# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Global Perspective</td>
<td>5</td>
</tr>
<tr>
<td>Board Diversity Snapshot</td>
<td>6</td>
</tr>
<tr>
<td>Regional Perspectives on Gender Diversity</td>
<td>10</td>
</tr>
<tr>
<td>- Diversity Champions</td>
<td>11</td>
</tr>
<tr>
<td>- Countries Slow to Progress on Board Diversity</td>
<td>16</td>
</tr>
<tr>
<td>Emerging Best Practices for Diversity Initiatives</td>
<td>18</td>
</tr>
<tr>
<td>Roadmap for Building Diverse Boards of the Future</td>
<td>24</td>
</tr>
<tr>
<td>Closing Letter</td>
<td>26</td>
</tr>
<tr>
<td>Appendix</td>
<td>27</td>
</tr>
<tr>
<td>References</td>
<td>29</td>
</tr>
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</table>
Dear Friends,

This last year has seen the world repeatedly proven wrong on predictions for leadership. One thing is clear: There is a need to redefine what great leadership looks like.

In today’s business environment, a modern organization can only be as successful as its leader’s ability to navigate near-constant change. In our work advising senior executives and boards around the world, we see leaders struggling to find the path to growth and unlocking their organization’s potential through more effective leadership.

What is happening here? We are witnessing a dramatic shift occurring in what it will take to lead the boardrooms and organizations of the future. No one leader can be the catalyst for the entire organization’s success anymore. Leadership today entails moving the focus from individual excellence to building a culture of high-performance teams and collaborative success. This can only be achieved if we cultivate more diverse and inclusive leaders who can recognize and nurture the best in people. Yet despite social and economic progress in other areas of the business world, diversity at the leadership level, particularly in the boardroom, has not kept pace.

Egon Zehnder has been studying gender diversity in the boardroom since 2004. In this latest 2016 Global Board Diversity Analysis, our most comprehensive to date, we see that, sadly, progress is slow. In some countries or regions, there is virtually no improvement. Change in the gender diversity of boards is not occurring at the rate commensurate with how the world is evolving in many other ways.

There are indeed positive gains in the overall picture that should be acknowledged: Our findings show that 84 percent of all large company boards globally (market capitalization of at least EUR 6bn) include at least one woman director, up from 76 percent in 2012. However, our experience and independent research suggest that, for gender diversity to start to have a meaningful impact on governance, a board must have three women directors.

Leaders who can drive sustainable growth today need to be masters at collaboration who can make everyone on their teams feel like they belong and can make a real contribution. They must also have the ability to influence diverse constituencies while remaining adaptable and nimble in the face of change. Leaders who bring diverse experiences and perspectives are better positioned to work in these ways.

For diversity to be a source of competitive advantage for the organization, it needs to start at the top with the board. We continue to be an advocate for greater diversity and inclusion on boards, and throughout the leadership ranks.

We are privileged to be able to share our thinking with you, and hope you find the insights we’ve uncovered useful to your own board’s development.

Rajeev Vasudeva
Chief Executive Officer
Egon Zehnder
Introduction

Since 2004, Egon Zehnder has tracked gender diversity through the Global Board Diversity Analysis (GBDA), formerly the European Board Diversity Analysis. We examine trends across the boardrooms of the world’s largest companies to gain a global understanding of gender diversity. Our work explores why some countries are able to transform their boards to better represent the society around them, and reveals the continuing challenges in gaining parity in the boardroom.

Our 2016 GBDA is the firm’s most comprehensive to date, evaluating board data from 1,491 public companies with market caps exceeding EUR 6bn across 44 countries.*

* The sample for GBDA research includes all publicly traded companies from the 44 markets covered in this report that have market capitalization exceeding EUR 6bn – a few additional companies were added to ensure the study examined the boards of at least six of the largest companies in each country.
Global Perspective

Across the globe, gender parity in the boardroom continues on an upward trajectory, with slow but positive progress – in 2016, nearly 19 percent of seats on the boards of the largest companies globally were held by women, up from about 14 percent in 2012, with 3 percent of this growth coming in just the last two years. This modest uptick is represented through a mix of positive stories in countries pioneering and championing gender diversity, as well as examples of diversity stagnation or situations where social, economic or political headwinds make it difficult to achieve gender diversity on a broader scale, let alone in the boardroom.

In our 12 years of tracking board diversity, the evidence shows that diversity is most effectively manifested in those countries where gender diversity has sparked a movement through social, cultural, regulatory, leadership or political ambition, or the simple power of persuasion. The boards of some countries like Italy and France have been literally transformed: Since government-enforced quotas were passed in 2011, the share of women on the boards in Italy has increased from 8 to 32 percent, and in France from 21 to 38 percent in just four years.

