



HOUSE OF LORDS

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WOMEN ON BOARDS

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Witnesses: Professor Susan Vinnicombe OBE and Dr Ruth Sealy

Ms Arni Hole, Ms France Henry-Labordère and Ms Joëlle Simon

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Members present

Baroness O'Cathain (Chairman)
 Lord Brooke of Alverthorpe
 Baroness Buscombe
 Lord Clinton-Davis
 Lord Fearn
 Lord Haskel
 Lord Kakkar
 Earl of Liverpool
 Baroness Scott of Needham Market
 Baroness Valentine
 Lord Wilson of Tillyorn

Examination of Witnesses

Professor Susan Vinnicombe OBE, Cranfield University; and **Dr Ruth Sealy**, Cranfield University.

Q197 The Chairman: Good afternoon. Thank you very much indeed for coming. Thank you for making the time available for us. The Members, if they have relevant interests, will declare them. This question and answer session is being broadcast or webcast as well as being transcribed. You will get a transcript of it, which you can amend and return to us and it will all be published on the website. Would you like to make an opening statement, Professor Vinnicombe?

Professor Susan Vinnicombe: Yes, thank you.

The Chairman: For the record, would you perhaps say your name?

Professor Susan Vinnicombe: My name is Professor Susan Vinnicombe and I am from the Cranfield School of Management. I just want to say a few words about the background to our work in this area. I set up the International Centre for Women Leaders at Cranfield in 1999 against a background of working with colleagues from other countries and being very concerned that, while girls were outperforming boys at every level of education, and indeed women were coming in in much greater numbers at graduate level, we were still not really

seeing any progress at senior levels. Women were not taking up serious leadership positions across all the sectors. I therefore set up this centre, which at the time, in 1999, was unique in Europe. When setting it up 13 years ago, we decided at Cranfield that we would conduct a benchmark each year, looking at the number of women on the top FTSE 100 boards. In those days, that was quite a big task because the data were not readily available, but we now look at women on all the FTSE-listed boards and executive committees.

The other point that I would like to make is that we are one of only three countries in the world to have collected such data over such a long period. The USA was the pioneer in this area, followed by Canada, followed by the UK. This is a very important point because in the UK we have these historical patterns of data going back 13 years, which is quite unusual relative to the rest of the EU.

The other point that I want to make is that, over the years in doing our work on women on boards, we have made a conscious effort to work with all stakeholders. So we have worked very closely with the Government and with chairmen, CEOs, executive search firms, journalists, support organisations such as Opportunity Now and women themselves. That is a very important point because we are the only country in the world with such a distinctive approach, and that is why—I know we will come on to this later—we have been successful in this voluntary approach.

The Chairman: Thank you very much, Professor. Dr Sealy, would you like to introduce yourself?

Dr Ruth Sealy: Yes, certainly. My name is Dr Ruth Sealy. I am the deputy director of the International Centre for Women Leaders at the Cranfield School of Management. Following on from what Susan was saying, the *Female FTSE Report* has monitored the state of women on boards since 1999, and the pace of change has been glacial. For the first decade the figures rose from just 7% to 12% and seemed to hit a plateau there. We were very

supportive when the current Government wanted to set up Lord Davies's review. Indeed, Susan was on the steering committee. When Lord Davies reported in March 2011, the committee was very clear that there was a massive problem of underutilisation of female talent. It concluded that all FTSE 100 companies should aim for a minimum target of 25%, which we supported. The report showed a trajectory figure which, at the current rate of turnover, would mean that a third of all subsequent board appointments should go to women. Over the previous decade, that percentage had been around 13% or 14%, so it was going to require quite a significant increase.

We have been monitoring that over the past 18 months, and there has been a significant change in both the turnover rate and the rate of new appointments going to women, which now sits at about 25%. At the current trajectory and the current pace of change, it looks as though the number of women on boards could hit 27% by 2015 and even 37% by 2020.

Q198 The Chairman: Thank you very much. That is very encouraging. Now I shall ask the first question. Why is the current proportion of women on boards so low? Is it a case of demand, supply or indeed both?

Professor Susan Vinnicombe: We believe that it is not a supply problem, although long term I think that we have to address the sustainability of the number of women on boards. At the moment, there are a tremendous number of women in the pipeline—a point on which my colleague will speak—but we think that longer term we are going to have to look at the lack of women in executive directorships across the big FTSE companies. At the moment, the percentage of women who hold executive directorships in the FTSE 100 companies is 6.6%, and this has increased from only about 2.5% when we first started our work 13 years ago. We believe that, unless women have the opportunity of having that executive experience, we cannot sustain a significant number of women in the corporate boardroom.

The real reason for the lack of women on corporate boards is not supply or demand. Our research has shown time and time again that the key reason is the opaque, and what we see as biased, appointment process. The posts are not advertised; it is not an open process but is subject to great bias. A claim that is often made is that it is the old boys' club. However, I should say that we have seen definite improvements recently and that has certainly improved the process.

Dr Ruth Sealy: Perhaps I could add some figures to that to illustrate how this is not a supply problem, certainly for the non-executive positions. In *The Female FTSE Board Report 2010*, we looked at the number of women at the executive committee level of the FTSE 100 companies and then all across the boards of the smaller listed corporate companies. We found a list of over 2,500 women holding those positions. If you think that in order to get the percentage of women on FTSE 100 boards up to about 30% we need only another 150 women, you can see why we believe that this is not a supply problem. There are plenty of very talented, experienced women out there who are pretty much ready to assume board positions.

The Chairman: So you are buying into Professor Vinnicombe's statement that it is the appointment process. It is neither supply nor demand; it is the appointment process.

Dr Ruth Sealy: Our evidence shows that that has been a major problem.

The Chairman: That is very interesting. Thank you very much.

Q199 Lord Fearn: Is there a strong business case for improving the gender diversity of boards? If so, does it follow that there is also a strong business case for increased gender diversity on boards across the EU?

Professor Susan Vinnicombe: Yes. We believe that there is a very strong, compelling and comprehensive business case for gender diversity on boards, and it is a case which stands not only in the UK but across the EU and indeed globally. It sits on several broad platforms.

One is talent management. In all the developing countries of the world, 60% of the graduates are now women. We have a tremendous number of women coming in at graduate level to our big corporates. So the fact that we are seeing so few women at the top on our corporate boards is a sheer waste of talent. Talent management would be our first point concerning the business case.

Secondly, if corporates are to serve their markets well, it just makes sense that they need to be able to represent those markets. In many of the markets, women are the consumers, so it makes very good business sense to have women on the corporate boards of those companies.

Thirdly, there has been quite a push in the past—indeed, we ourselves have engaged in such research—to look at the relationship between having women on corporate boards and financial performance. We do not subscribe to this research. We have shared it with chairmen and they do not think that it makes sense. We agree that it does not make sense. You cannot correlate two or three women on a massive corporate board with a return on investment, return on equity, turnover or profits. We have dropped such research in the past five years and I am pleased to say that Catalyst, which claims to have done a ground-breaking study on this in the US, officially dropped this line of argument last September. However, there are broader, non-financial performance indicators, such as corporate social responsibility, employee involvement, innovation, philanthropy and good communications, which have been seen to be connected to companies that have women on their boards.

Dr Ruth Sealy: Can I add something to that, please? I am not sure what the protocol is here.

The Chairman: Yes, certainly.

