Woman Up
How Diverse Companies Come Out on Top

BCG Gender Diversity Index Germany 2020
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BCG Gender Diversity Index Germany 2020

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Management Summary
Diversity in top management is considered an important success factor for companies. The correlative relationship between innovation and diversity in management teams has been demonstrated several times. However, the boards of the 100 largest German companies listed on the stock exchange are far from being equally staffed. This is one of the results of the present study, which BCG carried out together with the Technical University of Munich.

There are developments that are encouraging. For example, the proportion of women on the supervisory boards of the 100 largest German listed companies has risen to 33 percent—compared to 29 percent in 2017. On the other hand, the proportion of women on executive boards is significantly lower: After 9 percent in the previous year, the figure has risen to 10 percent. It is to be expected that the management board quota decided on in 2020 will at least gently accelerate that development. According to it, at least one woman will be represented on the boards of listed companies with more than three members of the board of management in the future. The overall pay gap between women and men on executive boards and supervisory boards has also narrowed: It is now 15 percent, up from 20 percent the previous year. Here are other key findings of the report at a glance:

1. **The pool of qualified candidates for the board is well filled**
   At both levels below the board of management, the female ratio of 19 and 23 percent, respectively, is twice as high on average as in the top management body. There are therefore enough highly qualified women who can move on to the board. However, many of them work in support-related functions (staff, marketing, etc.), meaning they are often not eligible for business-oriented board positions.

2. **Formulating concrete goals accelerates diversity**
   In order to make faster progress, it is advisable to set gender diversity targets and to remove the target of zero from the reports. Correlations show that companies that voluntarily set a goal achieve it.

3. **Diversity is a transformation that can reinforce itself**
   Corporations that have been among the diversity champions in recent years are getting better overall. This applies to both the proportion of women and fair pay. Companies that are more likely to be behind from the start are hardly getting better. Gender diversity is a process that fuels itself once it has been initiated. German executive board members have an important role to play in ensuring a successful start.

4. **Women are significantly more likely than men to want gender balance in leadership teams**
   The importance of gender parity in management is underlined by three times as many female managers as their male counterparts. A large proportion of male colleagues consider it unimportant (76 percent). This is shown by a supplementary study for which BCG surveyed 2,500 employees and senior executives on the working and development conditions during the COVID crisis in February 2021.
2.1 Introduction

“Success is a marathon, not a sprint.” This quote applies to the progress of gender diversity in companies probably more than any other. Gender parity will not become sustainable through individual promotions or hires; a strategy is needed to anchor diversity at the top of company leadership. The Hamburg cosmetics company Beiersdorf has impressively demonstrated this in recent years—without holding press conferences about it or publicizing its successes through campaigns. In 2017, the company ranked just 72nd in the BCG Gender Diversity Index. In 2020, Beiersdorf now ranks 25th. The company made it possible through a set of measures. Diversity has been anchored as a value in corporate culture, executives have the opportunity for job sharing, and mentoring has become a permanent offering for female executives. The big boost came when diversity targets were linked to board compensation. Since 15 percent of the variable salary component depends on the achievement of the targets for the executive board and two levels below it, Beiersdorf has significantly improved its position in BCG’s gender diversity ranking.

As welcome as this result is, Beiersdorf is still something of an anomaly. Germany is struggling with the concept of women at the top of companies. While the 33 percent share of women on the supervisory board of the 100 largest German listed companies is positive, there is still some catching up to do, especially on the executive board. Here, the ratio of women rose by one single percentage point from 9 to 10 percent in 2020. That is not because the pool of potential candidates is too small, as the present study demonstrates: At the first level below the board of management, the proportion of women is 19 percent, and at the lower level just under a quarter (23 percent).

It is not only evident in Beiersdorf’s example that diversity is benefited when companies make mandatory targets. Those who have set their target quota of women—in one, three, or five years—at certain levels of hierarchy or throughout the company are more likely to increase the number of top female managers. Conversely, the same applies: Companies without self-imposed targets do not improve at all, as the study authors note.

