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# Female Representation on Boards of Directors of Italian Companies Following the Introduction of "Pink Quotas"

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## ABSTRACT

The current research aims at checking the composition of “pink shares” within the Boards of the companies listed on regulated markets and at highlighting the consequences of the introduction of the Law n. 120 of July 12th, 2011 (Law Golfo-Mosca), that provided for the principle of balance between genders in the boards of listed companies and of not listed companies with public control.

In the first place, Italian regulatory situation and positioning of national practice compared to other European and international systems have been assessed.

Then empirical research was conducted on 188 companies listed on the Italian Stock Exchange. Data on the composition of the board have been extracted from the annual financial statements for 2011 and 2012 and from the reports of the first half-year 2013.

The work focused on the composition of the Boards of Directors, in order to analyze the evolution before and after the introduction of the Mosca-Golfo law, highlighting the number of women in the boards by sector, the trend of female presence in the boards and a comparison of the trend of women in the boards with the trend of women in executive roles.

The introduction of quotas for women gave a decisive boost to the opening of the boards to the female gender, even though access for the moment is concentrated mainly on non-executive roles.The first data suggest that the observed trend will continue, but the lasting effects will depend on the ability to create a profound cultural change.

**Keywords:** Gender equality, board diversity, quotas, governance

## 1. Introduction and Presentation of the Research

More than a year after the coming into force of the law 120/2011 on the so called "pink quotas" related to gender equality and the rebalancing of roles within the boards and management of Italian listed companies, businessmen are still sceptical about the opportunity of introducing reserved seats for women and some women themselves do not appreciate being separately "catalogued".

European Union countries do not converge on this topic. The European Council has not yet been able to approve the proposal of the European Commission of a Community Directive which would impose the presence of at least 40% of the less represented gender in the Boards of listed companies by the year 2020.

Italy was one of the first European countries to adopt this, reaching the average participation level of the Union.

The current research aims at verifying the composition of "pink quotas" within the Boards of the companies listed on regulated markets and at highlighting the consequences of the introduction of the Law no. 120 of July 12$^{th}$, 2011 (Law Golfo-Mosca), that provided for the principle of balance between genders in the boards of listed companies and of unlisted companies with public control.

In the first case, the Italian regulatory situation and positioning of national practice, was compared to other European and international systems, and assessed. Then, other states that have implemented a quota system before Italy were investigated, to try to understand if the immediate effects were useful indicators and could anticipate future developments.

## 2. The "New" Italian Discipline

The "pink quotas" system was introduced in Italy by the law 120 of July 12$^{th}$, 2011,a bipartisan regulatory intervention promoted by two Members of Parliament: Lella Golfo (Pdl) and Alessia Mosca (Pd).

This rule changes the consolidated text of the provisions on financial intermediation, referred to in Legislative Decree 24.2.1998 no. 58 (TUF), and in particular articles 147-ter and 148,and it introduces equal access to the boards of management and control of companies listed on regulated markets.

This rule provides that the statutes define the procedures for submitting the lists so that the less represented gender (the female one) forms at least one third of the directors elected. In the two-tier system, such standard is applied to boards with at least three members. In the same way, statutes must ensure the balance in the composition of the statutory auditors' board, which must be made up of at least one third of the less represented gender.

These allotment criteria apply for three consecutive terms. The regulations take effect from the first renewal of the governing bodies next to one year after the entry into force of the law. For the first mandate, the quota is equal to a fifth of the directors and auditors elected. The system is, therefore, effective progressively as of August 12$^{th}$, 2012.

In case of failure to meet the required criteria, CONSOB (the Italian Stock Exchange Commission) warns the company to adapt within a maximum period of 4 months. After this period, in the event of default, an administrative fine is applied and a new deadline of three months is fixed. Any further non-compliance results in the removal from office of the members elected. The monitoring and enforcement of the legislation, as well as the power to regulate and sanction, is entrusted to CONSOB, which, with resolution no. 18098 of February 8th, 2012, established in detail procedures and cases.

The standard is the result of a cross-parliamentary bill, initiated in 2008 with two separate bills, presented to the House by the two deputies Lella Golfo and Alessia Mosca, and then merged into a single text. The original proposal provided for a minimum of one third for three consecutive terms and, in case of non-compliance, the immediate termination of the members elected.

The scope has been obviously revised in the final version. Besides the reduction of the quotas in the first term, the application of the framework was delayed for one year after its entry into force and the incisive penalty system of immediate termination was replaced with a milder one of warnings to comply.

The scope of application of the law 120/2011 is extended also to publicly controlled companies, incorporated in Italy, not listed on regulated markets. The implementing regulation is the Presidential Decree of 30 November 2012 no. 251,and it applies to the first renewal after 12 February 2013.

These companies must meet the same criteria for the appointment of administrative and control bodies of collegial nature, always by special statutory provisions. Supervision of the correct application of the rules is entrusted to the Chairman of the Council of Ministers or to the Minister with responsibility for equal opportunities. The only difference compared to listed companies, public or private, is the lack of provision for sanctions of a financial nature.

Companies are given the autonomy to define procedures and mechanisms to ensure gender balance. The articles of association (for the managers)and the articles of incorporation (for the auditors)must, therefore, indicate the criteria for submission of lists, for revocation or replacement of members of the governing bodies, so that the gender quotas will always be respected.

It should be emphasized that the new rules are transitory, as they bind the composition of the governing bodies only for three terms. The board members remain in office for three years in general, which the maximum time limit is allowed by the Civil Code. Nothing prevents, however, the mandates having a shorter duration, for example equal to one year. Thus it can be understood how the protection afforded to gender balance, already of limited duration, could run out in practice in a very narrow time frame.

It remains undeniable, however, that the Golfo-Mosca law represents a substantial innovation in the Italian economy where the "glass ceiling" is traditionally populated by men. This regulatory intervention allows the system to be in line with the national legislation of other countries and it provides the right input to overcome the small percentage of women at the senior management level.

