

THE GLASS CEILING IS CRACKING

Self-regulation Beats Quotas



FINNCHAM

For the reader of this report

For many years, Finland Chamber of Commerce has actively promoted women's leadership. Today promoting women leaders through self-regulation is one of Finland Chamber of Commerce's strategic goals. Our objective is that the best person is appointed to companies' leadership positions, regardless of that person's gender.

We are one of the owners of the Finnish Corporate Governance Code for Listed Companies. The Code has been a powerful tool in increasing the number of women on the boards of listed companies of all sizes. Finland holds the EU record for women's participation on the boards of large cap companies. This is remarkable especially considering that it has been achieved without legislated quotas.

In autumn 2011 we published a study called Men Lead Business Operations of Listed Companies – Women End up in Support Functions. In the study that covered all Finnish listed companies, we found out that women's number on executive team level is still very low and especially in business management almost non-existent, even though women's number on boards has risen sharply during the past few years.

This observation led Finland Chamber of Commerce to take concrete action. On Women's Day 2012 we launched our mentoring program for women executives, where top-level executives mentor women executives. The program became so popular that almost 250 experienced women executives applied for it. Out of the applicants we accepted 42 to the program which started in May. The program will last for a year and a half. After we have more experience we will decide if we will repeat the program in the future.

In this report we will describe the developments of the past year regarding women leadership. Women's number on corporate boards increases still sharply. The same cannot be said about the CEO and executive management levels. The good news is that the number of women leading business operations has increased. The comparisons between Finland, Norway and Sweden are interesting and show how well the Finnish self-regulatory regime functions. The comparison between state-owned companies and other listed companies gives food for thought, as well as the small number of women in nomination committees.

We will continue our efforts to promote women's leadership in the future.

Helsinki, 15 November 2012

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Glass Ceiling is Cracking

Self-regulation Beats Quotas

In December 2011 Finland Chamber of Commerce published the report *Men Lead Business Operations of Listed Companies – Women End Up in Support Functions* (the Finnish version was published in September 2011). The study showed that through various measures, women's participation on boards of listed companies has increased significantly in all sizes of listed companies but most of all in large cap companies. The development has not, however, been equally positive in operative management.

In September 2011 none of the Finnish listed companies had a woman CEO. Almost all women in executive management were in support functions. Hardly any women led business operations. The study showed where the glass ceiling is. It was identified to be in executive management teams concerning line management and business functions.

This report gives updated information on women leadership and points out the changes that have occurred in the number of women in boards, CEO positions and executive management teams. Concerning executive management, we focus in particular on whether women are leading business or support functions. This report covers also some new areas, such as nomination committees and comparisons between state-owned and other listed companies.

Preparation of the Report

This Finland Chamber of Commerce's report covers all companies with main listing in the Helsinki Stock Exchange. The contents are based on the information given by the listed companies on their websites, as well as various other studies and sources. The information from the company websites was collected by Finland Chamber of Commerce's legal department's assistant Jenna Pitkänen in September 2012. The data regarding boards was collected in April 2012. The data on nomination boards and some other information was collected in October 2012. Results were analyzed by legal counsel Anne Horttanainen. The report was written by Leena Linnainmaa, Deputy Director General of Finland Chamber of Commerce.

There are 119 companies with main listing in the Helsinki Stock Exchange. The companies are divided into three categories by their market capitalization: large-caps (1 billion Euros or more), mid-caps (150 million Euros to under 1 billion Euros) and small-caps (under 150 million Euros). Out of the 119 companies studied here, 25 are large caps, 37 mid caps and 57 small caps. The report of 2011 covered 124 companies (L 26/M 39/S 59).

HOW WOMEN LEADERSHIP HAS BEEN PROMOTED

Currently, the number of women on the boards of large listed companies is rather satisfactory in Finland. The increase of women members since 2000 is due to concrete measures with the clear target of increasing women's number. These steps include the political decisions made by the Government concerning women's number on the boards of state-owned companies as well as a recommendation in the Corporate Governance Code for Listed Companies.

The media has also played a major role. Studies conducted on women business leaders have promoted the issue. The role of opinion leaders must be acknowledged, too. This issue is handled in our last year's report.

Studies on Women Leaders and Company Profitability

Numerous studies have been conducted in Finland and elsewhere on how women's presence in top management impacts the profitability of firms as well as their other success factors. This issue is covered more extensively in our last year's report. The most important of the studies mentioned above was published by The Finnish Business and Policy Forum EVA in 2007. The study covers 14 020 Finnish companies and is called *Female Leadership and Firm Profitability*.¹ The results indicated that a company led by a female CEO is on average slightly more than a percentage point – in practice about ten per cent – more profitable than a corresponding company led by a male CEO. This observation held true even after taking into account size differences and a number other factors possibly affecting profitability. The share of female board members also has a similar positive impact. These findings were significant and important not only from a statistical and research perspective but also from a business standpoint. After the results were published, it has not been possible to argue that a company suffers if there are women in its top management.

In the recent PhD dissertation² of Emilia Peni for the University of Vaasa, the results indicate that male- and female-led firms differ in several aspects. For example, the firms with female executives are associated with better corporate governance quality, more conservative financial reporting practices, and a better financial performance. In general, the findings provide support

for the existence of gender-based behavioral differences at the executive and expert levels. The financial data used in the thesis is extensive, comprising published figures from listed companies in the U.S.A. and the Nordic countries – more specifically, the firms listed on the NASDAQ OMX exchanges and the firms included in the Standard & Poor's 1500 Composite Index (S&P 1500).

The Role of the Media

The active role of the Finnish media has contributed to the increasing number of women on corporate boards. The media has followed the development of the number of women in top positions. Even naming and shaming has been used when women have been lacking in the top positions of companies.

For example, the weekly financial magazine *Talouselämä* publishes an annual issue on women business leaders and holds a gala event. Numerous other newspapers have often written about the issue, thus in practice contributing to the interest of the business sector in the issue. Also, the Mentoring Program for Women Executives organized by Finland Chamber of Commerce has been extensively covered by the Finnish media.

WOMEN ON CORPORATE BOARDS

Women's participation on corporate boards is a hot topic in Europe where several countries have passed quota legislation.

Women on Corporate Boards in Different Countries

The world record in women's board seats is held by Norway due to its quota legislation. All Nordic countries are ahead of the rest of the world in this respect. In some countries women's board positions are still very rare. Differences even between European countries are significant.

¹ EVA Analysis: Female Leadership and Firm Profitability, 24 September 9.2007 by Annu Kotiranta, Anne Kovalainen and Petri Rouvinen. www.eva.fi.

² Essays on the Effects of Female Executives and Experts on Corporate Governance and Financial Reporting Practices, Vaasan Yliopisto, helmikuu 2012, http://www.uwasa.fi/materiaali/pdf/isbn_978-952-476-386-8.pdf

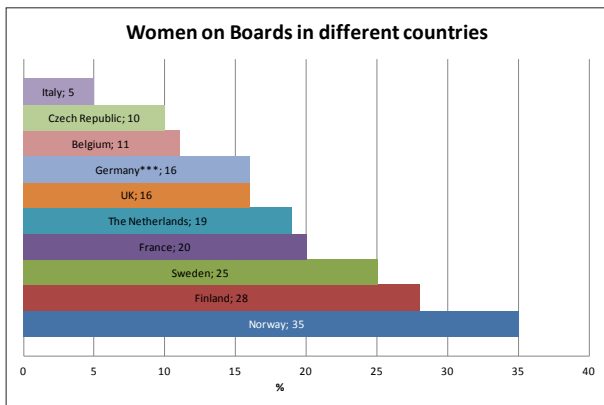


Figure on Finland covers large cap companies. For other countries, the figures cover 235 companies and 75 per cent of them have more than 10 000 employees or a turnover of more than 1 billion Euros.

***As for Germany, the figure covers supervisory boards including employee representatives.

Sources Women Matter 2012: Making the Breakthrough, McKinsey&Company
Figure on Finland: Finland Chamber of Commerce

UK

In the UK, women currently hold 17.5 per cent of board seats in FTSE 100 companies.³ Eight out of FTSE 100 companies have all-male boards. The figure is much better than an year and a half ago when 18 per cent of these companies had all-male boards.⁴

The UK government has set a goal that all large listed companies should have 25 per cent of women on their boards by 2015. The possibility of government intervention has undoubtedly accelerated the increase in the number of women on boards.⁵

France and Italy

Women's number on corporate boards is increasing in France, which is due to the quota legislation. Also Italy has passed quota legislation. There women's number is rising and currently 10.6 per cent of directors in listed companies are women.⁶

Tools to Increase Women's Directorships

Women's directorship has been promoted in different ways in different countries. In some countries no measures at all have been taken.

Country	Quota legislation	CG Code
Australia		x
Austria	x	x
Belgium	x	
Denmark	Law proposal 10/2012	x
Estonia		
Finland		x
France	x	x
Germany		x
Greece		x
Iceland	x	x
Ireland		
Italy	x	
Latvia		
Lithuania		
Norway	x	
Poland		x
Singapore		
Slovakia		
Slovenia		x
Spain	x	x
Sweden		x
UK		x

The Finnish Corporate Governance Code differs from others in its level of imperativeness. The Code includes a clear requirement for both genders to be represented on the boards of listed companies. If this is not the case, the company has the duty to issue a public explanation (the Comply or Explain principle). This structure has proved to be more effective than the gender recommendations of the codes in other countries.

Women Directors Are Often Foreigners

An interesting phenomenon concerning women's memberships in board is that women directors are more often foreigners than their male colleagues. This phenomenon is covered more extensively in our last year's report.

³ <http://www.guardian.co.uk/business/2012/oct/03/ftse-100-women-chief-executives>

⁴ ft.com, Number of women on FTSE 100 boards rises, 1.7.2012

⁵ The Guardian 24.2.2011, source: Cranfield University School of Management

⁶ Figures received from Borsa Italiana on 19 September 2012.

WOMEN BOARD MEMBERS IN FINLAND

Since 2003, the Finnish business sector has actively promoted women's participation on the boards of Finnish listed companies, and it believes to be able to promote the issue even further. The goal is a balanced situation where women's high education and share of the labor force is taken into account and companies elect the best possible candidates to their boards. Quota legislation is not needed in Finland where the business sector has assumed an active role. The Finnish model has won recognition elsewhere, too. Representatives of Finland Chamber of Commerce have presented the Finnish model on increasing women's number on corporate boards on many international fora, such as the Council of Europe, World Bank and on several occasions in Brussels and Germany. Many European Corporate Governance codes have followed the path shown by the Finnish codes since 2003.

Just a bit over 10 years ago major Finnish companies' boards had de facto 100 per cent male quotas. The situation has changed significantly in Finland, but in some EU countries the discussion has not even started. This accelerates EU action, such as quota legislation (see more below).

Self-regulation can get results. Finland functions as an example on how significant development can be achieved through self-regulation. The European Parliament recognized the effectiveness of Finland's Corporate Governance Code in its resolution in July 2011.⁷ No other country was mentioned in this context.

However, the kick-start for increasing the number of women directors was given by government action. In 2004, the Finnish Government set a target of 40 per cent women board members in state-owned companies. This target was reached already in spring 2006. This has been an important factor in promoting women on company boards because partially state-owned companies include several important and well-known listed companies in Finland. The ambitious and detailed target-setting is also included in the Gender Equality Programs of the Government.

In August 2006, Mr Matti Vanhanen, the Prime Minister of Finland, and Ms Tuula Haatainen, the Minister for Social Affairs and Health, sent a letter to ca 100 of the largest listed companies encouraging business leaders to join the debate on finding new measures to incorporate the expertise and competence of women in economic decision-making.

In 2008, the business sector took the next step by including to the Corporate Governance Code for Listed Companies a requirement for both genders to be represented on the boards of listed companies.

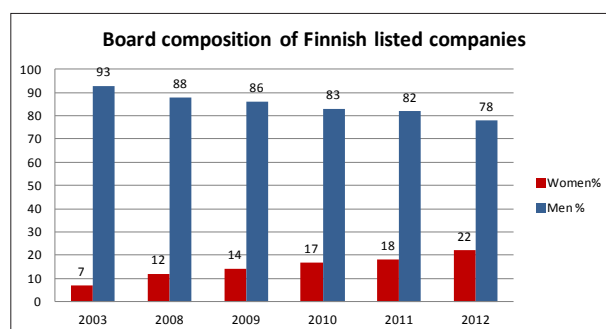
In Finland both men and women are committed to increase women's participation on corporate boards. This is undoubtedly one of the reasons why Finland holds the EU record of women's directorships in large cap companies.