This is probably one of the reasons why politicians no longer want to rely on voluntary measures and are now exerting pressure. In November 2020, the grand coalition agreed on new rules for the Second Leadership Position Act (FüPoG II) and for the first time adopted binding requirements for more women on boards of management.
Accordingly, listed and joint companies—through the employer and employee side of the supervisory board—with more than three members of the board of management should have at least one of them be a woman in the future. A similar requirement has also been adopted for public bodies. The outcry in some parts of politics and business was loud. Nevertheless, it must be noted that the new version of the law is not a great success.

Even top personnel appointments of recent months cannot hide that fact:

- At the pharmaceutical company Merck—the family-owned company from Darmstadt, not to be confused with the competitor of the same name from the US—a woman has moved into the four-member board of directors: Belén Garijo from Spain. She took on the role of CEO on May 1, 2021, making her the only female CEO of the DAX companies.

- Dominique Leroy has been a member of the executive board for Europe at Deutsche Telekom since November 1, 2020. She is the third woman on the eight-member management board. Birgit Bohle, who has been in charge of the human resources department since 2019, and Claudia Nemat, who has been in top management since 2011 and now heads the technology and innovation division, are also on the board of management.

- RWE at least took a first step and added a woman to the previously all-male board. In November 2020, Zvezdana Seeger, who is also responsible for IT, became the chief human resources officer of the energy group.

- At the beginning of 2021, Sabine Bendiek, the former head of Microsoft Germany, was appointed by the tech company SAP as chief human resources officer. From the middle of this year, she will also be responsible for operations.

What else was important?

There is no area that could not have been affected by the corona pandemic in 2020. This also applies to the issue of diversity. Experts overwhelmingly agree that the crisis has thrown women and men back into traditional role models. The Berlin sociologist Jutta Allmendinger spoke of a “retraditionalization.” Since children could not go to day care, school, or even sports clubs for months, millions of couples had a childcare problem. It turned out that it was more likely for the women to get involved in homeschooling—and who were “somehow” also able to get their work done. While employers were awarding career-boosting projects or headhunters wanted leaders for new challenges, mothers were busy in remote work with their children (see our survey on this subject for more details; see also chapter 3).

Against this backdrop, the sociologist and president of the Berlin Social Science Center, Jutta Allmendinger, teamed up with well-known women managers, researchers, and artists and launched the much-publicized #ichwill (#Iwant) initiative on social networks. The demands of this campaign were a legal quota for women for top positions in business, science, sports, and culture—just before the federal government decided to extend the FüPoG for parts of the economy and administration.
The need for more diversity at influential hierarchical levels is not only due to the fact that it is a question of fairness and equal opportunity. In numerous studies, BCG and other organizations have shown that gender diversity is closely linked to innovation, customer orientation, and better financial metrics.

In principle, the 100 largest German listed companies are split into two camps on the subject of gender diversity: those who are convinced who are constantly improving and the stragglers who are still barely making progress in that regard.

Among those convinced are the top 50 companies in the index. They are doing much more than the legislation requires. Their proportion of women on the supervisory board is 40 percent, well above the statutory quota of 30 percent. At least they achieve a 20 percent share of women on the board of directors. This is twice as good as the average of 10 percent across all 100 companies in the index.

For the stragglers, however, the situation is different. The 50 worst companies in the ranking do not have a single woman on the board, so the rate is zero percent. That was the case in 2017 and still is. Even the statutory quota for the supervisory board has not been met by 19 of the companies.

With that in mind, BCG and the Technical University of Munich have been publishing an annual gender diversity study for the past four years in order to establish transparency and indicate the status of the 100 largest German listed companies. In doing so, they look at gender parity on executive and supervisory boards. The index is also the first ranking to include the compensation factor. For that purpose, they identified in a secondary assessment the gender distribution on boards of management and supervisory boards as well as the relative remuneration of women and men on these top boards. Because the study always follows the same methodology, it’s possible to compare the annual values.

