



Pääomasijoittajat

Finnish Venture Capital Association

Diversity study August 2023

Diversity in the boards of

Finnish private equity-

backed companies

Overview of study and methodology

Key findings

The share of female board members in private equity (PE)-backed companies (including venture capital (VC), growth and buyout investors) remained low at 13% in 2022, a 2 percentage point increase from 2021 with the rate ranging from 12% in growth-backed firms to 14% in buyout-backed firms.

However, for firms where we could measure the change over four years of PE ownership (2019-2022), the share of women on boards grew from 9% to 12%.

There are clear differences between industries, with business and industrial services firms having the highest share of women (21%) as board members.

The share of women on boards of portfolio firms is lower than in Sweden (19%) but comparable to mid-sized unlisted Finnish firms (13%).

The board members of private equity-backed firms are, on average, five years younger than those of Finnish companies in general.

They are also more international, with 19% of board members in portfolio companies being non-Finnish versus 5% in Finnish companies in general.

Methodology and constraints

This study by PwC/Strategy& and the Finnish Venture Capital Association (FVCA) examines diversity in the boards of Finnish private equity-backed companies. The data was gathered through a survey that was sent to Finnish private equity investors on companies currently in their portfolio as well as through the Finnish Patent and Registration Office (PRH). The sample comprised 484 portfolio companies, 97 of which were categorised into buyout, 64 into growth and 323 into venture capital.

The data on gender was collected from the investors via a survey with self-reported answers, whereas the age and nationality data was collected from PRH. Apart from simple cleansing, it has not been validated by PwC/Strategy& or Finnish Venture Capital Association. For data availability reasons, gender was measured in a binary (male / female format).

The share of female board members in private equity-backed companies has remained low at 13%

In 2022, women accounted for 12.5% of the board seats in private equity-backed companies, which is 1.5 percentage points more than in 2021.

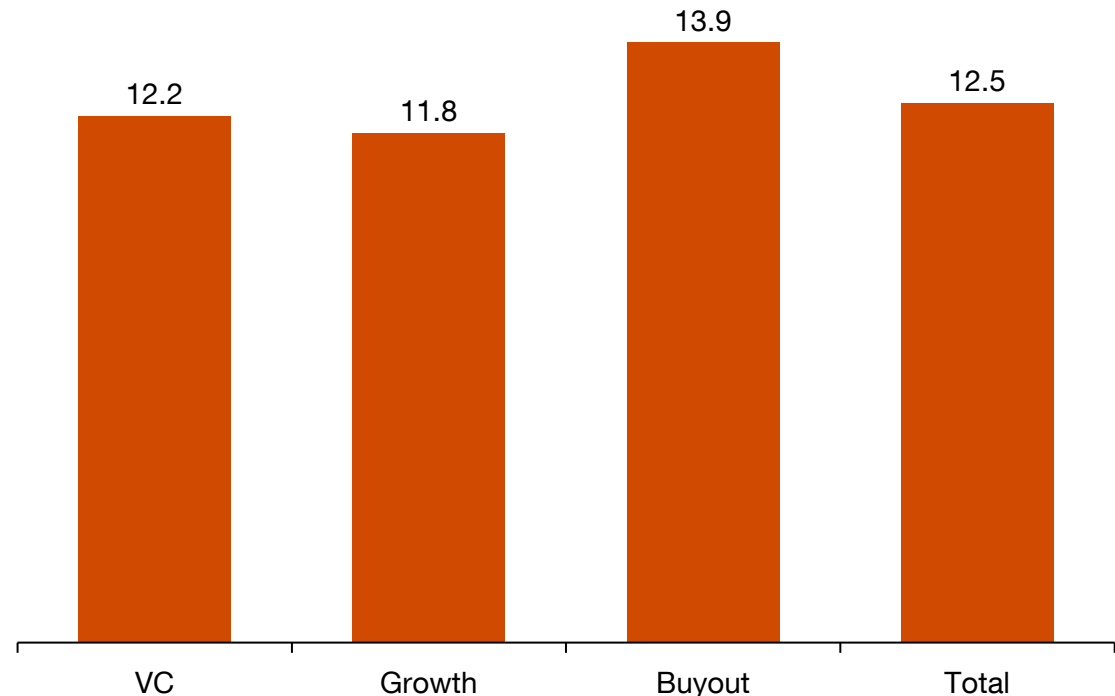
There are no large differences between investment classes, with the share of women on boards in different investment classes ranging between 11.8% and 13.9%.

