

Intercompany Talent Platform

WOMEN IN THE BOARDROOM between quotas and skills

[EU Commission Video](#)

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1. Facts

Women represents

60% of university graduates in Europe

12% of board members (2010)

>3% of CEOs and company chairs

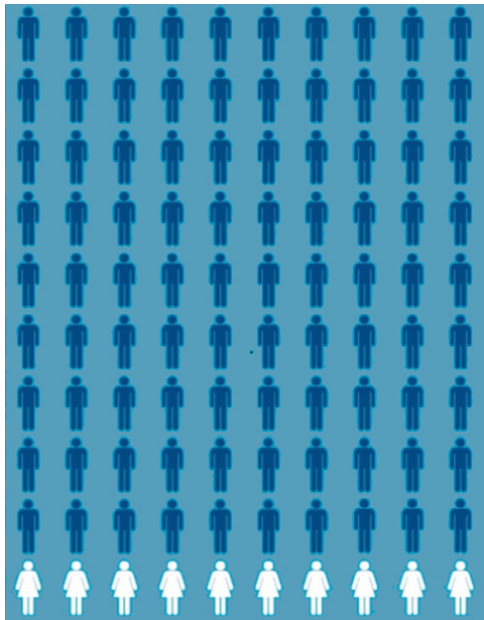
Current rate of progress 0,5% per year

At this rate it will take 50 years to reach 40%

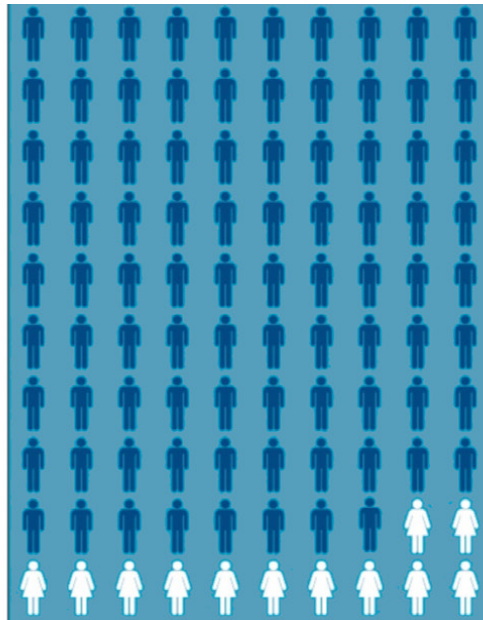
50% when?

