QUESTIONS
AND ANSWERS ABOUT
WOMEN ON BOARDS
Questions and Answers about Women on Boards
One of the reasons for my success was that I was only competing with half of the population.

Warren Buffett

In the modern world, the private sector not only describes the economic potential of a country, but also takes a responsible approach to social issues in order to ensure its own long-term development and progress of society. One of such issues is ensuring women inclusion in corporate governance and corporate decision-making process.

It is no coincidence to look at the issue in terms of private sector, as gender diversity in the corporate governance system brings ‘gender dividends’ in the form of organizational and financial efficiency and performance, increase of competitiveness and long-term viability. Given the link between public and private sectors, it can be argued that the dynamically developing private sector lays ground for the well-being of society and improvement of life quality. The opposite is not ruled out as well. Therefore, the incomplete use of the potential of at least 51% of population is nothing but an artificial constraint of own capacities and reinforcement of social issues.

The issue raised is more than relevant in Armenia, although there is a lack of proper and comprehensive understanding of it yet. Therefore, the brochure aims to present the need for and main advantages of boards’ gender diversity and inclusion, main factors and barriers affecting them.

The approaches aimed at promoting women representation on boards and experience of different countries were referred to in the brochure.

The brochure may be of interest to the representatives of both private and public sectors and serve as a handy resource while developing corporate and government policies.
1. Why is board diversity needed?

2. What are the benefits of women representation on boards?

3. Is diversity a sufficient condition to benefit from women representation on boards?

4. What factors affect women representation on boards?

5. What are the main barriers to women representation on boards?

6. How to promote women representation on boards?

7. What factors affect quotas?

8. What institutional quota enforcement mechanisms exist?

9. What is the experience of using quotas by countries?

10. How are ‘soft’ initiatives implemented?

11. What do professional board members advise?
Diversity is the core of good corporate governance. The ‘tone’ of diversity comes from the board. As a collegial body, one of the preconditions for the board’s success is its heterogeneous composition. A board should include people who have various professional capacities, education and experience that complement each other to effectively lead the company and to have the corporate decisions be unbiased and balanced. Due to diversity, the culture of dialogue evolves around boards. People approaching the problems or complex situations faced by the company from different perspectives are closer to their optimal and balanced solution than those like-minded.

Diversity changes board dynamics; it brings dissention and pluralism to the board and stimulates discussions. Diversity improves decision-making and control processes, increases the decision quality, promoting opportunities for implementing innovative and competitive business strategies.

In recent years, a heterogeneous board composition has become a conscious need for the most progressive companies. Companies adopt their own diversity policies and promote the diversity of board composition both professionally and socially (gender, ethnicity, age) when forming it.
Women representation on boards is not the only factor but is an important one for diversity.

Women and men have different strengths, different experiences, and their joint representation on boards reveals valuable capacities of the group and prevents groupthink, when their desire of reaching a quick consensus dominates the ability to realistically identify and evaluate alternatives.

Professional board members highlight the following strengths of female board members:

- Women care more about how decisions made in the boardroom will impact people.
- Women are more careful, prudent, patient and have better communication skills, which makes for improved interaction among board members.
- Women are more willing to give the other side a chance than men.
- Women are more strategy oriented. They are concerned when the company might be diverging from its strategic goals.
- Women are more focused on ethics and integrity. They are less tolerant to corruption and conflicts of interests.
- Women are more temperate, they work harder to prepare for board meetings and not simply rely on their experience; they participate effectively in discussions, setting an example for their male colleagues on the board.
- Women delve into the essence of the problem and subject it to a comprehensive analysis.
- In terms of external environment, women are more flexible, tend to form effective and long-term business relations.
- Women are not afraid of asking questions when they do not understand something.
Those strengths of women contribute to increasing the effectiveness and performance of boards, and therefore companies.

With gender diversity on boards, corporate conflicts are easier to be managed because a board from the very beginning prepares for disagreements and conflict situations by encouraging a culture of constructive conflict. Women are more sensitive to financial and non-financial risks. Women are more prudent when it comes to financial management. Having at least one female finance representative on the board reduces the likelihood of having financial restatements and revisions.

**According to McKinsey&Company, women are a valuable asset to companies. According to the Company’s research, companies with two or more women on their boards have a 41% higher return on equity and a 56% higher operating profit than companies acting in the same industry but not meeting the mentioned criteria.**

Companies with female board members have a strong commitment to CSR; they pay attention to non-financial indicators, internal control and risk management system. Board diversity, including the gender one, contributes to equal opportunities and inclusion for different groups of stakeholders, gaining access to a wider range of talents, as well as improving the corporate social image, strengthening corporate prestige and reputation.