Extensive data on board diversity for all the 44 countries analyzed in this report can be accessed in the Interactive Report Builder online.
Board Diversity Snapshot

Worldwide Diversity Gains – Positive Trends

Global data from Egon Zehnder’s GBDA highlights positive momentum, as 36 of the 44 countries studied showed progress in gender diversity on boards.

The same upward trajectory occurred for the percentage of boards with at least one woman, with the global overall total climbing to 84 percent compared to 76 percent in 2012.

The biggest improvement in board diversity came from Western Europe. When Egon Zehnder began analyzing board diversity in Western Europe in 2004, just 8 percent of board directors were female; in 2016, 26 percent of all board directors in this region were women. Over the time period studied, Western Europe accelerated the growth of diversity gains, with a third of this growth occurring in just the last two years.

Nine of the top 10 countries in terms of board diversity progress over a four-year period ending in 2016 were in Western Europe.
Despite Momentum, Global Progress Remains Very Slow

Although there have been overall gains in board diversity – and in some regions the gains have been remarkable – on the global scale progress remains very slow, aggravated by low annual turnover on boards. Egon Zehnder’s experience, supported by the highly regarded diversity research on Fortune 500 companies published in *Harvard Business Review* in 2006, shows that for gender diversity to have meaningful impact at the board level, representation by three or more women is required to reach the tipping point for transformative and sustainable change. This means we are far from reaching this “critical mass” and ensuring diversity momentum globally.

In 2016, the average board size globally was 11.5, with an average of 2.1 female members. If progress continues at the rate we’ve seen globally over the last two years (1.6 percent per annum), the average number of women per board will reach three by 2021, while gender parity remains 20 years away. Yet, it would be premature to assert success in 2021 based on average global metrics as most countries on track to achieve this target are those solely in the developed world.* A significant share of the female population is still living in countries where the diversity ambition is not yet prioritized, and these regions are decades away from reaching this critical target.

*The 2016 GBDA includes a higher representation of companies from developed economies.
The U.S. is an example of a market that has fallen behind when it comes to reaching this critical mass for true diversity change, despite being an early pioneer of diversity globally. For the last four years, the U.S. has remained stagnant in board diversity progress with just 1 percent growth between 2012 and 2016, and has fallen far short of the tipping point with 2.1 women per board.

**Achieving Gender Diversity Starts with Understanding the Value**

While critical mass is the tipping point to achieving sustained gender diversity momentum, the benefits of having at least some diversity on boards – even single female representation – are well documented globally. According to Catalyst\(^3\), the business benefits of diversity span four pillars: financial performance; leveraging talent; reflecting the marketplace and building reputation; and increasing innovation and group performance.

In terms of financial performance, the 2016 Peterson Institute for International Economics\(^4\) study of nearly 22,000 global companies found that those going from zero female representation at board and C-suite levels to a 30 percent female share in these positions saw a 15 percent increase in net revenue margin on average.
On leveraging talent, Egon Zehnder’s experience shows that when there is a larger female presence on boards, women feel they have more of a voice and are better able to effect change:

“In boards where there were more than three women, I have found that women found it easier to raise issues, ask questions or offer insights even if the other women did not offer their support openly. Their ‘mere presence’ on the board made it easier to speak for some, not all.” Wendy Luhabe, board member IMD Switzerland, Adjaav Dubai and the World Rugby Federation, Dublin.

When it comes to reflecting the marketplace and building reputation, the *Journal of Financial Economics* found in 2009 that boards with even just one woman reported better attendance from all members, meaning they were more involved with higher corporate oversight. Research on UK firms from the *British Journal of Management* has shown that having female board directors is directly related to corporate social responsibility ratings and ultimately reputation. In China, the presence of at least one woman on the board showed many benefits from better independence of the board to a lower chance of financial restatement and improved monitoring.

Lastly, diversity has been directly linked to an increase in innovation within Fortune 500 companies – with both racial and gender diversity positively affecting a board’s ability to innovate.

**Countries must Prioritize Diversity to Sustain Global Progress into the Future**

Despite the benefits of diversity, our global sample shows that many countries have yet to start a diversity journey, largely due to notable societal hindrances. There are still 11 countries out of the 44 studied where more than half of the boards have zero female representation, such as Japan. Thirty-four of the 44 countries, or 77 percent, have not reached the critical mass of at least three women per board, including Russia and Brazil. Moreover, there were also countries that showed negative progress – 15 went backwards during the 2012 to 2014 or 2014 to 2016 time periods, and six reported lower board diversity in 2016 than 2014, including Turkey and Hungary.

