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(Em)Power Women

Measuring Diversity in Boardrooms

BCG Gender Diversity Index Germany 2018

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Measuring Diversity in Boardrooms

BCG Gender Diversity Index Germany 2018

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1 Management Summary

Throughout Germany, top executives are primarily male: In the 100 largest German companies listed on the stock exchange, there are only two female CEOs and just seven percent of members of the board are women. In the supervisory boards of these companies, at least every third member is female. Five of 100 committees have a woman at their head.

That means the proportion of women in top corporate positions—both on executive and supervisory boards—is still at a low 19 percent. You could say, progress in Germany hasn't really progressed.

That's what the outcome of the *BCG Gender Diversity Index 2018* shows. Presented by Boston Consulting Group in cooperation with the Technical University of Munich for the second time in a row, the report makes clear that last year's diversity leaders are continuing to see good development, while the progress of the other companies in terms of gender parity leaves much to be desired.

If the current development in the appointment of C-level executives were to remain steady, it would take almost four decades to achieve until a balanced gender ratio. Supervisory boards would be looking at less than one decade, though.

With regard to pay, the differences are also considerable. Women on executive boards and supervisory boards earn an average of one-fifth that of their male colleagues. However, there has been a slight improvement on that front. Compared to last year, the wage gap shrunk by about five percentage points, driven by slowly increasing salaries for women in board positions.

The front-runners among the 100 largest publicly listed German companies in the *Gender Diversity Index 2018* are Aareal Bank, Telefónica, and Grenke; bringing up the rear are Delivery Hero, Nemetschek, and United Internet. Among DAX corporations, Henkel was again the best, followed by Lufthansa and Merck KGaA.

The second part of the report is dedicated to the topic of "managing the future of work": looking to the future, both men and women managers see the same trends as significant. That includes more demanding qualification requirements, dynamic customer needs, and flexible work. The main difference is that while female managers consider the efforts of their employers to generally prepare their employees for the work of the future as insufficient, their male colleagues are more satisfied with the initiatives that have been started.

2 BCG Gender Diversity Index 2018

2.1 Introduction: "The Time Has Come"

"Because it's … 2018!" Three years ago the newly elected Canadian Prime Minister Justin Trudeau made headlines when he presented his cabinet consisting of 15 women and 15 men and justified its composition with the three simple words, "Because it's … 2015." The picture of the heterogeneous government team received international attention, particularly on social media. Before its first day of work, the new Canadian government presented itself as modern, liberal, innovative, and diverse.

Naturally, you have to practice what you preach. For the economy, mixed teams in politics certainly serve as role models. They show that it's modern to tackle challenges with a diverse team, in terms of age, descent, and culture, as well as gender—because the chances are better that it will produce balanced and innovative results. Numerous studies have repeatedly indicated thit—a report from Boston Consulting Group has also proven that a company's innovation is strengthened by diverse business leadership.[1]

"Because it's … 2018": Three years have passed, and local companies still need to greatly step up their efforts to organize mixed teams, at the entry level among first-time job entrants and in top management. In 2016, only a quarter of all top managers in the private sector in Germany were women. On the second management level, that changes to 40 percent, making it seven percentage points higher than in 2004.[2]

This report, *Diversity Champions: BCG Gender Diversity Index 2018*, was created by Boston Consulting Group (BCG) in collaboration with the Technical University of Munich and, for the second time after 2017, examines how many women are in top positions at the 100 biggest publicly traded companies in Germany. In addition to the quantitative results in terms of the ratio of women to men on executive and supervisory boards, the significance of women in top positions was also analyzed by comparing their compensation with that of their male colleagues. We saw that companies that had already made strides toward gender parity are continuing to exhibit positive development. The majority, however, is changing too slowly, if they're making any progress at all.

Interviews with ten top female managers from executive boards and supervisory boards were conducted to complement the figures. Their key messages will be covered in later chapters.

In a second part, and for the first time, we looked at what managers—women and men—and employees without managerial duties—both women and men—expect from "managing the future of work." Ultimately, the work environment, work organization, and the type of collaboration not only have an impact on the productivity

1. Rocío Lorenzo, Nicole Voigt, Miki Tsusaka, Matt Krentz, and Katie Abouzahr. *How Diverse Leader-ship Teams Boost Innovation*. Boston Consulting Group, January 2018. Available online at https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx
2. Susanne Kohaut, Iris Möller. *Führungspositionen in Betrieben und Verwaltungen: Oberste Chefetage bleibt Männerdomäne*. Institute for Employment Research, November 2017. Available online at http://doku.iab.de/kurzber/2017/kb2417.pdf

of the workforce, they also influence the development of women and men and thus possibly the career paths of future members of executive as well as supervisory boards. It is also crucial for female and male managers — in other words, the executive and supervisory board members of tomorrow — to know how female and male employees perceive managing the future of work.

A project carried out by Harvard Business School and the BCG Henderson Institute served as a basis for this part of the study. A total of 6,500 women and men in managerial positions and 11,000 female and male employees in eleven countries were surveyed, with 800 female and male managers and 1,000 female and male employees in Germany.

The *BCG Gender Diversity Index* has two distinguishing features: It is the first-ever gender diversity report on Germany's largest listed companies that includes the factor of pay, and it addresses managing the future of work as the first study with a special focus on female and male managers and employees.

Little Change: Ratio of Women at the Top of the 100 Largest Corporations Increases by One to Two Percentage Points

Looking at the executive and supervisory boards of Germany's 100 largest publicly traded companies together, the proportion of women at the top of the company is 19 percent. Compared to the previous year, that equates to an increase of two percentage points. In these decision-making bodies, women are compensated 80 percent of what the men in executive board and supervisory board positions receive. That figure rose by five percentage points from 2017 to 2018.

That means there is progress taking place. But it seems to be more at a snail's pace than that of a race horse. This is especially glaring in executive roles. There, the percentage of women is a mere seven percent, compared to six percent the year before. If that rate were to be maintained, it would take almost four decades until there's full gender balance in executive boards.

For supervisory boards, the outlook is a bit better. In 2018, almost every third supervisory board member (31%) was a woman, equating to a rise of two percentage points compared to the previous year. Germany's statutory women's quota for executive positions has made an important contribution to the greatly increasing number of women on supervisory boards in recent years. It also makes clear that there are many qualified women who can fill these top positions—without the need for dual mandates. If that number were to grow at the same rate like from 2017 to 2018, it would take nine years for there to be gender equality in the supervisory bodies of Germany's 100 biggest listed companies.

> “It's important for the signal to come from the top of the company, so that the topic of diversity is given emphasis. At the same time, we should avoid creating the impression that women need lots of extra support.

From BCG's interview with Dr. Christina Reuter, Member of the Supervisory Board, KION GROUP

Higher Salary for Female Executives: Gender Pay Gap of 21 Percent Remains

With nine percentage points, the salaries of women executives have risen significantly to 79 percent[3] of what men at the same level earn. That is the largest improvement seen in the report between 2017 and 2018. On average, women on boards earn €2.3 million compared to the €2.9 million of their average male colleagues. The good news is that if the pay increases for German executive board members continue at the same rate, they could become equal in two years' time. Appointing women as chairperson of the board will markedly help to ensure that rate is maintained.

By comparison, the compensation for women on supervisory boards has hardly improved. Like in the previous year, women in the highest supervisory body in 2018 were paid 80 percent[4] of the men's salary. Their income came to an average of approximately €94,000 annually.

The unequal pay is not just a phenomenon to be found in the upper corporate echelons. According to Destatis, the gender pay gap was 21 percent in 2017 across all vocations and hierarchy levels.[5] Looking at the EU average, Germany has one of the biggest gaps, behind Estonia and the Czech Republic.[6]

The trend at the top of the 100 largest German companies listed on the stock exchange is growing overall, as this report confirms. While in 2017 the gender-specific gap in pay on executive and supervisory boards was just over 25 percent together, that number improved to 20 percent in 2018.

2.2 Methodology

In order to ascertain the status quo of gender diversity in German top management, BCG and the Technical University of Munich designed an index that analyzes the 100 biggest publicly listed companies in Germany by market capitalization. The index indicates what corporations are particularly good in terms of gender diversity and how sizable the differences between the companies are. We also interpret the development that has taken place over the past year since the figures were first compiled.

The index was calculated with an equal analysis of both main components of the proportion of women and of pay, which were calculated for the two subcomponents executive board and supervisory board. For the analysis, proportion data from BoardEx was consulted on the reporting date June 30, 2018, in combination with the current board appointments on company websites. The salary data was taken on a person-by-person basis on the above date from the most recent annual reports available.

3. The pay gap between women and men is statistically significant ($p < 0.05$). Analysis based on all companies that report the salaries of female executive board members ($n = 32$).
4. The pay gap between women and men is statistically significant ($p < 0.05$). Analysis based on all companies that report the salaries of female supervisory board members ($n = 92$).
5. German Federal Statistical Office (Destatis): *Equal Pay Day: Verdienstunterschied zwischen Männern und Frauen weiter bei 21 %*. Reported on March 16, 2018. Available online at https://www.destatis.de/DE/ZahlenFakten/ImFokus/VerdiensteArbeitskosten/Verdienstunterschiede2018.html
6. German Federal Statistical Office (Destatis): *Verdienste auf einen Blick (2017)*. Available online at https://www.destatis.de/DE/Publikationen/Thematisch/VerdiensteArbeitskosten/Arbeitnehmerverd-ienste/BroschuereVerdiensteBlick0160013179004.pdf?__blob=publicationFile

- Analysis of the **proportion of women** on supervisory boards and executive boards on the aforementioned date: The objective is 50 percent women; a proportion of 50 percent of women therefore equals 100 points.

- Analysis of the **compensation ratio** taking the average salaries of men and women on the executive and supervisory boards of the respective companies (actual **inflow into the corporation** according to the German Corporate Governance Codex): The objective is equal compensation for men and women; a proportion of 100 percent of compensation therefore equals 100 points.

The four subcomponents count equally toward the total score (25 percent each).

The corporations represented in the index have a combined revenue of €1.8 billion and approximately 2.7 million employees. Of the 100 companies, 63 are subject to the statutory women's quota on supervisory boards[7], and 50 of them have set a target larger than zero percent for the percentage of women on the executive board.

Criteria for inclusion in the index:

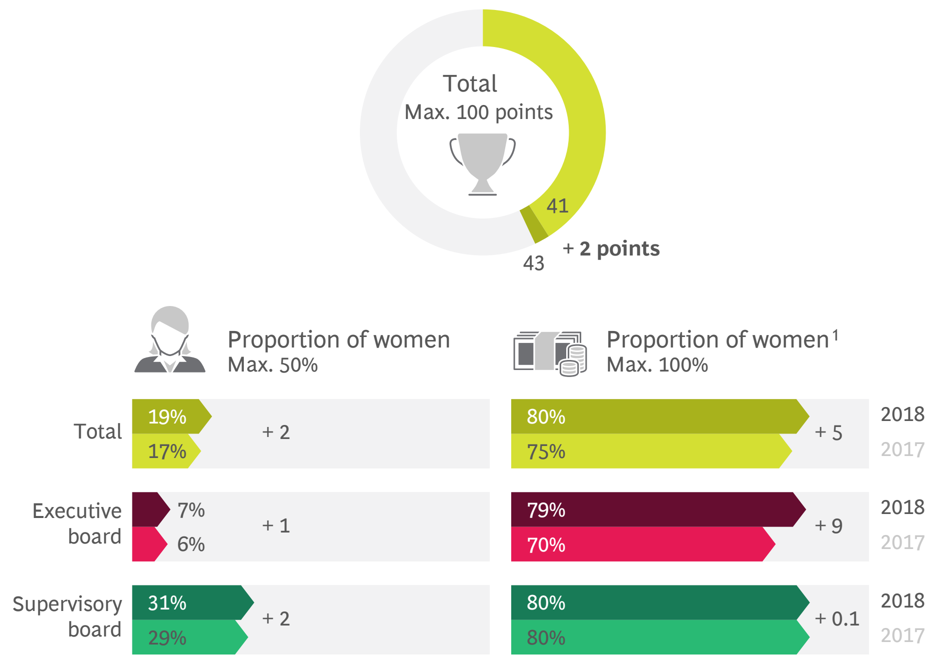
- Stock exchange listing in the German Prime Standard (DAX, MDAX, SDAX, TecDAX)
- Company headquarters in Germany
- Classification as "public company" according to Capital IQ
- Name, date of start and exit, and individual compensation data publicly and separately available for every member of the executive and supervisory board (e.g., from annual reports and the BoardEx database)
- Listing among the 100 largest companies by market capitalization as of June 30, 2018 (source: Capital IQ)

2.3 BCG Gender Diversity Index—Results and Insights on Gender Parity: Progress Is Slow

There is still lots to do. Although the proportion of women and their income on the executive and supervisory boards of the 100 biggest publicly traded German companies has risen recently, there is still a long way to go until we reach gender parity. Currently, the corporations examined achieved an average of just 43 out of 100 points—after 41 points the previous year.

