

# Gender balance on corporate boards

## > Europe is cracking the glass ceiling

March 2014

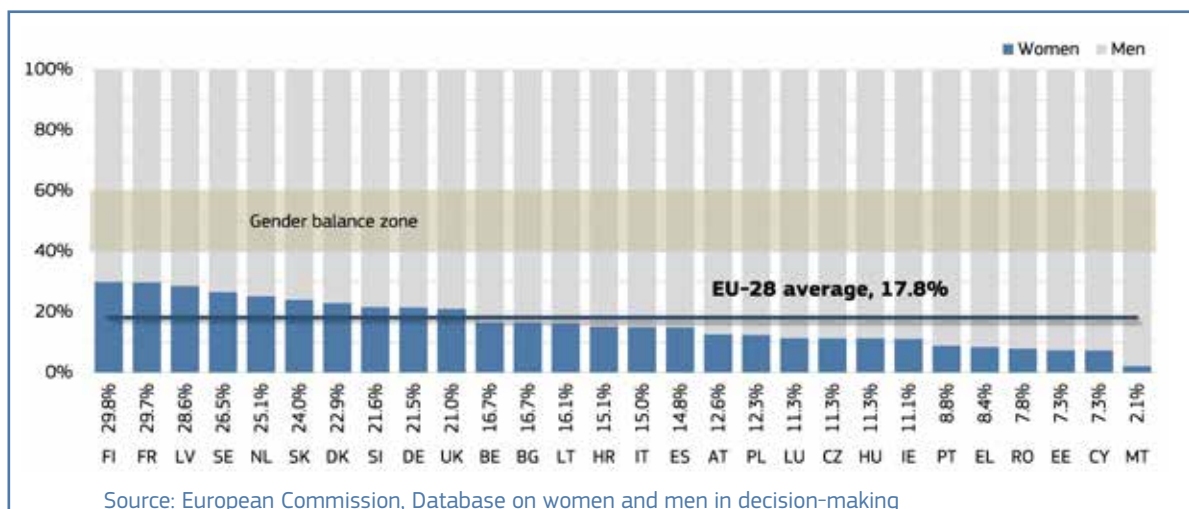
### European Commission actions to promote gender balance on the boards of listed companies in the European Union

Although today 60% of new university graduates are female, women are outnumbered by men in leadership positions in the corporate sector in the EU. On average, a mere 17.8% of board members of the largest publicly listed companies in the EU are women. The issue has been the focus of intense public debate initiated by Vice-President Viviane Reding. Indeed, not taking advantage of the skills of highly qualified women constitutes a waste of talent and a loss of economic growth potential. Various studies suggest that companies with a higher representation of women at the most senior levels deliver better organisational and financial performance<sup>1</sup>.

### How many women and men are there in leadership positions across the Member States?

In October 2013, the average share of women on the boards of the largest publicly listed companies registered in the EU-28 Member States reached 17.8%<sup>2</sup>. This represents a rise of 1.2 percentage points in the six months since April 2013 (16.6%). There are only five countries – Finland, France, Latvia, Sweden and the Netherlands – in which women account for at least a quarter of board members.

Representation of women and men on the boards of large listed companies in the EU, October 2013



<sup>1</sup> [http://ec.europa.eu/justice/newsroom/gender-equality/opinion/files/120528/women\\_on\\_board\\_progress\\_report\\_en.pdf](http://ec.europa.eu/justice/newsroom/gender-equality/opinion/files/120528/women_on_board_progress_report_en.pdf)