This year, the index has been supplemented by a survey on the particular challenges posed by the COVID crisis that was carried out in cooperation with the market and opinion research institute Civey. The results can be found after the index.

2.2 RESULTS AND INSIGHTS: PROGRESS IN SLOW MOTION

You have to want gender diversity and consciously stand up for it. It doesn’t just fall from the sky—diversity is a matter for top management. The good news is that companies that take the issue seriously are getting better and better. Their management leads by example and thus ensures there are role models on the other hierarchy levels.

In other companies, the opposite is true. If no one shows how it’s done or gives priority to the issue, nothing happens. Not last year. Not this year. And in all likelihood not next year, either.
As a result, if the current development is continued linearly, we will not see gender-equal boards until 2053 at the 100 largest German companies listed on the stock exchange.

Across the board of management and supervisory board, the top 100 companies achieved a proportion of women of 21 percent in 2020—after 20 percent in 2019, 19 percent in 2018, and 17 percent in 2017. That’s not particularly speedy progress.

At least the pay gap in both top bodies has continued to narrow: After a gender pay gap of 25 percent in 2017 and 20 percent in 2019, it’s now 15 percent.

This change also contributes to the fact that the Gender Diversity Index has risen to 47 points in 2020, up from 46 points in the previous year. If the index were at 100 points, it would mean that the same number of women and men are at the top of Germany’s 100 largest publicly traded companies and that the same level of performance is reflected in equal pay. At 47 points in 2020, we’re not even halfway there.

Looking at the boards separately, it becomes clear where the need for action is particularly high. The proportion of women on the executive board is still low. After six percent in 2017, seven percent in 2018, and nine percent in 2019, that figure is ten percent in 2020.

The new law is intended to make progress happen in that area. To clarify, the expansion of the FüPoG is a start at no longer putting women at a structural disadvantage or excluding them from the most powerful operational roles in business and administration. With regard to the 100 largest German listed companies found in the BCG Gender Diversity Index, the new law means less than a third (29 percent) are affected by the regulation and need to appoint a woman in the event of a new appointment. Another 27 percent can still run an all-male board, as they are limited to a maximum of three members. The rest of the companies are not obligated to act, as they already have at least one female board of directors in office. The bottom line is that if a male executive board member was replaced by a woman, the proportion of women on the 100 boards of management would be 16 percent after the law came into force. If the solution were to create an additional board position to meet the quota, the proportion of women across the boards of all 100 companies would be 15 percent.

This would put Germany in 18th place in a Europe-wide comparison of the proportion of women on the executive boards—currently it is ranked 24th. At any rate, we can learn a thing or two from our European neighbors in terms of progress. With the current pace of change so far, Germany would achieve gender parity on the boards in 2053. The UK will be 20 years faster if the pace of change remains the same and will have established a 50:50 ratio on boards as early as 2034. Even France (2039) and Spain (2047) are also making faster progress.

After all, the earning situation of women board members in Germany is improving slightly faster than their representation. While the gender pay gap was still 30 percent in 2017, it fell to 14 percent in 2020. However, a look at the period in between
makes it clear that this is not an irreversible development. In 2018, the gender pay gap had fallen to 21 percent, and the following year it rose to 23 percent.

On the supervisory board, the pace of change is similarly slow as for the executive board, but, as already stated, at a higher level. In 2017, the rate of female supervisory board members was 29 percent; now that figure is exactly one-third. The compensation gap has been a constant 17 percent for three years, from 20 percent in 2017.

**The pool of women candidates isn’t the problem**
As this gender diversity report shows, a large number of women who want to take on more responsibility and have the appropriate experience are in the starting blocks. While the proportion of women on the executive board of the 100 largest listed companies in Germany is just over one-tenth, at the hierarchy level below it is just under two-tenths (19%) and at the level below that almost a quarter (23%). That means there is a pool of female candidates at each company from which suitable women could be promoted.

### EXHIBIT 1 | Comparison of the 100 largest German listed companies: Little change in the proportion of women at the top

The appointments of the executive board and supervisory board are becoming more and more diverse—but in small steps.