## 3. Protection of Gender Equality in the Other Countries of the World

The analysis of Terjesen, Aguilera e Lorenz (2014) conducted on 67 countries worldwide showed that the presence of women on boards of directors and statutory auditors amounted on average to 10.3% of the total members. The lowest values were recorded for Morocco (0%) and Japan (0.9%), while the highest shares are found in Norway (42%), followed by Sweden (28%) and Finland (27.2%). The legislation adopted by different countries is very varied. A dozen countries[1]have introduced the quota system (values between 33% and 50%), generally with progressive effectiveness and deferred in time, with different mechanisms of sanction. Fifteen [2] countries have implemented self-regulatory codes in the recommendations for the protection of gender diversity, opting for the principle "*comply or explain*".

Norway was the first country to introduce in 2003[3]the gender quota of 40%in listed companies or publicly owned. It is a country traditionally against discrimination between genders, with a legal system and culture that emphasizes the concept of equality between women and men and that boasts the highest rates of female participation in politics. Despite significant progress in terms of gender equality, in 2000 only 5% of managers were women[4].With the effects of the quota system, in 2007 this percentage reached 40% for listed companies. Defaulting operations will be punished with very severe sanctions, such as the dissolution of the company. Many companies have decided to transform themselves, not to be subjected to the discipline rules in question. The number of ASA Allmennaksjeselskap (*limited companies*), from 563 in 2003,dropped to 346 in 2005 and to179 in 2008.

[1]Norway, Spain; Finland, Québec (Canada), Israel, Iceland, Kenya, France, Italy, Belgium. Taken from Terjesen et al. (2014).

[2] Australia, Austria, Denmark, Germany, Ireland, Luxembourg, Malawi, Malaysia, Netherlands, Nigeria, Poland, South Africa, Sweden, United Kingdom, United States. Source: European Corporate Governance Institute www.ecgi.org (2013). Taken from Terjesen et al. (2014).

[3]Introduced in date 19.12.2003 with the modification of Norwegian Public Limited Liability Act (§§ 6–11°).

[4]The data related to Norway cited in this paragraph are taken from: Bertrand et al. (2014).

Good results have been obtained in terms of the percentage and quality of the members recruited, however, increases in top positions (CEO) covered, or improvements of the pay gap between women and men, are not recorded, not to mention that the rule excludes many private companies.

Other countries like Spain, Iceland, Finland, France and the Netherlands, following the example of Norway have implemented similar reforms [1]. Spain in 2007[5]introduced a recommendation of law so that large listed companies (with more than 250 employees) should increase the number of women gradually to 40% by 2015. This is required both for executive directors and for non-executives. The market, characterized by a predominance of family-controlled companies, makes the effective participation of women - especially of outside members compared to the control group –in the decision making process more difficult. The legislation, which does not provide tangible consequences in case of default, except an evaluation of merit in public contracts, does not appear to have had an effect in terms of greater balance and diversification of the Boards [2].

Also in France the law of 2011[6] provides for a percentage of diversity of 40% by 2016 for listed companies with 500 employees or 50 million euro in revenues. The presence of women in corporate boards has risen from an average of 10% in 2009 to around 30% in 2014. The appointments in non-compliant companies may be withdrawn and the remuneration of directors suspended. Also in this case the adaptation to the legislation is required in a progressive way, with the target of 20% by 2014.In terms of quality of governance, in France too, where approximately 2,000 listed companies are involved, the results achieved to date cannot be defined as satisfactory. Only women of foreign origin, with substantial and diversified skills, not belonging to the same male consolidated network, are able to concretely contribute to the quality of the corporate bodies [3].

Other countries like the United States and United Kingdom [7] have preferred a less forceful approach, promoting, through self-regulatory codes, “good” governance practices to ensure gender balance. It requires an adequate level of information about the measures taken to implement the degree of inclusion of women and diversity of boards. In the United States the SEC (Securities and Exchange Commission) introduced in 2009[8] the rule of disclosure for companies with a share below 50%, but the most important companies are far from these parameters. According to the survey of Bertrand, Black, Jensen and Lleras-Muney, in 2013 women count for only 16.9% of the seats in the boards and hold 14.6% of executive director positions in the 500 largest corporate enterprises (Fortune 500), with data substantially unchanged in recent years. Only US companies operating in foreign countries where there is a system of quotas have recorded positive figures in terms of increasing the number of women [4].

In Germany, where historically a voluntary approach is preferred [1], after months of difficult political negotiations, at the end of2014[9] the government passed legislation which provides, from 2016, in the supervisory boards of major listed companies, 30% of seats to be reserved for women. In medium-sized companies it will be applied with more flexible criteria [5].The German experience is unique in the European evolution of the regulatory framework [2]; it went from a voluntary system to the imposition of quotas. The recommendation contained in the Code of Corporate Governance 2010[10] was the first document; after that there was the introduction of mandatory quotas, with a three-year progressive program of implementation. In Germany, the ratio of women in executive and non-executive director positions amounts to values greater than the average of other European countries (about 25% in the supervisory boards of the 30 largest companies) [5].

In the European Union the opportunity to introduce the system of pink quotas has been the subject of debate for some years. The European Parliament [11] approved the proposal of the European Commission's Directive[12] on the balance of genders, promoted by Vivian Reding in 2012, for a 40% share in Boards- or 33% if CEO positions are included – of 5,000 listed companies by 2020; for state-owned companies adaptation is due by 2018.

[5]Organic Law (Ley Organica) 03/2007 Art. 37.2, Art. 375.

[6] Loi 2011-103 du 27 janvier 2011 relative à la représentation équilibrée des femmes et des hommes au sein des conseils d'administration et de surveillance et à l'égalité professionnelle [Law 2011-103 of January 27, 2011 on the Balanced Representation of Women and Men on Board of Directors and Supervisory Boards and Equality Professional].

[7]The U.K. Corporate Governance Code (September 2012).

[8]Securities and Exchange Commission 17 CFR PARTS 229, 239, 240, 249 and 274 *PROXY DISCLOSURE ENHANCEMENTS.*

[9]Law approved on 11 December 2014 by the Council of Ministers chaired by Chancellor Angela Merkel.

[10]German Corporate Governance Code of 26 May 2010.

[11] European Parliament, Legislative resolution of 20 November 2013 on the proposal for a directive of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed on stock exchanges and related measures (COM(2012)0614 – C7-0382/2012 – 2012/0299(COD)).