7. Federal Ministry of Family Affairs, Senior Citizens, Women and Youth. Interactive chart showing the proportion of women on the supervisory boards of listed companies with equal representation. Available online at https://www.bmfsfj.de/quote/daten.html

Exhibit 1 | No Major Leaps in Equality Between Women and Men in Germany in 2018 (according to BCG Gender Diversity Index 2018)



Source: *BCG Gender Diversity Index 2018*
1. Compensation data for the *BCG Gender Diversity Index* comes from the most recently available annual report, for the *BCG Gender Diversity Index 2018* usually from December 31, 2017. So the annual figures presented refer to the analysis; the year of compensation is always the previous year (i.e., 2016 and 2017). Analysis of compensation components excluding outliers (i.e., people with a salary three times higher than the average sum). The pay equality was calculated based on those companies that report the compensation of women in the respective committee (executive board 2018: 32 [2017: 27], supervisory board 2018: 92 [2017: 95]); thus the total score cannot be derived from the components.

The number of front-runners is low. Only eight of the 100 companies reach more than 70 points in the ranking; 31 organizations achieve at least 50 points. So only almost a third has made it halfway to gender parity.

Eight of the top ten companies from 2017 are also at the top in 2018. They appear to have created a culture that welcomes diversity and can keep women in their executive and supervisory boards. The company ranked number one, Aareal Bank AG from the MDAX, was able to increase its total score to more than 80. The financial institution worked its way from fifth place in 2017 (72.3 points) to the top with 80.4 points. Its executive board, for instance, has had two women for a long time (out of five total members of the board at the time this report was written); in addition, a woman chairs the supervisory board, which is a rarity in German businesses.

After Aareal Bank come Telefónica Deutschland Holding from the TecDAX in second place and Grenke AG from the SDAX in third place. Of particular note at the mobile telecommunications company Telefónica was the fact that both the executive and supervisory boards exhibit near full pay equality (more than 95%). At

Grenke, a leasing provider for office communication, one of the four members of the executive board is a woman, Antje Leminsky. In March 2018, she also took on the position of CEO.[8]

Three Companies Completely Forgo Having Women at the Top

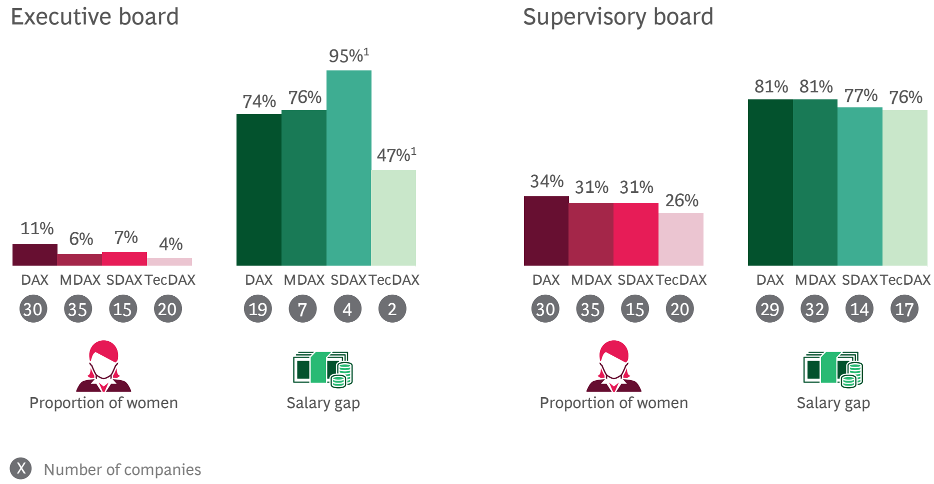
The number of laggards — in other words, companies receiving fewer than 31 points — has declined 7 points to 15. Two of the bottom ten companies from 2017 have made a jump forward from the "worst ten," as even small changes in these positions can have a big impact. Norma, a company offering connector technology, improved its standing from 92nd to 50th place simply by adding a second woman to its supervisory board. The building material company Heidelberg Cement gained ten points in the ranking by appointing two additional women as members of its supervisory board, moving its way up from 93rd place to number 69.

This year there are again three companies that have exactly zero points, the Internet provider United Internet AG, the software manufacturer Nemetschek SE, and Delivery Hero AG. Their executive boards and supervisory boards are all-male affairs.[9]

In the context of the segments of the Prime Standard, the differences between the German indexes are minimal. DAX 30 companies do the best in terms of the proportion of women on their boards of management, while TecDAX companies do the worst overall. Exception: At SDAX and TecDAX companies, women earn more on executive boards than men on average, as the following exhibit illustrates.[10]

8. Her compensation as CEO could not be included in the *BCG Gender Diversity Index 2018* because that data was not yet available.
9. That is no longer the case for Delivery Hero. The online food-delivery site appointed two women to its supervisory board after the deadline of this report.
10. Due to the small scope of the sampling, the probability of a statistically significant effect is very low.

Exhibit 2 | DAX Companies at the Top of the Gender Diversity Index



Source: *BCG Gender Diversity Index 2018*
Note: Proportion of women with null values, compensation with no null values. Points in the *BCG Gender Diversity Index* according to the calculation logic cannot be derived from the results illustrated. Analysis of compensation components excluding outliers (i.e., people with a salary three times higher than the average sum).
1. The average compensation of female members of the executive board is higher than that of the men.

Corporations with No Women on the Supervisory Board Are a Rarity—Companies with No Women on the Executive Board Are Unfortunately the Norm

Larger companies generally fare much better than smaller ones, at least with regard to their supervisory bodies. At companies with more than 2,000 employees, one-third of supervisory board members are women (2017: 30%). At corporations with fewer than 2,000 employees, not one-quarter of supervisory board members is female (2018 and 2017: 24%).

In top management, there are no pronounced differences between the two company sizes. For companies with fewer than 2,000 employees, the proportion of women on the executive board is about eight percent (2017: 7%), at large companies that number is over seven percent (2017: 6%).

Conversely, the number of companies without women on their executive boards is enormous. Almost two-thirds of the companies analyzed, namely 64 of the 100 biggest listed companies in Germany, have no women at all in top management. That is most often the case for MDAX companies (26), followed by TecDAX (17), SDAX (11), and DAX companies (10). There is one ray of hope: In every segment, the number of companies without women on their board of management declined.

On the other hand, you have to look hard to find a company with no women on its supervisory board. Only five of the 100 corporations entirely forwent feminine expertise in their supervisory body in 2018.

EXHIBIT 3 | *BCG Gender Diversity Index 2018* (I/III)

	Company	DAX category	Total score	Component 1.1 (proportion of women on SB)	Component 1.2 (proportion of women on EB)	Component 2.1 (compensation equality SB)	Component 2.2 (compensation equality EB)
1	Aareal Bank AG	MDAX	80.44	41.7%	40.0%	87.0%	71.5%
2	Telefónica Deutschland Holding	TecDAX	79.47	37.5%	25.0%	96.7%	96.2%
3	Grenke AG[1]	SDAX	75.08	33.3%	25.0%	88.9%	94.8%
4	Henkel AG & Co. KGaA	DAX	74.43	37.5%	16.7%	96.0%	93.4%
5	KWS Saat SE	SDAX	74.00	50.0%	25.0%	68.0%	78.0%
6	Evonik Industries AG	MDAX	73.91	35.0%	25.0%	90.4%	85.3%
7	Deutsche Lufthansa AG	DAX	72.31	35.0%	20.0%	90.5%	88.7%
8	Merck KGaA	DAX	72.25	37.5%	16.7%	87.3%	93.4%
9	Deutsche Börse AG	DAX	69.71	42.9%	20.0%	82.9%	70.2%
10	Fraport AG	MDAX	69.09	30.0%	25.0%	84.0%	82.4%
11	Deutsche Telekom AG	DAX	67.65	40.0%	12.5%	68.6%	97.0%
12	Fuchs Petrolub SE	MDAX	66.83	33.3%	20.0%	80.7%	80.0%
13	Deutsche Bank AG	DAX	65.97	31.6%	11.1%	95.9%	82.6%
14	Hamburger Hafen und Logistik AG	SDAX	65.52	33.3%	25.0%	74.1%	71.3%
15	Siemens AG	DAX	64.75	35.0%	25.0%	89.8%	49.2%
16	Munich Re	DAX	64.61	45.0%	12.5%	80.4%	63.0%
17	BMW AG	DAX	64.16	30.0%	12.5%	72.7%	98.9%
18	Allianz SE	DAX	64.03	33.3%	20.0%	64.3%	85.2%
19	ProSiebenSat.1 Media SE	MDAX	61.26	33.3%	16.7%	96.6%	48.4%
20	BASF SE	DAX	60.05	33.3%	14.3%	79.9%	65.1%
21	Schaeffler AG	MDAX	59.13	20.0%	11.1%	94.1%	80.2%
22	SAP SE	DAX	58.72	38.9%	22.2%	97.6%	15.0%
23	Bayer AG	DAX	57.16	30.0%	0.0%	78.5%	90.1%
24	Fresenius SE & Co. KGaA	DAX	56.87	33.3%	14.3%	98.8%	33.4%
25	Wirecard AG[2]	TecDAX	54.93	50.0%	25.0%	69.7%	0.0%
26	Deutsche Post AG	DAX	54.90	35.0%	16.7%	79.0%	37.3%
27	Daimler AG	DAX	54.87	30.0%	25.0%	70.0%	39.4%
28	Volkswagen AG	DAX	52.43	30.0%	12.5%	61.5%	63.2%
29	Continental AG	DAX	51.45	30.0%	12.5%	68.5%	52.3%
30	Adidas AG	DAX	50.77	25.0%	16.7%	75.7%	44.0%
31	Kion Group AG[3]	MDAX	50.40	31.3%	25.0%	89.1%	0.0%
32	TAG Immobilien AG	MDAX	48.66	16.7%	33.3%	0.0%	94.7%
33	MorphoSys AG	TecDAX	48.39	33.3%	0.0%	91.9%	35.0 %
34	Vonovia SE[4]	DAX	48.24	33.3%	25.0%	76.3%	0.0%

Women with high average compensation — Women and men with equal compensation on average[5] — Men with high average compensation — Chairwomen of the supervisory board

SB = supervisory board   EB = executive board

Source: *BCG Gender Diversity Index 2018* (BCG analysis based on BoardEx data [for proportion of women components 1.1 and 1.2] and the current annual reports [for compensation components 2.1 and 2.2])
1. Antje Leminsky is included in all data as a regular member of the executive board. Compensation data for the CEO position was not available by the reporting date June 30, 2018. 2. For Susanne Steidl, the compensation data was not available by June 30, 2018. 3. For Anke Groth, the compensation data was not available by June 30, 2018. 4. For Helene von Roeder, the compensation data was not available by June 30, 2018.
5. Compensation equality of 95% or more was considered nearly equal.