Boards' gender diversity sends positive signals to the stakeholders that the management processes of the company will be more open and transparent and will guarantee the protection of their rights and interests. Therefore, women representation on boards helps companies to understand ESG trends dictated by sustainable development goals, challenges caused by those trends, to turn them into business development opportunities and gain competitive advantages.
Diversity is a necessary but not sufficient condition for benefiting from women representation on boards. It is necessary to create an environment of trust and sincerity in a boardroom for substantive benefits, which is impossible without developing a culture of inclusion.

Inclusion is a way to guarantee real diversity, and it ensures that board members are not only represented on the board, but are contributing to the company’s success by taking responsibility. Corporate diversity and inclusion (D&I) strategies are particularly effective in companies where board members feel a sense of belonging to the team.

It is impossible to discover the full potential of talents without belonging. The sense of belonging may liberate the mind, and reveal the creative potential of people. Therefore, development of a culture of belonging leads to enhancing loyalty and care of team members, increase in work productivity and improvement of communication within the team. A sense of psychological safety or a feeling that you will not be rejected, criticized or ridiculed by your colleagues is closely related to a culture of belonging. Psychological safety gives confidence, promotes untied and wide
open exchange of ideas. While lacking it, people become silent, or their point of view begins to coincide with that of an authoritative team member. An environment of psychological safety promotes a diversity of viewpoints because people do not worry about words choice and protecting themselves. Instead, they focus on the team’s goals and objectives set.

It can be concluded that board diversity becomes an end in itself if it is not combined with cultural changes in a boardroom. Hence, one can gain significant benefits from women representation on boards by encouraging a culture of inclusion and belonging.

To truly embody and govern inclusion, the board should reflect the diversity of [the organization’s] customer base in its composition, create an inclusive culture within the boardroom itself, and integrate inclusive thinking and behaviors into all of the ways that the board operates.

Trudy Bourgeois
Founder and CEO at Center for Workforce Excellence
Issues related to the position and role of women in public life are of global importance and follow environmental and economic issues. In the modern world, trends in role changing among women and men are being observed. Women are involved in decision-making processes despite all difficulties. They strive for equality in their families through a harmonious distribution of responsibilities between spouses. Women are becoming more independent, striving for self-realization not only in the family, but also in professional and social lives. They develop their communication skills and work their way up to a leadership position.

Those trends indicate the formation of a sample of talented women who, thanks to their experience and capacities, have significant potential for positive change.

As studies show, women’s potential also serves to improve the corporate governance system by encouraging their representation on boards. Today, there is a lot of talk about gender diversity on boards. But diversity is not just about numbers. Quotas may help women representation on boards, but ignoring their input and opinions will never add value to a company or contribute to its success. True diversity primarily refers to the diversity of opinions, attitudes and viewpoints and the chance for their untied expression. Listening to and considering diverse standpoints on boards can bring new ideas for perspective development, change business culture, and shape the company’s long-term success.

In any case, one should not ignore the law of nature. That is, development is possible if there is balance, including between the roles of women and men.

This is a complicated issue, as it requires time and changes in a way of human thinking, but not at all insoluble.

Naira Voskanyan
Financier at Liqvor Pharmaceuticals CJSC
“Women on the Board of Directors” training participant
Researches show that the main factors affecting women representation on boards are as follows:

**Company’s size and public reputation or recognition**: the probability of women representation on the boards of large and public companies is quite high, which is determined by the expectations of stakeholders (e.g., investors, customers), as well as public pressure.

**Industry belonging**: if women’s employment rate in an industry is high, hence their representation on boards is also high. From an employee perspective, this also adds value to the board performance.

**Network effect**: in companies interconnected with a company having female members on its board, the probability of involving women in their boards is high; a presence of joint female board members is also not excluded.

**Customers and distance from them**: given that women are the main consumer decision-makers, female representation on boards is an important factor in understanding customer/consumer expectations and preferences.

*In January 2020, Goldman Sachs declared that companies wishing to involve the bank in the processes of organizing their IPOs must have at least two female members on their boards starting 2021. The Bank explained such a strict requirement by the fact that over the past two years, more than 60 companies listed on the American and European stock exchanges had not had women in their executive teams.*
Currently, women control over half of the wealth in the United States. 89% of the financial services choice, 65% of the car purchases, 80% of the healthcare services use depend on them. At the same time, as a rule, they feel they are not understood by the companies selling it all.

Being close to end customers/consumers also plays a significant role in ensuring gender diversity on boards. From this point of view, the percentage of women is high in retail trade, utilities, mass media, and the banking sector.

As a result of the study of boards in 612 banks from 20 European countries, it was revealed that the percentage of women is high in:

- banks with a low level of risk, the possible explanation of which is the avoidance of risky transactions by female board members,
- banks with largest boards,
- fast-growing banks, as women are considered to be potential providers of various external resources.