In the previous year, the difference between classes was significantly bigger, with venture capital-backed firms being the lowest at 6% and growth-backed the highest at 14%. Buyout has remained relatively stable, as it was previously 13%.

Due to the changes in the composition of the sample, which varies from year-to-year, the results are not directly comparable across the years.

Note: n for VC 272, growth 64 and buyout 82

Average share of women on boards by investment class
%, 2022



Private equity backing seems to have a positive impact on the share of female board members during ownership period

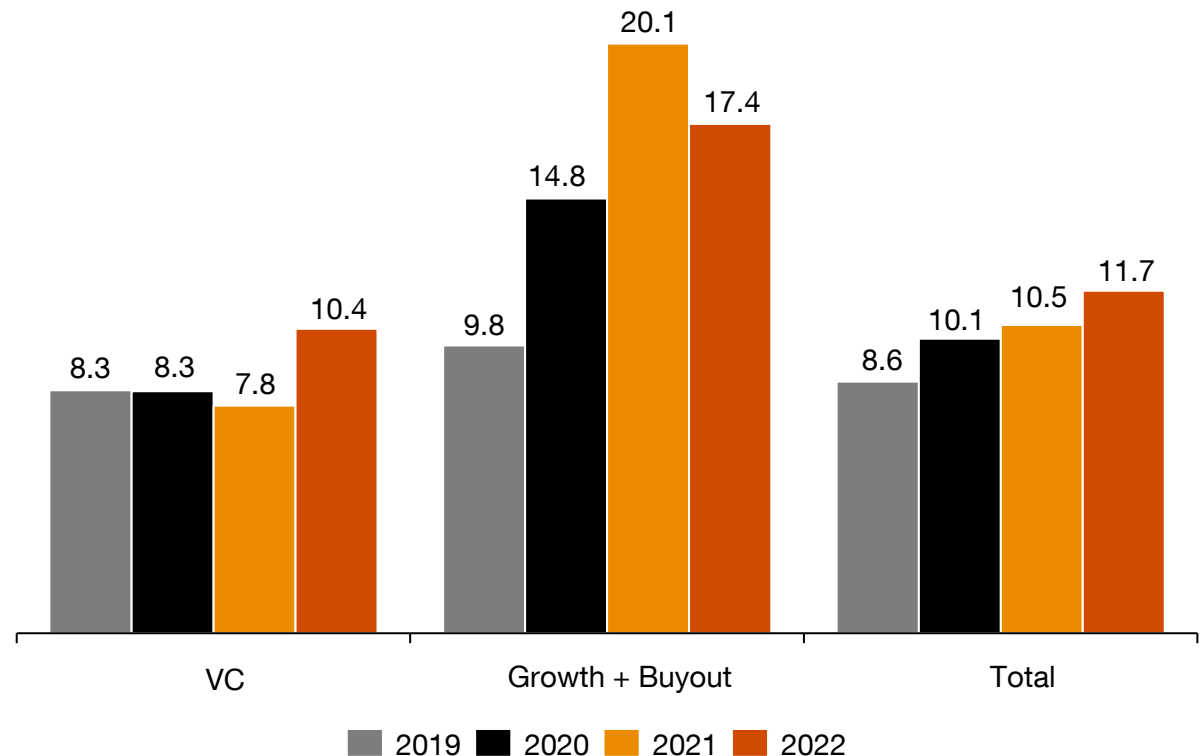
When focusing on the subset of companies that have reported their figures for the four consecutive years 2019-2022, we can better see the impact that private equity investors have on the companies they own. Within these 72 firms, the average share of women had increased from 9% to 12% over the period.

There are significant differences between investment classes, with growth and buyout-backed firms showing a clear positive trend with the share of women rising from 10% to 17%. However, the sample size is relatively small for this sample (n=20). Also, in venture capital-backed firms, the share of women on boards is on a growth trend, growing from 8% to 10% over the period.