Exhibit 3 | *BCG Gender Diversity Index 2018* (II/III)

	Company	DAX category	Total score	Component 1.1 (proportion of women on SB)	Component 1.2 (proportion of women on EB)	Component 2.1 (compensation equality SB)	Component 2.2 (compensation equality EB)
35	Metro AG	MDAX	46.90	45.0%	0.0%	97.6%	0.0%
36	GEA Group AG[1]	MDAX	45.16	41.7%	20.0%	57.3%	0.0%
37	Commerzbank AG[2]	DAX	44.91	40.0%	14.3%	71.1%	0.0%
38	DMG Mori AG	SDAX	43.92	41.7%	0.0%	92.3%	0.0%
39	Deutsche Pfandbriefbank AG	MDAX	40.82	33.3%	0.0%	96.6%	0.0%
40	Bilfinger SE	SDAX	40.66	41.7%	0.0%	79.3%	0.0%
41	Symrise AG	MDAX	40.51	33.3%	0.0%	95.4%	0.0%
42	Fresenius Medical Care AG & Co. KGaA	DAX	39.99	40.0%	0.0%	80.0%	0.0%
43	Ceconomy AG	MDAX	39.80	45.0%	0.0%	69.2%	0.0%
44	Osram Licht AG	MDAX	39.78	41.7%	0.0%	75.8%	0.0%
45	Scout24 AG	MDAX	39.61	33.3%	0.0%	91.8%	0.0%
46	Koenig & Bauer	SDAX	39.56	33.3%	0.0%	91.6%	0.0%
47	Infineon Technologies AG	DAX	39.48	37.5%	0.0%	82.9%	0.0%
48	Dürr AG	MDAX	39.37	33.3%	0.0%	90.8%	0.0%
49	Hochtief AG	MDAX	38.87	31.3%	0.0%	93.0%	0.0%
50	Norma Group SE	MDAX	38.75	40.0%	0.0%	75.0%	0.0%
51	zooplus AG	SDAX	38.74	0.0%	33.3%	0.0%	88.0%
52	Aurubis AG	MDAX	38.66	33.3%	0.0%	88.0%	0.0%
53	Rhön-Klinikum AG	SDAX	38.57	43.8%	0.0%	66.8%	0.0%
54	Covestro AG	DAX	38.26	33.3%	0.0%	86.4%	0.0%
55	Leoni AG	MDAX	37.74	33.3%	0.0%	84.3%	0.0%
56	SGL Carbon SE	SDAX	37.71	37.5%	0.0%	75.9%	0.0%
57	Carl Zeiss Meditec AG	TecDAX	37.50	33.3%	0.0%	83.3%	0.0%
58	Hapag-Lloyd AG	SDAX	36.99	31.3%	0.0%	85.4%	0.0%
59	Freenet AG	TecDAX	36.87	33.3%	0.0%	80.8%	0.0%
60	SMA Solar Technology AG	TecDAX	36.32	25.0%	0.0%	95.3%	0.0%
61	Gerresheimer AG	MDAX	35.99	33.3%	0.0%	77.3%	0.0%
62	Jenoptik AG	TecDAX	35.37	33.3%	0.0%	74.8%	0.0%
63	Brenntag AG	MDAX	34.91	33.3%	0.0%	73.0%	0.0%
64	Hannover Rück SE	MDAX	34.81	44.4%	0.0%	50.3%	0.0%
65	RWE AG	DAX	34.47	30.0%	0.0%	77.9%	0.0%
66	Linde AG	DAX	34.34	33.3%	0.0%	70.7%	0.0%
67	Wüstenrot & Württembergische AG	SDAX	34.24	37.5%	0.0%	61.9%	0.0%
68	Talanx AG	MDAX	34.08	31.3%	0.0%	73.8%	0.0%

Women with high average compensation

Women and men with equal compensation on average[3]

Men with high average compensation

Chairwomen of the supervisory board

SB = supervisory board EB = executive board

Source: *BCG Gender Diversity Index 2018* (BCG analysis based on BoardEx data [for proportion of women components 1.1 and 1.2] and the current annual reports [for compensation components 2.1 and 2.2]).
1. Martine Snels's compensation data is based on a period of less than three months, which is why it wasn't included in the analysis. 2. Bettina Orlopp's compensation data is based on a period of less than three months, which is why it wasn't included in the analysis. 3. Compensation equality of 95% or more was considered nearly equal.

EXHIBIT 3 | *BCG Gender Diversity Index 2018* (III/III)

	Company	DAX category	Total score	Component 1.1 (proportion of women on SB)	Component 1.2 (proportion of women on EB)	Component 2.1 (compensation equality SB)	Component 2.2 (compensation equality EB)
69	HeidelbergCement AG	DAX	33.95	33.3%	0.0%	69.1%	0.0%
70	Bechtle AG	TecDAX	33.59	33.3%	0.0%	67.7%	0.0%
71	MTU Aero Engines AG	MDAX	33.56	27.3%	0.0%	79.7%	0.0%
72	Salzgitter AG[1]	MDAX	33.15	28.6%	0.0%	75.5%	0.0%
73	Beiersdorf AG[1]	DAX	33.15	25.0%	0.0%	82.6%	0.0%
74	CompuGroup Medical SE	TecDAX	33.08	16.7%	0.0%	99.0%	0.0%
75	CTS Eventim AG & Co. KGaA	MDAX	32.99	25.0%	0.0%	82.0%	0.0%
76	1&1 Drillisch AG	TecDAX	32.91	16.7%	0.0%	98.3%	0.0%
77	Evotec AG	TecDAX	32.87	33.3%	0.0%	64.8%	0.0%
78	Siltronic AG	TecDAX	32.85	33.3%	0.0%	64.7%	0.0%
79	K+S AG	MDAX	32.41	25.0%	0.0%	79.6%	0.0%
80	Sartorius AG	TecDAX	32.26	41.7%	0.0%	45.7%	0.0%
81	E.ON SE	DAX	32.00	28.6%	0.0%	70.9%	0.0%
82	thyssenkrupp AG	DAX	31.92	30.0%	0.0%	67.7%	0.0%
83	Xing SE	TecDAX	31.48	16.7%	0.0%	92.6%	0.0%
84	Aixtron SE	TecDAX	31.22	20.0%	0.0%	84.9%	0.0%
85	Rheinmetall AG	MDAX	31.19	25.0%	0.0%	74.8%	0.0%
86	Uniper SE	MDAX	30.60	33.3%	0.0%	55.7%	0.0%
87	Krones AG	SDAX	30.25	25.0%	0.0%	71.0%	0.0%
88	Lanxess AG	MDAX	30.14	25.0%	0.0%	70.6%	0.0%
89	Cancom SE	TecDAX	29.89	33.3%	0.0%	52.9%	0.0%
90	Zalando SE	MDAX	28.76	22.2%	0.0%	70.6%	0.0%
91	LEG Immobilien AG	MDAX	28.58	16.7%	0.0%	81.0%	0.0%
92	TAKKT AG	SDAX	27.50	16.7%	0.0%	76.7%	0.0%
93	Software AG	TecDAX	26.05	16.7%	0.0%	70.9%	0.0%
94	Pfeiffer Vacuum Technology AG[2]	TecDAX	20.83	16.7%	25.0%	0.0%	0.0%
95	Ströer SE & Co. KGaA[3]	SDAX	18.36	35.7%	0.0%	2.0%	0.0%
96	TLG Immobilien AG	SDAX	13.29	0.0%	0.0%	53.2%	0.0%
97	Deutsche Wohnen AG	MDAX	8.33	16.7%	0.0%	0.0%	0.0%
98	Delivery Hero SE	MDAX	0.00	0.0%	0.0%	0.0%	0.0%
99	Nemetschek SE	TecDAX	0.00	0.0%	0.0%	0.0%	0.0%
100	United Internet AG	TecDAX	0.00	0.0%	0.0%	0.0%	0.0%

Women with high average compensation
Women and men with equal compensation on average[4]
Men with high average compensation
Chairwomen of the supervisory board

SB = supervisory board EB = executive board

Source: *BCG Gender Diversity Index 2018* (BCG analysis based on BoardEx data [for proportion of women components 1.1 and 1.2] and the current annual reports [for compensation components 2.1 and 2.2]).
1. Different total score; same score only from rounding. 2. Ayla Busch's (supervisory board member) and Natalie Benedikt's (executive board member) compensation data are based on a period of less than 3 months, which is why they weren't included in the compensation analysis. 3. The annual report from 2017 only indicates meeting fees and no fixed compensation for the female members of the supervisory board Julia Flemmerer, Anette Bronder, and Sabine Hüttinger. 4. Compensation equality of 95% or more was considered nearly equal.

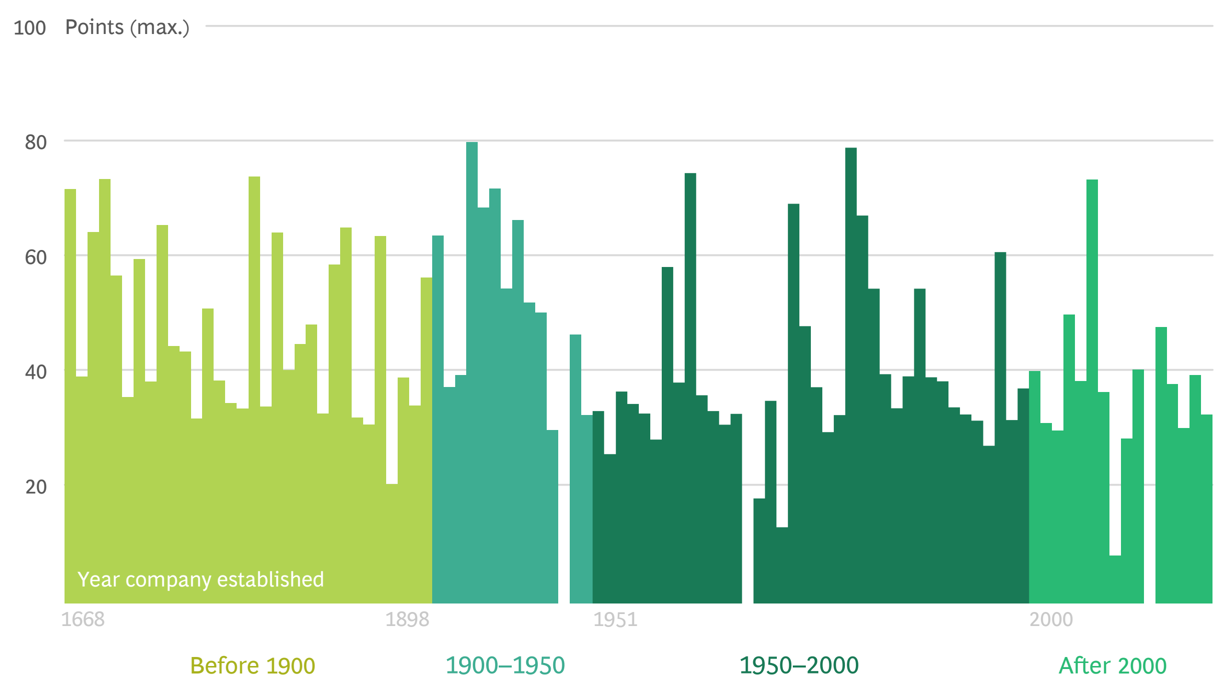
Diversity Has Nothing to Do with a Company's Age

If we move from the giants of German business to the small companies—the young start-ups and sole proprietorships that are beyond the scope of this report—things don't look any more positive. The proportion of women among company founders is 37 percent according to the KfW Start-up Monitor, and it's on the decline. In 2016, 40 percent of founders were women, in 2015 almost 43%. In addition, women usually start a business on the side.[11]

That might explain why the younger companies in this index—including start-ups that have outgrown their training wheels, but primarily mergers and spin-offs of corporations—are not necessarily more diverse in their management than some of the behemoths in the industry. So, gender diversity has nothing to do with a company's age.

For example, XING SE, founded in 2003, receives a mere 31 points in the overall index, and Zalando SE (started in 2008) just 29 points. Delivery Hero, founded in 2011, at least appointed two women to its supervisory board after this report's deadline. (Prior to the report deadline, there were no female members on that board of the start-up.) Representing the new companies from the last 20 years in the index, these three firms have considerable room for improvement, however.

EXHIBIT 4 | Both Well-Established and Young Companies Lacking in Diversity



Source: *BCG Gender Diversity Index 2018*

11. Dr. Georg Metzger. *KfW Start-up Monitor 2018*, KfW Research, May 2018. Available online at https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Gr%C3%BCndungsmonitor/KfW-Gruendungsmonitor-2018.pdf

Financial and Insurance Service Companies Make It to the Top with Average Results

When grouped by industry, the 100 largest listed corporations in Germany fall into nine categories.[12]

- At the head of the pack is the financial and insurance sector, although with 55 points it really isn't more than slightly above average.

- Coming in second is the chemical and pharmaceutical industry (almost 50 points), while third place is shared by mechanical and vehicle engineering as well as the trade, transport, and storage sector (almost 45 points each).