Country-specific institutional characteristics: As a result of the analysis of the social, political and economic systems in 43 countries, it was found that gender diversity on boards is significantly higher in countries with a high percentage of women in legislative, state high-ranking and leadership positions. In addition, women are more likely to be represented on boards in countries with no gender pay gap.

An analysis of women representation on boards in 32 countries during 2010 shows that women representation on boards of countries with a high tolerance for inequality in the distribution of power and overestimating men’s role in public life is low.
The results of a survey conducted in 2000-2004 among French large- and medium-cap companies indicated that the appointment of female board members was largely determined by family ownership, the size of the company and its board.

As a result of studying the data of board members of Italian listed companies in 2008-2010, two models were distinguished. On most of the boards, at least one woman had a family relationship with the controlling shareholder. Women family members were more likely to be found in small firms with a centralized ownership structure operating in the service sector. In addition, the quantitative composition of their boards was not large. The opposite, non-family women were more likely to be found in companies with a decentralized ownership structure, a young and educated board, with independent board members being a majority, and affiliated board members being a minority.

Motives for women representation on boards

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<td>85%</td>
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<td>90%</td>
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<td>5%</td>
<td>-</td>
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<td>Should CEOs and managers be held accountable for diversity?</td>
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<td>5%</td>
<td>-</td>
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<td>Do women improve organizational strategy development?</td>
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<tr>
<td>Do women improve decision making process?</td>
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Social stereotypes are one of the factors restricting women’s access to boards of directors. The most significant of those is the ‘glass ceiling’ stereotype.

The ‘glass ceiling’ stereotype characterizes those invisible but fundamental barriers that significantly freeze women’s progress. The way to a leadership position is more difficult for a woman compared to a man, as the society does not trust women’s practical success and has a skeptical attitude towards their initiatives. Because of the lack of that confidence, women lose the incentives for self-realization, aspirations to invest in self-development, and above all self-efficacy, as a result of which the existing stereotypes in society are being tightened.

The ‘glass ceiling’ stereotype makes companies captive to a ‘vicious cycle of ignorance’, where barriers to growth for competent women are offset by opportunities for incompetent men.

The researches of McKinsey Global Institute prove that in case of ensuring gender equality in the labour market, global GDP may increase by up to $28 trillion or 26% by 2025.

One of the ways for ‘glass ceiling’ manifestation is that priority is given to her previous experience when choosing a female leader, and to his potential when choosing a male one. Women’s potential is undervalued, while men are given a chance to grow after taking office. The effect of ‘underrated potential’ has a favourable effect on men’s careers, putting women in the shade. Because of the ‘glass ceiling’ stereotype, as well as other social stigmas, women’s self-promotion or self-presentation abilities are quite modest, and they often evince characteristics that are
improper for a board member, such as being too modest in presenting their professional experience and performance results, underestimating their own value and limiting career growth ambitions.

Due to low self-esteem, women do not fully use social connections and professional networks, which are quite an effective source for selection of board members.

**During a survey held among 37 senior female leaders of German companies, it turned out that women had moral concerns about ‘exploiting’ social connections.**

*Women look at networks as a tool for socialization. They do not think of what practical benefits a network brings them. Men focus on the opposite, exhibiting an egoistic approach to networking. They spend less time on personal relations and take more advantages of networking opportunities.*

There is a lack of role models or examples of success for women that they can strive to align with and whose experience they can draw inspiration from in building their own careers.

A potential barrier is also men being the decision-makers for women’s progress. The essence of this barrier is the manifestation of a biased approach within the group, when group members prefer their peers; that is, men are represented on boards of directors, therefore the latters prefer to see men as partners on their boards.

**NASDAQ: 5 Barriers to Gender Parity in the Boardroom**

1. Traditional board configurations severely limit the pool of qualified female candidates.
2. There is no champion galvanizing the majority to resolve this issue.
3. Boards aren’t accessing diverse networks in their recruitment process.
4. Women aren’t always visible, or aren’t visible in the right ways.
5. Women aren’t always qualified in the right ways.
One of the logical manifestations of that barrier is the formation of a sample of potential candidates for board members only from current and former CEOs. Given that women representation in that position is quite modest, hence the sample of women is not large either. At the same time, modern trends in board formation indicate that companies more and more feel the need for board members who specialize in areas such as information technology, cyber security, human resources, supply chain management, marketing and others. In addition, under conditions of advocating for corporate responsibility towards the stakeholders, it is important to identify and understand their expectations and needs, which can be ensured by involving women with experience of working in civil society institutions representing the interests of one or another group of stakeholders. All this can have a beneficial effect in promoting women’s progress on boards.