[12]European Commission COM(2012)0614, Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on improving the gender balance among non-executive directors of companies listed on stock exchanges and related measures.

Within the European Council a common Directive has not yet been approved because the member states have not reached an agreement on the content. The debate on the Commission proposal continues in first half 2015 [6].Women represent on average one fifth of the Boards in Europe. The provision of the same share of 40% for all 28 EU countries is an important step for the protection of gender equality and is intended to provide a uniform target for all businesses operating in the European Union. It has not yet received, however, unanimous consent, because of the quite diversified starting points of Member States, with obvious implications in terms of energy and efforts required for alignment [2].

## 4. Theoretical Reference Framework

The debate on the subject of gender diversity in the organs of administration and control is all the morelively. Since 1977 Kanter RM [30] has supported the theory that states that a more balanced Board would bring benefits to the enterprise. More recently, the researchers[8 -11]tried to explain how women in top positions would affect the value of the company [2].

The 2008 crisis alerted investors and supervisors of the market on the need to reduce risks by good governance practices [2]. The gender balance as good business practice has in fact been gradually implemented in the self-regulatory codes of many countries.

The need for more women in boards comes from a purely economic motivation: it brings to the company diversified and complementary resources in terms of experience, culture, attitudes and background [12-14].The availability of diversified resources and skills is a key success factor for the company that has to face a globalized competitive environment, complex and unstable [15]. Numerous empirical studies have documented the existence of a positive relationship between the degree of gender diversity in the boards and within senior management, the profitability of a company and its market value [16, 3]. "Pinker" businesses also appear to be more risk averse and less leveraged [17, 18]. The presence of women sensitizes the company to the needs of stakeholders [19], it improves its image (European Commission 2003)[13], and it allows intercepting new market opportunities [3].

Researchers seem to converge on the opportunity of a better balance in the composition of the corporate boards, as such condition would seem to be beneficial to the decision-making process [20, 3] as well as to the corporate governance practices [10, 21]. Sociologist Rosabeth Moss Kanter [30] indicates a critical mass of 35% of female representation in the composition of a collegial body, under which the minority tends to be simply ignored. By contrast, above this threshold, it seems that the minority group is able to influence the decision-making processes.

Many authors [22, 1-4] wonder about the fairness of the system of "pink quotas", and in particular whether the introduction of binding rules brings concrete positive effects to the performance of the corporate bodies and the value of the company. In theory they can help to implement the Gender Equality [4], but their effectiveness depends on the reasons for discrimination and on the structural conditions of context [23, 24]. If the lack of women is due to the lack of networking and to prejudices, the quotas can help reverse the trend, facilitating the rise of women to senior management [4]. If, however, the women recruited don't have sufficient skills and abilities, such a system would have the effect of reinforcing prejudices and negative stereotypes, with the further result of discouraging women to invest in their careers [25].

The researchers also sought to understand if the probability to aggregate a woman on the board is related to some company characteristics [26] or to the economic reference system [22]. It is in general more likely to recruit women where the boards are more independent and more varied [22, 27, 2]. The study of Schmid and Urban (2013)shows a boundary line between the Nordic and the most advanced countries, where diversity is rewarded with better performance, thanks to more efficient processes for the selection of managerial figures, and the others. In these countries there are heterogeneous skills in the boards, following the entry of female figures, and the introduction of future quotas can stimulate the selection of appropriate board members. By contrast, in the countries of southern Europe, a majority of women could be associated with less independence of the Board [22].

The quota system generally seems to have an affect more on statistics and less on attitudes; it does not help to remove the underlying causes and to promote cultural change [1]. Structural reforms (especially the labour market and welfare system), combined with binding standards, Terjesen, S. et.al (48), are therefore deemed essential to achieve sustainable levels of gender balance.

## 5. Research Results

This research was conducted on the companies listed on the Electronic Stock Market of the Italian Stock Exchange (listed companies of medium and large capitalization), excluding those belonging to the International segment of the Electronic Stock Market (foreign issuers already traded on other regulated Community markets).

Data on the composition of the boards have been extracted from the annual financial statements for 2011 and 2012 and from the reports of the first half-year 2013, considering all industrial sectors excluding banks, insurance and financial services (sectors 9a, 9b e 9d).

[13]European Commission. (2003) The costs and benefits of diversity.

The research focused on the composition of the Boards of Directors (and where relevant Supervisory Boards), in order to analyse the composition before and after the introduction of the Mosca-Golfo law. The renewal dates of the boards were specifically examined, to check the adjustment to the new criteria, which apply to renewals after August 12, 2012.

The total sample is composed of 188 companies with complete data for the entire period of analysis, after the exclusion of one company in liquidation. It confirms the traditional duration of three years of the boards (maximum allowed by the Italian Civil Code); only for 9 companies are the duration is less. During the reporting period only two companies in the sample changed the duration of the board. Tables 1 and 2 summarize data on the composition of the boards of directors. This includes all the positions present in the boards: President, Vice President, Chief Executive Officer (CEO) and Board Members. Table 1 shows the results obtained from the global analysis of all available seats in the 188 boards, regardless of the company to which they relate. In Table 2 are indicated the data related to the examination of individual Boards.

**Table 1: Composition of the Board of Directors(overall data)**

| | **2011** | **2012** | **2013** |
|---|---|---|---|
| **Total number of places in the boards** | 1.775 | 1.767 | 1.756 |
| **Total number of women in the boards** | 148 | 202 | 295 |
| **% female presence** | 8.34% | 11.43% | 16.80% |

**Source:** reworking of the authors of information extracted from the annual financial reports and semi-annual financial reports of the companies listed on the Electronic Stock Market of the Italian Stock Exchange (banks, insurance and financial services - sectors 9a, 9b e 9d - have been excluded).
Data at December 31, 2011, December 31, 2012 and June 30, 2013.

At year-end 2011, the total number of members of the boards is 1,775; women are 148 and cover the 8.34% of the total seats available in the boards.

In 2012 the percentage of women is growing at 11.43%, with 202 seats covered in front of a total of 1,767 seats in the boards of directors.

