

# **Puppeteers of the stock market**



AllBright



# The men controlling the stock market

**The nominating committees are the hidden power of the Stock Exchange. Dominated by men, they impact the power structure of all listed companies and Swedish enterprise. Structures that may take decades to change, unless the owners speak out. Only 13 per cent of nomination committee members are women.**

This year around 300 nomination committees presented proposals to the boards of Swedish listed companies. The proposals are rarely challenged. The nominating committees' power to influence the composition of the boards is almost total. But power is not even close to equally distributed. In meeting rooms of the nominating committees, only men are found. In addition, owners think that equality is just nonsense. Six years have passed since AllBright last reviewed the nomination committees. And nothing has changed. While the boards and management teams are striving for equality, the nominating committees are stuck in status quo.

Half of the companies have no women whatsoever in the nomination committee. In companies like Eniro, Fast Balder and newly listed Saniona, the prospect of gender-balanced boards is in the hands of a group of homogenous men.

**99** *The nomination committees are flying under the radar and the real puppet masters remain undetected.*

To find role models is like looking for a needle in a haystack. Large caps are best among the worst, and as a result most gender equal boards are found among them. Through observing companies, it has been proven that women in nomination committees nominate more women on boards. In all cases they present gender-balanced boards (page 5).

Nomination committee members are talking about the significance of gender equal boards. But when it comes to reviewing their ranks the unwillingness is total. There is an echo of bad excuses: the distribution of gender in nominating committees is not important and has no effect on board nominations. Research suggests the opposite. Opposites don't attract and competence is easier to identify in someone similar to oneself. Homogeneous nomination committees are thus expected to defy scientific theories as well as their own narrow networks. How this should be done, no one seems to know (page 8).

Recruiters are tired of lazy nomination committees. On the contrary to the owner's old excuses, recruiters say there are plenty of competent women to fill the nomination committees.

But the nomination committee members are not listening. They're ploughing on and the same men get appointed for even more committees. To be included in the personal network is extremely favourable, and primarily a male privilege (page 6).

Private owners are often men and the owners have a natural place in the nomination committees. The gender distribution is thus portrayed as impossible to disrupt. Institutional shareholders have every opportunity to act as a counterweight against ignorant private owners rejecting equality. In view of the billions in savings managed by the institutions such liability should be insisted upon. Instead, 79% of the institutional owners' representatives in the nomination committees are men. The fourth Swedish national pension fund (AP4) has guidelines to always present at least one woman among the final candidates to the board, nevertheless, they don't have a single woman in any of the 27 nomination committees they are serving (page 7).

The distribution of power is unworthy of a society with ambitious goals of gender equality to strengthen both the corporate industry and society. The boards have been under scrutiny for long and change has been enforced. The nomination committees are flying under the radar and the real puppet masters remain undetected (page 5).

**Tove Dahlgren, acting CEO, AllBright**



Photo: Linnéa Jonasson/Appendix Fotografi

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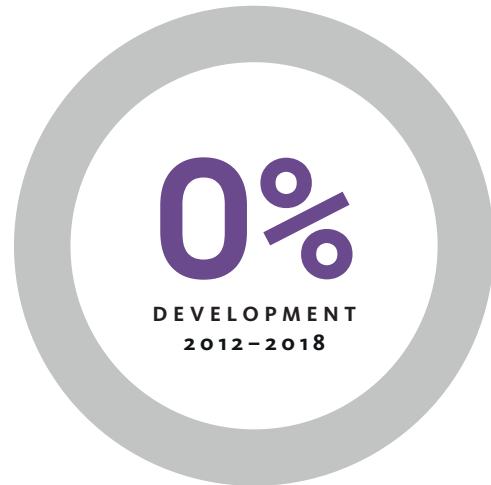
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# Half of the nomination committees lack women

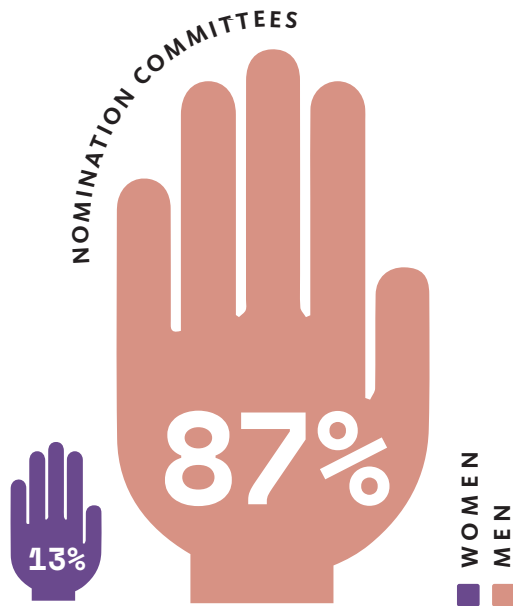
**It's time for the annual general meetings and the nomination committees are submitting their proposals. But there is a lack of women in the committees, only 13 per cent.**

