



# WOMEN ON BOARDS IN EUROPE FROM A SNAIL'S PACE TO A GIANT LEAP?

**EWL Report on Progress, Gaps and Good Practice**



EUROPEAN WOMEN'S  
**LOBBY**  
EUROPEEN DES FEMMES

The European Women's Lobby (EWL) is the largest umbrella organisation of women's associations in the European Union (EU), working to promote women's rights and equality between women and men. EWL membership extends to more than 2000 organisations in all EU Member States and Candidate Countries, as well as to European-wide associations.

## Executive summary

Five EU Member States, namely Belgium, France, Italy, the Netherlands and Spain, as well as two other European countries (Norway and Iceland) have adopted legislation to increase the representation of women on corporate boards. Several others have set targets for state-owned companies or taken steps to enhance self-regulation.

In March 2012, the Vice-President of the European Commission, Viviane Reding, will take stock of the progress made, and, later this year, she will announce what EU-level measures will be taken to ensure gender balance on the boards of European companies.

The present European Women's Lobby report entitled 'Women on Boards in Europe – From a Snail's Pace to Giant Leap?' assesses the measures adopted and the progress made in nine EU member states (Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Spain and the UK) and in Norway.

The analysis of the efforts made to open boardroom doors to women teaches us important lessons on how European and national decision-makers can turn the current 88% "male quota" into an equal representation of women and men in the highly symbolic sphere of economic decision-making. The assessments of national level measures also reveal gaps that must be addressed in the future.

The report draws eight evidence-based conclusions, which should act as guidelines for the future EU and national level measures.

1. Intervention makes a difference in increasing the number of women on boards
2. Self-regulation builds ground for legislation
3. Quotas are most effective when they involve sanctions
4. Effective self-regulation requires targets, deadlines and state-endorsed monitoring
5. Mid-term targets help to meet long-term goals
6. Progress towards gender balance slower among executive board posts
7. Quota legislation does not increase the number of female CEOs
8. Awareness-raising and promoting women help in achieving targets

The promotion of the equal representation of women and men in decision-making has been at the core of the European Women's Lobby's work since its creation in 1990. This work includes, in particular, the EWL 50/50 Campaign for Democracy launched in 2008 regarding the European elections of 2009 (and the upcoming 2014 elections), and subsequent allocation of EU 'Top Jobs'. For the EWL, parity in decision-making is an issue of democratic representation and of social progress at both EU and national levels, in line with the EU's Treaty commitments to democracy and fundamental rights. The EWL demands binding measures for parity democracy at all levels of decision-making, political as well as economic.

# Introduction

The equal representation of women and men in all areas of decision-making is not just an issue of equality between women and men, but one of human rights, democracy and of economic efficiency. Parity in decision-making is also an important issue in the private sector, where the vast majority of Europeans work, and where important decisions concerning and affecting the lives of millions of women and men are taken daily.

Although women represent 60% of university graduates in Europe, they are seriously under-represented in the governing bodies of European companies. In 2010, women accounted for just 12% of board members and less than 3% of company chairs. This means that the typical European corporate board of 10 members has on average only one female member.

34% of large companies in the EU do not have even one woman on their board.<sup>1</sup>

Progress in this area is extremely slow, despite numerous studies pointing to the economic benefits of parity and increased diversity for the companies and for the European economy as a whole.

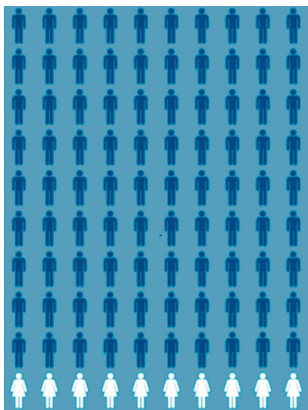
With the current rate of progress, 0,5 percentage points per year, it will take 50 years to reach a decent gender balance of 40% in the boards of European companies<sup>2</sup>. Reaching 50/50, the equal representation of women and men, will take even longer.

1 European Commission working paper, The gender Balance in Business Leadership, 2011: <http://register.consilium.europa.eu/pdf/en/11/st07/st07231.en11.pdf>

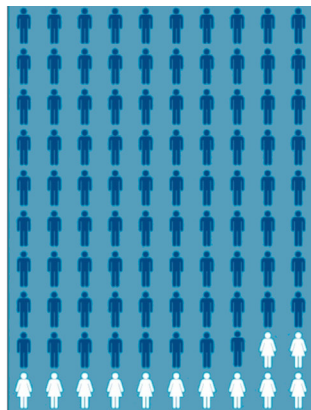
2 European Commission 2011: Report on Progress on Equality between Women and Men in 2010

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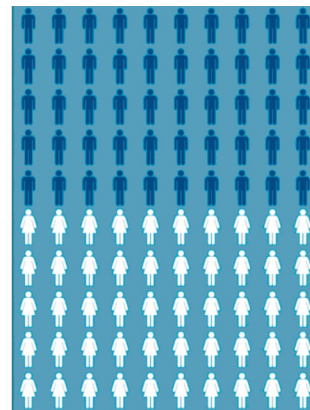
## SITUATION IN 2005



## SITUATION IN 2010



## 50/50 - WHEN?



## Towards EU legislation on women on boards?

Norway was the first country in the world to adopt a binding quota law in 2005. As a consequence, women now make up more than 40% of board members in the Norwegian companies covered by the law.