The overall global ratio of male to female directors for new appointments stayed at three males to one female for board appointments. Specific country performance varies: For example, in Russia and Poland this rate is nearly eight to one, and in China it is 18 to one.
Regional Perspectives on Gender Diversity

To better appreciate the dynamics of global board diversity, it helps to examine the regional differences. It is just as important to understand why some regions are champions of board diversity as much as why others remain behind.

The Race to Board Diversity

DIVERSITY CHAMPIONS

Critical Mass Achieved

SLOW TO PROGRESS

Growth in Percentage of Women on Boards, 2012-2016
DIVERSITY CHAMPIONS

Of the 44 countries studied, there are 16 countries worldwide that can be labeled as champions, meaning they have achieved the critical mass of three female board directors on average. It is probable that board diversity has reached a tipping point in these countries, making backtracking in the future unlikely.

Often, achieving critical mass has been a result of consistent and coordinated action over a relatively short period of time – this can be seen looking at countries such as France and Italy, which have instituted ambitious board diversity quotas and experienced quick transformation in the last four years.

Norway was the first to introduce board diversity quotas in 2003, and this approach was gradually accepted by many other countries in Western Europe. In total, nine of the 16 “champion” countries have instituted some type of quota, meaning the government has mandated that public (and in some cases also private) companies must achieve a target percentage – typically ranging from 20 to 40 percent – of females on boards by a specified date or else risk legislative consequences.

### Average Number of Women on Boards per Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>France*</td>
<td>5.2</td>
</tr>
<tr>
<td>Germany*</td>
<td>4.6</td>
</tr>
<tr>
<td>Italy*</td>
<td>4.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.1</td>
</tr>
<tr>
<td>Norway*</td>
<td>3.9</td>
</tr>
<tr>
<td>Belgium*</td>
<td>3.8</td>
</tr>
<tr>
<td>Austria</td>
<td>3.2</td>
</tr>
<tr>
<td>Canada</td>
<td>3.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>3.0</td>
</tr>
<tr>
<td>Spain*</td>
<td>3.0</td>
</tr>
<tr>
<td>Denmark*</td>
<td>2.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.8</td>
</tr>
<tr>
<td>Finland*</td>
<td>2.6</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>2.6</td>
</tr>
<tr>
<td>Netherlands*</td>
<td>2.5</td>
</tr>
<tr>
<td>Poland</td>
<td>2.5</td>
</tr>
</tbody>
</table>

*Countries that have adopted quotas
Egon Zehnder is one of the few search firms dedicated to complying with the enhanced version of The Davies Review Diversity Code. Furthermore, Egon Zehnder has also made a pledge to FTSE 100 businesses to target 25 female CEOs by 2025 through its “25 by 25” initiative. To meet this target, companies need to include more women in their leadership pipelines – an average of three females per year must be appointed to the FTSE 100.

“Targets can be an effective tool. It’s a horse and cart issue. Unless boards become more representative of genders, we’re not going to move the dial. I don’t happen to be a fan of quotas myself, but I can absolutely understand why quotas are going to be adopted. If you are going to champion diversity in the workplace… you need to have a board that mirrors that.”

Damien O’Brien, Global Chairman, Egon Zehnder

Success without Quotas

While effective, quotas are not the only successful solution.

Gender diversity gains can also be realized through concerted top-down efforts. For instance, the UK set voluntary targets for female board members and initiated a highly visible government initiative led by Lord Davies, which most recently called for 33 percent female board representation across the FTSE by 2020. The Davies review in 2011 also implemented The Davies Review Diversity Code – a voluntary code for leadership advisory firms to address gender diversity on corporate boards and best practices for related leadership search processes. The 2016 GBDA shows that the UK is well on its way to meeting this voluntary target, currently with 26 percent of board positions held by women.

These efforts have created a collaborative approach to engaging stakeholders from politics, media, women’s networks and beyond to create a solution for board diversity that works for the UK. Today, the achievements have inspired ambition to diversify executive suites, and expand to ethnic and LGBT diversity. For example, Sir John Parker recently called on all FTSE 100 companies to appoint at least one minority director by 2021 as part of his “Beyond One by ’21” report.
The Importance of a Bold Vision: The contrast between the U.S. and Western Europe

One of the most notable findings from the 2016 GBDA centers on the U.S. and its fall from board diversity leadership despite having introduced diversity into the social and business discourse. The data now points to U.S. stagnation when it comes to bringing more women onto boards. Gender diversity has remained around 20 percent over the last four years, showing virtually no progress and falling far behind Western Europe’s 26 percent average of board positions held by women.

