting more geographical diversity on the board? What are you doing to overcome these?

What is the place of internal versus external candidates in appointing executives with experience in emerging markets? What are the internal pipelines for internal progression for foreigners within the company?

What place does networking play in finding prospects for the board/management committee?

How do you plan to align your board with upcoming enforcement gender quotas (if relevant)?

Source: Kepler Cheuvreux

Last but not least, country-by-country reporting

Within accounting disclosure, country-level reporting could of course give us valuable information on diversity and optimal representation on boards. Ideally this would include revenue breakdowns, employee numbers, and gender breakdowns so that investors have a clear idea of geographical exposure. But legally mandated transparency on these areas at this level of granularity is still far away. However, there have been some regulatory moves in recent months that may bring us closer to such reporting in the long term.

In 2012, following significant pressure by NGOs, the US took the major step of introducing payment transparency to national governments for SEC listed oil & gas and mining companies via its Dodd Frank 1504 Act. However, the companies are not required to state either revenues or employee numbers, so the focus is exclusively on transparency on potential illicit payments for the extractives sector. (We note that a few companies such as Statoil go well beyond regulatory requirements in disclosing employee numbers in almost all countries of operation.)

A proposal by the European Parliament's Legal Affairs Committee in 2012 explicitly recommended the reporting of employee numbers on a country-by-country basis as part of the EC Accounting Directive, which was proposed not just for the oil & gas and mining sectors, but also for forestry, telco, construction and banking.

It is the banking sector where the most progress has been made on reporting of country-by-country employee numbers through an EC recommendation in March 2013 as part of the Capital Requirement Directive (CRD IV) to report revenues, subsidies and employee numbers of banks at a national level. The agreement will require a further vote later this year and still has to be approved by EU Parliament and member states. In our view, the proposal for country-by-country reporting makes great sense for all sectors in the interests of diversity and having a better view on where representation may be insufficient.

Table 8: Diversity statistics for top 50 European companies by market capitalisation

Name	ICB sector name	Market cap (EURbn)	% revenues outside Europe	% Board directors from outside Europe	% Women on board	% Women in workforce
ABB LTD-REG	Industrial Engineering	36 518	20%	25%	13%	n/d
ALLIANZ SE-REG	Nonlife Insurance	38 031	20%	0%	25%	52%
ANGLO AMERICAN PLC	Mining	41 615	73%	17%	18%	15%
ANHEUSER-BUSCH INBEV NV	Beverages	74 867	85%	33%	0%	20%
ASTRAZENECA PLC	Pharmaceuticals & Biotechnology	46 710	71%	10%	30%	51%
BANCO BILBAO VIZCAYA ARGENTA	Banks	33 116	60%	0%	14%	52%
BANCO SANTANDER SA	Banks	54 562	49%	6%	11%	54%
BARCLAYS PLC	Banks	38170	32%	23%	15%	52%
BASF SE	Chemicals	55 063	27%	0%	8%	24%
BAYER AG-REG	Chemicals	43 812	62%	5%	15%	35%
BAYERISCHE MOTOREN WERKE AG	Automobiles & Parts	41 059	51%	5%	10%	16%
BG GROUP PLC	Oil & Gas Producers	56 823	70%	7%	20%	28%
BHP BILLITON PLC	Mining	151 970	87%	100%	15%	n/d
BNP PARIBAS	Banks	39 046	20%	0%	32%	53%
BP PLC	Oil & Gas Producers	103 709	n/d	47%	13%	n/d
BRITISH AMERICAN TOBACCO PLC	Tobacco	69 411	77%	33%	33%	n/d
DAIMLER AG-REGISTERED SHARES	Automobiles & Parts	44 973	44%	15%	10%	14%
DEUTSCHE TELEKOM AG-REG	Mobile Telecommunications	37 721	37%	0%	29%	25%
DIAGEO PLC	Beverages	42 332	68%	33%	33%	35%
E.ON AG	Gas, Water & Multiutilities	32 436	1%	0%	5%	28%
EDF	Electricity	31 727	11%	0%	12%	25%
ENI SPA	Oil & Gas Producers	67 450	21%	0%	0%	17%
FRANCE TELECOM SA	Fixed Line Telecommunications	30 052	19%	0%	20%	37%
GDF SUEZ	Gas, Water & Multiutilities	46 337	20%	5%	19%	25%
GLAXOSMITHKLINE PLC	Pharmaceuticals & Biotechnolog	86 051	74%	44%	20%	n/d
HENNES & MAURITZ AB-B SHS	General Retailers	40 970	34%	0%	17%	80%
HSBC HOLDINGS PLC	Banks	113 233	68%	35%	29%	61%
INDITEX	General Retailers	41 763	48%	0%	22%	80%
L'OREAL	Personal Goods	49 072	62%	0%	29%	67%
LVMH MOET HENNESSY LOUIS VUI	Personal Goods	61 725	70%	12%	18%	75%
NESTLE SA-REG	Food Producers	145 771	69%	23%	23%	33%
NOVARTIS AG-REG	Pharmaceuticals & Biotechnolog	113 759	63%	33%	17%	n/d
NOVO NORDISK A/S-B	Pharmaceuticals & Biotechnolog	51 414	61%	8%	17%	n/d
RIO TINTO PLC	Mining	88 527	87%	69%	20%	18%
ROCHE HOLDING AG-GENUSSCHEIN	Pharmaceuticals & Biotechnolog	113 289	65%	29%	14%	46%
ROYAL BANK OF SCOTLAND GROUP	Banks	35 344	25%	33%	25%	53%
ROYAL DUTCH SHELL PLC-A SHS	Oil & Gas Producers	170 581	60%	17%	31%	n/d
SABMILLER PLC	Beverages	45 863	81%	56%	19%	19%
SANOFI	Pharmaceuticals & Biotechnolog	75 668	65%	0%	14%	46%
SAP AG	Software & Computer Services	56 093	51%	0%	8%	30%
SIEMENS AG-REG	General Industrials	65 987	47%	5%	20%	25%
STANDARD CHARTERED PLC	Banks	43 924	90%	24%	18%	46%
STATOIL ASA	Oil & Gas Producers	61 463	10%	10%	44%	31%
TELEFONICA SA	Fixed Line Telecommunications	60 404	48%	11%	6%	37%
TESCO PLC	Food & Drug Retailers	30 491	18%	0%	30%	n/d
TOTAL SA	Oil & Gas Producers	94 704	33%	6%	33%	30%
UBS AG-REG	Banks	39 742	48%	25%	25%	37%
UNILEVER PLC	Food Producers	75 201	74%	33%	25%	n/d
VODAFONE GROUP PLC	Mobile Telecommunications	102 879	30%	8%	17%	n/d
VOLKSWAGEN AG	Automobiles & Parts	59 891	34%	10%	15%	15%

Source: AXA Investment Managers, Kepler Cheuvreux as at December 2012.

Diversity profiles

Please note that the diversity profiles on the following pages have been updated up to November 2012.

ABB LTD-REG

Allianz SE-REG

Anglo American PLC

Anheuser-Busch InBev NV

AstraZeneca PLC

Banco Bilbao Vizcaya Argenta

Banco Santander SA

BASF SE

Bayer AG-REG

Bayerische Motoren Werke AG

BG Group PLC

BHP Billiton PLC

BNP Paribas

BP PLC

British American Tobacco PLC

Daimler AG-Registered Shares

Deutsche Telekom AG-REG

Diageo PLC

E.ON AG

EDF

ENI SPA

France Telecom SA

GDF Suez

GlaxoSmithKline PLC

Hennes & Mauritz AB-B SHS

HSBC Holdings PLC
Inditex
L'Oréal
LVMH Moët Hennessy Louis Vuitton
Nestlé SA-REG
Novartis AG-REG
Novo Nordisk A/S-B
Rio Tinto PLC
Roche Holding AG-Genusschein
Royal Bank of Scotland Group
Royal Dutch Shell PLC-A SHS
SABMiller PLC
Sanofi
SAP AG
Siemens AG-REG
Standard Chartered PLC
Statoil ASA
Telefónica SA
Tesco PLC
Total SA
UBS AG-REG
Unilever PLC
Vodafone Group PLC
Volkswagen AG

ABB

Market cap:
EUR39.6bn

Free float:
73.1%

Sector:
Electrical Equipment

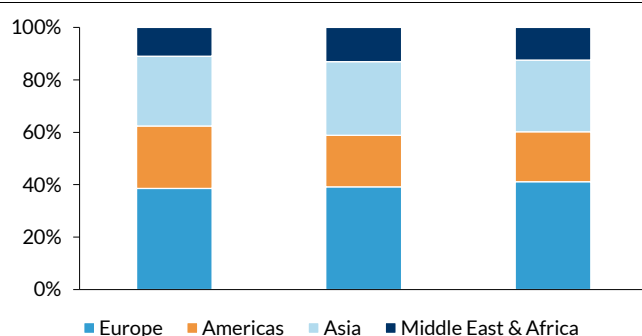
Country:
Switzerland

HIGHLIGHTS

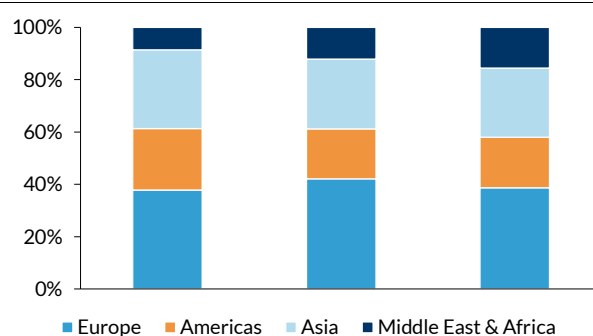
- Very high level of diversity in the company's leadership, aligning it to the overall business exposure and growth strategy.
- The representation of board directors from emerging markets is high but could be more aligned given that 48% of the workforce are in emerging markets.
- Gender diversity at board level is above Swiss standards (9.1%) but no woman are represented at management level.

FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Supply chain % non-current assets 2009-2011



Source: Kepler Cheuvreux

Source: Kepler Cheuvreux

Nationality	Swiss	Sweden	France	Germany	UK	US	China	Brazil	Total	Avg age	% women
Main board	1	2	1	1		1	1	1	8	63	13%

Nationality	Swiss	France	Germany	Ireland	Finland	Belgium	UK	US	Total	Avg age	% women
Senior execs	1	2	1	1	1	1	1	4	12	54	8%

ANALYSIS

ABB has one of the most geographically diverse boards within our 50-company universe and we note that at both board and management committee level, no single nationality dominates. In fact out of 20 directors and senior managers, 7 are from outside Europe. ABB is increasingly relying on growth in the Americas and Asia to deliver returns and although orders decreased by 8% in Europe and 18% in the Middle East & Africa, they progressed by 41% in the Americas and 61% in Asia. In terms of M&A, ABB is planning to develop activities mainly in the US and Asia and experience in these markets is well represented in the company's leadership, with one director and two executives from the US. In addition, the recent appointment in 2011 of Chinese national Ying Yeh brings an exposure to Asia, which had previously been lacking.

However, with two directors from emerging markets, and no executives from these regions on the executive committee, the company's leadership still does not fully reflect its workforce, in which 52% of employees come from mature markets and 48% from emerging markets.

ABB's gender balance is improving with the first woman director, Ying Yeh, elected to the board in 2011. This brings the percentage of women directors to 13%, above the average 9.1% for Swiss companies in 2011. However, there are no women directors on the management's committee. We note that ABB discloses the percentage of women in management per country, which shows wide differences between them. Indeed, while Sweden and China are among the most equal with 22% and 25% respectively, India with 2% and Germany, Italy, Switzerland and Brazil all with 7% are lagging behind.

Allianz SE

Market cap:
EUR32.92bn

Free float:
100%

Sector:
Insurance

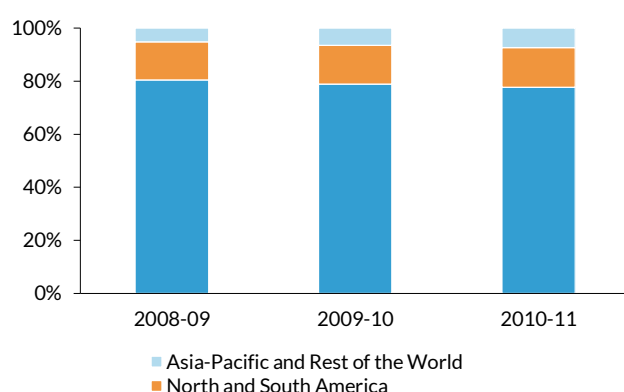
Country:
Germany

HIGHLIGHTS

- For Allianz, business opportunities and dynamic growth in Asia and Eastern Europe are key for the next few years.
- The supervisory board and management demonstrate some diversity. However, the appointment of non-executive directors from Asia and Latin America could be viewed as a potential future priority.
- 25% of women on the supervisory board is fairly high: it's above the 22% for FTSE 100 and in line with the 25% of the Davies report.

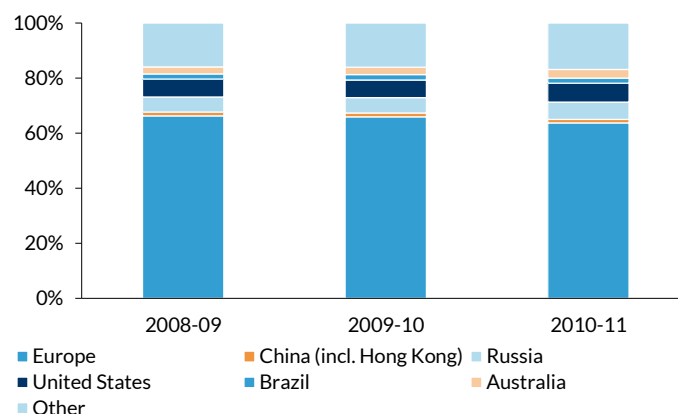
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% Employees by geography 2009-2011



Source: Kepler Cheuvreux

	German	Indian	S. African	Austrian	American	Italian	French	Irish	Total	Avg age	% women
Supervisory board	8					1	2	1	12	45	25%
Board of management	7	1	1	1	1				11	38	9%

ANALYSIS

Allianz's strategy is based on a well-balanced business portfolio from regions where it operates and on strict risk policies. The Credit Insurance activity, through its subsidiary Euler Hermes, plans to increase its presence in Asia and Latin America.

Europe is by far the biggest end-market (76% of revenues in 2011), followed by North and South America (15%) and Asia-Pacific/RoW (9%). While the share of revenues from Europe has fallen in the 2009-2011 period (from 79% to 76%), the share of Asia-Pacific rose from 7% to 9% over the same period.

The supervisory board is clearly dominated by directors of German nationality. However, there is some European diversity which we view as positive. In fact, both the Allianz supervisory board and board of management demonstrate some diversity in terms of nationalities and ages. We highlight the presence of American, South African and Indian members, representative of Allianz's geographical business mix at management level. In 2008, the company set itself the global target of increasing the share of women in the talent pool for executive positions to 30% by 2015.

In 2011, women represented 52.3% of the overall workforce and 19.2% of women held executive positions. Given the company's objective to increase its presence in Asia and Latin America, this should be reflected in the composition of the supervisory board in future.

Anglo American

Market cap:
EUR39.6bn

Free float:
73.1%

Sector:
Mining

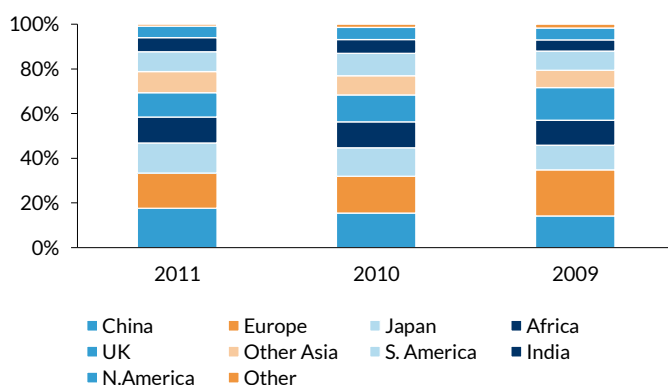
Country:
UK

HIGHLIGHTS

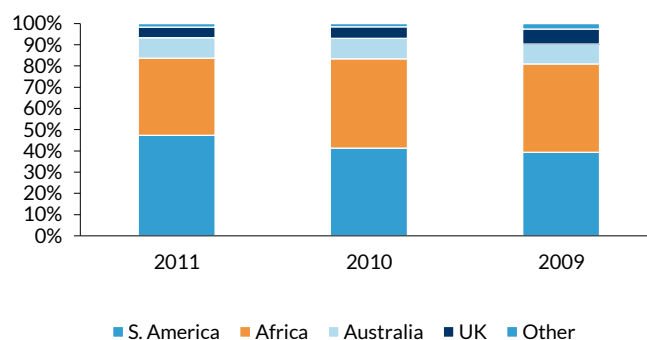
- The board includes non-executive directors with a wide range of experience in different geographies aligned with the company's diversified revenue base.
- But it would benefit from the appointment of non-executive directors from, or with direct experience of, South America, as this continent represents a significant and growing asset base for the company.
- In contrast with peer companies, executives from emerging markets constitute a majority of the most senior executives in the company.
- Anglo American is committed to increasing female representation on its board to about 30% by 2013, which would exceed best practice in the UK.

FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



% Assets 2009-2011



Source: Kepler Cheuvreux

Source: Kepler Cheuvreux

Nationality	SA	FRA	IRL	UK	US	Zambia	Zimbabwe	Brazil	Total	Average	% women
Main board	1	1	1	4	4			0	11	63	18%
Senior execs	7	1	1	2	4	1	1	3	17	50	6%

Sir CK Chow has significant and direct experience of Hong Kong and Chinese businesses.

ANALYSIS

Anglo American differs from many peers in the resources sector as it has a geographically diversified revenue base. However, like other resources company, Anglo American is predicated continued growth on the development and consequent consumption of commodities by emerging economies, particularly in Asia. This strategy is reflected in Anglo American's revenue base, over 50% of which stems from emerging economies.

However, while there are directors on the board with emerging market experience, we believe the board would benefit from appointing non-executive directors with direct experience and background in South America. This region is important to the company's growth trajectory, with three of its four strategic mining growth projects based in the region.

On gender, Anglo American's chief executive is a symbol of the company's approach to gender diversity, although she is the only female represented at group management and executive committee level. Anglo American appears to have a strategic focus on improving the representation of women at senior levels. A notable statistic is the fact that women represent 22% of management despite the overall proportion of women in the workforce (15%). Executives from emerging markets constitute the significant majority of senior executives, in contrast to other companies with a similar history and geographical footprint in emerging markets.

Anheuser-Busch

Market cap:

EUR119bn

Free float:

24.9%

Sector:

Beverages

Country:

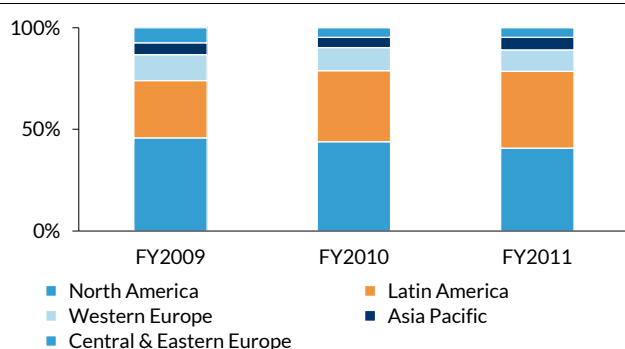
Belgium

HIGHLIGHTS

- The international diversity of the executive committee could be viewed as unbalanced.
- The main board is internationally diverse but the power of large shareholder to appoint director representatives could make appointing diverse non-executive directors difficult.
- The lack of women directors on the main board is a significant weakness in the face of proposed legislation to increase gender balance on boards.

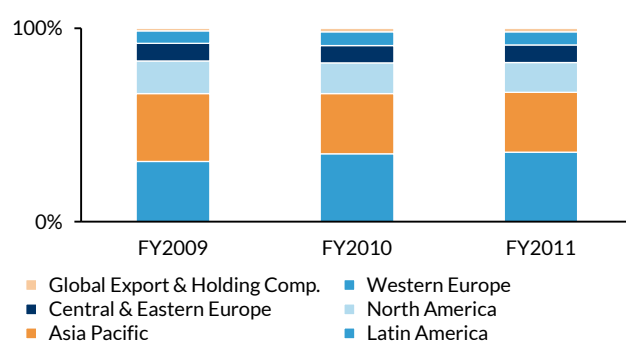
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% of total employees by region 2009-2011



Source: Kepler Cheuvreux

Nationality	British	Dutch	French	US	Brazilian	Belgian	Total	Avg age	% women
Main board	0	2	1	0	4	4	11	58	0
Nationality	British	Portuguese	German	US	Brazilian	Belgian	Total	Avg age	% women
Exec. committee	1	1	1	1	8	2	14	48	7.1

ANALYSIS

The executive committee is dominated by executives of Brazilian nationality (57% in 2011), which may be viewed as unsurprising given that 36% of total employees come from Latin America, with Asia-Pacific (31% in 2011) being the next biggest employee region. However, investors may be surprised that despite North America being the second largest revenue generator after Latin America there is only one US director on the executive committee. As such, they may view the executive committee as being slightly unbalanced given the number of directors from Latin America. This contrast is even more explicit when compared with the main board, where there is a much more balanced split in terms of international diversity.

However, AB InBev's shareholder structure, under which the company is essentially controlled by Stichting InBev (who control 51% of the issued share capital) is the main reason for the number of Brazilian directors on the main board as they are all direct representatives of Stichting InBev.

Yet, despite the international diversity of the main board, the lack of a single women director should be viewed as a weakness particularly when compared with the executive committee which has 1 women director. There are detailed programs in place to help improve the gender and diversity balance of the executive committee. In addition, according to recent research by Russell Reynolds, the headhunter, and the European Professional Women's Network in the Netherlands, women board directors on average made up 15.8% of directors.

As such, the lack of women directors could put additional pressure on the nomination committee, particularly if a recent government proposal for a 30% quota for men and women at large companies, with an explanation required for non compliance, is enacted. In our view, if this legislation were enacted Anheuser-Busch would not be compliant.

AstraZeneca

Market cap:
GBP38.35bn

Free float:
86.1%

Sector:
Pharmaceuticals

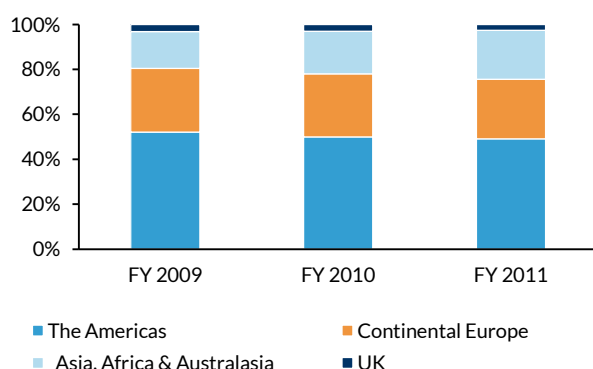
Country:
UK

HIGHLIGHTS

- Ability of board to align itself with corporate structure changes, cost-cutting vs acquisitions.
- Potential for M&A activity (small) in the US, which may require increased board diversity towards US.
- Gender balance on the main board and executive committee significantly above FTSE 100 average.