The successful example of Norway has been increasingly followed by EU member states. In the course of 2011, four EU member states, France, Belgium, Italy and the Netherlands, adopted legislative measures to increase the representation of women in corporate boardrooms.

While the vast majority of EU member states have remained inactive they may soon be forced to take action.

In early 2011, European Commission Vice-President Viviane Reding launched an initiative aiming to increase women's representation on boards to 30% by 2015 and 40% by 2020. She called upon companies to take action to reach these goals and launched the "Women on Board

Pledge for Europe," a voluntary commitment for European companies. In March 2012, European Commission will assess the progress made through self-regulation. She will announce EU-level measures to ensure gender balance in boardrooms later this year if deemed necessary.

The European Parliament has called on the Commission to introduce EU level legislation if self-regulation does not provide results<sup>1</sup>, and Vice-President Reding has in several instances said that the Commission will take action if progress towards the targets set is not fast enough.

Strong EU intervention can ensure the equal representation of women and men in economic decision-making in all EU Member States, but will the Commission seize this unique opportunity to turn the slow progress into a giant leap?

<sup>1</sup> European Parliament resolution of 6 July 2011 on women and business leadership (2010/2115(INI))

2011 was an eventful year in terms of measures to improve equality on corporate boards in Europe. Will 2012 go down in history as the year of the European gender quota?

## Country assessment

Many EU countries have already taken measures to increase the number of women on company boards.

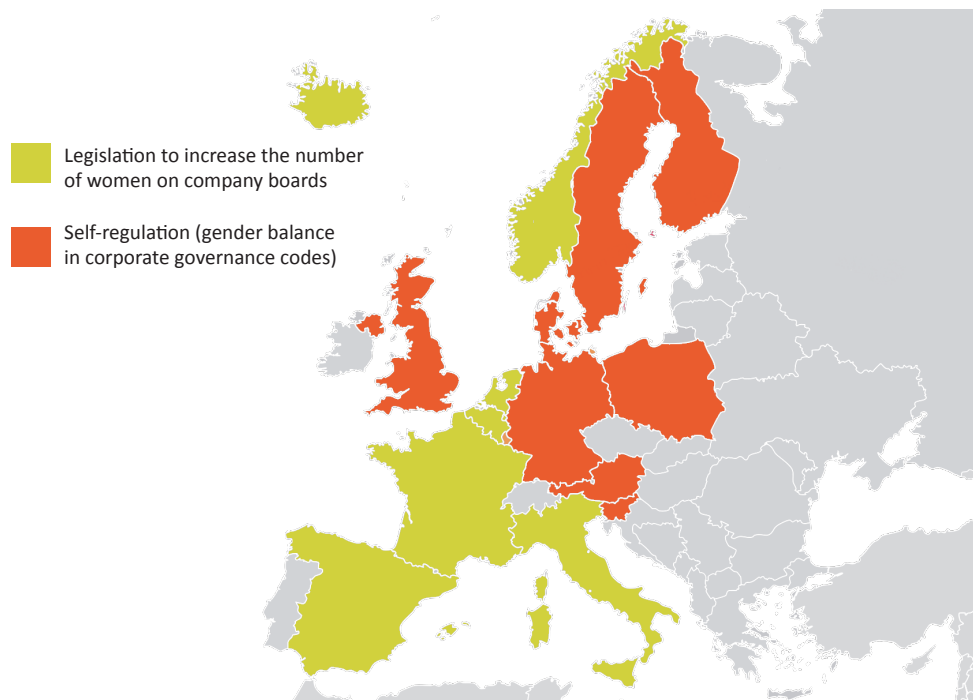
Measures to improve the gender balance on the boards of state-owned companies have been introduced in Denmark, Finland and Ireland over the last ten years and most recently in Austria in 2011.

To date, five EU countries (Spain, France, Belgium, Italy and the Netherlands) as well as Norway and Iceland in the broader European region have passed legislation to promote gender balance in the boardrooms of various types of companies. The laws

adopted differ in terms of the companies included, the targets and deadlines set and the sanctions proposed for not reaching the targets.

