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Media Release

Credit Suisse Research Institute Releases the *CS Gender 3000: The Reward for Change* Report Analyzing the impact of Female Representation in Boardrooms and Senior Management

London, September 22, 2016 **– The Credit Suisse Research Institute released today its bi-annual CS Gender 3000 report reaffirming its prior findings that companies with a higher participation of women in decision-making roles continue to generate higher market returns and superior profits. In addition, the report debunks the "Queen Bee" syndrome, challenges the notion of the "Class Cliff" and gains new insights into gender diversity in Venture Capital and Microfinance.**

The report, first launched in 2014, analyzes the Credit Suisse Gender 3000 (CSG 3000), which encompasses 27,000 senior managers at over 3,000 companies Credit Suisse analysts cover globally. With the data provided by the CSG 3000, the report examines whether the evidence continues to link gender diversity to better performance and looks specifically at firms with more than 50% female representation in senior management, Microfinance institutions and Venture Capital firms.

Debunking the "Queen Bee" Myth

- Do women promote women? The report examines the much debated notion of a "Queen Bee" syndrome which argues that women who have made it to senior positions actively seek to exclude other women from promotions into top management.

- The data in the CSG 3000 disputes this idea; the findings show that female CEOs globally are significantly more likely to surround themselves with other women in senior roles. Female CEOs are 50% more likely than male CEOs to have a female CFO and 55% more likely to have women running business units.

- These findings also firmly reject the notion of a "Queen Bee" syndrome in the Microfinance and Venture capital sectors. In fact, 25-30% of microfinance CEOs are women and around 50% of the lending officers are women. Female led microfinance institutions are more focused on female clients (59% openly target women versus 43% for male CEOs), have a greater share of female board members (44% versus 23%), are more likely to have a female chair of the board (43% vs 16%), and have more female clients (76% versus 60%). It is clear that female-led microfinance institutions attract more females in management and more female clients.

- While female representation in partner positions in venture capital remains very low, VCs founded by women have a much higher percentage of female partners than the industry average (43% vs. 7-8%). Additionally, female founded VCs tend to invest more in women entrepreneurs with 17.4% of funding rounds going to female owned startups vs the industry average of 12%. Women are clearly supporting and promoting women not only in the corporate sector but also in the microfinance and VC worlds.

Outperformance of the 50% Club

- Our proprietary analysis continues to demonstrate that the higher the percentage of women in top management, the greater the excess returns for shareholders. Hard metrics of financial performance have also justified this superior stock market performance according to the data. From YE13-mid 16 , the outperformance of companies with 25% senior women is a Compound Annual Growth Rate (CAGR) of 2.8%, 4.7% for 33% and 10.3% for those over 50% compared with a 1% annual decline for the MSCI ACWI over the same period.

- Sales growth at the 61 companies that make up the 50% club has averaged 8% per year since 2008 vs a slowdown of 20bps for the MSCI ACWI on a fully adjusted basis. The outperformance continues for EPS growth, although not as pronounced, with 12% annually vs 9% for MSCI ACWI on a fully adjusted basis since 2008. Over that time period, Return on Assets (ROAs) averaged 5.7% for the 50% companies, a 20% premium to the 4.7% average ROA for MSCI ACWI, while leverage (net debt/equity) at 34% is 28% lower.

- The report also finds that the market is willing to pay a 19% premium price to book multiple for club 50% companies with a female CEO. These companies show Return on Equity (ROE) 19% higher on average and a 9% higher dividend payout.

Challenging the "Glass Cliff"

- The report also examines the evidence of a "glass cliff" for female CEOs: the idea that female leaders are appointed to lead companies as a last resort when all other options have been exhausted and are thus setup to fail. Evidence suggests that the share price underperforms (almost 10% annualized) from 8 months before a female CEO is appointed, while women led companies outperform between 8 and 12 months after the appointment (14.4% annualized).

- However, after examining a companies' actual financial performance, evidence of a glass cliff is mixed. The report finds no significant difference in company ROE between female and male CEO appointments and that women are actually appointed to companies with higher cash flow returns on investments. After examining the companies' (ROA), firms with male appointments saw a 12% decline versus 16% for female CEOs over the past 12 months before taking control, which could explain the greater market underperformance of companies with female CEO appointments.

- Furthermore, evidence indicates that female CEOs are much more likely to divest assets after taking over the company than men. Leveraging Credit Suisse HOLT's analysis of operational success score for acquisition or divestment, the ability of the acquirer or divested to improve growth and pricing skill, the analysis indicates that female CEOs show considerably better operational success and growth relative to their male counterparts and better pricing skill when assessing and conducting M&A transactions.

“Gender diversity in both board and particularly senior management positions is a tremendous benefit to companies and their shareholders,” said Stefano Natella, Head of Global Markets Research. “Management manages companies, while boards supervise them. To understand the full impact of gender diversity, we need to focus on management. Our proprietary CS Gender 3000 database allows us to link companies’ performance with their management structure. The data shows that there is a strong correlation between companies with high levels of diversity in management and their performance.”

The State of Women on Boards and Senior Management

- Boardroom diversity has increased globally from 12.7% at the end of 2013 to 14.7% at year-end 2015, a 16% increase in two years and a 54% increase since 2010. The top 5 countries with the highest percentage of women represented on corporate boards are Norway (46.7%), France (34.0%), Sweden (33.6%), Italy (30.8%) and Finland (30.8%).

- However, the findings show that there is no consistent correlation between higher diversity in the boardroom and increased participation of women in senior management. Paradoxically, the efforts made to increase gender diversity in boardrooms can limit the available female talent in senior management and hinder expanded representation for women in executive positions in the future. The average age of male board members is 60 in Europe and 64 in the US, which would signify a retirement position. Female board members are on average 55 in Europe and 60 in the US indicating that women in their prime executive years are being siphoned off into board positions and away from management roles, where they may have more capacity to make structural change.

- Female participation in senior management (CEO and those reporting to the CEO) shows a global average of 13.8% compared to 12.9% in 2014. However, an exact matched-set data comparison shows representation has increased much less from 13.6% to 13.8%. Just 3.9% of CEOs in the CSG 3000 are female, barely unchanged from 2 years ago.

- Women make up 14.1% of CFO positions globally, though it’s highly skewed toward Asia where they account for 22%. Shared services remains the main employer of women at senior levels accounting for 33% of female management positions globally and underlines how women’s path to the top is still concentrated in that area.

- Critically women make up 9.9% of business unit heads (a traditional Launchpad to senior roles and boardroom positions) versus 8.5% in 2014, which is an 18% increase. However, with only one in ten women heading these business units, the current rate of progress would achieve gender parity by 2070.

For a copy of the report, please see here: The CS Gender 3000: Progress in the Boardroom.

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