Gender balance on corporate boards

> Europe is cracking the glass ceiling

October 2015

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

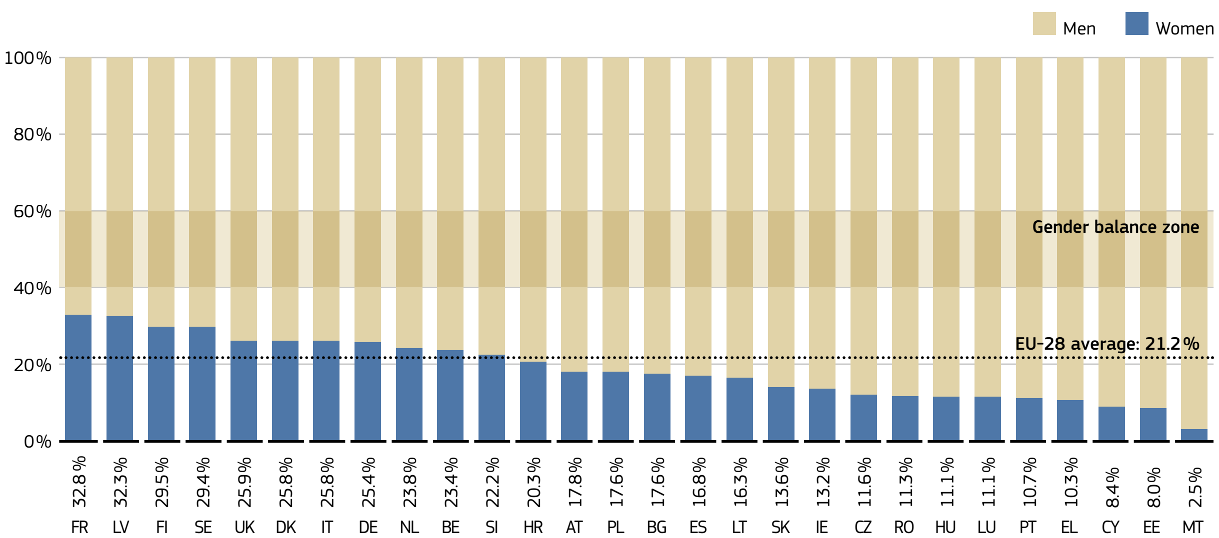
Although today 60 % of new university graduates are female, women are outnumbered by men in leadership positions in the corporate sector in the EU. On average, only 21.2 % of board members of the largest publicly listed companies in the EU are women. This marks a significant increase [1] from 11.9 % in 2010 when the European Commission first put the issue of women in leadership positions high on the political agenda. However, there is still a very long way to go if we are to achieve gender balance.

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 [2]. The issue has been the focus of intense public debate initiated by the European Commission.

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

In April 2015, the average share of women on the boards of the largest publicly listed companies registered in the EU-28 Member States reached 21.2 % [3]. This represents a rise of 1 percentage point since the last data collection in October 2014. There are only eight countries – France, Latvia, Finland, Sweden, UK, Denmark, Italy and Germany – 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, April 2015