In parallel, the business world has taken steps toward self-regulation. In almost all the countries that have introduced quota laws, legal regulation was preceded by clauses on gender balance in the Corporate Governance Code. Corporate Governance Codes include clauses on gender balance in nine other EU member states: Austria, Denmark, Finland, Germany, Luxembourg, Poland, Slovenia, Sweden, and the UK.

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On the following pages, the EWL and its national member organisations analyse the measures adopted and the progress made in 10 countries - Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Norway, Spain and the UK - in order to draw evidence-based conclusions on what works.

The EWL also rates these countries on the current situation, progress made in the last three to five years and future prospects, using the system similar to that used by credit rating agencies. The rates range from AAA (excellent performance) to A- (poor performance).

In terms of the current situation, AAA refers to equal representation of women and men and A- to less than 6% of women on boards. In terms of the progress in the last years, AAA refers to an increase of more than 15 percentage points, A- to stagnation.

In assessing progress, it is important to look beyond the large top companies. Therefore, country assessments are based on comprehensive national data. Where not available, the more narrow data from the European Commission that focuses on the largest companies is used.

## Austria

### EWL RATING

**Current situation: A**

**Progress: A with neutral outlook**

The Austrian government adopted in March 2011 a non-binding target of 35% women on boards for state-owned companies to be reached by 2018 (25% by 2013). No sanctions are foreseen. If the companies do not reach the target, legislative measures will be adopted.

Although the government decided to leave non-state companies out of the scope of the target, it is the private sector that has the most to catch up. In 2011 women accounted

only for 10.3% of the supervisory board members of the 200 largest companies (modestly up from 9.3% in 2010). Women's share management boards has decreased from 5.3% in 2010 to 4.4% in 2011.<sup>1</sup>

The Corporate Governance Code adopted in 2009 recommends companies to take the representation of both genders in their supervisory boards into account. However, 30% of quoted companies bound by the Code do not have any women at all at the highest management level, nor on their supervisory boards.

<sup>1</sup> Austrian Chamber of Labour 2012

### EWL MEMBERS REVIEW

"It is apparent from the statistics for 2011 that the progress toward the voluntary target set for companies close to the government has been slow. Nor has there been a significant positive development in the private sector. The increase of women's representation on boards of the top 200 Austrian companies has been modest, and women's share in their top management positions has even decreased. The only way out is the introduction of a mandatory quota with the target of 35-40%, a shortening of transitional periods and a gradual implementation of these measures from state-owned companies to quoted companies and joint-stock companies. An immediate step to be taken could be fine-tuning the Corporate Governance Code by introducing effective and concrete rules. In addition, distinct sanctions for non-compliance should be put in place and implemented. An official certified database for qualified women could be set up so that companies can choose from the pool of competent women."

- Marlene Parenzan, EWL Board Member, Austria -

# Belgium

## EWL RATING

**Current situation: A**

**Progress: A+ with positive outlook**

The Belgian law, adopted on 30 June 2011, provides that a minimum of 30% of board members of government enterprises and publicly quoted companies must be of a different sex than the other. If a company does not respect the law, directors will lose the financial and other advantages that follow from board membership until the quota is met. A corporate governance declaration must give an overview of the efforts made.

The law was preceded by a clause in the corporate governance code (2009) stating that the board's composition should, among other things, "be determined on the basis on gender diversity."

The companies have a lot of catching up to do: women's representation on boards in

Belgium is below the EU average, reaching 9% in the 97 companies surveyed in 2011, and women are totally absent from the boards of 48 of these companies<sup>1</sup>. Recent progress in the largest companies (10% women in 2010) has been moderate: an increase of 4 percentage points since 2005, with a leap of 2 percentage points since 2009 when the gender-clause was included to the corporate governance code<sup>2</sup>.

An interesting aspect of the Belgian law is that the transition period is adjusted to the needs of different types of companies. Government enterprises must comply immediately – every new director to be nominated must be a woman until the 30% target is reached. The transition period for large quoted companies is five years and seven years for small and medium-sized listed companies.

<sup>1</sup> Study by L'Echo, April 2011 <http://www.lecho.be/dossier/femmes>

<sup>2</sup> European Commission database on women in decision-making, 19 companies included.

# Finland

## EWL RATING

**Current situation: AA**

**Progress: AA- with neutral outlook**

Finland has a relatively high representation of women on corporate boards. In 2011 women made 26% of board members of the largest companies and had 18% of board seats in all listed companies.<sup>1</sup> The representation of women has increased more than 6 percentage points since 2008 for all listed companies, but the progress rate is slowing down. Since 2010 women's representation increased only 1 percentage point.