In particular, the ratio of executive compensation for men and women has improved from 70% to 86% since 2017, driven by both longer terms and thus higher multiyear variable pay, as well as more women in better-paid positions.

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1. The data shown here (excl. outliers) doesn’t correspond exactly to the compensation component of the index: Companies where women earn more than men are added with more than 100%. For the compensation component of the index, the relative compensation of men is used in that case (< 100%)

**Note:** The 2019 values for the compensation ratio have been adjusted to a different methodology for outlier calculation compared to the 2018 index

**Source:** BCG Gender Diversity Index 2017, 2018, 2019, and 2020
Even those companies that would now be obliged by the planned law to fill vacant board positions with a woman, because their previous board consists of at least four (male) members, don’t have a pipeline problem. For them, the proportion of women on the first and second levels below the board of directors are 19 and 23 percent respectively. Even at companies with a small board of directors (maximum of three people), the proportion of female managers at the two hierarchical levels below comes to 19 percent. Even without a legal obligation, there should therefore be female candidates for a board role.

However, many of them work in support-related functions (staff, marketing, etc.), meaning they are often not eligible for business-oriented board positions. So, it’s up to companies to promote gender diversity in business-related departments starting with junior staff and in middle management, creating corresponding career paths.

A strong presence of highly qualified women can be found in the majority of the 100 companies. In fact, 80 of them have a higher proportion of female executives in their talent pipeline than on the board of management itself. Two companies are particularly good examples. At the radiation technology group Eckert & Ziegler, the proportion of women at the hierarchical level just below the board of management is more than 50 percent. On the other hand, the three-member board itself is—still—comprised of only men. As soon as one of the positions becomes vacant, it is highly probable that it will be filled by a woman from the second row. The same could be true of TeamViewer, a remote maintenance software provider that benefited from the remote working boom during the COVID crisis. The proportion of women at the two hierarchical levels below the board of management is around 50 percent, while there is currently no woman on the board itself.

The second group of companies is the same: Of the 100 largest publicly traded companies in Germany, 20 have a higher proportion of women on the executive board than in the pipeline. This could indicate that the top positions have been filled predominantly or consistently from outside. Among these 20 companies are Aareal Bank and Commerzbank, plastics manufacturer Covestro, chemical group BASF, and Daimler. With the exception of the car manufacturer, these companies are ranked here in the top 20.
2.3 The Index: Movement at the Top, Stagnation for the Laggards

The first-place winner of this year’s BCG Gender Diversity Index is the telecommunications company Deutsche Telekom. It has steadily improved over the past four years—from 13th to 11th to 3rd place and then to the top position. Three of the eight telecom executives are now women. On the 20-member supervisory board, gender parity has almost been achieved: Nine of them are women.

The number two in the ranking, Aareal Bank, on the other hand, has consistently remained at the top: The first-place finisher of 2019 and 2018 was in the top 5 in all years. Number three of this year’s index, the pharmaceutical manufacturer Merck, was already in the top 10. With Belén Garijo as chief executive officer, the company will occupy a special position among the DAX groups in 2021, as no other company is managed by a woman CEO.

The biggest gainer of this year’s ranking is thyssenkrupp in 32nd place. The steelmaker was able to move up from just under 38 index points to around 60. The appointment of CEO Martina Merz in October 2019 contributed to that jump. The 20-member supervisory board of the MDAX company is also more diverse than average, with eight female members.

One of the biggest losers is Adidas, which came in 43rd place this year. The sports goods manufacturer lost ten index points. The reason is the departure of CHRO Karen Parkin as the only woman in top management. It also had a negative effect on the fact that the remuneration of the male supervisory board members remained at the same level, while that of women on the supervisory board fell. Adidas’ rank is expected to improve again in the coming year, as Amanda Rajkumar was reappointed as a chief human resources officer at the beginning of 2021. She comes from the major French bank BNP Paribas (see exhibit 2).