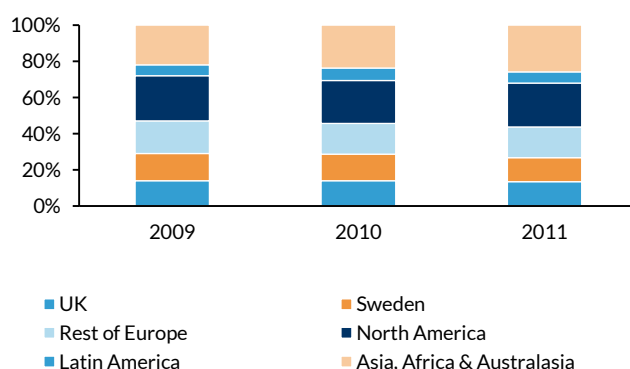
FUTURE-PROOFING: REVENUE

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

%Employees by geographical area (%) 2009-11



Source: Kepler Cheuvreux

Nationality	British	Swiss	French	US	Total	Average age	% women
Non-executives	5	2	2	1	10	56	30%
Executive management	3	1	1	3	8	?	37.5%

ANALYSIS

Revenue growth is still predominantly from the Americas, although in the last three years revenue growth from emerging markets has grown significantly and is now (approximately) equal with continental Europe. Neither the main board nor executive committee feature directors from Asia, Africa or Australasia despite the growth in this region in terms of revenue and general employees over the last three years.

However, the board's Anglo Saxon bias is in our view currently a necessity given AstraZeneca's need to be an innovative pharmaceutical business. Currently the best innovation in pharmaceuticals comes from the US, which means that if AstraZeneca were to make a small acquisition it would most likely be an acquisition of a US business. As such, the present board may require further appointments from a US background in order to be appropriately aligned. In our view, this tallies with the level of employee growth over the last three years, with employees coming mainly from North America and Asia, Africa and Australasia.

At executive committee level, the experience of the current executives is predominantly from the UK, US or Europe with very little business experience outside these three regions. Given the potential innovation coming from the US market, we might expect future executive committee appointments to have significant US business experience. Gender balance on both the main board and executive committee is significant, and above the FTSE 100 average.

Barclays

Market cap:
EUR38.17bn

Free float:
100%

Sector:
Banks

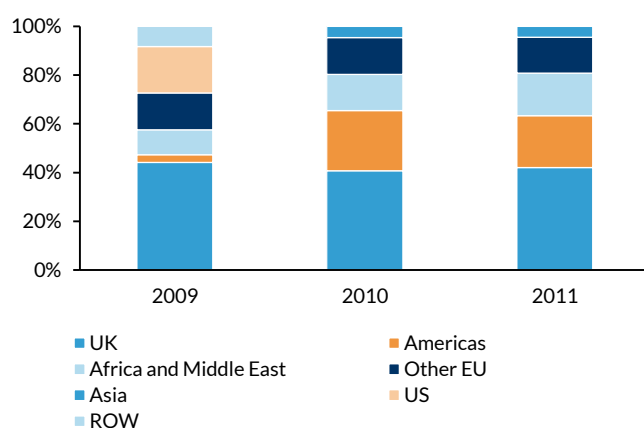
Country:
UK

HIGHLIGHTS

- UK remains the main revenue market although Africa & Middle East and Americas are rapidly becoming significant secondary revenue markets.
- We welcome the discussions on diversity within the annual report, but we note the lack of disclosure of individual nationality indicators for the main board and senior executives.
- Gender balance at both board and senior executive board could be viewed as weak given that women account for 51.5% of employees globally.

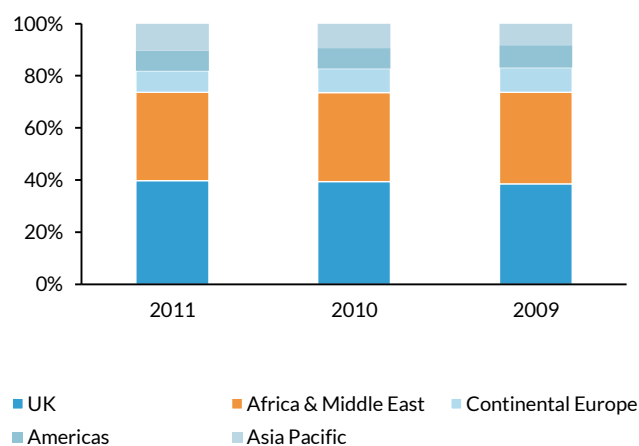
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	US	Portugal	India	France	Italy	S. Africa	Total	Avg age	% women
Main board	7	1				1	1	10	61	10%
Senior executives	2	2		1	1			8	n/d	12.5%

ANALYSIS

The UK remains the dominant revenue market for Barclays although the Americas, Africa and the Middle East are rapidly increasing in revenue significance. On the main board the diversity of the non-executive directors remains heavily weighted towards the UK although we acknowledge the presence of non-executive directors from the US and South Africa. We welcome the discussion of diversity within the annual report and the disclosure of a clear diversity policy. However, the lack of disclosure on the individual nationality of directors on the main board and executive board makes it difficult for investors to assess diversity.

Gender balance at both board and senior executive level could be viewed as weak given that female employees account for 51.5% of the global workforce.

BASF

Market cap:
EUR67.60bn

Free float:
100%

Sector:
Speciality Chemicals

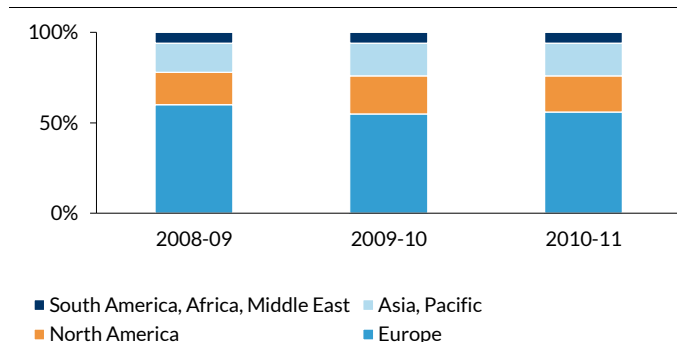
Country:
Germany

HIGHLIGHTS

- BASF aims at increasing its presence in Asia thanks, with EUR10-12bn capital expenditure planned by 2020.
- Both the supervisory and executive boards are currently in line with the company's current international presence even if there is a clear need for increased board diversity from other European markets.
- The rising presence of BASF within emerging markets suggests that succession planning for the supervisory board should incorporate the need to appoint directors from North America and Asia in future.

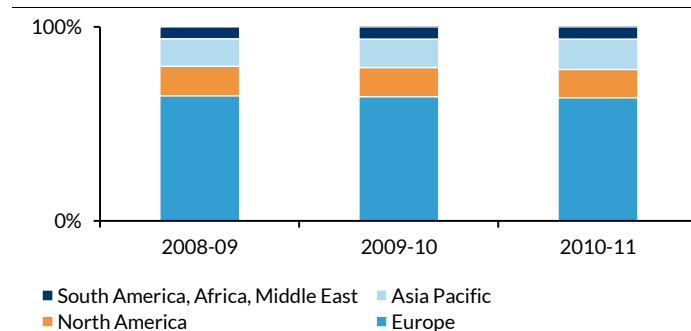
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	German	American	Luxembourgian	Total	Average age	% women
Supervisory board	11		1	12	59	8%
Executive board	7	1		8	53	13%

ANALYSIS

By 2020, emerging markets are expected to account for around 60% of world chemical production and BASF intends to increase sales to customers from these markets to around 45% of total sales (excl. oil & gas). It also plans to allocate one-third of a total EUR30-35bn capital expenditure towards these regions between 2012 and 2020.

By region, Europe is the main end-market driving revenues (56%, o/w 39% in Germany), ahead of North America (20%), Asia-Pacific (18%) and the rest of the world (6%). North America and Asia-Pacific are the growing markets (rising from 18% to 20% and from 16% to 18% respectively between 2009 and 2011).

Both the supervisory and executive board are dominated by German members. We note one executive is native of the United States. He is the only representative of a non-European country among the BASF's leadership. As such, the supervisory board in particular could be viewed as lacking in international diversity.

However, given the current importance of Germany as a main revenue market, the composition of the board appears to make sense. Nevertheless, given the importance of emerging markets as a future high-growth market, we believe that succession planning for the supervisory board should incorporate the need for board appointments from North America and Asia. Among its peers, BASF's performance is average in terms of gender parity but the presence of women directors at both supervisory and management level should be viewed as positive.

Bayer

Market cap:
EUR65.99bn

Free float:
100%

Sector:
Pharmaceuticals

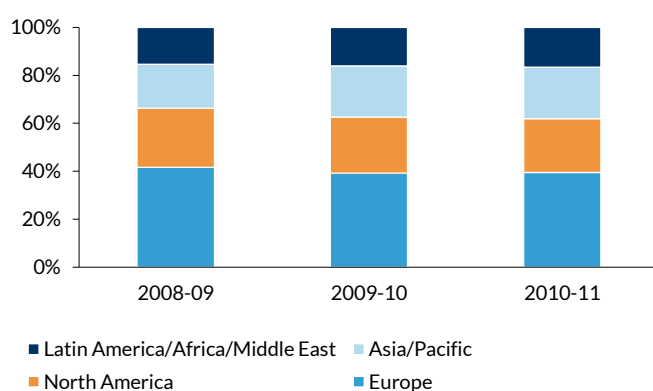
Country:
Germany

HIGHLIGHTS

- Bayer intends to continue its investments in China in order to capture the future growth of the region.
- The current board does not reflect key or growing revenue markets such as North America, Asia-Pacific and Latin America.
- Absence of women at management board level is a concern given pressure to increase gender diversity at board level. However, Bayer has set clear targets to increase gender parity at both senior executive and supervisory board level with a target of 15% for the supervisory board by the 2012 AGM.

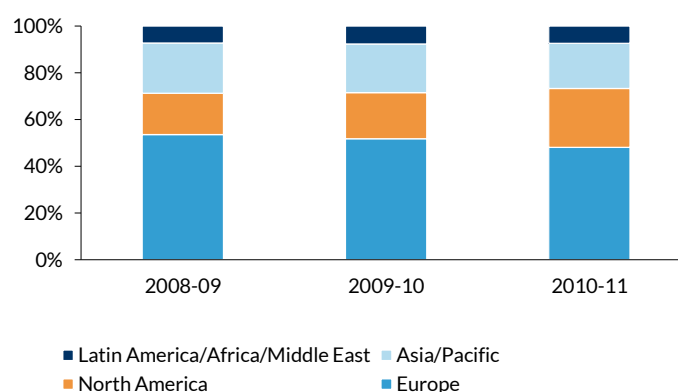
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	German	American	Turkish	Total	Average age	% women
Supervisory board	18	1	1	20	57	15%
Main board	3	1		4	56	0%

ANALYSIS

Bayer's strategy over the next few years is clearly aimed at emerging market growth with EUR2.1bn invested in China in 2011 via the construction of an integrated chemical plant. A second wave of investment will now follow the first, with a further EUR1bn to expand the site in the years ahead and predicted sales to increase by more than 60% to EUR11bn by 2015 (vs EUR6.9bn in 2010).

62% of sales came from Europe and North America in 2011, but there was a rise in Asia-Pacific and LatAm sales (Asia-Pacific: 18% in 2009, 21% in 2011; LatAm: 15% in 2009, 17% in 2011). As such, given the significant capex by Bayer in emerging markets over the next few years, we believe succession planning for the supervisory board should reflect this with the appointment of directors from this region. Furthermore, the predominance of German nationals on the supervisory board does not reflect the presence of North America as a key market. This view appears to be shared by the company itself, with the Chairman stating in the 2011 annual report: "With our markets outside of Europe and North America gaining in importance, we are aiming to better reflect this by increasingly entrusting leadership roles to employees from the emerging regions. At the same time we are endeavouring to better tap the potential of the many highly qualified women throughout the world. To this end we have set ourselves the goal of raising the proportion of women in our five highest management grade levels from currently around 22% toward 30% by 2015."

There is a clear need for further work on gender diversity at executive management level where gender parity is zero. The commitment to improve gender balance also extends to the supervisory board, where Bayer plans to increase the proportion of women directors on the supervisory board to 20% in the medium term with 15% of the supervisory board comprised of women following the 2012 AGM board elections.

BBVA

Market cap:
EUR40.5bn

Free float:
73.1%

Sector:
Banks

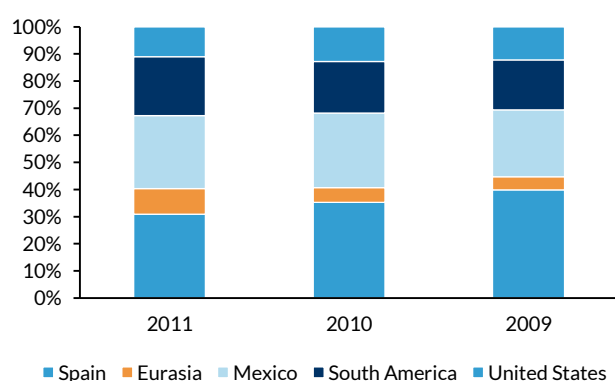
Country:
Spain

HIGHLIGHTS

- Spanish exposure (1/3 of revenues and employees) overly reflected in an all-Spanish board.
- Highly diversified business exposure not reflected at all at board level, with only one director from a recognised emerging market.
- Board gender diversity (14%) above Spanish standards (10%) but below proposed 40% quota target.

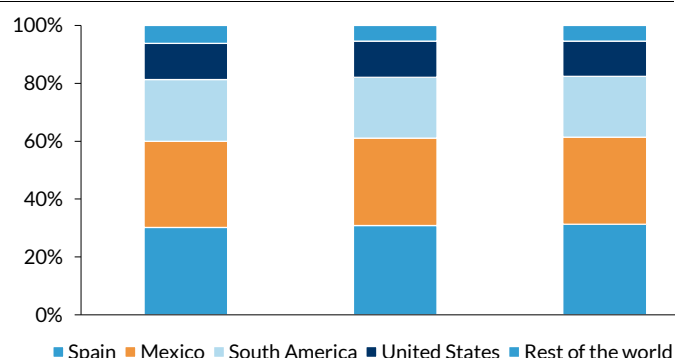
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employee growth % 2009-2011



Source: Kepler Cheuvreux

Nationality	Spain	Mexico	Total	Average age	% women
Main board	14		14	62	14%
Senior executives	13	1	14	50	0%

ANALYSIS

Spain's second largest bank by assets could also be almost considered as one of the "multilatinas", or multinational companies rapidly developing across Latin America. Indeed, 50% of its revenues, profits and employees are in Latin America – above Spain and European operations combined. This gives the bank a well diversified profile, with roughly half of its exposition in emerging countries, and half in developed countries. In particular, BBVA has a leading market position in Mexico. This constitutes a major growth opportunity for the bank as the country still has a low level of banking penetration.

This highly diversified profile is in stark contrast with BBVA's leadership profile. All board members are Spanish, while Spain constitutes only a decreasing one-third of the bank's exposure. Only one non-Spanish director is represented at management board level, in the person of Mexican national Ignacio Deschamps. In addition, as a bank largely focused on the retail market, with a large workforce outside Spain, a more international leadership could probably increase the bank's ability to further enhance its customer image and be seen as local in emerging markets, particularly with the recruitment of main board directors from Asia, the Middle East and Africa.

Women represent 14% of directors, which is above the 10% average in Spain, but none of them are represented among top managers where only 19% of senior managers are women, despite representing 52% of the workforce.

BG

Market cap:
EUR40.1bn

Free float:
73.1%

Sector:
Oils

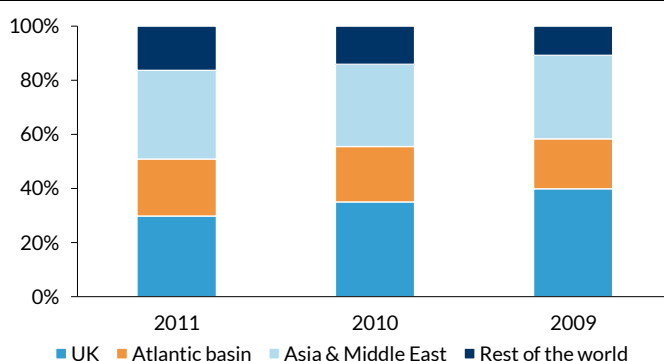
Country:
UK

HIGHLIGHTS

- Positive alignments with its core markets (UK, North America) and its regions of strategic focus (Australia, Brazil) with an international leadership.
- No African and Central Asian experience represented in the leadership while Egypt and Kazakhstan are major countries of production today.
- Low level of board gender diversity (14% women) compared with European peers and new UK trends.

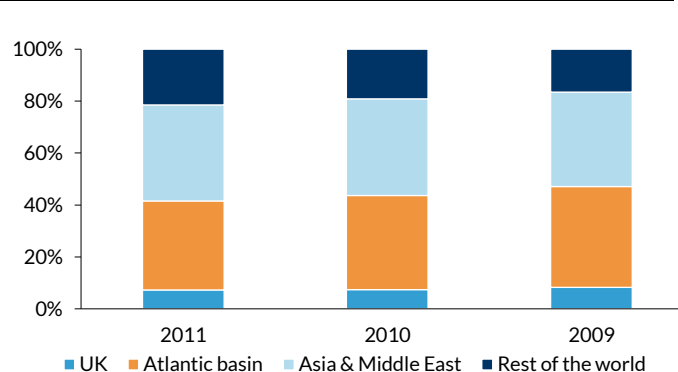
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Gas reserves % 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	Ireland	Germany	France	NZ	US	Brazil	Total	Avg age	% women
Main board	7		1	1	1			10	60	20%
Senior executives	6	1		1		1	1	10	52	0%

ANALYSIS

With above 50% of revenues and above 40% of oil & gas reserves in the UK and the Atlantic basin, BG's leadership, with a high representation of Europeans and North Americans, is in line with its core business exposure.

The company is also planning to significantly increase its exposure to two specific countries. The first and most significant is Brazil, where BG plans to generate above one-third of its production – the first single region of production. The fact that CFO Fabio Barbosa is Brazilian and was CFO of Brazilian company Vale until 2010 is a good sign of the company's prioritisation of developments in this country. BG is also expecting to significantly increase production in Australia, where two-thirds of its exploration prospects are currently located. Here again, the company has an Australian in its management team.

In addition, some of its non-executive directors contribute broad international experience to the company. For instance, non-executive Andrew Gould has worked in the oil & gas industry in Asia, Europe and the US, while Sir David Manning is a former British diplomat who has served in Warsaw, New Delhi, Paris, Moscow, Tel Aviv and Brussels.

However, the company's profile presents an important gap in terms of representation of Asian experience. While 23% of 2010 revenue came from Egypt, and 16% from Kazakhstan, experience in these regions is not represented at board and management levels. With 20% of women non-executives, ie only 14% of the full board, BG is lagging behind the FTSE 100 average of 22% and the 25% target proposed by the Davies report. This is also in disconnection with the percentage of women in the workforce, at 28% in 2010. This low level of gender representation in leadership positions is consistent with UK peers in the energy industry, but below others in Europe in the sample analysed.

BHP Billiton

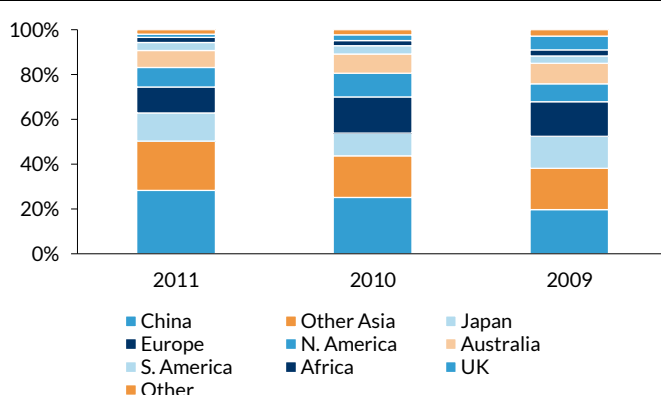
Market cap: EUR115.4bn	Free float: 73.1%	Sector: Mining	Country: UK
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HIGHLIGHTS

- BHP Billiton's leadership is aligned with Australia and North America where the significant majority of its assets are located.
- We believe the board needs to address the alignment gap in South America and Asia: the company has significant assets in South America, while Asia is the most important market for its products.
- The company is committed to improving gender diversity at both board and senior management levels. However, there needs to be a more strategic focus on diversity of nationality at senior management level, in our view.

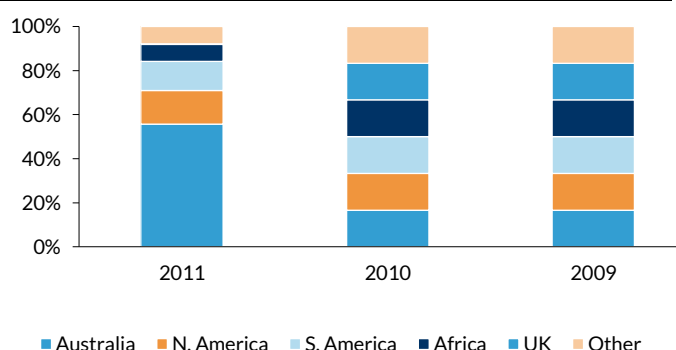
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Assets % 2009-2011



Source: Kepler Cheuvreux

Nationality	AU	Canada	Colombia	India	NZ	SA	Uganda	UK	US	Total	Avg age	% women
Main board	6			1	1	3	1		1	13	60	15%
Senior execs	2	1	1			1		1	2	8	50	12%

ANALYSIS

BHP Billiton's leadership is aligned with the geographies Australia and North America, where a significant proportion of its assets are located. In particular, Australian directors form a majority of the non-executive component of the board, reflecting the company's history, as well as the important Australian contribution to the company's asset base.

The company needs to address the alignment gap between its leadership and its geographical footprint in Asia, a key region for its growth strategy, representing c50% of revenues. This growth strategy is predicated on the continuing economic development of emerging economies, particularly in this region, and the company has identified a reduction in demand from China as one of the potential risks to its strategy.

The other notable gap is South America, where the company has significant assets and continues to invest a significant amount of shareholder resources in exploiting resources.

The board is close to meeting its target of at least three female non-executive directors, in line with best practice recommendations in the UK.

As part of its plan to improve diversity in the areas of gender, age and nationality, the company required all business units to provide diversity plans against which progress can be assessed. However, there appears to be a more strategic focus on improving gender diversity at senior levels. Women currently represent 16% of the company's workforce and 10% of its senior management positions, and the company has committed to increasing female participation in the Accelerated Leadership Development Program to 40% by the end of FY 2012.

BMW

Market cap:
EUR36.44bn

Free float:
53.3%

Sector:
Automobiles

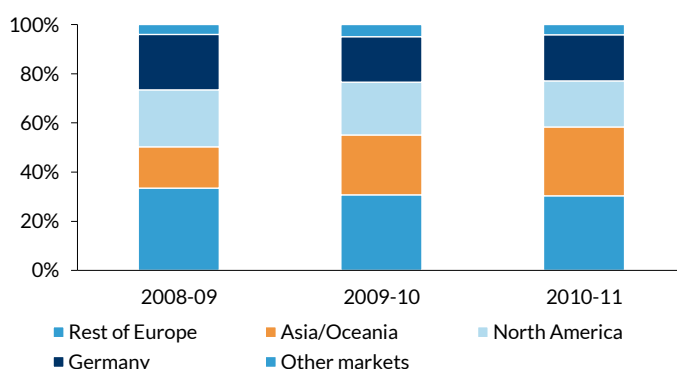
Country:
Germany

HIGHLIGHTS

- BMW's strategy is to enhance production capacities in China, US, South Africa, India and Russia.
- The supervisory and management boards reflect BMW's history as a German company but not the increasing international mix of its key revenue markets.
- There is evidence of gender diversity at supervisory board level but the absence of women directors at management level is a concern.