Finland has until now relied on targets for state-owned companies and self-regulation

<sup>1</sup> Keskuskauppakamari 2011: Miehet johtavat porssiyhtiöitä, naiset päätyvät tukitoimiin

through corporate governance for other companies.

The government decided in 2004 that 40% of the board members of state owned companies should be women, with the result that women's representation leaped from 30% in 2004 to 40% in 2006, and has increased further to 45% in 2011<sup>2</sup>. The success proved wrong the suspicions within the corporate world about the lack of qualified and interested women.

The Finnish Corporate Governance Code from 2003 was the first in the world to mention gender balance. It was strengthened in 2008, partly due to pressure

<sup>2</sup> ibid.



from the State, and it now requires that both genders shall be represented on boards, and non-compliance has to be explained in annual reports. The obligation has worked: in 2008 only 51% of listed companies had women on their boards; in 2011 the share of all-male boards had dropped to 22%.

However, in many listed companies, women still constitute a minority of one, and the trust in self-regulation is foundering. The Minister responsible for gender equality has called for a 40% gender quota for publicly listed companies if self-regulation does not provide results by 2013.

#### EWL MEMBERS REVIEW

“According to latest figures from October 2011, women account to 18% of board members of all Finnish listed companies. 22% of these companies do not have any women on their boards! At the moment, the Finnish government is preparing a new gender equality programme. One of the actions listed in the draft programme is the following: ‘If the balanced representation of women and men on the boards of listed companies does not become reality by 2013, the government shall introduce gender quotas (minimum 40% of each sex).’ However, it remains to be seen whether the quotas make it to the final, adopted gender equality programme. Although the equality minister Paavo Arhinmäki has publicly defended quotas as an instrument to improve women’s representation on corporate boards, in Finland there is also lots of political speech that is opposed to quotas.”

- Johanna Pakkanen, The Coalition of Finnish Women’s Associations (NYTKIS) -

## France

#### EWL RATING

**Current situation: A+**

**Progress: AA- with positive outlook**

In 2011 France adopted legislation that gives companies six years to ensure that women make up 40% of board positions. Companies must reach a mid-term target of 20% in three years. The law applies to all listed companies and companies that have more than 500 employees and a revenue of over 50 million Euro. From 2017 onwards, board nominations which do not comply with the law will not be valid.

The business world attempted to avoid the proposed legislation by adopting a strong corporate governance recommendation in 2010, which set targets and deadlines for increasing women’s representation. However, the 2011 law made the code redundant.

In 2011, the proportion of women on the boards of companies was 12.7%. The representation of women on boards in has already been improving before the adoption of the law, from 8.4% in 2009 to 12.7% in 2011.<sup>1</sup> The increase coincides with the time when legislative quotas were proposed, proving that the public debate and the anticipation of legislation can encourage the business world to add women to the boardroom.

The law has accelerated the progress. Half of the 40 largest companies have already reached the mid-term target of 20%, and since the bill was adopted, the majority of new director appointments have been women. Boards are showing willingness to explore further new candidate pools.<sup>2</sup>

1 Government Metrix International 2011 Women on Boards report

2 Spencer Stuart 2011: Female Director Trends in Europe 2011.

# Germany

## EWL RATING

**Current situation: A**

**Progress: A with modest positive outlook**

In Germany, the strategy for ensuring gender balance in boardrooms in the last ten years has been for companies to voluntarily bring about change. However, until very recently, self-regulation has not been effective, and the number of women on corporate boards has barely increased.

In 2010, a recommendation on gender diversity was included in the German Corporate Governance Code, and some progress was finally made. Among Germany's top 100 companies in 2011, women accounted for 11.2% of supervisory boards members (up 1.6 percentage points since 2010 and only 2.6 percentage points since 2006). However, in the German two-tier board system, management boards hold the real authority, and of their members a mere 2.4% were women<sup>1</sup>.

<sup>1</sup> DIW Berlin: Managerinnen Barometer 2011

The debate on legislated quotas began in early 2011 when Ursula van der Leyen, the Minister for Labour followed the lead of women's organisations and put rigid quotas on the political agenda. Kristina Schröder, the Minister responsible for the issue, has proposed a non-binding "flexi-quota" that allows companies to set their own targets and proposes small financial sanctions for non-compliance.

The threat of legislation has led the German 30 top-listed companies to announce individual voluntary gender targets. Most targets proposed by the DAX 30 companies are moderate, some aiming only to have 15% women in their boards by 2020.

Many believe that self-regulation and flexi-quotas are not enough to improve the situation. The "Berlin Declaration", a campaign initiated by female MPs from all political parties and the leading women's organisations, calls for binding quota legislation. Also Vice-President Reding has signed the Declaration.