In June 2013 there are 295 women, with a female percentage of 16.80% on 1,756 total seats available in the board

**Table 2:Composition of the Board of Directors(analysis of individual boards)**

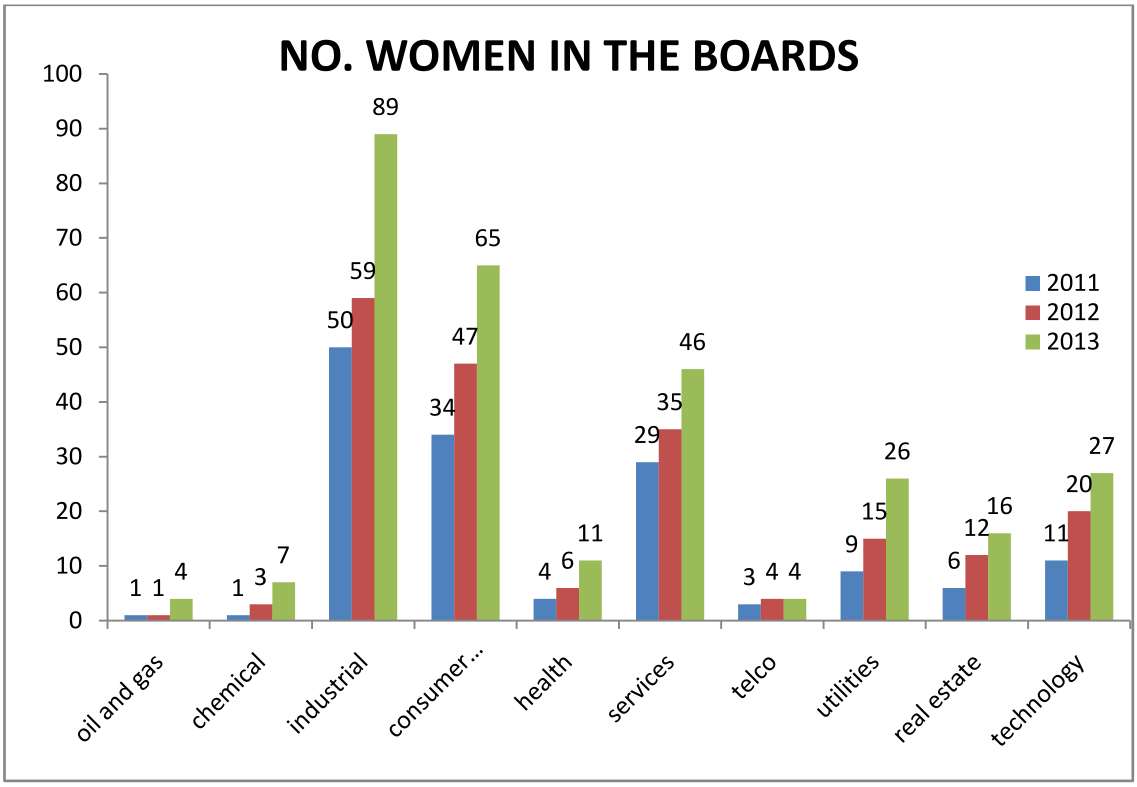
| | **Average 2011** | **Average 2012** | **Average 2013** | **MIN/MAX 2011** | **MIN/MAX 2012** | **MIN/MAX 2013** |
|---|---|---|---|---|---|---|
| **Number of members of the Board** | 9.44 | 9.40 | 9.34 | 3 21 | 4 20 | 3 19 |
| **Number of women in the Board** | 0.79 | 1.07 | 1.57 | 0 4 | 0 4 | 0 5 |
| **% female presence** | 8.35% | 11.24% | 16.71% | 0% 50% | 0% 50% | 0% 62% |

**Source:** Reworking of the authors of information extracted from the annual financial reports and semi-annual financial reports of the companies listed on the Electronic Stock Market of the Italian Stock Exchange (banks, insurance and financial services - sectors 9a, 9b e 9d - have been excluded).
Data at December 31, 2011, December 31, 2012 and June 30, 2013.

At year-end 2011, the average size of the boards is 9.44 members, with a minimum of 3 and a maximum of 21 members. On average there are 0.79 women in every Board (the number ranges between a minimum of zero and a maximum of 4 women), with a percentage of 8.35% (minimum value 0% - maximum 50%).

In 2012 the size of boards is stable at 9.40 total members (from a minimum of 4 to a maximum of 20 members), women on average rose to 1.07, with a minimum of zero and a maximum of 4 presences. Women account for 11.24% of the board (minimum value 0% - maximum 50%).

At June 2013 there are on average 9.34 members that sit in boards (from a minimum of 3 to a maximum of 19), of which 1.57 women, with a minimum of zero and a maximum of 5 women. The rate rose to 16.71%, (minimum value 0% - up 62.50%). In Graph 1 you can see the breakdown of female members by industrial sector in the three years under review.