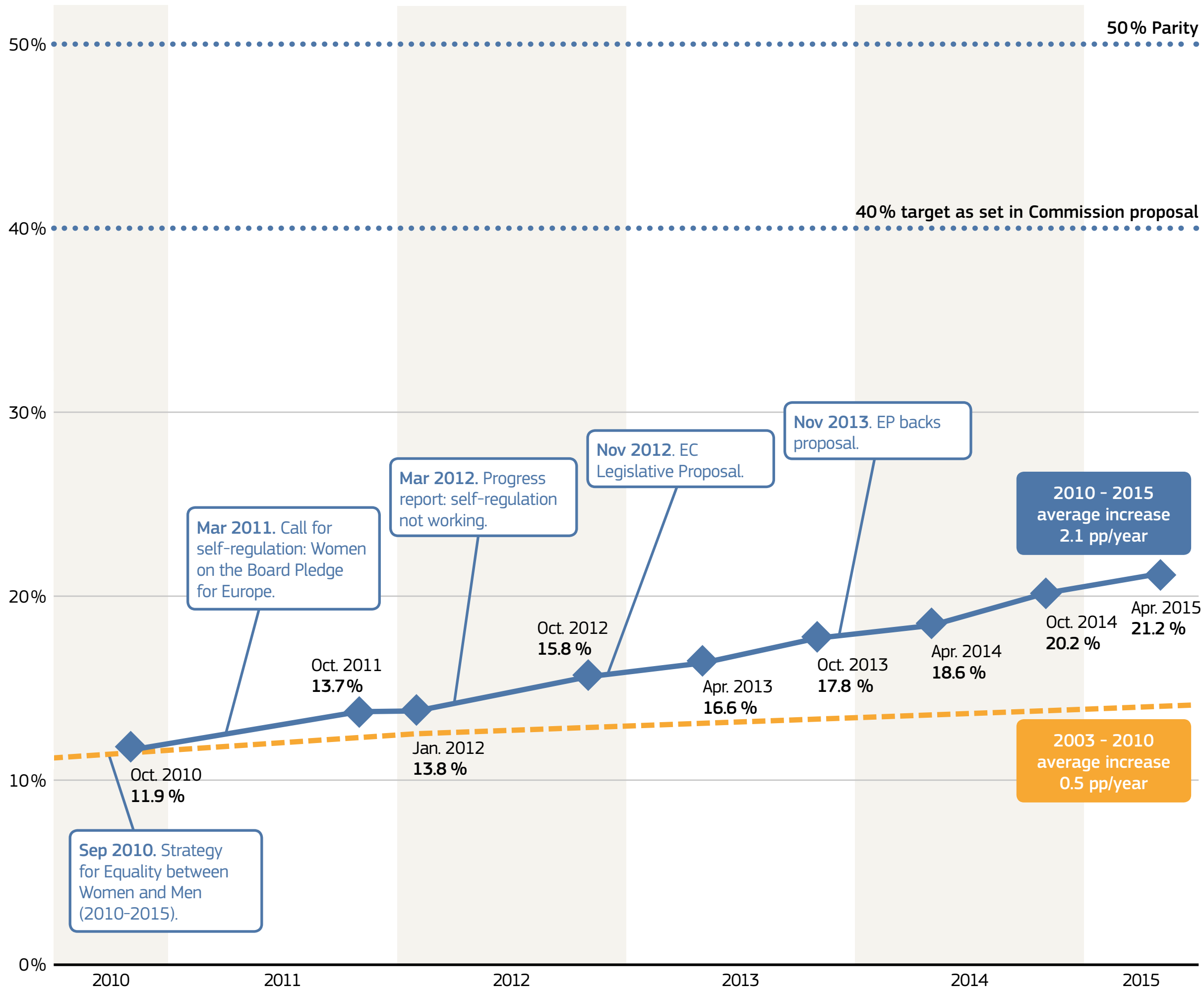
Source: European Commission, Database on women and men in decision-making

Accelerated progress driven by political and regulatory pressure

With its Strategy for Equality between Women and Men ([4]), 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 ([5]), which is why in November 2012 the Commission put forward a law - a legislative initiative aiming to accelerate the progress towards a more balanced representation of women and men on boards of listed companies ([6]).

From 2003 to 2010 the share of women on boards rose from 8.5 % to 11.9 %, an increase of 3.4 percentage points(pp) or an average of 0.5 pp/year. Since October 2010, the share has risen 9.3 pp in four and a half years, an average of 2 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 2010 – April 2015