Dr Ruth Sealy: In 2009, some colleagues and I did a review of all the academic evidence that is currently available on women on boards, including the evidence around impacts. One of

the challenges from an academic point of view is that it is virtually impossible to prove causality. You can prove correlation between the different variables involved in this, but you cannot prove causality because of the technique that is used called regression analysis. You are not manipulating the variables; you are just measuring. So it is impossible to prove that one way or the other, but you can look at the board's performance. You cannot add in, for example, one junior male non-executive director to the bottom line of a multimillion pound company, but you can look at the boardroom dynamic and how the board performs rather than at the company's performance. There is plenty of academic evidence that the dynamic improves: you get better decision-making and less group think; you get greater potential for creativity and innovation; and you get greater corporate governance. So there is substantial academic evidence around those areas, as well as the macro points about there being better role models and mentors for women and also the greater use of talent.

Q200 Baroness Scott of Needham Market: One thing that I have been struggling with during the course of our inquiry is why on earth, when the chairman's first interest ought to be the performance of the company, we have been failing to appoint women if the business case for doing so is so strong. I am still really struggling to understand whether it is because they do not understand the case, whether they simply do not believe what they are being told or whether the 'clubby' circumstances that you described are so all-pervasive that they just overrule everything else. I should be interested in your comments on that.

Professor Susan Vinnicombe: I think there is a combination of reasons. If you were to ask any of the top chairmen in this country, they would all intellectually be able to argue why they should be gender diverse and indeed why there should be broader diversity on corporate boards. But you are right: I think there is complacency. It is so easy to collude with what is going on right now and not to change. Having said that, I should emphasise that there is a large number of very notable chairmen in the UK who not only buy into this but

have actively championed it, and I think that we should acknowledge their efforts. I think that the 30% Club now has 53 chairmen who have signed up to it and who do a considerable amount to champion this.

The Chairman: Thank you. Would you like to add to Lady Scott's question?

Dr Ruth Sealy: I think that the culture is all-pervasive. There is a history of organisations which are designed one way and have continued to run in the same way. It is very difficult to change the culture. It takes a long time.

Q201 Lord Kakkar: Just to come back to your basis of analysis, in multivariate analysis or regression analysis, you show no correlation between female board members and improved financial performance, but does that come about in univariate analysis?

Dr Ruth Sealy: I have to say that I do not conduct those types of analyses. Our paper was a review of all the evidence that has been done on this. We found that there were just as many statistical studies showing a positive correlation as those showing a negative correlation.

Q202 Baroness Buscombe: Would you therefore suggest that often women on boards change some of the focus? From my experience when I went on to a board, clearly there had been no focus on customer service whatever in a customer-facing business, and there was some surprise among the gentlemen on the board that that mattered. It now matters very much. But is it not also the case that you tend to find that men are much more pro-women on boards when they have already experienced, in their own work life, being on a board with women? The fear or whatever it is—the discomfort maybe—is taken away.

Professor Susan Vinnicombe: Yes, I think that is right. The two points I have made about the substantial contribution of women on boards is both asking questions about the marketplace and looking at the group dynamics. As is often quoted, quite frequently women are happy to challenge or clarify and often there are questions that are not otherwise asked.

I do not want to stereotype women's contribution because men are quite capable of doing that. Indeed, very interestingly, research from colleagues of ours who have worked in Iceland shows that when you have mixed-gender boards, you move to a point where men's behaviour is not discernibly different from that of women. It is just that you have established the dynamic and, interestingly, it changes everyone's behaviour.

The Chairman: Professor Sealy, do you want to add to that?

Dr Ruth Sealy: It is fear of the unknown.

Q203 Lord Brooke of Alverthorpe: The fourth issue, as I understand it from some of our contacts with chairmen, is that they do not make these appointments because of the issue of risk. The women they see are not prepared to be as bold as men in taking decisions. I have heard this in relation to financial issues. I wonder whether you have endeavoured to do any research in that area, as that is often trotted out, rightly or wrongly. Secondly, I wondered whether anyone tries to use the extensive data which are available through financial service advisers, who ask people to set out categories of performance in regard to investment and risk taking. I have done it for myself and my wife, for example, and it has been quite interesting to look at the differences in the way we perform.

Professor Susan Vinnicombe: Yes, the piece on risk is interesting, and it is quite interesting that you frame it in that way. Over the last few years of the economic recession, people have been saying that people have been too willing to take very big risks. A colleague of ours in Iceland who sits on a number of boards talks about women being much more risk aware—not risk averse but risk aware. In her experience of sitting on boards, women are much more careful and measured in looking at risk before being prepared to take a decision. I know that this is rather qualitative and anecdotal.

Dr Ruth Sealy: My understanding is that some research from Cambridge suggests that women take into account more information and are slower to make decisions where they

perceive there to be risks. So that would back up the risk-aware as opposed to the risk-averse argument.

Lord Brooke of Alverthorpe: My questions are anecdotal and non-researched based. I was wondering whether there was any movement by you to do further work in this area.

Dr Ruth Sealy: I am not aware of any. I am not sure whether it directly answers your point about investment, but there is a piece of research from Leeds University showing that there are fewer corporate failures when women are on the boards. It is a massive statistical study looking at all the data from Companies House over, I think, the past five years.

Professor Susan Vinnicombe: Another point to finish on is that I am reminded that we worked with a group of investors who put together a FTSE female fund. They found that companies with women on their boards outperformed those that had all-male boards.

The Chairman: That is very interesting. That last point is something that we will have to pick up on, because we were not aware of that. We are going on to question 3 from Lord Haskel and perhaps I can say that we need fairly short answers because we are running out of time.

Q204 Lord Haskel: I wonder whether we can turn to voluntary measures versus quotas. The European Union is setting a target of 40%. Do you think that voluntary measures can achieve this result or would it have to be quotas? If so, how long do you think it would take to achieve that?

Dr Ruth Sealy: That is one reason why in our last report we set out some trajectories. As I said in my opening statement, if we continue at our current pace of change, we can get to just below that 40% mark by 2020, which in our opinion would be a massive achievement and a really good thing for the UK. In terms of across the EU, in May I was at a meeting in Oslo which was one of the last European Commission meetings. There were representatives from 19 countries—one academic and one government representative from each country.

The UK was asked to present its case in terms of what it was doing, and that was a paper that we wrote. The discussion among the other countries in terms of where they were and what they were doing was very interesting. When you start making comparisons across the EU, one problem is that the corporate structures are very different, the corporate ownership is very different, the government rules are very different and the acceptance of political intervention is very different. A number of countries are making some progress. Those without quota measures do not seem to be making the amount of progress that we are making in the UK, so I think that we are considered to be doing very well without quotas. There are different types of quota across the EU. For example, last month Denmark introduced what it calls a “flexi-quota”, which allows each organisation to set its own quota and outline the measures that it is going to take towards it. It is mandatory that they do that but the Government are not setting the figure for them. In our opinion, there is such a difference across EU countries that it is very difficult to come up with one answer that is going to fit everybody.

Q205 Lord Clinton-Davis: Do you think that there is a case for a mixed message for quotas and non-quotas?

Dr Ruth Sealy: I think we would like to see a country-specific approach in the EU, with each country having to set its own targets and quotas. Targets have to be realistic in terms of taking into account the starting point of the specific country.

Q206 Lord Haskel: What about a carrot and stick approach, where you set a target and, if they do not achieve it, then quotas come in?

Dr Ruth Sealy: That would probably be a good measure. Undoubtedly, one reason for the increased activity over the past two years has been the threat of EU-wide quotas. That has made a very big difference. Norway had many years of targets without sanctions. They found that it did not work and that was their reason for bringing in quotas.

The Chairman: Professor Vinnicombe.

Professor Susan Vinnicombe: I do not think that I want to add any more.