The situation is not the same everywhere. According to a recent extensive survey, women believe that board leaders must actively work to bring more women onto boards, while men see the lack of board diversity equally as a pipeline issue.⁸ When asked to rank the most effective ways to build diverse corporate boards, women directors cited "board leadership serving as champions of board diversity" as the #1 factor. Men in the survey ranked this equally with "developing a pipeline through director advocacy, mentorship, and training."

It is noteworthy that the high number of women directors has been reached without employee representation whereas in Germany, most women on supervisory boards are employee representatives. Employee representation exists also in Sweden but studies on its effect on women's number are not available.

The change has happened in Finland quite rapidly. Women's share of directorship is today more than three times higher than ten years ago.

Women hold 22 per cent of board seats in listed companies whereas last year's figure was 18 per cent. In 2008 the figure was 12 per cent and merely 7 per cent in 2003.



Sources for the figures
 2003: Luottolista 5/2004, Asiakastiety Oy (publication of a rating agency)
 2008-2010: The report of the Government of Finland on Equality between women and men, 2010.
 2011: Finland Chamber of Commerce
 2012: Finland Chamber of Commerce

⁷ Women and business leadership, European Parliament resolution of 6 July 2011 (2010/2115(INI)), point 6.

⁸ 2012 Board of Directors Survey, WomenCorporateDirectors (WCD), http://www.womencorporatedirectors.com/associations/9942/files/09-27-12_Board_of_Directors_survey_2012_press_release-FINAL.pdf

The Number of Women's Board Seat Increased in 2012

Spring 2012 was particularly interesting, as the number of women's board seats increased considerably in Finland whereas Sweden suffered a minor set-back, although the number is very high in Sweden, too.. The Swedish Code of Corporate Governance does not include a requirement for both genders to be present on the boards of listed companies, as does the Finnish Code.

In Finland women's board seats in listed companies increased by 20 per cent in spring 2012 compared to 2011. Women's share is now 22 per cent of all board seats. In addition, all large and mid cap companies have both genders on their boards.

17 small cap companies still have all-male boards. These companies are very small as their combined market value is merely 550 MEUR and median market value just 18 MEUR. In average they have four directors. The rotation of board seats is slow, so "open" directorships cannot be found very often, sometimes not in years.

In large-cap companies 28 per cent of directors are women. Small-caps have 16 per cent women directors while mid-caps reach 23 per cent.

Today 86 per cent of all listed companies have both genders on their boards while the figure was 78 per cent last year and only 51 per cent in 2008. This fast development is due to the CG Code recommendation of both genders to be present on the board (more below).

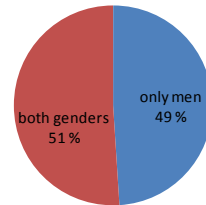
EU Record in Large-Cap Companies

Finnish large-cap companies have today 28 per cent women directors, which is the EU record.

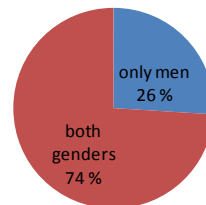
Mid-caps have 23 per cent and even small-caps have 16 per cent women directors. Last year the figures were 26, 19 and 12 per cent respectively. So the change is significant, in mid- and small-caps full 4 percentage points' increase compared to last year. What makes the results even more significant is that they were reached without quota legislation. Especially gratifying is the sharp increase of women in mid- and small-cap companies.

In Finland, reaching equal representation on boards will not take 40 years, as EU Commissioner Viviane Reding calculated on the basis of Pan-European trends. There are several factors behind the positive Finnish experience, in particular the strong approach assumed in the Finnish Corporate Governance Code (see more below).

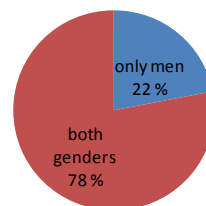
Gender of directors in Finnish listed companies 2008



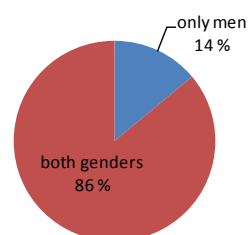
Gender of directors in Finnish listed companies 2010

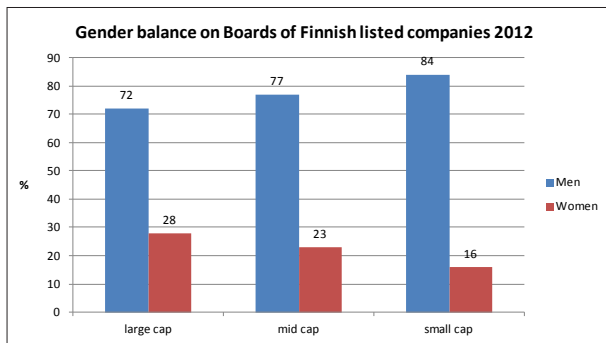


Gender of directors in Finnish listed companies 2011



Gender of directors in Finnish listed companies 2012





Some 15 Finnish listed companies have at least 3 women on their boards of directors, while Sanoma Corporation (5/5) and Kemira Plc (3/3) have equal numbers of men and women on their boards. There are currently 119 listed companies in Finland.

No Golden Trousers or Skirts in Finland

It is particularly reassuring that board positions are distributed over a rather large group of women, 139 in total. Finland has not seen the development of the 'golden skirt' phenomenon that has happened in Norway, where as a result of quota legislation the same women hold multiple directorships.

In Finland only 20 women have two board positions and only one has three. There is now good reason to focus on senior executive positions, where there are still very few women. This is one of the reasons why Finland Chamber of Commerce has launched an extremely popular mentoring program for female executives.

It's often assumed that board seats are accumulated by the same small group of directors, but actually our findings do not support this assumption in Finland. There are 746 board seats in listed companies, of which women hold 161 seats. The seats are divided between 628 persons, altogether 139 women and 489 men.

In Finland, there is one man that holds five directorships in listed companies. Three men hold four different seats. Three directorships are held by 17 persons and 16 of them are men. Two seats are held by 72 persons and 52 of them are male.

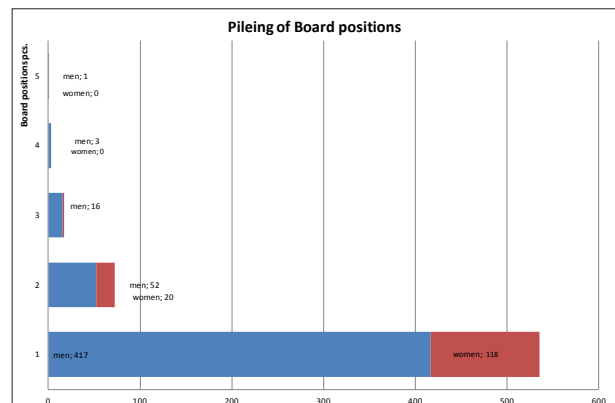
Women don't accumulate many directorships. Only 20 women have 2 seats on the boards of Finnish listed companies and one woman has three. Thus the amount of multiple directorships is very moderate in Finland compared to international figures.

Finland has avoided the golden skirt phenomenon of Norway. In Finland only 20 women hold two seats in listed companies and only one holds three. Only four

women, Eija Ailasmaa, Anne Brunila, Sirkka Hämäläinen-Lindfors and Eira Palin-Lehtinen hold two seats in large-caps.

Just one woman, Mia Åberg, holds three board seats in Finnish listed companies. Each of those companies belongs to the small-cap category.

The study covers only companies with main listing in Helsinki, 119 companies altogether.



The Accumulation of Directorships in Sweden and Norway

In Sweden it is more customary that board seats are accumulated by the same people. There two persons hold 7 directorships, six hold 6 seats, and seven persons hold 5 seats. Out of these 15 persons two are women.⁹ In Norway one female board professional holds 8 directorships in public companies.¹⁰

The absence of the golden skirt phenomenon indicates that the Finnish approach to promote women's participation on boards is better, especially because the root cause, which is the very small number of women leading business operations, is not alleviated through quotas (see below).

⁹ Styrelser och revisorer i Sveriges Börsföretag 2011-2012, s. 21.

¹⁰ InsideBørsen Q1 2012, Tema: Makt og kjønn, Burson-Marsteller, 22.1.2012, <http://burson-marsteller.no/wp-content/uploads/2012/01/InsideBørsen-Q1-2012.pdf>

THE FINNISH CORPORATE GOVERNANCE CODE

The Finnish Corporate Governance Recommendation of 2003 was the first national code in the world to mention the sex of board members:

It is imperative for the board's work and its effective functioning that the board is composed of directors with versatile and mutually complementary capabilities and skills. The age mix and the proportions of both sexes can also be taken into account in the composition of the board.

This text was included in the Code by the business sector's own initiative. It was not a strong approach but it was a beginning and helped to pave way for a stronger approach later.

In 2008, an updated Finnish Corporate Governance Code was issued. Following public discussion and special emphasis given by Ms Mari Kiviniemi, at that time Minister of Public Administration and Local Government, to the matter, a much stronger approach was adopted.

Recommendation 9 of the Finnish Corporate Governance Code for Listed Companies now states as follows: Both genders shall be represented on the board.

This recommendation has been applicable from the first annual general meeting held after 1 January 2010. The recommendation was kept unchanged in the updated Corporate Governance Code issued in June 2010.

If a company does not comply with the recommendation, it must account for and explain the deviation from the Code. Actually, although some other national codes handle diversity on the boards, the Finnish Code is the only one requiring an explanation if both genders are not represented on the board of a company. This requirement is what makes it effective.

The general experience in the Finnish market is that most companies are reluctant to depart from the Code due to the publicity of the departure. So there was confidence that a recommendation requiring an explanation if not complied with will have an effect. This confidence was not unfounded.

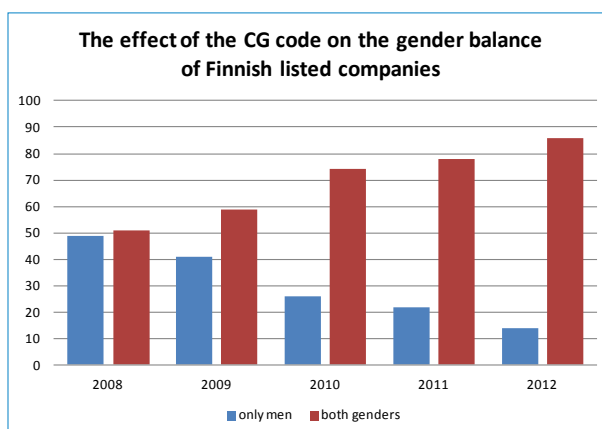
In 2008, when the Code was issued, only 51 per cent of Finnish listed companies had a female board member while 49 per cent of the companies had all-male

boards. After the recommendation was given, the ratio soon started to change. In 2009, already 59 per cent of the companies had at least one female board member even though the recommendation had not yet entered into force.

In spring 2010, the number of companies with at least one woman board member rose to 74 per cent of all listed companies. This can be seen as a success as the change from 51 to 74 per cent happened in two years and without much controversy. In spring 2011, the number rose to 78 per cent and in 2012 to 86 per cent.

All large- and mid-cap companies comply with the recommendation. All-male boards can still be found in 17 small-cap companies.

Listed companies with no women board member are mostly very small, with an average market value of 32 MEUR, and a median market value of 18 MEUR. Their combined market value is only 550 MEUR. Even their boards are small, in average 4 directors.



Deviations from the Code

The Finnish Corporate Governance Code is based on the Comply or Explain principle. The Code is binding for listed companies as a part Stock Exchange regulations. If a company does not comply with a recommendation of the Code, it must account for and explain the departure from the recommendation. This requires public disclosure. A company must disclose that it complies with the Code, and provide information on any departures as well as their explanations on its website and in its annual Corporate Governance Statement (see recommendation 54).

The disclosure duty has proved to be an efficient way to increase the number of women directors, especially because the Finnish media has actively followed the development and supported change.

The explanations for not complying with the recommendation vary to some extent but the most popular one is that a suitable woman candidate has not been found. Some companies have added, however, that it is their long-term goal to find a woman board member. As it seems somewhat difficult to find a credible explanation for the lack of women members, some companies have failed to give any. This is naturally a breach against the Code, as well as against stock exchange regulation and legislation. Helsinki Stock Exchange monitors the Code.

Finland Chamber of Commerce studied compliance with the recommendation in spring 2012 using as a source the Corporate Governance Statements for 2011 and company websites. Often the explanations were rather general in nature or even missing.