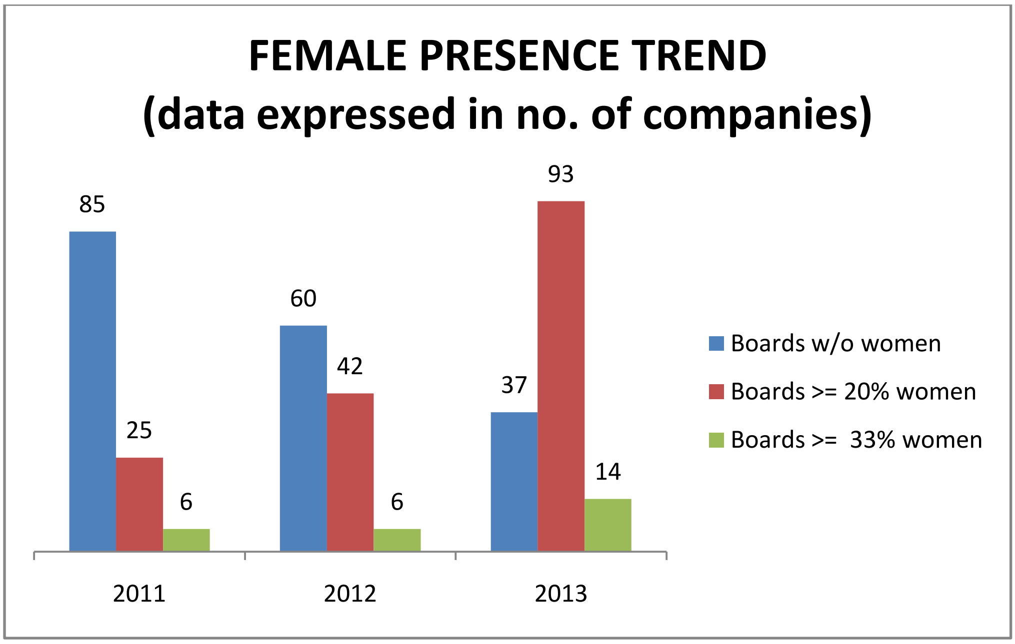

**Graph 1**: **No. of women in the Boards by Sector**
**Source:** Reworking of the authors of information extracted from the annual financial reports and semi-annual financial reports of the companies listed on the Electronic Stock Market of the Italian Stock Exchange (banks, insurance and financial services - sectors 9a, 9b e 9d - have been excluded).
Data at 31.12.2011, 31.12.2012 e 30.06.2013.

A first reading of the data indicates that the number of women in the Italian companies' object of the sample, before the entry into force of the legislation, was very low, with values far below the European average; in half of the boards of directors sit only men. The evolution of the numbers, in line with the findings in other countries following the introduction of quotas, shows a clear positive trend. The boards then become more diversified. In 2013 more than 80% of the companies include at least one woman on the Board. The average of 17% is in line with that of other EU countries.

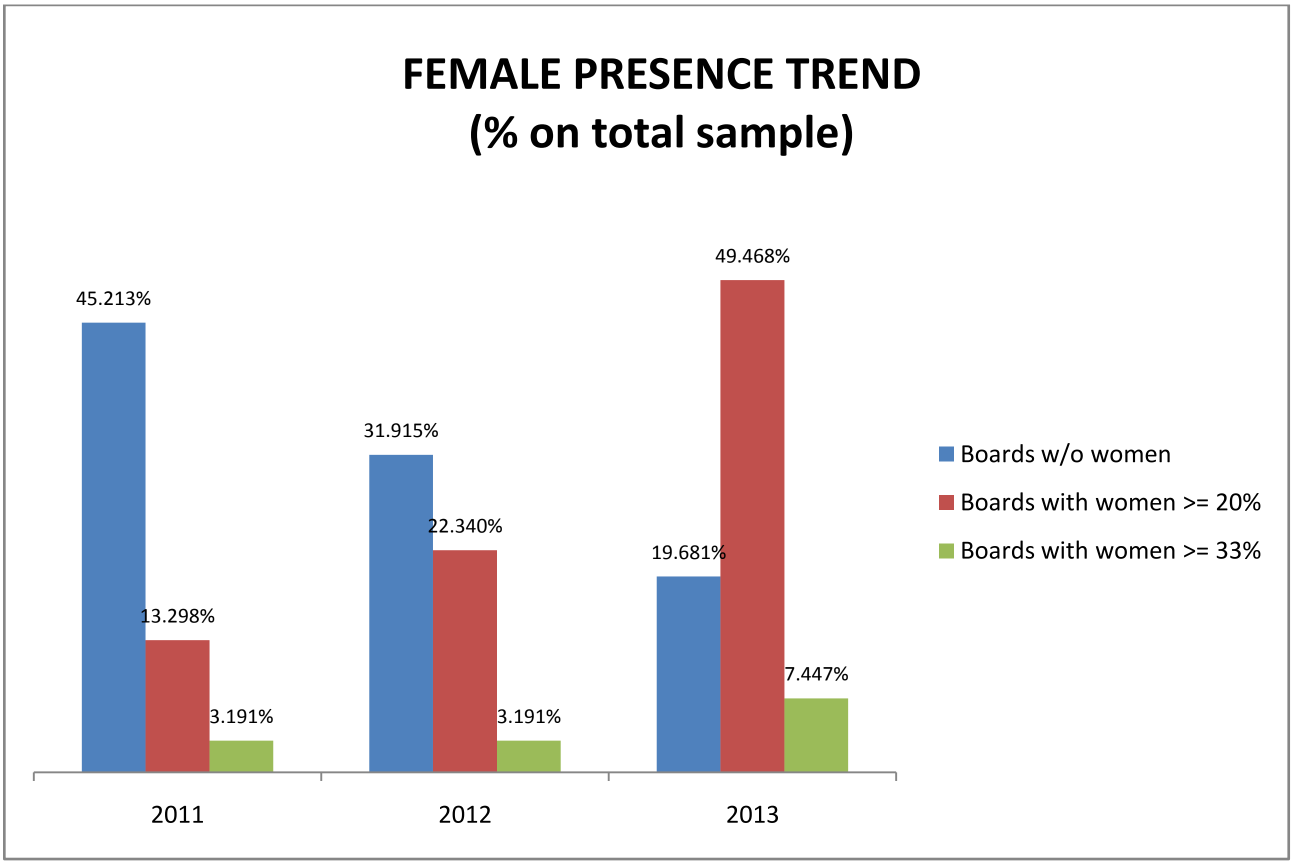
Further reworking of the data collected is presented in graphs 2 and 3.

In order to highlight the progress of the thresholds of women's presence in the Boards, in the 188 companies in the sample those with only male members are identified, those with a percentage of women of at least 20% and, of the latter, those with a share of at least 30%. In Graph 2 the data are expressed in absolute value (no. of companies), while in Graph 3 they are represented as a percentage of the total sample. In 2011, the companies without women are 85 out of 188 and accounted for 45.21% of the sample. Only 25 companies (13.30%) have a board represented by at least 1/5 of seats by women; companies where women cover at least 1/3 of the board are 6 (3.19%).

In 2012 the companies that do not have women on the board come down to 60 (31.91%); companies with a presence of women of at least 20% rises to 42 (22.34%), of which those with a share of at least 33% remain unchanged at 6 (3.19%). In the first half of 2013 the boards without women are 37, accounting for 19.80% of the sample. Companies with 1/5 of female presence doubled over the previous year and are 93, approximately half of the sample; of these, those with a share of at least 1/3 rise to 14 (7.45%).




