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More Women in Europe's Boardrooms – The Business Case

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Keynote speech at the Bertelsmann Women in Leadership
Conference

Berlin, 22 September 2011

Dear Liz,

Ladies and Gentlemen,

I am very pleased to be here with you at the Bertelsmann Women in Leadership Conference in Berlin to talk about the business case for more women in Europe's Boardrooms. First of all I wish to thank our hosts: Mr Hartmut Ostrowski and Ms Liz Mohn, who I admire and thank for her commitment to the cause of women in leadership. Commitment at the top is crucial to promote gender diversity in management and to bring about the cultural change we need to progress further.

Equality between women and men is one of Europe's founding principles. It goes back to 1957, when the principle of equal pay for equal work was written into the Treaty of Rome.

Over the past decades, we have developed European law and strengthened policy coordination across the Union in order to translate the founding principles into Europeans' everyday lives. The results are visible. Much progress has been made. But there are still many challenges to tackle, such as the underrepresentation of women in the workforce and in top jobs in the economy.

To address these gender gaps, I presented last year a Strategy for Equality between Women and Men. The general economic situation does not make this an easy task. But it makes it a necessary task: for economic reasons, because of the demographic change and because of skills shortages.

The economic reasons first: more gender equality can make companies more profitable and thus help the economy as a whole. In the European strategy for economic growth we have set ourselves the target of a 75% employment rate by 2020. We will not be able to reach this target without **increasing women's participation in the labour market**. If we compare the employment rate of women in the EU, currently at around 62%, to the one of men, around 75%, it is clear where the potential lies. Already today, we are faced with skills shortages in many sectors, a problem that is likely to increase given the negative demographic development in Europe. Not to use the talent and skills of half of the available workforce would be an economic and social mistake.

Goldman Sachs has carried out projections to explore what would be the impact of growing female employment rates. They could boost the Eurozone's GDP by as much as 13%! The World Bank explains in a study that equal access of men and women to education and the labour market will boost the productivity of countries between 3 and 25 percent.

So, what needs to be done in order to reap these economic benefits? Three things: we need more women to enter the labour market, we need more women to stay in the labour market, and we need more women in decision-making positions in the economy.

The questions of female employment, the pay gap and reconciliation between work and family life all feature prominently in the Commission's Strategy for Gender Equality. But, as the key subject of our meeting today is "Women in leadership" I will concentrate on another core element of the Commission's Gender Equality Strategy which is one of the political priorities: the promotion of **gender equality in economic decision-making, or for short: women in the boardrooms**.

Women continue to be seriously under-represented both in senior management and at the very top. The higher up in a company you look, the lower the percentage of women is. And this despite the fact that 60% of new university graduates in Europe are women: their academic achievements are not reflected in the labour market.

Boardrooms of large publicly listed companies in EU Member States on average consist of 88% men and 12% women. Only 3% of the presidents of these boards are women. Moreover, across the EU, one in three large companies had no women at all on their boards in 2010. In German Dax 30 companies only 13% of the members of the supervisory board are women. Other parts of the world do not fare much better. The United States, for example: women hold 15% of board seats in the Fortune 500 companies.

Although there are some signs of improvement, the pace of change remains stubbornly slow. The share of female board members in the EU has increased by just half a percentage point per year over the last seven years. At this rate it will take 50 years from now to reach gender balanced company boards. We will not wait 50 years. We need to act now.

I am happy to see that many companies have understood the message and increase the effort to bring women into top management. Bertelsmann is one of those companies. It has by the way a 20% female participation in the supervisory board, well above the European average, and the Vice-chair is in the hands of a very determined woman: Liz Mohn. As Liz suggested herself in a recent newspaper article, women bring precious qualities to the management teams. Diversifying the leadership therefore benefits the company. Today's conference underlines that Bertelsmann intends to take advantage of these female qualities and to start making change happen.

The debates – today and tomorrow - will certainly focus on the question of how to make this change happen: by voluntary company commitments or by binding legislative quotas?

I myself am not a fan of quotas. I nevertheless have to admit that I like the results of quotas: In 2003, Norway incorporated a gender quota of 40% into its company law. As a consequence, the number of women on the boards of large companies has sharply risen from 25% in 2004 to 42% today. Five EU Member States have so far followed the Norwegian example and have introduced legislation to increase the number of women on corporate boards: Spain, France, the Netherlands, Italy and Belgium.