Almost all listed companies have appointed a nomination committee, consisting of about four members. 13 per cent of them are women – a miserably low figure for a top country in almost all global gender equality rankings. There is a complete lack of development regarding gender equality in the nomination committees of listed companies. The embarrassing figure of just 13 per cent women hasn't changed at all the last six years. This status quo is deeply worrying. If no drastic changes occur, women might as well give up on the idea of a decision-making position in nomination committees and on the board of directors.

companies have gender balanced nomination committees while five per cent have both gender balanced nomination committees and boards. These include Axfood, Clover and Hexpol.



Only one per cent of the nomination committees have a majority of women. Academedia, Dedicare and Kappahl have more than 60 per cent women, and have also achieved gender equal boards. It is yet again evident that women are capable of seeing beyond gender norms and nominate both men and women.

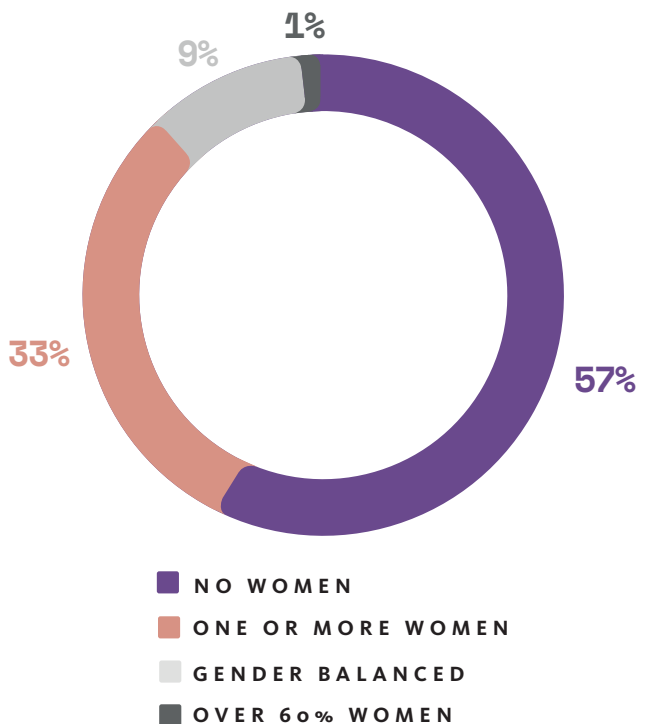


The nomination committees are operating in the shadows and have long escaped scrutiny. As previous research has illustrated, the more invisible the power structure is, the less equal it tends to be. Board nomination committees are working behind the scenes and are thus no exception. Of the 1206 seats in nomination committees, women hold only 159.

Nomination committees dominated by men seem to struggle recruiting women. 57 per cent of the companies have nomination committees without women. Furthermore, 76 per cent of these companies have failed to reach equality in their board of directors. Gender balanced nomination committees are key for appointing women to the boards.

There are some positive signs. Nine per cent of the listed

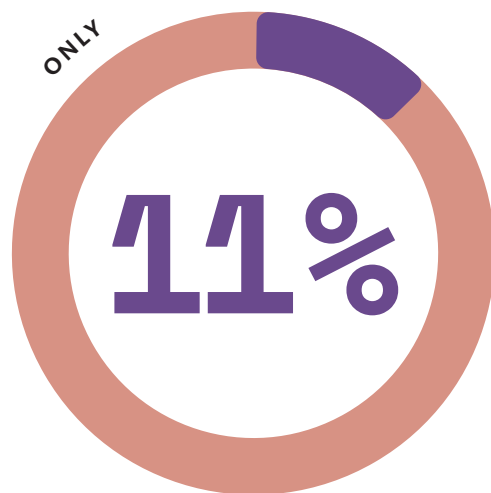
## Proportion of women in nomination committees



# The same women in several committees

**There is a scarcity of women on the absolute position of power. Only 11 per cent of the nomination committee's chairmen are women. And the same women appear in several different boardrooms.**

Very few women reach the absolute position of power. Of companies with a woman as chair, 28 per cent have gender balanced nomination committees compared to just five per cent in companies with a male as chair. However, when investigating the 29 women chairs, there are only 16 different names. Meaning the same women occupy several chair positions, giving an average of 1.8 chair positions per woman. Some frequent names are Cristina Stenbeck, Helena Stjernholm, and Petra Hedengran.



