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Gender diversity – are companies making progress?

This article examines the progress being made by companies towards achieving gender balance, not only at board level but also at senior leadership and management levels.

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There has been an increased focus on gender diversity within companies over the last number of years. However, lots of work still needs to be done to achieve gender balance not only at board but also senior leadership and management levels within companies. The lack of substantial progress has led to the passing of legislation seeking to create gender balance on the boards of listed companies. In this article, we consider the progress that has been made to date before briefly considering the requirements to be introduced by this legislation.

International insights: positive strides being made by listed companies

Research has been conducted internationally which focuses on gender diversity from a listed company perspective. In February 2024, the Financial Times Stock Exchange (**FTSE**) Women Leaders Review published a report on gender balance in the leadership of FTSE companies, which projected that a target of 40% of women in leadership by the end of 2025 is *"wholly achievable"*.

The report documents positive strides made by constituent companies of the FTSE 100, 250 and 350 indices, stating that as of January 2024, women held 42.6% of FTSE 100 board positions (up from 40.5% in 2022), 41.8% of FTSE 250 board positions (up from 40.1% in 2022) and 42.1% of FTSE 350 board positions (up from 40.2% in 2022).

Strong progress has also been reported for women at executive committee level in the FTSE 100. For instance, the number of women in the Combined Executive Committee & Direct Reports category has increased to 35.2%, up from 34.3% in 2023. In addition, the appointment rate of women has remained constant at 41% of all available roles in the year going to women.

The FTSE 250 has made similar progress this year, with the number of women in the Combined Executive Committee & Direct Reports category increasing to 33.9%, up from 32.8% last year. Similarly, over half of all FTSE 350 companies have met, or are well on their way to meeting the 40% target for women in leadership.

Contributing to the report, Chair of Lloyds Banking Group, Sir Robin Budenberg advised that "the business case for embracing diversity is clear; not only is it the right thing to do, but it serves as a catalyst for richer discussions, improved decision-making, fostering top talent and building trust among colleagues, customers and investors. In the midst of socio-economic complexity and uncertainty, companies with diverse voices round the table will be better equipped to navigate uncertain futures and deliver long term sustainable returns.".

Similarly, in Ireland in March 2024, new data from the Balance for Better Business Review Group (**the Review Group**) revealed that the percentage of women on the boards of ISEQ-20 companies has reached 40%, up marginally from the 39% figure recorded in September 2023. With the average level of female representation on the boards of all listed companies at 37%, Irish public companies remain on track to surpass EU requirements of 33% by 2026.

Interestingly, at the end of 2023, Glass Lewis updated its 2024 Benchmark Policy Guidelines for Ireland to note that it will generally recommend voting against the re-election of the chair of the nominating committee at any ISEQ-20 board that has failed to meet the 33% board gender diversity target set out by the Review Group and has failed to provide a clear and compelling explanation for why it has been unable to do so.

Unfortunately, progress around gender balance at senior leadership level in Ireland remains slow. While there was a modest increase in female representation on the leadership teams of other listed companies from 16% to 18%, the proportion of women on the leadership teams of the ISEQ-20 sits at 27%. In addition, across all listed companies in Ireland, the proportion of all male leadership teams stands at nearly 1 in 4 (24%). Likewise, private company boards have stayed relatively constant since last measured in 2021 at 22% and have missed the 30% target set by the Review Group for 2023.

In the US, the percentage of female board directors at Russell 3000 index companies continues to rise, to 30% this year from 29.4% at the end of 2023 and 28.5% in 2022. However, according to an S&P analysis of companies in its global total market index, in executive positions, the number of women holding such positions fell in 2023 for the first time since 2005 and in senior management roles under the executive level, the growth of women's representation slowed to the lowest rate in more than a decade.

While the figures on gender diversity at board level of listed companies is encouraging, it is clear that progress needs to be made to ensure that this carries through to senior leadership and management positions within these companies.

An Irish focus on action to promote gender diversity

The work being undertaken in Ireland by the Review Group is not solely focused on listed companies, this group publishes reports detailing the level of female participation at board and leadership levels in Irish businesses. Their aim is to drive progress in gender balance across five key pillars: targets, impact, advocacy, policy and strong trusted voice.

The Review Group continues to examine the gender mix within the governance and senior management of companies in Ireland and the issues which arise in connection with the appointment of company directors and senior management.

The Review Group is calling for a reform of the current system to ensure more women play a role at board level and in senior leadership teams. As discussed above, the Review Group has set progressive targets for 2023 to achieve improved gender balance on the boards and senior management of companies. The focus of the first report for 2023 was on public companies listed on Euronext Dublin. The second report will extend to large private companies and multinationals will be addressed in future reports.