Six companies are among the bottom ten in the ranking that were also among the worst ten last year. And even here, the food supplier Delivery Hero has dropped in the ranking once again, from 91st to 94th place. At least there was one company among the low-performer group that was able to improve: United Internet appointed two women to the six-member supervisory board in 2020, increasing its index value from zero to 16.7 points. The two-member executive board is still made up of men (see exhibit 3).
EXHIBIT 2 | BCG GDI 1st to 50th place: Self-set executive board quotas promote diversity

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1. The index average was 41.0 points in 2017 and 42.9 points in 2018
Source: BCG Gender Diversity Index 2017, 2018, 2019, and 2020
**EXHIBIT 3 | BCG GDI 51st to 100th place: Hardly any movement among the diversity laggards**

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</tbody>
</table>

1. The index average was 41.0 points in 2017 and 42.9 points in 2018

Source: BCG Gender Diversity Index 2017, 2018, 2019, and 2020
2.4 The Convinced: Active Even without Legislation

Looking at the top half of the BCG Gender Diversity Index, it becomes evident that these companies are not only doing more than the legislator requires. They are also constantly improving. In 2017, the share of women on their supervisory boards averaged 36 percent, now reaching 40 percent. This is ten percent more than required by the FüPoG.

In top management, the picture doesn’t look quite as encouraging but is still much better than the average. In 2017, the “convinced” achieved a proportion of women on the management board of 13 percent, currently that figure is 20 percent. This means that the top 50—in terms of executive board candidates—are twice as good as the average of the 100 companies.

EXHIBIT 4 | Gender pay gap: Why men on the executive board are paid better than their female peers

Where women are represented on the board of directors, female members earn 14% less than male counterparts. In 2017, the difference was 31%.

This gender pay gap results from comparing the average salaries of all board members and by the company size factor.

The gender pay gap can be explained by two compensation-relevant differences between men and women:

1) Position: Men are more likely to be CEOs, who earn more than CHROs, for example.

2) Tenure: Men stay in their position longer than women on average.

If women and men were equally represented in the better-paid board positions and would be in their positions for the same length of time, there would be no gender pay gap at all.

1. At large companies, the overall salary level is higher than at smaller companies

Note: Analysis based on all companies that report the salaries of female executive board members (2020: n = 41)

Source: BCG Gender Diversity Index 2020

Where women are represented on the board of directors, the gender pay gap in the top 50 companies is 14 percent. By way of explanation, the gender pay gap is calculated by comparing the salaries of all female and male executive board members and adjusting them by the size of the company, since the salary level is generally higher at larger companies than at smaller ones. If you scrutinize the gap further, it becomes clear that two factors are responsible for unequal pay:
1. Because in almost all cases men hold the better-paid CEO position, they earn an average of 11 percent more. The fact that it is also men who are more likely than women to be responsible for a business-oriented portfolio (e.g., sales or production as opposed to support-related departments like HR or compliance) makes up one percentage point.

2. And the fact that men tend to stay on the board longer than their female colleagues is reflected in a gender pay gap of three percentage points. Often, this simply results from the fact that top managers have only recently been increasingly getting into these positions or are being appointed.

Conversely, if women and men were equally represented in the better-paid executive board positions and held for the same length of time, there would be no gender pay gap.

At the moment, even among those convinced, the situation still needs to be improved: Of 40 CEOs, only five percent are women. Only 12 percent of the 124 incumbents are female among business-related board positions, such as chief operating officers or colleagues responsible for regions. Because these portfolio types account for the largest share of executive board positions, there is great potential for future appointments of women.

Women are at least more represented among the also better-paid CFOs: They account for 35 percent of all CFOs. However, the fact that female executives are particularly well positioned for support-related jobs—42 percent of all positions are held by women—does not have a positive effect on the gender pay gap: Support-related board members (staff, legal, etc.) tend to earn below the average. In addition, the number of these positions is the lowest, at 36, in the top half of the 100 largest listed companies.

For those companies that want to increase gender diversity on the board of directors and among managers, this means they need measurable goals and a set of measures to gain ground. Companies that set a target for their top management in 2018 have a 13 percent proportion of women on the executive board in 2020—compared to the average of 10 percent across all 100 companies.