Guideline on Explanations

In the guideline¹¹ issued by Securities Market Association¹² in January 2012 the following instructions are given:

In order to meet quality requirements, an explanation should be clear and comprehensive. In practice, this means that the company shall

- tell what recommendation it departs from (number and heading of the recommendation),
- explain in what manner it departs from said recommendation,
- provide an explanation for the departure, and
- present the solution that the company has adopted instead.

As for many of the recommendations, it may be well founded for the company to describe the procedure through which the company has arrived at the decision to depart from the Code. If the General Meeting has made a decision related to departure from the Code, it is often appropriate to explain the measures taken by the Board of Directors or a Board Committee in this matter.

The guideline states also the following:

The explanations provided by companies that depart from recommendation 9 have in several cases been too general and therefore insufficient. The Securities Market Association encourages companies to follow the recommendation on the gender representation of the Board of Directors (recommendation 9) and states that if a company departs from the recommendation, the informative quality of explanation must be sufficient.

This means, for instance, that the company describes the preparatory measures that it has taken

for achieving a gender representation on the Board. It is not sufficient, for instance, to merely state that the company has not been able to find a suitable female director or that the Annual General Meeting has decided on the composition of the Board of Directors.

Explanations in Spring 2012

Finland Chamber of Commerce studied departures from the Code and their explanations in spring 2012 from all listed companies' websites and corporate governance statements given for the year 2011. It can be said as a general comment that explanations were rather vague in nature or even missing. Out of all departures, the explanations concerning recommendation 9 were the weakest in average. It should be noted, however, that all departing companies are small-caps with limited resources.

Very often the explanations refer to long-term goals. This possibility was included in the Code of 2008 but was removed from the Code of 2010.

Examples:

"The company departs only from recommendation 9 as both genders are not represented on the board. The long-term goal of the company is, however, to comply with the said recommendation".

"According to the recommendation both genders should be represented on the board. The board composition of the company departs from this recommendation. The AGM of 2011 did not elect any women directors. The long-term goal of the company is to comply with the recommendation of the Code."

More often than before, AGM or shareholders' decision is given as the explanation. In those cases the description of the actions that were taken by the company to try to comply with the Code are often lacking.

"AGM 2011 did not elect any women directors. The long-term goal of the company is to comply with the recommendation of the Code."

"With regard to the duties and efficient operations of the board, it is important that the board has a sufficient number of members and that the

¹¹ http://cgfinland.fi/files/2012/01/Guideline_comply-or-explain_en.pdf

¹² www.cgfinland.fi

members have sufficient and versatile expertise as well as mutually complementing experience. Major owners searched a suitable woman director in order to fulfill the recommendation of the Corporate Governance Code for a board composition of both genders. Until now major owners haven't had a suitable candidate who knows the business sector of the company well."

"The grounds for departures is the requirement of the company's major owners that the composition of the boards reflects clearly the ownership structure of the company and the goal is to have extensive and continuing representation of the largest owners on the board as well as the fact that a suitable women director couldn't be found for 2011 within the limits of reasonability."

A few companies state the company size as the grounds for departure. It should be noted, however, that the Finnish Corporate Governance Code does not differentiate companies for their size.

"Departing from recommendation 9, both genders have not been elected to the board because this has not been necessary when taken into consideration the requirements set by the operations and the company's stage of development"

"Until now both genders have not been elected to the board. The reason is that because of the size of the company and the extent of its operations, the number of members in and composition of the board has been estimated to be sufficient for the time being."

"All directors are the same gender. The justification for this is the small company size."

Some companies explain the deviation by stating that a suitable female candidate has not been found. In that case the company's main line of business is often referred to.

"The nomination committee has searched for a suitable woman director.... Until now the nomination committee has no suitable candidate who would be well acquainted with the main business of the company."

"So far, there haven't been any suitable candidates to fulfill the Corporate Governance Code's requirements for the board's composition."

Some companies fail to disclose the non-compliance with the Code by merely stating their deviation.

"The company complies with the Finnish Corporate Governance Code with the exception that currently there are no women directors on the board."

It can be concluded that many companies should strive for better explanations. The measures that will be taken by the company to comply with the Code should, in particular, be described more clearly.

CG CODES IN DIFFERENT COUNTRIES

CG Code in Sweden

In 2004, a recommendation that a balanced board composition should be an objective was included in the Swedish Code of Corporate Governance. The approach has remained the same in the updates of the Swedish code.¹³ The major difference between Finland and Sweden is the level of imperativeness of the recommendation. While the Finnish code requires either results or a public explanation, the Swedish code expresses an aim and does not require an explanation if both genders are not represented on the on board.

This year the positive development in Sweden ended. In 2012, women's share of directorships decreased to 22.7 percent from last year's 22.9 per cent.¹⁴ The figure is very high in international comparison but what is significant is that the positive development did not continue in Sweden, whereas in Finland women's number increased significantly.

Corporate Governance Codes in Other Countries

Recommendations supporting the election of women directors but lacking concrete goals are included the Corporate Governance Codes of several countries, such as Belgium, Germany, Great Britain and the Netherlands. The French code includes concrete figures but the recommendation was given after the French quota law proposal was in the Parliament and thus was not fully a self-regulatory measure .

¹³The Swedish Corporate Governance Code http://www.ecgi.org/codes/documents/cg_code_sweden_feb2010_en.pdf

¹⁴ AP2 Index of Female Representation in publicly-quoted companies: boards, executive managements and employees. A study conducted by Nordic Investor Services, June 2012. <http://www.ap2.se/Global/Kvinnoindex/NIS%20AP2%20Fem%20Rep%20Index%20English.pdf>

The recommendations of various countries CG codes on gender distribution

Country	CG Code
Australia	Requirements of disclosure of a diversity policy and proportion of women and establishing measurable objectives for achieving gender diversity as well as disclosure of skills and diversity for which the board is looking to achieve in membership of the board.
Austria	42. The nomination committee or the entire supervisory board shall present proposals to the general meeting for appointments to the mandates on the supervisory board that have become vacant. In this context, the principles of C-Rule 52, especially with respect to the personal and professional qualifications of the members and a balanced composition of expert knowledge in the committee must be taken into account. Furthermore, the aspects of diversity of the supervisory board with respect to the internationality of the members, the representation of both genders, and the age structure shall be reasonably taken into account. 52. When appointing the supervisory board, the general meeting shall take due care to ensure a balanced composition of the supervisory board with respect to the structure and the business of the company as well as the personal and professional qualifications of the supervisory board members. Furthermore, aspects of diversity of the supervisory board with respect to the internationality of the members, the representation of both genders and the age structure shall be reasonably taken into account
Denmark	4.1.4. The Committee recommends that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the supreme governing body set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective. Comment: It would be appropriate to prepare action plans describing how the company addresses diversity at management levels, for example the company's efforts to increase female representation at management levels in general. Specific diversity objectives should be set, for example requirements for the proportion of women at specific management levels. 5.1.2. The Committee recommends that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc. Comment: In the preliminary process for selection and nomination of candidates to the supreme governing body, priority should be given to the company's objective of diversity. When proposing candidates for consideration by the supreme governing body, the nomination committee should take the company's objective of diversity on the supreme governing body into account.
Finland	Recommendation 9: ...Both genders shall be represented on the board.
France	6.3. Each Board should consider what would be the desirable balance within its membership and within that of the committees of Board members which it has established, in particular as regards the representation of men and women and the diversity of competencies, and take appropriate action to assure the shareholders and market that its duties will be performed with the necessary independence and objectivity. In order to reach such balance, the objective is that each board shall reach and maintain a percentage of at least 20% of women within a period of three years and at least 40% of women within a period of six years, from the date of publication of this recommendation or from the date of the listing of the company's shares on a regulated market, whichever is later. The directors who are permanent representatives of the legal person and the directors representing employees/shareholders are taken into account in order to determine these percentages, but such is not the case as regards directors elected by the employees. When the board is comprised of fewer than 9 members, the gap at the end of six years, between the number of directors of each gender, may not be in excess of two. In addition, those boards that do not presently have any female member must nominate a female director at the latest upon the second general meeting following the publication of the recommendation, either through appointment of a new director or replacement of a director whose term of office has expired"
Germany	5.1.2 The Supervisory Board appoints and dismisses the members of the Management Board. When appointing the Management Board, the Supervisory Board shall also respect diversity and, in particular, aim for an appropriate consideration of women. Together with the Management Board it shall ensure that there is a long-term succession planning. The Supervisory Board can delegate preparations for the appointment of members of the Management Board, as well as for the handling of the conditions of the employment contracts including compensation, to committees. 5.4.1 The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks. The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report

Great Britain	B.2.4. A separate section of the annual report should describe the work of the nomination committee ⁸ , including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.
Greece	Moreover, diversity in the board's composition is essential to broaden the perspective of the company and enable it to read effectively the social (and customer) context in which the company operates and inspire confidence in its stakeholders.
Iceland	C.3 Role of the Nomination Committee Addressing gender ratios on the company's Board.
Norway	Refers to the law
Poland	The following recommendation without a comply-or-explain requirement: The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business. An additional recommendation on the comply-or-explain basis: A company should operate a corporate website and publish on it, in addition to information required by legal regulations: (...) on an annual basis, in the fourth quarter – information about the participation of women and men respectively in the Management Board and in the Supervisory Board of the company in the last two years;
Slovenia	9.2 --- The composition of the supervisory board should adhere to the principle of equal representation of both sexes and all age groups, and generally be as diverse as possible.
Spain	Gender diversity A good gender mix on boards of Directors is not just an ethical-political or "corporate social responsibility" question; it is also an efficiency objective which listed companies might wish to work towards in the midterm at least. Neglecting the potential business talent of 51 % of the population -women- cannot be an economically rational conduct for our country's leading corporate names. This is amply borne out by the experience of the last few decades which have seen women occupying a growing place in the business world. But more effort is required for this presence to extend into the senior executive and directorship spheres. With this in mind, the Code calls on listed companies with few women on their boards to actively seek out female candidates whenever a board vacancy needs to be filled, especially for independent directorship. It is recommended as follows: 15. When women directors are few or nonexistent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that: a) The process of filling board vacancies has no implicit bias against women candidates; b) The company makes a conscious effort to include women with the target profile among the candidates for board places.
Sweden	4.1 ... The company is to strive for equal gender distribution on the board.
The Netherlands	The supervisory board shall aim for a diverse composition in terms of such factors as gender and age

The codes of different countries can be found at the European Corporate Governance Institute website www.ecgi.org.

WOMEN DIRECTORS IN STATE-OWNED COMPANIES

A major impact to the increasing number of women directors was initiated by government action. In 2004 the Finnish Government set a target of 40 per cent women board members in state-owned companies. This target was reached already in spring 2006. This has been an important factor in promoting women on company boards because partially state-owned companies include several important and well-known listed companies in Finland. This development was an eye-opener for the business sector. It had to be acknowledged that there are capable women for the boardroom.

It is often believed that state-owned companies have much more women directors than other listed companies. There is indeed some difference but not as much as is commonly believed.

This has been an important factor in promoting women on company boards because partially state-owned companies include several important and well-known listed companies in Finland. It should be noted, however, that the majority of listed companies are not state-owned and thus the over-all high number of women directors is not based on governmental action.

In Sweden similar results have been reached by political decisions and state-owned companies have 49 per cent of women on their boards. In Denmark the Equality Act covers boards of state-owned companies and sets a 30 per cent target for both genders.¹⁵

Comparison of board seats in state-owned and other listed companies

	Men	Women	Altogether	Women's share %	Number of directors in Average
Majority state-owned companies	12	9	21	43 %	7
Minority state-owned companies	43	21	64	33 %	7
Altogether	55	30	85	35 %	7
Listed companies without state majority-owned companies	570	152	722	32 %	6
Listed companies without state-ownership	527	131	658	20 %	6
All listed companies	582	161	743	22 %	6

The Finnish government has for years taken systematic and successful action to promote women's directorship. Already the Gender Equality Program of the Government for 1997-1999 included a target of increasing women's number to 30 per cent on state-owned company boards. Since the Government of Ms Anneli Jäätteenmäki, Prime Minister of Finland in 2003, the Finnish Government programs have included ambitious and detailed targets for women's number on state-owned and partially owned company boards.

In 2004 the Finnish Government set a target of 40 per cent women board members in state-owned companies. This target was reached already in spring 2006.