It is not clear what is driving the difference between the investment classes. Buyout-backed firms are larger on average, which typically correlates with a higher share of women. Also, they have larger boards with 4.4 people on average vs. 4.0 for venture capital-backed firms, which makes it easier to increase diversity in board composition.

Note: N for VC 52 and for growth + buyout 20. Includes only firms with data from 2019-2022

The share of women on boards with companies reporting for 2019-2022 by investment class %



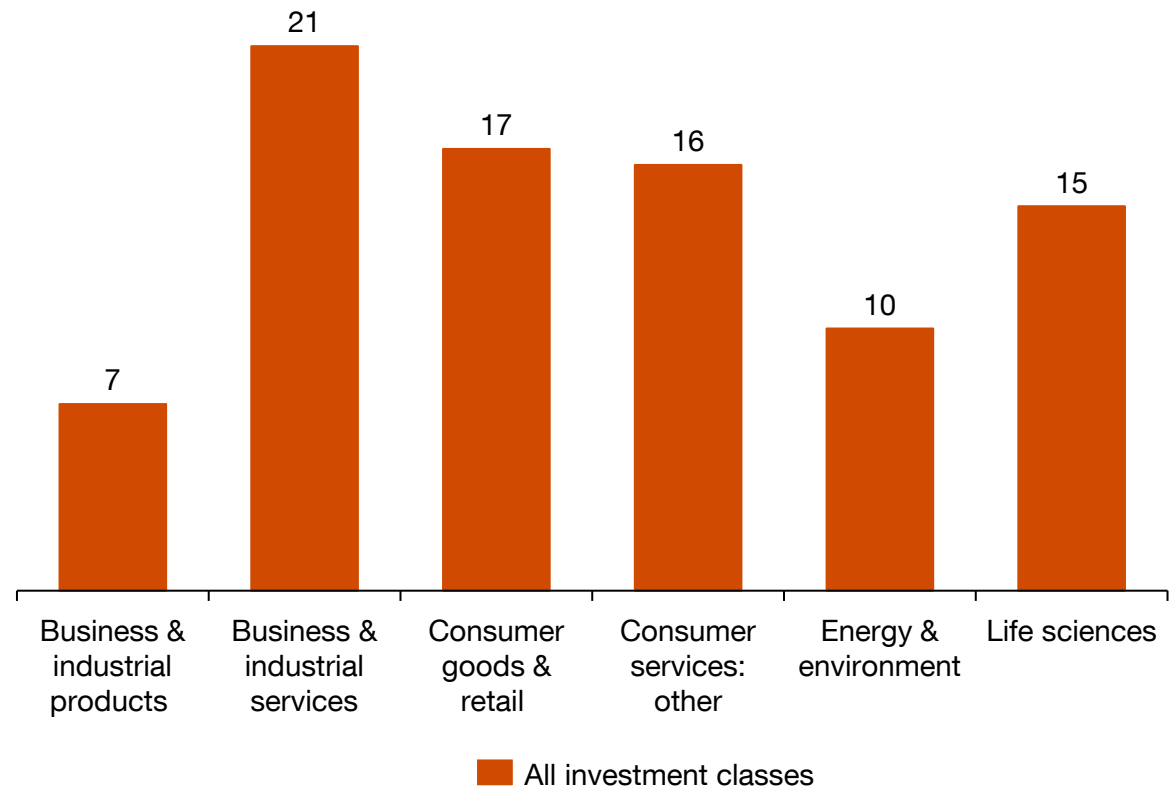
Clear differences between industries with the share of women highest in business & industrial services and consumer goods and retail

Similar to the broader economy, there are clear differences between industries in women's share of board seats. Business & industrial services tops the list with their share of 21%, with Consumer goods & retail (17%), Consumer services (16%) and Life sciences (16%) also being above average. Business & Industrial products has the lowest share at 7%.