Unlike Western Europe, the U.S. diversity discussion focused on equality, but never established a quota or other proactive initiative aimed at the top executive levels or boards. The established belief today is that building diverse boards is a transformational change and calls for top-down visionaries – whether they are government leaders or the chair of the board – to lead the charge and create metrics to define success.

While U.S. businesses prioritized engaging a female workforce, contributing factors such as maternity benefits and childcare were largely overlooked. The U.S. is one of just two countries in the world* that do not guarantee paid time off for new mothers. This lack of benefits has hindered women from looking beyond the childbearing years to reach the executive positions that enable them to enter the pipeline for board-level positions. Many countries in Western Europe have much stronger social benefit systems to support the needs of different genders.

Fortunately, there are signs that the U.S. may be reconsidering its gender diversity approach. This is especially true in the technology sector. Companies such as Salesforce, Apple, Google and Facebook are mounting corporate diversity challenges; a new voluntary group of senior female leaders has launched a Paradigm for Parity movement, which Egon Zehnder has committed to, that calls for gender parity by 2030; and the 30 Percent Club is focusing boards on 30 percent gender diversity targets in the U.S. These are clear examples that government action and quotas aren’t the only means of achieving diversity – increasingly more chairs of boards and CEOs are leading the change and bringing diversity transformation to the forefront.

*Out of 185 countries studied, according to the International Labour Organization
**Disparities in North America**

Comparing the U.S. further with neighboring Canada adds more color to this story. On the surface, both markets have social, cultural and economic similarities, yet their current diversity journeys and outcomes differ dramatically.

For example, between 2014 and 2016, the percentage of positions held by women in Canada on the boards of the top 53 companies listed on the TSX jumped from 18 to 25 percent, while the U.S. (through the lens of 527 of the largest publicly traded companies) saw a decline, moving from 21 percent in 2014 to 20 percent in 2016. New female board appointments in Canada from 2015 to 2016 totaled 40 percent, while in the U.S. this statistic was significantly lower at 25 percent.

The notable difference is that in Canada, there have been direct efforts instituted top-down to promote diversity across society at large, resulting in noticeable diversity progress. In 2015, Prime Minister Justin Trudeau appointed 15 women and 15 men to his cabinet, and he has been very vocal about the importance of gender diversity:

“In Canada, we see diversity as a source of strength, not a weakness; our country is strong not despite our differences, but because of them… we need to choose… diversity over division.” Canadian Prime Minister, Justin Trudeau, United Nations General Assembly, September 20, 2016.
India’s Quota Quandary
In 2012, just 67 percent of Indian companies had at least one woman represented on the boards examined in the GBDA. The next year, India passed legislation to require a minimum of one woman on every board of a medium or large company; in 2016, the percentage of boards with at least one woman rose to 93 percent. Yet overall, progress remains slow; the change has resulted in just 4 percent growth of overall female representation on boards – going from 8 to 12 percent from 2012 to 2016. What will enable India to sustain momentum and go beyond this target of one woman per board now that it has been reached?

As the data and Egon Zehnder’s experiences have shown, as women start making their voices heard and develop a network of female board members, it’s likely that Indian companies will continue increasing female presence on boards.

Potential Obstacles for Champions: Lessons from Germany and Spain

Progress should not be taken for granted, as the U.S. story shows. Sustained progress relies heavily on consistent and ongoing momentum, as well as initiatives that are well suited to the needs of each market.

In Germany, for instance, the country has progressed over the past years yielding a current average of 4.6 women per board, which translates to 28 percent of women among non-executive directors and 8 percent among executive directors. Just six years ago, women made up only 9 percent of board members overall. The progress is undoubtedly supported by the 30 percent quota that took effect in January 2016 for non-executive, i.e. supervisory boards in Germany. Yet this progress falls short of the mandated quota: While 28 percent of supervisory board directors were women according to our GBDA data that looked at the 47 largest German companies, only half of these companies reached the target of 30 percent.

It has been said that the German quota ‘lacks teeth.’ Compared to countries like Norway and France, where companies face fines for not complying, German boards can leave some board seats empty until they find suitable candidates. The debate around quotas and finding the right solutions to achieve diversity in Germany is rather heated, since there is great support for meritocracy on one side, and a rising opinion that sustained progress must take place on the other – but both sides of the debate agree that diversity has benefits. For instance, in the wake of the quota some of the largest German companies signed a voluntary commitment to increase the number of women in leadership positions.