**Graph 2**:**Trend of Female Presence in the Boards (Absolute data)**
**Source:** Reworking of the authors of information extracted from the annual financial reports and semi-annual financial reports of the companies listed on the Electronic Stock Market of the Italian Stock Exchange (banks, insurance and financial services - sectors 9a, 9b e 9d - have been excluded).
Data at December 31, 2011, December 31, 2012 and June 30, 2013.

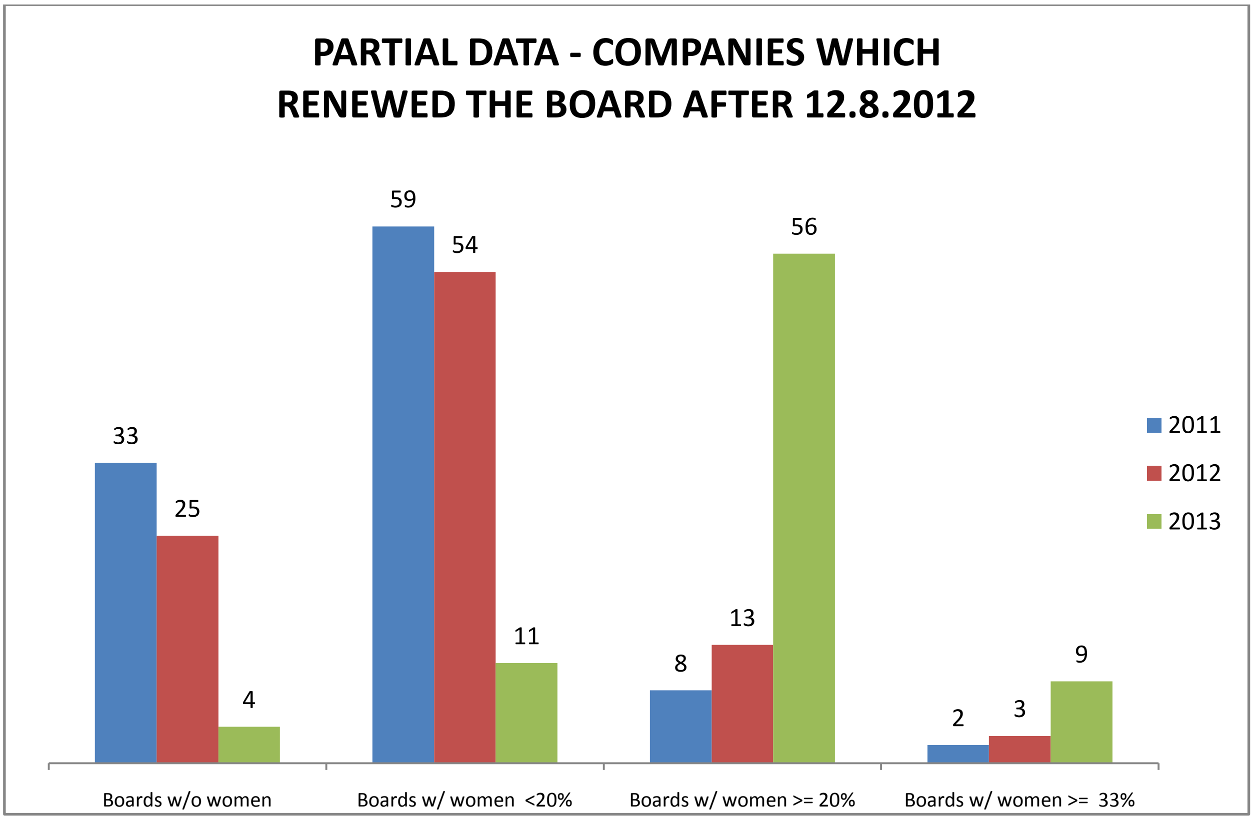



**Graph 3**: **Trend of Female Presence in the Boards (Data as % of total sample)**
**Source:** reworking of the authors of information extracted from the annual financial reports and semi-annual financial reports of the companies listed on the Electronic Stock Market of the Italian Stock Exchange (banks, insurance and financial services - sectors 9a, 9b e 9d - have been excluded).
Data at December 31, 2011, December 31, 2012 and June 30, 2013.

In order to represent the impact of the quota system, which applies from the first renewal after the date of December 8, 2012, the graph 4 shows the partial data related to 67 companies in which the renewal of the Board was following that date.

Since the quota provided by the standard is 1/5, companies are divided into two classes, "Boards with < 20% women" and "Boards with > = 20% women" (the central part of the graph). It seems useful to make two further distinctions, again as part of the 67 companies analysed: "Boards without women" (left side of the graph) and "Boards with > = 33% women" (right side of the graph).

At June 2013, the companies in line with the statutory provisions are 56 (around 84%), compared with 11 companies that do not meet the criteria set. Among the latter, four boards persist in the complete exclusion of female members. For the year 2011 (pre-regulation) the corresponding figures are respectively 8, 59 and 33.In detail, we note the increase in the percentage incidence of the female gender and the simultaneous reduction in the number of seats on the board for 19 companies. For half of them the number of women is unchanged or reduced.