## EWL MEMBERS REVIEW

"The National Council of German Women's Organisations (NCGWO) is working on the basis of a resolution of members, which demands that 40% women are represented on all boards and decision-making committees of public and private companies. The voluntary targets set by the 30 biggest companies of Germany are a good first step, but the targets set are not ambitious enough, and there are no guarantees that they will be reached. Therefore, the NCGWO was among the first organisations to sign the "Berlin Declaration" for compulsory legal quota on women's representation on boards. While we welcome the fact that gender balance on boards is foreseen as part of a law on equal rights under preparation, we think that the government must be more ambitious. 'Flexi-quota' is not going to be enough to reach the 40% target."

- The National Council of German Women's Organisations (Deutsche Frauenrat) -

# Italy

## EWL RATING

**Current situation: A-**

**Progress: A- with positive outlook**

The representation of women on boards in Italy is one of the lowest in Europe. according to the European Commission, in 2010 only 5% of the board members of the 38 largest companies were women and there has been no progress since 2005. Only Malta, Cyprus and Luxembourg have worse ratios.

The situation may look different already this year, due to the adoption of the 'Gender Parity Law' adopted in June 2011, that came into effect two months later. According to the law, the underrepresented gender shall receive 20% of the positions in the first renewal of the board of directors that will occur after the law becomes effective, and

33 % of board positions in the second and the third renewal.

The quota is complemented by a multi-tier system of sanctions. Failure to comply with the quotas will first result in a warning by CONSAB, the Italian Securities and Exchange Commission. If the quota is not reached within four months after the warning, the company will be fined up to 1 million Euros. If the company is still not-complying after three more months, the board will be stripped of its powers and have no legal mandate.<sup>1</sup>

The curiosity of the law is that it will only be effective for a limited period of time (three board renewals). It remains to be seen whether this approach will be able to provide long-term change.

<sup>1</sup> Paul Hastings 2012: Breaking the glass ceiling

## EWL MEMBERS REVIEW

"In spring 2011, when the approval process of the law was being finalised, no real change took place when boards were renewed. After a year, CONSOB analysis now shows that statistics are unchanged (6,9%). The majority of listed companies have only men in their boards, and those with female presence do not have more than one female member. There is a strong connection between women's low participation and restricted family shareholders in small companies, while in larger companies it is possible to find independent professional female board members. The new law will help to improve the situation, in particular if sanctions will be effective. There are no studies yet in Italy how gender balance changes board performances, but it is sure that in most of cases the presence of one single woman will not enough to change attitudes."

- Siusi Casaccia, EWL Board Member, Italy -

# The Netherlands

## EWL RATING

**Current situation: A**

**Progress: A+ with positive outlook**

In 2011, The Netherlands included in the

Company Law a target of 30% of supervisory and management board seats to be held by each sex and to be reached by 2016. The target that applies for state companies and large private companies is not binding. In

case of non-compliance, a company must explain in its annual report why the target is not respected, but is not obliged to set the balance right.

Before the debate on the law began in 2009, women's low representation on boards had already been brought to the agenda by the business world. The Corporate Governance Code was updated in 2008 so as to require supervisory boards (but not management boards) to aim for gender balance and to make public their approach and efforts in this regard in annual reports. However, no targets were set.

Comprehensive national level data shows a moderate progress, up from 5.2% in 2007 to 9.4% in 2011<sup>1</sup>. This figure is the weighted average of the percentage (4.4%) of female executive directors (4.4%, up from 3.6% in 2010) and the percentage of female members of supervisory boards (11.8%, up from 11.1% in 2010).

Self-regulation and the debate about legislation seem to have – narrowly – opened the boardroom doors for women. The impact of the law remains to be assessed.

<sup>1</sup> Dutch Female Board Index 2011

### EWL MEMBERS REVIEW

"In the Netherlands, the representation of women on boards is very low (2011: 9.4%) and clearly below the EU average. The 30% target adopted in 2011 is not enough to improve the situation because it only applies to large private companies, it is voluntary and is not enforced through sanctions. At present, only one company meets the quota and in another eight companies the quota is met in one of two Boards. The Dutch Female Board Index 2011 also indicated that last year only the minority of the 97 companies studied (44: 46%) had one (or more) women in the executive or supervisory board. The evaluation of the law in three years will give the opportunity to address the shortcomings."

- Marion Minis, EWL Board Member, The Netherlands -

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## Norway

### EWL RATING

**Current situation: AAA-**

**Progress: AAA- with neutral outlook**

Norway was the first country to introduce binding legislation to increase the participation of women on boards including for non state-owned companies.

The binding quota law adopted in 2005 set a threshold of 40% of the least represented sex on the boards of listed and non-listed public limited companies, inter-municipal companies, state companies, municipal companies and co-operative companies. Newly established companies had to

comply immediately, existing companies had 2 years and one month to comply.