- Energy and construction as well as the process and materials industry (each with about 35 points) are near the bottom. They don't have any women on their boards of management.

- At the tail end are companies from the real estate management sector (approximately 29 points), although they take the cake when it comes to compensation. Women on the executive boards of these companies earn around 95 percent of the income of their male colleagues.

- With two exceptions, every industry made improvements compared to the previous year. The real estate management companies have practically stood in place (30 points for 2017 and 2018), and the players in the energy and construction sector have declined dramatically with a drop of nine points (from 44 points in 2017 to 35 points in 2018).

- The largest advancement in terms of compensation parity in the management board after real estate management (from 11% in 2017 to 95% in 2018) was made by the information and communication sector (from 7% in 2017 to 64% in 2018).

- In matters of compensation, the manufacturers of electronic and technical products are in a particularly negative light. The women on their executive boards receive a low 33 percent of the average salary of their male counterparts.

A look at other countries doesn't make German business look good, either. In regard to the proportion of women on boards of management as well as supervisory boards compared the global average, Germany is anything but a trailblazer (20%). While in Norway (42%) and France (41%)[13] an appreciable portion of all top jobs are occupied by women, the scenario in Germany looks much more meager with 19 percent.[14]

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12. The number of companies per group varies between 5 and 17..
13. Meggin Thwing Eastman: *Women on Boards: Progress Report 2017*. MSCI, December 2017. Available online at https://www.msci.com/documents/10199/239004/MSCI_Women+on+Boards+Pro-gress+Report+2017.pdf/b7786a08-c818-4054-bf3f-ef15fc89537a
14. Source: *BCG Gender Diversity Index 2018*

2.4 Looking at Executive Boards: Two Women CEOs—Role Models for German Business

Let's assume 100 companies are supposed to be connected to urgently needed high-speed Internet. Thirty-two already have a connection, and four more companies can be added to the total. How should that be evaluated? Are four companies a lot? And is the total of 36 satisfactory?

That's the situation for executive boards in Germany; also in regard to the progress made. The fact that the number of companies with at least one woman on the board of directors grew compared to last year from 32 to 36 percent is unquestionably a positive. But is it a lot? Or enough? To put it diplomatically, there is plenty of room for improvement, to be sure.

There is a symbolic expression of the transformation in that the number of women appointed as CEOs increased by 100 percent. After the female CEO of Hamburger Hafen und Logistik AG, Angela Titzrath, was nominated in 2017, Antje Leminsky was appointed to the office of CEO of Grenke AG. So, at the 100 major publicly traded companies in Germany—by our reporting date of June 30, 2018—two women were made CEO and 40 women were appointed to executive boards. That represents an increase in the proportion of women on executive boards from six percent in 2017 to seven percent.

These two female CEOs could have a signal effect. Were we not repeatedly told that there were no women qualified for such positions? The public will no doubt be watching the only two female CEOs of Germany's 100 largest companies with eagle eyes. However, they should also be afforded the same opportunity to fail as men have. They are proof that women can not only become Federal Chancellor of Germany and party chairwoman but can of course also manage large companies.

> “Careers can't be planned. You can only try to use the opportunities for personal growth. I recommend that women be open and fearless and even take on tasks that they might not fully master. Women often hesitate to step outside their comfort zone and take on new responsibility.”
>
> From the BCG interview with Anke Giesen, COO at Fraport

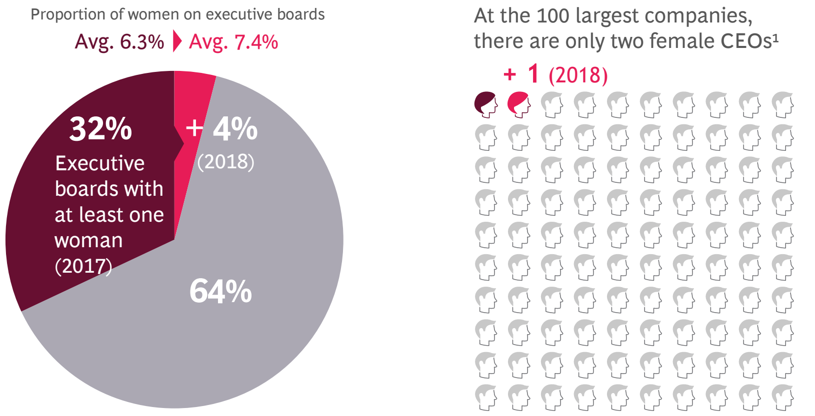
Moreover, there are other newly appointed women among division heads. Dessi Temperley was hired as CFO at Beiersdorf, the maker of Nivea.[15] The forklift company KION recruited Susanna Schneeberger in October 2018 as chief digital officer for its top management. Prior to that, KION had just appointed Anke Groth as CFO. That means at KION there are two women[15] and three men on the board of management—like in other companies as well. Because one woman at the top does not a summer make, so to speak. Only once there are at least two women at the C-level—as women executives repeat in confidential conversations—can they consistently assert themselves in a male preserve, supporting each other.[16] Aareal Bank, for instance, has such a duo with Dagmar Knopek and Christiane Kunisch-Wolff,

15. After the reporting date (June 30, 2018).
16. Alison M. Konrad, Vicki Kramer, and Sumru Erkut. “Critical Mass: The Impact of Three or More Women on Corporate Boards”. Organizational Dynamics, 37 (2008), 2, pp. 145–164.

Telefónica with Nicole Gerhardt and Valentina Daiber, and Daimler with Britta Seeger and Renata Jung Brüngger. The most well-known top executive pair is at Siemens: Janina Kugel and Lisa Davis.

So there is progress, albeit at a rather reserved pace. If this change maintains its speed, in other words, if there is linear growth of about one percentage point yearly, it would take around 40 years until there is gender balance on the C-level.

EXHIBIT 5 | Two-Thirds of Executives Are Men



Source: *BCG Diversity Index 2018*
1. Angela Titzrath, Hamburger Hafen und Logistik AG, and Antje Leminsky, Grenke AG
Based on ranked companies as of June 30, 2018.

Thirty-six percent of all executive boards had at least one woman in 2018—up from 32 percent the year prior. The fact that women's average time in executive offices has been much shorter than that of men is due to their late entry; after all, female executives were the absolute exception up until just a few years ago. About one-quarter of male executives have been in their role for eight years and longer in top management—women in the same roles reach a mere three percent of that time. But women are gaining ground. The proportion of those who stay in top management longer than four years more than doubled from 2017 to 2018 and is currently at 36 percent (2017: 15%).[17]

Interestingly, it seems some companies want to address multiple aspects of diversity when appointing women to top positions. Around a third of top women managers have an international background, while only a quarter of their male colleagues do. In terms of age, there is little difference. Women in the C-suite are 52 years of age on average and men 54.

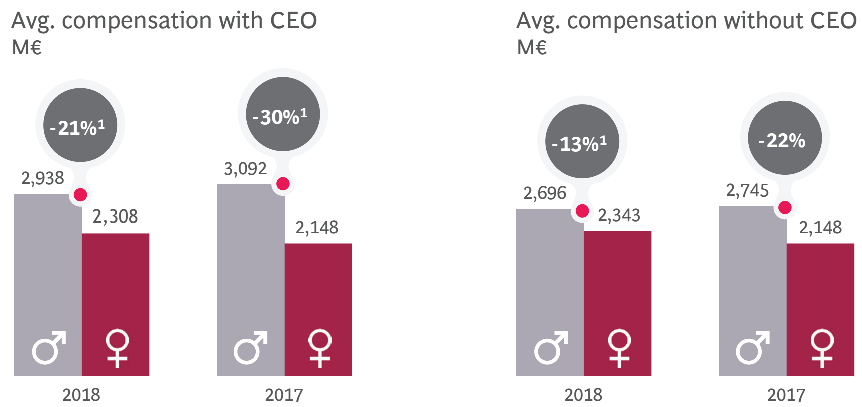
Top Female Managers with Better Average Compensation in 2018

Encouragingly, female executives have seen an improvement in financial compen-

17. Source: BoardEx; press releases; annual reports.

sation compared to the previous year; however, their salaries lag far behind compared to how their male colleagues are compensated. While they were paid 70 percent of the average male salary in 2017, that figure rose to 79 percent in 2018, or in other words €2.3 million. That means that female board members earn an average of 21 percent less than the men on the board.[18] Adjusted for the much higher paid position of CEO, since it only affects just two female CEOs, the number decreases markedly—but the pay gap is still 13 percent.[19]

EXHIBIT 6 | Female Executives Now Earn More, but Not Nearly as Much as Their Male Colleagues



Source: *BCG Gender Diversity Index 2018*
Note: Analysis based on all companies that report the salaries of female members of the executive board (n = 32 [incl. CEO] or 31 [adjusted for the CEO function—as CEO Antje Leminsky was included in the proportion of women, but not in the compensation ratio, as there was no new compensation information by June 30, 2018] in 2018, n = 27 [incl. CEO and adjusted for the CEO function—as CEO Angela Titzrath was included in the proportion of women, but not in the compensation ratio, as there was no new compensation ratio, as there was no new compensation information by June 30,2017] in 2017). Analysis of compensation components excluding outliers (i.e., people with a salary three times higher than the average sum).
1. This difference is statistically significant ($p < 0.05$).

The reasons why women managers, also in executive positions, earn less than their colleagues are complex. While some speculate whether women are worse negotiators or even consciously put at a disadvantage, this report provides a range of plausible answers:

- **Women rarely make CEO.**
  The chief executive officer has the best-paid job in the board. The average CEO income is €5.2 million and is around twice as much as the rest of the board positions (€2.4–2.8 million).[20]

18. The pay gap between women and men is statistically significant ($p < 0.05$). Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 32).
19. The pay gap between women and men is statistically significant ($p < 0.05$). Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 31). Antje Leminsky (CEO of Grenke since March 2018) was analyzed as CEO in terms of the proportion of women but not in terms of the proportion of compensation, as no compensation data was available as of June 30, 2018, the deadline for this report.
20. Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 32).

Because currently only two of the 100 largest publicly listed companies are managed by a woman, only two female managers can enjoy a CEO salary. The fact that the other 98 companies are led by men, accounts for seven percentage points of the 21 percent pay gap.[21]

- **Top female managers rarely become CFO.**
  Even though there have been a few women appointed as managers in the financial segment recently (Beiersdorf, KION, Vonovia, etc.), it is relatively rare for a woman to become chief financial officer (CFO). But it's actually the second best–paid position in companies with women on the board of management. The average salary earned by the CFO at the 100 companies analyzed is €2 million. In the 32 corporations with at least one woman on the executive payroll, the average income of the financial manager is €2.8 million—followed by the business-related positions like production or sales, at €2.6 million, and the support-related jobs like human resources or legal, with an average of €2.4 million.

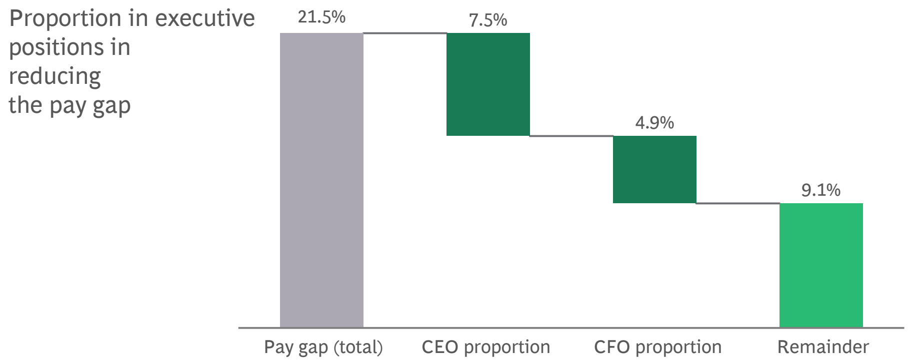
  Women are most likely to be found in the support-related executive positions, in which their proportion is 33 percent. For the business-related C-level positions (17%) and the role of CFO (18%), their proportion is much less—women don't even make up one-quarter.[22]

  The fact that women on boards rarely hold the position of CFO accounts for another five percentage points of the pay gap.