**OF CHAIRS ARE WOMEN**

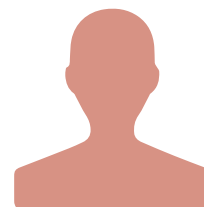
While there are very few women in the nomination committees, there are plenty of regulars. The same women are often wanted for several committees. Women have on average 1.7 assignments per person, compared to 1.4 for men. Johan Strandberg on SEB Investment Management holds the most assignments with 16 positions. Of the women, Marianne Nilsson from Swedbank Robur is

the most popular candidate, serving 11 nomination committees. This is worth questioning since nomination committee members often look to their own networks in the process of appointing new board members. How can the same person have access to suitable candidates for 16 different boards? It's suddenly easy to understand that the nomination committees have had trouble finding women candidates.

The importance of personal networks is expressed in several interviews. A representative from one of the institutions raises the problem of large private owners who want people they associate with:

**” I think the first part of the nomination process is to turn to your own network.**

Several factors are pointing to homogenous nomination committees. Similar to management teams and board of directors, Anders is the most common name in the nomination committees. Of the ten most common names nine are male and one female, giving a clear indication of the lack of women in the nomination committees. That all ten names are Swedish-sounding names give additional evidence of a further lack of diversity.



**ONE PERSON IS SERVING IN 16  
NOMINATION COMMITTEES**

# Institutional shareholders no guarantee for gender equality

**Regarding the proportion of women in the committees, institutional shareholders are better than the private sector, but still far from equality. The largest institutions have only 21 per cent women. AP4 is actively working for gender equality but hasn't got a single woman representing them in the nomination committees among Swedish listed companies.**

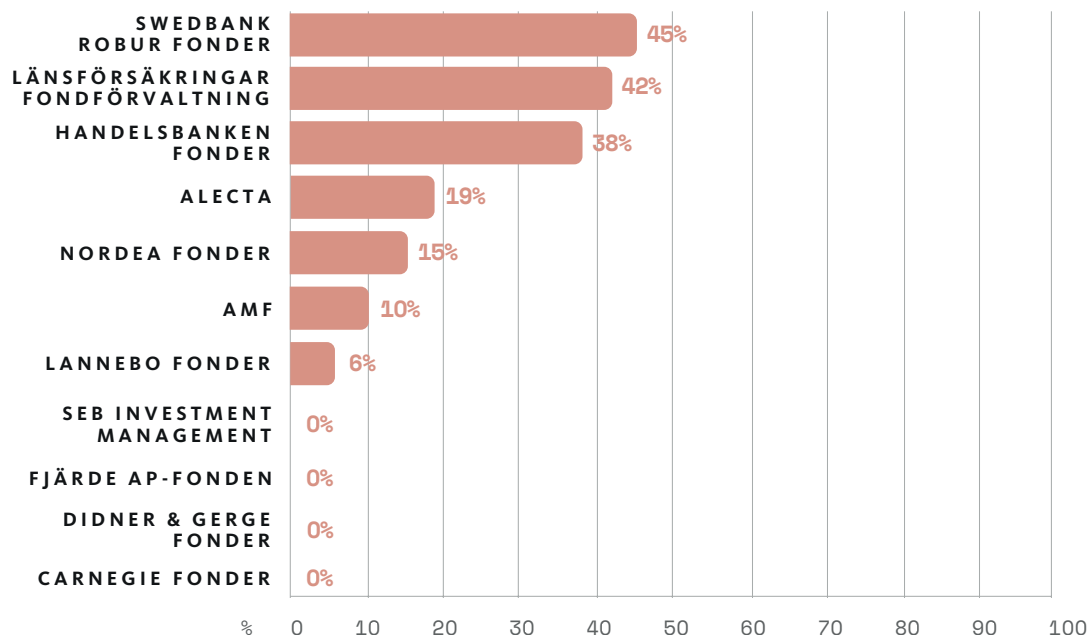
The larger institutions seem to have more women. Swedbank Robur has the highest number of representatives in the nomination committees and the highest proportion of women with 45 per cent. However, there are some exceptions. Länsförsäkringar's fund management with a smaller number of representatives in nomination committees still manages to achieve equal representation with 42 per cent women.