The Chairman: Thank you. If no other colleagues want to add something to that, it will now be your question, Lord Clinton-Davis.

Q207 Lord Clinton-Davis: The report of Lord Davies has highlighted the ability of women to come on to boards in increased numbers. Do you think that that progress will be sustained?

Professor Susan Vinnicombe: Yes. As a member of that committee, I can say that we did reach that decision. Following on from my colleague's comments just now, it is interesting to bear in mind that of course Lord Davies always retained the possibility that, if insufficient progress was made in the UK, he might still come back to quotas. So the threat of quotas does seem to stimulate action.

We think that increasing the number of women in non-executive directorships is almost the quick fix, but what is of great concern is the lack of women in executive directorships—indeed, the lack of women in chairman positions. Looking forward, we have to do a lot more research into what we call this leaky-pipeline of talent to the top. It is very easy to look in the media and think that the answer is just that women have children. That is not the answer. It is clearly a leaky pipeline—a pipeline that leaks women at a number of different levels.

The Chairman: I am sure you are right. Is that all right, Lord Clinton-Davis?

Lord Clinton-Davis: Yes.

The Chairman: Does anyone else want to deal with that question?

Q208 Lord Haskel: What do we do to plug the leaks?

Professor Susan Vinnicombe: Well, that is quite a complex question. The truth is that, from our point of view, having been the expert academics, there has not really been a

sufficiently systematic look at this situation all the way through. I think we need to look at where women drop out and look at it as a kind of holistic situation. There are lots of initiatives around but I think that it is important to look at it as a whole piece.

Q209 The Chairman: Can I make an observation, on which I would like you to agree or disagree? When we had Lord Davies here, we were all very impressed at the fact that he is sustaining the impetus of the whole thing. Although he has given his report, the reality is that there are still meetings and he is going round talking to schools and groups of people and so on. Is this idea of the leaky pipeline one of the things that he is pushing for? I am asking you specifically as you are a member of his group. First, are you still a member of his group?

Professor Susan Vinnicombe: I am.

The Chairman: So, secondly, are ways and means of trying to plug the leaks, so to speak, on the agenda?

Professor Susan Vinnicombe: Fairly early on, at the initial meetings with Lord Davies, he wanted to address the question of the leaky pipeline. I was the one who cautioned him that this would take a lot of time and investment. If we envisage a two-year project—and at that stage I did not know what was going to happen—I took the position we have at Cranfield that there are sufficient women in the pipeline at the moment to increase the number of women on corporate boards. However, as I said, from a longer-term point of view, we must indeed look at the pipeline.

The Chairman: That is very reassuring. Thank you.

Q210 Baroness Valentine: I think you have partly answered this question but perhaps I can narrow it. The progress report on the Davies report—your March FTSE board report—showed that almost half of FTSE 250 boards were still all male and indeed that 7% of executive directors were women. In particular, do you want to comment on FTSE 250 boards and whether you should be expanding your reach to look at those?

Dr Ruth Sealy: Yes. I think we feel that it is time to extend the targets to the FTSE 250 boards, although again they have started to make significant progress. In the last year, the figure has gone up from just under 8% to, looking at today's figures, 10.9%. So it is almost 11%, which is a good improvement. And their pace of change—the percentage of new appointments going to women—has also increased significantly. So we think it is time to introduce a target at that level. I think that the work that the Financial Reporting Council has done and the additions to the code will help to get the 250 involved, because of course they are bound by the same governance codes.

The Chairman: Professor Vinnicombe?

Professor Susan Vinnicombe: No, thank you.

The Chairman: Do any of my colleagues want to ask a supplementary on that?

Q211 Baroness Scott of Needham Market: Looking across the EU, there is now a sort of patchwork of some countries with quotas and others which are more active in this area. I wonder whether you are seeing what one might call distortions of the market as a result of policies, with females going across borders to look for jobs. Are you seeing anything of this kind?

Professor Susan Vinnicombe: We have not done systematic research on this, although in the last six months when we conducted our research with the executive search firms to follow up the voluntary code that they put together last July, it was evident that a number of women are being offered positions in other countries. Because the definition of directorships and the liabilities and responsibilities are different in different countries, what was reported to us was that they were able to make appointments rather more quickly than we in the UK were able to do.

Q212 Baroness Scott of Needham Market: That is interesting. I recognise that the different governance structures across Europe make it difficult to do a complete read-across,

but regarding the balance between executive and non-executive, is there any evidence that in the countries where quotas have been introduced you are losing females at executive level in order to get more non-execs?

Dr Ruth Sealy: My understanding is that Norway has started to look at that. I cannot comment knowledgeably on it but I think there is a small amount of evidence that that has been the case in Norway, although I could not tell you the numbers.

Professor Susan Vinnicombe: Equally, in the UK one or two search consultants have said that they are concerned about that because there is such a push to get an increase in the number of women on corporate boards. As I said earlier, the non-executive directorships are easier to fill and so there is quite a lot of pressure on the existing women executive directors to consider possibly coming out of a full-time career and taking up a portfolio career.

Baroness Scott of Needham Market: I can see that that might be quite attractive at a particular point in your life when you are struggling to juggle a lot of things. There might be more flexibility.

Professor Susan Vinnicombe: Indeed.

The Chairman: I should say that we have the director-general at the Ministry of Children, Equality and Social Inclusion of the Norwegian Government coming to the next session. If you wish to stay and listen, you might learn something, as I am sure we will.

Q213 Lord Brooke of Alverthorpe: If we are not inclined towards quotas for the reasons that you have described concerning the structures of corporations and companies in different countries and so on, what should the EU be doing to promote gender diversity?

Dr Ruth Sealy: We also found a principles-based approach that works in the UK. As I alluded to earlier, I think we would suggest that if the EU could take a country-specific approach that took into account a country's current situation in terms of the percentage of

women in the workforce, how long they had been there and their educational levels, and which also set out timeframes, that would be appropriate. We would also obviously greatly encourage continual measurement and reporting, because that seems to have had a big impact in the countries that have chosen to do it.

Q214 Lord Wilson of Tillyorn: Going back to headhunters, we had representatives from some of the leading headhunting firms here the other day giving evidence. As you know, they use a voluntary code. I have two questions. First, what do you think the effect of the voluntary code has been? Secondly, do you think it would be a good idea if there was a similar voluntary code throughout the European Union?

Professor Susan Vinnicombe: That is right. It was a colleague of mine on the Davies committee who pulled together the key search consultants. The set which she pulled together and which we worked with subsequently a few months ago handled probably 80% of the FTSE 100 appointments. So, have things changed? Yes they have. We have brought a couple of copies of that report just in case they are of use to you.

Lord Wilson of Tillyorn: Sorry, which report is that?

Professor Susan Vinnicombe: It is the one about executive search firms. It was commissioned by the Equality and Human Rights Commission and we interviewed each of these 10 search consultants to ask them what impact the voluntary code had. It certainly has had an impact, primarily in terms of legitimising having conversations about gender diversity on boards. Everyone says that it is always discussed. Alongside that, we saw evidence of much better practices emerging—for example, much better interviewing and better specifications for directorships. We heard that in time gone by you would have a half-page description of what was required for a particular directorship. That might run to 10 pages now, so there is much more detail. Coming back to my opening statement, the more specific, the more competence based, skills based and experience-based it is, the more bias is

eliminated. This is the extremely important practice that we see and we very much welcome it.

Other findings were that the search firms are finally coming round to the idea that they are interested not just in working with women whom they can place on boards in the next few months. They are coming round to the idea that they, too, can be a party to developing the next generation of women directors. Several of them have done quite a lot of research to develop the next generation of directorships with quite a focus on women.