> "At Lufthansa Group, every leadership position is posted with transparency; nothing is done in secret. Because some women don't have enough confidence, we focus on personally approaching them. We are persistent and tell them we think they can do the job. In addition, we offer numerous programs below the management level with which we prepare women—and of course men—for leadership positions."
>
> From BCG's interview with Bettina Volkens, member of the board, Lufthansa

21. Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 32) of which the number of chairwomen n = 1 (Antje Leminsky was analyzed as CEO in terms of the proportion of women but not in terms of the proportion of compensation, as no compensation data was available as of June 30, 2018, the deadline for this report)
22. Due to the small scope of the sampling, the probability of a statistically significant effect is very low. Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 32), of which the number of female CFOs n = 6, women in business-related positions n = 11, and support-related positions n = 13.

Exhibit 7 | Half of the Difference in Pay Can Be Explained by the Selected Position



Source: *BCG Gender Diversity Index 2018*
Note: Analysis based on the data for 32 executive committees; newly appointed women could not be included if there were no new business reports by June 30, 2018 (incl. compensation); analysis of compensation components excluding outliers (i.e., people with a salary three times higher than the average sum).

There is a residuum of around nine percentage points. That can be explained by the fact that the better-paid business-related positions—as explained above—are primarily occupied by men. In the support-related positions, women in this year's analysis period earned more then men for the first time, however.

Another analysis of the gap in compensation takes a look at the type of pay, the fixed and variable components. We will examine multiyear variable compensation later on, which exhibits stark differences between men and women.

But first, let's look at the executive salaries at 32 companies that have at least one woman in an executive position on their payroll. Here we see that women earn less in all positions than their male counterparts (CEO 77%, CFO 51%, business-related 28%)—with one exception: In support-related positions it's the men who take home less, interestingly. The salary for these positions for all candidates averages €2.4 million. With €2.6 million, women earn eleven percent more on average than men (€2.3 million).[23]

About two-thirds of all women in executive support-related jobs (65%) are responsible for human resources,[24] followed by legal and integrity (24%), and technology, innovation, and research (12%).[25]

23. Due to the small scope of the sampling, the probability of a statistically significant effect is very low. Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 32), of which the number of female CFOs n = 6, women in business-related positions n = 11, and support-related positions n = 13.
24. Three of those women also have other functions (IT, infrastructure, or risk)
25. The analysis is based on n = 17 women who hold exclusively support-related executive positions.

- **Reexamining the gender pay gap: Multiyear variable remuneration components contribute significantly to the pay gap.**
  A glimpse at the components of fixed and variable compensation shows that the smallest difference can be seen for fixed remuneration in between women's and men's salaries; women executives earn 91 percent of the salary of their male colleagues—around €724,007.

  Larger discrepancies can be found in fringe benefits (71% of a male executive's salary or €61,464), one-year variable remuneration (82% or €767,680), multiyear variable remuneration (61% or €524,297), and benefit expenses (80% or €365,334).[26]

  Of the variable components, the largest difference is found in the category multiyear variable remuneration. That gap, however, went down sharply compared to 2017, when women received 36 percent of what men did. In the meantime, the gap in the average multiyear variable compensation between men and women declined from €574,654 to €336,100.

  If we break down the multiyear variable remuneration to individual years, the gap narrows further from a total of 21 percent to 17 percent.[27] The reason for that is the fact that women—historically—hold their positions for less time than their male counterparts, so multiyear variable components do not (yet) become due. The payment of such components is in part tied to the development of the company (profit, revenue, share price) over multiple years. The payout usually takes place the year following the respective time period. If new members of the board are appointed, they don't normally profit from the multiyear variable compensation defined in the past; they need to wait until the next time period.

> "Objective criteria like KPIs contribute to performance and results taking center stage. I've often liked having my performance measured throughout my career. Anyone who delivers excellent and measurable results can confidently deal with internal attitudes. Many women want to convince with their work and see internal company politics as an unnecessary distraction."
>
> From BCG's interview with Hauke Stars, member of the board, Deutsche Börse

If we break down the calculation in terms of the different components and exclude the CEO salaries, the gap in fixed remuneration is virtually closed. Women executives then receive 99 percent of the income the men on the board can claim. But the gap remains similarly wide for the other components: fringe

26. Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned. The populations vary as not all companies pay all salary components: fixed remuneration n = 32; fringe benefits n = 32; one-year variable remuneration n = 31; multiyear variable remuneration n = 28; benefit expenses n = 28.
27. The pay gap between women and men is statistically significant ($p < 0.05$). Analysis based on the annualized (mulityear variable remuneration components divided by the maturity of individual elements) data of all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 32).

benefits (66% of the salary of male executives), one-year variable compensation (90%), multiyear variable compensation (66%), and benefit expenses (84%).[28]

Will the Executive Pay Gap Close by 2020?

If the salary increases of nine percentage points per year continue—just as from 2017 to 2018—then salaries could be equal for men and women in German executive positions in a bit over two years.

Overall, the number of top women managers is still relatively low, however. Of the €1.3 billion[29] spent by Germany's 100 largest publicly listed companies on the remuneration of their board members, €95 million go to the 42 women, in other words, each receives an average of €2.3 million. The 442 men on those same boards receive €2.7 million each on average.

Among the 32 companies with women on boards, eight have women on the executive board who earn more than their male colleagues on average, including Bayer, Lufthansa, Deutsche Telekom, HHLA, TAG Immobilien, or Zooplus.[30]

The best-paid female executive in Germany is Belén Garijo from Merck KGaA with an annual income of €5.7 million. For comparison: The best-paid male executive, the SAP CEO William McDermott, earns €21.8 million, almost four times as much. Among all the analyzed companies, 39 top male managers in 2018 earn more than Belén Garijo.

> "I would say that our progress is not fast enough. I want to focus less on the senior level, but look more at the pipeline. It is important to get the people on senior level, because I think that once they are on the senior level, they progress fine."
>
> From BCG's interview with Jacqueline Hunt, member of the board, Allianz

2.5 Focus on Supervisory Boards: Women in Supervisory Bodies Becoming Normal, Pay Equality Still Far Off

When a law was made in May 2015 that required a women's quota of 30 percent for new supervisory board appointments—with the spots otherwise having to remain vacant—the outrage in parts of the economy was great. Today, almost four years later, we see the 100 largest German companies on the stock exchange fulfilling that quota on average; the proportion of women in 2018 was an average of 31 percent (up from 29 percent the previous year).

28. Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned. The populations vary as not all companies pay all salary components: fixed remuneration n = 32; fringe benefits n = 32; one-year variable remuneration n = 31; multiyear variable remuneration n = 28; benefit expenses n = 28.
29. For these calculations, the current salaries of those who have held their positions for less than 12 months were projected to the entire year.
30. Analysis based on all companies that report the salaries of female executive board members and the C-level positions mentioned (companies: n = 32).

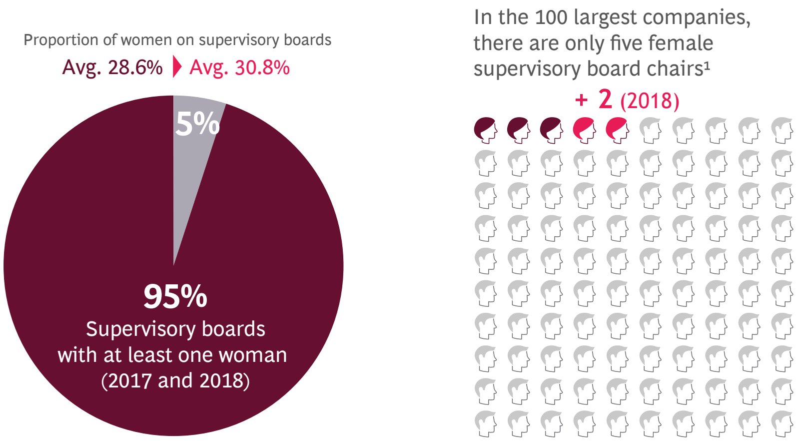
So the companies are finding qualified women. There is one exception: In the year prior, the bath and ceramics manufacturer Villeroy & Boch—not part of the *BCG Gender Diversity Index 2018*—was unable to fill a seat on its supervisory board. The employee side had missed the target of at least two women in the control committee; other than one woman, only men received the corresponding number of votes. After three months, a replacement was ordered by a court. Sabine Süpke, an official of IG BCG and long-time member of Schering's supervisory board, was ordered as a representative of the labor union.

> "The quota has effected a lot of change for the supervisory board mandate. There are many more talented women who can take on such a responsibility that many think. That means that corporations will need to look a little harder. The effort will be worth it."
>
> From BCG's interview with Dr. Ines Ploss, Group Purchasing Director, Heidelberg Cement

If the growth in the proportion of women continues like over the past year with two percentage points annually, the expected 30-percent quota would be overachieved soon, and in nine years there would even be gender balance on supervisory boards. That figure, however, represents all members of the supervisory body—the top positions tell a different tale. Looking at the chair of the supervisory board if the current trend were to continue, it would take considerably longer to achieve gender balance, in other words, 50 women and 50 men as chairs of the supervisory boards at 100 companies. There are currently five supervisory chairwomen, Marija Korsch at Aareal Bank, Simone Bagel-Trah at Henkel, Susanne Klatten at SGL Carbon, Ayla Busch at Pfeiffer Vacuum Technologies, and Laura Abasolo García de Baquedano at Telefónica Deutschland.

The number of five supervisory board chairwomen does represent a real improvement, as in 2017 there were only three women at the top of the supervisory body. That corresponds to an increase of two percentage points.

Exhibit 8 | Just Five Corporations Without a Woman on the Supervisory Board



Source: *BCG Gender Diversity Index 2018*
1. Marija Korsch, Aareal Bank AG; Dr. Simone Bagel-Trah, Henkel AG & Co. KGaA; Susanne Klatten, SGL Carbon SE; Ayla Busch, Pfeiffer Vacuum Technologies AG; Laura Abasolo García de Baquedano, Telefónica Deutschland Holding AG.
Based on the companies included in the index as of June 30, 2018

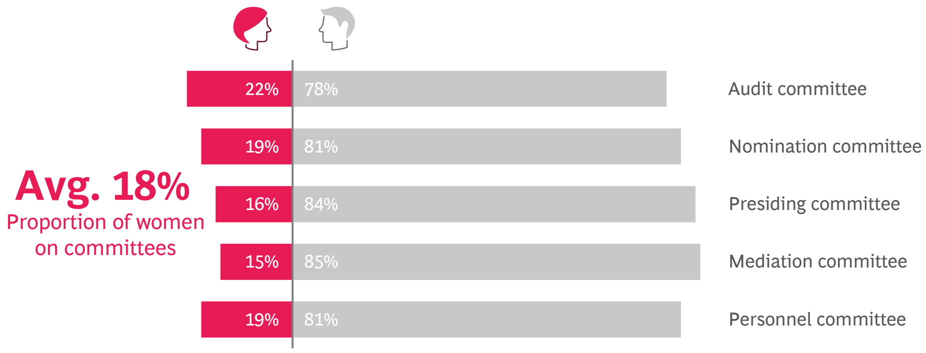
And when filling positions in important committees, there is some catching up to do. While almost one-third of all positions on supervisory boards are held by women, they don't make up a fifth of all committee seats (19%). They are even less represented in chairing the committees: Only eight percent of the chairs are women. What is striking is that there has been little movement here in the past year. The proportion of women for both committee members and chairs has increased by around one percentage point.

Between the committees, the commitment of the female supervisory board members varies widely. The presiding committee has a low proportion of women of 16 percent. This circle is particularly important for having influence. Its members maintain contact with the CEO and prepare the work of the supervisory board.

The audit committee, the most frequent body among the top 100 companies that were analyzed, controls accounting and risk management. The proportion of women is at its highest with 22 percent. Even on the scarcest committee, the human resources committee, the female members of the supervisory board account for almost one-fifth of the members (19%). The human resources committee makes decisions about executive appointments and compensation.

EXHIBIT 9 | Women with Little Representation on Powerful Presiding Committee

Comparing the proportion of women and men committee members[1] (2018)



Source: *BCG Gender Diversity Index 2018*
Note: Members of technology committees and other committees in this analysis are not included (audit committee n = 93, nomination committee n = 75, presiding committee n = 52, mediation committee n = 41, personnel committee n = 38).
1. Members include chairpersons, deputy chairpersons, and regular committee members.

If we look at the personal backgrounds of the members of the supervisory board, it becomes apparent that the women come from abroad more often than the men. On the supervisory bodies, 25 percent of all women are not German citizens; the proportion of men is 17 percent.