Neither of the four institutional owners, SEB Investment Management, AP4, Didner & Gerge Funds, and Carnegie Funds, have any women at all representing them in nomination committees. Their lack of women is slowing down the pace while reducing the average of institutional shareholders to 21 per cent women. It is better than the

general average of 13 per cent, but it is both inexplicable and indefensible that the institutions present such low figures when they have so many women to choose from.

The institutions are managing a large part of Sweden's general savings and have ownership in many of the listed companies. In addition, they also manage a great share of the general pension funds. The institutions thus have an extra responsibility to create sustainable and successful businesses. Gender equality and profit go hand in hand, and the public's growing interest in both sustainability and equality should be motivation as good as any. The responsibility should particularly be on the AP funds, i.e. those managing the state portion of the pension funds. Unfortunately they seem to neglect both research and the public interest in sustainability. Women account for only six per cent of the AP funds' representatives of listed companies. One of the largest managers of state pensions on the Swedish stock exchange, AP4, has guidelines specifying that all companies where they take place must have at least one woman among the final candidates to the board of directors. Yet they don't have a single woman representing them in nomination committees.

## Proportion of women in nomination committee per institution



# Male dominance hampers development

**Representatives of the nomination committees are well aware that the boards lack women, but refuse to acknowledge the scarcity of women in the nomination committees. The male dominance is a problem when appointing women to the boards.**

All surveyed representatives of the nomination committees are stating gender equality as important 'in general'. However, few say that gender equality is important in the nomination committees. Most of them consider governance more important than gender balanced nomination committees. The excuses are predictable. Regardless of representative and sector, the responsibility for gender equality is assigned to someone else. A nomination committee representative from one of the institutions says:

**“Gender equality is important on a national level, but one cannot strive for gender balance in a company without the owners pushing for it.**

It seems like the companies have neglected the effect of gender equality on boards and management teams. Research shows that gender balanced groups are recruiting more equally, and it is therefore safe to assume that the distribution of gender in nomination committees is important. A researcher says:

**“In all contexts where companies recruit, the distribution of gender will impact the outcome.**

It's easier to recognise competence in candidates who are similar to oneself. Research shows that men identify with,

seek out, and understand their social position in relation to other men. Thus, it takes less effort for men to choose other men. One of the interviewed researchers states that male dominance in nomination committees further contributes to gender imbalanced boards. The researcher says:

**“It is a skill to be able to recognise competence outside the gender norms.**

Several researchers have raised the issue of recruiting women with similar profiles to men. One researcher says that it won't make any difference if the nomination committees consist of women from the Stockholm School of Economics. They advocate for people with diverse perspectives and networks to take place in the nomination committees to progress and gain access to expanded networks.

**“Neither values nor practices will change. There will be no real renewal.**

An effective weapon in striving for gender balance on the boards is to exhibit diversity and breadth of qualifications, experience, and background in the nomination committees. Diverse perspectives will help to broaden the perception of competence and suitable candidates. The research is clear about the benefits of diversity in all positions. Yet, the same men hold multiple positions in the nomination committees. If we are serious about the ambition to create boards that are reflecting the population, we must tackle the root of the problem. Members of the nomination committee must be diversified.



**THE NOMINATION COMMITTEES MUST BE DIVERSIFIED**



# The same old excuses

**All interviewees think gender equal boards are important, yet many excuse the male dominance through expressing a difficulty to find women.**

If every second company would replace a man with a woman, the boards would be gender balanced. In other words, not many women are required and yet the discussion is focused on the problem of finding suitable women candidates. Several nomination committee professionals argue that it is simply not enough competent women to serve the boards. A nomination committee representative claims:

**”It’s hard to find women. And it’s probably easier to think of your own friends.**



Almost all interviewees agree on their responsibility as members of the nomination committee, to increase the proportion of women and to search for, and nominate, more women candidates. It’s also composed in the Swedish Code of Corporate Governance that companies are to strive for gender balance on the board. Nevertheless, 69% of the boards are not gender balanced.