We also see them advocating and supporting women much more. Many of them talk to us about how poorly women put together their CVs and showcase themselves at interviews. The search firms seem to be doing more to advocate more for women and to help them. All those practices are very much welcomed.

Dr Ruth Sealy: Perhaps I could talk about the EU. One thing that was very apparent at the EU Commission meeting in Oslo was that executive search firms are used significantly less in most other EU countries—even less than they are here. So, in terms of your question about whether a code should be introduced, if they are substantially using the executive search firms, then I would say that, yes, it is a good idea, but a lot of them are not.

Q215 Lord Clinton-Davis: I did not quite hear you. Are you saying that you have had contact with Commissioners and their cabinets or civil servants in the Commission?

Dr Ruth Sealy: No. I am saying that I had contact at the EU Commission in Oslo, where there was one government representative and one academic from each of 19 countries.

The Chairman: Specifically on this subject?

Dr Ruth Sealy: Specifically on this subject.

Q216 Lord Wilson of Tillyorn: Does the code apply equally to executive directors as to non-executive directors, and is there a difference between how effective it is in one as

compared with the other? In parenthesis, I notice that you always say “search consultants”. Clearly, “headhunter”, which I used, is not a good word.

The Chairman: It is pejorative.

Professor Susan Vinnicombe: Yes, they tend to call themselves executive search firms. We did focus on non-executive directorships. That is a very good point about executive directorships. Last week I was talking to a partner from a leading firm in the City. She said that when she came into search she was very shocked that the sophisticated processes that applied at executive director level were not applied to non-executive directorships. Our report looked purely at non-executive directorships.

Q217 Lord Brooke of Alverthorpe: Could I come back to the issue of sustainability? You have described what good progress has been made. I come from the Labour movement background, where 15 or 20 years ago we made very good progress in a number of areas where women accounted for a substantial number of the members but had very poor participatory levels for a whole variety of reasons, and we tried to reverse that. Fifteen years on, it had changed—it had gone backwards. This is my fear—that if we operate solely on a voluntary basis, there is always the risk that, as the water runs under the bridge, we will start going backwards to a degree. What do you think we could do to embed the changes?

Professor Susan Vinnicombe: It is very unfortunate that in this country we keep talking about fixing the women, mentoring for women and programmes for women. Actually, it is the chairmen that we need to fix.

The Chairman: That is Lord Davies’s plot.

Professor Susan Vinnicombe: Yes. As I said earlier, there is a small group of hugely active chairmen who are championing this and in some ways they need to educate the other chairmen in the UK. That is the key thing—you are absolutely right. Our great concern is: when Lord Davies decides that his committee work should come to an end, will we lose

momentum? I do not think so. In my opening statement I spoke about the way that it is embedded in UK society. I have advised governments across the world. The UK is the only country in the world where absolutely all stakeholders are working in the same line of direction on this. Everyone is against regulation if possible and everybody wants change, working together. So that is what we have working for us but of course there is a great concern that we might lose this momentum.

Lord Brooke of Alverthorpe: We have certainly seen the momentum lost in my party in politics.

Dr Ruth Sealy: Can I add one comment to that? What is perhaps different now to, say, 10 or 15 years ago is that we have a critical mass of very senior women who have all reached what is described as the “marzipan layer”, which has never happened before. That has been quite significant in the change of discussion around this issue. There have always been one or two women who have got through, but now there is a critical mass. When you talk to female senior managers now, there is much more discussion about them applying their talent to pull through more and more younger women beneath them. So there is a critical mass that was not there before.

Q218 Baroness Scott of Needham Market: I want to try to link three separate topics that have emerged. There is Lord Brooke’s point about sustainability, there is the role of executive search companies and there is the point that you made much earlier about the change of culture on boards that having women can make. I am curious about this: when the executive search companies are filling positions and working with chairmen—not the enlightened chairmen but the others—what, in your experience, are these headhunters doing? Are they finding candidates who look like the blokes who the chairmen are comfortable with, or are they able to work with the chairmen to assist their understanding that it could be different?

Professor Susan Vinnicombe: I think that there is now evidence of the latter. A number of the executive search firms understand that they can play a key role in changing chairmen's attitudes. Unfortunately, though, our research experience of the past 13 years has been that all too often they have colluded with the chairman. The whole process is very underdeveloped—appointments are made very much by personal refereeing—and it is a difficult and complex process. It is also a transactional process, and I think that one needs to look at that. I do not know how much executive search firms get paid for all these non-executive directors, but that is another piece of the argument about why not so much effort is expended and we do not see the level of professionalism that we do in the search for executive directorships.

Q219 Earl of Liverpool: On sustainability, you said that it was good that chairmen are pushing for this now, and mentioned that you are working collaboratively with the 30% Club. Is there any upper limit to the number of members? There are 53 chairmen now in the club. Is there a target of an upper limit?

Professor Susan Vinnicombe: The answer is: I do not think so. The whole idea of the club was 30 chairmen, so the fact that it is up to 53 must indicate that there is no upper limit.

Q220 Earl of Liverpool: So we would be in a win-win situation if that could somehow increase to a FTSE 100 level and even to the 250?

Professor Susan Vinnicombe: Yes, absolutely.

Q221 Lord Kakkar: I would like to come back to the question of sustainability. If I have understood correctly, the small number of executive directors is an important and worrying consideration with regard to sustainability for the future appointment of non-executive directors. Do you think that there is a way of dealing with that which could be accepted and seen as reasonable by large corporations in the UK?

Professor Susan Vinnicombe: I do not think that there is going to be a quick solution here. The number of women at executive director level will increase only if corporates are much more careful about managing their female talent coming through. We have seen so many examples from so many different sectors of how women can get overlooked. In many cases that is not conscious, but women do just get lost and therefore frequently do not get the same developmental opportunities as their male colleagues get—the stretch assignments, the opportunities to work overseas in an important role and so on. There has been a lot of publicity recently about the fact that they may get offered lots of quick mentoring, but they do not get the really serious sponsorship that their male colleagues often get. It is going to take some time to do this, and the approaches will probably be different in different corporate settings.

Q222 Baroness Buscombe: I have just made a note to self here. Going back to non-executives, could it be the converse of what has been suggested thus far? It has been suggested that perhaps women are not prepared to take risks, may not be prepared to challenge and may be a bit shy of coming forward. Could it not be the converse? How many chairmen out there really want a non-executive to challenge them? Let us be honest: most chairmen want their non-executives to be supportive. They would like them to be malleable, attentive and careful but not to rock the boat. Could that be an issue? Perhaps they feel that women might rock the boat as, in a sense, an unknown quantity.

Professor Susan Vinnicombe: I am sure that that is the case. What does come through in our interviews with chairmen who do have gender-diverse boards is that it is not a straightforward transformation. Often—and all our research bears this out—it can lead to quite a lot of friction and that is difficult to deal with on boards. Far more care needs to be given to induction, and bringing women on board and integrating them. But, once achieved, one has a much better dynamic on the board.

Q223 Lord Brooke of Alverthorpe: Back on the issue of sustainability, do you think there might be a case to be argued—going back to Lord Clinton-Davis holding up the threat that there should be quotas introduced if we did not make the targets—that perhaps if we overshot the targets we could have a fall-back position on quotas, that we should never fall below a certain amount?

Dr Ruth Sealy: That is a nice idea. I like that.