These differences reflect the Finnish company landscape in general, where the share of women on the boards of e.g., healthcare firms is three times as high as in information technology firms¹

1) Tesi: Suomalaisten yritysten hallituskokoonpanot 1.4.2022
Note: n for industries ranges from 25 (Consumer goods & retail) to 103 (Business & industrial services)

The share of women on boards by industry
%, 2022



Share of women roughly in line with Finnish similar-sized private firms but below Sweden

The share of women on boards in private equity-backed firms can be compared both internationally and with the broader Finnish economy. In none of these is it near parity.

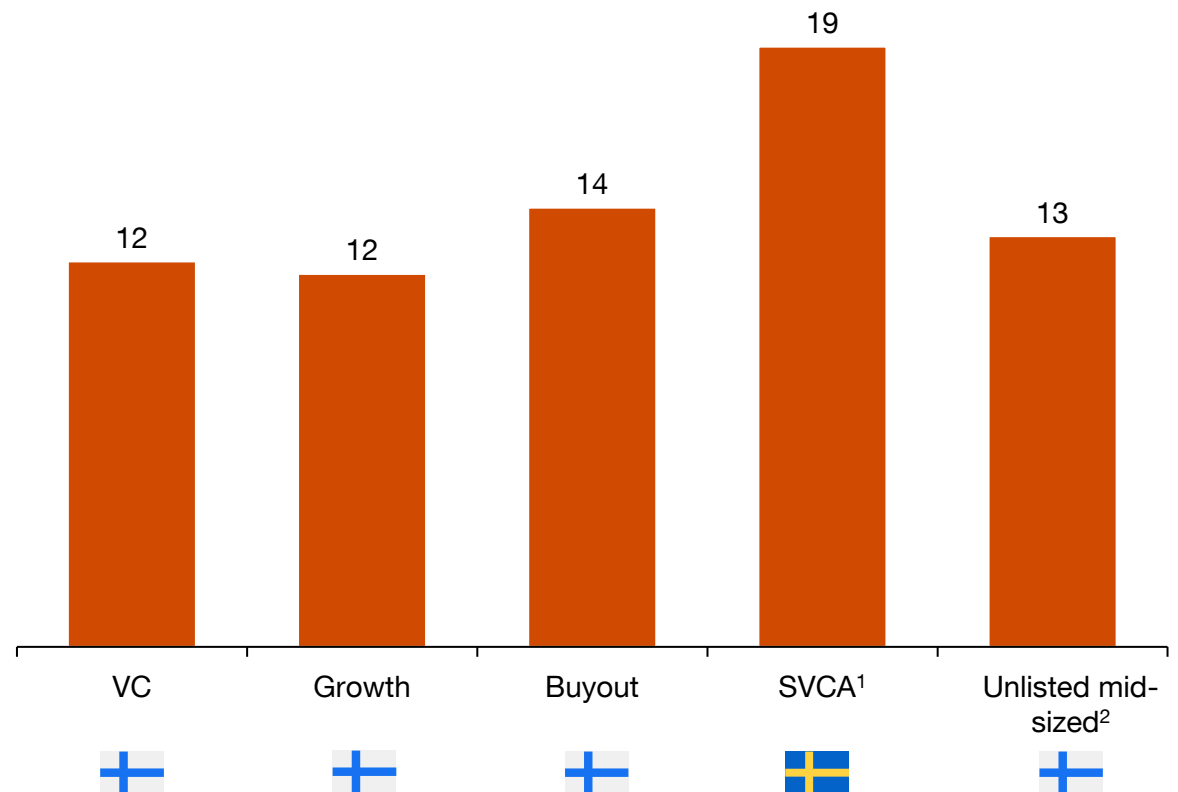
Internationally, the Swedish Venture Capital and Private Equity Association published a study of 108 portfolio companies in which 19% of board members were women¹. This sample was weighted towards larger companies so it is best compared to Finnish buyout-backed firms.

TESI, the Finnish state-owned investment company, published a study on board diversity of Finnish firms². There, the share of women on boards of unlisted mid-sized firms (see definition below) was 13%. This is the group that best matches the growth and buyout-backed firms in terms of size.

So while the share of women on the boards of Finnish private equity-backed firms seems to be in line with the broader Finnish economy, it is clearly behind Sweden.