Gender equality is desirable according to all surveyed. As usual, the surface is polished. No one is thoughtless enough to openly question the ambition of the boardrooms reflecting the population. Behind closed doors, however, the discussions seem different. An owner representative says that it can be difficult to raise the issue of gender equality in the nomination process. He is often challenged when bringing up gender equality:

**”There is a certain mentality that it’s just nonsense.**

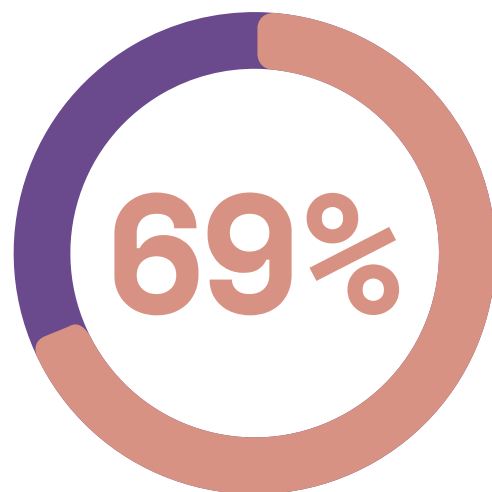
Several interviewees testify of gender equality as merely public display. Attitudes from the Stone Age are still kept alive by nomination committee members who think that everything was better before. A recruiter says:

**”It’s the responsibility of the nomination committee to increase the proportion of women and progressive owners see this as important. But then, there are still those who think; women, for what use are they?**

It is alarming that out-dated views that women can’t or that equality is nonsense still exist. Another disturbing sign is the nomination committee members’ unwillingness to loose power. Gender equal nomination committees has no intrinsic value according to many of the interviewed. Nominations to the boards will not be affected by whoever is presenting the proposals:

**”It doesn’t matter if all members of the nomination committee are men.**

Swedish nomination committee members are not very humble. Rather, they seem to completely rely on their own competence and the breadth of their networks. Equality is welcome everywhere except in their own circle, where the gender imbalance is preserved through the same old excuses.



**OF COMPANIES ARE NOT FOLLOWING THE SWEDISH CORPORATE GOVERNANCE CODE**

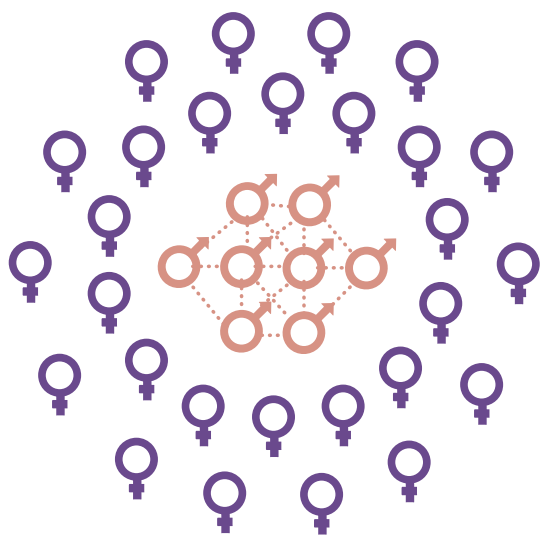
# Recruiters – a path to equality

**Where the nomination committees halt, recruiters will continue. The recruiters prove that it's not difficult to find suitable women. Instead, they are critical towards the nomination committees' poor recruitments.**

The myth of not finding any qualified women seems hard to kill. Several shareholder representatives say they would gladly nominate women to the boards, but state a lack of women as an excuse. Recruiters don't recognize the excuses.

Most of the recruiters state that they never had to compromise on competence to find women. There are no profiles that have a lack of women candidates. The problem is rather the nomination committees' unprofessional recruitment processes. Nominations to the boards are recruited through personal networks and those who are nominated are often linked to the nomination committee members:

**” The same people are found in several boards. They are not there because of competence; they are there because of their networks. If the recruitment processes are professionalized, the boards will look completely different.**



**MANY BOARD MEMBERS ARE RECRUITED THROUGH PERSONAL NETWORKS**

The inability to find new candidates is explained through a fear of losing control of the company. A further concern is to nominate people who don't have previous board experience. A recruiter's view on the subject:

**” People are afraid; no chairman wants a brand new person they don't know anything about. People want to feel assured that this person has worked with that person on that board.**

Several recruiters criticize the nomination committees for being unprofessional. They argue that it's a disaster that the nomination committees have no requirements for professional recruitment processes. One recruiter says

**” The dominant bromance culture, that a nomination committee member can only find 40 capable people within its own network, is not good enough.**

It is problematic if the dominant path of nominating candidates is through personal networks. Nomination committee members do obviously not care enough about the result since they are relying on their own network instead of getting professional help. Another problem is that many companies do not budget for board recruitment. If companies don't recruit professionally, they can't expect professional results.