Spain passed the Organic Law 3/2007 in March 2007, which recommended that by 2015 all boards should have a balance of genders. This objective was not reached as females represented only 21 percent of the board makeup in Spain in 2016, and researchers have pointed to a lack of enforcement to explain Spain’s slow progress. In March 2015, the Spanish government agency Comisión Nacional del Mercado de Valores (CNMV) recommended under the Good Governance Code of Listed Companies that by 2020, businesses in Spain should achieve 30 percent female representation on boards. The CNMV will enforce this recommended target with listed companies by asking them to provide a suitable explanation.

In both instances with Germany and Spain, we see that quotas and recommendations, even with some sort of enforcement mechanism, will not always work. It takes a critical understanding of the benefits of diversity for companies to get behind the board diversity initiative.
COUNTRIES SLOW TO PROGRESS ON BOARD DIVERSITY

There are still 11 countries where at least half of the boards studied do not have a single female representative. These countries represent a mix of economies and geographies and are hindered by social, political and/or cultural challenges. Although diversity conversations are present there – such as equal pay in Eastern Europe, women’s rights in countries where religion poses barriers, and women’s role in society in Japan and South America – they have not yet led to notable progress.

Unsurprisingly, the percentage of board seats held by women in this group is less than 10 percent, and the number of women per board averages below one.

Countries Slow to Progress in Achieving Critical Mass on Boards

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Argentina</td>
<td>50%</td>
</tr>
<tr>
<td>Brazil</td>
<td>50%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>50%</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>50%</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>50%</td>
</tr>
<tr>
<td>Japan</td>
<td>48%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>47%</td>
</tr>
<tr>
<td>Colombia</td>
<td>33%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>29%</td>
</tr>
<tr>
<td>South Korea</td>
<td>20%</td>
</tr>
<tr>
<td>Hungary</td>
<td>17%</td>
</tr>
</tbody>
</table>
Varying Degrees of Challenge: Japan, Russia and China

The board diversity conversation does exist in markets that some may see as laggards in board diversity, such as Japan and Russia. However, this is not yet a priority in these markets as there are other cultural changes that first need to occur.

Japan reached five percent gender diversity on boards in 2016, placing it fourth from the bottom on the 44-country list. Much like the UK, the Japanese government, as part of the Abenomics campaign to rejuvenate Japan, has set a target of increasing the percentage of women in executive positions to more than 30 percent by 2020. Yet, Japan has only been able to shift the percentage of women on boards by 2 percent from 2014 to 2016. This is perhaps complicated by the fact that Japan has for centuries discouraged female employment – in 2014, just 43 percent of females worked, 53 percent of whom were part-time. The local talent pools require decades of nurturing to get more women into middle management roles first before they can reach the board level. On the positive side, the percentage of boards with women in Japan climbed to 48 in 2016, up from 28 percent in 2012.

While there is demand for board diversity but no supply due to weak pipelines of female leaders in Japan, there is a ready supply of female talent in Russia and China, yet the boardrooms in these countries are similarly dominated by men. Women in Russia and China face a glass ceiling when it comes to breaking through to the C-suite and the board level. In Russia and China, this often relates to the trend of the government owning a large stake in public companies, which leads to government and political appointees at the board and C-suite levels.

Fragility of Diversity Progress in a Changing Political Context: Turkey

Of the countries where the vast majority of the population is Muslim, Turkey had been leading diversity with 10 percent of board positions held by women. However, in the last four years Turkey has experienced a 3 percent decline in board positions held by women, based on our sample of seven companies representing Turkey, and today’s average is just 1.1 women per board. The Turkish government is also 85 percent male, and great political uncertainty ensues in Turkey – factors that could very well influence board makeup in the country. However, there have been slightly more promising results over the last few years when viewing a larger list of public companies in Turkey as documented in the 2016 report, Women on Board - Turkey, from Sabanci University, the Corporate Governance Forum of Turkey and Egon Zehnder.

17

2016 Global Board Diversity Analysis
Emerging Best Practices for Diversity Initiatives

The 2016 GBDA illustrates that transforming the gender composition of boards is possible on a global scale, but accelerating progress will require long-held beliefs to be challenged and emerging best practices to be created and tested.

Increase Female Leadership Roles on Boards

In our experience, a board’s adoption and development of a well-rounded diversity protocol is led by the board chair. As leader of the board, the chair has strong influence over the board’s composition and agenda. When diversity is a priority at the top, it will trickle down to board representation, board behavior and overall mindset.

On the global level, however, there is virtually no progress in terms of women in board chair roles: Men held 95 percent of the board chair roles in 2016, down only slightly from 96 percent in 2014. On a positive note, in 2014, 12 percent of women held committee chair positions, and in 2016 this number rose to 16 percent.