Among the possible barriers to women representation on boards of directors is the low awareness of the corporate governance tools, especially the benefits of diversity, boards’ role in ensuring a company’s long-term development and viability, need for board assessment and succession planning, as well as the lack of pioneer companies that consider ensuring gender equality as a social responsibility. The model of the latters could inspire and accelerate women’s progress in the corporate hierarchy.

According to the results of the “Women on the Board of Directors” expert survey conducted by the Corporate Governance Center, women experts mentioned the traditional thinking, and thus the ‘glass ceiling’ stereotype (82%) as barriers to women representation on boards. According to the experts, another barrier was men being the decision-makers regarding women’s progress (54%).
In modern society, especially in the Armenian reality, men are considered to be good leaders; their opinion is important and influential, unlike women’s. As a corporate secretary, I often notice that male board members ‘have the last word’ and the casting vote. Nevertheless, female board members are sensitive and observant to even the smallest details. They express and defend their point of view, but in any case boards are directed by men.

The existing Armenian stereotype that women are not good leaders and their role is limited merely to their families has very deep roots. By the way, this stereotype is also widespread among women themselves.

I’d say that the biggest problem for women when being represented on boards is the lack of leadership skills and self-confidence, for the development of which training programs, courses, regular meetings, including with men’s participation, are needed.

The “Women on the Board of Directors” training project can play a significant role in promoting women representation on the boards of Armenian companies. Participation in the training, in addition to professional knowledge, contributes to the improvement of personal qualities, leadership and self-confidence. The implementation and expansion of such projects are certainly important for increasing the significance of women’s role in the business community of Armenia.

At the same time, women themselves should take an active role in the path to the position of a board member. No one will solve that issue for them.

Ruzanna Baghdasaryan
Corporate secretary at AgroCredit UCO CJSC
“Women on the Board of Directors” training participant
Debates about promoting women representation on boards of directors do not lose their relevance. The following approaches are suggested in political debates and academic research:

**Radical or legislative regulations:** this is implemented through legislative quotas. This approach is based on the ‘equality of outcome’ concept, according to which attitude to women and men should be different in order to achieve equal (same) results, taking into account the difference in their living conditions. Advocates for the radical approach believe that forced measures are necessary for rapid change. In addition, they think that quotas are an effective way of breaking talent down the labour market, especially if inequality and discrimination issues have led to women’s underrepresentation in leadership positions. Quotas can have a positive effect, because women leaders can inspire and motivate a larger number of women with their experience, stimulating their educational, professional growth, increasing their leadership potential. Advocates for quotas also emphasize women’s positive impact on companies’ operations and performance.

Opponents of quotas see dangers in the meritocracy principle. They think that under conditions of insufficient number of professional women, quotas can encourage low-skilled women to enter boards, and this can lead to negative consequences not only for companies but also for women themselves. They may lose their aspirations for personal growth.

*Gender equality is more than a goal in itself. It is a precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance.*

*Kofi Annan*
Liberal or soft initiatives and target indicators: this aims to gradually increase women representation on boards by fostering changes in the overall culture developed and in the procedures for search and selection of board members. This is based on an 'equal opportunities' approach, which implies creating the necessary means and conditions to achieve gender equality. One of the frameworks for the implementation of this approach is a code based on the 'comply or explain' principle, as well as setting target indicators.

Women's capacity building: women need to be re-armed with relevant knowledge and skills to be involved in boards. This can be done through training, mentoring, active participation in networks. Public-private-social sectors cooperation is essential in women's capacity building process.

According to the results of the “Women on the Board of Directors” expert survey conducted by the Corporate Governance Center, 41% of the experts voted for ‘soft’ regulations, 31% for women’s capacity building, and 28% for quotas to promote women representation on boards.

Combining the elements of the above-mentioned approaches can be considered as another approach.

If women are expected to do the same work as men, we must teach them the same things.

Plato
The Republic
Quotas promoting women representation on boards of directors are primarily influenced by a country’s institutional environment, especially:

- factors affecting gender equality, e.g., women representation in the labour market, predominance of the male ‘breadwinner’ model, social security policies, such as the allocation of parental leave, public perceptions of gender equality,
- history of gender equality initiatives,
- support by political parties.