**” It is extremely rarely that there's a budget for recruitment, and where there is one there's an individual owner or an institution paying for it. It is a barrier for the professionalization of nomination committees.**

Those working with governance at the large institutions points out that it is difficult to find women while those who are specialists on board recruitment don't have this problem at all. There is a clear argument for the nomination committees to consist of more women and be further professionalised. A way forward might be to use professional recruiters and demand both women and men candidates.

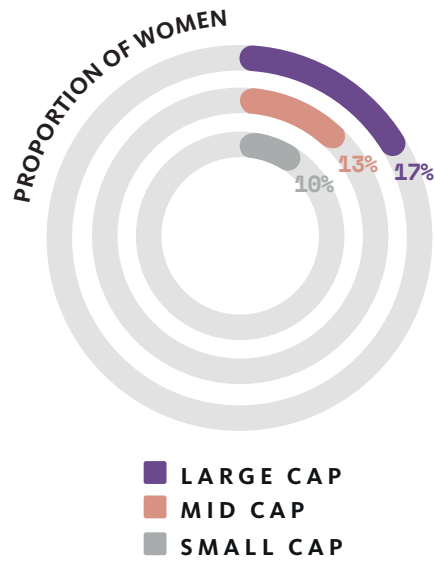
# Large Caps best in class

**Large caps are best on gender equality in nomination committees. They seem to take the issue of gender equality more serious than small and mid caps, and have more nominated women as well. But there are only a few women and one woman serves in several of the nomination committees.**

The large caps are best at practicing gender equality in boards and management teams, so it's no surprise that they have the most women in nomination committees. However, they have miserably failed gender equality. Only 17 per cent of the representatives in large caps' nomination committees are women. Among mid and small caps the percentage of women is 13 and 10 per cent. Small caps are dragging the average down but the problem is shared. Mid and large caps are barely mediocre.

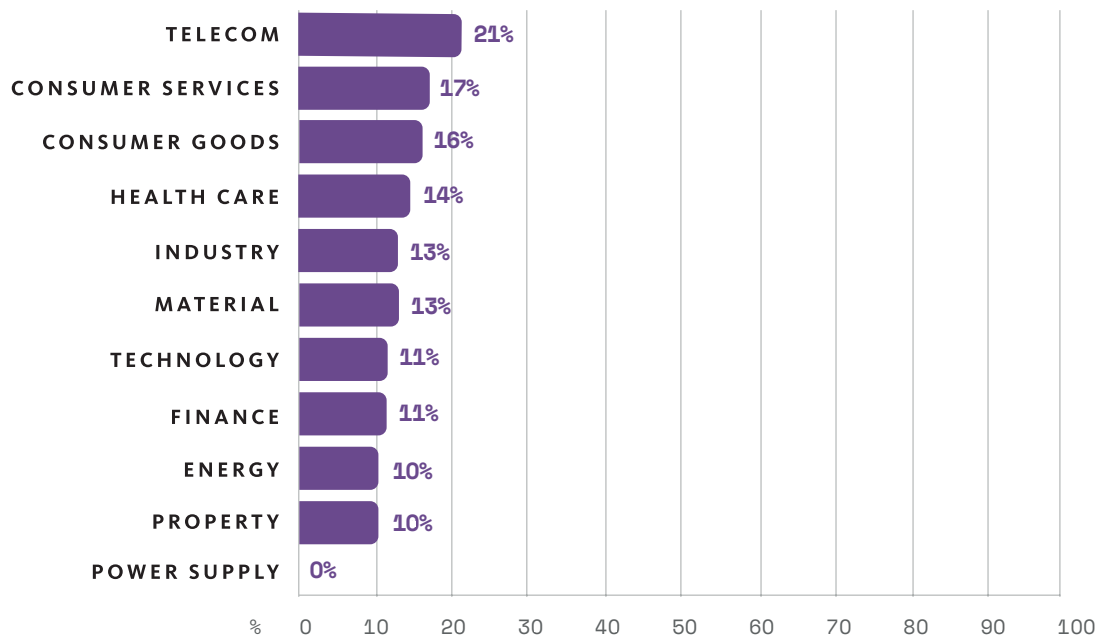
The highest proportion of women is found within telecom, reaching 21 per cent. With very few companies in the industry, this means that women hold four of the nineteen seats. Of these four, one woman is holding three. Cristina Stenbeck thus constitutes 75 per cent of the women in the telecom sector's nomination committees. Besides telecom, no industry reaches more than 17 per cent women. The worst industry is power supply with a complete lack of women in the nomination committees.