1) SVCA: The ESG Status of Swedish Private Equity (2021)
2) Tesi: Suomalaisten yritysten hallituskokoonpanot 1.4.2022
Mid-sized firm = 50-250 employees and revenue of 10-50 €M or balance sheet of 10-43 €M
Source: SVCA, Tesi

The share of women on boards
%



PE-backed firms have, on average, younger board members with VC-backed firms having 1/6 of board members aged below 35 years

In 2022, the average age of board members in portfolio companies was 45.2 years. This is clearly below the average age of a Finnish private company board member, which is 50.0 years.

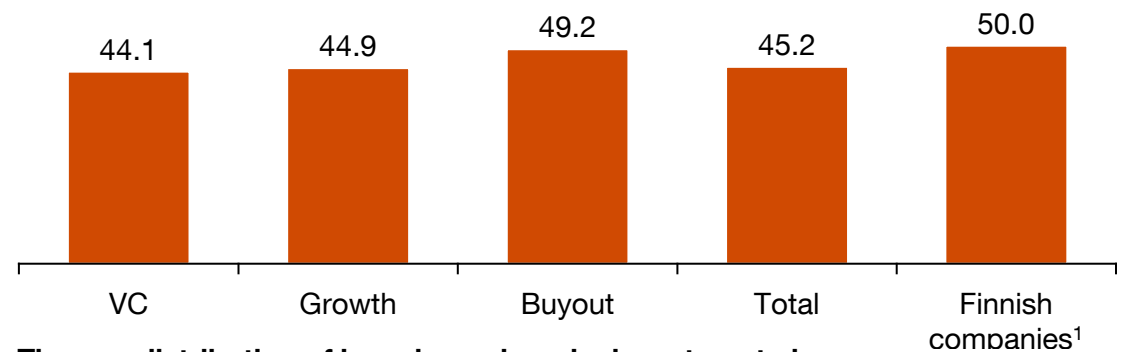
There are slight differences in the averages between the investment classes, with venture capital-backed firms having the lowest average age at 44.1 years, followed by growth-backed firms at 44.9 years. Buyout-backed firms have a slightly higher average age at 49.2 years.

The explanation for the difference between investment classes can be the fact that often the founder stays on the board in portfolio companies. The founders of venture capital-backed start-ups are often younger than the founders of companies of other sorts.

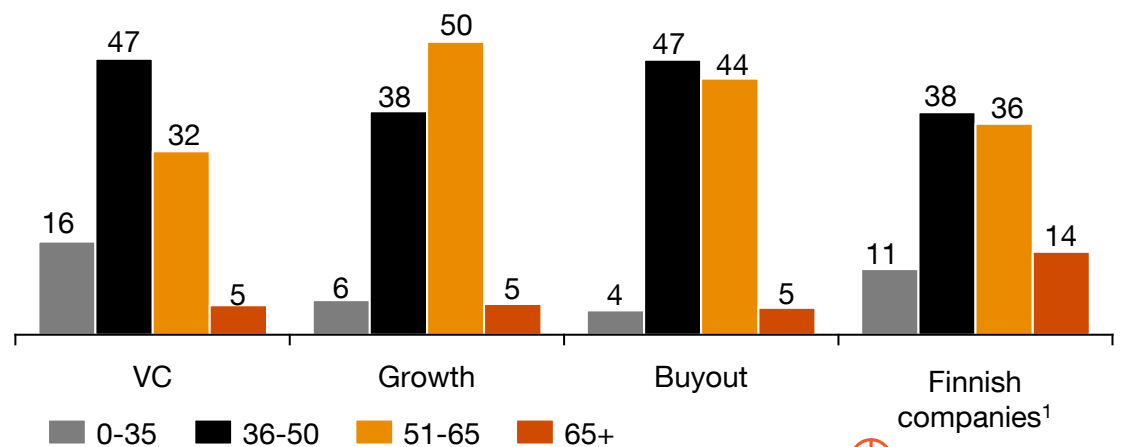
This is also reflected in the age distribution of board members where venture capital-backed firms have 16% of board members aged below 35 years versus 4-6% for other investment classes and 11% for Finnish companies in general.