1. Facts

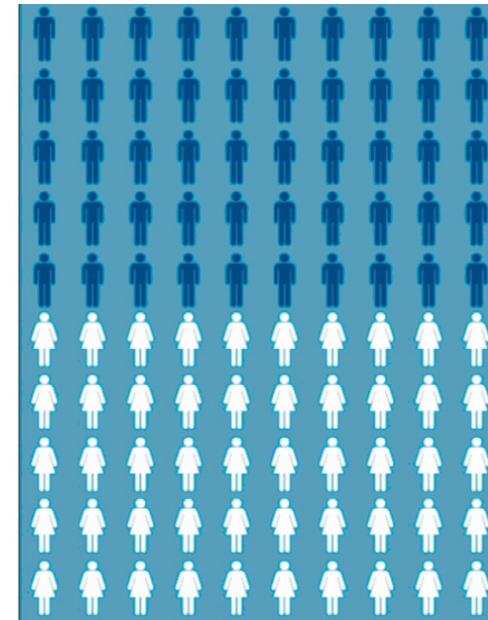
SITUATION IN 2005



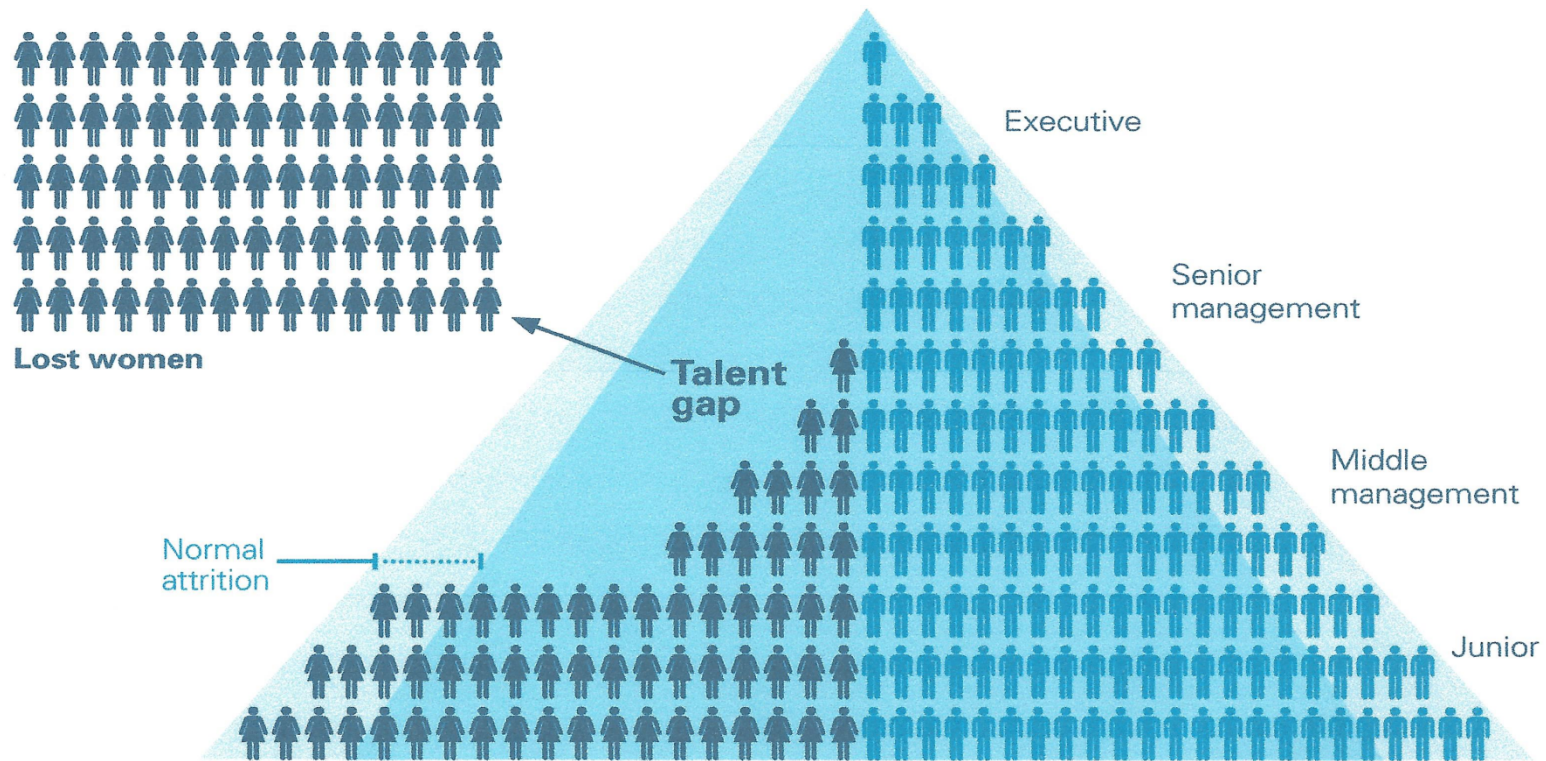
SITUATION IN 2010



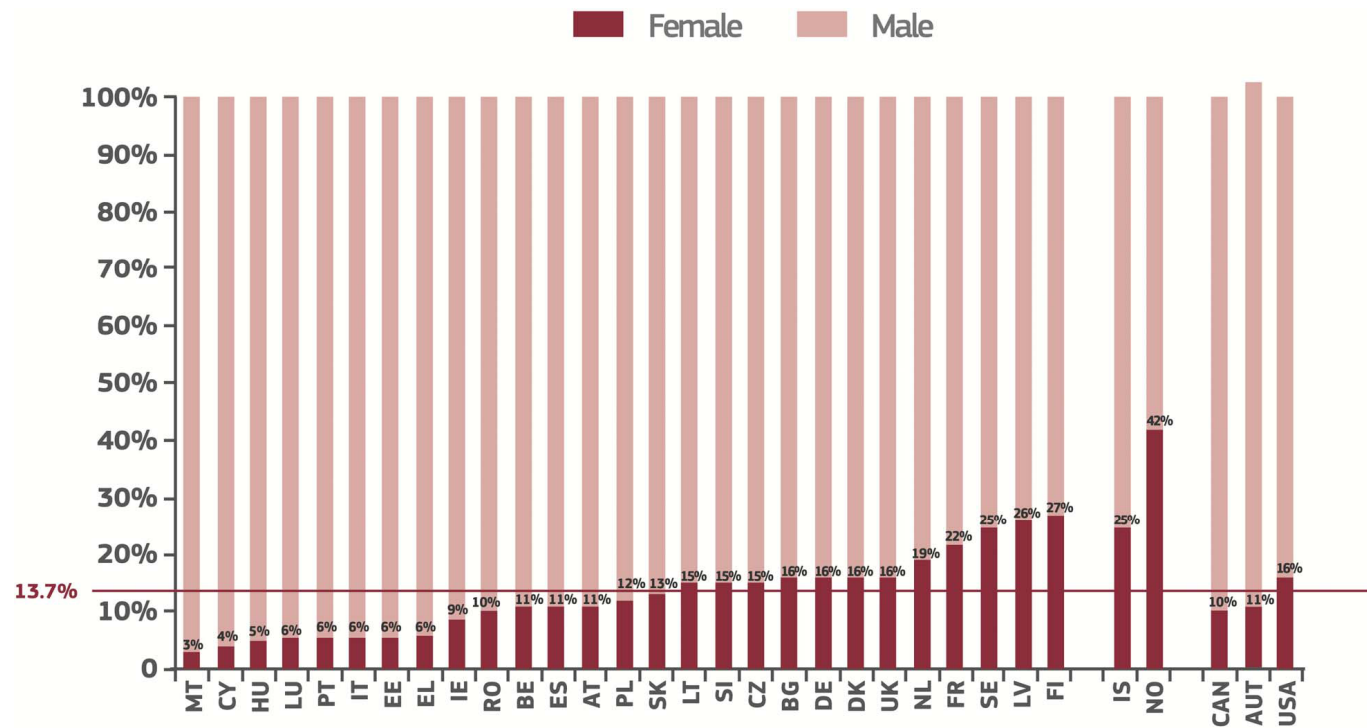
50/50 - WHEN?