The large caps tend to take the issue of gender equality more seriously than the small and mid caps. Larger



companies often have more resources to work consistently with gender equality. Several of the representatives tell us that the big caps are more likely to bring in recruiters, which is an effective way to reach more women. It has been proven successful, large caps' have reached a high of 37 per cent when looking at board of directors. Last year's threat of affirmative action and more equal nomination committees have been confirmed as effective. Active action pays off.

## Proportion of women in committees by sector



# Lack of transparency in Swedish companies

**The nomination committee's primary task is to propose candidates to the board. But in practice, board members are unchallenged since shareholders rarely vote against their proposal. The corporate governance code fails at this point.**

**” Active shareholder participation promotes a healthy balance of power between owners, the board and the executive management.**

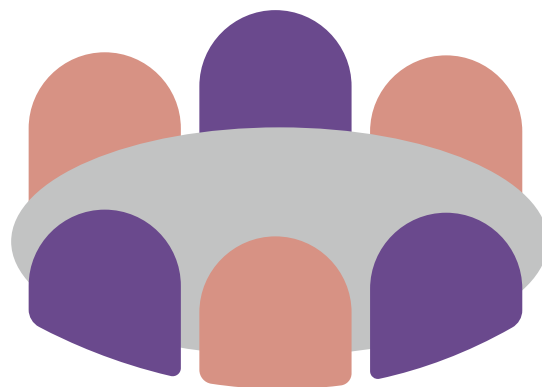
This is stated in the Swedish Corporate Governance code. The problem is that shareholders do not always make their voices heard. In many companies the main owners, who appoints the nomination committee, are not in majority. The nomination committees are not intended to serve as an authority, but the decision-making power should be with the shareholders. The nomination committee's proposal is rarely voted down. As a consequence, important decisions are taken by homogeneous groups of men. It would encourage meritocracy to create as much transparency as possible towards shareholders, the capital markets, and society in general. Instead, a minority controls the majority, which honours nepotism rather than meritocracy.

The Swedish Companies Act does not govern nomination committees. Nomination committees are instead governed by the voluntary guidelines of the Corporate Governance code. The composition of the nomination committees in Sweden differs from European and Anglo-Saxon countries as the ownership influence is considerably greater.

The code thus allows for smaller shareholders outside the nomination committee to propose candidates to the board of directors. In practice, it's however extremely difficult to achieve legitimacy for an external proposal. The work of the nomination committees' is concealed and greater transparency is needed to better distribute the power. When the code was rewritten and the owner influence reinforced, one of the goals was to get more diverse boards

and to terminate the old school friend recruitments. But the lack of transparency in the nomination committees discourages this. A nomination committee member says:

**” If an owner owns 20 per cent and says he wants his son to be on the board, he has the power to do that. Even if I have 10 candidates, five women and five men, all of whom are more competent than his son, I have nothing to say.**



**EQUAL NOMINATION COMMITTEES SHOULD BE THE NORM**

Statements like these are alarming. It is not credible to pretend that it doesn't matter who is serving in the nomination committee, and that it doesn't affect the result. The nomination committees work in privacy and are not discussed and scrutinised to the same degree as the board of directors, despite the boards' composition being fundamentally in the hands of the nomination committee. Gender equal nomination committees as well as transparency regarding the committees' work should be the norm rather than an exception. With great power comes great responsibility. It is time to expand the code to include gender equality in the nomination committees.

# Best practice for gender equality

The solution for creating a gender equal business community is to strive for more diverse nomination committees. It is easier to recruit both women and men when the network is widened. AllBright has asked board members, scientists, recruiters, and representatives of the nomination committees about best practice to increase the proportion of women in nomination committees and board of directors. Here are five practical tips to achieve gender balanced committees and boards.



## CHALLENGE THE PERCEPTION OF COMPETENCE

Challenge the notion of a man as the typical nomination committee member.



## LOOK INTERNALLY

Critically examine the internal culture. Find out who is considered the ideal candidate to the nomination committee and what kind of behaviour is premised in the group.