Professor Susan Vinnicombe: That is a good idea

Q224 The Chairman: That is another research project for Cranfield coming on, I feel. Let me just put three points in winding up. First of all, you did not make any point at all about the role models. Having women on boards actually encourages women in the lower and middle management levels in those organisations, particularly where there are a lot of women, to aspire to go on boards. In my experience on two boards, I have been told that that had a forcible impact. It would be interesting to know if you have done anything on that.

Professor Susan Vinnicombe: We have not, but a large study was done in the UK of around 2,000 senior women managers who reported exactly that. They were asked whether they were optimistic about getting promotion. Interestingly, the women who worked in companies where there was at least one women director reported being twice as optimistic as the other women. So there is no doubt that there is this signalling up that it is possible.

The Chairman: That is a very important point, particularly for the younger people—the graduates coming out.

Dr Ruth Sealy: Can I just add to that? I did my PhD looking at the importance of role models for senior women in investment banks and that was a very clear finding: where there were not significant women above them, there was a complete lack of belief in their own ability to further their own career.

Q225 The Chairman: Question number two is: has any work been done on the failures, because not all women succeed on all boards? There have been some spectacular failures. There have also been failures that have been eased out. Now, the fact is that one has the same level, I suspect, of failures with men, but with women in the high-profile position, the spotlight is on them. So many times I have heard “I would not have another woman on the board because of—” and yet if a man had made a complete mess of something they would never say “I would not have another man on the board”. I wonder if you have done anything on that.

Professor Susan Vinnicombe: Yes, we have.

The Chairman: About women being in the spotlight position?

Professor Susan Vinnicombe: Yes, we have. That is a very good point. We were reminded by a colleague of ours in the City to address this because she had made the point that when the Metropolitan Police at one stage a few years ago had a real push to get more women at senior level, there were actually more women leaving than coming on. So we did put a spotlight on that this year and I think there are several points that might be worth making. One is that it is perfectly clear that it is not the same women being recycled each time, which was a great concern of ours. Two-thirds of the women appointed to the top boards this year are new women. Two-thirds also have a financial background, which is a bit of a stereotype, but that is another challenge. Two-thirds are new so we are not finding that women are just getting this “golden skirts” phenomenon, which has been talked about in relation to Norway—although I understand the data do not support it.

Secondly, we drilled down to see where the new women were coming from. In the main, this year on the FTSE 100, women were replacing men or there was evidence of additional directorships, but not just for women but for men as well. There was no evidence that the women were coming off but you are absolutely right to raise it. I am personally concerned

that we need to give support to these new women who are coming on to boards because my sense is that they will have uneven experiences of being integrated on to the boards.

Q226 The Chairman: My final question—which I have asked all our witnesses—is: are there any questions that we have failed to ask that you think we should have asked and would you like to ask them now and give us the answers?

Dr Ruth Sealy: I think that the obvious one is: why would we not have quotas? But I think that in the UK at the moment, given the record of the past two years, we have evidence of why we should not have quotas in the UK. If you had asked that question two years ago, the answer might have been different.

Lord Clinton-Davis: But the TUC takes a radically different position, does it not?

Professor Susan Vinnicombe: No. Again, just to comment on this quickly, from all our research in talking to the chairmen, they do seem to be very against any more regulation so the signs are very encouraging in the UK. When I speak in the USA and other countries, they are quite jealous of the progress we are making but, as we have already heard this afternoon, this is based on the point that we continue to make this progress.

The Chairman: Perhaps I may say thank you on behalf of the whole Committee. It has been a very worthwhile session. Thank you for giving up your time and answering our questions in such a detailed and courteous manner. If you think that there is anything else that would help us in our report and that you suddenly think of when you are rushing out, will you get in touch with the clerk? Thank you very much.

Examination of Witnesses

Ms Arni Hole, Director General, Ministry of Children, Equality and Social Inclusion, Norwegian Government; **Ms France Henry-Labordère**, Counsellor for Labour, Health & Social Affairs, French Government; and **Ms Joëlle Simon**, Director of Legal Affairs, MEDEF.

Q227 The Chairman: Good afternoon, ladies. Thank you very much for coming to give evidence before our inquiry. Before I start, I should tell you that if Members have any relevant interests in relation to the questions being asked they will declare them. The proceedings are being transcribed and webcast. You will get a copy of the transcript—for correction or amendments—and it will also be printed on the website. Before we start, I would be grateful if you could each identify yourself for the recording. Please say who you are and make a brief opening statement if you have one.

Ms France Henry-Labordère: My name is France Henry-Labordère. I am counsellor for labour, health and social affairs at the French embassy. Before June, I was counsellor for employment, labour law and professional training at the French embassy, where I supervised the adoption of the law which implemented quotas for boards of directors.

Ms Arni Hole: I am Arni Hole, from the Norwegian Ministry of Children, Equality and Social Inclusion. I have been a director-general there for some years now and was responsible for writing up the law in 2002. I also have responsibility for family law, private law and all equality-related matters. I also have responsibility for economic provision for families.

Ms Joëlle Simon: I am Joëlle Simon. I am the director of legal affairs for MEDEF. MEDEF is the largest business representative organisation in France. We represent around 800,000 companies—small, medium, large, private and public—in all sectors of activity, retail and

services. MEDEF is very much involved in developing gender diversity in general and on boards of companies.

Ms France Henry-Labordère: Perhaps I may make just a small introductory statement. I am very pleased to give to the Select Committee some insight into the experience of the French government regarding the implementation of quotas for boards of directors. Our perception is that full workplace gender equality is yet to be achieved in France, although, if you look at the figures, you might get the feeling that female labour market participation in France is quite high, because 64% of women of working age are in work. France is one of the 15 countries to have already achieved the objective of 60% that was fixed at the European Council in Lisbon in 2000, yet numerical equality between men and women in employment is not in itself sufficient to guarantee professional equality. We have some figures which raise some questions. For instance, women earn 17% less than men at work, even with the same unbroken career path. Another figure which raises question is that only 17% of salaried directors of businesses are women. This is to give you some figures in order to understand why the French government decided to implement some quotas for boards of directors.

Ms Arni Hole: I think I could combine my introductory remarks with my answer to your first question.

Q228 The Chairman: Yes, fine. The question is: why did you choose to impose quotas rather than continue with the voluntary approach in your respective countries? We have probably heard why they have done it in France, with 64% of women of working age in work and only 17% of them directors.

Ms France Henry-Labordère: The first gender equality law in France was voted in in 1983. During 30 years, seven laws have been passed regarding professional equality and equality of salary. Most of them rely on self-regulation or making compulsory negotiation within companies between the employer's representatives and employees' trade unions. The result

of this voluntary approach has been quite disappointing, because progress has been extremely slow. In October 2010, only 12.3% of French companies counted female directors. Taking into account this slow progress, France decided to adopt more binding legislation, resuming the logic which was adopted in terms of political parity. This was made possible by a change to our constitution in 2008, which allowed a bypass of a judicial obstacle which had up to then banned measures of positive discrimination because the change was seen as being made out of respect for the principle of equality. This change to the constitution was made in 2008. That made possible further changes of legislation to implement quotas for boards of directors. The law of 27 January 2011 constitutes a very important evolution, because it makes obligatory a minimum quota of persons of each sex on the boards of directors of private and public companies. The implementation of this quota is gradual. For listed companies, an initial threshold of 20% must be reached by 2014 and a threshold of 40% by 2017. For other companies, the threshold of 40% must be reached by 2017. Those companies affected by the law are listed companies in the CAC 40, which is the Paris stock exchange index, and non-listed companies which have more than 500 employees and whose turnover is greater than €50 million in three consecutive years. So the total number of companies affected by the law is estimated at 2,000.