QUOTA LEGISLATION

Many European countries have passed quota legislation for corporate boards. In those countries the development has been slow before the quotas were set.

The discussion on quotas has been very lively in Finland, too, where several members of the Government have expressed their support for quotas whereas the business sector opposes them.

¹⁵ Lov om ligestilling af kvinder og mænd, § 11(2), 30.5.2000.

Quota legislations in various countries

Country	Quota legislation
Austria	The Austrian Stock Corporation Act contains the following diversity rule since July 2012: „When appointing the members of the supervisory board, the general shareholders’ meeting shall take due care to check the expertise and personal qualifications of the supervisory board members and to ensure a balanced composition with respect to the structure and the business of the company. Furthermore, reasonable attention is to be given to the aspect of diversity of the supervisory board with respect to the representation of both genders and the age structure, and in the case of exchange-listed companies, also with a view to the internationality of the members.“
Belgium	Law on gender diversity requires one third male and one third female directors.
Denmark	3 October 2012 The Danish Government presented a bill to the Danish Parliament to amend Companies Act as well as Equality Act. According to the proposal state-owned companies and listed companies shall set target for underrepresented gender on company boards. The board shall prepare a policy for increasing the number of the underrepresented gender for other management levels.
France	From the first AGM after 1 January 2014: quota of 20 per cent. From the first AGM after 1 January 2017 quota of 40 per cent. Sanctions: directors’ fees may not be paid if the law is not complied with.
Iceland	A law passed in March 2010 requires Icelandic companies with more than 50 employees to have at least 40% of both gender represented on their boards by September 2013. No sanctions are implemented in the law. The law applies to the boards of publicly owned companies and public limited companies having at least 50 employees. Boards composed of more than three persons must consist of at least 40 per cent of each gender by September 1st 2013.
Italy	Gender Parity Law in corporate bodies of listed companies (law no. 120/2011). The law is available (in Italian) here: http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:legge:2011;120 . Short description: The Gender Parity Law applies to Italian companies with shares listed on the Italian Stock Exchange or other EU regulated markets, as well as Italian private companies controlled by public entities, and requires these companies to have gender parity on their boards of directors (BoD) and boards of statutory auditors (BoSA). The provisions of the Gender Parity Law are applicable to listed companies starting from the 1st renewal of the BoD and the BoSA occurring after August 2012: in this case, the underrepresented gender will have to receive at least 1/5 of total seats; in the following 2nd and 3th renewals, the underrepresented gender will have to receive at least 1/3 of total seats. In other words, the Gender Parity Law will be effective only for a limited period of time as it will apply for three renewals of the BoD and the BoSA. Considering that such bodies can be appointed at the maximum for a period of three years (until the approval of the financial statements of the third year), the law will be effective, with respect to each listed company, at the utmost for 9 years from the first renewal of the relevant boards. The Gender Parity Law is directly applicable to listed companies but, because it does not regulate all aspects of the boards’ composition, the procedure for the implementation of the quota rule is regulated by the Italian Supervisory Authority (“Consob”) that has just published the related second level regulation. In the event that listed companies fail to comply with the mandatory quota rule, a multi-tier sanctioning scheme would apply: Consob would issue a notice warning such companies to comply with the Gender Parity Law within four months from notification. If the legal quota is not met within such four-month period, Consob will apply a fine ranging from €100,000 and €1,000,000 (or €20,000 and €200,000 depending on whether the violation concerns, respectively, the BoD or the BoSA) and set a new term of three months for compliance; in the event of further non-compliance with respect to the new warning, all the members elected lose their position.
Norway	If the board has three shareholder elected directors, each gender shall be represented. If the number of directors is 4 or 5, each gender shall be represented by 2 directors. If 6, 7 or 8, each gender shall have at least 3. If 9 directors, then 4. If 10 or more, each gender shall be represented with 40 pct. Non-complying companies can be liquidated by the court if a certain procedure is followed. This is the same procedure that applies in the event of all other types of non-compliance.
Spain	Equality Act requires listed companies to appoint women to 40 per cent of all board seats, up to 60 per cent. Companies have to comply as of 2015
The Netherlands	At least 30 per cent of board members shall be female and at least 30 per cent shall be male by 2015. The requirement is not mandatory but on Comply or Explain basis.

EU-Level Action

The European Union is increasingly interested in women's board memberships. "Equality in decision-making is not yet a fact," EU Fundamental Rights Commissioner Viviane Reding told a hearing of the European Parliament's women's rights and gender equality committee on 14 July 2010. "I do not rule out the possibility of putting forward legislation in this area," she added.

In March 2011 Commissioner Reding gave the European companies one year time to increase women's participation on corporate boards: "We need to use all of our society's talents to ensure that Europe's economy takes off. This is why the dialogue between the Commission and the social partners is so important. I believe that self-regulation could make a difference if it is credible and effective across Europe. However, I will come back to the matter in a year. If self-regulation fails, I am prepared to take further action at EU level."¹⁶ Commissioner Michel Barnier is also committed to the issue.

In July 2011 the European Parliament issued a resolution supporting gender quotas if steps taken by companies and the Member States are found to be inadequate.¹⁷ The Parliament, however, acknowledged Finland's successful self-regulatory approach as the only country mentioned in this context.

Furthermore, the European Commission has dealt with the issue in two consultations on corporate governance.¹⁸

EU Regulation under Preparation

Commissioner Viviane Reding is preparing quota regulation. The initiative is far-reaching but has run into heavy opposition among other colleagues who forced a watering down of the proposal. Ms Reding's original plan was to introduce proposal for a directive including sanctioned binding quotas. According to the original draft directive, Member States are to take measures to ensure that listed companies have at least 40% non-executive directors "of the under-represented sex" by 2020, or 2018 for those listed companies receiving state support. No targets were set for executive director. Companies were to select directors according to transparent and pre-established criteria, with a requirement to give priority to a candidate of the under-represented sex if all other things are equal. Furthermore, Companies were to commit to achieve at least 40 per cent by 2020 (2018 for state undertakings), and to disclose details of board composition every year. Member States were to impose sanctions on companies that fail to comply. The choice of sanctions was left to Member

States but the Directive includes some suggestions, such as administrative fines or exclusion from public benefits.

The scope of the draft directive was listed companies and state majority owned companies and undertakings. The directive was not to apply to small and medium-sized enterprises ('SMEs'). Companies excluded would employ fewer than 250 persons and have an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million.

A group of nine Member States led by the UK has tried to prevent the quota action and has sent a letter to Mr. José Manuel Barroso, the President of the Commission opposing the action.

Commissioner Reding present all a new proposal to the Commission on 14 November 2012. The proposal includes an objective of 40 per cent women by 2020 for members of the under-represented sex for non-executive members of the board.

Quotas in Norway

The first quota law was enacted in Norway where the business sector failed to take active measures to increase the number of women directors even after the threat of quota legislation had been announced. Quotas were initially proposed by the male Trade Minister Ansgar Gabrielsen representing the conservative party. Later on the quota law was enacted by the actions of non-conservative parties.

The Norwegian quota law came into force in 2008 and sets a quota of 40 per cent in average of both genders on the boards of all public companies, not just listed companies. Non-compliance with the law is sanctioned, and the final sanction is the dissolving of the company that is breaking the law. No company has been dissolved. However, many public companies have been transformed to private companies at least partially in order to avoid quotas. Women hold 35 per cent of board seats in Norway.

The Norwegian quota law has caused some unintended consequences, such as the so-called golden skirt phenomenon (see below).

Quotas in France

Another binding sanctioned law was enacted in France where no self-regulatory measures such as a recommendation in the Corporate Governance Code were taken by the business sector before quota law was proposed. The law covers all listed companies as well as un-

¹⁶ Press release 1 March 2011 IP/11/242 "EU Justice Commissioner Viviane Reding meets European business leaders to push for more women in boardrooms"

¹⁷ Women and business leadership, European Parliament resolution of 6 July 2011 (2010/2115(INI)), point 16 (b).

¹⁸ GREEN PAPER, The EU corporate governance framework, COM(2011) 164 final, 5.4.2011; GREEN PAPER, Corporate governance in financial institutions and remuneration policies, COM(2010) 284 final, 2.6.2010

listed companies with more than 500 employees and 50 million Euros turnover. Listed companies have to elect 20 per cent women members at the latest in the first general meeting after 1 January 2014 and 40 per cent at the latest in the first general meeting held after 1 January 2017.

The French quotas are sanctioned so that board elections in non-compliance of the law are void and directors' fees cannot be paid. The number of women directors in large listed companies has started to increase so that SBT 120 companies have 17.2 per cent women and the largest companies (CAC 40) have 21.1 per cent women on their boards.¹⁹

Quotas in Other Countries

Quota legislation has been enacted in several other European countries, too. In Spain, quotas were enacted already in 2007 but the law will come into force in 2015. Then, 40 per cent of directors have to be women. After the law was enacted, the number of women directors in large companies has risen from 4.3 per cent (2006) to 10.3 per cent (2010).

Furthermore, the parliaments of Belgium, Iceland, Italy and the Netherlands have enacted quota laws. In Germany the issue is discussed eagerly, but no legislative action has been taken.

Sweden's Quota Proposal

In Sweden Minister Margareta Winberg "threatened" companies with gender quota law proposals in 2002 unless the number of women directors increases. The following year women directors' number doubled showing that a mere threat of quotas can be effective.

In 2006 a quota law proposal was prepared in the Swedish Ministry of Justice. General elections followed soon after and the new Justice Minister of the conservative government issued a decision in 2007 that quota legislation will not be enacted.²⁰ At first the increasing of women directors' number stagnated but today 23 per cent of directors of Swedish listed companies are women.

UNINTENDED CONSEQUENCES OF QUOTA LEGISLATION

Quota legislation has wide support in Europe which is evident through the numerous new quota laws. Naturally quota laws are the fastest way of increasing women directors' number. However, there may be some unintended consequences.

Decrease in the Number of Listed Companies

Sanctioned quota legislation may be a barrier to stock exchange listing especially for SME's.

The Norwegian quota law covers all public companies, not merely all listed companies. During the existence of the quotas, the number of public companies in Norway has decreased from over 600 to merely over 300. The quotas have played a major role in this regrettable development but they are not the only factor.

The risk of decreasing the number of listed companies should be taken seriously. Quotas should not be legislated where self-regulation functions.

Quotas Don't Promote Women to Executive Positions in Norway

Sanctioned quotas have increased women's board positions in Norwegian public companies. Other positive effect for promoting women executives the quotas have failed to have.

Only 3 per cent of CEO's are women in Norway, 13 per cent of CFO's and 15 per cent of executive team members are women. 35 per cent of board seats are held by women and 8 per cent of chair persons are women.²¹ There are more women CEO's in Finland and more executives in Finland and Sweden even though these two countries don't have quotas.

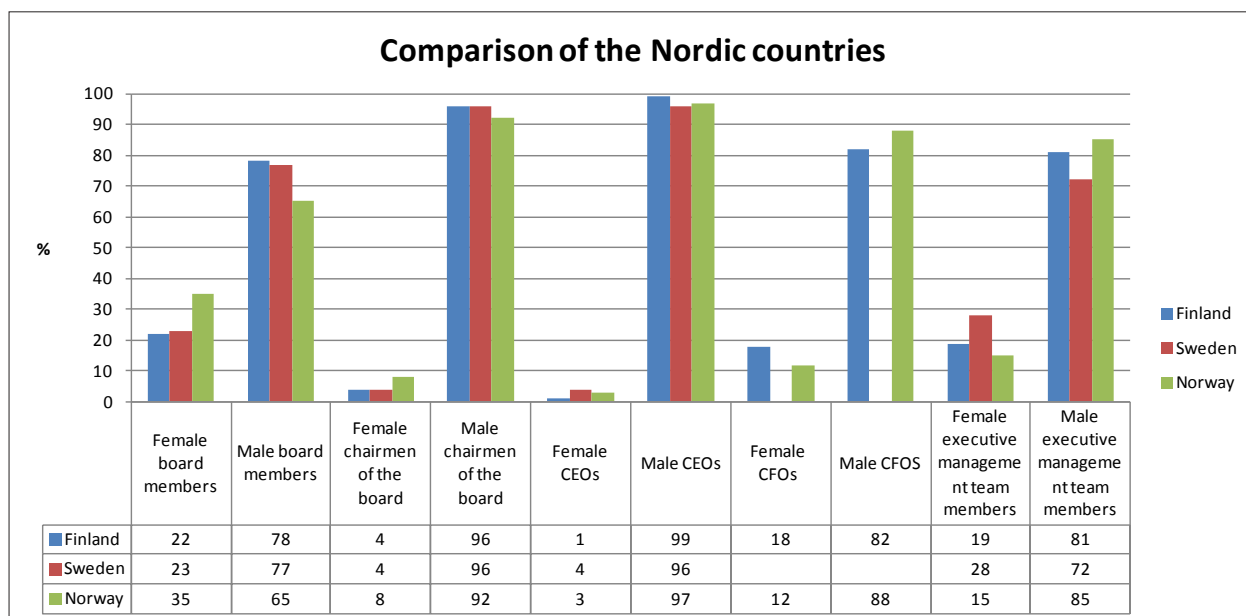
Women Leave Their Career to Become Board Professionals

An unintended and negative consequence of quotas in Norway has turned out to be the following. While a large number of companies are recruiting women to their boards, many women have left their promising career and have become board professionals. Thus quotas have secured women's access to board positions but are not helping to resolve the root cause of the problem and are actually slowing down the rise of women to CEO's and line management. There are very few women CEO's and executive management team members in Norwegian listed companies. Actually Finnish and Swedish listed companies have more women executives than Norway.