When setting the target quota, the following is also taken into account:

- Current level of women representation on boards. The quota promoting women representation on boards several times is qualified as progressive;
- Scale of the effect of quotas or the number and size of the companies subject to a quota. The more comprehensive the effect of a quota, the more progressive it is;
- Existence of structures to monitor compliance with targeted quotas. For example, in Norway, Portugal, Belgium, Italy and Germany, quotas are applied to listed companies which data is available on stock exchanges. In France, Austria, the Netherlands, Spain and Iceland, companies subject to quotas are determined by their size, e.g., the number of employees, the total assets size. Therefore, it is quite difficult to identify and monitor regulatory compliance of the companies subject to quotas;
- Existence of mechanisms ensuring the enforcement of targeted quotas.
Closing the gender gap is a source of significant economic benefits for business. Researches show that women’s involvement in the corporate decision-making process contributes to the increase of organizational efficiency. Financial success of companies depends on enabling women’s economic role.

Women demonstrate a number of advantages when acting as board members. One of their most important advantages is teamwork. This is an important prerequisite for being an effective board member, as each board member as a team must think of the company’s rather than their own interests. Women overestimate risks and are extremely cautious about them. In that context, women’s inclusion on boards of directors can be particularly helpful in crisis situations. Before making a final decision, women look at the problem and its possible solutions from different perspectives, consider and discuss every detail. Representation of at least one woman on the board restrains aggressive investment strategy, contributes to increased profitability and real improvement of a company’s performance.

On the one hand, female board members have a critical attitude towards the executives’ activities, and on the other hand, they tend to encourage their efforts to achieve a company’s strategic goals.

In general, women inclusion on boards improves strategic decision-making and implementation of those decisions and benefits not only the company but also the society.

Anahit Haykaramyan
Leading accountant at Arpa-Sevan OJSC
“Women on the Board of Directors” training participant
Various institutional mechanisms, both punitive and incentive, are used to enforce quotas. In Norway, companies’ activities were to be terminated. In Italy, the sanction - the fine - depends on the size of the company. France, Belgium, Germany, Portugal and Austria use the ‘Open seats’ approach, meaning that an open seat on the board can only be occupied by an unrepresented or underrepresented gender on that board. In addition, in France and Belgium, the remuneration of existing board members is not paid as long as there is an open seat on the board. In Portugal, companies are fined if a seat is open for more than 360 days. Open seats in Germany and Austria are a signal of legal inconsistency.

There are no sanctions for maintaining quotas in Spain, Iceland and the Netherlands. In Spain it is the opposite: incentives are applied. For example, when signing a contract with the Spanish government, an advantage is given to quota-following companies. In the Netherlands, companies are obliged to explain the reasons for non-compliance in their annual report.
### Quota enforcement mechanisms in European countries

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<td>Icelandic Company Law</td>
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Israel

Israel is the first country to introduce quotas to promote women representation on boards of directors. In 1999, Israel adopted its Companies Law, which required listed companies to have at least one female board member. 15 years later, in 2014, the share of women on boards of directors of Israel’s 100 largest companies was 17.2%, and 89% of the companies had at least one female board member.

The period between 2003-2017 was marked by the adoption of legislative quotas in Europe.

Norway

Norway was the first. In 2003, Norway envisaged a quota with a two-year grace period under its Companies Act. Total compliance was required from 2008 onwards. More than 480 state-owned companies under quota could face forced liquidation for non-compliance. The share of women on boards increased from about 6% in 2002 (the year before the law was adopted) going on 40% in 2008.

The impact of Norway’s gender quota has been examined from different perspectives. For example, some researches suggest that while the relative percentage of women on boards has increased, that has not led to an increase in number of female board members. There was just formed a certain group of women involved in many boards. This phenomenon is known as the ‘golden skirt’. In addition, in order to meet the quota requirements, some companies reduced the quantitative composition of the board. Soon after the quota was adopted, a number of companies went delisted. At the same time, in the same period, Norwegian companies preferred to be registered in the UK rather than in Norway in order to avoid quotas.
Spain

Spain followed Norway’s example in 2007. The law on gender equality envisaged that all large public and private companies had to ensure at least 40 percent representation of each gender on their boards by 2015. Unlike Norway, the Spanish did not set sanctions to enforce the quota. Instead, it is a ‘soft’ quota that encourages eligible companies in public procurement processes. Data on the effectiveness of Spain’s quota are quite different. Considering the 10 years from 2005 to 2014, researches revealed that approximately 9% of target companies met the quota. Those did not also benefit significantly from government contracts.

The Spanish Confederation of Employers and Industries (CEOE) and Spanish Small and Medium-sized Enterprise Confederation (Cepyme) were against the use of quotas, noting that the selection of board members should be based on merit, capacities and competitive interests of the company. CEOE, however, actively promotes women’s career progress by initiating projects aimed at identifying female leaders and promoting them to senior management positions.

France

In 2011, France adopted the Copé Zimmermann law on gender quotas. It required all the listed as well as unlisted companies with revenues or total assets of more than €50 million or which had employed more than 500 people for three years in a raw, as a first step to ensure 20% women representation on their boards by 2014 and 40% by 2017.