Other sensible measures that a company should take on its path toward gender parity are

- board compensation linked to diversity targets,
- job-sharing offers for executives, and
- programs for reintroduction to work after parental leave.

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1 The evaluation includes current members of the board of management on the basis of all companies that report compensation for women on the executive board as well as the aforementioned executive board positions (2020: companies n = 41, CEOs n = 40, chief financial officers n = 37, business-related board members n = 124, support-related board members n = 36); Source: BCG Gender Diversity Index 2017, 2018, 2019, and 2020.
Incidentally, up to 40 percent of the top diversity performers are already working with these measures. And up to 80 percent use the following initiatives:

- Mentoring programs for women in management positions
- Networks for women managers
- Need-based offers for the care of children and other family members.

The following measures, which 80 to 100 percent of the top 10 companies use, have become standard: a measurable diversity strategy, public commitment to diversity (e.g., by participating in events specifically for girls and women), and offering flexible working conditions, such as part-time and remote work.

**Beiersdorf Case Study**

The example of the cosmetics manufacturer Beiersdorf shows which concrete measures make a difference. Within four years, the company has managed to almost double its score in the index through continuous commitment. It is striking that linking executive compensation to the diversity objectives for management from the board of directors to the second level of the hierarchy below them had the greatest effect:

### 2017
- Diversity was anchored as a value in the corporate culture
- A company kindergarten had already been established in 2013
- The corporation had set targets for the proportion of women: board of management: 10%, first level: 30%, second level: 38%
- **Index rank: 72**

### 2018
- Linking executive compensation to diversity targets (15% of variable bonus)
- Networking and mentoring for female leaders
- Increasing targets for the proportion of women: board of management: 10%, first level: 35%, second level: 50%
- **Index rank: 73**

### 2019
- Global initiative with clear objectives to increase the proportion of women at all levels
- Job-sharing offers for all managers
- **Index rank: 34**

### 2020
- Diversity and inclusion become the executive board’s mission
- Definition of processes to ensure equal pay for women and men for the same work
- Extensive range of flexible working models
- **Index rank: 25**

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2 Selection of the top 10 companies that have been included in the index since 2017 and have risen by at least 20 points in the index between 2017 and 2020: Beiersdorf, Covestro, Commerzbank, GEA Group, Hannover Rück, KION GROUP, OSRAM Licht, Software, thyssenkrupp, and Vonovia; Source: BCG Gender Diversity Index 2017, 2018, 2019, 2020, annual reports, corporate governance reports, sustainability reports.

3 The introduction of the link between executive compensation and diversity targets has led to the largest increase in the diversity ranking.
2.5 The Stragglers: Not Even Achieving the Supervisory Board Quota

From the lighthouse companies to those at the bottom of the index, there is still a large group of stragglers—companies whose leadership is just not becoming more diverse. By 2020, more than 50 of Germany’s 100 largest listed companies still did not have a single woman on the executive board. While the proportion of women among those convinced is 20 percent, the bottom 50 comes in at zero percent.

Some even struggle with the diversity on the supervisory board: Among the laggards are 19 companies that do not even reach the statutory quota for women on the supervisory board, which came into force in 2016. On a more positive note, there is a tentative upward trend: In 2017, the proportion of companies that did not comply with the statutory quota was still 18 percent. In 2020, the rate is slightly lower, at 16 percent.
Deep Dive
COVID Crisis Accelerating Cultural Change

The beginning of the COVID pandemic acted as a catalyst for cultural change. Companies that have had their employees come to the office for desk work have been retooling at a record pace and creating remote workspaces. This helped in many places to maintain operations. Women’s career opportunities, on the other hand, have not improved through the new ways of working. Previously, more flexible working models were used as the main lever for improving gender diversity; for example, by providing a flexible framework for women with children to better balance career and family. However, this assumption is only partially correct, as a supplementary study shows: Only 13 percent of managers strongly agree that the new ways of working improve women’s career opportunities. Almost half of the respondents (48 percent) are more skeptical or believe that working conditions were ideal before the pandemic. This is the result of a survey of 2,500 employees from companies with more than 1,000 employees in Germany, conducted by Boston Consulting Group.