Legislation in these countries mainly applies to publicly listed companies. Some countries however have been more rigorous in their approach – and this might be of particular interest to Bertelsmann, being a non-listed company – as their quota legislation covers non-listed companies as well. The recent Dutch legislation applies to big companies (over 250 employees) regardless of whether they are listed or not. In France, non-listed companies with over 500 employees or with a revenue/assets of over 50 million € are also covered. In Iceland, the quota rules apply to non-listed companies which are sufficiently big (over 50 employees) and to state-owned companies (if the state is a majority shareholder). In Italy, Belgium, and Norway legislation on gender quota applies to all state-owned companies, listed or not. Other European countries concentrate only on state-owned companies.

And other Member States give priority to self-regulation, limiting themselves to recommendations concerning national corporate governance codes. The German corporate governance code of 2010 for example recommends taking into account female representation in the composition of the Supervisory Board.

In other words: Europe has a patchwork of rules concerning women in economic decision-making. That is where the Single-Market-consideration comes in.

Imagine you are an international company operating in several EU countries that either have no quota law, or have all different quota rules: with which rules do you have to comply? Companies need legal certainty and not conflicting rules. And what happens if – like in the case of the Spanish law – public procurement is linked to

compliance with the quota-rule? That could mean that a German company misses out on the allocation of Spanish government contracts just because it does not comply with the Spanish quota.

A European framework would prevent possible distortions of competition between companies from different Member States and create legal certainty for companies operating in the European market.

The second reason for EU intervention is the issue of competitiveness. Gender equality is not a 'women's issue'. It is a business issue. A fairer gender balance on company boards is in the self-interest of the corporate sector: this fact is underlined by several economic studies, which come to the conclusion that more women in corporate decision-making bring better financial results. You will hear later on about the study McKinsey completed: the results are impressive. Companies with a gender balanced composition can achieve an operational profit which is 56% higher than that of male only companies. Companies with three or more women in top-management positions achieve better results in organisational effectiveness compared to companies with no women at the top. Women on boards mean business!

This is the message I passed to the CEOs and Board Chairs of major publicly listed companies on 1st March in Brussels. I announced to them that we will give self-regulation a last chance and encourage companies to develop credible self-regulatory initiatives to bring more women to the top. I also asked the companies to sign up to the "Women on the Board Pledge for Europe", committing to increase women's presence on their supervisory boards to 30% by 2015 and to 40% by 2020. The Pledge is available on my website and is open for signature. Non-listed companies are of course also welcome to sign the Women on the Board Pledge. I would be pleased if Bertelsmann – a company that has repeatedly been at the forefront of societal change – agreed to sign the Pledge and set a precedent for other big German companies to follow.

In March next year, I will assess the situation. If there is no sufficient progress made through self-regulation, the Commission will be ready to come forward with targeted EU measures to enhance female participation in decision-making positions in the economy. The European Parliament fully supported such an approach in a resolution adopted in July.

You might ask yourselves: What is the incentive for business to play along? Well, it is simple: profits! Companies adjust their policies to maximise their profits. The positive influence of women in business will increase profits, as highlighted by many studies. They point to a positive correlation between a company's performance and the proportion of women on boards in terms of good corporate governance, turnover and profit. The female perspective in top management and boards gives companies a reinforced sense of corporate social responsibility, environmental concerns and moral obligations they have towards society.

Studies have also shown that boards with more women surpass all-male boards in their attention to audit and risk oversight. Risk oversight is an important asset at a time of volatility in the financial markets. Would the economic crisis have happened if women had been in charge – if instead of Lehman Brothers it had been Lehman Sisters?

And, let me add an obvious but nevertheless crucial thought: More women at the top-level kick off a virtuous circle: highly visible women in a company attract both more female customers and more highly-qualified female employees.

Closing the gender gap at the top of the business world is a win-win situation. Only by working together will we be able to succeed. High level commitment and more effective measures from governments, social partners and businesses are crucial to

speed up progress. The EU can play an important role in proposing solutions to a challenge, which is common to all Member States. But major European corporations such as Bertelsmann have an important role to play too, and should lead by example. I congratulate Bertelsmann on the organisation of this event and I wish you success with your efforts to further improve the presence of women in senior management positions and on the Board. I look forward to seeing the results and I am sure your example can and will inspire others to follow suit.

Thank you for your attention.