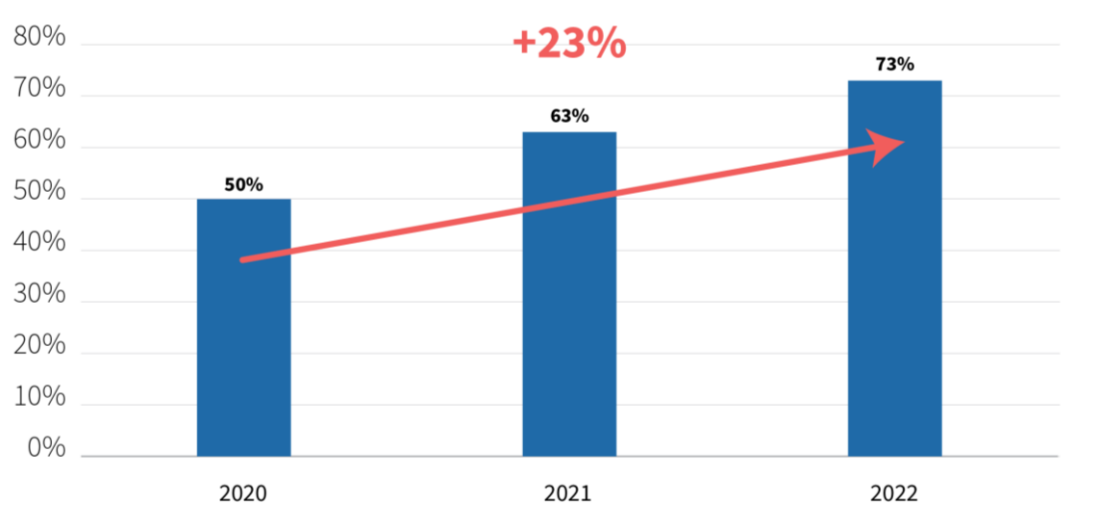


January 2023

Press Release: Study on the influence of institutional investors on diversity on German boards (trend analysis 2020-2022) published on January 18, 2023

Institutional investors such as BlackRock, Allianz Global Investors, and Vanguard continue to apply pressure on German companies by calling for more diversity on boards. In 2022, nearly three quarters of the most influential institutional investors in the German market made gender diversity on boards an investment criterion for their holdings in listed companies, a new study by Investors4Diversity shows. Many investors are no longer satisfied with mere compliance with statutory diversity requirements. Companies that do not meet investors' diversity requirements run the risk of losing access to equity capital or suffering poorer voting results at shareholder meetings.

The diversity requirements that investors place on the composition of boards of German listed companies have increased significantly since 2020. While in 2020, half of the 30 most influential investors in the German market had diversity requirements for their portfolio companies, by 2022 this figure had risen to 73 percent. A closer look into the design of investment guidelines shows that investors are increasingly dissatisfied if companies merely comply with statutory diversity requirements, such as the 30 percent quota for women on the supervisory board. Investors are embracing a broader definition of diversity, one that goes beyond gender, and they expect companies to make credible commitments to embed diversity in a broader and systematic approach in their leadership.



Proportion of Top-30-investors in the German market with diversity requirements in their investment guidelines (2020-2022)

As the composition of the majority of supervisory and management boards in Germany is homogenous – predominantly male, German and with similar academic or professional training backgrounds – companies are coming under pressure from investors calling for more diversity. "The results of the study highlight the important role of investors in bringing movement to well-established structures and processes. Investors have the leverage not only to demand an increase in the proportion of women on boards. They are increasingly



pushing for a diverse composition of supervisory boards and management boards that better reflects the company's strategy and business model. This also draws greater attention to the professional background and nationality of board members," say the authors of the study, Dr. Gabriele Apfelbacher, Daniela Heyer and Dr. Philine Sandhu.

However, implementing these diversity requirements remain a challenge for investors. There is a lack of data to assess diversity developments in companies. Information on the company's diversity strategy, the achievement of diversity targets, or the consideration of diversity in nomination processes are often unavailable to asset managers. Many investors are therefore counting on an improvement in transparency and data availability through the EU Corporate Sustainability Reporting Directive (CSRD). The CSRD will also apply to the sustainability reports of German companies for fiscal years beginning from 2024, depending on the size of the company. The report advises companies to prepare now for the increasing transparency obligations.

The study highlights recommendations for legislators, investors, the German Corporate Governance Commission and listed companies.

Download the study (in German): www.investors4diversity.org

The study was funded by the German government (Federal Ministry for Families, Senior Citizens, Women and Youth).

Cooperation partners: AllBright Foundation, European Center for Board Effectiveness (ECBE), EQS Group, and Mazars.

About Investors4Diversity

We support capital market stakeholders in better leveraging their influence to increase diversity on the boards of German listed companies. With studies and a diversity toolkit for asset management, we provide concrete suggestions on how capital market players can use their influence to increase diversity on German boards. We are an interdisciplinary network at the intersection of research and practice.

Authors of the study

Dr. Philine Sandhu, Berlin School of Economics & Law
Dr. Gabriele Apfelbacher, Attorney & supervisory board member
Daniela Heyer, Financial Expert & CFO, Storengy Deutschland GmbH
Lukas Marschallek, Alumnus of the Berlin School of Economics & Law

Contact

Dr. Philine Sandhu: info@investors4diversity.de or philine.erfurtsandhu@hwr-berlin.de