According to the Review Group, “increased diversity and inclusion in firms translate into better internal governance, decision making and risk management. That contributes to promoting the safety and soundness of firms, policy holder protection and better outcomes for markets and consumers.”

The Central Bank of Ireland (**the Central Bank**) is seeking to lead by example when it comes to diversity and inclusion. It encourages the firms it regulates to be sufficiently diverse and inclusive. This applies at all levels across the firms, however it is particularly relevant at senior level, to prevent group-think, guard against overconfidence and promote internal challenge. While their focus is not limited to gender diversity, this should be considered a key priority for companies.

In March 2024, the Central Bank published its Demographic Analysis for 2023, presenting data on the gender diversity of applicants for senior positions in regulated firms which require pre-approval from the Central Bank (Pre-Approval Control Functions, or **PCFs**), and current PCF role holders as at 31 December 2023.

Positively, the 2023 report shows a continuation of the upward trend in female representation at board level with chair roles up from 30% in 2022 to 39% in 2023. Female applications for board positions across the entire regulated financial services industry are up from 29% to 31%, while representation on the boards of banks has increased from 26% in 2022 to 33% in 2023.

The Central Bank itself reported that in 2023 women made up 49% of its total workforce, 40% of its board (Commission), and almost 40% of its leadership group.

Transposition of the Gender Balance on Boards Directive in sight

As detailed in our previous update on this legislation, the Gender Balance on Boards Directive[1] (**Directive**) was published in December 2022 and requires EU listed companies to ensure that a minimum of either 40% of all non-executive director positions or 33% of all director positions are held by the “underrepresented” sex by 30 June 2026, with “effective, proportionate and dissuasive” penalties for non-compliant companies.

The Directive echoes the objectives of the Irish Corporate Governance (Gender Balance) Bill (**the Bill**) initiated in October 2021 which seeks to make provision for the regulation of gender balance on the boards and governing councils of corporate bodies and related matters. While the Directive focuses on listed companies, the Bill proposes applying similar requirements to a broader cohort of organisations including unlisted companies, charities and state sponsored bodies. While it is unclear whether the Irish legislation implementing the Directive will seek to broaden its scope, at a Dáil debate in July 2022, it was agreed that the Irish government would first address the Directive before looking to the Bill to see if there are any elements of this that also need to be considered.

Minister for Children, Equality, Disability, Integration and Youth, Roderic O’Gorman, commended the Bill for seeking to proactively align Irish legislation with what is coming from the European Union but noted that the examination of existing national legislation must take place first, as part of the transposition of the Directive domestically. As such, the Bill currently remains stagnant awaiting Dáil Committee Stage.

In October 2023, Minister O'Gorman highlighted that the Review Group reported that at the end of 2023, women made up 36.1% of board members of Irish-owned companies listed on the ISEQ-20 Index in 2023, which is above the EU average of 33.2%. Minister O'Gorman commented: 'improvement in the gender balance on listed companies achieved to date under the Balance for Better Business Review Group will be an important consideration in the approach Ireland takes to implementing the directive'.

In consideration of the initiatives of the Review Group and the two-year transposition period provided under the Directive, it is reasonable to anticipate that implementing legislation will be published before the transposition deadline of 28 December 2024.

Conclusion

Listed companies that are lagging behind in terms of increasing the gender balance of their boards will be required to comply with the minimum percentage thresholds set out in the Directive. However, it remains to be seen whether this legislation will have any impact on improving gender diversity within senior leadership and management teams across corporate Ireland. What is clear is that organisations will continue to track the progress being made by companies in this space. Companies are being encouraged not only to develop a pipeline of diverse talent but also to take steps to ensure that any barriers to maintaining this diversity as careers progress are identified and managed.

Furthermore, to support organisations, regardless of their sector, the Review Group have created a Balance for Better Business Roadmap which recommends that businesses:

1. create a plan, with targets by function, to build a gender balanced workforce in which everyone on the leadership team is accountable for progress
2. ensure succession planning is completed at board and executive levels supported by a gender balanced pipeline at all levels of the organisation
3. provide the right supports, including mentorship and sponsorship, to help people develop their skills to advance
4. mandate gender-balanced candidate lists for open roles and promotion to board and executive leadership
5. expand focus to include the development of non-traditional career pathways for strategic leadership to CEO and Chair levels

With thanks to Sarah-Kate Barnes for her assistance in the preparation of this article.

For more information in relation to this topic, please contact Jill Shaw, ESG & Sustainability Lead or visit our ESG & Sustainability hub.

***[1]** Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 20*