If the enterprise fails to comply with the law, the sanction is the dissolution of the company. The government actively pursued companies who failed to reach the target, and in the end no companies had to be dissolved. The result is that the 40% threshold has been reached, but women representation has not extended much beyond the target.

Before the binding law, Norway put in place non-binding legislation in 2003 with a similar target, but as the desired effect was

not achieved, legislation with sanctions was adopted.

Both the business community and the government initiated several programmes to increase the share of women on boards and to increase skills of prospective board members before the adoption of the law.

## Spain

### EWL RATING

**Current situation: A**

**Progress: A+ with modest positive outlook**

The Law on Equality adopted in 2007 introduced a provision for companies to establish boards of directors with a “balanced presence” of women and men, defined as minimum presence of 40% of either sex. Companies were given eight years to comply with the requirement.

Although the law has been in force for almost five years, women’s representation on boards has only reached 10%, up from 4% in 2006. Reports indicate that at the current rate it is unlikely that the target of 40% will be reached, and that it is more likely that by 2015 only 18% of

An online database was also established (“Kvinnebasen”), where women interested in board membership could register.<sup>1</sup>

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<sup>1</sup> Aagoth Storvik and Mari Teigen, Women on Board: The Norwegian Experience, June 2010.

board members will be women<sup>1</sup>. The slow progress may be blamed on the lack of mid-term targets and sanctions.

While sanctions are not foreseen in the Law on Equality, it contains interesting provisions regarding other incentives. For example, companies that apply gender equality policies may be favoured in public procurement.

If the target is not reached by 2015, the Spanish legislators may take further action, including introducing sanctions for non-complying companies.

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<sup>1</sup> Talenta, 2010. Report parity further away. Present and future of women in board of directors.

## The United Kingdom

### EWL RATING

**Current situation: A+**

**Progress: A+ with modest positive outlook**

The UK has opted for a business-led approach. In 2010, the government commissioned a review of the current situation with regard to women on boards and proposals for the way forward. The ‘Lord Davies Review’, released in February 2011, pointed out that with the current rate of progress it would take more than 70 years to reach equality, but did not recommend legislative quotas.

The key recommendation was that the 350 biggest companies should set themselves targets to be reached by 2013 and 2015, and the top 100 companies were required to aim at minimum 25% female representation by 2015. The steering group that authored the report is to meet every six months and to report on progress annually.

The revised UK Corporate Governance Code which came into effect in June 2010, recognises for the first time the value of principle recognising the value of gender balance in the boardroom. Following

a recommendation of the Lord Davies Review, the Code was amended in 2011 with the requirement that annual reports of companies should include a description of the board's gender balance policy, the objectives set and progress on achieving the objectives. The new requirements will be effective as of October 2012.<sup>1</sup>

The first monitoring report in October 2011 revealed that just 61 of the FTSE 100 companies had responded to the Lord Davies review, with only 33 setting

themselves targets. In February 2012, one year after the Lord Davies Review, women make 15% directors (up from 12.5% in 2010). 26% of board appointments since 01 March 2011 have been women. However, 111 more female appointments are needed to reach Lord Davies 25% target<sup>2</sup>.

Long term results of the Davies Review remain still to be seen. If the business-led approach does not work the government may propose legislation.

1 Financial Reporting Council October 2011: Feedback Statement: Gender Diversity on Boards

2 Board Watch UK <http://www.boardsforum.co.uk/boardwatch.html>

### EWL MEMBERS REVIEW

"It is crucial that the government intervenes, we cannot let reaching gender balance take 73 years! However, like many other women's organisations in the UK, the UK Joint Committee on Women sees that the Lord Davies Review, despite the good intentions, could be a missed opportunity. To make it effective, there must be strong measures directed at removing the barriers that prevent women contributing in the boardroom and robust targets to measure the speed of progress. Only third of the FTSE companies responded to the report by setting targets for themselves. Change will only take place in business, politics and public life in general if there is commitment to positive action measures."

- Liz Law, EWL Board member, UK Joint Committee of Women -

### SITUATION IN 2011 AND PROGRESS IN SELECTED EU MEMBER STATES

COUNTRY (COMPANIES)	WOMEN ON BOARDS 2011	PROGRESS SINCE 2010 (P.P)
Austria (200)	Supervisory boards 10.3% Executive boards 4.4%	+ 1.0 - 0.9
Finland (all listed)	18%	+ 1.0
France (101)	12.7%	+ 3.2
Germany (100)	Supervisory boards 11.2% Executive boards 2.4%	+ 1.6 + 0.2
The Netherlands (97)	Supervisory boards 11.8% Executive boards 4.4%	+ 0.7 + 0.8
United Kingdom (100)	15%	+ 2.5

# Conclusions of the EWL's country assessment

## 1. INTERVENTION MAKES A DIFFERENCE

Boardrooms do not become gender-balanced naturally, even if equality between women and men is progressing in European societies. In some EU member states (Slovenia, Bulgaria, Estonia), there are fewer women in boardrooms now than in 2005.