Ms Arni Hole: I think that Norway was a pioneer. It was question of social innovation actually—and thank you for inviting me. Around 2001, there was much focus on why gender equality had not moved forward in the corporate sector, because it had moved forward in politics, the state sector, universities and families—paid parental leave for a year with a father's quota and so forth—but it had happened very little in the corporate sector. We displayed at that time 40% women in Parliament, 38% in elected municipal bodies, almost parity in Cabinet—today, we have parity in Cabinet—and more than 60% women in universities and colleges. Whereas 79% of women already worked back then, today it is

more than 80% between 16 and 66 years of age. However, only 7% of women had been elected to the board of governors of listed public limited companies and it was approximately the same for private limited companies, which represent the bulk of Norwegian companies. Some 30% of the boards of wholly state-owned companies and other municipal companies are women, and there are very few women on the boards of large agribusiness companies. That is a very conservative sector in Norway, but something has happened there, too—we did something.

The politicians asked what could be done. The then conservative Christian Democrat/Liberal Government decided to try something radical. They saw that they had a chance to do something to change corporate culture—it was too genderised, in favour of one gender of course. All large companies already had mentor programmes and recruitment measures for diversity. Since 2003, all private and public institutions and companies have had to report annually on gender equality and status. That law came into force in 2003. What could be done to the upper echelons of the economy? Women were already visible in the labour market; almost all the family policies were in place. Then came a very interesting argument which was not only about fairness and democracy and about mirroring the population. It was: “Society has invested heavily in higher education; now we need to see the return on this investment”. Another argument was—I tried to prep the politicians with some good arguments—“Talents are evenly divided between the genders. With 62% of women graduating from universities and colleges, it would be strange if none of them, or not more than 7%, should be elected to the boards of governors of plcs”.

So we looked around for experiences. We found none in any other country. We looked to ourselves and found two legal regulations for better gender balance. One was from 1988, saying that there should be no less than 40% of each gender on all government-appointed committees, councils, working groups and even formal delegations outside Norway. This has

worked wonderfully. We also found the Municipal Act of 1993, which said that all groups and committees appointed by an elected municipal council or body should have no less than 40% of either sex. So we thought that we could use those experiences for elections to the boards of governors of listed companies. We do not apply quotas for jobs—none whatever—as you are probably aware. So we decided to set out with a proposal and delivered it to the Parliament in 2003. It was voted in with a large majority in November 2003. I will go more into the history in response later.

Q229 The Chairman: We have time pressures, so could you all aim for an equal share of voice? We are into equality around here after all. Thank you. That was very interesting and it filled us in on the Norwegian background.

Ms Joëlle Simon: Thank you, Lord Chairman, for giving MEDEF this opportunity to express its view on gender diversity on the boards of listed companies. As a business organisation, we truly believe in self-regulation. We privilege self-regulation over legislation, which will not come as a surprise to you, I imagine. We are originating a corporate accord of governance for listed companies, which is now the code of reference for listed companies. When we realised that nothing had changed over decades on boards of companies, we decided to recommend quotas. We decided that in 2005, but, unfortunately, this position was not shared by all the business organisations involved, so we were not able to issue our recommendation at that time. It was only in 2010 that we were able to do so, which was unfortunately too late, because the legislature had been waiting to vote on a law and the law was adopted, as has already been mentioned, in 2011. Even so, our recommendation had some effect in its first year of application. We will talk about the results afterwards. It was a real change of position for our business organisation, because we had in the past been against any quotas.

The Chairman: And now you are leading on the future.

Ms Joëlle Simon: Yes.

Q230 Baroness Scott of Needham Market: The first two speakers really focused on this question as a matter of gender equality. I wondered whether it was a question of gender equality for you, Madame Simon, or whether as a business representative you believe that there is a business case in terms of women and boards.

Ms Joëlle Simon: Excuse me, I am not sure that I got the question.

Baroness Scott of Needham Market: There are two arguments. One is that women should be equally represented because it is a question of gender diversity as a matter of public policy, and the other is that they should be there because there is a business case for that. I wondered what was driving you as a business organisation to change your mind.

Ms Joëlle Simon: We changed our mind because we think that women have a lot of competence.

Q231 Lord Fearn: What has the reception been to the imposition of quotas, particularly among the business community? Do you think that quotas are seen as patronising, or that women who are on boards are not seen as being appointed on merit?

Ms Joëlle Simon: We heard this argument a lot from the opponents of quotas. They said that quotas were demeaning to women because they would be elected as a member of the board as a woman, not as a competent person. That is not a good argument; if we went that way, nothing would change. We need quotas because they are a necessary evil—they are the only way to speed up this movement—but of course we would prefer self-regulation to regulation.

Q232 Lord Clinton-Davis: But the situation is different in every country. One country can accept quotas; another country cannot. Is that not entirely relevant?

Ms Joëlle Simon: This movement is not reversible. I think that member states like Germany will have to follow the movement, because it is history.

Q233 The Chairman: On our second question, do you have any specific points that had not been mentioned?

Ms Arni Hole: When we amend laws in Norway, we have to put them out for a public hearing, for three months. There was a fierce discussion, and there was upheaval and turmoil among the business community. After a while, though, strong influential persons, male and female, came forward and said, “Something has to be done because we have to recruit the talent”. Talent is evenly divided between the genders, and this is a competitive-edge issue. We have to see the return on investment in free higher education. So it was both the gender equality issue and, indeed, a business issue. Today, if you ask the business community, they will say that they live with it just fine. Of course, it could be a sunset law; it is only a tool to see the competence around you. It is not a goal in itself—not at all.

One further point: it is not a human right to be elected to a company board, but it is a human right not to be discriminated against—not to be seen due to the sex that you were born with. Most males do not sit on company boards either. It is an issue of finding the best people, regardless of gender.

Q234 Lord Haskel: If you have quotas, can you explain to us how they are achieved? In Britain, we have search firms that will find directors for you. Do you have that kind of arrangement, or do you advertise the jobs? How do you achieve it?

Ms Arni Hole: We have search firms but we do not consider boardroom governorships as jobs. Public limited companies in Norway are governed by general assemblies. An election committee appointed by the general assembly sets up shortlists and finds good candidates. Then the board of governors is elected by the shareholders in the general assembly each year. However, the nomination committee can of course use a search firm.

Ms France Henry-Labordère: Maybe I can say a few words regarding the perception of the business community in France on the implementation of quotas. It is interesting to underline

that on a topic relating to the organisation of the company, the law is the subject of a relative consensus among unions and management, which is not that common in France, where any change in the law is very sensitive. Most unions supported this, as did the employers' representative, as Ms Simon said, which shows an evolution of mentalities. Presented by a centre-right member of Parliament, the legislative Bill was also voted for by Socialist members, which is also not very usual.

Ms Joëlle Simon: Something that struck me as a first consequence of the introduction of the debate was that there is a professionalisation of the selection of members of a board. That is good, in a sense, but it could be perceived as discrimination because we think about the professionalisation of selection only when we think about women. As a result, I think that it would help to find better male candidates too. Another way to select candidates is the coaching by some CEOs of younger women at top management.

The Chairman: Mentoring.

Ms Joëlle Simon: Yes. Also, women need to develop networks because we know that networks work quite well for men.

Q235 Baroness Valentine: My question has been answered in part already, but perhaps I could ask for the Norwegian perspective. How is the business community in Norway engaged with gender diversity? Is it an advocate? Is it being dragged along or is it just working in practice with the law that it receives? How has the business community's attitude changed pre and post quota? If there is anything more to say on the French examples, I would be interested.