Many of the board gender diversity champions in 2016 are showing higher engagement of women in leadership positions. In Sweden, the country has produced the highest percentages of female CEOs and CFOs, both at 17 percent. The country with the highest percentage of women who hold executive and non-executive chair positions is Norway, with 29 percent of companies studied having a female chair – Italy is the second with 27 percent. Similarly in France, women hold 39 percent of committee positions, increasingly approaching parity in leadership for board committees.

Shortage of Women in Leadership Roles

Average Percentage of Female Board and Executive Leaders Globally

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2016</th>
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<tbody>
<tr>
<td>CEOs</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>CFOs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committee Chair</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Chair Positions</td>
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<td></td>
</tr>
<tr>
<td>Non-Executive</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Chair Positions</td>
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<td></td>
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<tr>
<td>Executive Chair</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Chair Positions</td>
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<td></td>
</tr>
</tbody>
</table>

19% = Percentage of Board Positions Held by Women Globally in 2016
Rethink the Definition of Optimal Board Composition

One stumbling block to diversity is the notion that CEOs and CFOs are the optimal board members, as women’s representation worldwide in these executive roles is dismal – just under 4 percent for CEOs and 10.5 percent for CFOs globally, according to our research sample. In only six of the 44 countries examined in the 2016 GBDA do women hold more than 10 percent of CEO roles, and half the countries in the survey have no female CEOs at all. The CFO figures are slightly better yet still far from where they should be – in only 19 of 44 countries do women hold more than 10 percent of CFO roles. Also, 19 out of 44 countries have zero female CFOs.

### Global Snapshot of CEO Roles Held by Women*

#### Countries Where Women Hold More Than 10% of CEO Roles

<table>
<thead>
<tr>
<th>Percentage of Female CEOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia 20%</td>
</tr>
<tr>
<td>Israel 20%</td>
</tr>
<tr>
<td>Luxembourg 17%</td>
</tr>
<tr>
<td>Sweden 17%</td>
</tr>
<tr>
<td>Belgium 13%</td>
</tr>
<tr>
<td>India 11%</td>
</tr>
</tbody>
</table>

#### Countries With Zero Female CEOs

- Argentina
- Austria
- Brazil
- Chile
- Czech Republic
- Denmark
- Finland
- Germany
- Greece
- Hungary
- Indonesia
- Japan
- Malaysia
- Mexico
- New Zealand
- Norway
- Poland
- Portugal
- Republic of Ireland
- Russian Federation
- Saudi Arabia
- South Korea
- Spain
- Turkey
- United Arab Emirates

*Based on the research sample of 1491 companies around the world, with minimum of six companies from each country
Global Snapshot of CFO Roles Held by Women*

Countries Where Women Hold More than 10% of CFO Roles

Percentage of Female CFOs

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>67%</td>
</tr>
<tr>
<td>Colombia</td>
<td>50%</td>
</tr>
<tr>
<td>Singapore</td>
<td>50%</td>
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<tr>
<td>Taiwan</td>
<td>42%</td>
</tr>
<tr>
<td>China</td>
<td>31%</td>
</tr>
<tr>
<td>Israel</td>
<td>20%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>20%</td>
</tr>
<tr>
<td>Republic of Ireland</td>
<td>19%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>18%</td>
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Countries Where Zero Women Hold CFO Roles

Argentina        Australia        Austria        Brazil        Chile
Czech Republic   Greece            Hungary        Indonesia      Japan
Luxembourg       Mexico            Poland         Portugal
Russian Federation South Africa    South Korea    Turkey      United Arab Emirates

*Based on the research sample of 1,491 companies around the world, with a minimum of six companies from each country
Reconsider Prior Board Experience as a Prerequisite for New Hires

Boards continue to look for past board experience in new hires. Yet, it’s a Catch-22. Because the female pool of candidates with past board experience falls so far short of the male pool, women who meet the current criteria have been in great demand. Transitioning to a board career is accepted for top executives, however in Egon Zehnder’s experience, clients become anxious when an individual’s board portfolio grows from three to four board positions. According to GBDA research, 13 percent of women versus 10 percent of men hold multiple board positions globally within the group of 1,491 of the largest traded companies studied. In countries that adopted quotas like France, Germany and Italy, new women on the board were more likely to hold multiple board positions than men; but this gap was not as large in other markets, making the board diversity progress in Canada, Australia and the UK even more commendable.
Create a Strong and Sustainable Pipeline for Women in C-suite Positions

Not one of the countries progressing well in terms of board diversity, such as Norway, France and Germany, is part of the group where women held more than 10 percent of CEO roles. In fact, Finland and Norway had no female CEOs in our dataset. This presents both welcome and worrying evidence of the larger diversity journeys – on the one hand, this means these countries have stretched the role specification for board directors beyond CEOs and CFOs and particularly embraced the international talent pool to meet gender diversity objectives. However, what they have done to bring diversity onto boards has neither inspired nor provided direct solutions for achieving the same at executive levels.