## WORK ACTIVELY WITH THE ISSUE

Realise that gender equality will not occur by accident with a new generation. Establish tools to deal with the problems. Don't stop working actively with the issue.



## EVALUATE EXISTING SKILLS

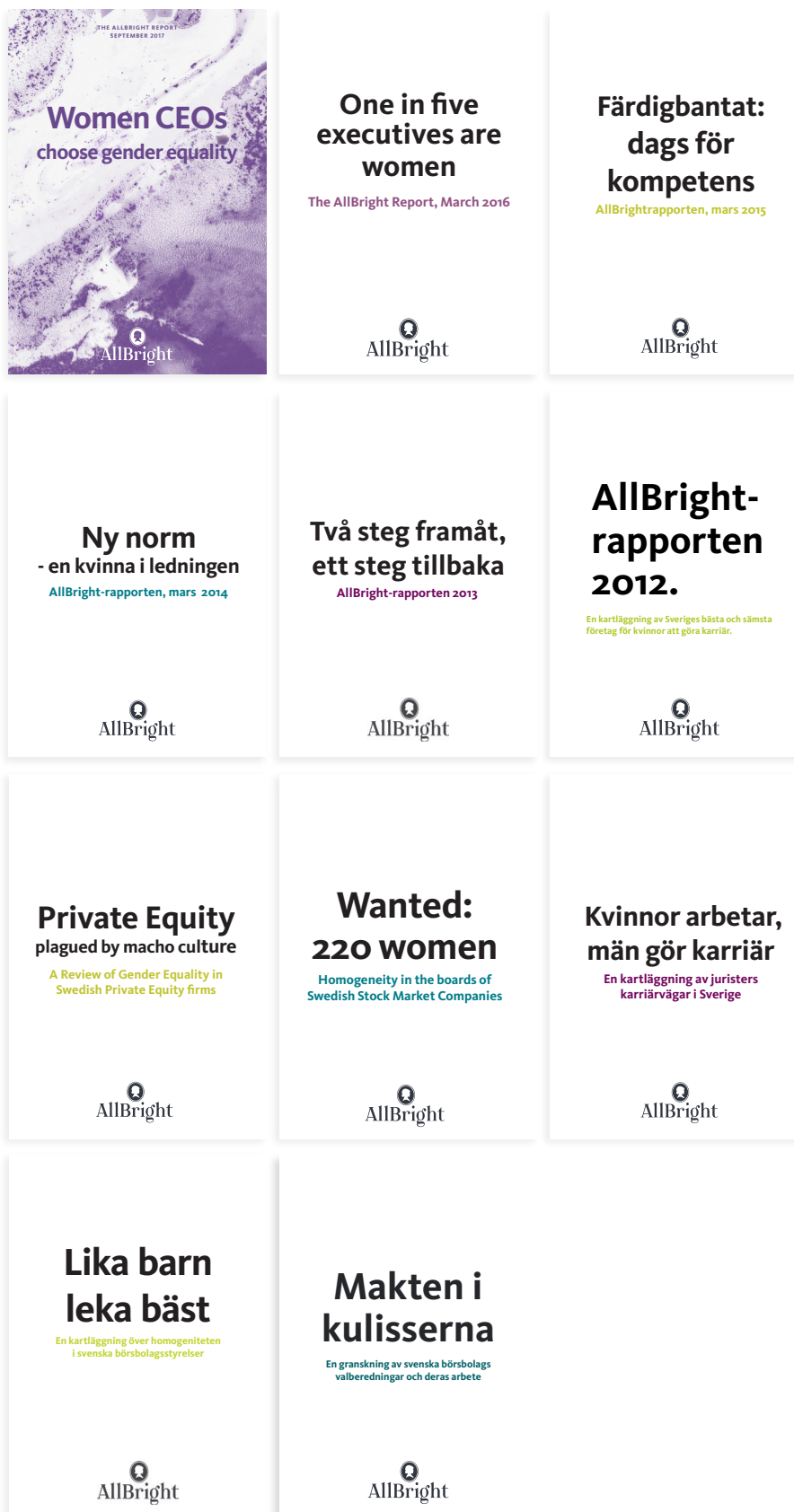
What skills and experience do we possess and what are we missing?



## INTRODUCE MERITOCRACY

Professionalise recruitment, nominate on merit rather than gut feeling. A successful board does not occur through consensus. Dare to nominate breadth and versatility.

# Previous reports



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