

QUOTAS VS. A VOLUNTARY APPROACH – a case of real equality or a numbers game?

GERALDINE FABRE, CORPORATE LAWYER AT RUSSELL-COOKE LLP CONSIDERS THE LATEST PROGRESS MADE IN FRANCE AND ENGLAND

In recent years, the mere handful of women on the boards of British listed companies has become a good number. This trend is broadly similar in France where quotas were introduced in 2011 to address gender balance in boardrooms. A proposed European Directive is also lurking with the goal of providing for a minimum objective of 40% female non-executive directors (NEDs) in publicly listed companies by 2020.

Britain has resisted the introduction of a mandatory quota system. A key recommendation of the Lord Davies Review of Women on Boards (the Davies Report) was that publicly listed companies should aim to have 25% female boardroom representation by the end of 2015. The Department for Business, Innovation & Skills published its third annual report on Women on Boards with updated statistics as at October 2014 (the 2014 Report¹). Last October, women made up 22.8% of the boards of FTSE 100 companies and 17.4% of the boards of FTSE 250 companies showing good progress over the past year.

A significant improvement in reducing the number of all-male boards was also reported. In particular, it was noted that there were no all-male boards in the FTSE 100 (compared with 2 in March 2014 and 21 in 2011). There were also 28 all-male boards in the FTSE 250 in October

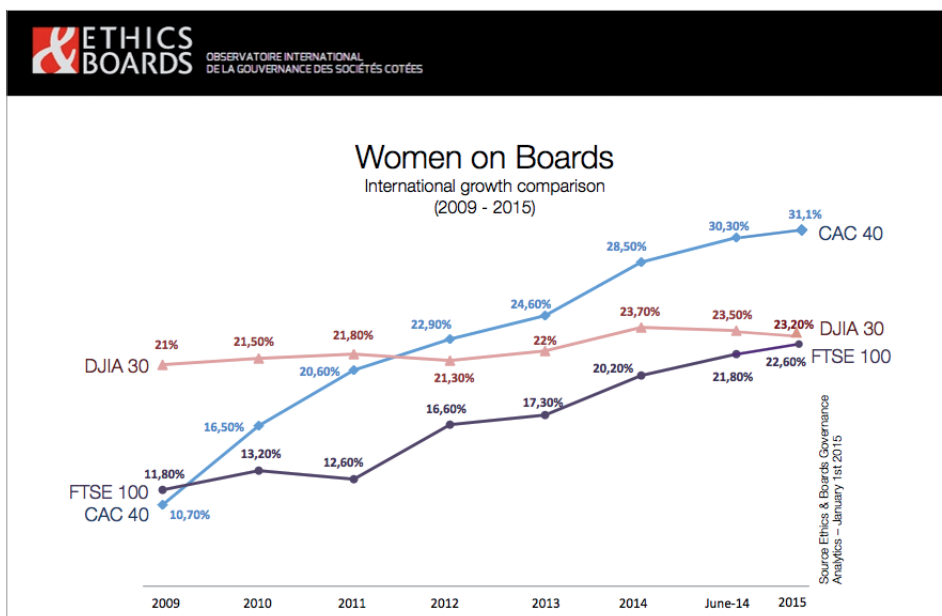
2014 (compared with 48 in March 2014 and 131 in 2011).

In France, as at 1 June 2014, women made up 30.3% of the boards ('conseils d'administration' and 'conseils de surveillance') of CAC40 companies, compared with 28.3% in 2013 and only 10.7% in 2008, according to statistics provided by the French Ethics & Boards Observatory. There are no all-male boards in the French CAC 40.

Executive Directors vs. Non Executive Directors

Despite these improvements, the number of female executive directors and CEOs remains low in both countries, with women representing (1) in the UK, 8.4% of executive directors on FTSE 100 boards and 5.1% on FTSE 250 boards in October 2014; and (2) in France, less than 4% of executive directors on CAC 40 companies with no women currently in the post of CEO at those companies.

In the UK, according to a board review prepared by Quoted Companies Alliance, Norman Broadbent and BDO in June 2014², boards of newly listed companies last year were more male-dominated at the top table than established ones. It was also found that women remain significantly under-represented at the boards of Alternative Investment Market (AIM)-listed companies.



The recent reports and surveys show differences in the length of board tenures (which is for women shorter than men by an average of two years³) and appointments at executive positions, which are still lagging behind. Over the past three years, just 6.6% of new NEDs on the boards of AIM-listed companies were women although the numbers of executive female jumped to 2% in FTSE 100 and 1.6% in AIM-listed companies.

Listed companies are likely to remain in

the spotlight to address gender imbalance on their boards for the years to come. Further targets are to be expected in the UK whilst gender and diversity is considered by the investor and stakeholder community as an important corporate governance matter and its disclosure as equally important. The 2014 Report warns that legislative requirements, such as quotas, may still be introduced if self-regulation fails to meet the objectives of the Davies Report.

Although gender balance in boardrooms across

Europe is rising, this rise is still perceived as slow by many commentators making the case for the European Commission's proposal for a directive to speed up the process despite the recognised criticisms of the mandatory quota approach.

Boardroom quotas or not, it is clear that the numbers game is not enough; gender equality on boards needs to go hand-in-hand with education and policies that support equal opportunities at work for women to advance to executive roles and board positions. ■

1. Source: Women on Boards Davis Review Annual Report 2014 (March 2014)

2. NB: Board Review 2014, by Norman Broadbent, BDO and Quoted Companies Alliance (June 2014)

3. The Female FTSE Board Report 2014 – Cranfield University (26 March 2014)