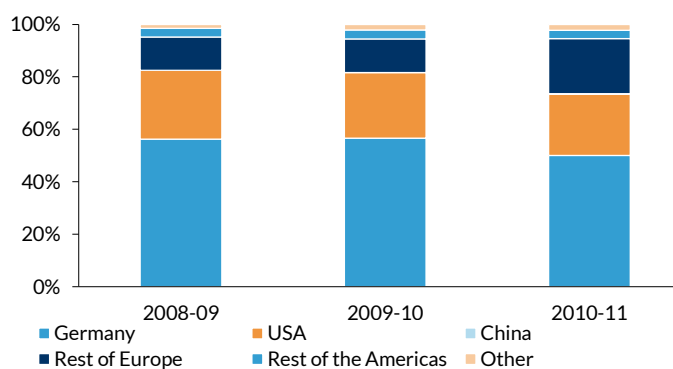
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% non current assets by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	German	British	American	Total	Average age	% women
Supervisory board	19		1	20	57	10%
Executive board	6	1		7	54	0%

ANALYSIS

In future, BMW wants to continue to achieve a reasonable balance of growth in all regions. The general idea is to raise production capacities in China, in the US, South Africa, India and Russia. The company is currently expanding local production capacities in China in order to be able to produce up to 300,000 vehicles per annum at its Shenyang site.

While the share of Europe in total sales declined from 56% in 2009 to 49% in 2011, the share of revenue from Asia-Oceania rose from 17% to 28% over the same period.

The board and executive committee are both dominated by directors of German nationality, which in our view suggests that supervisory board and executive management may not be sufficiently representative of the other key revenue markets including Europe (ex Germany) which is BMW's biggest market, Asia/Oceania and North America. In our view, succession planning for the supervisory board should reflect the need for increased internationalisation.

There is evidence of gender diversity on the supervisory board, but the absence of women directors on the management board is cause for concern.

BNP Paribas

Market cap:
EUR52.4bn

Free float:
73.1%

Sector:
Banks

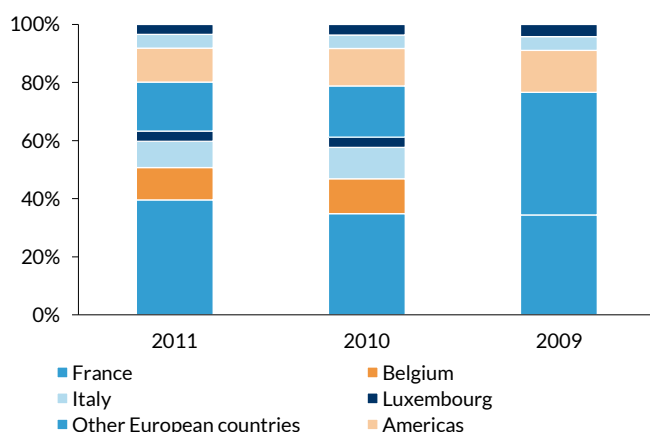
Country:
France

HIGHLIGHTS

- Very good representation of high French and European footprint.
- Female board representation (32%) far above the CAC40 average (16%) and 2014 quota (25%), but disconnected at senior management level (8%).

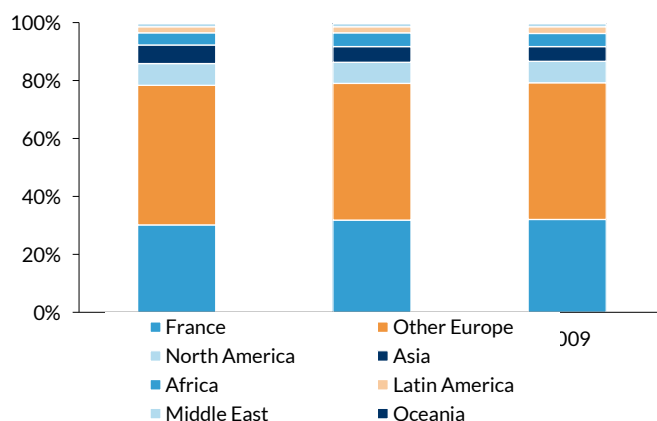
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employee growth % 2009-2011



Source: Kepler Cheuvreux

Nationality	France	Belgium	Germany	UK	Bulgaria	Total	Avg age	% women
Board	14	2	1	1	1	19	62	32%
Senior executives	n/d	n/d	n/d	n/d	n/d	12	54	6%

ANALYSIS

BNP Paribas has a business footprint dominated by France and Europe. Around 40% of its revenues are generated in France and 40% in the rest of Europe. Equally, almost 50% of assets and liabilities are located in France and more than 30% in the rest of Europe. In 2011, 30% of employees were based in France, and about 50% in the rest of Europe. This very consistent footprint has been very stable in the 2009-11 period. Tighter banking regulations mean that France, its country of incorporation, has of very high importance to the company since it will face regulatory risks there. More generally, it will also have to manage tighter regulation by the European Union.

The leadership of "the bank for a changing world" (the company's motto) is well aligned with this business footprint. A higher number of French nationals reflects the strong presence in this country. Other nationalities – Belgian, German, British, Italian and Bulgarian – bring experience from the rest of Europe.

With women representing 32% of the board, BNP Paribas is among the top performers on gender equity. However, as at most other companies, this is not reflected at management level, where there is only 1 woman out of 12 senior executives (8%). The company has committed to having 20% of women in senior management in 2012, which may be tough to achieve considering the current situation.

The company does not disclose the nationality of its top management team.

BP

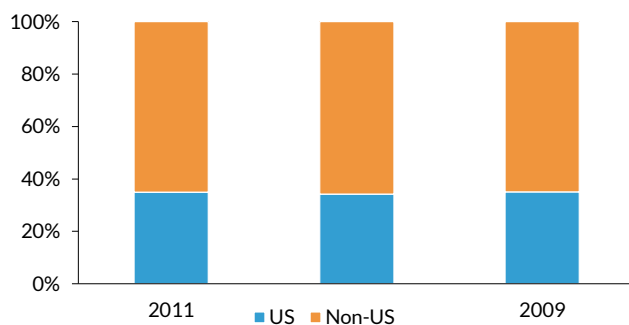
Market cap:	Free float:	Sector:	Country:
GBP86.12bn	73.1%	Oil	UK

HIGHLIGHTS

- Positive alignment with overall business footprint in North America, Europe and Russia.
- Representation of African experience but could be improved to align with future projects (esp. Angola).
- Board gender diversity (13%) below 22% FTSE100 avg & 25% Davies report target; executive board still all-male.

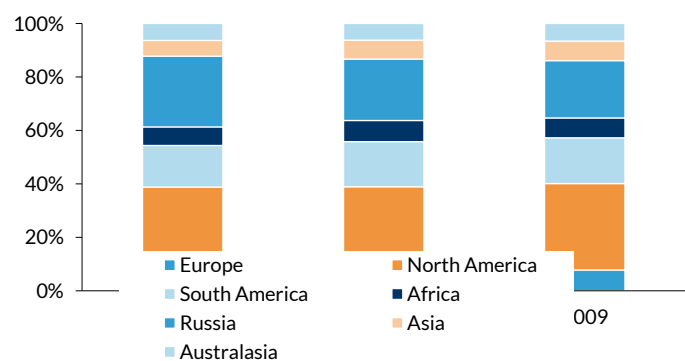
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Supply Chain % 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	US	Sweden	Netherlands	S. Africa	Total	Avg age	% women
Non-executive directors	6	6	1	1	1	15	59	13%
Executive directors	n/d	n/d	n/d	n/d	n/d	9	52	0%

ANALYSIS

BP has a major exposure to the US Gulf of Mexico, particularly for deepwater drilling. It strengthened its US leadership footprint after the oil spill, with now 4 out of 12 non-executives American. Bob Dudley replaced Tony Hayward, whose mishandling of the media following the spill created much focus in the US on "British" Petroleum. This strengthening of the US base, combined with a strong UK base within BP's leadership, reflects the fact that its sources of equity financing come predominantly from these countries (44% UK, 38% US equity ownership).

However, the lack of Russian nationals may have hampered efforts to do business in Russia, linked to the TNK-BP joint venture: Bob Dudley had to leave Russia after conflicts with BP's Russian partners; more recently, BP had to drop a deal with Rosneft due to litigation by AAR, its partner in TNK-BP; latest developments have involved the resignation of its CEO in May 2012, revealing tensions between BP and its Russian partners, and consideration of a sale of BP's stakes in the JV.

Most executive directors nonetheless have experience in both Russia and the US. CEO Bob Dudley is a good example of this mix: he is American, had significant experience in the US since he started at Amoco before the merger, and was head of the Russian joint venture TNK-BP from 2003 to 2008.

Outside these regions, BP is increasingly focusing on Angola, where major pre-salt discoveries have recently been made. The board has a South African member, Phuthuma Nhleko, who has extensive pan-African experience being CEO of the holding company MTN Group, and the executive committee has Bob Fryar who has been CEO of BP Angola. Yet with major projects in Angola, Egypt, Algeria, more African exposure could have been expected at leadership level.

BP has low gender diversity at board level (13% vs FTSE100 avg 15%). The difference is even greater for non-execs: 17% vs FTSE100 avg 22%. There are no women executives. The recent appointment of Dame Ann Dowling is positive, but the company comes from a very low level: only one woman director before this appointment, making BP the 88th ranking FTSE company on gender diversity according to the Cranfield University Female FTSE Board Report 2012.

British American Tobacco

Market cap:

GBP68.1bn

Free float:

73.1%

Sector:

Tobacco

Country:

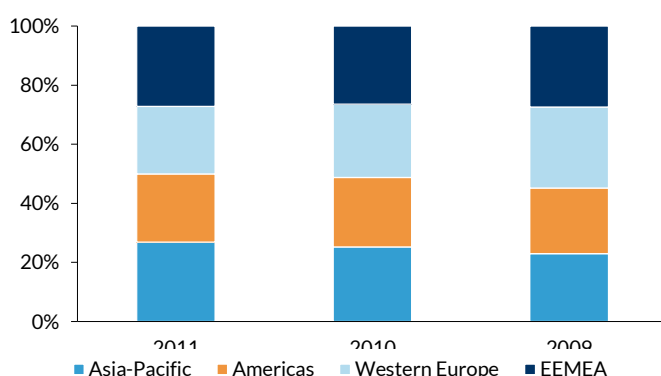
UK

HIGHLIGHTS

- Highly geographically diversified business model matched by a broad range of nationalities represented in both non-executive directors and senior executives.
- Still a high dominance of Europeans and a lack of Asian experience.
- Board gender diversity (25%) above the average for FTSE 100 (22%) and in line with the 25% target of the Davies report, but poor representation in management positions.

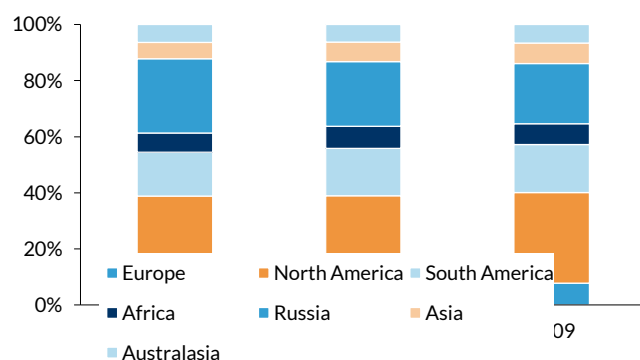
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Supply chain % 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	IRL	NL	FR	IT	SWI	US	CAN	BRZ	IND	Total	Avg age	% women
Main board	5	3	2	1			1	1			12	62	33%
Senior executives	7	1	1	1	1	1	2		2	1	15	50	0%

Note: 4 executives and 2 non-executives have double nationality.

ANALYSIS

British American Tobacco has a highly diversified geographical footprint. One-quarter of its revenues come from each operating region: Asia-Pacific, Americas, Western Europe and Eastern Europe Middle East & Africa. This is the same for employees – a geographical indicator disclosed by the company that we use as a proxy for supply chain exposure. No single region dominates the business model. Indeed, the company's leadership has a number of directors from each region. Only one executive comes from India, and no non-executive director has Asian experience. However, in its 2011 annual report, the company says that its nomination committee is putting a particular focus on searching for a candidate with Asian experience, which suggests a commitment to change this situation.

The weight of Britain and more generally Europe is still quite high, though. All non-executive directors have a European nationality, with almost half of them British. The situation is similar for executives, with 13 out of 15 with European nationality, of which 8 British. The non-European diversity actually comes mainly from binationals.

In terms of gender diversity, 25% of the board is composed of women, which is above the average 22% for FTSE 100 and in line with the 25% target of the Davies report.

However, no single woman is represented on the management board. The "glass ceiling" is at play here: while they represented 47% of management trainees in 2011, they represented only 33% of "management grade 35", then 25% of "management grade 37", and finally 5 % of "management grade 40", the level just below the management board.

Daimler

Market cap:
EUR47.9bn

Free float:
85.4%

Sector:
Autos

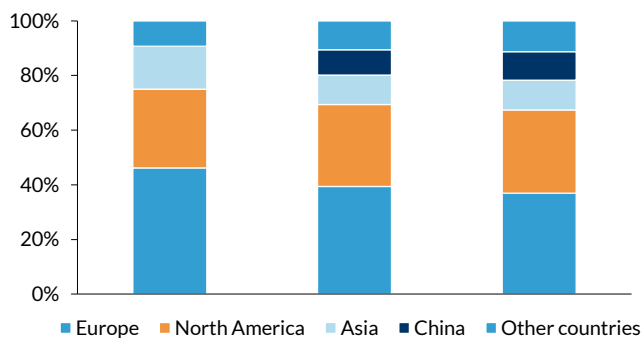
Country:
Germany

HIGHLIGHTS

- Daimler plans to expand its presence in Asia, Eastern Europe and India.
- Europe is the primary revenue market with 37% of sales in 2011; this is reflected in the diversity of the supervisory and executive boards.
- There is evidence of international diversity at supervisory board level. However, the increasing presence of Asia and China as growing revenue markets suggests that the supervisory board may in future need to adapt to reflect growth in these markets.
- Zero gender parity at executive board level is a concern.

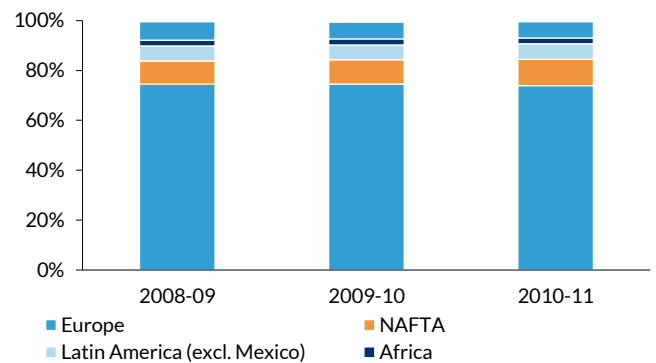
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% Employees by region 2009-2011



Source: Kepler Cheuvreux

Nationality	German	Turkish	Austrian	Finnish	Brazilian	US	Canadian	Total	Avg age	% women
Supervisory board	15		1	1	1	1	1	20	61	10%
Executive board	6	1						7	56	0%

ANALYSIS

Daimler is seeking to expand its presence in Asia and Eastern Europe and together with its local partners, the company is increasing the production of cars and vans in China, and will also produce trucks and engines there in the future. It is also expanding its production facilities for cars and setting up a new truck plant in India. In Russia, it has a partnership with truck manufacturer Karmaz, while in Hungary, a new car plant will go into operation in 2012.

Europe, the leading end-market, accounted for 37% of sales in 2011 and the current composition of the boards reflects this fact. We note that there is some international diversity at supervisory board level despite the dominance of directors of German nationality. As such, Daimler has a relatively diversified supervisory board compared with its peers. However, the increasing presence of Asia and China as growing revenue markets suggests that the supervisory board may in future need to adapt to reflect the growing presence in these markets.

Gender parity on the supervisory board could be viewed as poor, and the absence of women directors on the executive board is a concern.

Deutsche Telekom

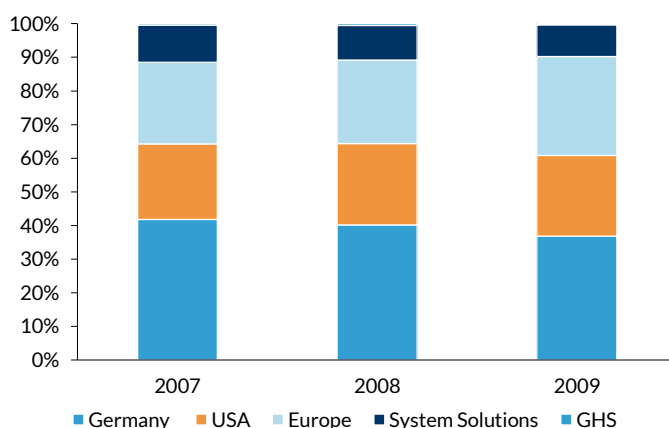
Market cap:	Free float:	Sector:	Country:
EUR 36.7bn	68.1%	Telecom	Germany

HIGHLIGHTS

- Despite significant restructuring of the German business with sustained layoffs over the last few years (10k employees pa), Germany is still the core market for DT.
- DT's failure to sell its US T-Mobile business will lead to renewed focus on this business, which may require additional international diversity at supervisory board level.
- Gender balance of both supervisory board and management board is above average for German DAX 30 companies.

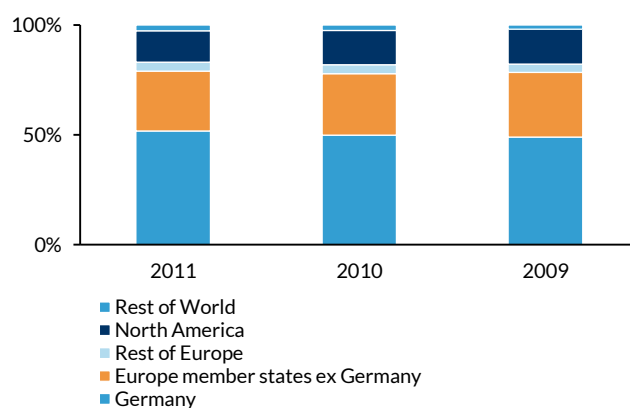
FUTURE-PROOFING: NATIONALITY

Revenue 2009-2011



Source: Kepler Cheuvreux

% Employees by region 2009-2011



Source: Kepler Cheuvreux

Nationality	Austrian	Swiss	German	US	Total	Average age	% women
Executive board	1		6		7	52.57	28.5%
Supervisory board	1		17	1	19	n/d	21%

ANALYSIS

Deutsche Telekom is one of Europe's largest telecom operators, with Germany its largest market followed by the US and Europe. DT has over a number of years embarked on a restructuring of its workforce in Germany by an average of 10k employees per year; this is in contrast to a general increase in employees in other European member states, which have seen employee growth of approximately 8% over the same period.

International diversity of both the main board and executive management is exclusively German, although the supervisory board does have one US director. In our view, DT's recent failure to sell its T-Mobile business to AT&T may lead to renewed focus on this business and as such the fact that the executive board has no director of US nationality could be viewed as a weakness. However, the current CEO has direct responsibility for the US T-Mobile business at management level. We believe that increased focus at management level may require additional international diversification at supervisory board level and in our view the appointment of directors with US industry experience may be a welcome first step.

Given the lack of a specific quota or legislation, gender balance on both the supervisory and management board is significantly above average for Germany DAX 30 companies.

Diageo

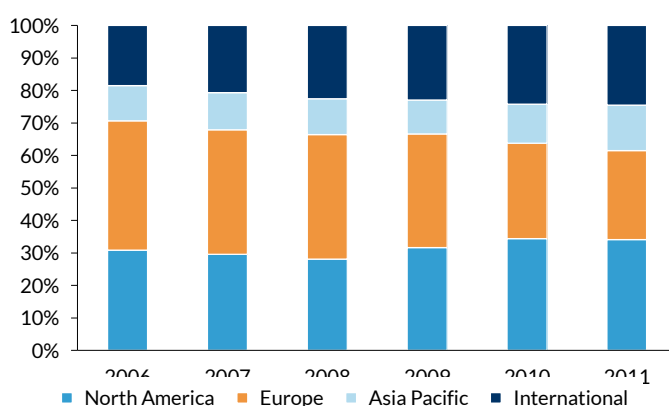
Market cap:	Free float:	Sector:	Country:
GBP40bn	100%	Spirits	UK

HIGHLIGHTS

- There is a clear mismatch between Diageo's rising international presence (from c34% to c40% of revenues between 2009 and 2011) and the lack of directors hailing from these countries (none on the board and only one in the executive committee).
- While no women are on the executive committee (though 27% of senior management positions were filled by women in 2011, with a 30% target by 2015), we note the fairly high number of women among directors (44%, far above the average 22% for FTSE 100 and the 25% recommendations of the Davies report).

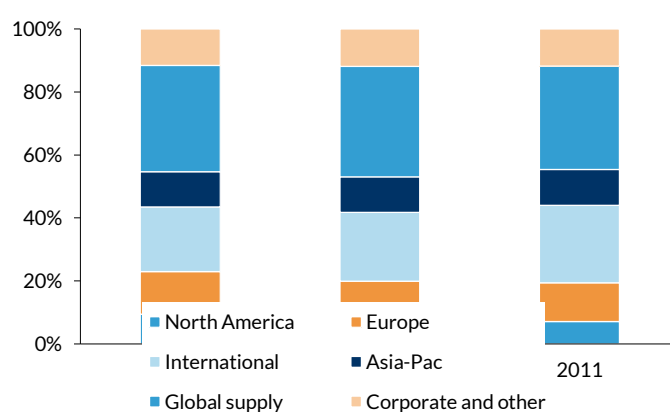
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Employees % 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	US	France	Swiss	Austria	Sweden	Lebanese	Total	Avg age	% women
Main board	3	3	1	1	1	1	0	10	58	44%
Executive committee	9	5	0	0	0	0	1	15	54	7%

ANALYSIS

The board and executive committee are both dominated by US and UK members. While there are several Europeans among directors serving on the board, this European diversity does not extend to the executive committee where nationality is split primarily between the UK and US. We note, though, that one executive is a native of the Middle East. He is actually the only representative of a non American or European country among Diageo's leadership.

As such, the breakdown of nationality within the board and executive committee could be viewed as misaligned with the company's strong and rising international exposure. Indeed, Diageo derived c40% of 2011 revenues from outside North America and Europe (vs 35% in 2009) and had 36% of its workforce in Asia-Pacific and International (grouping Africa, Latin America and Caribbean and Global Travel and Middle East (GTME)) in 2011 (32% in 2009).

Moreover, concerns over the lack of members with extensive experience from these regions may be exacerbated by the company's growth prospects as International and Asia-Pacific are expected to enjoy the strongest growth rates.

While the board is not far from reaching gender parity (44% of women serve as directors), there is only one woman (the CFO) among Diageo's 14 executives. A female representation of 44% may be considered as a fairly high share as this is far above the average 22% for the FTSE 100 and the 25% Davies report target. Diageo had 27% of women in leadership positions in 2011, slightly below its 30% target for 2015.