¹⁹ Information received from Association Française des Entreprises Privées on 28 September 2011.

²⁰ Ministry of Justice, Resolution by the Governments 1.3.20007, Justitiedepartementet, Regeringsbeslut, 5, Ju2006/5290/L1, 1.3.2007.

²¹ InsideBørsen Q1 2012, Tema: Makt og kjønn, Burson-Marsteller, 22.1.2012, <http://burson-marsteller.no/wp-content/uploads/2012/01/InsideBørsen-Q1-2012.pdf>



The Golden Skirt Phenomenon

The Norwegian quota legislation has produced a so-called golden skirt phenomenon. When quotas are enforced, many new women candidates are needed at the same time. The phenomenon in Norway continues. E.g. one woman board professional holds eight directorships in public companies.

In Norway, eight women but only two men have held in average more than four board seats between 2007 and 2010. Furthermore, 21 women and only nine men have had an average of more than three board seat in listed companies during 2007-2010.²² The accumulation of board seats has thus shifted from men to women in Norway.

It is self-evident that such a development is not positive. Efficient board work requires sufficient motivation and time in addition to expertise.

Quota legislation has failed to increase the number of women CEO's or top positions in line management in Norway. In this respect quota legislation has not fulfilled its goals.

In Finland women's participation on boards has been promoted through self-regulation and the golden skirt phenomenon is absent.

In Finland the number of women's board memberships has increased through self-regulation. The golden skirt phenomenon is unknown in the Finnish listed companies. Merely 19 women have two board memberships in Finnish listed companies. Only five women have two board memberships in Finnish large-cap companies (see more above).

Impact on Stock Price

Enacting quota legislation may have some impact on stock price. This was shown in a study by the University of Michigan concerning Norway where the study found that the constraint imposed by the quota caused a drop in the stock price at the announcement of the law.²³

Increasing the Number of Directors

Quota legislation evidently increases the number of board seats when suitable previous directors hold their seat but new ones must still be elected. We have found evidence of this development in our discussions with small listed companies with all-male boards.

If the number of directors grows for no other reason than adding women members, the composition may be too large for effective board work.

The Effect of Quotas on Small Listed Companies

In Finland gender quotas for company boards may turn out to be a new barrier to growth and stock exchange listings. As the Finnish large-cap companies already have 28 per cent women directors whereas small-cap companies have only 16 per cent, quotas would de facto affect mostly small companies. Considering the future of the Helsinki Stock Exchange, this might further diminish the low interest in stock exchange listings. This is a matter of serious concern while all Europe is suffering from the lack of growth and IPO's.

The plans for EU regulation have taken this problem into account and SME's are excluded from the plan (see above).

²² The "Golden Skirts": Changes in board composition following gender quotas on corporate boards, Morten Huse, BI Norwegian Business School

²³ The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation. Kenneth R. Ahern, Amy K. Dittmar. <http://webuser.bus.umich.edu/adittmar/NBD.SSRN.2011.05.20.pdf>

LEGISLATION ENHANCING TRANSPARENCY

Quota legislation is not the only kind of legislative action targeted for promoting women business leaders.

In 2004, the Swedish Annual Accounts Act was amended to include a duty on companies to provide information on gender distribution at a management level in its annual accounts.²⁴ That information is required concerning board members, the managing director and other members of a company's management. Companies with a maximum of 10 employees are exempted from this duty of information. The 2004 amendment was justified by the Swedish Government on the grounds that the measure will contribute to a better distribution of women and men in leading positions of the business sector without causing significant costs to companies.

In the UK, the need to increase transparency is currently under consideration.

The planned EU quota action includes requirements of transparency.

WOMEN CHAIRPERSONS IN LISTED COMPANIES

A female chairperson is a rarity in listed companies even though the number of women directors is rising. The first female to chair a Finnish large-cap company was elected in spring 2011 when Sari Baldauf was elected to be the chairperson of Fortum Corporation.

5 Women Chairpersons

Currently there are five female chairpersons in Finnish listed companies. In addition to Sari Baldauf, the following women are chairpersons: Eeva Punta (Kesla Corporation), Jelena Manojlovic (Ruukki Group Corporation), Päivi Hautamäki SSH Communications Security Corporation (former Tectia Corporation) and Marjo Miettinen (Teleste Corporation). These five women represent 4.2 per cent of all chairpersons of Finnish listed companies. Last year's figure was 3.2 per cent, so there is a slight improvement in the figure.

The situation is similar in Sweden where 4.3 per cent of chairpersons are female.²⁵ In Norway women form 8.3 per cent of chairpersonships.²⁶

NOMINATION COMMITTEES

Nomination committees and shareholders nomination boards play a key role in nominating candidates for boards. That's why it is important that there are also women on nomination committees.

56 listed companies do not have a nomination committee or board whereas 63 companies do. Out of those companies 10 have not yet disclosed the composition of the committee or board. The rest, 53 companies, have 13 nomination committees, 22 shareholders nomination boards as well as 18 combined nomination and remuneration committees.

Women Are Rare in Nomination Committees

Out of the 53 companies with the organ, only 18 have a women member either in the nomination committee (15 companies) or in the nomination board (3 companies). Two out of these companies are minority state-owned (Outokumpu and Sampo Corporations).

According to the data on the company websites, the nomination committees and boards have altogether 185 members, of which 162 (88 %) are men and 23 women (12 %).

In four companies a women is the chairperson of the nomination committee (7 %):

- Citycon / Kirsi Komi
- Fortum / Sari Baldauf
- F-Secure / Sari Baldauf
- HK Scan / Tiina Teperi-Saari

We cannot tell anything of state majority-owned companies in this report because none of them has yet disclosed the composition of their shareholders nomination board on their website at the time when the date was collected in October (Finnair, Fortum or Neste Oil). Fortum has both a nomination committee and a shareholders nomination board. Data on the committee is available. It should be noted that all members of Fortum's nomination committee are women.

Two of state-minority owned companies don't yet disclose the organ's composition on their company websites. Out of the state-minority owned companies that already give this information, five have no women on their nomination committees or boards. Two have a woman member (Sampo and Outokumpu).

The finding of our study is that there are extremely few women on nomination committees and boards. The situation should be addressed in the near future. It should be noted that women members are rare even in state-owned companies.

²⁴ Årsredovisningslagen Chapter 5, Paragraph 18b.

²⁵ AP2 Index of Female Representation in publicly-quoted companies: boards, executive managements and employees. A study conducted by Nordic Investor Services, June 2012. <http://www.ap2.se/Global/Kvinnoindex/NIS%20AP2%20Fem%20Rep%20Index%20english.pdf>

²⁶ InsideBørsen Q1 2012, Tema: Makt og kjønn, Burson-Marsteller, 22.1.2012, <http://burson-marsteller.no/wp-content/uploads/2012/01/InnsideBørsen-Q1-2012.pdf>

WOMEN CEO'S ARE A RARITY

The number of women reaching top management positions in listed companies is lower in Finland than in Sweden, UK or the USA.

There is currently only one women CEO in Finnish listed companies, Nina Kopola in Suominen Corporation (small-cap). At the same time last year there were no women CEO's.

Even though women's number on boards has increased significantly, the same has not happened for CEO's. It should be noted that the quota law has not increased women CEO's number in Norway as only 3 per cent of public companies' CEO's are women.

Sweden

In Sweden, 4.3 per cent of CEO's are women. Last year's figure was 2 per cent. There is some development although the number is still very low.²⁷

UK

In the UK, FTSE 100 companies have four women CEO's.²⁸ Last year, the figure was five.²⁹ That means that even the UK leads Finland in this respect, even though there is no positive development in the UK.

USA

In the USA the number of women CEO's is small in listed companies but still higher than in Finland. Fortune 500 companies have currently 19 women CEO's and Fortune 1000 companies have 40.³⁰ The figure has risen for Fortune 500 companies, as last year's figure was 12 women CEO's.³¹ The number is lower than in 2010 when 15 women were CEO's.³² In 2007 Fortune 500 companies had 13 women CEO's and one of them in a Fortune 50 company.³³ The last 10 years have witnessed a positive development, since in 1996 only one woman led a Fortune 500 company.³⁴

Women CEO's Globally

In general, the largest companies in the world have more women CEO's than Finnish listed companies since Fortune Global 500 companies have 13 women CEO's.³⁵ In 2011 the figure was 12³⁶, in 2010 there were 12 women CEO's³⁷, in 2009 there were 13³⁸, in 2008 the figure was 12³⁹, in 2007 there were 10⁴⁰, in 2006 there were 7 women⁴¹ and in 2005 there were 6⁴². There was an increase a few years ago but now the situation has stagnated.

Women CEO's Come from Outside the Company

Women CEOs are nearly twice as likely as men to have been appointed to the job from outside the company. This was discovered by Herminia Ibarra and Morten T. Hansen. The study published in Harvard Business review in 2009 covered the leadership of 2,000 of the world's top performing companies.⁴³

This is not a positive finding and describes how women must meet challenges in their career path.

The Educational Background of CEO's

In our report of 2011 we studied the CEOs' educational background. The outcome was that most CEO's of Finnish listed companies have a master's degree in engineering or economics. 42.7 per cent of CEO's have a technical education, 45.2 per cent have been educated in economics while 7.2 per cent have a degree in law. Two CEO's have a degree in political science, medicine or agriculture-forestry. This year we did not renew the study due to the short time-span. In the following we describe the findings of our 2011 study.

The CEO's of large listed companies have an engineering degree more often than average listed companies (18 CEO's of 26). In mid-cap companies the emphasis is more on economics (21 CEO's out of 39). In small-cap companies the figure is equal for technical and economic studies.

²⁷ AP2 Index of Female Representation in publicly-quoted companies: boards, executive managements and employees.

A study conducted by Nordic Investor Services, June 2012. <http://www.ap2.se/Global/Kvinnoindex/NIS%20AP2%20Fem%20Rep%20Index%20English.pdf>

²⁸ <http://www.guardian.co.uk/business/2012/oct/03/ftse-100-women-chief-executives>

²⁹ CNN Money, information updated on the website on 3 May 2010.

³⁰ <http://www.catalyst.org/publication/271/women-ceos-of-the-fortune-1000>

³¹ CNNMoney, 23.5.2010

³² CNNMoney, 23.5.2010

³³ CNNMoney, 2007 Fortune 500 Women CEOs

³⁴ USA Today, Women CEOs slowly gain on Corporate America, 2 January 2009

³⁵ CNNMoney 9.7.2012

³⁶ CNNMoney 25.7.2011

³⁷ CNNMoney 26.7.2010

³⁸ CNNMoney 20.7.2009

³⁹ CNNMoney 21.7.2008

⁴⁰ CNNMoney 23.7.2007

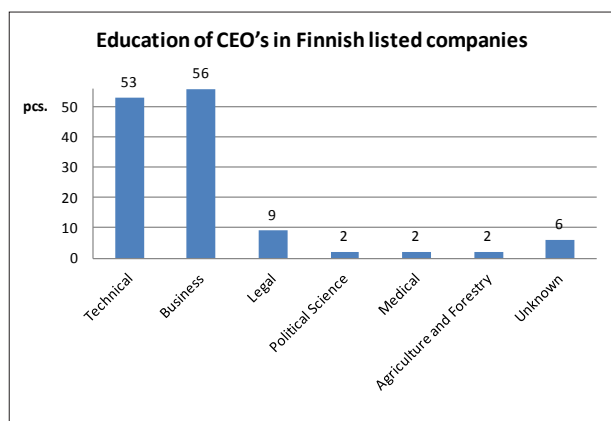
⁴¹ CNNMoney 24.7.2006

⁴² CNNMoney, 25.7.2005

⁴³ Women CEOs: Why So Few?, Herminia Ibarra and Morten T. Hansen, HBR Blog Network 21.9.2009. http://blogs.hbr.org/cs/2009/12/women_ceo_why_so_few.html

Several CEO's have two degrees (27 CEO's). The typical combination is a master's degree in engineering and a degree in economics (12). In this study all reported educations were counted without estimating which might be the primary educational background. As a result, the study shows a figure over 100 per cent for the different educations. Furthermore, MBA and eMBA were counted as a degree in economics which increases the number of CEO's with two degrees by 11 persons. The CEO's in question usually have a master's degree already, e.g. in engineering.