A drive by leading French companies to promote gender diversity has transformed board composition. In 2018, large French listed companies already had an average of 44% women on their boards. Before quotas, in 2010, that indicator was approximately 10%.
Italy

The Golfo-Mosca law, adopted in Italy in 2011, requires that the boards of listed and public companies ensure at least 33% representation of the underrepresented gender. Italian legislation provides for a gradual transition: after the adoption of a quota, in the first stage of board elections, at least one-fifth of the board is required to be represented by each gender, and in the second stage - at least one-third. The quota expires during the third term of board elections. In case of non-compliance, the Italian Companies and Exchange Commission (CONSOB) can apply fines to companies. Besides, subsequent board appointments may be declared invalid.

It should be noted that Italy’s three largest employers’ and business organizations - ABI, ANIA and Confindustria - representing banks, insurance companies and companies in the manufacturing and service sectors, were against the rapid implementation of the gender quota and demanded the waiver of those severe sanctions.

The CNSOB annual report states that women’s share on Italian boards has increased significantly since the adoption of the quota. If in 2010 women representation in the mentioned companies in Italy was less than 7%, in 2017 it was more than 33%. In December 2019, Italy announced its intention to raise the threshold to 40%.

Germany

European largest economy adopted a law on gender quota in 2015, according to which women must have at least 30% representation on the supervisory boards of listed companies and companies with employees on their boards. At the same time, companies can set higher targets and not be limited only to the supervisory board. Already in 2018, women representation on supervisory boards of large German companies exceeded 33%.

It should be noted that the Confederation of German Employers’ Associations was against quotas, stating that it violated ownership rights, did not consider industry specifics, undermined the requirement for highly qualified board members and negatively affected companies’ competitiveness.
Kenya

Kenya’s constitution, adopted in 2010, requires that the representation of the same gender on boards of directors of companies should not exceed 2/3. In addition, the Capital Markets Act 2015, which also includes corporate governance regulations, requires listed companies to take gender into account when shaping board composition. There are no sanctions there, and companies try to ensure the diversity of their boards on their own accord.

In order to increase women representation in the top management of companies, the Federation of Kenya Employers (FKE) in partnership with the Confederation of Norwegian Enterprises (NHO) launched the “Female Future” project.

India

Under the Companies Act 2013, listed companies of India were required to ensure representation of at least one woman on their boards starting from 2015.

Companies not following the above-mentioned requirement were fined between $790-2,240 by the Securities and Exchange Board of India (SEBI).

Gender Diversity Index-2020

The Gender Diversity Index (GDI) report published by European Women on Boards for 2020 was developed based on the study of women participation in the corporate governance system of 668 large European companies included in the STOXX Europe 600, as well as national stock indices of some countries.

Main findings of the 2020 study are:

• total women representation in executive and non-executive positions is 28%;
• in the management system there is a relatively large women representation on boards making up 34%;
• women hold the position of chairman of the board in 9% of the companies;
• situation is more complicated at the executive level, where women representation is 17%, and only 6% hold the position of the chief executive officer;
• in 19% of the companies, women hold at least one of the following positions: Chief Executive Officer, Chief Operating Officer or Chief Financial Officer.

At the same time, the number of companies with high involvement of women in the decision-making process increased twice over one year in the sample: 30 going on 62. This improvement was mainly due to the fact that the number of companies from the sample with 40% women representation in management positions almost doubled: 47 going on 87. In addition, there were significantly more women entering leadership positions than leaving them within a year.
As researches show, India went down the path of ‘gender symbolism’ rather than true equality. In 2017, women representation in 739 Indian companies was approximately 16%. In addition, 25% of women were appointed to a position on boards of directors as family members. As a result, SEBI adopted an additional regulation, according to which the largest 500 companies listed on the national stock exchange of India were required to have at least one independent female board member on their boards by April 2019.

**Great Britain**

In April 2022, the UK Financial Conduct Authority (FCA) published a Consultation Paper CP 21/24 on Diversity and Inclusion on Company Boards and Executive Committees. It has come into force since 1 April, 2022, and aims to increase the transparency of the diversity of board and executive body composition of listed companies for investors and other stakeholders.

In November 2020, UK Financial Reporting Council research revealed that UK companies had significant potential to improve their current compliance in the area of diversity. To realize that potential, FCA set out to develop new rules. In July 2021, FCA published a Consultation Paper on Diversity and Inclusion on Company Boards and Executive Committees, outlining the possible changes and setting out main motives for them.

The FCA’s Consultation Paper CP 21/24 is intended to change the listing rules for the premium and standard platforms of the stock exchange, according to which certain listed companies must disclose their performance on diversity targets defined by FCA on a ‘comply or explain’ basis in their annual financial statements.