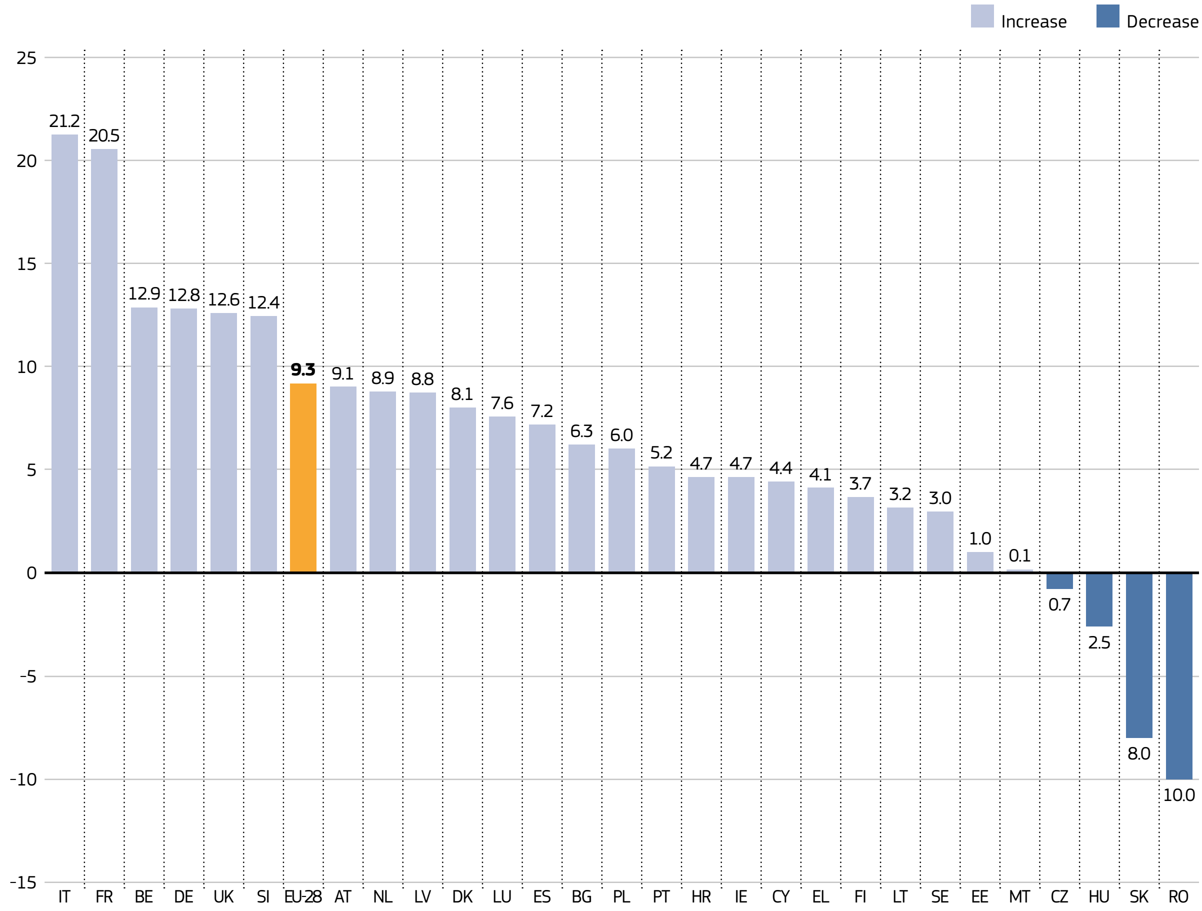


Source: European Commission, Database on women and men in decision-making

Significant progress concentrated in a few Member States

From October 2010 to April 2015 the share of women on boards increased in 24 of the 28 Member States. The largest percentage point increases were recorded in Italy (+21.2 pp), France (+20.5 pp), Belgium (+12.9 pp), Germany (+12.8 pp), the United Kingdom (+ 12.6 pp) and Slovenia (+12.4 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 – April 2015 in percentage points (pp)



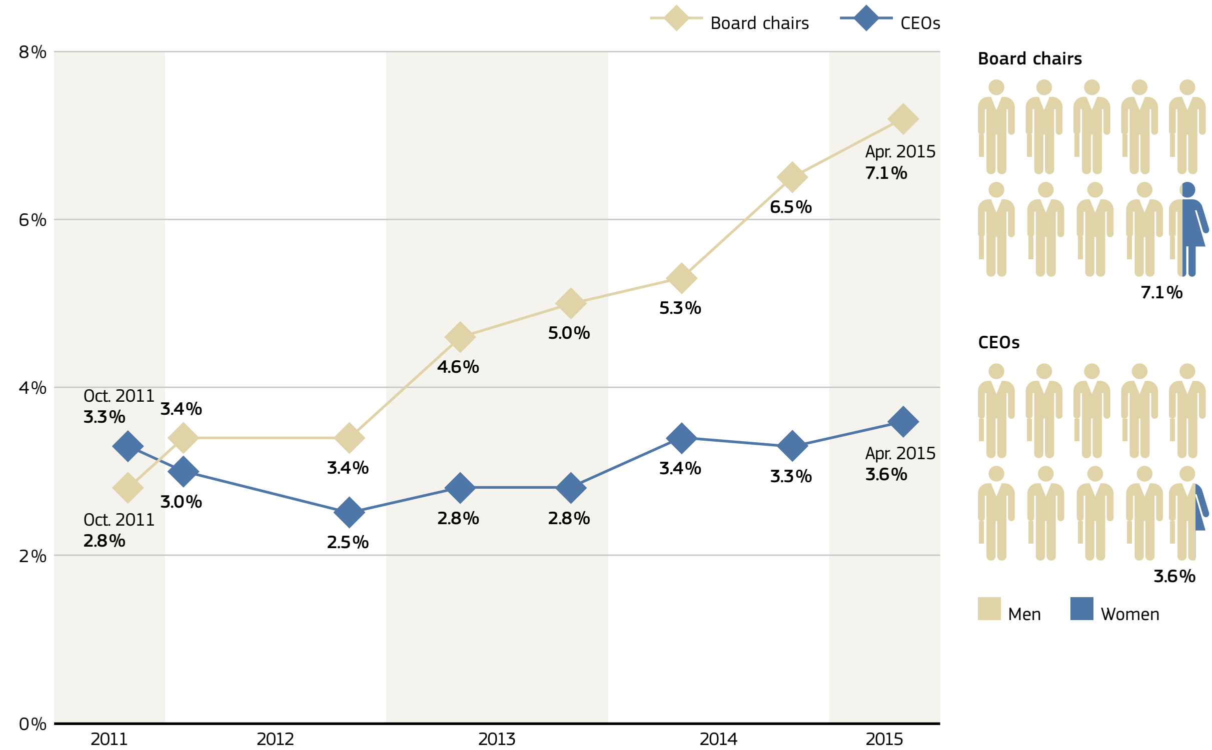
Source: European Commission, Database on women and men in decision-making