However, there is a group that sees the new ways of working in a very positive light. Male managers with children rate the evolved working conditions as helpful. Nearly half (45 percent) of them believe that they are improving career-family balance and thus also promoting diversity in management teams. Among female leaders with children, less than one-third agree with this statement (29 percent).

Companies that pushed diversity even before the pandemic are obviously benefiting. Forty-four percent of managers at such companies say that the new ways of working that have been created as a result of the pandemic make it easier to balance their family and career. Managers of companies where gender diversity was not a (major) issue are much more pessimistic here. According to the BCG survey, only one in four executives (25 percent)—both female and male—sees flexible working as a way to better balance family and career.
What is striking, however, is that women and men rate the importance of gender parity differently. Just over three-quarters of male leaders (76 percent) say they don’t think the same number of women and men on management teams is important. By contrast, almost a third of female managers believe that this is very important. Of their male colleagues, only almost one in ten (14 percent) says so.

How successful companies are in perceiving their employees in the field of gender diversity is clearly related to the importance and role of the company in the public sphere. To put it simply, the larger the corporation the more important the issue of diversity. Of those employers for whom image is highly relevant, such as listed corporations or public administrations, 60 percent advance gender diversity. One example of this is provided by the appointments to boards of management in recent months. Ever since the women’s quota for the top management level was being discussed and decided on, the attention of the media and the public has focused on those listed companies in particular that were still without a woman on the board of directors.
EXHIBIT 6 | Gender diversity not a priority: Women leaders consider diversity more important than their male counterparts

For example, corporations such as Adidas, Bayer, E.ON, and Infineon announced the appointment of a female member of the executive board long before the Second Leadership Position Act (FüPoG II) passes through the Bundestag and the Bundesrat in May 2021.

Among lesser-known companies, such as medium-sized companies or unlisted companies, only 25 percent are pushing the issue. This underlines once again the importance of transparency and public awareness of progress. However, pressure to act also seems to come from the applicant market. Both headhunters and human resources managers report that potential employees value mixed leadership teams as well as parental leave or sabbatical opportunities for men.

Above all, it is important that executive boards and supervisory boards don’t react because of public pressure. A gender diversity strategy is only sustainable and successful if it is developed out of conviction, so that diversity is a lever for corporate success. There are plenty of studies to demonstrate that.
Conclusion
Board of Management Quota Could Provide the Necessary Boost

Since Boston Consulting Group released the first BCG Gender Diversity Index four years ago, the statement has always been similar: Germany is struggling with gender diversity. There are lighthouse companies exhibiting exemplary developments, but the majority of the 100 largest German companies listed on the stock exchange still have plenty of room for improvement. Even looking that the rest of Europe, Germany’s businesses are not doing well in that regard. Only the proportion of women on supervisory boards is developing reasonably satisfactorily. Currently, one in three of its members is female. Of course, this did not happen on its own—the topic was given a decisive boost by the supervisory board quota that passed in 2016.

Can we expect a similar trend from the upcoming executive board quota? Experts are skeptical. Ultimately, the law concerns only a small number of enterprises and public sector organizations. In addition, our report shows that the ongoing COVID pandemic is tending to throw Germany back rather than inspire change on the subject of gender diversity.

But there is also reason for hope: This index indicates that the talent pool is well filled with young female talent. It is to be expected that they will push more and more to the top and position themselves for a board mandate. At the same time, based on the experience of working from home during the pandemic, it could become more natural for men to want to participate in family life and childcare. Last but not least, the attention of both traditional and social media may ensure that leadership bodies and events in business that only have men become increasingly noticed, commented on, and denounced.