E.ON

Market cap:
EUR26.17bn

Free float:
73.1%

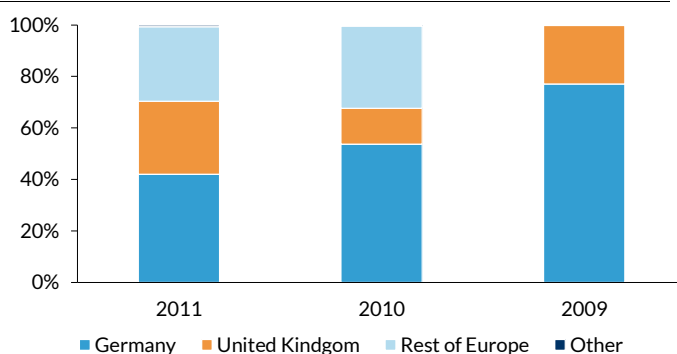
Sector:
Utilities

Country:
Germany

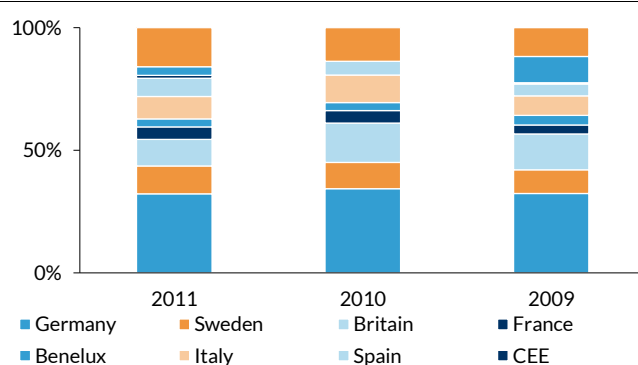
HIGHLIGHTS

- High exposure to Germany and Britain relatively well represented in leadership composition.
- Significant footprint in Central & Eastern Europe and strategic focus in Russia and N. America not reflected at all.
- Very poor performance on gender diversity at board level (5%) compared with German peers (12.9%).

FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009 -2011


Source: Kepler Cheuvreux

Installed capacity (GW) % 2009-2011


Source: Kepler Cheuvreux

Nationality	Germany	Britain	Norway	Romania	Netherlands	Total	Average age	% women
Main board	8	1	1	1	1	12	n/d	9%
Senior executives	5		1			6	52	17%

ANALYSIS

Like many power utility companies, E.ON has a heavy business footprint in its country of incorporation, Germany. Above 40% revenues have come from Germany in the last three years, and 1/3 of its power capacity is based there.

While Europe is the company's core market, its strategy is to target expansion outside Europe, particularly in North America and Russia where it already operates. It plans to increase its EBITDA from operations in these regions from 5% today to an ambitious 25% in 2015. Also, with 27% of its gas supply coming from Russia in 2010, the company already has a significant exposure to this country in this type of activity. However, this is not reflected in its leadership, where no significant exposure to these two regions is represented. According to the company, E.ON has significant market share (above 20% of network length) in Germany, Sweden, Hungary and Bulgaria. In Hungary, it is even above 50%. This important presence may expose it to significant risks if it does not manage its footprint and stakeholder relations in these countries effectively. However, no experience in these countries is represented in the company's leadership.

Under German law, E.ON employees elect half the supervisory board; however, the geographical diversity of employees is not reflected in employee representatives. The workforce is dominated by Germany (41%), but also the UK (29%). In addition, the shareholder representatives' backgrounds do not offset this particular feature.

Shareholders are 30% from Germany, and about 40% from the rest of Europe. 25% of shareholders are based in the US and Canada. While European shareholders seem to be well represented at supervisory board level, there is no representation of US and Canadian sources of financing.

Finally, E.ON lags significantly behind its German peers in terms of women on the board (12.9% in 2011 on average), with only 5% of women on its supervisory board. This ranks the company among the worst performers on this issue in the 50 top European companies

EDF

Market cap:
EUR39.6bn

Free float:
73.1%

Sector:
Telecom

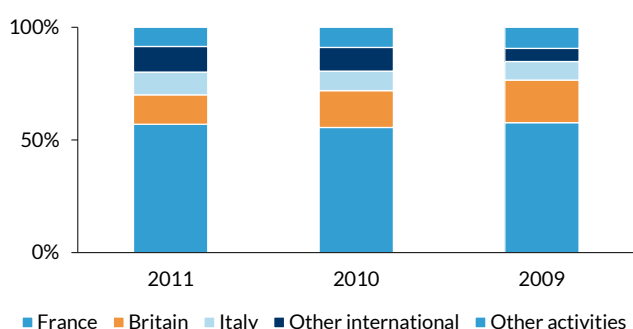
Country:
Germany

HIGHLIGHTS

- High French representation in line with strong core market in France and government control.
- Important sources of revenues and strategic positioning outside France and Europe poorly represented.
- Female board representation (12%) below the CAC40 average (16%) and 2014 quota (25%) but good balance below senior leadership level.

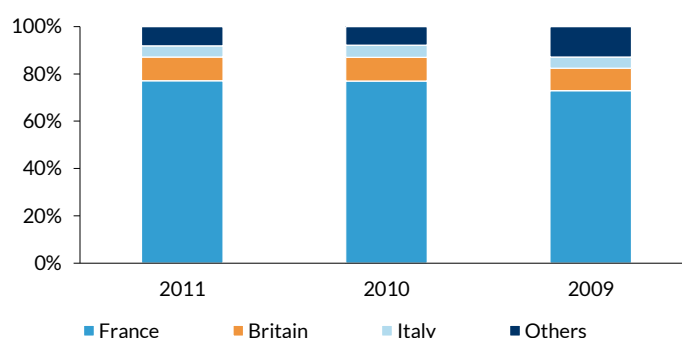
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Installed capacity (GW) % 2009-2011



Source: Kepler Cheuvreux

Nationality	France	Britain	Total	Average age	% women
Non-executive directors	17	1	18	55	11%
Senior executives	8		8	58	13%

ANALYSIS

Like GDF Suez, EDF is controlled by the French government, which owns 84% of share capital and has 1/3 of board directors. The government also has special powers over the company: eg it has a veto right on any decision on finance, investments or acquisitions. This leads to a high concentration of French interest in the company. Indeed, its activities are dominated by operations in France, with above 3/4 of installed capacity located in the country. The fact that all non-executives and executives but one are French aligns the company's leadership with this business footprint.

From this strong French base, the company is expanding its activities abroad, partly because electricity markets are very tightly regulated in France, leading EDF to seek other sources of revenue abroad. This is well reflected in the fact that in 2010, while almost 80% of installed capacity was in France, only about 55% of revenues came from this market. These markets outside France are therefore an important source of profitability for the company.

EDF has notably developed its activities in the UK, with the subsidiary EDF Energy formed in 2004 from acquisitions of British energy companies. EDF has one British non-executive director, which partly aligns it with this exposure. Generally speaking, 17% of its investments were dedicated to international projects in 2011. It is already present in Italy, Germany, and most Western Europe countries outside France and the UK – of which, however, no director or executive is a national. The company has exposure to Turkey, notably through hydroelectricity activities, and the fact that Pierre Mariani is chairman of Turkish bank Deniz Bank is probably a good asset.

The company is also developing activities outside Europe. According to EDF, it was the first foreign company to invest in a nuclear power project in China, in 2009, and it is the biggest foreign investor in the power generation sector in this country. Non-executive director Bruno Lafont is adviser to the Mayor of Chongqing in China, which may bring knowledge of the region.

Finally, with 11% of female board directors, the company falls short of the 20% target set for 2014, and the 16% average for CAC40 companies. However, it has to be noted that it is one of the only companies studied not showing a mismatch between representation of women in the overall workforce (24%) and management positions (22%).

ENI

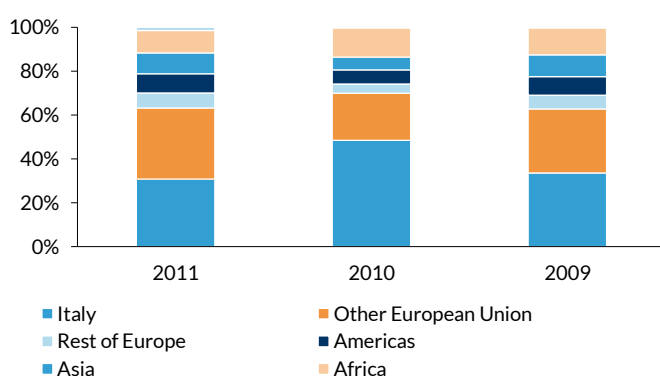
Market cap:	Free float:	Sector:	Country:
EUR66.8bn	73.1%	Oil	Italy

HIGHLIGHTS

- Positive alignment with ENI's major revenue source in Italy and Europe with all leadership being Italian.
- No representation at all of any exposure to Africa and Kazakhstan, two major exposures and areas of long-term strategic focus for the company.
- No women at all on the board and senior management, below the already low 5% average in Italy.

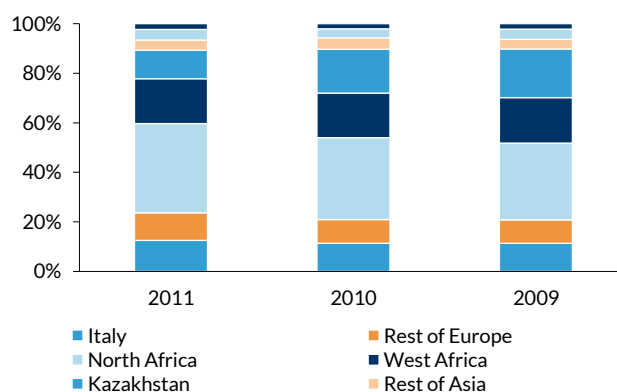
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Reserves % 2009-2011



Source: Kepler Cheuvreux

8u

Nationality	Italian	Total	Average age	% women
Non-executive directors	9	9	59	0%
Senior executives	14	14	n/a	0%

ANALYSIS

ENI is by far the least aligned company of our sample, particularly vs peers in the energy industry. The company has a major source of revenues in Italy, making up almost 50% in 2010, which could legitimise the fact that both executives and non-executives are Italian. However, on the supply chain side the company has massive exposure to Africa. More than 50% of its oil & gas reserves are located in this region. And with a plan to invest there 58% of exploration capital expenditures between 2012 and 2015, the company is putting Africa at the centre of its strategy – especially with complex pre-salt projects in politically unstable countries like Angola, RDC and Congo. In our view, the appointment of directors from such countries would provide useful insight for a board seeking to understand and mitigate risk when operating in such locations.

The company also has a major footprint in Kazakhstan, making up more than 15% of its reserves. This is not reflected at all in its leadership composition.

This leadership composition also only partly aligns ENI with the international footprint of employees. While 42% of employees are based in Italy, 19% are in Africa and 16% in Asia. This major lack of diversity within the company's senior leadership does not seem to be taken into account in the board nomination committee's work.

While the average for women non-executives is among the lowest in Europe, at 5%, ENI is even below with no women at all at either non-executive or executive level. This is a major concern as the company will be very badly positioned to comply with the 35% quota set for female representation on boards by 2015 under Italian law. We could fear a potential rush to comply with the law, leading to lower quality of director recruitments in the future. Also ENI compares very poorly on a dynamic perspective with Total, with only about 15% of women in new hires for ENI and 33% for Total, suggesting that the gender gap is unlikely to be rebalanced anytime soon.

France Telecom

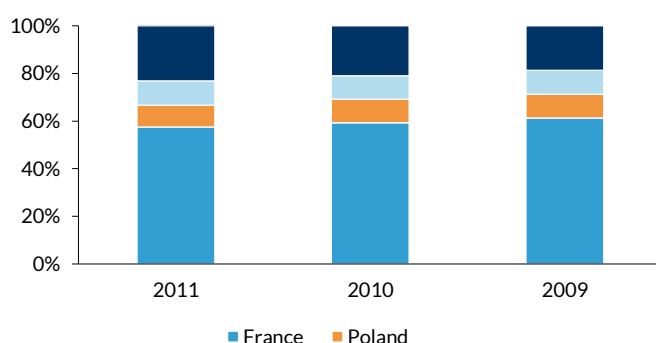
Market cap: EUR22.8bn	Free float: 68.5%	Sector: Telecommunications	Country: France
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HIGHLIGHTS

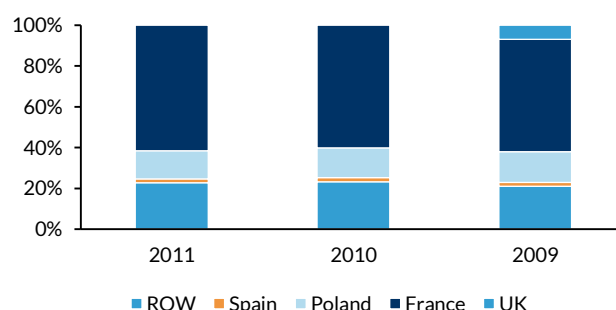
- 40% of EBITDA comes from international operations of which a significant proportion comes from the Middle East and Africa. Future board appointments from this region could therefore provide useful insights for the main board.
- The 2011 annual report discusses the need for greater internationalisation of the board without giving any detail or framework.
- Gender diversity of the main board is above average for French companies and on target to meet incoming legislation requiring at least 40% of the board to be comprised of women directors by 2017.

FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



% Group workforce breakdown 2009-2011



Source: Kepler Cheuvreux

Source: Kepler Cheuvreux

Nationality	French	Spanish	Belgian	Total	Average age	% women
Main board	14	1		15	55.7	33%
Executive committee	13		1	14	50.8	14%

ANALYSIS

The main board and executive in terms of nationality are almost exclusively comprised of French nationals, which is unsurprising given the strategic importance of France Telecom to the French Government which holds a 26.9% stake. The predominance of French nationals could also be a result of the continued dominance of France as a key revenue market with approximately 49% of revenue coming from this region in 2012 and the influence of the French state which also has the right to appoint three directors to the board. In addition the rights of employees to appoint representatives to the board are a further potential barrier to board diversity.

Although 60% of EBITDA comes from France 40% comes from international operations of which c50% from the Middle East and Africa. As such, we believe that future appointments to the main board from Middle East and Africa might provide useful insights into this increasingly important region. The 2011 annual report suggests that France Telecom is committed to greater internationalisation of the main board but is unclear to what extent this would be applied.

Gender diversity of the main board is above average for French companies and on target to meet incoming legislation requiring at least 40% of the board to be comprised of women directors by 2017.

GDF Suez

Market cap:
EUR39.6bn

Free float:
73.1%

Sector:
Utilities

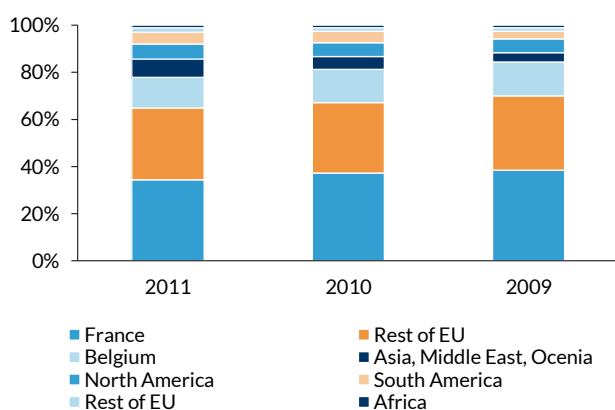
Country:
France

HIGHLIGHTS

- Exposure to Europe well reflected in the leadership, although mainly by French nationals.
- Strategy of geographical diversification of the company's business not yet reflected in a leadership dominated by French nationals.
- Slightly below the French quota with 18% of women on board but above the average 16% for the CAC 40; representation at executive level is higher than in most companies we analysed.

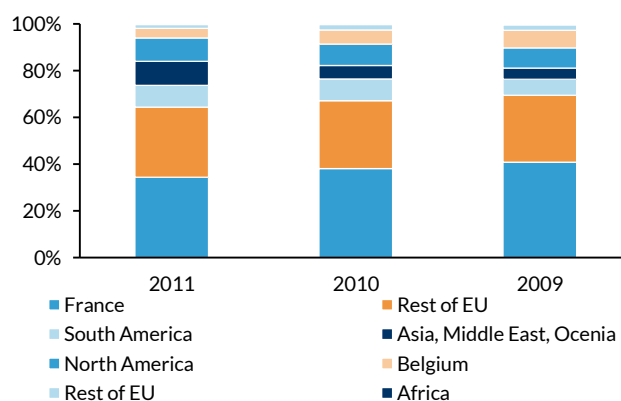
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

% Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	France	Belgium	Canada	NL	UK	Germany	Total	Avg age	% women
Board	15	1	1		1	1	19	60	18%
Senior executives	8			1			9	58	22%

ANALYSIS

GDF Suez has important exposure to Europe, in terms of revenues, installed power capacity and oil & gas reserves. This is reflected in a leadership where 28 out of 29 executives and non-executives are European. This also aligns the company with its shareholder base, composed of two-thirds French and about 80% European investors.

This is all the more important as the company is emphasizing geographical diversification. GDF Suez has 85% of its power capacity in construction in developing countries – Latin America, Africa, Middle East and Asia. It states that more than 30% of growth capital expenditures will be spent in "fast growing countries" in 2012-17. This, however, does not translate into leadership composition, with only 4 out of 29 not being French. One of the major projects is a large dam in Brazil; since this is highly controversial for its impact on the environment and local communities, it may need a thorough understanding of stakeholders in Brazil among the company's leaders.

Of course the French government's high level of control over the company – through its voting power with 36% of capital and 6 representatives on the board – does not play in favour of a better geographical balance, since of course all of them are French.

In addition, four French employee representatives have a seat on the board, but there is not a wide demographic difference with the other directors and executives, also dominated by French nationals.

The company is below the 20% quota, with only 18% of women directors, but slightly above the 16% average for CAC40 companies. It should be noted that, unlike most companies we analysed, at least in the energy sector, there is no disconnect between non-executive and executive directors – the percentage of women is roughly the same. This also reflects the relatively high rate of women in management positions, around 30% depending on the business.

GlaxoSmithKline

Market cap:
GBP73bn

Free float:
100%

Sector:
Pharmaceuticals

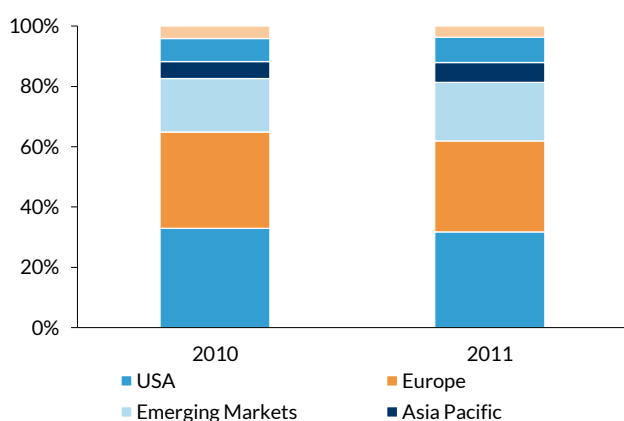
Country:
UK

HIGHLIGHTS

- Dominance of US and UK directors at main board and executive level potentially correlates with North America and Europe being the two biggest revenue markets.
- There is some evidence that emerging market growth is reflected on the main board and at executive level. However, Glaxo acknowledges that it needs to go further to increase the diversity of its board to reflect emerging market growth.
- The gender diversity at board level (21%) is roughly in line with the average FTSE 100 (22%), and hence below 25% best practice recommendations.

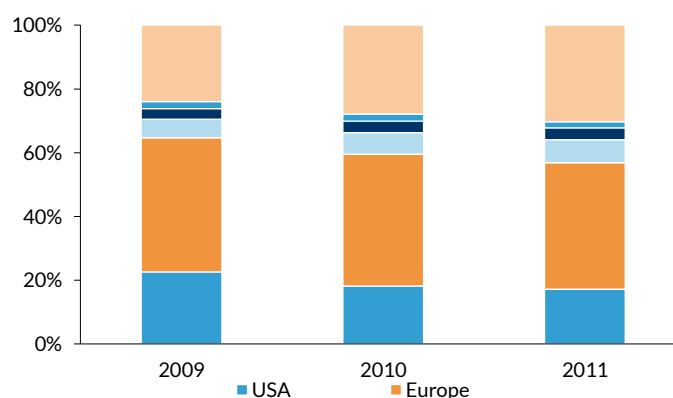
FUTURE-PROOFING: NATIONALITY

Revenue % 2010-2011



Source: Kepler Cheuvreux

% Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	US	France	Belgium	India	NL	Morocco	Total	Avg age	% women
Main board	8	4	0	1	0	1	1	15	56.2	21%
Executive committee	11	3	1	1	1	0	1	18	49.0	18%

ANALYSIS

The board and corporate executive teams are largely dominated by the presence of American and British nationals (86% of all directors, 82% of the corporate executive team), which correlates with North America and Europe being the two largest revenue markets. However, these two respective continents together account for a declining proportion of the company's total revenues (60% in 2011 vs 79% in 2007) and workforce (57% vs 73% in 2007) and as such the company is experiencing stronger growth in emerging markets.

Despite the predominance of directors from the UK and US, there is evidence that diversity on the main board and at executive committee level reflects the growth of GSK in emerging markets. In addition, the company acknowledges that it needs to further increase the diversity of its board and to focus on appointing people with knowledge of emerging markets and who are also CEOs of global companies.

Gender diversity at board level (31%) is roughly in line with the average FTSE 100 (22%), and hence below the 25% best practice recommendations. GSK has set a target to increase female representation on the board to 25% by 2013. Women represent a lower percentage of members of the executive committee (18%), and GSK in the past few years has only slightly increased the proportion of women in management positions, from 37% to 39% between 2007 and 2011.

Hennes & Mauritz

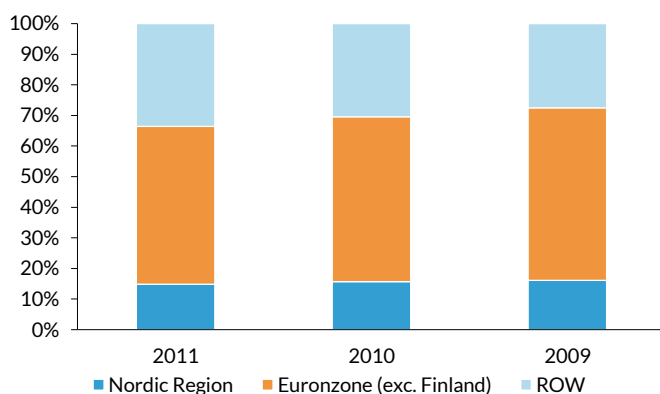
Market cap: SEK374.8bn	Free float: 73.1%	Sector: Retail	Country: Sweden
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HIGHLIGHTS

- Germany is the largest market by sales (23%) but the US and UK showed the strongest sales increases in 2011, at around 20% based on local currencies.
- China is a growth market but the UK and US have the highest growth potential for H&M.
- Lack of international diversity on the board is a negative.
- Significant sourcing from Asia is a risk that is not transparent at board level. But country heads typically come from the same country meaning that the board can draw on the expertise of senior managers with local market knowledge.

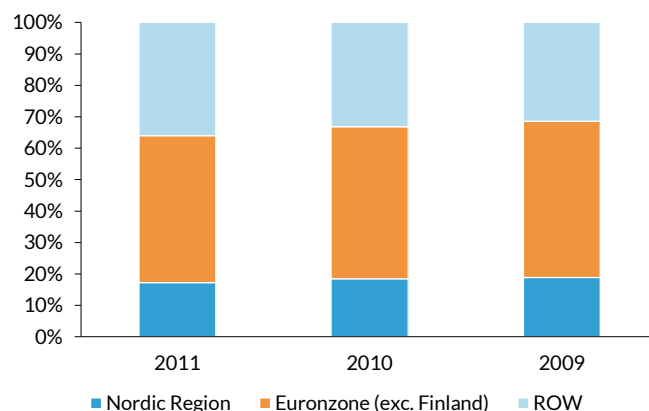
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Number of store locations % 2009-2011



Source: Kepler Cheuvreux

Nationality	British	Swedish	German	US	China	Total	Average age	% women
Board	0	12	0	0	0	12	53.75	58%
Executive mgmt	n/a	n/a	n/a	n/a	n/a	16	n/a	37.5%

ANALYSIS

Germany is the largest market for H&M with 23% of sales in 2011 followed by the US and UK, which both saw the strongest sales increase in 2011 with 20% based on local currencies. While China remains a growth market for H&M, sales from China represented only 3% and the US and UK are likely to remain the fastest growth markets for H&M.