The women on the supervisory bodies are still younger than their counterparts. The average age of female supervisory board members is 55, while that of men is 60.

Women on Supervisory Boards Still Earn One-Fifth[31] Less Than Their Male Colleagues

As positive a development as the increase in the proportion of women in supervisory bodies is, a look at thir salaries is sobering. Women on supervisory boards earn an average of €94,000 and thus 20 percent less than the men on those same boards, who get €116,000.[32] In the previous year, the difference was already one-fifth. If the gap were to continue to close at that rate, with annual linear growth of 0.08 percentage points, it would take a staggering 252 years to reach pay equality.

As so often, the reasons for the difference in salary are diverse. This report has come to the following conclusions:

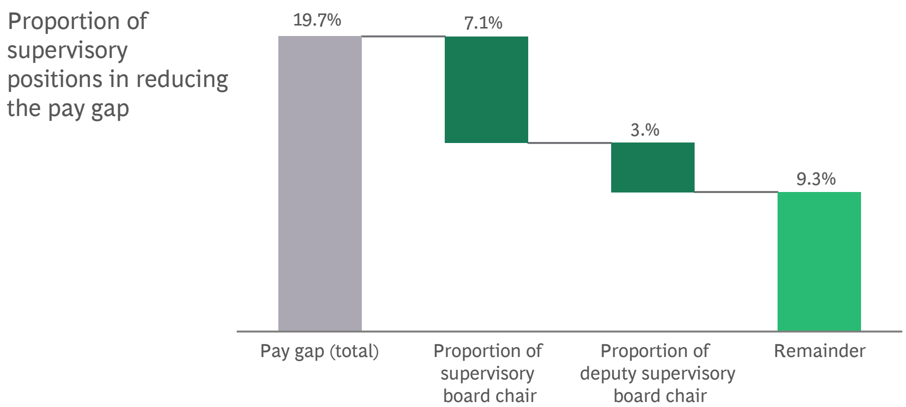
31. The pay gap between women and men is statistically significant ($p < 0.05$). Analysis based on all companies that report the salaries of female executive board members (n = 92).
32. The pay gap between women and men is statistically significant ($p < 0.05$). Analysis based on all companies that report the salaries of female supervisory board members and the supervisory board positions mentioned (companies: n = 92).

- **Women rarely hold the position of chair of the supervisory board.** The best-compensated position within the supervisory body is that of the chairperson. On average, the position provides €214,000 to its occupant and is thus 30 percent better compensated than the position of deputy chair (€150,000) and 55 percent better than the role of a regular member (€97,000). However—and herein lies a major cause—women have only a few of these higher positions.

  Only four percent of chairs[33] and 13 percent of deputy chairs on supervisory boards of the top 100 German companies are women. If we take this fact is into aadjust and calculated from the gender-related remuneration gap accordingly, it is reduced from just under 20 percent to around nine percent. A bit more than seven percentage points are attributable to the chairperson of the executive board and slightly more than three to the salary differences of the deputy chairs.[34] The remaining difference amounts to nine percent.

- **Women on supervisory boards are too scarce on the major committees.** Another explanation of the pay gap on supervisory boards is that female members of the supervisory body are usually less active in committees or don't lead them. Because in addition to their fixed compensation, members of the supervisory board also receive variable remuneration and attendance fees.

Exhibit 10 | Female Supervisory Board Members Lose Out on Pay, As They Take on High Positions Less Often



Source: *BCG Gender Diversity Index 2018*
Note: Analysis based on the data for 95 supervisory boards; newly appointed women could not be included if there were no new business reports by June 30, 2018 (incl. compensation); analysis excluding outliers (i.e., people with a salary three times higher than the average sum).

33. The salary of the supervisory board chairwoman Ayla Busch of Pfeiffer Vacuum Technologies was not included, since she had her position less than three months at the end of the fiscal year (see details in the appendix on the methodology).
34. Analysis based on all companies that report the salaries of female supervisory board members and the supervisory board positions mentioned (n = 92).

It is important to note that, in nine of the 95 supervisory boards with female members, women are compensated on average as well as or better than the men. Of those, three companies have women at the top of the supervisory board, Aareal Bank, SGL Carbon—manufacturer of carbon products—and the telecommunication company Telefónica Deutschland Holding, as well two companies with one female deputy on the supervisory board, the copper manufacturer Aurubis and Deutsche Pfandbriefbank. The other four cases concern regular members of the supervisory boards of the telecommunication corporation 1&1 Drillisch, the airport operator Fraport, Fresenius Medical Care, and Scout24, an operator of online marketplaces.

3 Managing the Future of Work

3.1 Introduction: Female and Male Managers Evaluate the Same Trends for Managing the Future of Work as Important and Positive

The world of work is changing faster than ever. The transformation in executive and supervisory boards to more gender equality, diversity of experience, backgrounds, and know-how has been described in detail in this report thus far. Of course, such changes are inextricably tied to cultural change, as is always the case when long-standing traditions are questioned.

Digitalization is also resulting in radical change for most companies. While it offers many advantages for employees because they have more flexibility in terms of where and when they work and can collaborate internationally more easily, it also presents personnel and employers with completely new challenges. New technologies lead to new business models, markets evolve faster and faster, and speed and complexity are increasing in practically every segment. But that doesn't just mean that lifelong learning is becoming a must for all employees. It also shows that corporations need to question the current foundation of their business. The requirements of leadership are increasing rapidly in the process. Top-down instructions have become old-fashioned, feedback is being given in every direction, and agile working makes each employee responsible or "owner" of specific projects. This self-determined approach of each individual to orchestrate and manage is the job of management that is up with the times. Their job is changing from that of expert and controller to one of visionary, mentor, and sparring partner for their team. Exemplifying such a role is expected of executive board members, and from time to time of those on the supervisory board. That's why it's so important for top management to become more diverse and for both managers and employees to experience a range of modern role models at the top of their companies.

The change works in both directions: The women and men in today's managerial positions are the executives and supervisory officers of tomorrow. They are the future shapers of our world of work and have to know how their personnel perceives the future of work, the changes their employees welcome, and those they see with concern.

The project forming the basis of this part of the report, which was carried out by the BCG Henderson Institute and Harvard Business School, provides the first analysis that also asks low-skilled workers about their perspective, distinguishing between how women and men deal with the change. Both the expectations of leaders ("manager" in the following) and employees without managerial duties ("employees" in the following) were collected. Overall, around 17,500 participants in Germany and ten other countries were surveyed.

What trends do they expect in terms of the future of work and how do they rate them, what time horizon do they assume, and how are they preparing for the change? Those were the central questions of the survey.

> 'Future of work' to me means that we need to become more agile, flexible, and less routined overall. That includes diversity in the widest sense, not just in terms of gender. Whenever the first woman or nonnative joins a team, people talk. But that should be openly challenged. We're working for teams to be willing to say, 'The new colleagues are different. But that's not a bad thing.'"

From BCG's interview with Eva Kienle, member of the board, KWS Saat

The key result: Both female and male managers evaluate the same trends for managing the future of work as important and positive. The top three trends mentioned were flexible work, changing customer needs, and increased requirement for qualification. Only in the weighting of the developments did we see gender-specific differences. For women in management, flexible work that enables them to strike a work-life balance is the decisive trend for the future of work; for men it's the higher qualification requirement.

Employees of both genders also agreed on how to classify the most significant trends in regard to the future of work. Their top trends were the changing customer needs, different expectations of the workplace, and changing requirements in further development.

And while employees primarily see it as their responsibility to prepare for these trends instead of waiting for the state or their employer, managers believe that their companies are already well prepared for the upcoming developments.

Male and female employees had different perspectives on the question of how new technologies (e.g., automation, robotics, and artificial intelligence) will impact the way we work in the future. While 60 percent of men assume that it will have a positive effect, almost the same amount of women (58%) think the opposite: They fear negative consequences from the new technologies.

3.2 Methodology

The basis of the Managing the Future of Work analysis stems from a project of Harvard Business School (HBS) together with the BCG Henderson Institute (BHI). As part of this project, surveys in selected countries were undertaken in which approximately 1,000 female and male employees in Germany were asked about 15 trends and 800 female and male managers in Germany were asked about 17 trends that affect managing the work of the future.

A total of 6,500 men and women managers worldwide were surveyed in different industries—around 800 each from Brazil, China, Germany, France, the UK, India, Japan, and the US. Furthermore, 11,000 women and men employees in lower salary brackets took part in the sample: around 1,000 each from the countries mentioned above as well as from Indonesia, Sweden, and Spain.

The managers come from various sectors. Half of them belong to the so-called C-level (e.g., CEO, CFO, COO), in other words to the top of the company. The other half is made up of members of senior management, such as vice presidents, directors, or heads of business units, whose direct reports are primarily managers.

The responding employees were less-qualified workers of whom more than 50 percent are in the lower half of the income and education level. They not only include blue-collar workers, but also pink- and white-collar employees, such as office and service workforce. The highest potential educational level here was a three-year first degree. An essential aspect is that they don't have top leadership responsibility—in contrast to managers. (The sample for this report was purposefully selected from a wide range, distinguishing it from other numerous published surveys of female and male employees.)

3.3 Outcome and Insights: German Women Managers Don't Think the Workplace Is Optimally Prepared for Women—Female Employees Are More Skeptical of Trends in Technology Than Their Male Colleagues

Female and male managers see the same trends for managing the future of work as important; the differences lie only in their prioritization. For female managers, flexibility at work is the most significant development; for men in management, that trend comes in second. The keyword "flexible work" encompasses the expectation of being able to better balance one's vocation with one's personal life. In contrast to the conventional belief that "personal life" means more free time or time for parenting, the term is more widely defined in this report. The significance of personal life has increased in recent years for many people. It can entail taking care of aging parents or civic engagement or broadening one's horizons in another way.

That corresponds with men in management rating an increased need for qualification as a decisive factor for managing the future of work. Women in management ranked that point third. Men and women both rate the trend "Other customer needs and business models" with a similar amount of importance. (In sum, the values of the top 3 trends are close together and differ only minimally—see exhibit 11.)[35]

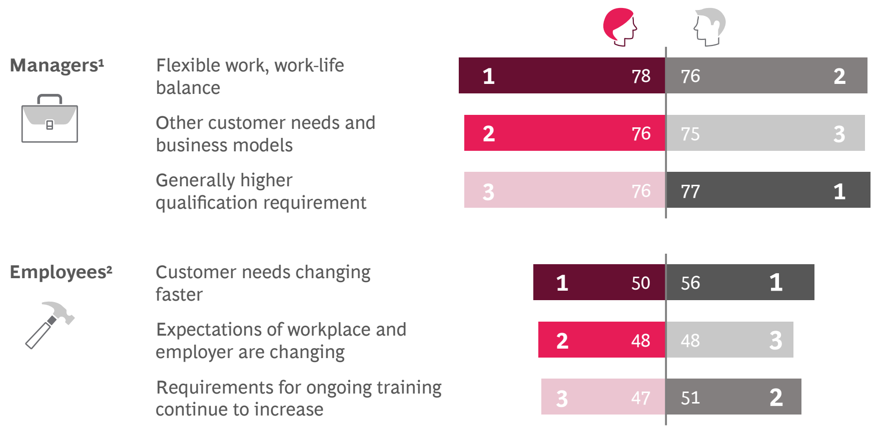
Among employees, there is consensus regarding which trend is most significant: Women and men deem "customer needs are changing ever more quickly" to be the most important. The necessity of continued training is considered slightly more important by male employees than by their female counterparts. The assumption

35. Question: "How significant do you judge each trend to be?"; average value (indexed) for the possible answers of "Minor significance" to "Major significance" in five levels (indexed with 20, 40, 60, 80, 100); n = 807 (women n = 232, men n = 575). Only one choice per trend.

that the expectations of the workplace and employer will change is accepted by both genders.[36]

EXHIBIT 11 | Flexible Work is the Most Important Trend for Female Managers

Average score
(indexed value of influence or significance) per top 3 trend



Source: *Managers: Forces Driving the Future of Human Work*. 2018 HBS-BHI manager survey; employees: BCG FoW Worker Survey 2018.
Question: "How significant do you judge each trend to be?"; possible answers of "Minor significance" to "Major significance" in five levels (indexed with 20, 40, 60, 80, 100); n = 807 (women n = 232, men n = 575).
2. Question: "What impact will this trend have on your future?"; possible answers "No impact" (indexed with 0), "Marginal impact" (indexed with 50), "Big impact" (indexed with 100), "Not sure" (not included in this analysis); n = 1,013 (women n = 524, men n = 489). Note: Sorted by how female employees and managers rank the trends. Only one choice per trend.