Progress amongst board chairs but not CEOs

Although the improving gender balance at board level includes some progress at the very top, at least in non-executive positions, the proportion of woman amongst board chairs is still very low – around one in fourteen – it has more than doubled from 2.8 % in October 2011 to 7.1 % in April 2015. This improvement is not, however, reflected amongst top executives. Just 3.6 % of the largest listed companies in Europe have a woman CEO (Chief Executive Officer) and this figure has hardly changed over the past three and a half years.

While the proposed Directive sets a quantitative target with regard to non-executive board members whilst allowing Member States to adjust the detailed regulation to their specific situations, it also allows individual Member States to go beyond the minimum standard and set their own measures improving gender balance among executive board members. Such regulatory approach would expand the possibilities for competent women to the top positions.

■ Change in the share of women CEOs and board chairs, EU-28, October 2011 – April 2015



Source: European Commission, Database on women and men in decision-making

The proposed Directive ensures that qualification and merit remain the key criteria

Noting the slow rate of change [7], 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 that aims to accelerate progress to improve gender balance on corporate boards.

The Commission proposal sets a quantitative objective of a 40 % presence of the under-represented sex among non-executive directors of companies listed on stock exchanges by 2020. Companies with a lower share will be required to make appointments on the basis of a comparative analysis of the qualification of candidates by applying clear, gender-neutral and unambiguous criteria. This approach guarantees that qualification and merit remain the key criteria for a job on the board. Only where two candidates are equally qualified, priority shall be given to the candidate of the under-represented sex.

The Directive fully respects the principle of subsidiarity and offers considerable flexibility in choosing the means to achieve that progress. It is for each Member State to define how it wishes to provide in its national legislation that the selection for election or appointment to the posts of non-executive directors is to be carried out on the basis of a comparative assessment. The criteria for board positions are to be established by the companies themselves.

It does not prescribe a “one size fits all solution” but recognises that some Member States have chosen or will still choose another promising option for improving gender balance on company boards. It allows those Member States to pursue this course and not apply the procedural requirements of the Directive on condition that their approach delivers concrete results.

The measure is meant to be temporary and in principle is set to expire in 2028.

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 [8]. The Directive is supported by the majority of Member States and currently being discussed by the Council of the EU.

Endnotes

(1) In the sample of companies surveyed by the European Commission (see footnote 3).

(2) http://ec.europa.eu/justice/newsroom/gender-equality/opinion/files/120528/women_on_board_progress_report_en.pdf, p.7.

(3) The data, collected in April 2015, cover 619 of the largest publicly listed companies from the 28 Member States of the EU. Information including on methodology used is available at: http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/index_en.htm

(4) http://ec.europa.eu/justice/gender-equality/files/strategy_equality_women_men_en.pdf

(5) http://ec.europa.eu/justice/newsroom/gender-equality/opinion/files/120528/women_on_board_progress_report_en.pdf, p.15.