According to the Recommendation 55 of the Finnish Corporate Governance Code, a listed company shall describe the educational background of its CEO on the company website. Considering this, it was somewhat surprising that 6 companies failed to describe the education of its CEO on their company website.



Education of CEO's in Finnish listed companies

In Finland senior management of companies often have a technical education which may have some impact on the number of women in top management considering that the large majority of technical students are male. In 2011, only 26 per cent of the new students accepted to study at the technical faculties of Aalto University were women.⁴⁴ The number of women studying engineering is slightly rising. In the selection of summer 2012, 30 per cent of students who got admitted to Tampere Technical University were women.⁴⁵

The basis for the choices for studies is formed at an early age. Consequently, segregation will prevail for many years, and combating the segregation in study choices is a slow way to increase the number of women executives. The Federation of Finnish Technology Industries has for several years campaigned for more female students in technology.

⁴⁴ Press release of Aalto University 8 July 2011

⁴⁵ Tekniikka & Talous publication 6 July 2012

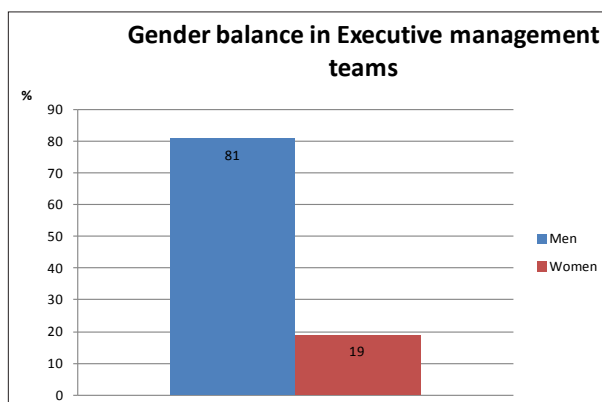
WOMEN IN EXECUTIVE MANAGEMENT TEAMS

The number of women directors has increased considerably in Finland during the past ten years due to systematic proactive measures. However, there has been no development in the number of women CEO's. Furthermore, there has been no positive development in the top management level especially if the areas of responsibility of women executives are taken into account.

Most women on the executive management level work in support functions such as HR, communications, legal or financial affairs. Very few women work in line management or lead business operations of listed companies. Undoubtedly this fact has its consequences. This is a major factor behind the almost non-existence of women CEO's of listed companies. CEO's are chosen among managers of business operations, not among executives in charge of support functions. Furthermore, board members are mostly selected among CEO's.

In Finnish listed companies, there are 832 members of executive management teams. Out of them 133 are women (16 %) when CEO's are included in the number. The figure is the highest for large-caps (16.5 %). The difference in figures between different size groups of listed companies is not nearly as large as for board memberships. Mid caps have 16.1 per cent women and small-caps 15.5 per cent in their executive management teams when CEO's are included in the figure.

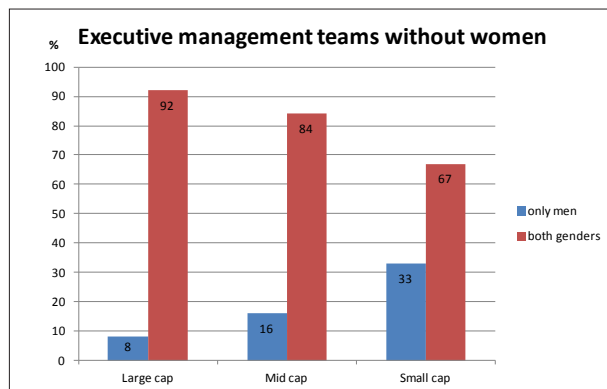
When the figures are viewed without CEO's, the executive management teams have 713 members, 581 men (81 %) and 132 women (19 %).



Executive Management without Women

Several listed companies have an all-male executive level. There are 2 large caps (8 %) with no women in their executive management teams, 6 mid caps (16 %) and 19 small caps (33 %). This means that as many as one third of small caps have an all-male executive level. Four small caps have no executive management teams.

An interesting observation was that 10 out of the companies with an all-male executive level have no women on their board, either.



Executive Management Teams Have Become Smaller

The study produced an interesting by-product: the executive management teams of listed companies have become smaller within a year. In the study of 2011 we found 900 executive management team members while the current figure is only 832.⁴⁶ Compared with the four per cent's decrease in the number of listed companies this change is significant, 8 per cent. The development pertains to mid caps where the number of executive team members was reduced from 344 to 279, i.e. by 19 per cent. The number is the same in small caps and has decreased a bit in large-caps.

THE NUMBER OF WOMEN IN BUSINESS MANAGEMENT HAS INCREASED

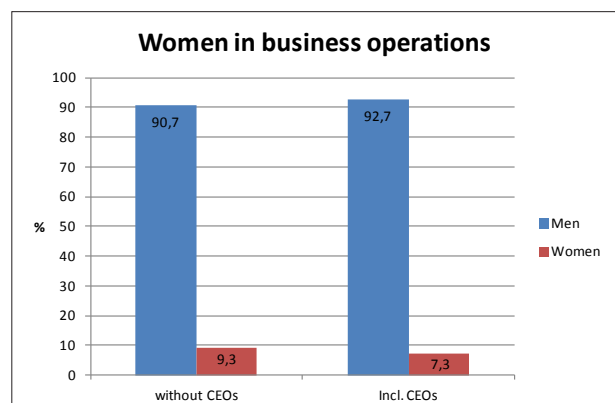
CEO's and executive management teams are in charge of the operations of listed companies. There are 832 members in the executive management teams of Finnish listed companies. Out of them 133 are women (16 %) when CEO's are included in the number. The figure is highest for large-caps (16.5 %).

When the figures are viewed without CEO's, the executive management teams have 713 members, 581 men (81 %) and 132 women (19 %). Out of them 386 persons lead business operations. 350 (90.7 %) of them are men and 36 (9.3 %) are women. If CEO's are taken into account, women's share of business operations is 7.3 per cent.

If the number of women leading business operations is compared to all the members of executive management teams, 4.5 per cent of them are women in business operations while the figure for 2011 was 2.9 per cent. Despite the increase, the number of women in executive positions of business operations is still very small and almost non-existent for small-caps.

The number of women in business management on the executive management team level has increased significantly. There are today 36 women and 1 CEO in charge of business operations while last year's figure was 26 women.

It is gratifying that the number of executive women has risen in small-caps. Today 13 women lead business operations in executive teams of small-caps and one woman is the CEO, while last year there were only five women executives in small-caps. In mid-caps women's number remains the same as last year; 12 women. Women's number has risen to 11 in large-caps (8 in 2011).



⁴⁶ The figures include CEO's.

Differences between business sectors

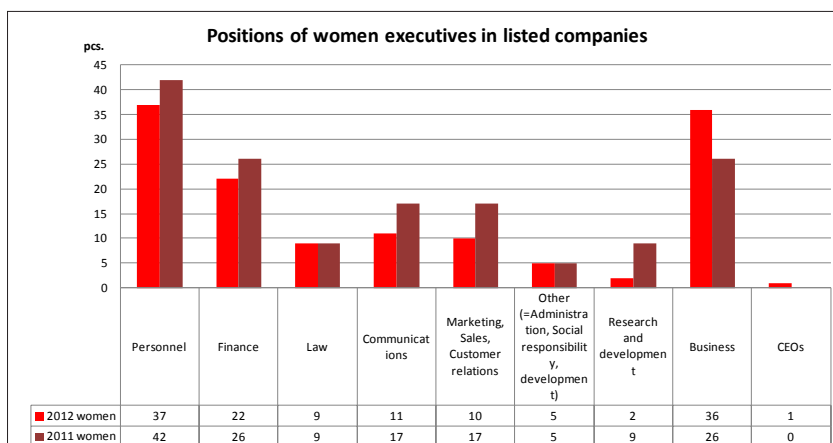
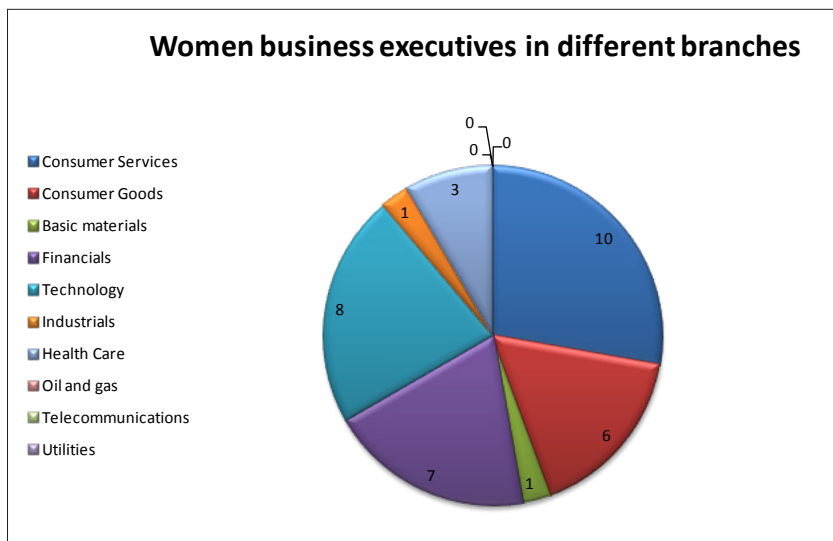
There is a connection between women's number in business operations and the company's business sector. In the materials sector only 1 woman is leading business operations on executive team level while the figure for last year was 3.

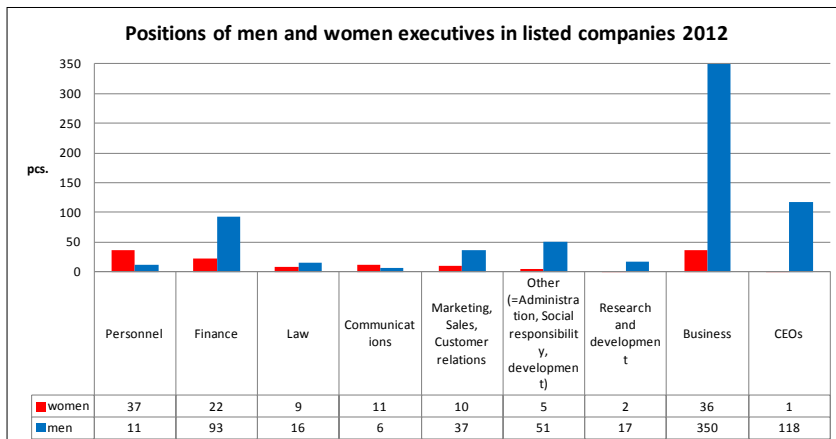
In consumer and service sectors women have more business responsibility than in other sectors, while there are 16 women on consumer goods and services sectors (7 in 2011) and 7 in finance sector (7 in 2011). The development is positive in consumer goods and services sectors as the whole increase in the number of women has happened in those sectors. The satisfactory development among those companies doesn't, however, promise a positive development on other sectors in the near future.

No women was found leading business operations on executive management team level on the following sectors: oil and gas, telecommunications and utilities.

THE NUMBER OF WOMEN EXECUTIVES IN SUPPORT FUNCTIONS IS SATISFACTORY

Extremely few women have advanced into leading the business operations of listed companies. There are considerably more women executives in support functions, especially in HR. One third of Finnish listed companies have a woman HR director on the executive management team level (37). One fifth of listed companies have a woman CFO (22) while 10 marketing directors are women (17 in 2011). Nine listed companies have a woman chief legal officer/general counsel on their executive management team level. It should be noted, though, that head lawyers are not executive management team members in all listed companies, which means that more than 9 listed companies have a female general counsel.

