



HERMES

INVESTMENT MANAGEMENT

EOS Case Studies / Gender diversity – Rio Tinto and Glencore Amy Wilson

17 October 2018

EOS Governance

Rio Tinto is an international mining company, dual-listed in the UK and Australia, with operations in 35 countries. Its mining interests include aluminium, copper, diamonds, gold, industrial minerals, iron ore, coal and uranium.

Glencore is an Anglo-Swiss multinational natural resources company, operating in the areas of metals and minerals, energy and agriculture. It sells its products and services globally, with operations in over 50 countries.

Background

Various studies have revealed the value of a diverse workforce¹, including board gender diversity². The launch of the UN Sustainable Development Goals further strengthened the case for gender diversity, with two specific goals – one focusing on gender equality and the other on reducing inequalities. Meanwhile, the UK government-commissioned Davies Review and its successor, the Hampton-Alexander Review, called for women to make up at least 25% of UK FTSE 100 company boards by 2015 and 33% of FTSE 350 boards by 2020, as well as 33% of FTSE 100 executive teams and their direct reports by 2020.

In support of these ambitions, we wrote to the chairs of boards of FTSE 350 companies in early 2017. We outlined our intention to tighten our voting policy and to oppose the chairs of nomination committees of FTSE 100 companies that fall significantly short of the 2015 target of 25%, and are unable to demonstrate credible plans to achieve the target of 33% by 2020.

Our engagement and voting recommendations

Changes made to the Rio Tinto board in early 2017 included the appointment of three male non-executive directors. This resulted in only two female directors out of 12 sitting on the company's board, falling significantly short of the 25% target of the Davies review. Although the company expressed its commitment to diversity, we believed Rio Tinto needed to demonstrate a more credible plan in order to reach the

33% target by 2020. We raised these concerns with the company ahead of its AGM, including in a call with its chair, making clear that we would oppose his re-election.

Gender diversity has also been an ongoing concern at Glencore, which was the last FTSE 100 company to include a female director on its board; it appointed its first female director in 2014. By 2017, no further progress had been made, with still only one female director out of eight and, in our view, no clear plan by which to meet 33% female representation on its board by 2020.

We raised our concerns about board diversity with the chair and the company secretary. The company acknowledged that diversity on its board was at an unacceptable level, explaining that its recruitment efforts had failed to secure female appointees. Shortly before its 2017 AGM, the company appointed another male director with asset management experience – potentially a missed opportunity to appoint a woman with experience in this field. We made clear that we expect to see progress ahead of the company's next AGM and, in the meantime, opposed the election of the chair and the chair of the nominations committee.

Changes at the companies

In February 2018, Rio Tinto announced the appointment of a new female non-executive director. Although her appointment took effect only after the company's 2018 AGM, this was a step towards 33% female representation and we were pleased to be able to support the new chair.

In December 2017, Glencore appointed a second female non-executive director, bringing the company in line with the 25% target set for 2015. While we welcomed this development, we continue to engage with the company on its plan to reach 33% female representation by 2020.

1. ¹ https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-through-diversity_full-report.ashx
2. ² <https://www.msci.com/documents/10199/04b6f646-d638-4878-9c61-4eb91748a82b>