Ms Arni Hole: We have a quite strong gender equality law in Norway—we have a duty to report annually—and we have a strong working environment law, both of which are from the 1970s. I would say that the business community has behaved excellently in Norway. It

has always been interested in this. Because we are such a small community, it needs to engage the talents. No more and no less—it is obliged by law.

After we passed the law in 2003, the main business federation of Norway set up the most wonderful programme called “Female Future”. It has been prized internationally. I really commend it. The Government had nothing to do with that. “Female Future” was set up and the financial sector set up “Futura”. Those programmes are to recruit and retain young people, not only to be elected for boardroom positions but also for CEOs and middle management. It has been wonderful. The business community is deeply engaged.

The Chairman: On the back of Lady Valentine’s question, you mentioned “Futura” and “Female Future”. Can you give a brief description of what they are? It would be very useful if you could give some background for our report. I have just been told that we are about to have a Division in the Chamber. We will continue until such time. I am very sorry about this. I had hoped that we might get through the session. It has not come yet, so let us go to the next question.

Q236 Baroness Buscombe: How do you respond to claims that quotas have led to unintended consequences? We have heard, for example, about companies delisting to avoid complying and about the presence of the rather unpleasant suggestion of “golden skirts” directors on multiple boards. We have heard of women having to be drawn from all parts of society to fill the slots. You are looking unhappy about this. Please respond because this has been a lot of the banter that we have not necessarily heard here during evidence, but certainly has been in the press and the media, among others.

Ms Arni Hole: There has been a lot of research into this, but let us remember that the law governing public limited companies has been acting only for four years. It was enforced in 2006 with two years in transition. We have 40.9% of women on those boards.

Baroness Buscombe: Can I just stop you there? Two years is a very short transition period, is it not?

Ms Arni Hole: It is the law in Norway. All company laws that are amended have two years in transition.

Baroness Buscombe: It is still short to bring up those numbers, is it not?

Ms Arni Hole: I have to tell you a story. When the proposal was voted in Parliament in November 2003, the then Conservative cabinet decided to enforce all the laws for the other types of companies—wholly state owned, municipal, et cetera—but it did not go to the King. Of course, we have to go to the King to enforce laws. It did not go to the King with the public limited company law because it thought that it would sort it out itself, but it did not. Each year, we have a national business register measuring everything and by the fall of 2005 at the time of a general election, we saw that nothing had happened. It had moved from 7% to 9%, so the Government entering office in October—the present Government—decided to go to the King. So they had four years.

Perhaps I should answer the rest of your question. On the “golden skirts”, we hardly have that problem. A few women have four boardroom positions to which they are elected. It is interesting that you ask because formerly we had an immense problem with the “golden ties”, but that was not seen as a problem. This is so interesting. It is like this: you are nominated on a shortlist and you are elected from a general assembly. I would ask: who would elect a poorly educated person, regardless of gender, to take care of their shares? I would not.

Ms Joëlle Simon: We did not notice any delisting due to the introduction of quotas in France. It is true that, as in Norway, some women hold several positions but not that many. Generally, it is two and at the most it is three. According to French law, there is a limit to the number of positions a person may hold in a listed company. It is very complicated

legislation so I will not go into details. We did not see any exodus of women after the introduction of quotas.

Q237 The Chairman: You have said that research is available. Again, could we see that research?

Ms Arni Hole: I could ask my staff to mail it to you tomorrow afternoon when I am back in Oslo, because I do not have it with me. Not everything is in English, but the summaries are in English.

The Chairman: I am sure that we would be able to get it translated.

Ms France Henry-Labordère: I just want to add a few things to Ms Simon's comments. The quota of 40% completes the legislation provision for multiple administrative posts, which limits to five the number of director posts that one person can hold at the same time. We have observed some notable progress in the number of women on boards of directors. However, one must underline that, if listed companies have already surpassed the threshold of 20% of women on their board of directors, that result has been mainly achieved by offering posts to women who already had a position elsewhere. That limits the effectiveness of the legislation.

However, this attenuation of the expected effects of the law should turn out to be only temporary with this limitation of the number of positions that a person can hold. We think that French companies should be forced increasingly to expand their talent pool of women in administrative positions. This is an important element in order for the measure to have a true impact. Otherwise, the risk is, as you said, that a small group of women occupy all the posts.

Q238 The Chairman: I take it that the same law applies to men. Just for clarification, does the same law apply to men?

Ms Arni Hole: Obviously. Yes, it is gender neutral.

Ms France Henry-Labordère: Yes, exactly.

Q239 Lord Brooke of Alverthorpe: As you are probably aware, we are making progress on a voluntary basis for non-executive posts in the UK, but the number of executive posts going to women is still rather small. But it is higher than in Norway. Given that you have hit the 40% target, the quota, for the non-executives, why is there such slow progress with the executive posts? What are you doing about that?

Ms Arni Hole: Yes, indeed, but I am afraid that the numbers are not correct. Last Friday, I went to the national centre of statistics. Today, 7.8% of the top managers of public limited companies are women. For private limited companies—the bulk of Norwegian companies—the number is 14.6%. They of course are elected by the boards.

The Chairman: Can I just warn you that your ears are going to be blown off in a moment because we have a Division and we had better stop. We will be back in about 10 minutes so please do not go away.

[Meeting suspended for a Division in the House.]

The Chairman: Thank you, everybody. Again, I apologise for the break in proceedings. I call Lord Brooke.

Q240 Lord Brooke of Alverthorpe: We were being corrected on some of our figures on the number of executive posts that have been filled by women. Looking at that area, what more, if anything, needs to be done there? How do you address the issue of sustainability—not just keeping the momentum but not slipping back? Can we have a report on what is being done within France to achieve progress in those areas? I also picked up from our documents that your target date for compliance is 2017 in France, and that one sanction is that fees will not be paid to directors in companies that do not comply. Have any such fees as yet been exacted for failure to comply and is there a possibility that you may have to do it? Is it an effective weapon?

The Chairman: It is very effective.

Ms Joëlle Simon: Yes, we had a very long discussion about the nature of sanctions and we think that pecuniary sanctions, such as the privation of fees, are more effective, because nullity is a civil sanction, but the privation of fees is more efficient. For the moment, we do not have any opportunity to apply such sanctions because it is too recent. As has been mentioned, the law is well implemented, because we are in advance for implementation of the first target of 20%. After the general meetings of 2012 concerning the CAC 40 index of listed companies, we will reach a percentage of 23%.

Q241 Lord Brooke of Alverthorpe: So you have some milestones?

Ms Joëlle Simon: Let me check. It is 23.4%. That is quite good, but perhaps it will be more difficult to reach the second threshold of 40%. There are a lot of initiatives and it is an ongoing process, but, to answer your question, we have also to develop initiatives at the executive level. That is very important, but we thought that it was easier to start with the board level, because it is visible. Of course, it would have been more objective to start with the executive level, because that is the place that you can pick up skills, competence and experience, but it would not have worked that way. That is why we decided to start with the board level, but now there are a lot of initiatives by companies to work on the promotion of equality and the promotion of women at top executive level.

For example, I can tell you that the board of Accenture meets every year to look at promotion and to try to reach a balance between the promotion of males and females at top executive level. This is now a virtuous process.

The Chairman: You wanted to have another word.

Ms Arni Hole: Yes, because I did not manage to finish before the Bell sounded. It is important for me to say that we cannot employ quotas for jobs. If you are hired for a job or compete for a job, you have to compete. We cannot implement quotas for CEOs. In

Norway, under the law governing public limited companies, the top manager, the CEO, cannot be a member of the board, but it is the board's most important job to recruit and hire the CEO. We are improving in that sense as well, because the pool of competent women seeing themselves fit to compete for top management is increasing due to the fact that we have the quota for boardrooms. More competent women are seen and see themselves as fit for the competition. There are now 7.8% women CEOs of plcs—it has moved on by 4%—and private limited companies have 14.6% CEOs.