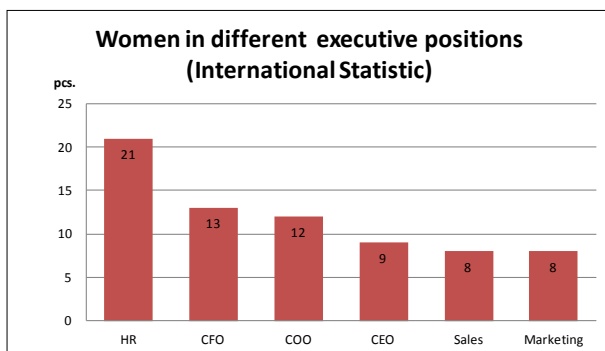




When comparing the number of men and women in different executive positions, it can be observed that women are the majority only in HR and communications. Actually women are in a quite clear majority in those functions. Despite the clear male majority of CFO's, in international comparison women's number of CEO's is relatively large (18 %) in Finland.

The International State of Affairs

The fact that women advance mostly to support functions is an international phenomenon. Globally, most of the women executives are HR directors and CFO's.



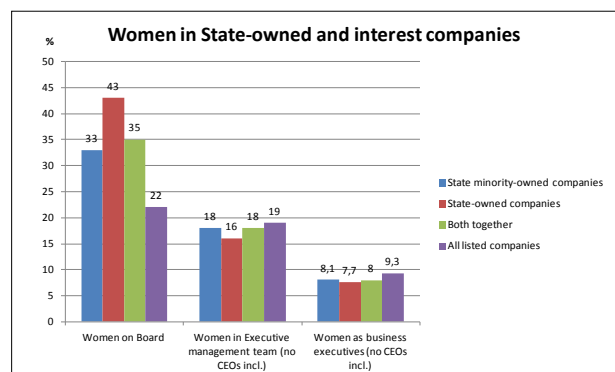
Source: Grant Thornton International Business Report 2012. Women in senior management: still not enough⁴⁷

WOMEN EXECUTIVES IN STATE-OWNED COMPANIES

Our study discovered an interesting fact: there are fewer women in the executive management teams of state-owned companies than in other listed companies. This is true for both state majority and minority-owned companies.

The Finnish state-majority owned companies have only 16 per cent of women in their executive management groups and the minority-owned have 18 per cent, while other listed companies have 19 per cent.

It is especially interesting that one state minority-owned listed company had no women at all on its executive management team (the large-cap company StoraEnso).



⁴⁷ <http://www.grantthornton.co.nz/Assets/documents/pubSeminars/IBR-2012-women-in-senior-management.pdf>

WOMEN IN EXECUTIVE MANAGEMENT IN DIFFERENT COUNTRIES

The highest number of women executives on the executive management team level of listed companies can be found in Sweden (21 %) and in Finland (19%), more than in Norway (15 %). The German figure is almost non-existent (3 %).

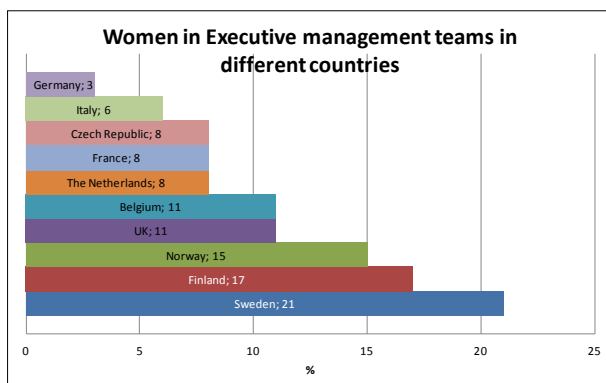


Figure on Finland covers large cap companies. For other countries, the figures cover 235 companies and 75 per cent of them have more than 10 000 employees or a turnover of more than 1 billion Euros.

Sources Women Matter 2012: Making the Breakthrough, McKinsey&Company
Figure on Finland: Finland Chamber of Commerce

WHY DON'T WOMEN ADVANCE TO LINE MANAGEMENT?

The number of women in line management of listed companies is almost non-existent. There is no single reason to have caused this situation, instead there are many different factors. Traditions, attitudes, stereotypes, women's educational choices, women's lacking activity and excessive self-criticism, difficulties of reconciling working life with private life, insufficient networking as well as the lack of role models, mentors and sponsors can be identified as reasons for the current situation.

The issue is covered more extensively in our last year's report.

FINLAND CHAMBER OF COMMERCE IN ACTION FOR PROMOTING WOMEN EXECUTIVES

For already a decade, Finland Chamber of Commerce is committed to actively promote women's access to top executive positions. Promoting women executives through self-regulation is a strategic goal of FCC.

Finland Chamber of Commerce is one of the owners of the Corporate Governance Code for listed companies. The Code plays a crucial role in promoting women's directorships (more above).

Finland Chamber of Commerce also participated in the Women on Board project coordinated by Eurochambres, with the target of increasing women's number on the boards and committees of the chambers of commerce.

Studies and Statements

During the past few years, Finland Chamber of Commerce has prepared studies on women's board seats. In autumn of 2011 we published the study Men Lead Business Operations of Listed Companies – Women End up in Support Functions. This new report continues on the path shown by last year's study.

Every spring Finland Chamber of Commerce prepares and publishes a study on the development on women's number on the boards of listed companies.

While promoting women executives through self-regulation is one of strategic goals of Finland Chamber of Commerce, we urge companies to make sure that their leaders are selected among the best candidates, not merely among the best men.

In the press release of the publication of the Finnish version of this study, Finland Chamber of Commerce urged the boards of listed companies to commit themselves to promote women executives. When the board expresses its will to the executive level, career paths will start to appear for women, too. EVA recommendations can be used as a practical tool in the companies (see below).

Contacting Listed Companies

In addition to studies and statements, we also have direct contacts with companies. In the late summer of 2012, Risto Penttilä, the CEO of Finland Chamber of Commerce has contacted each listed company with an all-male board. These contacts have mostly been received favorably. The companies have also described their challenges concerning the issue.

Mentoring Program of Finland Chamber of Commerce for Women Executives

Finland Chamber of Commerce launched a mentoring program for women executives on Women's Day 2012. The program started with a seminar held in May 2012 and the program will end in autumn 2013.

A surprisingly large amount of women executives applied for the program, almost 250. All applicants were already in management positions and some even held board positions. After a difficult and thorough deliberation we selected 42 participants, which is considerably more than we had planned.

The program differs from previous Finnish programs in that all mentees have management experience and all mentors are top-level executives, e.g. CEO's or chairpersons of major companies.

Thus the program is designed to avoid the usual pitfall of mentoring programs arranged for women, because although women are mentored, they are not promoted. The problem is that men's mentors tend to be higher placed, are more likely to be CEOs and senior executives, and are more likely to get them promoted than women mentees. In the study "Why men still get more promotions than women" published by Harvard Business Review, it was noticed in a population of more than 4,000 MBA graduates that having a mentor in 2008 was predictive of getting a promotion in 2010, but only for the men. Women's mentors were helping them learn more about themselves, become more self aware, develop themselves further and even get lateral moves, but men's mentors were working on the their mentees to be promoted. Today it is often said that it is essential to have a sponsor, not so much to have a mentor in order to be promoted.⁴⁸

When our mentoring program was planned, we received ideas from the FTSE 100 Cross-Company Mentoring Programme⁴⁹ and an equivalent program in Canada. One of the reported results of these programs has been that male mentors have told that they have learnt new insight and understanding on women executives' challenges.

Aalto University is conducting a study on our mentoring program. The program offers unique material for research due to the length of the program and the high level of the mentors and mentees. The results will be used in designing executive training in the future.

The "Women Executives" Website

Finland Chamber of Commerce launched a dedicated website on women executives (www.naisjohtajat.fi). Some materials can also be found in English.

Exporting Best Practices

This report as well as its predecessor and some other statements of Finland Chamber of Commerce have been published in English for the international audience. We will continue our efforts to disseminate information on our best practices to promote women executives.

Representatives of Finland Chamber of Commerce have presented the Finnish model of increasing women's number on corporate boards on many international fora, such as the Council of Europe, World Bank and on several occasions in Brussels and Germany. Our program for autumn 2012 includes Arab Women's Leadership Forum in Dubai and Finland's General Consulate in Germany.

OTHER TOOLS FOR PROMOTING WOMEN EXECUTIVES

Equality Planning at Workplace

In Finland, The Act on Equality between Women and Men requires all employers of 30 or more employees to produce a gender equality plan. The gender equality plan shall include an assessment of the gender equality situation in the workplace, including details of the employment of women and men in different jobs and a survey of the grade of jobs performed by women and men, the pay for those jobs and the differences in the pay. On the basis of this assessment, the gender equality plan shall include necessary measures planned for introduction or implementation, with the purpose of promoting gender equality and achieving equality in pay. There should also be a review of the extent to which measures previously included in the gender equality plan have been implemented and of the results achieved.

⁴⁸ Herminia Ibarra, Nancy M. Carter ja Christine Silva, <http://hbr.org/2010/09/why-men-still-get-more-promotions-than-women/ar/1>

⁴⁹ http://www.praesta.co.uk/_resource/_upload/1660630653.pdf

Many employers both on the private and public sector fail to fulfill their duty concerning equality planning, or it is done minimally. The resources of equality authorities are extremely limited and don't allow efficient monitoring. If companies wish to promote change, they have to take the matter in their own hands and work on equality planning.

Implementation of the EVA Recommendations

An effective manner to promote women's advancement to top positions would be to use the recommendations given by the Finnish Business and Policy Forum EVA in 2007 (www.eva.fi) (see also above Study by EVA).

The steering committee of EVA's "Women to the Top" project compiled ten recommendations based on the findings of the EVA Report "Women to the Top! – A Leader Regardless of Gender".

EVA recommendations include the following measures.

1. The board of directors of a company should make a decision according to which the best resources are used regardless of gender.
2. Companies should draft plans aiming to promote equal opportunities for women and men.
3. In large companies a person should be named to be responsible for developing ideas and means for safeguarding and promoting workforce diversity.
4. Achievement of workforce diversity should be taken into consideration already in the recruitment process.
5. Especially at the beginning of their careers women should be advised to seek diverse work experiences and take responsibility.
6. Small and medium-sized companies should be encouraged to expand via suitable means.
7. Companies should offer equal opportunities in the recruitment phase to both men and women.
8. The lists of potential candidates drawn up by head hunters should be monitored in early stages of the recruiting process: if the group of candidates includes only men, it should be possible to question the appropriateness of the list.
9. Mentor and advisor schemes are a good way to screen and train potential climbers of the career ladder.
10. We should try to influence the world of thought of girls already at an early stage.

Real commitment to above-mentioned measures recommended by EVA would certainly promote women's leadership in companies.

Enhancing Transparency

Companies could also consider enhancing transparency so that listed companies would describe in their annual reports the ratio of men and women in their management and boards. This would be a simple method to provide information and to draw attention to the issue without causing costs to companies.