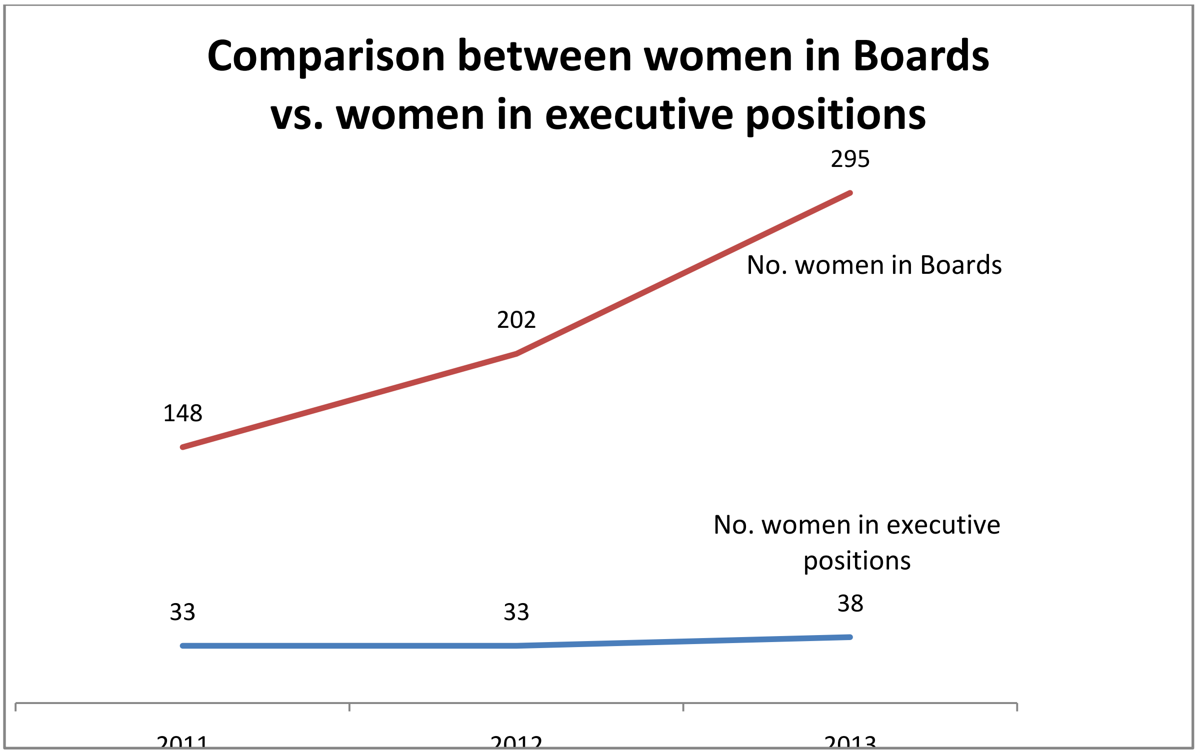

**Graph 4**: **Data related to companies which renewed the Board after 12.8.2012**

**Source:** reworking of the authors of information extracted from the annual financial reports and semi-annual financial reports of the companies listed on the Electronic Stock Market of the Italian Stock Exchange (banks, insurance and financial services - sectors 9a, 9b e 9d - have been excluded).

Data at December 31, 2011, December 31, 2012 and June 30, 2013.

Having found that following the introduction of the law Mosca-Golfo there is an opening of the boards to women, the analysis then focused on the quality of the positions covered. For this purpose members with executive roles were identified, to see whether the reform also affected the distribution of their posts between genders, thus providing a qualitative as well as quantitative contribution to the balance of the management body of the companies. The following positions are considered board executives, where present: President, Vice President, General Manager, Chief Executive Officer and Managing Director. With around 480 total executive seats, women with top positions on the boards were 33 in 2011 and 2012, rising to 38 in 2013, with a weight that went from 7% to 8%; 8 new entries were recorded, against 3 exits. Companies with women in executive roles increased from 32 to 35 out of 188 companies in the sample.

Graph 5 compares the trend of total seats held by women in the boards with the trend of executive roles assigned to them. As can be seen from the graph, the legislation has pushed strongly the presence of women on the boards, without affecting the prerogative of "places that count". Components of the female gender in the boards grow, in fact from 148 in 2011 to 202 in 2012 and 295 in 2013. Women in executive roles in the three years analysed, however, remain almost stable with values respectively of 33, 33 and 38.




**Graph 5**: **Comparison of women in boards vs. Women in executive roles**
**Source:** Reworking of the authors of information extracted from the annual financial reports and semi-annual financial reports of the companies listed on the Electronic Stock Market of the Italian Stock Exchange (banks, insurance and financial services - sectors 9a, 9b e 9d - have been excluded).
Data at December 31, 2011, December 31, 2012 and June 30, 2013.

## 6. Developments in Europe and in the Rest of the World

A recent study by the consulting firm Egon Zehnder [28], based on the analysis of the boards of about 900 large corporations[14], provides an overview on the phenomenon of gender diversity in different European countries, compared to other geographies worldwide. It notes that the administration and control bodies are increasingly differentiated at international level in terms of gender and nationality of components, but that the presence of women in executive and leadership roles remains low. In particular, in Europe more than a fifth of the boards are made up of women (with an average of 2.7 positions held), compared with 8% in 2004. Entirely male boards are becoming a rarity (7.6% against well over 50% recorded in 2004; in the rest of the world the average is 32.2%; 1% in the US) and 31.8% of new members recruited belong to the female gender. The positive fact is that the growth of representativeness is not due to multiple assignments, which, on the contrary tend to shrink. In 2014 the European companies with 20.3% of female presence over and above the average of 11.6% of the non-European countries, reaching values of the best players in the rest of the world (Australia 22.6% and the United States 21.2 %). The world ranking is led by five EU countries (Norway 38.9%, Finland 32.1%, France 28.5%, Sweden 27.5% and the United Kingdom 22.6%, equal with Australia). In Europe, the lowest values are expressed by Portugal (5.2%), Luxembourg (8.9%), Greece (9.9%), Austria (10.7%) and Switzerland (13.9%). While in the old continent the growth rate of the female presence is significant (+ 30% in two years), in the US the number remained stable in the last decade. The findings indicate that a perfect correlation does not exist between gender diversity and the quota system. If in Europe women's participation in administration and control bodies is growing, the same does not happen in executive and top management roles; women are, in fact, 2.6% of presidents (against the 3.7% average of the rest of the world) and 5.6% of executive directors, against 1.7% and 4.8%, respectively, recorded in 2012.

[14] The company, which specializes in the recruitment of senior and top executives, since 2004 conducts biennial analysis of the composition of boards of about 350 large corporations of 17 European countries. The 2014 study includes also the data related to about 550 large companies of the rest of the world.