Boards globally need to start bridging this gap and bring the same vision that has changed the boardrooms into middle and senior executive ranks. Some already do this by paying close attention to diversity in the C-suite, occasionally applying targets and linking CEO pay to diversity metrics. But these practices are few and far between, and have yet to catch on.
Experience Diversity through a Broader Lens

As boards must tailor their makeup to reflect the needs of key audiences, geographies and business growth strategies, it is just as critical to broaden the lens on what diversity truly entails – adding perspectives of the younger generation and a better understanding of the cultural context within key business markets to the diversity discussion.

Age Diversity

Newly appointed board members are broadening age diversity according to the recent data. Nearly 9 percent of all new board members appointed since 2015 are under 45, and new female board members are more likely than males to be under 45 – 11 percent to 8 percent, respectively.

The countries bringing the largest pool of young directors onto boards are those in Western Europe where quotas have been instituted: France, Spain and Italy.

New Female Board Members
Adding Age Diversity*

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<tr>
<th>Average Board Director Age</th>
<th>Average Female Board Director Age</th>
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<td>61</td>
<td>58</td>
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<tr>
<th>New Board Members Under 45</th>
<th>New Female Board Members Under 45</th>
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*Data shown for the global GBDA sample 2016

Diversity of Nationality

Diversity of nationality is also trending as expansive viewpoints, experience and knowledge gained from working across cultures and geographies increase in importance.

Globally, international representation is less common than gender diversity. Seventy percent of companies studied have at least one non-national director, compared with 84 percent that have at least one female director. Yet, 25 percent of the director seats we surveyed were held by non-nationals, compared with 19 percent held by women.

While no country has more than 40 percent of its director seats held by women, there are 13 countries where more than 40 percent of the director seats are held by non-nationals like the UK, United Arab Emirates and Hong Kong. International diversity is often a by-product of other factors like local geography. U.S. boards are drawn from relatively insular networks with 11 percent non-nationals compared to the global average of 25 percent. On the other hand, Western Europe has a high level of non-national directors as do the Middle East and Africa due to the fluidity of cross-border labor markets making it easier to move jobs from one country to another.
With the release of the 2016 GBDA, Egon Zehnder hopes to move beyond an understanding of the past and the present, and provide a future roadmap. This roadmap will enable everyone – from the board chairperson to committee chairs and company executives – to reimagine diversity for the long-term benefit of their organizations. Each of our recommendations draws on lessons learned from the GBDA and Egon Zehnder’s experience working with boards around the world.

1. Align Board Composition with Business Strategy
   Think outside the box to shape a board that reflects the strategic vision and the company’s broader ambitions. Assemble expertise on the board that mirrors the company’s strategic objectives – global growth and expansion into new markets, customer retention, rethinking current business models to meet the needs of the technology revolution, and the like. Map board composition to meet these goals. Consider also the skills and mindsets needed for the future that don’t exist on the board today.

2. Ensure Succession Planning is Evergreen
   With strategic goals aligned, taking a longer-term look to examine board turnover rates is critical. Build a bench of prospective candidates to ensure the most effective pool is considered ahead of appointment deadlines. Broaden the pipeline, and commit to having a diverse pool of candidates that incorporate a broad range of diversity – gender, skill, nationality, age and experience. New recruits shouldn’t be duplicates of departing board members; instead they should be the candidates best suited based on current and emerging strategic business needs.

3. Cast a Wider and Deeper Net for Talent
   Be ready to hire people who look and think differently. Often unconscious bias can manifest itself on boards, so diversity needs to be intentional and it needs to move beyond gender. This means accepting that boards need to break from the old ways of planning – looking beyond traditionally held experience and past board tenure to focus on potential in order to create readiness for future disruptions.
4
Empower Board Leaders to be the Role Models of Inclusive Leadership

The board chairperson is the strategic visionary capable of building teams that leverage diversity for insight rather than hiring diverse board members to fill an emerging gap. It’s up to the chairperson to build a team that accepts challenges and welcomes diverse perspectives.

5
Think Beyond Tokenism

Do not simply place women in roles to meet percentage quotas or targets, but understand how diversity delivers meaningful impact at the business level.