Companies that don’t attend to all this will have to expect pressure from other sides: both from their investors, who are increasingly making diversity an investment benchmark, and from potential employees who view mixed teams as the standard.
Methodology
5.1 Index

Overview of 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 how the corporations do in terms of gender diversity and how sizable the differences between the companies are. We also interpret the development that has taken place since 2017, when 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 subcomponents “executive board” and “supervisory board.” For the analysis, proportional data from the BoardEx database was consulted up to the report deadline of September 1, 2020, 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.

- The analysis of the proportion of women on executive boards and supervisory boards on the aforementioned date: The aim is to have an equal number of women and men; a proportion of 50 percent of women and men therefore equals 100 points.

- Analyzing the compensation ratio taking the average salaries of women and men on the executive and supervisory boards of the respective companies (actual inflow into the corporation according to the German Corporate Governance Code): 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 (25 percent each) toward the total score.

Criteria for inclusion in the index:
- Stock exchange listing in the German Prime Standard (DAX, MDAX, SDAX)
- Company headquarters in Germany
- Classification as “public company” according to Capital IQ
• Name, date of start and exit, and individual compensation data are 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 September 1, 2020 (source: Capital IQ)

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 component: 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.6

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

Compensation comprises the following:

• Board of management: 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.

Weighting the components
All of the components in the index are weighted equally, so that means that all components are equally included, at 25 percent, in the overall outcome.

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

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6 Assumption: Full-time position for members of the executive board.
**Ratio of the average compensation of each gender (qualitative components 2.1 and 2.2)**

- Distribution of compensation on the supervisory board at 25 percent
- Distribution of compensation on the executive board at 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—as was the case in 2017, 2018, and 2019.

In the report from 2017, BCG carried out sensitivity analyses in regard to alternative weight variants. In other words, the original weighting of half and half 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.

**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 percent 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 the quantitative components were designed so as to consider women and men the same way, since receiving the full amount 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 divided by the larger group of the other gender.
• That means that companies receive the full amount of points with a gender ratio of 50:50.
• The points are calculated by multiplying the percentage by two, with 100 being maximum points possible.
• Each score is then multiplied by 0.25 when 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 receiving the full amount of points possible can only be achieved if women and men are paid the same.
• 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.
• Each score is then multiplied by 0.25 when added to the total score.

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 for the following components were projected to a full year: multiyear variable compensation, severance payments, compensation for lost work packages with the previous employer. For the supervisory board, all compensation components were extrapolated.

Basis for calculation for additional analyses based on the BCG Gender Diversity Index 2020
Averages across all companies were calculated on a company-by-company basis, meaning 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.

It should be noted that the number of women on executive boards does not necessarily directly correspond to the number corresponding to compensation for female board members. This difference can be explained by the fact that the number of women on boards was recorded as of September 1, 2020, while compensation was included as of the annual report (beginning of 2020).
For calculating the total score of each firm, the salaries of each person—as found in the annual company report—were included in the compensation component. In analyzing the compensation component for all companies, outliers (i.e., people with a salary higher than the average sum and three times the standard deviation) were excluded.

**Note about the statistics**

T-tests were used to examine whether the salaries of men and women on management and supervisory boards differ from each other in a statistically significant way. The existing statistical significance of the pay gap between men and women is shown in the text at the appropriate place in each case. The test results presented in the results section of this study are statistically significant with a probability of error between $p < 0.01$ and $p < 0.1$.

**Sources**

The data for analyzing the BCG Gender Diversity Index 2020 was taken from the following sources: most recent annual reports by our reporting date of September 1, 2020 (for the majority of companies, that means the fiscal year January 1, 2019–December 31, 2019), company websites, press releases, and BoardEx, and Capital IQ. Additional sources are indicated in the text as well as in exhibits or footnotes.

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

**5.2 Interview with Civey**

Together with the polling institute Civey, 2,500 randomly selected employees from companies with more than 1,000 employees in Germany were interviewed. Ten specific questions were developed for the survey that address the impact of the new ways of working stemming from the COVID crisis on gender diversity in companies. The survey was conducted online in February 2021. Respondents are employees from Germany, over 18 years of age, who cover a broad demographic spectrum in terms of gender, leadership experience, and age.
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