H&M's board is exclusively comprised of Swedish directors, which is unsurprising given that the company is controlled by a family who, when selecting board directors, typically choose individuals with close links to the family or a strong Swedish business track record.

As such the lack of international diversity on the board could be considered a negative and perhaps should be a priority for future succession planning. A first step might be to address the absence of any German-based directors on the board, which is surprising as Germany is the company's largest market by sales and by average number of employees.

Below the board, transparency on the executive management committee is limited but there is visibility on gender balance with women executives making up more than one-third of the management committee. The lack of visibility on the background of directors is a negative.

As such, sourcing from Asia could be viewed as a risk for H&M, given that a significant majority of factories producing goods are based in Asia or the Far East and the lack of board expertise concerning this region. However, we understand that country heads typically come from the country in question, meaning that the Head of Asia will have significant expertise and knowledge of the region that the board can draw on.

HSBC

Market cap:
GBP131.7bn

Free float:
73.1%

Sector:
Banks

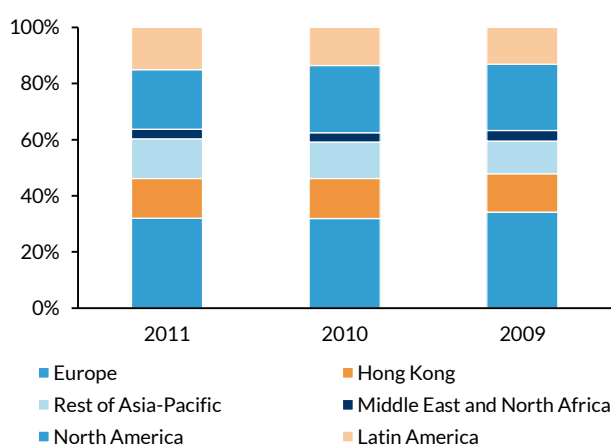
Country:
UK

HIGHLIGHTS

- Predominance of British and Hong Kong experience on the board but representation of a broad regional base for the other directors, in line with an internationalised business footprint.
- Lack of representation of Latin American experience.
- Board female representation (23%) in line with the FTSE 100 average of 22% and near the 25% target proposed by the Davies report.

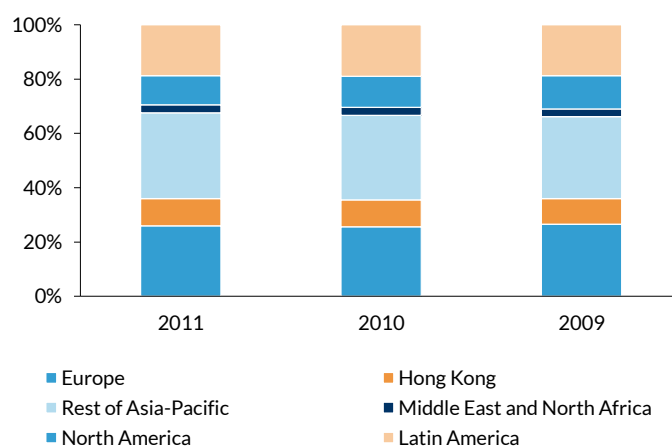
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employee growth % 2009-2011



Source: Kepler Cheuvreux

Nationality	Britain	China	US	Germany	India	Total	Avg age	% women
Non-executive directors	10	2	3	1	1	17	61	29%
Executive committee	n/d	n/d	n/d	n/d	n/d	10	n/d	10%

ANALYSIS

HSBC has a very geographically diversified business profile, with about one-third of revenues and risk-weighted assets in Europe, one-third in Asia, one-third in the Americas. This is also reflected in the international composition of its workforce. It has to be noted though that there is a rather distortion towards Asia as about 40% of employees are in Asia while this region counts for slightly below 30% of revenues.

The board's structure reflects a rooting in the UK and Hong Kong, with efforts to represent other geographies. All board members are nationals from what the bank defines as "home markets" (UK, Hong Kong) or "priority growth markets" (US, Germany, India). The majority of directors are British, which also aligns the bank with the fact that 45% of gross loans are made in Europe. But the composition of the rest of the board reflects a will to represent a rather broad geographical base.

However, some "priority growth markets" in Latin America (Argentina, Brazil, Mexico) and to a lesser extent the Middle East (Egypt, Saudi Arabia, United Arab Emirates) do not seem to be represented by relevant experience on the board. The latter is particularly important in the light of Q1 2012 YOY revenue growth of 7% in Latin America.

With 23% of women on the board, HSBC is in line with the FTSE 100 average of 22% and near the 25% target proposed by the Davies report. However, all executive directors are men, while four non-executives out of 14 are women, showing a distortion between the two groups. HSBC does not disclose the nationality or age of its top management team.

Inditex

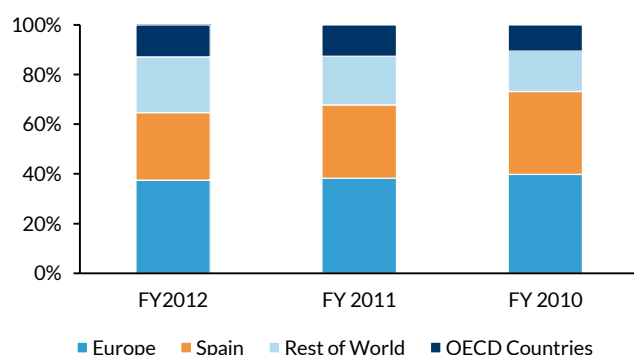
Market cap: EUR39.6bn	Free float: 73.1%	Sector: Retail	Country: Spain
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HIGHLIGHTS

- Inverse correlation between employee growth in Spain (increasing) and revenue which has declined over the last five years.
- Senior executive team and main board are clearly dominated by directors of Spanish nationality despite Europe being a main revenue market.
- Disclosure of senior executive team is significantly poor with very little information beyond name and title.

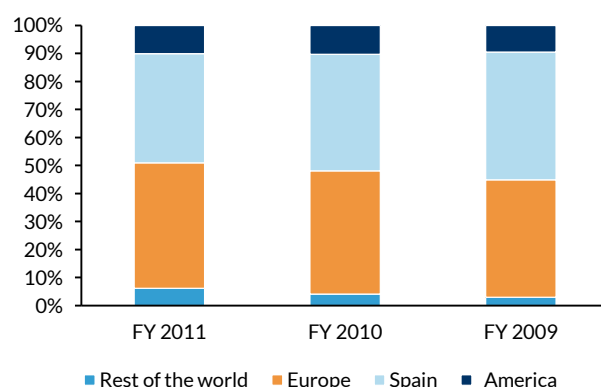
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

No. of employees (%) 2009-2011



Source: Kepler Cheuvreux

Nationality	Spanish	Danish	British	Total	Average age	% women
Main board	7	1	1	9	62.12	22%
Executive team	n/a	n/a	n/a	21	n/a	n/a

ANALYSIS

Revenue from Inditex's traditional market of Spain has been declining for the last five years from 47.16% of sales in 2007 to 27.22% in 2011, and Europe ex Spain is now the biggest market for Inditex. We note that there is an inverse correlation between employee growth and geographic revenue with Spanish-based employees rising from 37% to 45% over the last five years despite the revenue decline in this market. In addition, employee growth in Europe has declined by c12% over the last five years despite revenue exceeding that of Spain over the last four years.

The main board is comprised mainly of directors who are Spanish nationals. This is unsurprising given the origins of the company and its shareholder structure, under which Garter SL owns 50.1% of the issued share capital. There are two women directors on the board, which we believe is above average for Spanish companies (11.2% in 2011) and Inditex is on track to meet the current gender equality law requiring boards to have 40% of each sex by 2015. However, given the lack of sanctions and the only positive being priority status for government contracts, we do not believe that Inditex is under any significant pressure to comply.

The distinct lack of disclosure on the nationality of management and their geographical experience (only names and job title are disclosed) makes it difficult to assess whether the skillset of the management team matches the future strategic direction of the business. Despite this, we can surmise that for the most part the management team is comprised of Spanish nationals who are predominantly male.

L'Oréal

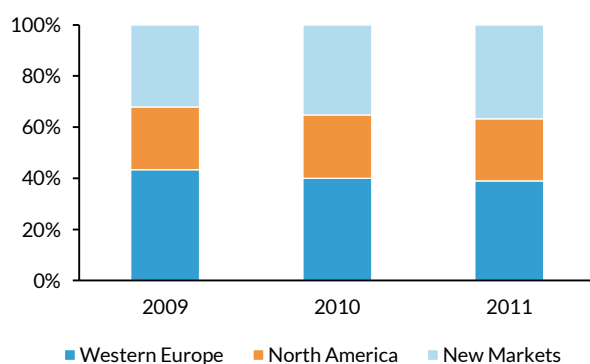
Market cap:	Free float:	Sector:	Country:
EUR56bn	38%	Cosmetics	France

HIGHLIGHTS

- We highlight the overrepresentation of French nationals on the main board (71%) and executive committee. We believe the main board in particular may not reflect the diversity of the group's rising presence in North America and emerging markets, which combined account for the bulk of revenues.
- With women making up 20% of the executive committee and 29% of the main board (above the 20% gender quotas set for boards in France by 2014), we consider the gender diversity at the company's top level as adequate but not reflective of the high share of women within the total workforce (67% in 2011).

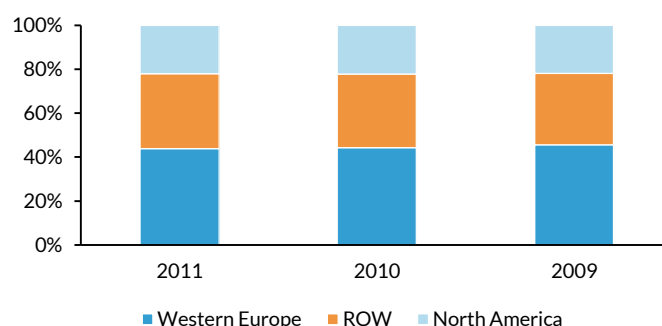
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Employees % 2009-2011



Source: Kepler Cheuvreux

Nationality	France	Switzerland	Austria	UK	Belgium	Total	Average age	% women
Main board	10	1	1	1	1	14	60.1	29%
Executive committee	-	-	-	-	-	-	-	20%

ANALYSIS

L'Oréal's board is mainly comprised of French nationals (71% of directors) and there is evidence of diversity in terms of European nationalities at main board level. However, the lack of information on the nationality and age of some members of the executive committee restricts the ability of shareholders to assess whether there is a diversity problem at executive level.

We believe the main board in particular may not reflect the diversity of the group's rising presence in North America and emerging markets with both North America and new markets (LatAm, Africa, Middle East, Eastern Europe and Asia-Pacific) representing 61% of the company's total net sales (vs 57% as of 2009) and 55% of its production in 2011. Indeed, the main cosmetic market's geographic zone globally is now Asia-Pacific (31%), followed by Western Europe (24%) and North America (20%). However, it should be noted that some members of the executive committee have a somewhat international profile (work experience outside Europe and foreign language skills).

There is evidence of gender diversity on the main board with 29% comprised of female directors, and as such L'Oréal already has a higher proportion than the legal quota set for 2014 in France (20%), which we believe to be positive. Nevertheless, this share of women among directors, along with the fact that only 20% of the executive committee are women, leads us to conclude that the gender diversity at the company's top level does not reflect the fact that the majority of L'Oréal's employees are women (67% in 2011).

LVMH

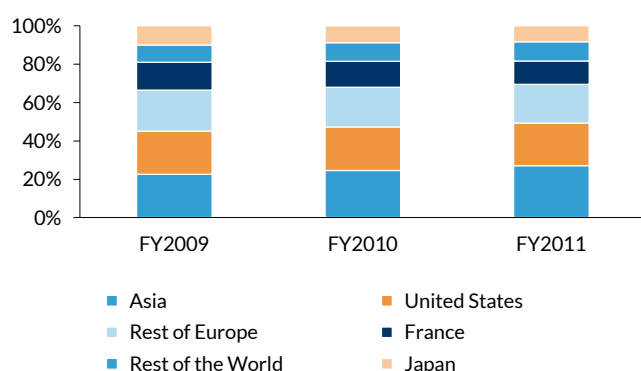
Market cap: EUR67.7bn	Free float: 24.9%	Sector: Luxury Goods	Country: France
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HIGHLIGHTS

- Growth in China is a significant opportunity but the director diversity of the main board and executive committee does not reflect this.
- The gender balance of the executive committee is weak in contrast to the main board.
- Both main board and executive committee are dominated by French nationals. In our view, efforts to increase international diversity will require the support of the Arnault family who are the largest shareholder.

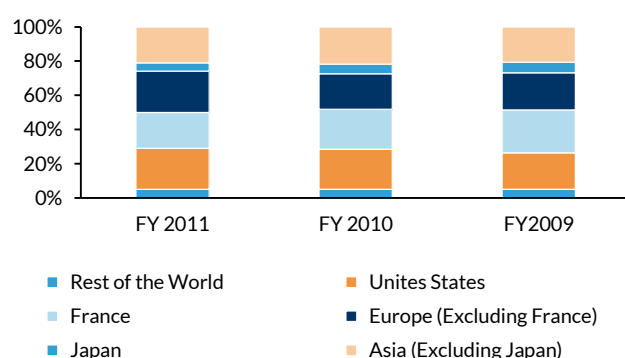
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	French	Belgian	Italian	US	Swiss	Belgian	Total	Avg age	% women
Main board	1	10	1	3	2			17	62	17.6
Executive committee		8	1	2	2	1	1	15	56.8	6.67

ANALYSIS

By region, Asia is the main end-market driving sales (27%, o/w 8% in Japan), ahead of the US (22%), Europe (21%) and the rest of the world (10%). More than 50% of the main board is comprised of French nationals; however, we note that the international diversity of the main board covers each of the main geographic revenue regions with the exception of Asia.

Given its importance as a main end market we believe that the succession process should incorporate the need to appoint a non-executive directors from Asia to the main board. However, we believe that the fact that LVMH is controlled by its main shareholder the Arnault family, who have 46.05% of the equity (62.02% of the voting rights), may restrict the board's ability to appoint directors who better fit the company's geographic revenue model.

The executive committee is comprised of 15 directors, a clear majority of whom are again French nationals. This could be seen as surprising given that 70% of employees are based outside France. A clear opportunity for LVMH undoubtedly lies in growth in emerging markets, notably China. As such, the lack of executives from this geographic region could be seen as a weakness. In addition, the gender balance of the executive committee could be viewed as weak (1 out of 15), particularly when compared with the main board which has three female directors.

Nestlé

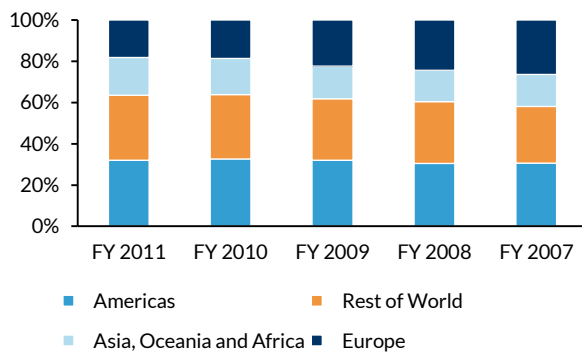
Market cap: CHF220bn	Free float: 25%	Sector: Food Manufacturing	Country: Switzerland
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HIGHLIGHTS

- Currently, the board may not reflect upcoming M&A activity in Asia, with strong revenue growth in the region Asia, Africa and & Oceania over the last six years.

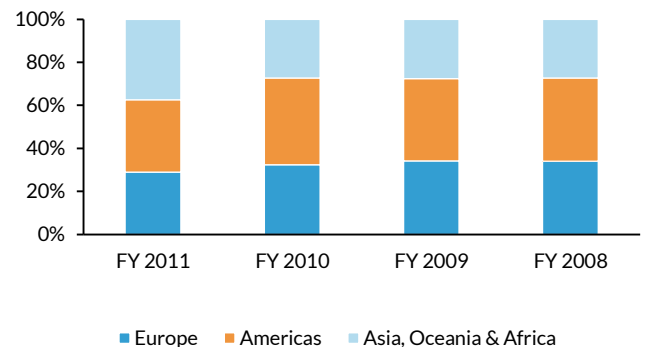
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Employee growth % FY 2009-2011



Source: Kepler Cheuvreux

Nationality	Austrian	Swiss	Indian	US	French	Dutch	Total	Avg age	% women
Non-executive	1	6	1	2	2	1	13	55.3	23%

Nationality	Belgian	Swiss	Indian	US	French	Canadian	German	Total	Avg age	% women
Executive	1	3	1	4	1	1	1	13	60.4	8%

ANALYSIS

Non-executive directors mainly come from Switzerland (6 out of 15). The geographic revenue is split between Europe, North America and Asia, Africa & Oceania, which is classified as one group. However, board composition is not reflective of Asia, Africa & Oceania despite 49.7% of revenue coming from this areas. Given the growth in revenue towards Asia we would expect the non-executive make-up of the board to reflect this.

The largest proportion of executive directors come from the US, which is one of Nestlé's biggest markets, although unsurprisingly Swiss national executives make up the next largest group. At executive level, women make up 7.5% of the senior executive committee (1 director of US nationality). Speculation over upcoming M&A activity in Asia may signal the appointment of executive directors from Asia in future. However, while there are no executives from Asian geographic regions, four directors have extensive language and career expertise from that region, with three out of four having Japanese language and career expertise and one director with Chinese language skills.

Women directors currently make up 23% (4 out of 14) of the non-executive board, with 50% coming from Nestlé's two biggest revenue markets and 50% split between India and Netherlands, which are geographic regions not replicated at executive level. The level of gender diversity on the board could be seen as above-target for the geographic region.

Novartis

Market cap:
CHF138bn

Free float:
24.9%

Sector:
Pharmaceuticals

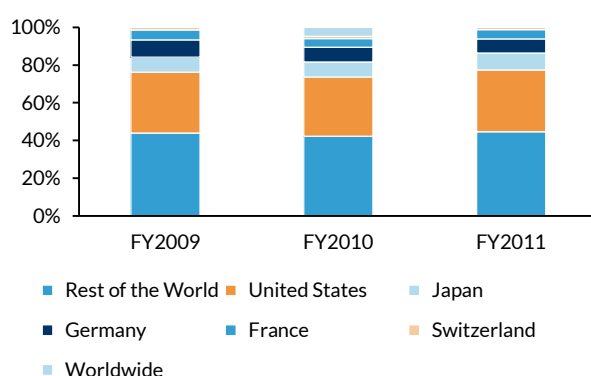
Country:
Switzerland

HIGHLIGHTS

- Main disclosed revenue market is North America, with US executives comprising 60% of the executive committee.
- Emerging markets expected to be driving force, which should be reflected in future board/executive appointments.
- Lack of female directors on the executive committee could be a strategic weakness in the long term.

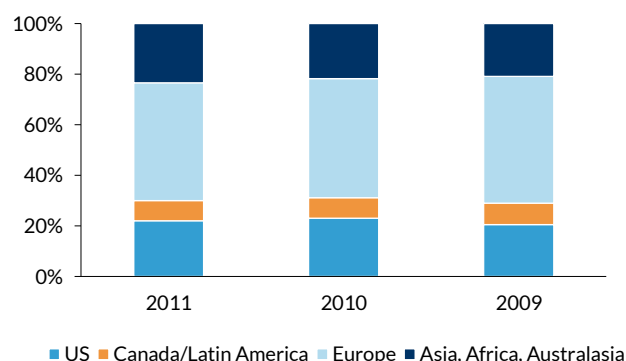
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Employees by geography % 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	Swiss	German	US	China	Spanish	Australian	Total	Avg age	% women
Non-executive directors	0	5	3	3	1	0	0	12	61	16.7%
Senior management	1	2	1	7	0	1	1	13	50	15%

ANALYSIS

In 2011 67% of revenue came from developed markets of which 33% from the US alone. However, emerging markets are expected to be a driving force in global growth, with combined net sales from Novartis's six priority emerging markets (Brazil, China, India, Russia, South Korea and Turkey) growing by 17% in 2011 compared with 11% sales growth (at constant currencies) in the seven largest developed markets. As such, any steps to increase Novartis's presence in its priority emerging markets should, in our view, include some focus on a potential rebalance of the executive committee and board to reflect the company's geographic revenue shifts.

Novartis's leadership comes predominately from the US, which is in line with the company's main disclosed revenue market, North America, which accounted for 32% of revenue in 2011 (31% in 2010). As such, the executive committee is comprised primarily of US-based executives (60%) with Swiss-based executives the next largest group (20%). There appears to be a gender imbalance on the executive committee, with zero women executives holding permanent seats. This is unsurprising given that women make up only 19% of the Corporate Executive Group, from which it is likely that executives are selected to join the executive committee. Novartis discloses that 'other members of senior management' include two female executives. However, it is unclear whether or how these executives communicate with the executive committee.

The non-executive board shows a reverse of the executive committee, with directors predominantly from Switzerland (41%) as opposed to the US, although US directors still make up c25% of the board. In addition, the gender imbalance is rectified somewhat at board level, with women directors making up 16.7% of the board.

Novo Nordisk

Market cap:

DKK452bn

Free float:

N/A

Sector:

Pharmaceuticals

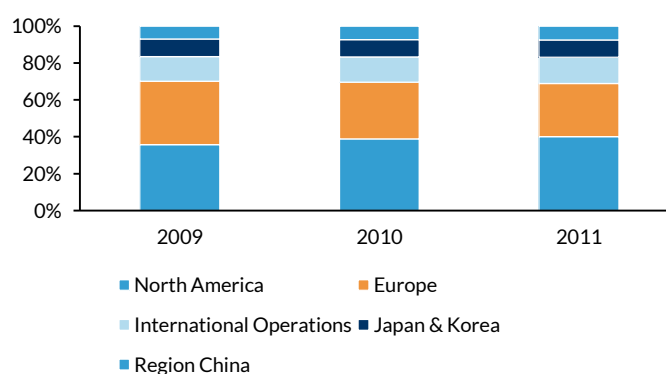
Country:

Denmark

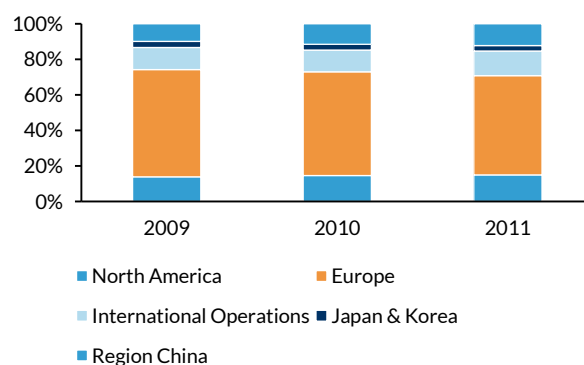
HIGHLIGHTS

- The executive committee and 67% of main board have Danish nationality. This is in alignment with the company's headcount proportion in Denmark (43%) and the fact that it is effectively controlled by a Danish shareholder.
- However, from a revenue perspective the main board is not necessarily aligned with other key markets given that <1% of revenues derive from Denmark.
- We note the company's growing presence in China and North America, which is not reflected at main board level.
- The proportion of women on the board and among executives (17% and 20%, respectively) is slightly higher than the country's average (c12% on Danish boards).

FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011


Source: Kepler Cheuvreux

% Employees by geography 2009-2011


Source: Kepler Cheuvreux

Nationality	Denmark	Sweden	France	Finland	US	Total	Average age	% women
Main board	8	1	1	1	1	12	57.7	17%
Executive committee	5	0	0	0	0	5	51.6	20%

ANALYSIS

Novo Nordisk retains a significant majority of Danish nationals among its executive leadership positions and the board has a clear predominance of Danish directors (67%). Denmark, the company's country of domicile, accounted for the bulk of personnel in 2011 (43%), and the company is effectively controlled by one Danish shareholder, the company's foundation, which held about 73% of the voting rights at end-2011. However, Denmark's contribution to total revenues is insignificant (0.7% in 2011).

While North America has been representing a growing share of the company's revenues (from 33% in 2007 to 40% in 2011), with the US accounting for 90% of Novo Nordisk's revenues in the North America segment, there is only one US director on the board. Moreover, the company's growing presence in Asia, particularly China (8% of 2011 revenues, vs 5% in 2007, while Japan & Korea's proportion of total turnover stood at 11% as of 2011, a stable proportion since 2007) is not reflected in the diversity of the main board. We note also that headcount in China saw a 10% increase in 2011 and now represents 12% of total headcount and that the main capex project in 2011 included the insulin filling plant in Tianjin. As such, we would expect future board appointments to reflect the growing revenue and employee presence in Asia.

However, there is some European diversity on the main board, with one representative of each of the following countries: France, Sweden and Finland. We view this as positive given that Europe still accounts for the majority of the company's sales, though this share has been declining in the past few years (from 39% in 2007 to 31% in 2011). The proportion of women on the board and among executives (17% and 20% respectively) is slightly higher than the country's average (c12% on Danish boards).

Rio Tinto

Market cap:
EUR39.6bn

Free float:
73.1%

Sector:
Mining

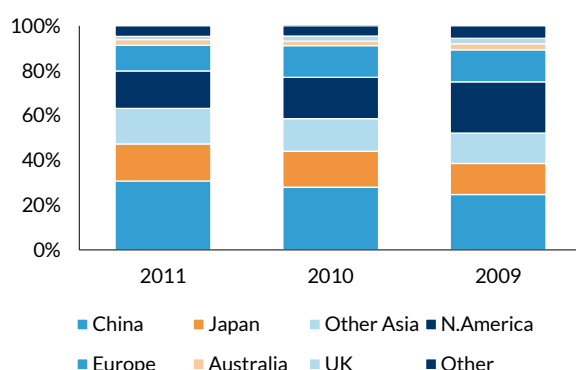
Country:
UK

HIGHLIGHTS

- The composition and backgrounds of board members reflect the strength of the company's business footprint and history in Australia, UK and North America.
- But we believe the board needs to address the alignment gap in Asia and Africa. Its growth strategy is increasingly focused on emerging economies; Asia is an important market but also an increasingly important source of finance.
- While the level of gender diversity on Rio Tinto's board is slightly below the UK's best practice recommendations of 25%, the company has a strategic focus on improving gender and nationality diversity at all levels.

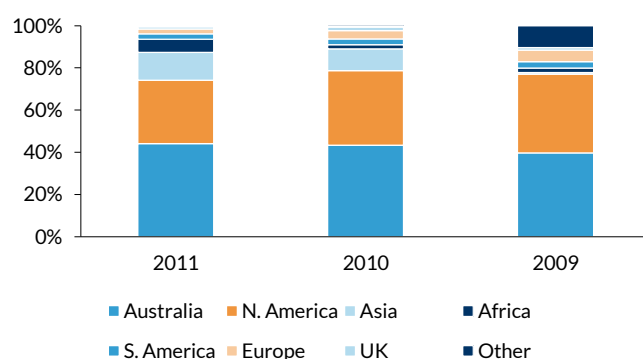
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% of assets 2009-2011



Source: Kepler Cheuvreux

Nationality	AU	BE	CA	SA	UK	US	Total	Avg age	% women
Non-exec directors	2		3	1	3	1	10	60	20%
Executives	3	1	1		2	4	11	53	18%

ANALYSIS

Rio Tinto's leadership is aligned with the geographies in which the majority of its assets are located and also reflects the company's history in Australia, the UK and North America. However, we believe the board needs to address the leadership alignment gap in Asia and Africa. Non-OECD assets currently constitute over 10% of the company's wholly owned operations, a not insignificant amount of shareholder assets.

While the group's revenue is diversified, the bulk of it comes from Asian countries. The identified strategies for long-term growth rely heavily on growing commodity demand from emerging economies, notably China and India, based on projected population growth and the push towards urbanisation. What is also noticeable is the increase in the level of shareholding by Asia-based investors. This highlights the importance of Asia not just as a market for the group's products but also a source of funding.

Rio Tinto has acknowledged the need to align diversity with its geographical footprint. One of the performance measures underpinning the CEO's bonus is to improve diversity (by gender and nationality). In choosing non-executive directors, the board has committed to seeking candidates with skills and experience that reflect the geographic spread of the group's operations and at least one candidate for director selection will be female.

Rio Tinto has established transparent targets and published progress reports on targets for gender and nationality diversity. The targets are: women to represent 20% of senior management by 2015 (achieved 14% in 2011); women to represent 40% of 2015 graduate intake (achieved 35% in 2011); and 15% of graduate intake to be nationals from regions where company is developing new businesses (achieved 21% in 2011). This level of transparency sets Rio Tinto apart from peer companies and gives investors a tool to monitor progress against the company's objectives.

Roche Holdings

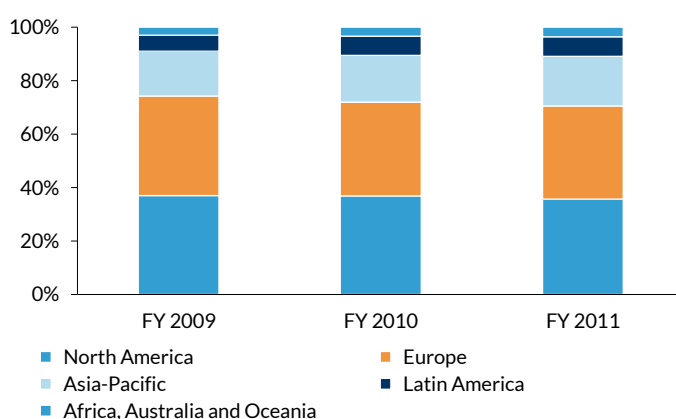
Market cap: CHF138bn	Free float: 24.9%	Sector: Pharmaceuticals	Country: Switzerland
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HIGHLIGHTS

- Emerging markets expected to offer continued high growth and future key executives should start to reflect this.
- There is no gender imbalance between the board and the executive committee.
- Roche has a detailed pipeline to increase the presence of women in key executive positions, with an unspecified target for 2014.

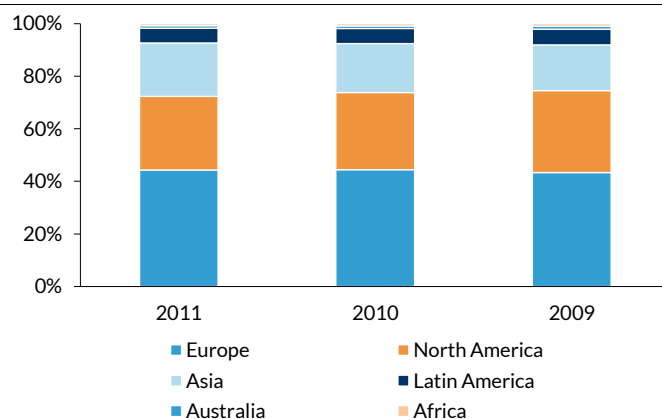
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	Belgian	British	Swiss	German	US	Canadian	Total	Avg age	% women
Non-executives	1	1	7	1	3	1	14	59.9	14.2

Nationality	Swiss	German	US	Japanese	Austrian	French	Total	Avg age	% women
Executives	2	2	2	1	1	3	11	53.45	18

ANALYSIS

Roche's main geographic revenue markets are Europe and the US, which contributed 70% of revenue in 2011 with the Asia region the next largest at 18.65%. In terms of international diversity the executive committee mostly reflects Roche's main geographic revenue markets: Europe & North America, with the largest national group being French nationals followed by Swiss, German and US. Women executive directors make up 18% of the executive committee (2 directors), which may appear low despite being up 38% since 2009, given that according to Roche women make up half of its overall workforce (c80,000) and nearly 40% of management roles. However, Roche says it is on track to increase the number of women in key positions from 18% up to an unspecified target by 2014.

In terms of international experience the non-executive board is for the most part similar to the executive committee despite having a large number of Swiss-based directors. There is no gender imbalance between the board and executive committee with both having two women directors. We believe that both the board and executive committee should seek to appoint additional women directors with a particular focus on emerging markets like Latin America, Asia-Pacific and Africa.

SABMiller

Market cap:

EUR39.6bn

Free float:

73.1%

Sector:

Food Drinks & Tobacco

Country:

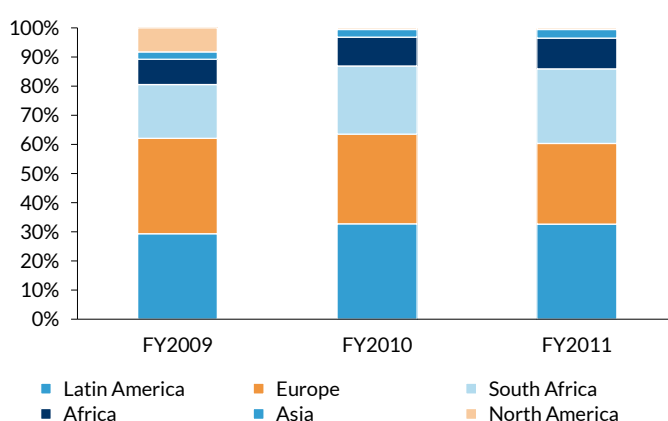
UK

HIGHLIGHTS

- SABMiller has a broad-based footprint in emerging markets (80%+ of core sales post Fosters merger).
- Latin America (31%), Africa/Middle East (35%) and Asia (13%) are top emerging markets for SAB, but its executive committee is exclusively South African or English.
- Board female representation (19%) is above-average for a FTSE 100 company, but women directors are significantly underrepresented at executive committee level, at only 8%.

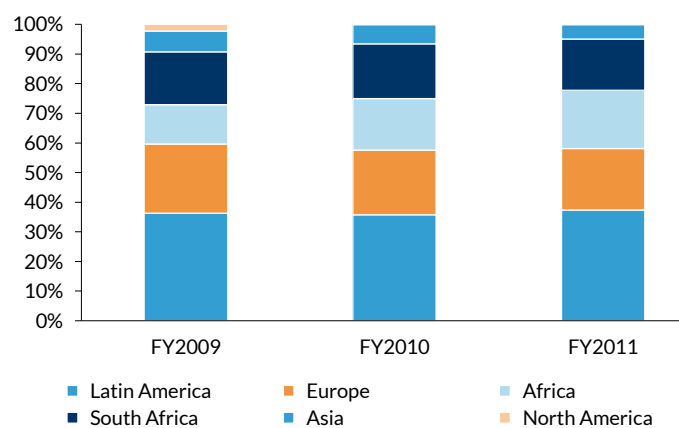
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employee geographic breakdown 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	S. African/African	US	Australia	Indian	Total	Average age	% women
Board	7	4	3	1	1	16	57	18%
Executive	4	7				12	52.8	8.3%

ANALYSIS

Given its strongly growing beer market, Nigeria is considered to be one of the top emerging markets for SAB despite revenue from Africa (excluding South Africa) contributing only 10.61% in 2011. As such, it is unsurprising that the company's employee growth is fastest in Africa, with employees from this region increasing significantly over the last three years from 13.28% in 2009 to 19.62% in 2011.

The main board has a majority of directors from the UK, the US and South Africa. Given the company's growth markets of Latin America, Africa and Asia, we believe that the composition of the board is tilted towards the African and Latin American markets. However, the lack of any specific non-executive directors with experience of the Asian markets may be a weakness. Gender diversity on the main board is 19%, which is above the current average for female women directors in the FTSE 100 (currently 16%).

The executive committee is dominated by executives of South African and UK origin, despite Latin America being the largest employee based geographic region for SAB. In addition, the experience of the executive committee does not appear to include direct working experience in Latin America or Asia despite these two regions representing 44% of core sales.

In direct contrast to the main board, women are significantly under-represented on the executive committee with only one women director on an executive committee of 12 members despite 27% of the workforce being comprised of women executive and managers. In addition, there do not appear to be any specific corporate targets to increase women directors at executive committee level.

Sanofi

Market cap:
EUR79.6bn

Free float:
25.7%

Sector:
Pharmaceuticals

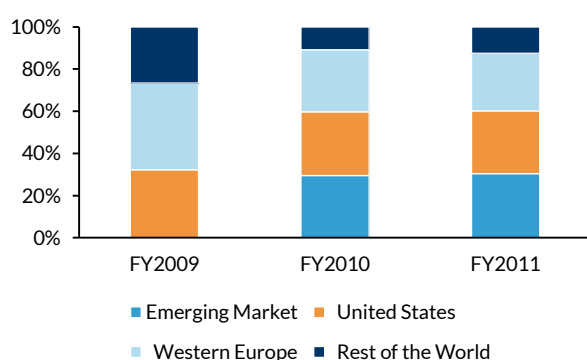
Country:
France

HIGHLIGHTS

- Emerging markets generated 30% of sales in 2011 and were the largest geographic region by revenue.
- Women represent 46.3% of the workforce but only 10% of the global executive team (37 execs), with 1 director on the senior executive committee.
- The international diversity of the executive committee or main board does not reflect growth in emerging markets.

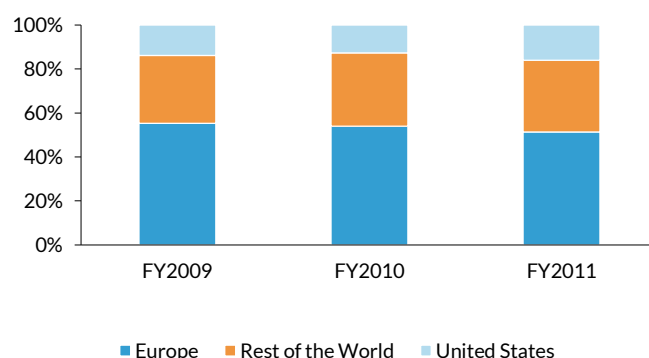
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Employee geographic breakdown 2009-2011



Source: Kepler Cheuvreux

Nationality	US	UK	French	German	Belgian	Italian/Swiss	Total	Avg age	% women
Non-exec		2	8	3	1	0	14	64	14%
Exec committee	2	0	3	2	0	1	8	54	12.5%

ANALYSIS

Emerging markets represent the largest revenue generation region for Sanofi, at 30% in 2011 (based on average market share of 5.5%). Given the growing importance of emerging markets, the international diversity of the executive committee which is comprised of 8 permanent members, remains centred on developed European markets and the US. French nationals represent the largest geographic region on the executive committee and we would expect that as revenues from emerging markets continue to grow directors from Sanofi's key emerging market regions such as Latin America, Eastern Europe, Asia, African and the Middle East may be appointed to the executive committee.

The global leadership team, which sits below this committee and which also includes members of the executive committee, is comprised of 37 directors, of whom female directors represent 10.8% despite the fact that women represent 46.3% of the total workforce.

International diversity of the main board is heavily tilted towards French nationals, which is not surprising given that Sanofi is a French company. However, the increasing revenue generated from emerging markets is not reflected in the composition of the board with not a single director from any of the countries that fall under the scope of emerging markets as determined by Sanofi. We would expect that the international diversity of the board will need to reflect the importance of emerging markets to Sanofi's growth. Furthermore, with only one women director on the board (7%), we believe the appointment of women directors from emerging markets should be a priority in the short term.

Santander

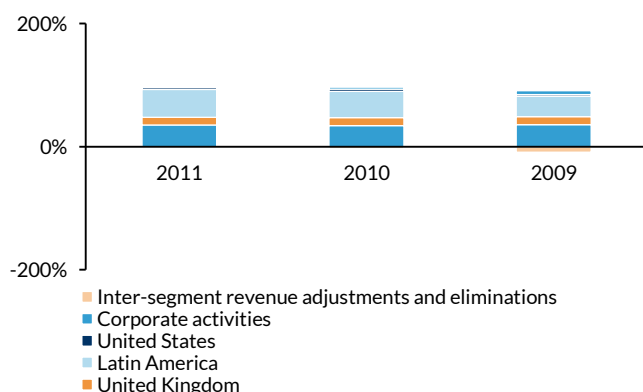
Market cap: EUR39.6bn	Free float: 73.1%	Sector: Banks	Country: Spain
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HIGHLIGHTS

- Large exposure to Europe well represented with Spanish and British experience.
- Large Latin American exposure, especially retail, reflected by presence of one Chilean board member and international experience of some board members, but still dominated by 16 Spanish nationals.
- Board female representation (10%) in line with Spanish standards (10%).

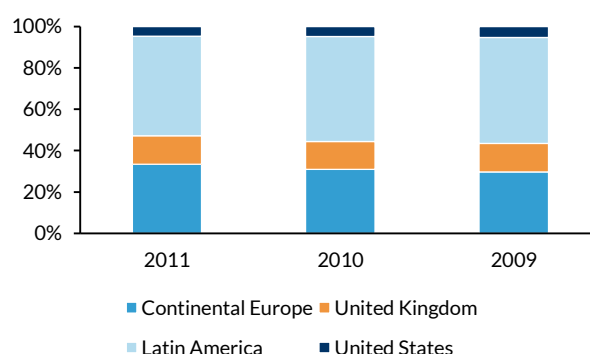
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2005-2011



Source: Kepler Cheuvreux

Employee growth % 2009-2011



Source: Kepler Cheuvreux

Nationality	Spain	UK	Chile	Total	Average age	% women
Non-executive directors	11	1	1	13	66	7%
Senior executives (directors)	5			5	65	25%
Senior executives (non directors)	n/a	n/a	n/a	25	n/a	n/a

ANALYSIS

Santander is focused on Europe and Latin America. It sees geographical diversification – half in mature markets, half in emerging markets – as a way to generate sustained returns even during the euro-zone crisis. 48% of 2011 profits were generated in Latin America, and 43% of profits in Europe, with Spain now representing a relatively modest 12%. The bank has major exposure to LatAm. According to the annual report, it is the third private bank in Brazil by assets, with 3,728 local branches; 27% of 2011 profits came from Brazil, making it the biggest single country for the company in terms of profits. With 10% of profits, Mexico is another key country, especially considering the potential for growth due to low penetration of financial services in the country.

Despite this, Santander's leadership remains dominated by Spanish nationals. Although the board has a British and a Chilean member, 16 of the 18 directors are Spanish. Nevertheless, some Spanish board members have significant international experience; eg Abel Matutes Juan is a former Spanish Foreign Minister and EU Commissioner and Isabel Tocino Biscarolasaga is former Chairwoman of the European Affairs Committee and of the Foreign Affairs Committee of the Spanish Congress. Also, it is obvious that Santander has a competitive advantage over other European banks due to the fact that Spanish is spoken in most Latin American countries and that Spain historically relatively close links to the region.

Nationality of leadership is all the more important because, in addition to having half of its workforce in LatAm, 87% of revenues are generated in retail banking, with 102m customers (vs 41m in 2003). This means that customer perception is key to the bank's success. 40.8% of customers are in LatAm, 31.3% in continental Europe, 26.2% in the UK and 1.7% in the US. A strategic priority in Brazil is to build a strong consumer relationship and brand recognition. With 11% of women on the board, Santander is just above the 10% average in Spanish companies. While most companies have a higher proportion of female directors than executives, the opposite is true here: 7% of non-executives and 25% of executive directors are women.

SAP

Market cap:
EUR138bn

Free float:
76%

Sector:
Autos

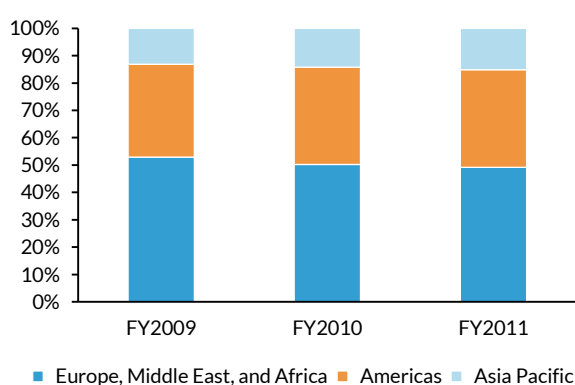
Country:
Germany

HIGHLIGHTS

- Understanding the dynamics of board diversity and international expertise is hampered by the fact that SAP's revenue (particularly Cloud, Hannah & Mobility products) are not considered to be country-specific.
- SAP has an ambitious target to increase women management positions from 18% to 25% by 2017.
- The absence of any women directors at executive committee level is a negative given increasing political pressure to increase gender participation at board level and senior management positions.

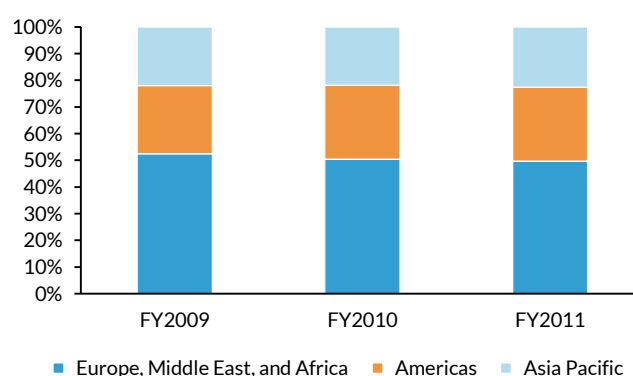
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

Employee geographic breakdown 2009-2011



Source: Kepler Cheuvreux

Nationality	Danish	France	German	US	Finnish	Total	Avg age	% women
Supervisory board		1	11			13	55	8%
Exec. management	2		2	1	1	6		0%

ANALYSIS

SAP is expecting growth from three main products: Cloud, Hannah (statistics/predictive analysis) and mobility-related software. These three growth areas are not country-specific and will be deployed on a worldwide basis.

The supervisory board is currently dominated by directors of German nationality. However, as the nature of SAP's business revenue is not necessarily geographic, it is very difficult to assess whether board diversity in terms of international expertise and knowledge can help manage the company's future growth.

There are no legislative quotas for gender balance on German boards; instead, DAX 30 executives have pledged to publish individual quotas for introducing women at top management levels. SAP has set an ambitious target of increasing women in management positions to 25% by 2017 from its current level of 18.7%.

The executive management committee currently has no women directors but does have some international diversity in its makeup. This could be perceived as a weakness given the increasing political pressure for German companies to increase the level of women in senior management positions and the fact that women comprise 30% of the overall workforce. The supervisory board has stated that future members of the executive committee board will be based on a shortlist, of which 50% must be women if possible.