It is particularly interesting to see how respondents assess their future readiness and that of their company. Managers estimate their companies' preparation for the upcoming developments as positive: 89 percent of women in management say their company is well (39%) or partially (50%) prepared. Their male colleagues are similarly optimistic—37 percent think their firms are well prepared, 51% think that's partially the case.[37]

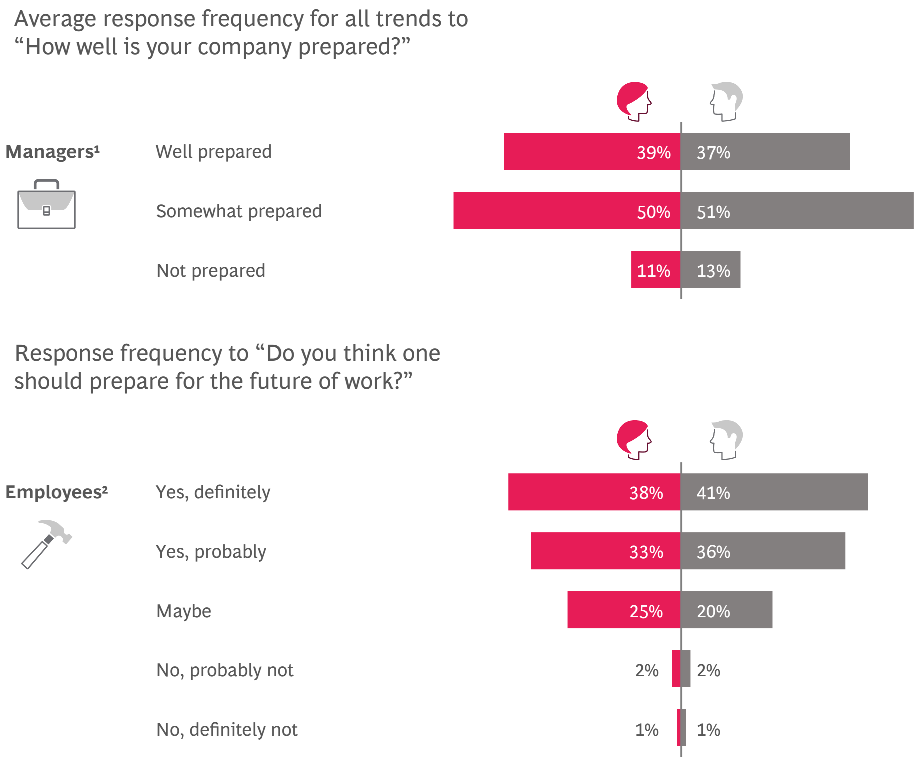
The workforce, on the other hand, still sees a long way to go. In response to the question whether one should prepare for managing the work of the future, 71 percent of female employees answered yes (38% "Definitely," 33% "Probably").

For male employees, that response was even higher at 77 percent (41% "Definitely," 36% "Probably").[38]

36. Question: "What impact will this trend have on your future?"; average value (indexed) of the possible answers "No impact" (indexed with 0), "Marginal impact" (indexed with 50), "Big impact" (indexed with 100), "Not sure" (not included in this analysis); n = 1,013 (women n = 524, men n = 489). Only one choice per trend.
37. Average response frequency for all trends for the question "How well is your company prepared?" Only one choice. Responses of "Not sure" were not included. The question was only presented to participants who classified at least one trend with major or minor impact or who were unsure about the impact. Women n = 497, men n = 470.
38. Only one choice per trend. The question was only presented to participants who classified at least

Interestingly, most employees assume they are responsible for their further training (57% of women, 58% of men). One-quarter expects their company to actively prepare for the impending changes (27% of female employees, 29% of male employees). Only very few see it as the government's responsibility (17% of women, 13% of men).

EXHIBIT 12 | Managers Consider Their Companies Equipped to Handle the Future of Work



Source: *Managers: Forces Driving the Future of Human Work*. 2018 HBS-BHI manager survey; employees: BCG FoW Worker Survey 2018
1. Only one choice per trend. The question was only presented to participants who classified at least one trend with "Medium significance" or "Major significance" and for whose company the trend will be of significance. Women n = 232, men n = 575. 2. Only one choice. Participants who responded "Don't know" are not included in this analysis. The question was only presented to participants who classified at least one trend with major or minor impact or who were unsure about the impact. Women n = 497, men n = 470.

one trend with "Medium significance" or "Major significance" and for whose company the trend will be of significance. Women n = 232, men n = 575.

Advancement of Women: German Women in Management Dissatisfied with Their Employers' Efforts

It is quite apparent that female managers in Germany rate the efforts their employers take to better shape the workplace for women as particularly feeble. Only about a third (38%) believes their employer undertakes initiatives to increase the attractiveness of the workplace for women in the future.

It's important we take a look at how they form that opinion: Female managers were first asked about the trends that will influence the way the future of work is managed. In addition to the aforementioned top three trends, women in management also consider more participation of the currently underrepresented workforce, including women, to be relevant. In order to recruit and retain these talents in the future, companies need to make the necessary preparations. One way to prepare would be to formulate guidelines for increasing the attractiveness of the workplace for women.

In the international comparison, women managers in Germany see their employers taking fewer measures to make the workplace attractive for women. In China, 63 percent of female managers are satisfied with the efforts of their employers, followed by Japan (60%), India (53%), Brazil (45%), USA (41%), and France (40%). Behind Germany is the United Kingdom with 34 percent.

> "You need to invest in recruiting programs, and you need to be prepared to change them. One size doesn't fit all when it comes to attracting, engaging and retaining talent. These programs need to keep evolving to stay relevant through decades of operational excellence."
>
> From BCG's interview with Adaire Fox-Martin, member of the board, SAP

When asked the same questions, male managers in Germany paint a different picture. Forty-three percent of them feel that measures are taken to increase the attractiveness of their company and workplace for women.[39]

One hypothesis for explaining these figures could be that the satisfaction of women in management has to do with the level of their expectations. Maternity leave, parental allowance, and parental leave are much better arranged than in the US, for instance. However, women in the US are more satisfied according to the numbers above.

39. Question: "How much has your company prepared itself for 'Increased participation of currently underrepresented workforce'?"; response frequency: "Guidelines developed to increase attractiveness for women (e.g., clear KPIs for promotions, mentor programs by experience managers, part-time options, home office, parental leave)" of a total of nine possible responses; multiple answers possible. The question was only presented to participants who classified at least one trend with "Medium significance" or "Major significance" for whose companies that trend was/is/will be significant and if their company had already taken "some measures" or "comprehensive measures." So n = 2,325 (women n = 996, men n = 1,329), thereof in Germany n = 237 (women n = 73, men n = 164).

There are many reasons that could explain the dissatisfaction of German women or, on the other side, the satisfaction of Chinese women. Among the explanations are certain societal or workplace cultures of a country or the reaction of companies to political incentives (e.g., social safety net).

Skeptical Female Workforce: Men See Changes from "Managing the Future of Work" Much More Positively

Only a small portion of the men and women surveyed thinks they will not be able to prepare for the expected changes. The majority feel moderate to positive about the topic. Among the female workforce, 46 percent say that they can "Definitely" or "Probably" prepare for the challenges. Of the fellow women in other Western industrialized nations (France, the UK, Sweden, Spain, the US), 56 percent feel that way. That figure is slightly higher for male employees in Germany, as 59 percent of them see the coming changes with confidence.[40]

One possible explanation for the relatively strong reservation of German female employees could be their working hours. The fewer hours they work, the greater their skepticism.[41]

It is, however, striking that the attitude of both male and female employees in Germany is similarly positive toward the emerging changes. Around two-thirds of men (67%) and women (66%) think it's good that the expectations of the workplace and employers are rising. They also see the accelerating change in customer needs as positive (women 68%, men 66%).

However, the results of this report also show that there is often room for improvement. Internationally speaking, some respondents are more optimistic than their German counterparts. Women abroad perceive the changes as positive. Around three-quarters of them welcome the fact that the requirements of further training are increasing and that customer needs are changing ever faster; and two-thirds of them responded positively to the changes in expectations towards employer and the workplace.

Female Employees View Trends in Technology like Automation, Robotics, and Artificial Intelligence Much More Critically than Their Male Colleagues

When asked about the impact new technologies will have, women and men employees offered mixed responses. Around 60 percent of all female employees in Germany believe that new technological trends such as automation, robotics, and artificial intelligence will have negative consequences for them. It should be noted that it's generally recognized that technology can also make everyday work life easier. Thanks to smartphones, video conferences, and fast, secure data streams, a degree of flexibility has become possible that was not available two decades ago. Especially women and mothers benefit from that. In the survey, however, technologies like automation, robotics, or artificial intelligence were seen apart from one's own workday.

40. Response frequency to, "Do you think you can prepare for the trends?" Only one choice. Germany: women n = 482, men n = 457, international: women n = 2,380.
41. Indicative, as a random sample.

Men in Germany perceive just the opposite: 60 percent of them expect the developments will prove positive for them. In the multinational comparison, the German women employees are the pessimists. The majority of women in other Western industrialized nations (55%) are convinced that the new technologies—especially extending beyond the technologies that are seen in day-to-day work—will prove a positive development.[42]

A hypothetical explanation for the skepticism of the female employees in Germany could be that they may not have as much of a connection with automation, robotics, or artificial intelligence. It comes as no surprise that the proportion of women in STEM studies and vocations is quite low in Germany—according to the OECD, that figure is lower than in some other countries.[43] For that reason, there are numerous initiatives and measures from the government and employers to get more girls interested in mathematics, natural sciences, or mechanical fields.

In fact, it's the women who work in the IT industry who make up the only female occupational group among German women employees who expect positive effects on their workplace. The women who work in sales or marketing and in retail see the changes in a particularly negative light by comparison. One hypothesis that might explain that could be that they come from traditional sales, and have experienced the influence of Internet giants in a negative way, since purchasing decisions online are more strongly influenced by algorithms instead of by a salesperson's selling skills or other factors.

However, a skeptical attitude is problematic in that, in a world in which professional training and development are fundamentally evolving, it can represent a structural disadvantage. Today, employers tell their employees less often how they should seek (further) professional training. Instead, employees are expected to actively take care of their own training. Skepticism toward technology can be a hurdle because those who reject innovations will likely not prepare themselves accordingly.

> " I don't believe in top down reskilling because people know themselves better. It comes down to finding the right mechanisms to highlight opportunities to employees and explain why that might be the right thing to do."
>
> From BCG's interview with Rachel Empey, member of the board, Fresenius SE & Co KGaA

That worry plagues men less than women. For all functional areas—even in sales and trade—employees expect positive effects for their workplaces. The only exception is those who work in the health-care industry.

42. Response frequency per trend to, "Will the trends have a positive or negative impact?" Only one choice per trend. Participants who see neither a positive nor negative impact were not included. The amount "n" depends on whether the participants rated the specific trend as influential (minor and major impact); (Germany: women n = 152–333, men n = 195–355, international: women n = 1,026–1,676).
43. OECD: *At a glance. Germany: Country Note*. Available online at: http://www.oecd.org/education/skills-beyond-school/EAG2017CN-Germany-German.pdf.

Men and women employees, also those abroad, agree on the topic of outsourcing. Around three-quarters of women and about two-thirds of men in Germany fear that sending work to external providers will produce a negative impact.[44] Two-thirds of women and 57 percent of men expect that outsourcing work to other countries will put them at a disadvantage in their job. Women in other Western industrial nations have similar concerns in that regard. Approximately 60 percent of them fear disadvantages if their companies outsource work to other countries.[45]

4 Summary: BCG Gender Diversity Index 2018: Diverse Companies Are the Future

The proportion of women in top positions in the German business world increased by around two percentage points in 2018—to a still meager 19 percent. The salaries of top women managers also increased, but they still only earn 80 percent of what their male colleagues do. For an industrial nation like Germany, that's an embarrassing result. Why do we settle for realizing the full potential of only half of the population?