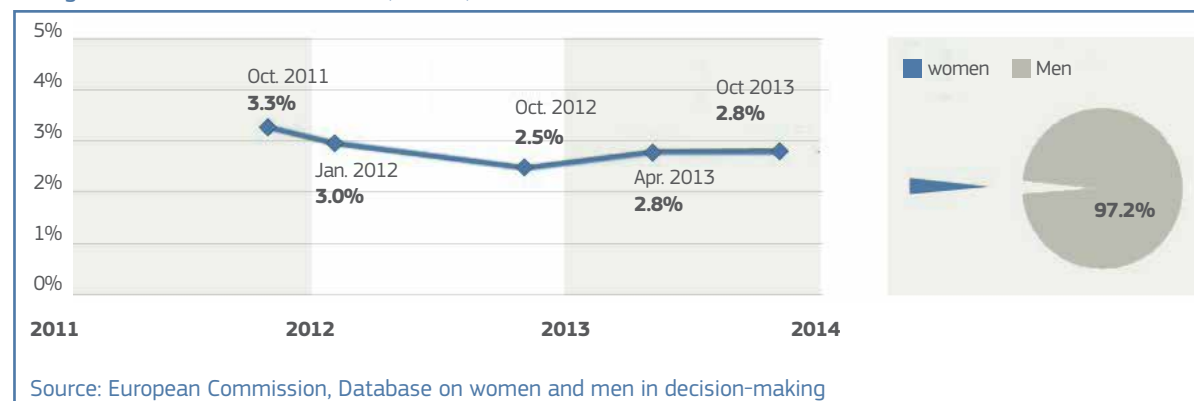
<sup>2</sup> The data, collected in October 2013, cover 610 of the largest publicly listed companies from the 28 Member States of the EU.

Information is available at: [http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/index_en.htm)

## Little change in the top executive positions

When looking at top executive positions, the numbers are even bleaker: fewer than three in one hundred (2.8%) of the largest listed companies in Europe have a woman CEO (Chief Executive Office). Despite some progress in boardrooms, the level of female representation in the top executive position has hardly changed over the past two years.

Change in the share of women CEOs, EU-28, October 2011 - October 2013

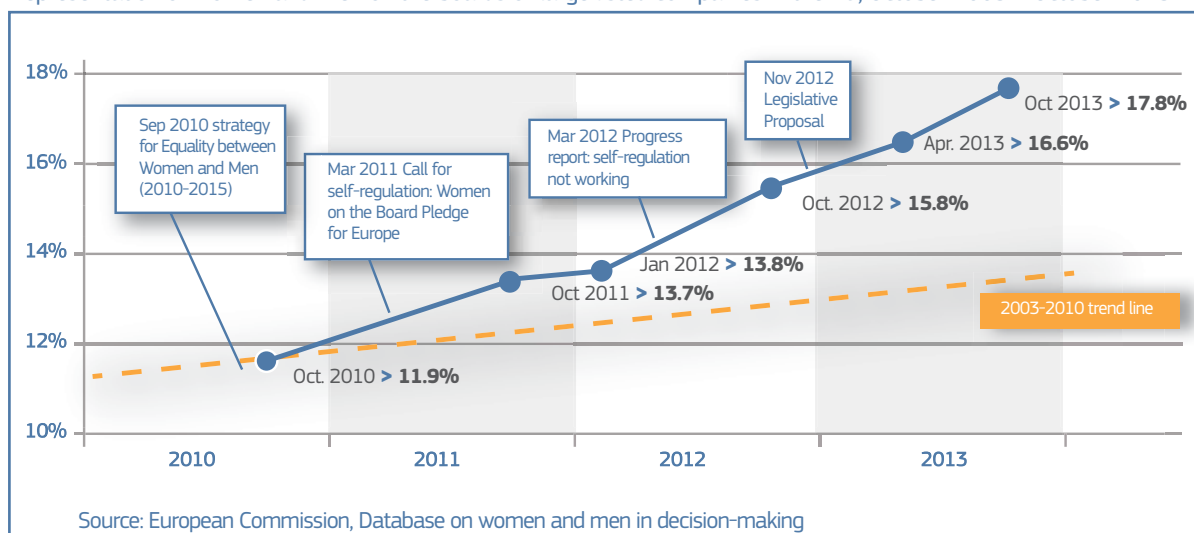


## Accelerated progress driven by political and regulatory pressure

With its Strategy for Equality between Women and Men<sup>3</sup>, the European Commission put the issue of women on boards high on the political agenda already in 2010. In 2011 it called for credible self-regulation by companies to ensure better gender balance in companies' supervisory boards. One year later it became clear that progress was not visible<sup>4</sup>, which is why in November 2012 the Commission put forward a law - a procedural quota, which ensures that women get a fair chance in the recruitment process<sup>5</sup>.

From 2003 to 2010 the share of women on boards rose from 8.5% to 11.9%, an increase of 3.4 percentage points or an average of 0.5 pp/year. Since October 2010, the share has risen 5.9 pp in 3 years, an average of 2.0 pp/year, four times the previous rate of change.