1. Facts



2. Facts – % of women on boards of listed companies – EU 2012



2. Changes happen...?

- ▶ Percentage point change in female presence on corporate boards between 2003 and October 2012
- ▶ Countries providing for legislative quotas: **+16pp**
- ▶ Countries with corporate governance codes: **+5pp**
- ▶ Countries where no action has been taken: **+1pp** with HU, SL, EE, RO moving back with negative figures (**-4pp, -4pp, -7pp, -9pp**)

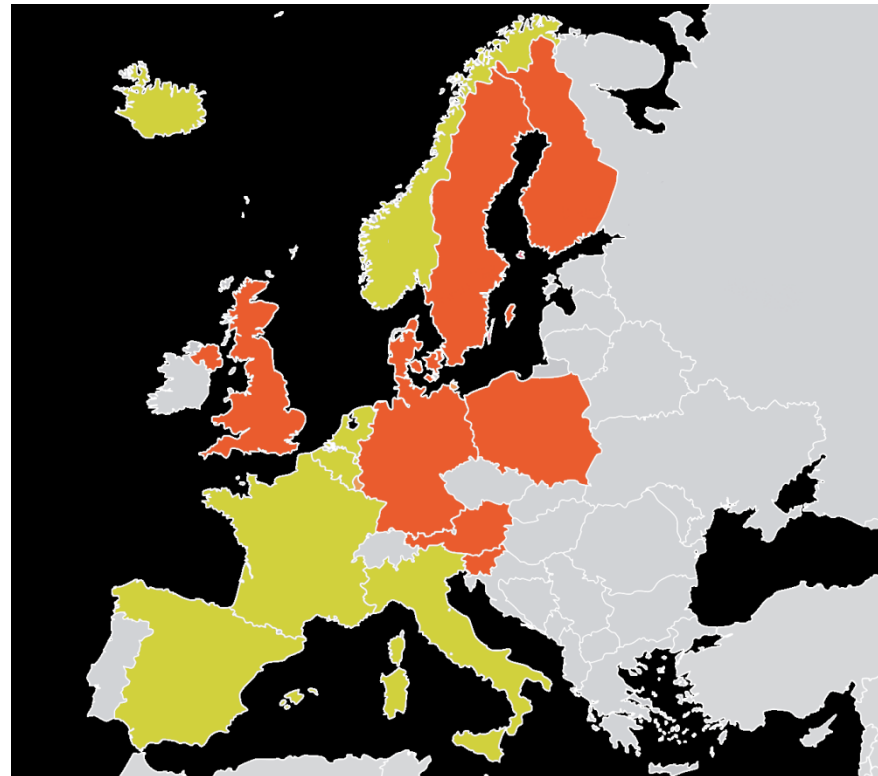
2. Current applicable systems

Yellow:

Legislation to increase the number of women on company boards

Orange:

Self-regulation (gender balance in corporate governance codes)



3. Fragmented and different legislations

- ▶ Legislative quotas: IS, NO, FR, NL, ES, BE, IT – different targets and sanctions

Belgium: 30% quota for government and listed companies – transition period of 5 to 7 years – sanctions: loss of financial advantages for all directors

Italy: 33% quota – 3 renewals application period of the law – sanctions up to 1 mio€ fine and no decisional powers to the board

- ▶ Corporate Governance Codes: FI, DK, SE, DE, UK, PL, LU – see Lord Davis Review and lack of following

UK: Lord Davis Review 2011 – recommended self-regulation – no sanctions – small improvement but large majority of companies did not adhere to the self-regulation