A lot has been said and written about the low number of women in (top) management in Germany. Now is the time to apply what we've learned. In addition to employers, political players should provide initiatives to advance women and make it feasible and socially acceptable to balance work and private commitments. That encompasses tax benefits—moving away from subsidizing one-income households—as well as promoting parental leave for fathers.

Employers are also encouraged to formulate specific goals in terms of gender parity and to communicate them throughout the company and undertake initiatives if they are not met. Because if you want gender diversity, you need to take a clear stand. That won't happen on its own—current structures have been in place too long and the ideas in people's minds are much too embedded.

44. Response frequency per trend to, "Will the trends have a positive or negative impact?" Only one choice per trend. Participants who see neither a positive nor negative impact were not included. The amount "n" depends on whether the participants rated the specific trend as influential (minor and major impact); (Germany: women n = 152–333, men n = 195–355, international: women n = 1,026–1,676).

45. Response frequency per trend to, "Will the trends have a positive or negative impact?" Only one choice per trend. Participants who see neither a positive nor negative impact were not included. The amount "n" depends on whether the participants rated the specific trend as influential (minor and major impact); (Germany: women n = 152–333, men n = 195–355, international: women n = 1,026–1,676).

> There's always a lot of talk about efforts, but we rarely talk about results when it comes to diversity—although we should. What helps me is looking at the topic like a financial indicator. The logic automatically becomes a different one: If we don't hit our target, we have to intensify our efforts.

From BCG's interview with Dr. Carla Kriwet, member of the board, Royal Philips

Two companies that show they're serious about gender diversity are the top compa-nies in the *BCG Gender Diversity Index 2018*: Aareal Bank is number one overall, and the consumer goods manufacturer Henkel is the best DAX-30 company.

In the following, Henkel[46] and Aareal Bank[47] are presented as an inspiration for other employers, using three best practice examples.

Binding targets: Both front-runners of the *BCG Gender Diversity Index 2018* have set binding goals for a women's quota at the upper leadership level and attained many of them. Both the proportion of women in the workforce (Henkel: 34%, Aareal Bank: 37%) and in management (Henkel: 35%, Aareal Bank: 22%) are predominantly around one-third. At Henkel, this stems from growth of one percentage point per year in the last ten years. At Aareal Bank, it is striking that the proportion of female employees recently declined slightly (from 39% in 2015), while it rose at the management level (2015: 19%).

By the year 2021 or 2022, Henkel and Aareal Bank have defined the following targets:

- Board—Henkel: 17% (with 17%[48] achieved in 2018), Aareal Bank: 20% (with 40%[49] overachieved in 2018)
- First level below the board—Henkel: 25%, Aareal Bank: 13.5%
- Second level below the board—Henkel: 30%, Aareal Bank: approx. 21%
- Supervisory board—Henkel: Statutory quota of 30% (with 37.5%[49] already overachieved in 2018), Aareal Bank: 25% (with around 42%[49] already overachieved in 2018)

Comprehensive approach: The consumer goods producer Henkel employees men and women from 120 nations in more than 75 countries. Almost 85 percent work outside of Germany, and more than half are active in growth regions. Therefore, it's logical that Henkel understands diversity as a holistic approach, taking all of the following dimensions into account: gender, educational background, nationality, culture, religion, sexual orientation, and people with or without disabilities. The company believes that its success depends on two things: the fact that diversity and inclusion are an integral part of its corporate culture and the way it conducts its business.

46. Source: Company website (www.henkel.de)
47. Source: Company website (www.aareal-bank.com); annual report from 2017
48. Source: *BCG Gender Diversity Index 2018*
49. Souce: Aareal Bank Corporate Communications

A dedicated diversity and inclusion team manages all initiatives and programs, divided into the following areas: flexible work, career development, support (for health, childcare, eldercare), employee networks, and communication.

Aareal Bank also considers it part of its corporate culture that employees are respected regardless of their gender, ethnic background, religion, world view, disability, sexual identity, or age. All of the vacant leadership and upper expert positions are posted in Aareal Bank's standard job posting procedure, so that all employees can apply.[49] The financial institution offers its employees a wide range of operational aids as well. In order to recruit new employees, the bank advertises its support for balancing family and career, a diverse program of further training and personnel development measures, and a binding, standardized remuneration system. And it's successful. A report on pay equality published by the German Federal Ministry of Family Affairs, Senior Citizens, Women, and Youth certified that Aareal Bank has a minimal adjusted wage difference of 2%.

Communication: It seems to make a difference. Those who place value on a diverse team and want to gather as many different opinions as possible should make it known, both internally and externally—because promoting a diverse workforce attracts people who feel comfortable in a heterogeneous environment. That's why Henkel puts so much into communication. In 2014, for example, the company launched the global diversity and inclusion campaign, "Inclusion Starts with I." The goal was to emphasize the significance of a corporate culture that is supported by the appreciation and utilization of Henkel's diversity. Other programs and events during "diversity week" accompanied the campaign worldwide.

Based on these examples, three recommendations for action for other enterprises can be derived:

Create awareness that diversity serves to bolster the success of the company. There is a close correlation between management teams that exhibit diversity and innovation in the firm.[50] A critical mass of women in leadership positions (20–30%) is crucial to increasing innovation.

Learn from what works: Launching a statutory women's quota for supervisory boards seems to be bearing fruit after just a few years. So politics should consider whether a statutory women's quota for executive boards would also be a sensible instrument. In any case, the best firms on the *BCG Gender Diversity Index 2018* are setting a positive example in top management with double-digit quota targets that are to be met within a set time frame. Specific measures for implementation, the effective tracking of quota targets, and incentivizing top management based on quota fulfillment will help set the course for successfully achieving a higher proportion of women in companies.

49. Source: Aareal Bank Corporate Communications.
50. Rocío Lorenzo, Nicole Voigt, Miki Tsusaka, Matt Krentz, and Katie Abouzahr. *How Diverse Leadership Teams Boost Innovation*. Boston Consulting Group, January 2018. Available online at https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx

Communicate success stories: Initiatives for advancing women are more successful in the long run if both genders are included. The advantages and opportunities of gender diversity for both women and men should always be communicated. Specific success stories from the company help illustrate the topic and make it tangible.

5 Appendix: Supplement to the Methodology Used for the BCG Gender Diversity Index 2018

1. Composition of the index

Companies were evaluated in terms of their gender diversity along the following components:

- Proportion of women (quantity) on the supervisory board (1.1) and on the executive board (1.2)
- Distribution of the average salaries among both genders (quality) on the supervisory board (2.1) and on the executive board (2.2)

Quantitative components: Since the corporations assessed and their committees are different sizes, the proportions of the smaller group were put into relation to each other and not the absolute values.[51]

Qualitative components: Because each company pays each position on the executive and supervisory boards differently, the average wages of all compensation components of each gender was put in relation to each other in order to be able to compare them among all the companies.

Compensation comprises the following:

- Executive board: Fixed salary, fringe benefits, one-year variable compensation, multiyear variable compensation, benefit expenses, and special payments
- Supervisory board: Fixed salary, committee remuneration, and variable compensation

Not all companies pay every one of the aforementioned components to members of the executive or supervisory boards. For that reason, only the compensation components contained in the corporate annual reports were included in the analyses.

2. Weighting the components

All of the components in the index are weighted equally, so that means that all components are equally included in the overall outcome:

51. Assumption: Full-time position for members of the executive board.

- Proportion of women (quantitative components 1.1 and 1.2)
  - Proportion of women on the supervisory board with 25 percent
  - Proportion of women on the executive board with 25 percent
- Ratio of the average compensation of each gender (qualitative components 2.1 and 2.2)
  - Distribution of compensation on the supervisory board with 25 percent
  - Distribution of compensation on the executive board with 25 percent

The weighting of the index was selected for the following reasons:

There is no scientific proof of the relative significance of the executive board compared to the supervisory board in terms of diversity. In light of that, BCG decided on equal weighting of the executive board and supervisory board in the *BCG Diversity Index 2018*—as was the case in 2017.

In the previous year's report, BCG carried out sensitivity analyses in regard to alternative weight variants, in other words the original weighting of 50:50 was compared to other possible weights (with more weight on the executive board). Ultimately, the sensitivity analyses had little effect on the index of the companies. That was assumed to mean that the methodology and thus the index are sound.

3. 3. Calculation of the quantitative and qualitative components

Points per component and overall

In total, 100 points can be achieved in the index. These 100 points result from four equal parts (25% each) of the components, in each of which a maximum of 25 points is possible (100 points × 25 percent weight):

- From two **quantitative components:**
  - Proportion of women on the supervisory board (1.1)
  - Proportion of women on the executive board (1.2)
- From two **qualitative components:**
  - Ratio of compensation of the gender earning less to that of the gender earning more, on the supervisory board (2.1)
  - Ratio of compensation of the gender earning less to that of the gender earning more, on the executive board (2.2)

Awarding points and calculating the quantitative components

- Both quantitative components were designed so as to consider women and men the same way, since number the full received of points possible can only be achieved if there are exactly the same number of women as men on the respective board.
- The smaller group of one gender is thus divided by the larger group of the other gender.
- Meaning, companies receive the full number of points with a gender ratio of 50:50.
- The points are calculated by multiplying the percentage by two, with 100 being the maximum points possible.
- The score is then multiplied by 0.25 each time it is added to the total score.

Awarding points and calculating the qualitative components

- Both the qualitative components were designed so as to consider women and men the same way, since the full number of received points possible can only be achieved if women and men are paid exactly the same.
- So the smaller average compensation of one gender is divided by the larger average compensation of the other gender.
- The proportion of compensation as a percentage 1:1 can be translated to points, so that the maximum number of points is 100.
- The score is then multiplied by 0.25 each time it is added to the total score.

4. Compensation Projections

If a member of the supervisory board or executive board was not in the position for the whole fiscal year, his or her salary was projected to the entire year. Committee members who had the position less than three months were excluded from the analysis. For members of the executive board who weren't in their positions the entire year, all salary components except multiyear variable compensation were projected to a year. For the supervisory board, all compensation components were extrapolated.

5. Basis for Calculation for Additional Analyses Based on the BCG Gender Diversity Index 2018

Averages across all companies were calculated on a company-by-company basis, that means the averages of each firm were calculated and then the average for all companies.

It's important to differentiate for which calculations the averages of all companies were used and for which only the averages of companies with women on the respective committee were analyzed. Unless noted otherwise in the text, the proportions of women on executive and supervisory boards were calculated for all 100 companies together, while compensation ratios were only calculated for companies that report the salaries of female members of executive and supervisory boards.

Please note: 36 companies report women on executive boards, but only 32 of them indicate their compensation. The discrepancy comes from the fact that in four companies a woman joined the executive board after the date of the annual report but before the reporting date for this report (June 30, 2018). So these women were counted for the proportion of women but not in terms of compensation.

It's a similar story with the supervisory boards. At 95 companies, women are reported as part of the supervisory board, but only 92 of them also report the compensation of the female members of the supervisory board.

In calculating the total score of an individual company, outliers in the compensation components were included. In analyzing compensation components for all companies, outliers (i.e., people with a salary three times higher than the average sum) were excluded.

The seniority, age, and background were calculated for everyone in their respective board position by June 30, 2018.

The following system was selected for the years when companies were founded:

- For start-ups, the actual year the company was founded was taken.
- For spin-off/mergers, the year of the spin-off/merger was taken.
- For corporate acquisitions, the year the core company was founded was taken.
- For renamed companies, the year the core company was founded was taken.

6 Note About the Statistics

The statistical significance was ascertained with t-tests. Any statistical significance ($p < 0.05$) for the salary differences between men and women are reported. Statistical significance indicates whether the difference found in the data deviates from the null hypothesis (i.e., there is no difference between the pay of men and women). A value of 0.05 indicates that the null hypothesis that there is no difference between the salaries of men and women can be rejected with a probability of 95% based on the data.

Differences between men and women that are not specially marked are not statistically significant ($p < 0.05$) due to some random samples not being very large.

7 Sources

The data for analyzing the *BCG Gender Diversity Index 2018* was taken from the following sources: most recent annual reports (for the majority of companies, that means the fiscal year January 1, 2017–December 31, 2017), company websites, press releases, and BoardEx. Additional sources are indicated in the text, exhibits, or footnotes.

If you have questions about the methodology used, please contact the authors of this report.

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If you would like to discuss the study and its results, please contact one of the authors.

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