And the targets are as follows:

- women should make up 40% on boards,
- company must have at least one woman among its top position representatives (Chairman, Chief Executive Officer, CFO or Senior Independent Director),
- at least one board member must be of non-white ethnicity.

In addition, the rules expand the diversity of board committees (audit, remuneration, nominating).

FCA also notes that the reports on board and board committee diversity policies may take into account broader diversity characteristics (e.g., disability, socio-economic background, etc.).
Implementation of ‘soft’ initiatives is supported by the codes based on the ‘comply or explain’ approach. In some countries this is combined with the target indicators set by the competent authority. The essence of the ‘comply or explain’ approach is that where there are deviations from code, the company is required to provide reasoned explanations that give an idea of reasons for the deviation and the board’s verdict and approach. In other words, if there is a deviation, it is accepted that the company follows the code if it discloses those deviations and gives a proper explanation for them.

*The board members are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the board.*  

*The Swedish Corporate Governance Code*

*The number of directors and the composition of the board of directors shall be such that they enable the board of directors to see to its duties efficiently. Both genders shall be represented in the board of directors.*  

*The Finnish Corporate Governance Code*

By complying or explaining, the company presents its management system, and shareholders and other stakeholders analyze that information and form their own attitudes about the company.
'Comply or explain' approach enables companies to:
- take care of their own corporate governance system, as the motives for any deviation from the code must be proven publicly,
- form their own corporate governance system, taking into account the company’s ownership structure and size, industry and other features,
- look for alternatives for effective management.

Company’s explanations should:
- be in the context of deviation,
- describe mitigation actions and how the company seeks to achieve the objective of the corporate governance principle, including any additional risks arising from that deviation,
- report a message that the deviation is time-limited and when the company plans to fully comply with the relevant principle.

It follows from the above-mentioned that if the company is still not ready to follow the provisions or target indicators set in the code on ensuring gender equality in the board of directors or general management system, it is obliged to present the reasons for not complying to its stakeholders, as well as to describe the actions taken, which will lead to follow the provisions or target indicators. Such actions are, e.g., the adoption of diversity and succession planning policies where women representation in top management is emphasized, consideration of the need for gender diversity in the board of directors’ capacity matrix, expanding the selection of board members, etc.
Cases of target indicators

**Australia**

In 2015, the Australian Institute of Company Directors (AICD) called on the 200 largest companies listed on the Australian Securities Exchange (ASX) to achieve 30% female representation on their boards by the end of 2018. As a means of achieving the target set, the Institute emphasized the publication of quarterly reports, awareness-raising. In 2015, the share of women in listed companies was 19.4%. In addition, the Australian Council of Superannuation Investors (ACSI), being an institutional investor association, adopted a ‘no-voting’ policy if the company did not have a female board member.

As a result of such a voluntary measure, in December 2019, an increase of more than 10 percentage points was observed among women representation on boards of directors of listed companies. Along with Great Britain, Australia is one of those unique countries where women representation in listed companies is 30%, without a quota.

**Singapore**

The Singapore Code of Corporate Governance adopted in 2018 envisages that the board of directors must be diverse enough. Ministry of Social and Family Development of Singapore has set a target of increasing women representation on boards to 20% by 2020. The 100 largest companies listed on the Singapore Exchange (SGX) are close to that target, with 30 companies having 20 or more percent female representation on their boards.

**Japan**

In Japan, the number of companies without a female board member decreased by 5 percentage points in 2020 compared to 2019: 55% going on 50%. In order to maintain that trend, it was decided to set targets for 2021 in controversial industry sectors in terms of women representation on boards. Such industries include the energy and utilities sectors.
Women must take the initiative to reach higher in the corporate hierarchy. The fact that they are a minority in the boardroom is not due to lack of ability, but because the institutions aren’t ready for it yet. In order to be heard, women must interact more with the powerful shareholder groups. There needs to be some societal change as well, to give women more space to grow and prosper.

*Zhang Shude, Non-executive director at China Development Bank*

Women should take a director training courses. I would also encourage women to lecture, teach, and write articles, to get their name out there.

*Mervyn King, Former chairman of the King Committee on Corporate Governance in South Africa*
Women need to be more aware of their strengths, because they are typically more focused on their shortcomings, so they limit themselves. We also need to take more seriously the notion of learning from role models. They should devote a certain amount of their time to mentoring other women and advising how they got their work-life balance right and how they managed to combat male domination.

*Jaspal Bindra, Board member at Standard Chartered PLC*

To start, of course, women should have the relevant qualifications and a strong CV. They should network, something that women don’t do enough of. They should also find a mentor.