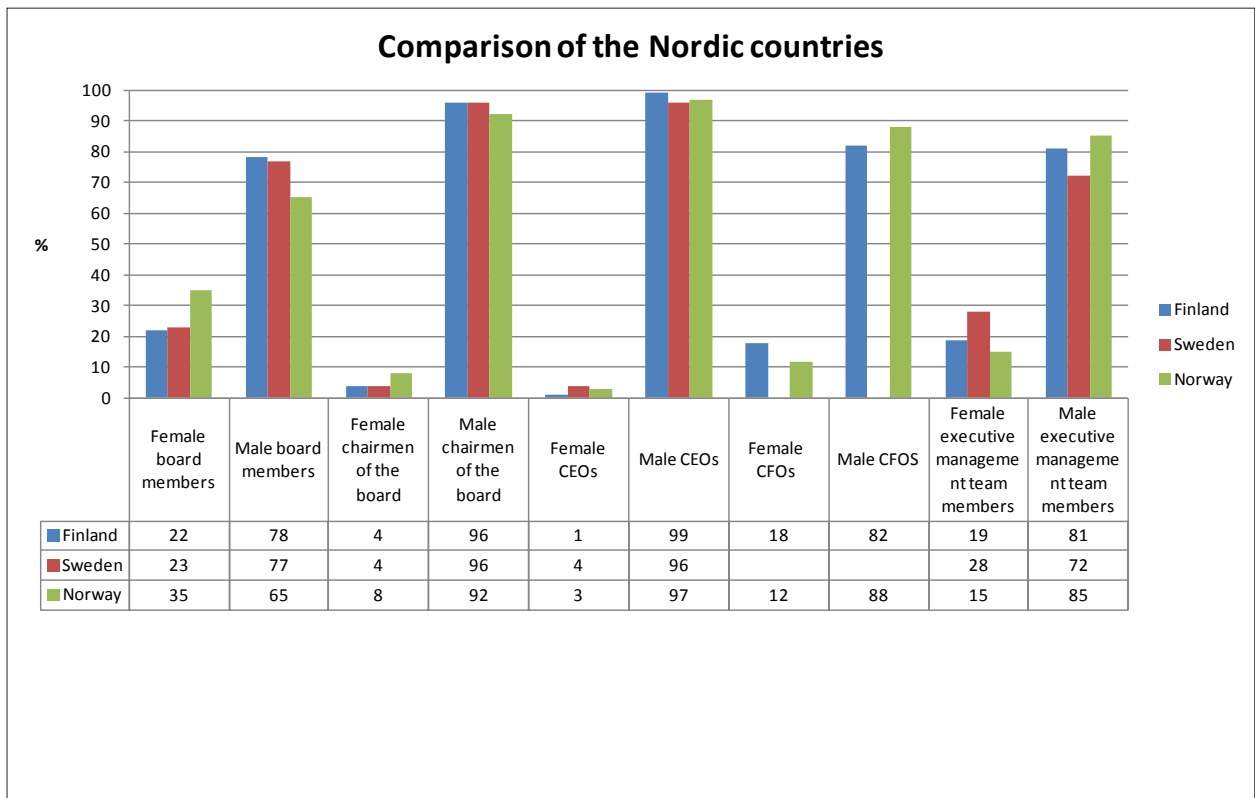
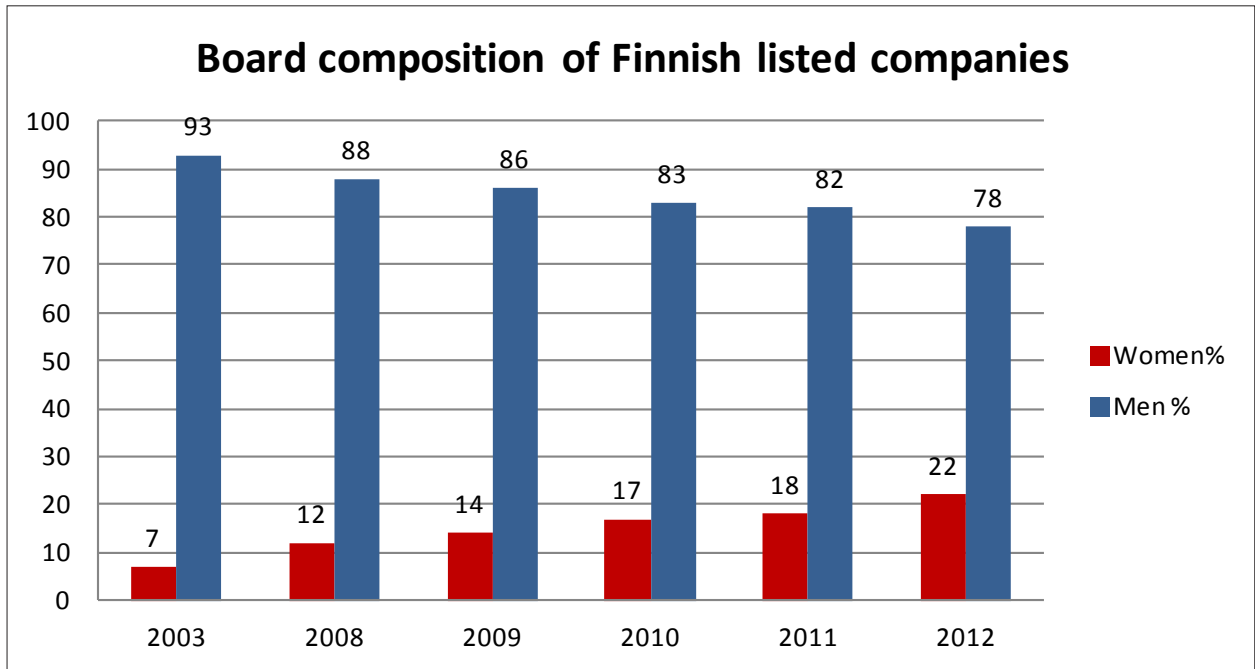
In Sweden this is required by law and the obligation does not cover just listed companies but a large number of unlisted companies, too (see also above Legislation enhancing transparency).

Quota regulation under EU preparation includes proposals for transparency requirements (see also above).

CONCLUSION

Today there are very few women CEO's and women in executive level in the business management of listed companies. Finland Chamber of Commerce will continue its efforts to promote women executives. It is, however, unrealistic to expect as rapid a change for executive level as for boards. A significant increase in women's number in the management of business operations will require new attitudes on the side of employers and also women themselves. Finland Chamber of Commerce will keep the issue in the public discussion through its studies and act as a change agent.

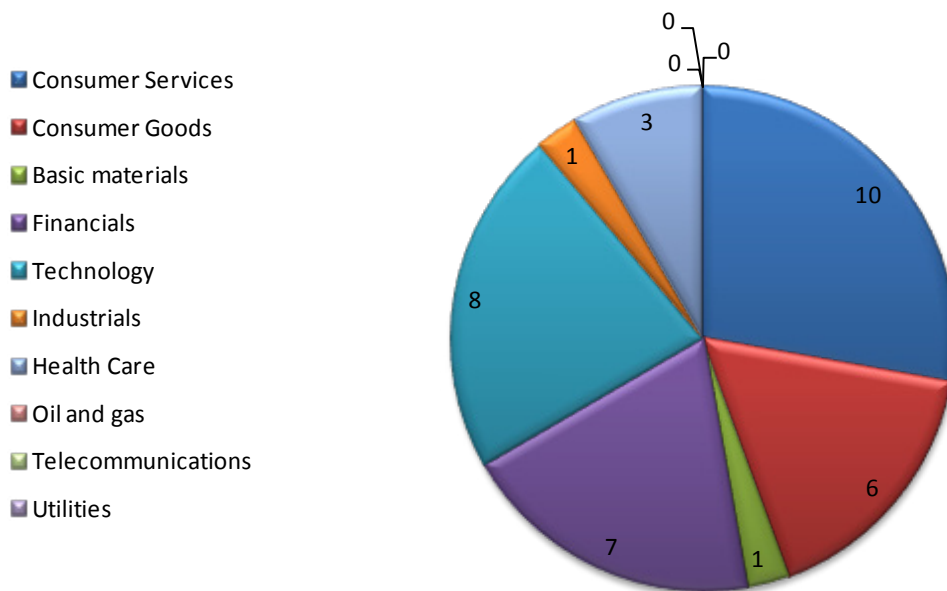
KEY FIGURES



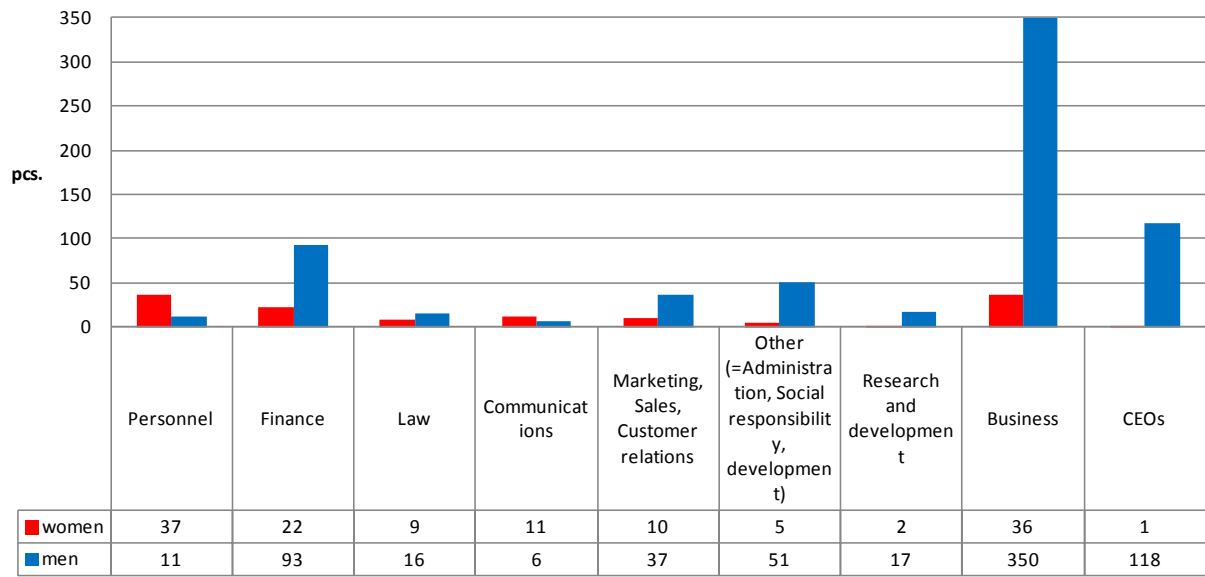
Positions of women executives in listed companies



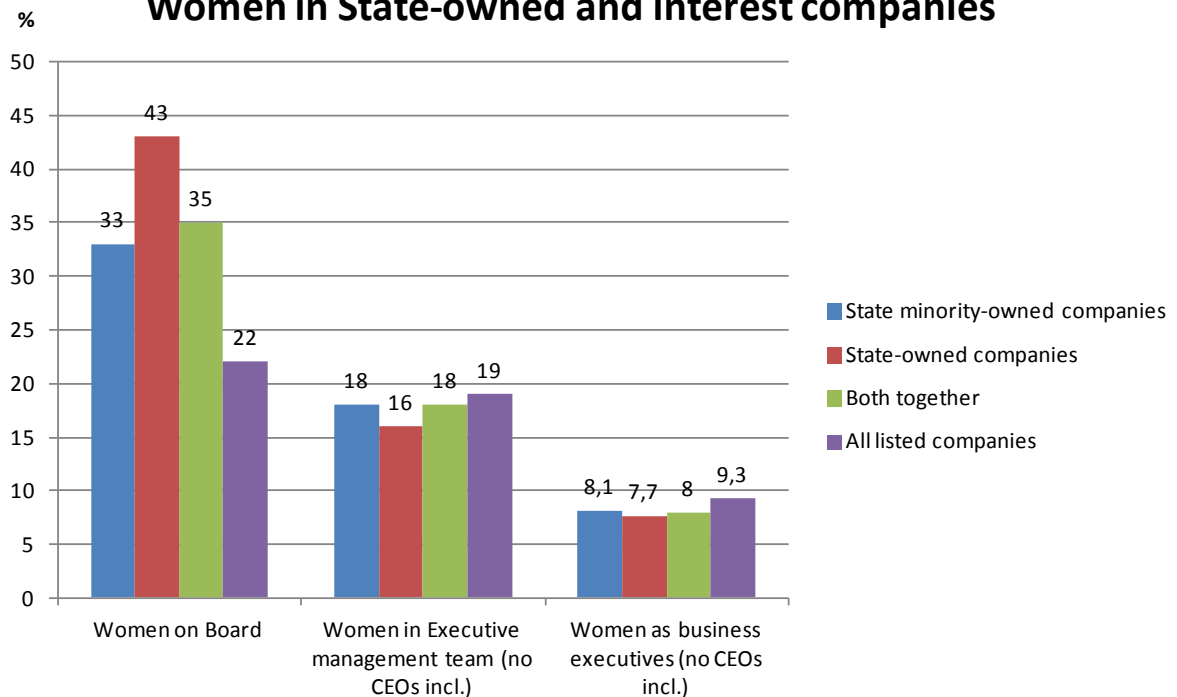
Women business executives in different branches



Positions of men and women executives in listed companies 2012



Women in State-owned and interest companies



Self-regulation Beats Quotas

This report by Finland Chamber of Commerce covers all Finnish listed companies, 119 altogether. The amount of board seats held by women is satisfactory already. However, the number of women in business management is still very low although their number has increased since last year. The report includes international comparisons and shows that quotas don't promote women's advancement to executive positions in business management. Comparisons are also made between state-owned and privately held listed companies. One of the challenges is to increase women's participation on nomination committees.