Note: n for VC 251, growth 54 and buyout 73. Source: Orbis
 1) Tesi: Suomalaisten yritysten hallituskokoonpanot 1.4.2022. Excludes companies with less than five employees and foreign ownership

The average age of board members by investment class year, 2022



The age distribution of board members by investment class year, 2022



Private equity-backed firms have more international boards with 19% of board members in portfolio companies being non-Finnish

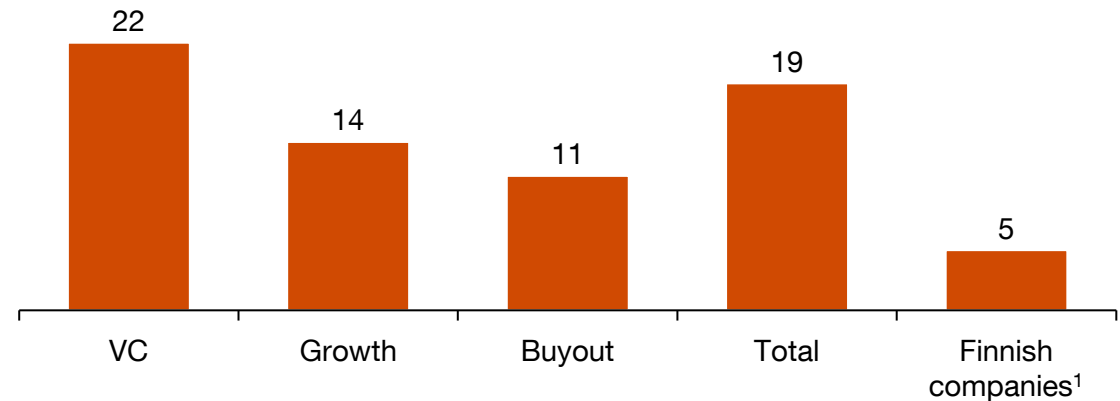
Private equity-backed firms have clearly more international boards than private companies in general. In 2022, 19% of the board seats in private equity-backed companies were held by people with non-Finnish citizenship versus 5% in Finnish companies in general.

There is a clear difference between investment classes, with venture capital-backed firms having the highest share at 22% and buyout-backed firms having the lowest share at 11%. This could be explained by the more international nature of many startups and many of them having international investors with board seats.

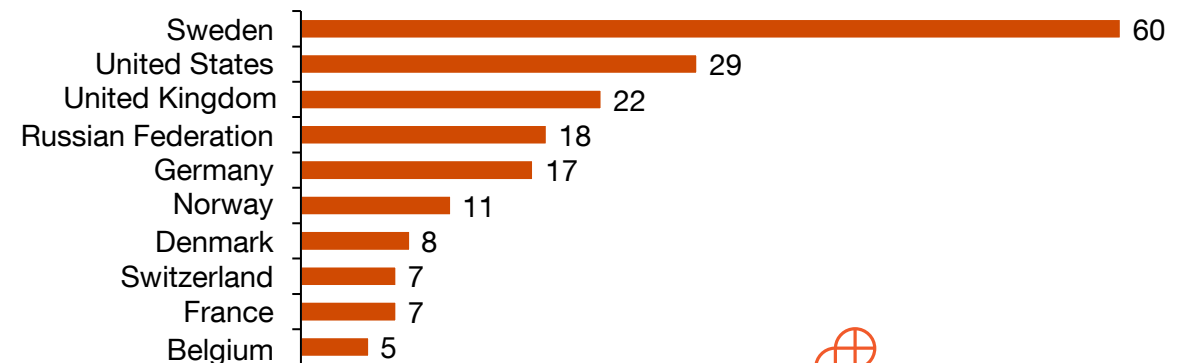
Most common non-Finnish nationalities of board members for private equity-backed firms were Swedish, American and British. In all Finnish companies, Estonian is the most common non-Finnish nationality¹ for board members.

Sample: 1199 board members in total. Source: Orbis
1) Tesi: Suomalaisten yritysten hallituskokoonpanot 1.4.2022.
Excludes companies with less than five employees and foreign ownership.

The share of non-Finnish nationality board members by investment class
%, 2022



Most common board member nationalities (excl. Finland)
#, 2022



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