*Lars H. Thunell, Board member of numerous international companies*

Networking is the first thing. When you look for someone to fill a board position, you look first among the members of your network to see if anyone has the required skills. Nobody puts aside a good résumé, but it makes a difference if you know-or someone you know knows-the person.

*Peter Browning, Board member of numerous publicly traded companies*
On June 7, 2022, the European Commission welcomed the political agreement reached between the European Parliament and the Council on the Directive on improving the gender balance among non-executive directors of listed companies proposed by the Commission in 2012.

Europe has many highly qualified women with 60% of current university graduates being female. Nevertheless, women are underrepresented in high-level positions, including in corporate boards and the progress is very slow. Only a third of members of non-executive corporate boards are women and this is even less among executive boards. The Directive will ensure that gender balance in corporate boards of listed companies is sought across the EU.

The main elements of the Directive are:

- At least 40% of the underrepresented gender must be represented in non-executive boards of listed companies or 33% among all directors.
- Listed companies that do not achieve those objectives must apply transparent and gender neutral criteria in the appointment of directors and prioritise the underrepresented sex where two candidates of different sexes are equally qualified.
- Companies must disclose their qualification criteria should the unsuccessful candidate request it. Companies are further responsible to prove no measures were transgressed, if there is suspicion that an unsuccessful candidate of the underrepresented sex was equally qualified.
- Companies must undertake individual commitments to reach gender balance among their executive directors.
- Companies that fail to meet the objective of this Directive must report the reasons and the measures they are taking to address this shortcoming.
- Member States’ penalties for companies that fail to comply with selection and reporting obligations must be effective, proportionate and dissuasive. Member States shall also publish information on companies’ that are reaching targets.
It is not enough to be smart and work hard. If you want to progress faster or more easily, you need to talk about what you do, how you contribute to the objectives of your company. Share your experience and success, expand your connections and become an active player in your network. So, you need 3 things, at the same time:

- be smart,
- work hard, and
- be your own PR manager.

You have to focus on yourself first. This can sound selfish, but remember the safety rule in airplane: you have to put your oxygen mask on first before you can help anyone else.

Learn to step out of your comfort zone and take opportunities when they present themselves. Remember, you are the master of your life and choices; you do not have to wait for permission from anyone.

Being visible is important.

It is also crucial to involve men in the debate. Learn to negotiate, influence, and if needed, speak up and express your opinion. You know, many men want and are ready to help. Learn to get a “yes” from both men and women.

You cannot do everything alone. Ask for help.

Doubt! You can protect yourself by doubting, because you will think several times before doing something. But your doubts should not stop you.

Last but not least, trust is important. If you do not dare and try to trust other people, you will not get anything. If you are not open and you do not trust, you complicate your life.
RESOURCES / RECOMMENDED READINGS


17. G.S.F. Bruno, A. Ciavarella, and N. Linciano, Boardroom gender diversity and performance of listed companies in Italy, Commissione Nazionale per le Societa e la Borsa, 2018, https://www.consob.it/documents/46180/46181/wp87.pdf/d733b58a-44b4-42de-98c7-3c89a82a0182.


The Center for International Private Enterprise (CIPE) is a non-profit international affiliate of the United States Chamber of Commerce and a core institute of the National Endowment for Democracy. Founded in 1983, CIPE’s mission is to strengthen democracy around the globe through private enterprise and market-oriented reform, fulfilling the vision of a world where democracy delivers the freedom and opportunity for all to prosper. CIPE does this by partnering with local business associations, chambers of commerce, universities, think tanks, and advocacy groups to advance democratic and economic reforms worldwide.

CIPE is headquartered in Washington, D.C. and currently has regional offices and representatives in more than a dozen countries, as well as a vast network of partners past and present. A wide range of donors directly support CIPE’s work, and CIPE regularly collaborates with other international development and democracy organizations to carry out joint projects.
The Corporate Governance Center foundation was established in 2002. The Center is an independent expertise platform, the mission of which is to promote corporate governance international progressive practices and principles.

Main objectives of the Center are:

- creation of prerequisites necessary for the formation of efficient corporate governance practices in private sector;
- participation in legal reforms and enforcement practices regulating corporate governance relationships;
- raising public awareness in the matters of corporate governance;
- realization of researches on corporate governance and other related issues.

The Center offers quite a wide range of services to Armenian market participants: from corporate governance system evaluation (analysis) to business consulting directed to system improvement, trainings and provision of other services.

The Center has formed and leads the Business Integrity Club, the first anti-corruption collective action initiative in Armenia. The Club aims to unite the representatives of the Armenian business community who respect the culture of integrity and to promote their collective action on issues related to corporate governance.
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