Royal Dutch Shell

Market cap:
EUR39.6bn

Free float:
73.1%

Sector:
Oils

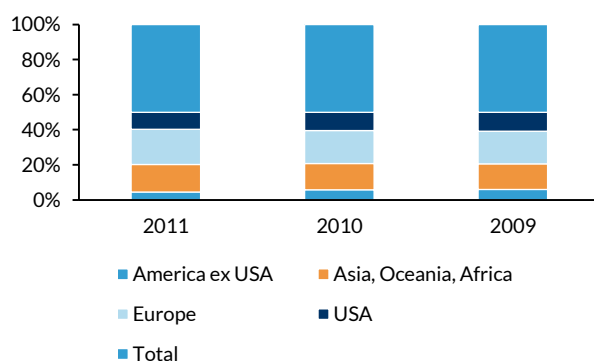
Country:
Netherlands

HIGHLIGHTS

- Both board and management are equally aligned with high American and European exposure, with in particular a relatively broad European base.
- No representation of Asian experience in the leadership, while the company has major projects in the region.
- Non-exec gender diversity below FTSE 100 average of 22% and 25% target, and exec board still all-male.

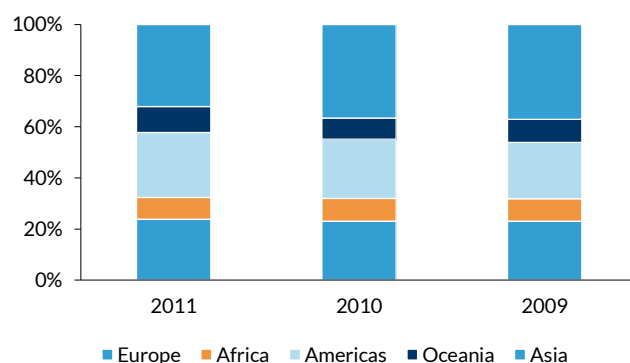
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employee geographic breakdown 2009-2011



Source: Kepler Cheuvreux

Nationality	NL	UK	US	Swiss	Finland	France	Total	Avg age	% women
Non-exec directors	4	3	2	2	1	1	13	63	15%
Senior executives		4	2	2			8	56	0%

ANALYSIS

Royal Dutch Shell's board and executive committee both have a relatively broad European composition, which aligns the company's leadership with its increasingly important source of revenues in Europe, making up 43% of total revenues in 2010. This also reflects the fact that nearly one-quarter of its oil & gas reserves are located in Europe. The presence of a significant number of US nationals (two in both executives and non-executives) aligns the company with its important exposure to the Americas, especially the US, where it has a number of current and future tight gas and deepwater oil & gas projects (more than half of all capital expenditure was made in North America in 2010). While the company does not have anyone of LatAm nationality, Guy Elliott brings some experience since he was President of Rio Tinto Brasil. Also most senior managers have international experience; for instance CEO Peter Voser has worked in Argentina and Chile for Shell.

Availability of skilled labour is identified as one of the risk factors in the 2010 annual report. This indicates that Shell is considering this issue. In 2010, 90% of employees worldwide were local nationals and 36% of countries where Shell had operations had a majority of local nationals in senior leadership positions. But the leadership composition does not entirely reflect this footprint. In particular it may not reflect the Shell's major exposure to strategic regions, especially Asia. With one-third of its reserves in this region, 14% of its capital expenditure, important projects including tight gas in China, we could have expected some representation of this region in the company's leadership.

In February 2011, the board responded to the "Davies report" entitled "Women on boards", by stating its commitment to reach the 25% target of women directors by 2015. With 20% of women as non-executives, the company is however below the FTSE 100 average of 22%. However, as in many companies studied, and while progress has been made over the last decade, the talent pipeline for women looks narrower as they move upwards: while they represent 26% of "supervisory/professional positions", they account for 15% in "senior leadership positions."

Siemens

Market cap:
EUR39.6bn

Free float:
73.1%

Sector:
Electrical Equipment

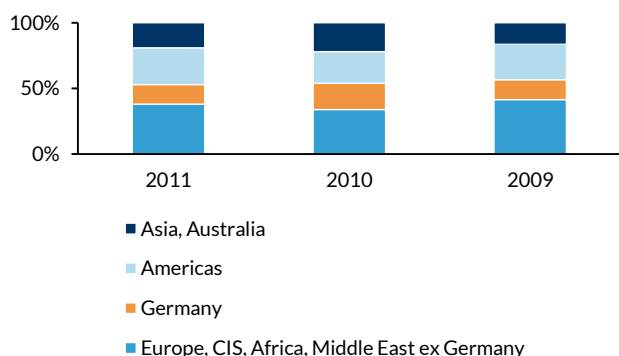
Country:
Germany

HIGHLIGHTS

- Good alignment with European footprint.
- Weak representation of emerging market experience, where the company is focusing its strategy and operations.
- Good board gender balance (20%) relative to German peers (12.7%).

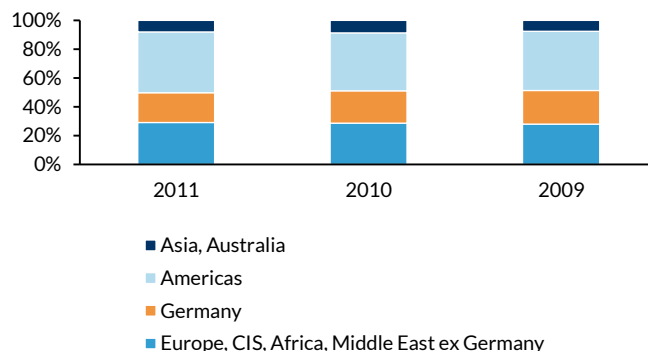
FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Source: Kepler Cheuvreux

% Employees by region 2009-2011



Source: Kepler Cheuvreux

Nationality	Ger	Aust	US	Swed	Swiss	Fra	UK	Total	Avg age	% women	% women (full board)
Non-exec directors	6			1	1	1	1	10	65	10%	20%
Non-exec (employees)	10							10	56	30%	
Senior executives	6	2	1		1			10	54	20%	

Note: under the German codetermination law half of non-executive directors must be elected by shareholders and half by German employees.

ANALYSIS

Siemens' activities are highly diversified: while a quarter of its major production facilities are located in Germany, its core market, only 15% of its revenues came from there in 2011. The company is present all around the world, with a particular footprint in Europe and America. The European footprint of activities is well represented in its leadership, with German, Austrian, Swedish, Swiss, and French nationals represented. This is the case on both the supervisory (shareholder representatives) and management boards, with both having 3 non-German European nationals for 6 German nationals. However, the American footprint is not represented at supervisory board level, even though the management board has one US national. Overall, at the full supervisory board level, Germans dominate with 16 out of 19 directors. This is due to the compliance with German law, whereby German employees can elect one-half of the supervisory board members – while actually only one-third of employees are located in Germany.

Siemens is increasingly focusing on emerging markets, especially on the "second-wave" of the "CIVETS" (Colombia, Indonesia, Egypt, Turkey, South Africa). For instance, since 2005, the company more than doubled its workforce and revenues in Colombia. According to the company, "nearly all Siemens divisions hold no1 or no2 market positions" in Brazil, where it has over 10,000 employees (ie 3% of workforce). The lack of representation of emerging market experience may become detrimental to the company's strategy in its ability to do business in these regions. In terms of women's representation, the company is ahead of its German peers with 20% of women on its board compared with 12.9% in 2011 on average for German companies. This is partly thanks to a high proportion of women among employee representatives. Also, the gender ratio is the same in its management board, at 20%. This is well aligned with the fact that its workforce is 25% women – although they represented only 13.7% of managers in 2010.

Standard Chartered

Market cap:

EUR39.6bn

Free float:

73.1%

Sector:

Banks

Country:

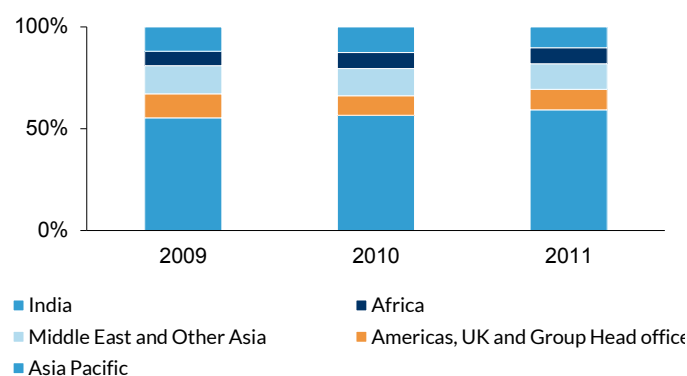
UK

HIGHLIGHTS

- Asia-focused business exposure not matched by a board dominated by British nationals.
- Most executives have a high level of international experience.
- Women on board (11%) below the FTSE 100 average (22%) and the Davies report target (25%).

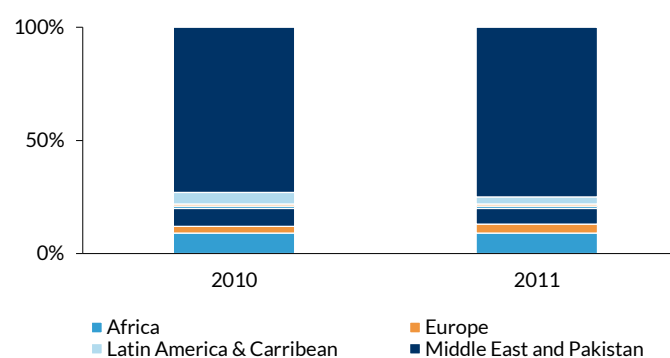
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Employee growth % 2010-2011



Source: Kepler Cheuvreux

Nationality	Britain	India	Singapore	S. Korea	S. Africa	Belgium	Total	Avg age	% women
Non-exec directors	10			1			11	63	18%
Senior executives	4	1	1		1	1	10	51	10%

Note: it has not been possible to ascertain the nationality of two executives

ANALYSIS

Standard Chartered's business model is centred on Asia. Three-quarters of its revenues and employees are in Asia, all across the South, South East and North East. Although still listed on the London Stock Exchange, the bank has really become more an Asian bank. Indeed, in 2011 only 4.5% of revenues were generated in the UK, and 5.4% in Americas and Europe. Only 5% of employees are located in Europe and the Americas.

However, despite this business exposure, Standard Chartered's leadership remains dominated by the British influence. 10 out of 11 non-executives are British. A large number of executives are British as well. Standard Chartered welcomed Lord Davies' report and acknowledged that "the board might be further enhanced with greater representation from our geographic footprint". It decided to undertake a review of the board's composition and to focus on diversity in succession planning. It also acknowledges that representation of "key geographies" has to be increased at senior management level: China, Korea, Africa and the Middle East. Standard Chartered also stresses that non-executive directors travel extensively in countries where it has a footprint, with 59 visits to countries in 2011 – and a map of countries visited and the number of times is disclosed.

Most executives have a very international profile. CEO Peter Sands grew up in Asia. Executive Director Steve Bertamini grew up in Europe, Africa and North and South America; studied in the US; and is now based in Singapore. Executive Director V.Shankar is from Singapore and is now based in Dubai. In total, the bank says it has seven directors who have lived and worked across Asia, Africa and/or the Middle East. With 11% of women on the board, Standard Chartered BG is lags behind the FTSE 100 average of 22% and the 25% target proposed by the Davies report. This shows a disconnect with the fact that 46% of the workforce and 22% of senior management consists of women.

Statoil

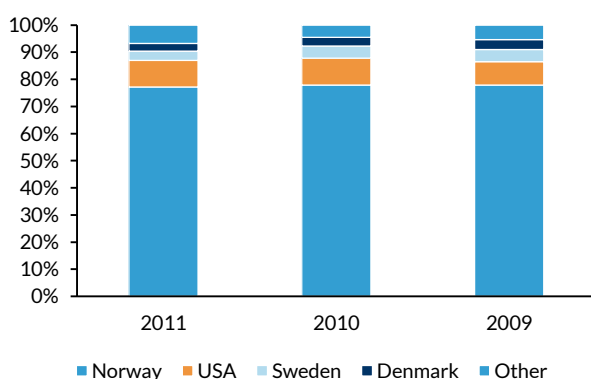
Market cap: EUR39.6bn	Free float: 73.1%	Sector: Telecom	Country: Norway
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HIGHLIGHTS

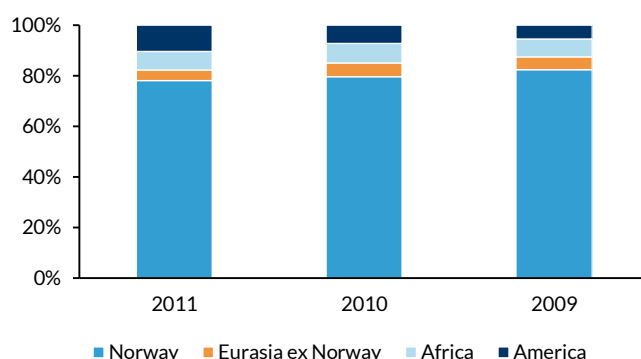
- Positive alignment with a very high exposure to Norway.
- The internationalisation strategy is well matched by the leadership composition, although only North American and European nationals are represented.
- Statoil complies with the Norwegian quota of 40% of women directors.

FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Geographic reserves 2009-2011



Nationality	Norway	Britain	US	CAN	DK	Total	Avg age	% women
Non-exec directors (shareholders)	7	2	1		1	9	58	44%
Senior executives	7	2	1	1		10	53	20%

Note: one executive and one non-executive have dual nationality.

ANALYSIS

With almost 80% of revenues and reserves coming from Norway, and 80% of shareholders being Norwegian, one could expect Statoil to have an all-Norwegian leadership. But considering this business footprint, the company has in fact a high representation of non-Norwegian nationals among both its executives and non-executives. This can be seen as a sign of a well-accepted culture of diversity at the top, especially considering that three non-executives are employee representatives.

It also reflects the fact that Statoil's strategy is to maximise the value of the Norwegian Continental Shelf, while growing internationally. Indeed while the company's Norwegian reserves are strong long-term assets, its low reserve replacement rate means it must increasingly look abroad. This is reflected in the company's capital expenditures: from 48% in Norway against 29% in America in 2009, to 35% in Norway and 43% in America in 2010. Projects in America include heavy oil in Canada and deepwater in Brazil. Therefore the company will surely need the US expertise of some of the members of its leadership, but lacks leadership exposure to Latin America.

Statoil's leadership composition almost perfectly mirrors its shareholder structure, dominated by Norwegian investors at 75.9% (including 67% Norwegian government stake), UK 5%, rest of Europe 7.4%, US 10.2%, and rest of the world 1.4%.

With 40% of women on its board, Statoil complies exactly with the quota in Norway. This also aligns the company with the overall percentage of women within the workforce, at 37% in 2010 – an element rare enough in our study to be highlighted. Women in senior executives are less well represented but at 20% the ratio is still very high compared with other top European companies.

Telefónica

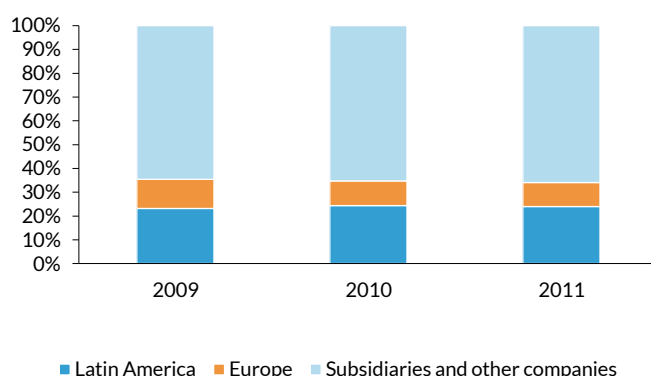
Market cap: EUR45bn	Free float: 99%	Sector: Telecom	Country: Spain
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HIGHLIGHTS

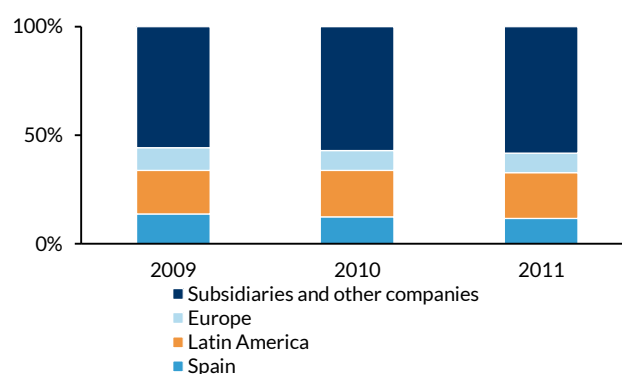
- The board (78%) and the executive committee (89%) are comprised of directors with Spanish nationality, which contrasts with the decline in revenues and headcount from the Spanish market.
- The strategic importance of Brazil, which has been a key growth driver for TEF in recent years, is reflected at main board level.
- The main board diversity is somewhat linked to key shareholders. For example, the reciprocal shareholder agreement with Unicom Group explains the presence of a Chinese director on the main board.
- A very low percentage of women serve on the board (6%), below the country's average (11%) and the 2015 legal quota (40%), with none among executives.

FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



% Employees by geography 2009-2011



Nationality	Spain	UK	China	Brazil	Total	Average age	% women
Main board	14	2	1	1	18	60.3	6%
Executive committee	8	1	0	0	9	64.7	0%

ANALYSIS

The predominance of Spanish directors on the board (78%) and the executive committee (89%) contrasts with the country's declining contribution to total revenues (from 41% to 27% between 2006 & 2011) and falling headcount in Spain (from 34% to 29% in same period). But the predominance of directors of Spanish nationality could be viewed as a reflection of the nationality of the company's most influential shareholders, BBVA (5.5% stake) and La Caixa (5.2%).

The growing strategic importance of LatAm (now 47% of TEF's total sales, vs 34% in 2006), particularly Brazil (almost half of TEF's revenues in the region) is reflected by the presence on the board of the country's former Minister of Development, Industry and Foreign Trade, Luiz Fernando Furlán. Brazil has been a key growth driver for Telefónica in recent years. It is also the country with the highest number of employees (>100,000), while LatAm accounts for 49% of total headcount. Nevertheless, none of the members of the executive commission is native to LatAm. There is actually only one non-Spanish individual serving among senior executives and he is British. The diversity of the main board includes a director with emerging market experience in the form of D. Chang Xiaobing from China. However, his presence is part of the reciprocal shareholder agreement between TEF and Unicom Group. D. Chang Xiaobing is the Chairman of Unicom Group, a strategic partner of TEF. There is a low percentage of women serving on the board (6%), below the country's average (11%), and none among the executive committee. The company is therefore far behind the 40% threshold of women on the board required by 2015 under the gender equality law. However, we note that the proportion of women among all executives within the group rose from 15.6% to 19.1% between 2009 and 2011.

Tesco

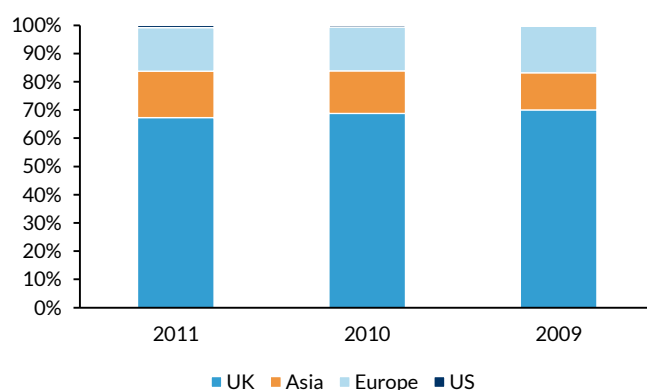
Market cap: EUR39.6bn	Free float: 73.1%	Sector: Retail	Country: UK
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HIGHLIGHTS

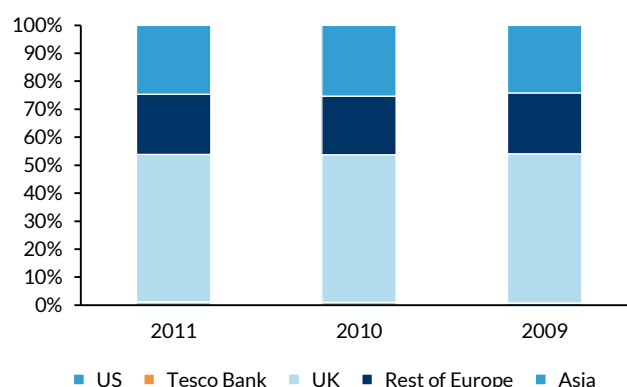
- Female board representation (28%) is above the FTSE 100 average (22%) and Lord Davies recommendations (25%).

FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



% Employees by geography 2009-2011



Nationality	Britain	France	Netherlands	Total	Average age	% women
Non-executive directors	7	1	1	9	59	33%
Senior executives	12			12	51	8%

ANALYSIS

Tesco's exposure is dominated by the UK. Its home market represents more than two-thirds of revenues, trading profits and half of its employees. This is reflected in a leadership dominated by British nationals: all executives and 7 out of 9 non-executives are British. However results have been poor, with the market getting more difficult, due to the effects of the economic crisis, and indeed trading profit growth was only 1% in 2011.

However, this domination of the UK, and more generally the absence of anyone with experience in Asia, does not reflect the fact that most sales growth is expected to come from Tesco's international business in the years to come. Asia already represents the most profitable business with 21.8% trading profit growth in 2011, compared with -1% in the UK. This means that while Asia represents 17% of revenues, it makes up 20% of the group's trading profit.

In that context, having a board member from an Asian country or with significant experience in Asia would certainly be beneficial to the company's ability to compete in these markets especially as regulations get tougher. South Korea, which represents the biggest market after the UK, with 25% of international sales outside the UK in 2010, is introducing tougher trading regulations limiting the expansion of large supermarkets in towns of fewer than 300,000 inhabitants, in a move to protect small stores. In addition, the company is struggling with its US business. While about 20% of Tesco's employees are in the US, the business faces a GBP-153m trading loss. Nor does the company have non-executives or executives from North America.

On a more positive note, Tesco has a high female board representation (28%), above the FTSE 100 average (22%) and Lord Davies' recommendations (25%).

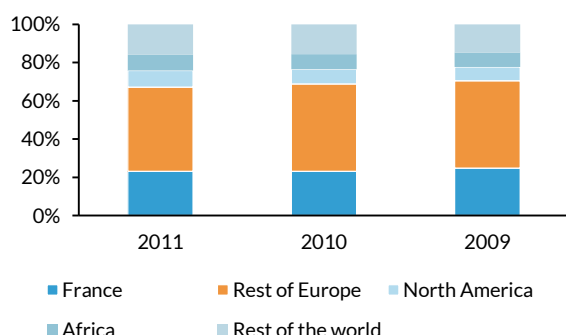
Total SA

Market cap: EUR39.6bn	Free float: 73.1%	Sector: Oils	Country: France
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HIGHLIGHTS

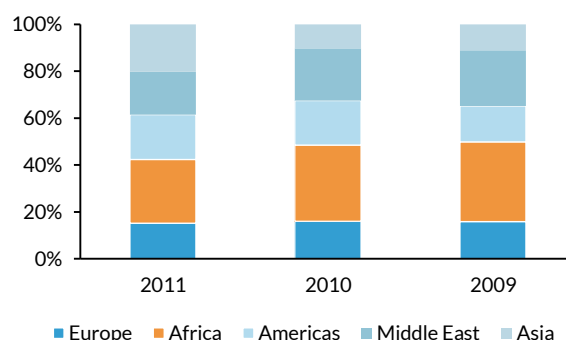
- High representation of French nationals in leadership (81%), in line with European footprint of revenues, but misaligned with regions of reserves & production in Africa & Middle East.
- Dynamic internal pipeline of non-French hires and women at all levels, but without much reflection yet at top management level.
- Total already complies (31% women directors) with the 20% gender quotas for boards in France by 2014, but this is in stark contrast with its all-male management board.