6
Create a Tipping Point for Positive Change

Bringing the critical number of three diverse board members onto teams takes a concerted effort. Research has proven that three diverse candidates constitute the tipping point for positive change, so strive for that number but do not stop there. Incorporate goals for broadening diversity beyond gender, and lead diversity initiatives from the top.
Dear Friends,

It is imperative that we act to make change happen now. The stunning global developments of the past year make it clear that leaders must act decisively to prepare for an era ahead that will continually redefine the status quo. We need to rethink our approach to leadership and those who we count on to advise and guide us. We need new perspectives. It is critical we look for board members who have first-hand knowledge of the issues, intents and desires of the stakeholders we represent.

As the saying goes, wisdom comes with age. Yet, what are we losing when we continue to view and interpret the world through static, traditional societal and political norms? There is an urgent need to de-clutter – and an even greater imperative to reconsider how we cultivate the leaders who govern at the highest levels of organizations. As the research in the 2016 GBDA demonstrates, the boardroom does not reflect the mosaic of the world in which its businesses operate. To achieve this, we need to open our thinking to a broader mindset where we embrace and celebrate difference – in experience, cultures and perspectives. We need to build new collaborative environments in the boardroom where diversity of thought and ideas is celebrated and where dissent in opinion shapes and ultimately yields a stronger outcome.

There is no better time to start than the present. It is time to cast off lingering unconscious biases, to shed the familiar and the comfortable and begin the transformation to a more enlightened and emboldened future. It’s time to take a fresh look at what an inclusive board looks like as well as what its ultimate purpose, composition and destination should be. How will we measure its effectiveness – both collectively and individually?

Let’s use this opportunity to consider a new ideal – one where multiple viewpoints fit the business needs and challenges. It requires us to be tireless in our endeavor to find exceptional and inclusive leaders as our board colleagues, and push to embrace broader goals that today may be considered beyond traditional operating models.

Diversifying boards by gender, nationality, social background and thinking style requires we take a long-term strategy where the investments seeded in improvements made in executive pipeline will yield the most sustainable fruit for the long run. To make this a reality, every leader today can act by being more aware of diversity, learning to become more inclusive, and aspiring to become a role model for others.

We hope the 2016 GBDA has provided you useful insight that furthers your knowledge of your own diversity and inclusion journey. As you examine your organization’s board, ask yourself if you have the right leaders in place to handle the complexity and uncertainties of your business in the years to come. Do they reflect only the here and now or do they position your institution for what comes next?

Be courageous and champion self-examination and change. It is the path forward and the way to a stronger future; embracing and leveraging the power of difference.

Sincerely,

Edwin Smelt  
Global Co-leader,  
Diversity Council

Karoline Vinsrygg  
Global Co-leader,  
Diversity Council
To further explore the GBDA findings, Egon Zehnder has produced the GBDA Data Visualizer, a proprietary digital tool that allows users to customize the data specific to local markets and industry sectors, as well as benchmark against the rest of the world. The Data Visualizer is optimized for desktop and mobile devices, and offers printable and socially sharable graphs, charts and infographics.

To experience the 2016 GBDA data, please visit [www.egonzehnder.com/GBDA](http://www.egonzehnder.com/GBDA)
Study Design

The 2016 Egon Zehnder Global Board Diversity Analysis, formerly the European Board Diversity Analysis, is the firm’s most comprehensive to date, evaluating board data from 1,491 public companies with market capitalization exceeding EUR 6bn across 44 countries around the world. In certain circumstances, additional companies were added to ensure the study examined boards of at least six of the largest companies in each country.

Data was sourced from BoardEx on 18 May 2016, with corrections and clarifications made by Egon Zehnder Research. This is the seventh report of its kind since the initial study findings were reported in 2004.

The study was conducted by the Global Diversity and Inclusion Council at Egon Zehnder. If you would like to discuss any of the issues raised in this article, please contact Edwin Smelt or Karoline Vinsrygg, the co-heads of Egon Zehnder Global Diversity and Inclusion Council.

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For more information visit

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Since 1964, Egon Zehnder has been at the forefront of defining great leadership in the face of changing economic conditions, emerging opportunities and evolving business goals. With more than 425 consultants in 69 offices and 41 countries around the globe, we work closely with public and private corporations, family-owned enterprises and nonprofit and government agencies to provide board advisory services, CEO and leadership succession planning, executive search and assessment, and leadership development. For more information visit www.egonzehnder.com and follow us on LinkedIn and Twitter.

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Brussels     Paris
Budapest     Prague
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Calgary      Rome
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Copenhagen   Santiago
Dallas       São Paulo
Dubai        Seoul
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