There is one interesting number. In the boardrooms, we have 40.9% in public limited companies. The non-regulated private limited companies have 17.4% women on average. That is not so bad, but it is not so good either, so in my ministry, together with the Ministry of Finance and the Ministry of Trade and Industry, we are looking to regulate—maybe—the largest of the ordinary private limited companies. We are working on that now.

I must declare, Madam Chairman, that I am a little disappointed that, in those four years, after the 40% level was reached in 2008, boards with gender balance have not been able to hire more women as CEOs. However, from the governmental side we cannot legislate quotas for jobs; that would be illegal in Norway.

So we have a process, and I think that it is keeping a high pace. We have family policies quite in order in Norway: you have one year of paid parental leave, 12 weeks for the father and full coverage for early childcare to an affordable price after the child is one year of age, and one parent can stay at home 10 days a week with pay until the child is 12.

The Chairman: Ten days a week?

Ms Arni Hole: No, 10 days per year, of course, until the child is 12—that would be too good, even in Norway. As I see it, there is no excuse any more for women not to compete for top jobs.

The Chairman: That is very interesting. It could be just psychology, actually where you find a block on that. I am afraid that we have to push on, because we have other things to deal with.

Q242 Lord Kakkar: Can I turn to the role of the European Union and the single market on this issue? For the single market to operate appropriately, does it really matter whether EU states take a different approach towards this question? Does the European Union really have a role in taking a single approach by specifying a quota across the entire single market and the member states? With regard to gender diversity on boards, does the percentage need to be consistent across the EU? Will it actually make any difference and what should the percentage be?

Ms France Henry-Labordère: I would say that France is very interested in the possible initiatives that the European Commission could take to increase the presence of women on boards, among them by implementing quotas. The assessment made by the French government regarding the European Commission's initiatives in terms of incentivising the companies show that little progress has been made. If I look at the figures, in 2012 only 13.7% of board members in big European companies are women. That figure was 11.8% in 2010; at that pace, it would take more than 40 years to reach a satisfactory equilibrium of having at least 40% of each sex. That is why we believe that a graduated approach and one of reasonable voluntarism should be considered. We could start with self-regulation, recommendations and maybe have directives if necessary, in co-ordination with unions and stakeholders.

Regarding your question on whether the percentage should be consistent among the different EU countries, we believe, yes, that this percentage should be consistent. We think that having 30%, and maybe a prohibitive state at 20%, seems reasonable as it corresponds to the critical mass that allows women to influence the decision-making on boards. It also

gives the minimum amount of flexibility because it is not strict parity—it is not 50%. However, having said that, we could consider a different schedule for the implementation of this quota and for each country to comply with this new requirement.

Q243 Lord Kakkar: Why, though, should it specifically be a single market issue? Why does a single market operate better because we have a European Union quota applied across all member states in this matter?

Ms Arni Hole: I was just going to give a comment from a non-EU member.

The Chairman: Briefly, please.

Ms Arni Hole: Yes, but it seems strange that the EU, at the union level, should roll out one single approach in all member states because the cultural, economic and social situations are so different. I hosted a 17-country expert group this May with the Commission. Even the British were there with representatives from the UK, discussing Lord Davies's report and so forth. The presentations they made from their situations were extremely different, and the company laws vary a lot. The normative issue is of course extremely important. I think that reporting, transparency and being fined when not reporting is an excellent measure if, politically, you do not want to go for quotas. Denmark recently did that this spring. It has introduced a legal measure of reporting and transparency, as you have in Britain, but they could be fined if they are not reporting. That is another way of doing it.

The Chairman: A final word from Ms Simon on that.

Ms Joëlle Simon: On that issue, we also privilege soft regulations—I mean recommendations. An issue I want to address is the application of legislation to private companies because in France, most private companies are family controlled. It is more difficult to introduce quotas in family-controlled companies. That is really an issue in France because there is a limitation on the number of directors that you can have on boards, so it is a problem.

The Chairman: That is very interesting. It is a problem. As a Chairman, I am not supposed to have a view but I am still not convinced. I do not have a view but I would like to bring us back to what the single market is all about. It is essentially about trade and the movement of people and goods, all leading to growth, and about the removal of non-tariff barriers to trade. I am not so sure that quotas for women on boards would be regarded as a non-tariff barrier to trade, if we did not apply it. I throw that out because I think that sometimes we have to stand back a little bit and see it in the round.

Ms Joëlle Simon: I am not sure because there may be some difficulties at European level in imposing quotas, because it will not be possible due to the treaty. I do not know if you share my point of view.

Q244 Lord Kakkar: The conclusion is that it is not really a single market issue. There are many good reasons for doing this, but one of them is not the fact that this matter is pertinent to the single market in Europe. Would you agree with that?

Ms Arni Hole: I follow you.

The Chairman: You are non-committal, but you follow us. I think that Lord Kakkar has raised a very important point. We are probably more aware of it because we have done a recent report in this Committee on the single market. It was about the things that actually are the barriers to its completion. If you have any further ideas on that question, which I know we have sort of thrown at you, it would be very good if you could write to us. I think that would be the way. I am sorry about not giving you advance notice but it had just begun to germinate and I think it is an area we should look at.

Q245 Earl of Liverpool: This is by way of a wind-up of everything that has been discussed, and Lord Kakkar's supplementary question that he just asked may have answered it. Are there any other measures that the EU should take—either alongside or instead of

quotas—to ensure better gender diversity on boards, such as reporting or monitoring requirements?

Ms France Henry-Labordère: As my colleague from the Norwegian ministry said, we believe that the question of transparency is obviously very important and goes alongside the implementation of quotas. Regarding the French legislation, the law said that the report of the director of the boards towards the composition of the board must be made public, and must from now on show specific developments regarding the application of the principle of equal representation of women and men on the board. This is the principle of “comply or explain”. We see that as also being a very important step in order to promote gender diversity. It is not only a question of quotas but a question of the public image of companies. All these results are made public every year and there are some press articles regarding the achievements of the companies, so it also participates in this movement for promoting gender diversity in boards. We think that is another step that maybe the EU could also promote and encourage.

Ms Arni Hole: I think that, at the Union level, Viviane Reding has seen that it is necessary to change corporate culture. Like you say, a gender-balanced business culture is good for reputation building in the market. You compete well if you compete for the best outcome—you know, being proud of it in the market—so why not use a market possibility that is more efficient? It is about that as well. I think that would be my advice: to increase the competition by recruiting and retaining the best talents of Europe.

The Chairman: And the final comment is from Madame Simon.

Ms Joëlle Simon: This may not be a comment on this issue but there is a point we did not address: the question of remuneration and the differences in it between male and female directors. According to a recent survey, the remuneration of female directors is still much below that of male directors. I read that it is 50%, which is a huge gap, but I was not able to

check. Compared to the difference between the remuneration of women and men within companies—is that around 20%?

Ms France Henry-Labordère: 17%.

Ms Joëlle Simon: It is 17%, so it is huge regarding the executive directors.

The Chairman: I am afraid that we will have to end it there because we have a few more items on our agenda. On behalf of the Committee and on my behalf as well, thank you very much indeed for your great answers and for your helpful additions to our knowledge. You will be getting a copy of the report and of course you will be getting a transcript as well, so thank you all very much indeed.