In contrast, at least some progress has been made in countries, where women's low representation in business leadership has been recognised as a problem and active efforts have been made to change the status quo, either through self-regulation or binding or non-binding government intervention. However, the rate of change clearly depends on the measures adopted.

## 2. SELF-REGULATION BUILDS GROUND FOR LEGISLATION

In all EU countries with legislated gender quotas (apart from Italy), legislative measures have been preceded by efforts in the business world to bring more women into boardrooms. Self-regulation is a useful step before legislation, as it helps to change attitudes, encourages the business world to start looking for women candidates and creates public debate.

In some cases, the initiative for self-regulation has come from within the business world. In some countries, companies have made efforts to increase women's representation in order to avoid legislated quotas (France, Germany), or the government has pressured the business world to take action (UK).

However, despite the positive attempts to self-regulate, many governments have

finally opted for legislation as self-regulatory initiatives have not been effective enough in increasing women's representation.

## 3. QUOTAS ARE MOST EFFECTIVE WHEN THEY INVOLVE SANCTIONS

Prior to introducing binding measures in 2005, Norway already had a non-binding target of 40% women on boards to be reached by 2005. By the deadline, there were only 15% women on boards compared to a little less than 10% when the target was introduced.<sup>1</sup> However, the binding law introduced in 2005, which threatened non-complying companies with dissolution, was a success, as all companies met the 40% target by 2008.

The absence of sanctions in the Spanish legislation does not seem to work either. Five years after the adoption of the non-binding 40% target to be reached by 2015, progress is slow, and it is estimated that only 18% of board members will be women by the 2015 deadline.

The type of sanctions also matters. In Norway, dissolution of companies proved effective. Experience from gender quotas in political decision-making suggests that financial sanctions are not effective. In France, wealthy political parties have preferred to pay fines rather than include equal numbers of women and men in their electoral lists for national elections. However, the 1,000,000 Euro fine in France will be noticed by the companies, whereas the 25,000 Euro fine for German DAX companies is unlikely to have an impact on them.

<sup>1</sup> Kilday, Mihailescu, Nolan and Schreve, Women on boards of directors: the case study of Norway, 2009.

#### 4. EFFECTIVE SELF-REGULATION REQUIRES TARGETS, DEADLINES AND MONITORING

The most common form of self-regulation is the inclusion of a non-binding gender balance clause and/or an obligation to disclose progress or explain non-compliance in Corporate Governance Codes. Evidence suggests that in most EU member states, results of self-regulation have been modest. New clauses on gender equality in Corporate Governance codes have, on average, produced an increase of around two percentage points in the two years following the adoption of the Code.

In most cases, Corporate Governance Codes lack targets and deadlines for attaining them. For example, the Finnish Code only sets an obligation to have both sexes in a board, but does not define gender balance. Only the now-redundant French Corporate Governance Code from 2010 sets targets for women's representation and deadlines for reaching them.

The UK provides a good example. The State is actively pushing companies to set targets, and a committee appointed by the government meets every six months and reports on progress annually. The state has also directly recommended strengthening the Corporate Governance Code. However, as companies are allowed to choose their targets and the target recommended by the government is only 25% of women, it is unlikely that parity will be reached any time soon.

#### 5. MID-TERM TARGETS HELP TO MEET LONG-TERM GOALS

In Spain little progress was made in the first five years after adoption of the law, and it seems unlikely that the target will be reached. Mid-term targets, such as those

introduced in France, shorten the transition period and motivate companies to take action before the final deadline. They help to ensure that the final target will be reached in due time, without time pressure.

#### 6. PROGRESS TOWARDS GENDER BALANCE SLOW AMONG EXECUTIVE POSTS

Statistics reveal that most new female board members appointed in the recent years hold non-executive positions. In the UK, there has so far been no improvement in the number of women achieving executive board positions, although the number of female directors has increased overall.

The same tendency can be seen in countries with a two-tier board system that consists of an executive board that is the real nerve centre of authority and a separate supervisory board (The Netherlands, Germany, Austria, Finland). Even if some progress has made in supervisory boards, executive boards remain almost exclusively male-dominated. In Germany, women account to only 2.6% of executive board members (against 11.2% of supervisory board members).

If progress is confined to non-executive positions, are we in danger of creating a two-speed system, where one half of boards meet demands for gender balance and the other half run the companies?