(6) Press pack: http://ec.europa.eu/justice/newsroom/gender-equality/news/121114_en.htm

(7) COM(2012) 614 http://ec.europa.eu/justice/gender-equality/files/womenonboards/directive_quotas_en.pdf

(8) http://europa.eu/rapid/press-release_IP-13-1118_en.htm

Statistics and national measures in place

Member State	Share of women on boards(*), EU-28 average: 21.2 %	Quotas in place	Other national measures in place
Austria	17.8 %	Yes: only state-owned companies (35 % for supervisory boards by 2018).	Self-regulation: The Corporate Governance Code of 2009 recommends representation of both genders in appointments to supervisory boards.
Belgium	**23.4 %**	Yes: 33% for executives and non-executives in state-owned and listed companies-by 2017 and by 2019 (including listed SMEs).	Self-regulation: The Corporate Governance Code of 2009 recommends that the composition of a board is determined on the basis of gender diversity.
Bulgaria	17.6 %	No	No
Croatia	20.3 %	No	No
Cyprus	8.4 %	No	No
Czech Republic	11.6 %	No	No
Denmark	**25.8 %**	No	Boards in state-owned companies should 'as far as possible' have an equal gender balance; a man and a woman nominated for every vacancy (executives and non-executives). From 2013 - obligation to all companies (listed and non-listed) to self-regulate and set their own targets. A company can be fined if it hasn't set any target figures or hasn't submitted any reporting.
Estonia	8.0 %	No	No
Finland	**29.5%**	No	State-owned companies are required to have an 'equitable proportion of women and men'. The Corporate Governance Code for listed companies contains recommendation that 'boards shall consist of both sexes'.
France	**32.8 %**	Yes: from 2011 - 40 % by 2017. Applicable to non-executive directors in large listed and non-listed companies.	The AFEP-MEDEF Corporate Code: recommendation containing same quotas as in the Law of 2011, applicable to all board members.
Germany	**25.4 %**	Yes: from 2016 - 30 % for supervisory boards of the listed companies that are submitted to parity co-determination (the roughly 110 biggest listed companies).	Other companies that are either listed or fall under parity co-determination have to set individual quantitative objectives of women on boards with regard to non-executive and executive board members and senior managers below board level and deadlines to achieve them.
Greece	10.3 %	Yes, 33 % - only companies fully or partially owned by the State. Applicable to all board positions (executives and non-executives).	Soft positive action measures in public sector.
Hungary	11.1 %	No	Soft positive action measures in public sector.
Ireland	13.2 %	No	A policy target of 40 % female participation on all state boards and committees. Soft positive action measures in public sector employment.
Italy	**25.8 %**	Yes: 33 % by 2015 for listed companies and state-owned companies. Applicable to management boards and supervisory boards (i.e. executives and non-executives).	Yes
Latvia	**32.3 %**	No	Soft positive action measures in the public sector.

Member State	Share of women on boards(*), EU-28 average: 21.2 %	Quotas in place	Other national measures in place
Lithuania	16.3 %	No	No
Luxembourg	11.1 %	No	Soft positive action measures. The Corporate Code of 2009 recommends the board to have an appropriate representation of both genders. The rule is applicable to all board members.
Malta	2.5%	No	No
Netherlands	**23.8 %**	Target of 30 % in the executive boards and supervisory boards of large companies - "comply or explain" mechanism, no sanctions. Measure to expire in 2016.	Self-regulation: diversity clauses in the Dutch Corporate Governance Code of 2009, applicable to both executives and non-executives. Voluntary Charter with targets for more women in management.
Poland	17.6 %	No	The executive ordinance of Minister of State Treasury obliges state-owned companies to 'choose adequately prepared members of supervisory boards, taking into account the balanced participation of women and men'. The Code of good practices attached to that ordinance establishes a target of 30% for 2015 and a priority rule for equally qualified women. No sanctions are envisaged.
Portugal	10.7 %	No	A government resolution of 2015 encourages listed companies to attain 30 % of the under-represented sex at their administrative bodies by 2018.
Romania	11.3 %	No	Soft positive action measures in public sector employment.
Slovakia	13.6 %	No	No
Slovenia	**22.2 %**	No	Regulation on state-owned companies: A principle of 40% representation of each sex applies to the nomination or appointment of government representatives to management and supervisory boards of state-owned enterprises (executives and non-executives). No sanctions apply if the principle is not respected.
Spain	16.8 %	Yes: 40 % (both executives and non-executives) by 2015 (but no sanctions, thus rather a recommendation by nature) in state-owned companies with 250 or more employees. New possible models under discussion	Soft positive action measures in public sector employment.
Sweden	**29.4 %**	No	Self-regulation: The Corporate Governance Code of 2004 has a voluntary goal of parity for listed companies – "comply or explain" mechanism.
United Kingdom	**25.9 %**	No	Self-regulation – from 2012 on the basis of principles of UK Corporate Governance Code (following the Lord Davies' recommendation). The recommended target for listed companies in FTSE 100: 25%, by 2015 is applicable to all board members. FTSE 350 companies recommended setting their own aspirational targets to be achieved by 2013 and 2015.

(*) Data: April, 2015; Source: European Commission, Database on women and men in decision-making