DE: self-regulation (15%) – no significant increase and target very low

4. EU Directive for gender balance

- ▶ Proposal met strong opposition and is currently under review
- ▶ Proposal provides for a minimum objective of 40% non-executive directors in listed EU companies
- ▶ Listed companies – target 2020
- ▶ Introduction of pre-established, clear, neutrally formulated and unambiguous criteria in selection procedures
- ▶ Sanctions diversified and left to Member States
- ▶ Mandatory reporting by companies

4. EU Directive for gender balance – current status

- ▶ On 20 September – publication of the Opinion of the Committee on Economic and Monetary Affairs
- ▶ Commission's proposal does not go far enough
- ▶ Suggested measures: i) include non-listed companies; ii) include EU institutions and ECB; iii) deletion of exemption of companies where women represent less than 10% of female workforce; iv) encouragement of mentoring; and v) “comply or explain” model.
- ▶ Discussion at Parliament plenary session on 19.11

5. A real concern...?

We can note:

- ▶ Few shareholder proposals about gender diversity in the boardroom,
- ▶ Few investors speak to companies where they have concerns about homogenous boards,
- ▶ In 2012, **57%** of non US directors said that seating a diverse representation on the board was not a priority.

6. More women...why?

Companies with more women on their boards outperform their rivals with:

=> 42% higher return in sales,

=> 66% higher return on invested Cap.,

=> 53% higher return on equity.

6. More women...why?

Having at **least one female** director on the board appears to cut a company's chances of going bust by **20%**

...and that having **2** or **3** female directors lowered further the chances of bankruptcy....

7. How to include women?

- ▶ **Women** by far say the most effective way to build diverse corporate boards is through “**board leadership (chairman)**”
- ▶ **Male** directors say “**developing a pipeline of diverse board candidates through director advocacy, mentorship and training would serve diversity**”

8. What they say and....

- ▶ Quote of the Chairman of the board of 2 stock listed corporations:

« *Women are really fantastic, they can bring a huge contribution to the board and talking about quotas is like insulting their professional capabilities... »*

8. What they do...

This gentleman chairs boards where women represent:

Corporation 1

7% in the board 0% in the Exco

Corporation 2

0% in the board 0% in the Exco

9. Why there are not enough women on boards?

Men and women also differ on the reason why women are not properly represented on boards

For Men (45%) => “lack of women in executive ranks”

For Women (35%) => “traditional networks tend to be male-oriented”

9. Why there are not enough women on boards?

Fewer women than men are coming through to the top level of organisations

Ignoring the talent of **50%** the population is not ideal to build board effectiveness

In Europe and the USA, women account for approximately 6 out of every 10 university graduates

10. Selection process & criteria

It is often forgotten that this is one of **the most critical jobs** in the whole organization: leadership and governance

Board excellence starts with board members who **fit** the organization (**or maybe not!**)

10. Selection process & criteria

When selecting a new board member, the Board will consider:

- ▶ Where do we want and need to go during the next few years?
- ▶ Who is on the board now that can help us get there?
- ▶ Where are the gaps?

10. Selection process & criteria

Do

- ▶ Use an interview process
- ▶ Get enough info on experience and skills for each candidate
- ▶ Research the market before inviting
- ▶ Make sure the board member can dedicate enough time
- ▶ Use an external recruitment specialist

10. Selection process & criteria

Don't

- ▶ Rush to appoint on reputation only
- ▶ Underestimate the need of proper research
- ▶ Do not twist the system
- ▶ Do not hide behind quick appointments

11. If you want to become a director...

Don't forget:

*To break the « club » atmosphere in some boards where appointing a woman **means not to renew the mandate of a man...***

11. If you want to become a director...

You have to: **Network, network, network...**

- ▶ the informal networks in board appointments,
 - ▶ the lack of transparency around selection criteria
 - ▶ the way in which executive search firms operate,
- => a **significant barrier** to women reaching boards.

Thank you for your attention

Questions ?

Ideas ?

Sources and disclaimer

Our presentation, the figures mentioned in our presentation and the graphic elements used in it, are based on several sources publicly available and include the following ones:

- Women on Boards, February 2011, Lord Davies of Abersoch, CBE
- Heindrick & Struggles, 2012 Board of Directors Survey
- Leeds University, Studies on Corporate Governance
- European Commission Proposal for Gender Balance Directive (COM(2012) 614)
- European Women's Lobby, Measures to reach gender balance on boards in 2011
- European Commission, Gender equality in the Member States, Women on boards – Factsheet 2
- European Women's Lobby, Women on boards in Europe from a snail's pace to a giant leap? , 2012
- Deloitte, Women in the boardroom: a global perspective, November 2011
- Friedrich Ebert Stiftung, Women on Board, the Norwegian Experience, June 2010

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