#### 7. QUOTA LEGISLATION DOES NOT INCREASE THE NUMBER OF FEMALE CEOS

In Norway, the proportion of women on boards has increased from 15% to 40% since the quota was introduced in 2008. However, the number of female CEOs or board chairs has not leaped. 95% of boards are still chaired by men and a mere 2% of the Chief Executive Officers (CEO) of companies listed



on the Oslo stock exchange are women, which is below the EU average<sup>1</sup>. Additional measures are therefore needed to ensure gender balance also among the presidents of companies.

Furthermore, the case of Norway supports the findings on gender quotas in political decision-making. The representation of women rarely exceeds the legislated targets as companies (like political parties) tend to comply with the minimum standard and not do any more than they have to<sup>2</sup>. It is therefore important that the targets are ambitious.

## 8. AWARENESS RAISING AND PROMOTING WOMEN HELP IN ACHIEVING TARGETS

In Norway, the binding quota legislation has been accompanied by measures to support enterprises to reach the targets and advance women and to raise awareness of the benefits of gender balance. These

accompanying measures have helped to address misconceptions about quotas and helped companies to come up with solutions.

For example, a number of databases give qualified women interested in board posts the opportunity to publicise their skills and give visibility to the vast number of suitably qualified and experienced women. Also, specific programmes to train women for board positions and encourage enterprises to select talented women from their own ranks have been established.

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1 Aagoth Storvik and Mari Teigen, Women on Board: The Norwegian Experience, June 2010.

2 Cathrine Seierstad 2010: For the few not the many? The effects of affirmative action on presence, prominence, and social capital of women directors in Norway, 2010.

# EWL recommendations for the European Commission and EU Member States

The European Women's Lobby strongly supports introducing binding measures at EU level to achieve the equal representation of women and men on corporate boards in the form of a European Directive, building on the possibility given by the EU Treaty to adopt positive action measures<sup>1</sup>.

The EWL makes the following six recommendations as regards to the content of the Directive, which also work as guidance for any national level legislation in the pipeline.

## 1) INTRODUCE BINDING LEGISLATION FOR 50/50 ON BOARDS BY 2020

The EWL suggests the introduction of binding measures aiming at reaching parity on boards; with the ultimate target of 50% of each sex on boards by 2020. Legislation should allow for a gradual implementation, with a first goal of 40% of women on boardrooms of European companies by 2015. This should apply to listed and non-listed public companies with more than 50 employees and to all state-owned companies. Effective sanctions are needed in order to make sure that the legislation is respected, and the EWL suggests the dissolution of non complying companies.

## 2) FIND WAYS TO INCREASE THE NUMBER OF FEMALE CHAIRS AND CEOs

The EWL suggests introducing a system of co-chairing or alternate chairing of boards between women and men, and recommending this system in Corporate Governance Codes. Similar systems of alternation should be introduced for the posts of Chief Executive Officer and Chief Financial Officer.

## 3) LIMIT THE NUMBER OF BOARD POSITIONS ONE PERSON MAY HOLD

The EWL proposes that the number of mandates that an individual may cumulate be limited in order to ensure a larger number of senior posts open to new candidates, including women and other under-represented groups.

## 4) ADOPT MEASURES TO SUPPORT ENTERPRISES AND EMPOWER WOMEN

The EWL believes that binding legislation has to go hand in hand with raising awareness of the benefits of gender balance for business leadership and efforts to support enterprises in the implementation of the legislation and advancing women. For example, codes of conduct for selection committees and recruiters, online databases of competent women etc.

## 5) FAVOUR GENDER-EQUAL COMPANIES IN PUBLIC PROCUREMENT

The EWL recommends using EU and national level public procurement rules to make it possible to favour companies with a balanced representation of women and men on Boards and which implement other measures to actively promote equality between women and men.

<sup>1</sup> Article 157§4 TFEU

## 6) ADDRESS THE ROOT CAUSES OF WOMEN'S UNDERREPRESENTATION

The issue of women's underrepresentation in economic decision-making has to be addressed within the wider framework of addressing gender inequalities. The low rate of representation of women on boards can be explained by persistent unequal access to economic, social and cultural resources between women and men, by inequalities in the share of paid and unpaid work, and by insufficient work-life balance policies for both women and men.

Quotas are just one of the tools to be used in the context of comprehensive gender equality policies that address the persistent inequalities between women and men. These policies must include specific policies, positive action measures such as quotas, and gender mainstreaming

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# EWL RECOMMENDATIONS IN A NUTSHELL

- 1) Introduce binding legislation to reach 50% of women on boards by 2020
- 2) Introduce measures to increase the number of female chairs and CEOs
- 3) Limit the number of board positions one person may hold
- 4) Introduce measures to support enterprises and empower women
- 5) Favour companies with gender-equal boards in public procurement
- 6) Address the root causes of women's underrepresentation



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