The positive changes taking place in Europe are associated with the strategic actions taken by the Commission, aimed at promoting equality between women and men in various areas, such as public life, education, business world and economy (European Commission 2015)[15]. In that direction lie the efforts to raise awareness among member states on the desirability of a greater gender balance in access to decision-making positions in politics, judiciary, media, finance and business. In order to monitor progress over time, from 2003 a database has been implanted that includes information on various areas of interest, including the composition of boards of directors and control bodies of the companies with the highest capitalization, listed on the primary index of each member state (for Italy the index is FTSE MIB)[16]. According to this source, in 2014 in the 28 EU countries (European Commission 2015) [17] on average 20.2% of members of boards are women, compared with 17.8% in 2013 and 15.8% recorded in 2012[18]. If you consider that since 2010, i.e. since the European Union has entered on the political agenda the goal of gender balance, the average (11.9%) was almost doubled, we understand how the female representation has increased significantly. The change of pace is all the more evident if one takes into account the corresponding figure for 2003 (8.5%). The progress is visible, but, nevertheless, the goal of 40% suggested by the Commission is still far away. The evolution of the phenomenon is also not uniform in the Member States. In general there is a better response associated with the presence of laws that protect gender equality, such as the quota system, or related to the introduction of voluntary measures of self-regulation, such as corporate governance codes.These circumstances fuel public debate and stimulate, in some ways, a favourable response. Italy in October 2014, with 24.1%, exceeds the average (20.2%) and ranks eight, at the top of the rankings[19]. It is the second, after France, in terms of increase in percentage points of the average since 2010, with +19.6 [20]. These are actually fairly recent developments; in fact, Italy reached the average only in April 2014 (18.6%)[21]. Despite a fifth of the boards of the major European listed companies is "pink", women preside over only 6.5% of the boards and hold the position of CEO in just 3,3% of cases (European Commission 2015) (percentage never exceeded from 2011). The general dynamics observed at EU level, drawn from official reports, corroborate the considerations made in the previous paragraph on the Italian situation, based on empirical evidence of our research. The composition of boards of directors and control bodies of the major European listed companies is more and more balanced between genders, mostly as a result of national implementation initiatives of the recommendations of the EU Commission.

## 7. Future Perspectives

The empirical results confirm that women's representation in the management bodies of the Italian companies in the sample before the legislation reform stood at a very modest level. Similarly to what happened elsewhere, the introduction of quotas for women gave a decisive boost to the opening of the boards to the female gender.

If you look at the need to shake up the status quo, the Golfo-Mosca law blows a "new wind", essential to align our country with European standards. The effects of the reform appear clear and women have made their first entry into the Boards.

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[15]European Commission (2015) Report on equality between women and men 2014.

[16]For the 28 EU countries are, in October 2014, a total of 614 companies, 37 of which are Italian. For more information on the methodology for collecting data refer to the address: http://ec.europa.eu/justice/gender-equality/files/database/wmid_methodology_dec_2014.pdf to access the database information check the address: http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/index_en.htm

[17] European Commission (2015) Gender balance on corporate boards - Europe is cracking the glass ceiling.

[18]All measurements refer to the month of October.

[19]In descending order the average of the 28 member states are: France 32,4%, Latvia 31,7%, Finland 29,2%, Sweden 27,6%, Holland 24,9%, Germany 24,4%, United Kingdom 24,2%, Italy 24,1%, Denmark 24,0%, Belgium 22,4%, Slovenia 19,9%, Croatia 19,0%, Slovakia 18,2%, Bulgaria 17,6%, Austria 17,1%, Spain 16,9%, Lithuania 16,5%, Poland 14,6% Hungary 11,8% Luxembourg 11,7%, Romania 11,0%, Ireland 10,9%, Portugal 9,5%, Cyprus 9,3%, Greece 8,9%, Estonia 7,1%, Czech Rep. 3,5%, Malta 2,7%. (Data recorded at October 2014 on 614 listed companies. Source: see notes no. 16 e no. 17).

[20]In the period October 2010 - October 2014, Member States have on average increased by 8.3 percentage points the representation of women on boards.. The countries with the best performance are: France +20.0, Italy +19.6, Belgium +11.9, Germany +11.8, United Kingdom +10.8, Slovenia +10.1, Holland +9.9, Austria +8.5 (Source: see notes no. 16 e no. 17).

[21]Average national data recorded in October: 15.0% in 2013 (UE average 17,8%), 11% in 2012 (UE average 15,8%) and 5,8% in 2011 (UE average 13,7%).

European Commission (2013) Women on boards – Factsheet 2 Gender equality in the Member States.

European Commission (2014) Gender balance on corporate boards – Europe in cracking the glass ceiling.

European Commission (2014) Improving the gender balance in company boardrooms.

There are many companies that have adapted to the new criteria even before that rule had become effective. The recruitment system of the members seems to be affected positively by the new rules: the education level has increased and the average age of the members of in the Boards dropped, although the number of CEOs decreased. Access for the moment is concentrated mainly on non-executive roles, and only 3.2% of CEOs are women (CONSOB 2013) [22] [29].The first data suggest that the observed trend will continue and that new renewals will bring other benefits to the statistics. It is reasonable to assume that the analysis of financial statements 2014 will confirm this prediction.

It is however more difficult to assess the effects in the long run. The transitional nature of the standard risks weakening its operational capacity in the long-term. In the event that the boards have annual duration, the effect of the legislation would be exhausted in just three years. The approval of the European Directive would give greater force to the national rules and would overcome the time limitations.

The impact in terms of performance and quality of corporate governance still remains unclear. The experience of other countries has shown that the quota system itself is not able to ensure changes in the decision making process of the companies. The change will depend on the ability to select the right members, capable of bringing a different perspective. Still too often women are recruited because they have a family bond with the controlling shareholder. With the second step of the law 120/2011, when a third of the boards will be coloured pink, perhaps women will be able to have more weight in business decisions. Full assessment of the quality of new entries on the boards is still premature. The influence on business strategies and, as a result, on the performances will be better estimated in the long term.

The lasting effects will depend on the ability to create a profound cultural change that the quota system alone is not able to support. The forced gender balance, which is temporary, cannot break down prejudices and legacies that still hinder the effective participation of women to control bodies and corporate governance. Success will also depend on all the women that in the coming years will have the opportunity, thanks to the Golfo-Mosca law, to sit in the boards and on their ability to demonstrate and make people appreciate their added value.

[22] CONSOBis the public authority responsible for regulating the Italian financial markets**.**

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