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

Oil & gas reserves % 2009-2011



Source: Kepler Cheuvreux

Nationality	France	Germany	Belgium	Sweden	Canada	Total	Avg age	% women
Non-exec directors	11	1	1	1	1	15	61	33%
Senior executives	6					6	57	0%

ANALYSIS

Total's leadership is dominated by French nationals. This aligns it with an important portion of revenues generated in France and Europe. Total has one Canadian director, Paul Desmarais, bringing North American experience, but his high number of directorships at listed companies (9 in total) including three CAC40 companies could entail lower availability. But this board composition does not fully align Total's leadership with its geographical footprint in terms of reserves and production. In particular there is a lack of leadership exposure to Sub-Saharan Africa, a region where the company will continue to have major exposure, with above 30% of its exploration expenses in this region in 2010. Also important is the lack of experience in the Middle East, especially with the recent failure of projects in Abu Dhabi and Iraq. Finally, no relevant Asian experience is represented, while the company has announced plans to grow in China with shale gas operations in partnership with Sinopec. This board composition also does not reflect fully Total's sources of financing, considering that while two-thirds of investors are European, a significant one-third are from the rest of the world.

The company is meanwhile creating pipelines within its workforce to increase its geographical footprint of experience. 72% of new manager hires are non-French nationals, and 20% of total hires come from South America (where Total is investing in Brazilian pre-salt) and 32% from Asia. The question is whether the company will be able to translate this positive trend into the composition of its senior management and board. Concerns may arise from the fact that only gender diversity is reported as being part of the discussions of the nomination committee. Total is already compliant with French law on gender quotas. Also, an internal pipeline seems to have been created with 32% of new hires being women. This is in stark contrast with an all-male executive team, but consistent with the gender misbalance throughout the hierarchy, with women representing 29% of workforce, and 23% of managers and 14% of senior executives in 2010. Therefore, it is not surprising that all women in the leadership come from external hires. The level of disclosure on diversity is very high, with comprehensive information well above industry peers given on the overall workforce diversity. This is consistent with AXA IM's findings in the report "Mind The Gap: Experienced Engineers wanted".

UBS

Market cap:
EUR39.6bn

Free float:
73.1%

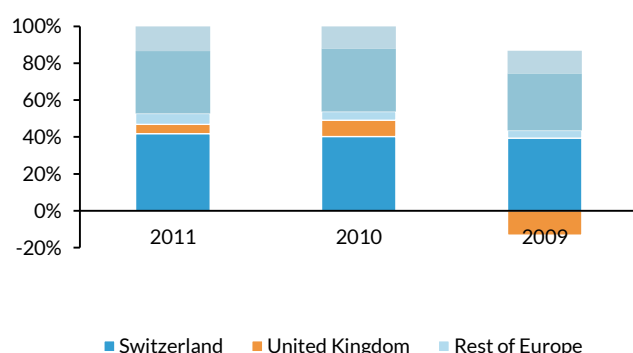
Sector:
Banks

Country:
Switzerland

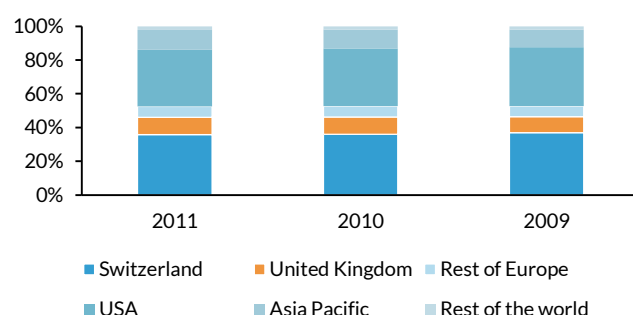
HIGHLIGHTS

- Very diverse board and senior management, including broad range of European, North American and Asian experience.
- High business exposure to Switzerland and America well represented at both board and senior management levels.
- Very high percentage of women directors (25%), above Swiss market standards (9%), but lack of representation within senior management.

FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011


Source: Kepler Cheuvreux

% Employees by geography 2009-2011


Source: Kepler Cheuvreux

Nationality	CH	GER	BEL	UK	AUS	IT	IRL	CAN	US	China	S. Korea	Total	Avg age	% women
Non-exec directors	3	2	1	2	1	1		1	1	1		12	57	25%
Senior exec's	5	2		2			1		1		1	11	51	0%

Note: one non-executive and two executives have a double nationality

ANALYSIS

UBS has two major business footprints: Switzerland, its home market, and the US. Three-quarters of its revenues and employees are in these two countries. This is well represented in the bank's leadership. There are three and five Swiss nationals respectively at non-executive and executive levels. There is one American in both non-executive and executive directors.

Interestingly, this business footprint does not dominate the composition of its leadership, though, which offers a very diverse profile. A wide range of European, North American and Asian experiences are represented; and this is true at both board and management levels. In addition, a number of them have also significant international experience: for instance, non-executive director Rainer-Marc Frey served as a director at Salomon Brothers in Zurich, Frankfurt and London; senior executive Carsten Kengeter has worked in Hong Kong for several years. This puts UBS among the most diverse companies of the top 50 European companies.

This good diversity probably has to be linked to the bank's strong track record in wealth management, which usually involves international high net worth individuals, and may not be fully reflected in the company's revenue and workforce exposure.

On top of this geographically diverse leadership, UBS also has a high percentage of women directors, 25%. This is significantly higher than its Swiss peers which on average only have about 9% of women directors. However, no woman is present at senior management level. Also, women represent 37% of the workforce, but only 20% of managers in the bank.

Unilever

Market cap:

EUR138bn

Free float:

24.9%

Sector:

Food Manufacturing

Country:

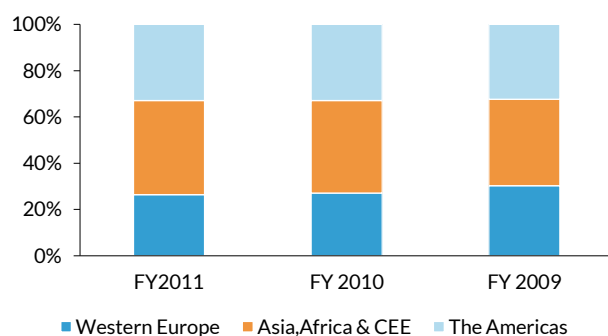
Netherlands

HIGHLIGHTS

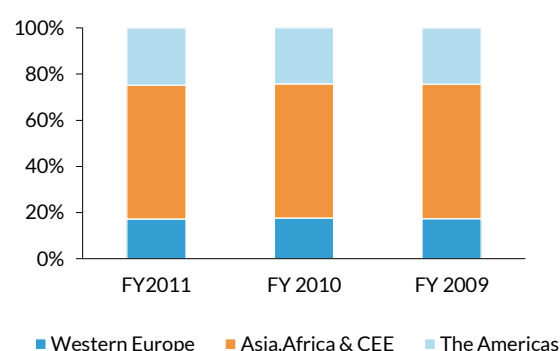
- Future growth and operating profit are linked to emerging markets and we believe the international diversity of main board is positively aligned with emerging market growth.
- Dutch nationals comprise a majority of the main board with UK nationals the significant majority on the executive committee.
- The gender diversity of the board (25%) is significantly above Dutch average of 17%.

FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



% Employees by geography 2009-2011



Source: Kepler Cheuvreux

Source: Kepler Cheuvreux

Nationality	Dutch	UK	Indian	US	Swedish	S. African	Total	Avg age	% women
Main board	4	3	1	2	1	1	12	59.5	25%
Nationality	Dutch	UK	French	US	Italian	Indian	Total	Avg age	% women
Exec. leadership committee	3	5	2	1	1	1	13	50	8%

ANALYSIS

Unilever's future growth and profit will undoubtedly be linked to its continued sales exposure to emerging markets which in 2011 was c41% with China and India contributing double-digit volume growth while South Africa, Turkey and Indonesia performed strongly.

The executive leadership committee, which is comprised of 13 directors, has an international diversity that is broadly UK-based (5 directors) with Dutch nationals being the next largest group (3). The need for expertise from emerging markets should become a factor going forward with only 1 director appointed from India and no nationals from either Africa or Asia. Gender balance continues to be an issue that companies are seeking to address and Unilever has disclosed information on its attempts to introduce more women into its senior management via mentoring schemes. However, Unilever still has work to do given that the executive leadership committee includes only one women director.

The international diversity of the main board is unsurprisingly tilted towards Dutch nationals. However, it also includes two directors from emerging markets (although not Asia, which is the fastest growing region by revenue), which we consider a welcome step in positively aligning the board with the company's main geographic revenue regions.

In addition, compared with the executive leadership committee, the main board does not have a gender imbalance with 25% of the board comprised of women directors. This is a significant achievement given that on average female board representation for Dutch companies ranges between 7% and 14%. Furthermore, recent government proposals have suggested a 30% quota for both men and women for large companies with an explanation required for non-compliance. As such, if this legislation were enacted, Unilever would already for the most part be compliant.

Vodafone

Market cap:
EUR 39.6bn

Free float:
73.1%

Sector:
Telecom

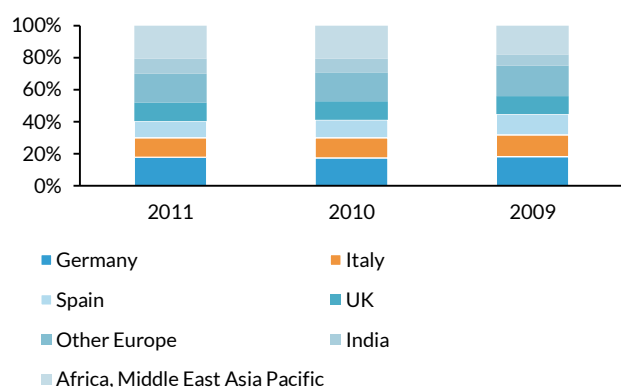
Country:
UK

HIGHLIGHTS

- Good representation of a broad European footprint even though UK still dominates.
- Lack of representation of emerging market experience especially South Asia, despite growth in these regions.
- Board female representation (15%) below the FTSE 100 average (22%) and Lord Davies recommendations (25%).

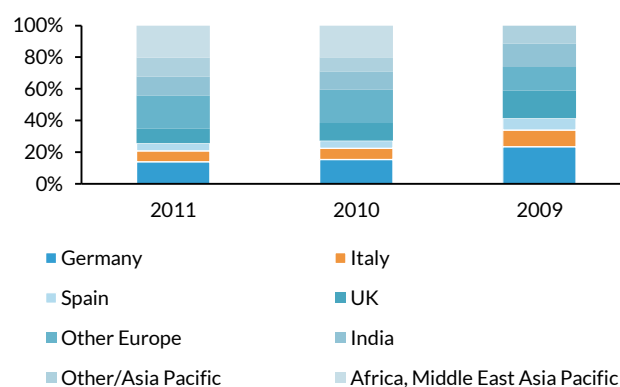
FUTURE-PROOFING: NATIONALITY

Geographic revenue % 2009-2011



Source: Kepler Cheuvreux

% Employees by geography 2009-2011



Source: Kepler Cheuvreux

Nationality	UK	US	Belgium	Italy	Norway	NL	France	Ghana	Total	Avg age	% women
Main board	5	1	1			1	1	1	10	61	20%
Senior execs	6			1	1	1			9	50	11%

ANALYSIS

Vodafone has a business footprint characterised by a rooting in Europe with expansion in emerging markets, especially Asia and Africa. 70% of revenues are generated in Europe, with Germany making up the biggest market by both revenues and employees. This exposure to a broad range of European countries is well represented by a relatively large mix of European nationalities on the board. The UK could be considered as over-represented, though, considering that while about 10% of revenues and employees are in the UK half of non-executives and two-thirds of executives are British. Beyond the historical rooting in the UK, this can be explained by the fact that 42.3% of shareholders are in the UK.

The company has one director from Ghana, which aligns it with a growing presence in Africa. However, the big gap is in Asia. While India is the largest market by customers, representing 10% of revenues and almost 15% of employees, there is neither a non-executive nor an executive with experience in this market. The company acquired a controlling stake in India only in 2007 though, which might explain this gap. In general, Vodafone has a weak representation of emerging market experience, while it says that almost all of the 1.5bn new mobile phone users over the next four years are expected to come from emerging markets. Over 70% of mobile phone users are in emerging markets. We would expect the board to consider appointing a director with exposure to this region in the future.

With 15% of women on its board, Vodafone is below the Davies report recommendation and the average of 22% for FTSE 100 companies. Women represent only 11% of executives, but the company has set a target of 19% of women in the senior leadership team – one of the 12 key performance indicators set by the company.

Volkswagen

Market cap:
EUR138bn

Free float:
24.9%

Sector:
Autos

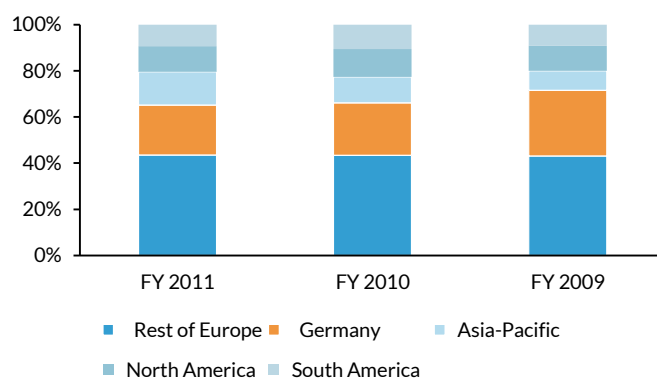
Country:
Germany

HIGHLIGHTS

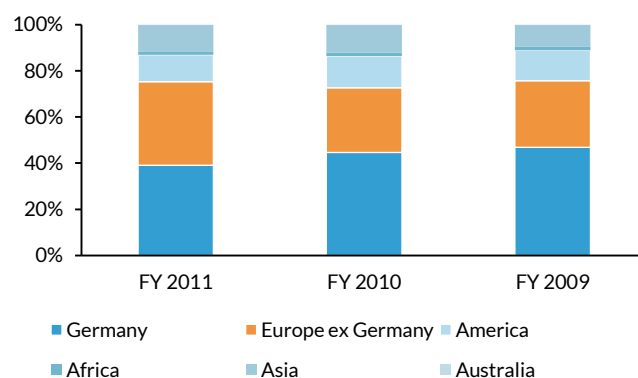
- Rising growth in China and the Americas should offset any potential sales unit decline in Europe.
- Employee growth rising outside Germany but board and executive management are significantly German and Austrian in nationality.
- Clear gender imbalance between main board, which has 16% of women directors, and executive management, which has zero women directors.

FUTURE-PROOFING: NATIONALITY

Revenue % 2009-2011



Number of employees % 2009-2011



Source: Kepler Cheuvreux

Source: Kepler Cheuvreux

Nationality	Austrian	Spanish	German	Qatar	Swedish	Total	Average age	% women
Main board	4	1	12	2	1	20	54	16
Executive mgmt	2	1	5			8	56	0

ANALYSIS

VW's model pipeline and strong presence in growth markets allow it to compensate for potential unit sales decline in Europe (1/3 European sales from Germany alone) through rising sales in China and the Americas. This trend may be reflected in a 10% increase in employees from outside Germany in the last five years vs a 10% decrease in workers based in Germany. We believe that employee growth in Germany is essentially flat and linked to careful negotiations between the State of Lower Saxony which is a significant shareholder of VW and Employee unions.

The international diversity of the main board is dominated by directors of German nationality who are representatives of the Porsche/Piech families, Qatar and the State of Lower Saxony. VW's strategy is to become the no1 global car manufacturer and given the potential growth in the Americas and Asia we believe that future board appointments should be made with these markets in mind. However, VW's governance structure under which three shareholders, Porsche/Piech families, Qatar and State of Lower Saxony, essentially control the company, including board appointments, may impact the ability of the supervisory board to increase its international diversity. The diversity of the executive board is clearly tilted towards German and Austrian nationals and, given the growth of employees outside Europe and rising sales in China and the Americas, we would expect future succession of executive management to reflect these trends.

The main board has three women directors who make up 22% of the board, which could be viewed as significant given the absence of any legislation or quotas for the appointment of women directors in Germany. However, there are 0 women directors among executive management, although we note that VW has set a target to have 15% of women in management by 2020.

Research ratings and important disclosures

Disclosure checklist - Potential conflict of interests

Stock	ISIN	Disclosure (See Below)	Currency	Price
AB InBev	BE0003793107	nothing to disclose	EUR	68.42
ABB	CH0012221716	nothing to disclose	CHF	20.20
Allianz	DE0008404005	nothing to disclose	EUR	110.40
Anglo American	GB00B1XZS820	nothing to disclose	GBP	1,256.00
AstraZeneca	GB0009895292	nothing to disclose	GBP	3,115.00
Barclays	GB0031348658	nothing to disclose	GBP	302.63
BASF	DE000BASF111	nothing to disclose	EUR	69.72
Bayer	DE000BAY0017	nothing to disclose	EUR	81.62
Bayerische Gewerbebau	DE0006569007	nothing to disclose	EUR	34.50
BBVA	ES0113211835	nothing to disclose	EUR	6.59
BG	GB0008762899	nothing to disclose	GBP	1,131.00
BHP Billiton	GB0000566504	nothing to disclose	GBP	1,825.00
BNP Paribas	FR0000131104	nothing to disclose	EUR	42.43
BP	GB0007980591	nothing to disclose	GBP	452.00
British American Tobacco	GB0002875804	nothing to disclose	GBP	3394.50
Daimler	DE0007100000	nothing to disclose	EUR	45.78
Deutsche Telekom	DE0005557508	nothing to disclose	EUR	8.80
Diageo	GB0002374006	nothing to disclose	GBP	1,874.50
E.ON	DE000ENAG999	nothing to disclose	EUR	12.33
EDF	FR0010242511	nothing to disclose	EUR	17.45
ENI	IT0003132476	14, 16, 18	EUR	15.69
France Telecom	FR0000133308	nothing to disclose	EUR	7.38
GDF Suez	FR0010208488	nothing to disclose	EUR	14.99
GlaxoSmithKline	GB0009252882	nothing to disclose	GBP	1,620.00
Hennes & Mauritz	SE0000106270	nothing to disclose	SEK	221.90
HSBC	GB0005405286	nothing to disclose	GBP	380.60
Inditex	ES0148396015	nothing to disclose	EUR	96.00
L'Oréal	FR0000120321	nothing to disclose	EUR	125.45
LVMH	FR0000121014	nothing to disclose	EUR	125.20
Nestlé	CH0038863350	nothing to disclose	CHF	61.00
Novartis	CH0012005267	nothing to disclose	CHF	65.55
Novo Nordisk	DK0060102614	nothing to disclose	DKK	893.00
Rio Tinto	GB0007188757	nothing to disclose	GBP	2,337.05
Roche	CH0012032048	nothing to disclose	CHF	227.90
Royal Bank of Scotland	GB0007547838	nothing to disclose	GBP	199.90
Royal Dutch Shell Plc		nothing to disclose	GBP	2,141.00
SABMiller	GB0004835483	nothing to disclose	GBP	3,152.50
Sanofi	FR0000120578	nothing to disclose	EUR	79.00
Santander	ES0113900J37	nothing to disclose	EUR	5.05
SAP	DE0007164600	nothing to disclose	EUR	57.39
Siemens	DE0007236101	nothing to disclose	EUR	77.04
Standard Chartered	GB0004082847	nothing to disclose	GBP	1,838.67
Statoil	NO0010096985	nothing to disclose	NOK	124.90
Telefonica	ES0178430E18	14, 16, 18	EUR	9.95
Tesco	GB0008847096	nothing to disclose	GBP	327.60
Total	FR0000120271	nothing to disclose	EUR	36.60
UBS	CH0024899483	nothing to disclose	CHF	16.12
Unilever	NL0000009355	nothing to disclose	EUR	29.67
Vodafone Group	GB00B16GWD56	nothing to disclose	GBP	183.35
Volkswagen	DE0007664039	nothing to disclose	EUR	154.00

Source: Factset closing prices of 26/06/2013

Stock prices: Prices are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

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Rating ratio Kepler Cheuvreux Q1 2013

Rating breakdown	A	B
Buy	51%	0.0%
Hold	31%	0.0%
Reduce	17%	0.0%
Not Rated/Under Review/Accept Offer	1%	0.0%
Total	100.0%	0.0%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which Investment Banking Services are supplied

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Location	Regulator	Abbreviation
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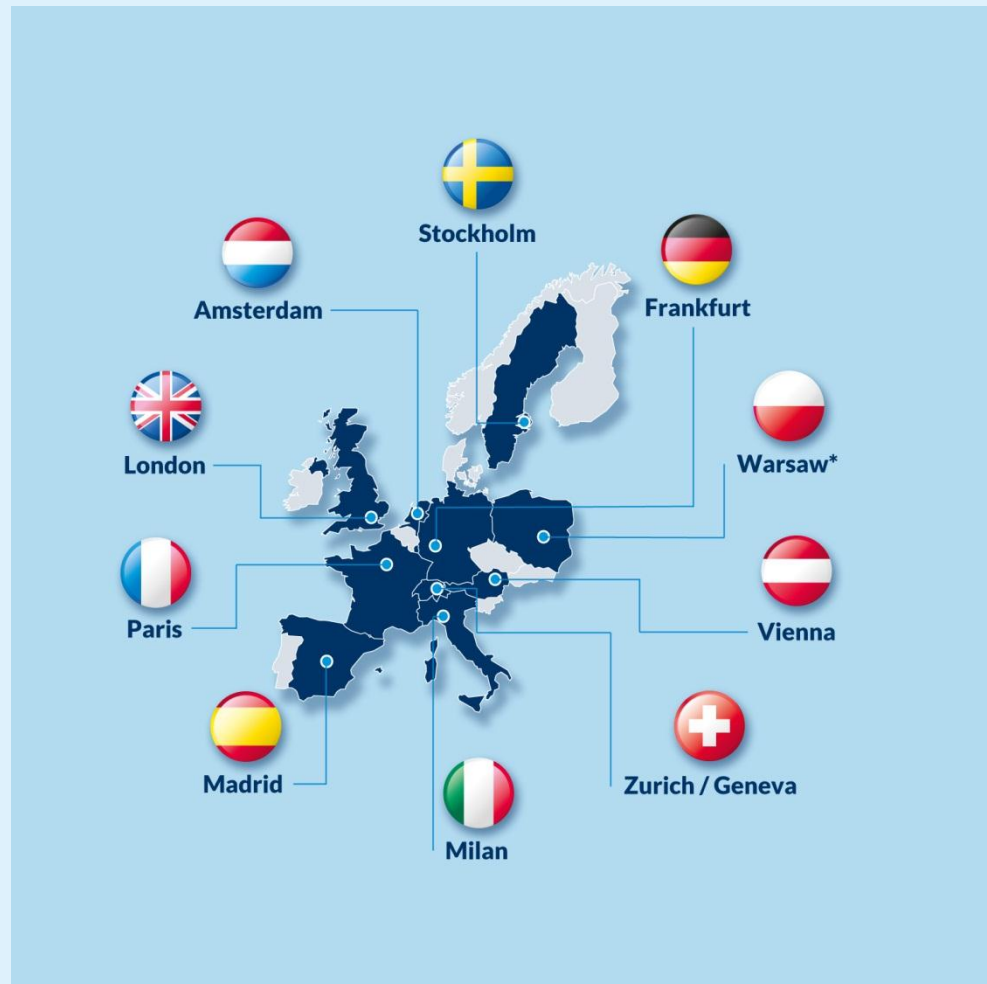
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