Representation of women and men on the boards of large listed companies in the EU, October 2003 – October 2013



<sup>3</sup> [http://ec.europa.eu/justice/gender-equality/document/index\\_en.htm#h2-1](http://ec.europa.eu/justice/gender-equality/document/index_en.htm#h2-1)

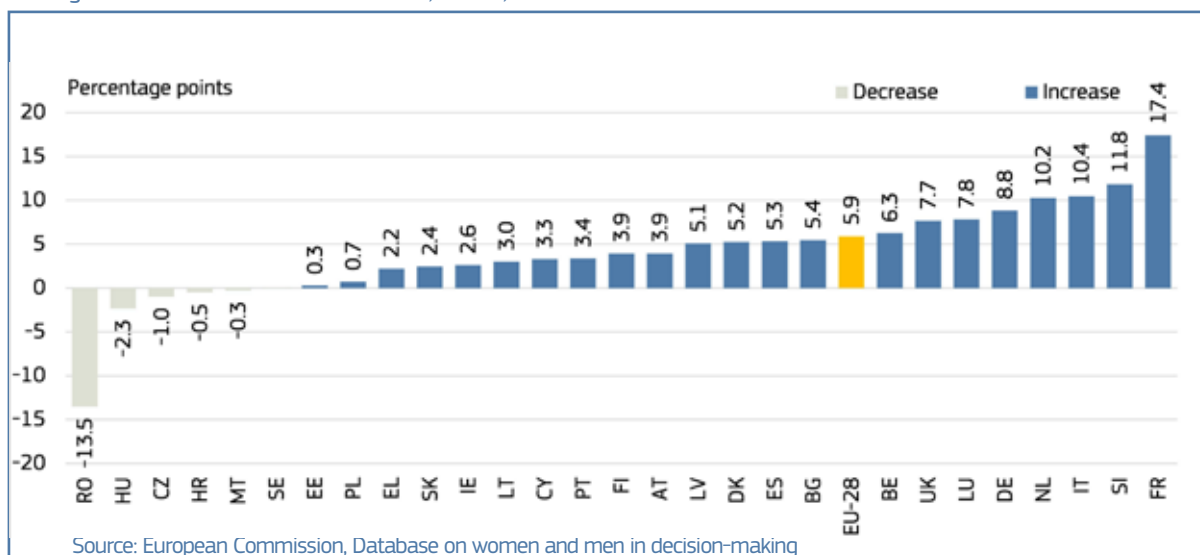
<sup>4</sup> [http://ec.europa.eu/justice/gender-equality/gender-decision-making/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/gender-decision-making/index_en.htm)

<sup>5</sup> COM(2012) 614: [http://ec.europa.eu/justice/gender-equality/gender-decision-making/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/gender-decision-making/index_en.htm)

## Significant progress concentrated in a few Member States

In the three years from October 2010 to October 2013 the share of women on boards increased in 22 of the 28 Member States. The largest percentage point increases were recorded in France (+17.4 pp), Slovenia (+11.8 pp), Italy (+10.4 pp), the Netherlands (+10.2 pp) and Germany (+8.8 pp). Most of the significant improvements took place in countries that have taken or considered legislative action or had an intensive public debate on the issue.

Change in the share of women on boards, EU-28, October 2010 - October 2013



## The impact of the European Commission's proposal for legislation

Noting the slow rate of change, the European Commission – with the strong support of the European Parliament and a number of Member States – decided that taking legislative action was necessary to ensure and to drive progress. On 14 November 2012, it put forward the proposal for a Directive establishing a procedural quota.

The Commission proposal establishes an objective for a minimum of 40% of each sex amongst non-executive directors by 2020. If a company does not reach this threshold, it will have to apply clear and gender-neutral selection criteria in the selection process. In case of equal qualification, priority will have to be given to the candidate of the under-represented sex. The proposal enhances fairness and transparency in board selection processes by pushing companies to take a broader base of candidates from the outset. Qualification and merit remain the key criteria for a job on the board.

On 20 November 2013, the European Parliament voted with a strong majority to back the proposed Directive. The legislation was adopted on its first reading, confirming the broad consensus to increase gender balance on corporate boards and general endorsement of the Commission's approach<sup>6</sup>. The Directive is currently being discussed by the Council of the EU.

<sup>6</sup> COM(2012) 614: [http://ec.europa.eu/justice/gender-equality/gender-decision-making/index\\_en.htm](http://ec.europa.eu/justice/gender-equality/gender-decision-making/index_en.htm)