

Response to the European Commission's consultation on
Gender imbalance in corporate boards in the EU

25 May 2012

Euroshareholders and EuroFinuse welcome this opportunity to provide the European commission with our views and proposals on this important corporate governance issue.

Euroshareholders is the organisation of European shareholders associations. It was founded in 1992 with its General Secretariat in Brussels. At present Euroshareholders gathers more than 30 national shareholders associations all over Europe. The organisation's overall task is to represent the interests of individual shareholders in the European Union.

It is a founding member of EuroFinuse (The European Federation of Financial Services Users).

The European Federation of Financial Services Users ("EuroFinuse") (formerly European Federation of Investors, in short EuroInvestors) counts more than fifty national and international member and sub-member organisations. In turn those count about four million individual members. EuroFinuse acts as an independent financial expertise centre to the direct benefit of the European financial services users (shareholders, other investors, savers, pension fund participants, life insurance policy holders, borrowers, etc.) and other stakeholders of the European financial services who are independent from the financial industry.

(1) How effective is self-regulation by businesses to address the issue of gender imbalance in corporate boards in the EU?

Self-regulation is not sufficient in our view, at least for the short term: the EU has brought the policy debate on gender diversity in 2010 and called on listed companies in 2011 to voluntarily commit to an increase of women's representation on their Boards. To date, there are less than 14% of women at major European companies' Boards according to the EC data.

Comparing between the European countries which have enacted legislative measures and those which have not, we find little progress where no legislation or "threat" of legislation has been settled.

In addition, there is currently a lack of coherence between European countries. There is a massive gap between Nordic countries and e.g. Germany.

(2) What additional action (self-regulatory/regulatory) should be taken to address the issue of gender imbalance in corporate boards in the EU?

- **Encouraging a better use of the talent pool, widening the pool of candidates:** there should be a European data base including all qualified women in Europe and even abroad. This data base should be directly accessible to the nomination committees of the companies. Following the Norwegian model such a data base should be located and supervised by a public authority. The last 10 years have shown that the pool of candidates provided by the head hunters regarding qualified women proves to be insufficient and often biased, therefore there is a need for an independent pool regardless of any network connection.
- **Composition of the nomination committee:** in order to encourage boards to further focus on gender diversity, at least one member of the nomination committee should be female. Experience in the US has shown that women on the nomination committees very often succeed in faster increasing the number of women on boards.
- **Improving the efficiency of the recruitment process and need for better succession planning:** companies that propose the respective candidates to shareholders need to ensure that they fit into their diversity strategy. In addition, a diversity policy and its objectives should be available for investors.
- **Breaking the glass ceiling:** women need incentives to stay in the workforce which relate to equal pay and career perspective.

(3) In your view, would an increased presence of women on company boards bring economic benefits, and which ones?

Euroshareholders' view is that diversity in general is extremely beneficial to a company's governance and therefore to its financial performance: it comprises gender diversity but also cultural and educational diversity. Indeed, Board members with various educational backgrounds, different insights on economics, different knowledge on markets, are more likely to bring alternatives and to explore a number of solutions compared with a completely homogenous Board.

A diversified Board characterised by a wide range of competencies and experiences will benefit from a strong governance structure which should result in a balanced decision-making process.

As Euroshareholders and its member organisations also analyse publicly listed companies, it advocates for governance best practice in order for shareholders to obtain the best returns on their investment; and gender diversity being one of the requirements for a good composition of the Board.

We also acknowledge that several studies support the opinion that gender diversity does contribute positively to performance. To conclude, we would like to emphasize that gender diversity is a value in itself and does not need to be proven just as the extra value of men on boards was never researched or even proven.

(4) Which objectives (e.g. 20%, 30%, 40%, 60 %) should be defined for the share of the underrepresented sex on company boards and for which timeframe? Should these objectives be binding or a recommendation? Why?

Objective: In the view of Euroshareholders the threshold selected by the EU should be in any case progressive: if the threshold chosen is high, companies should be allowed a number of years to meet the requirements. For example: 30% over 4 years or 40% over 5 years.

Timeframe: one of the consequences to avoid is for the nomination committees to appoint conflicted, over boarded candidates or nominees with inappropriate experience. Therefore, we should give companies enough time to prepare the process of appointments and to carefully structure their succession planning. The timeframe should take into account the board members' term of office which differs significantly throughout the EU.

Binding: in terms of coherence among EU countries, a binding objective would be preferable at least for an initial time frame, like the next five years or so. For instance, in France if the legislation was not implemented, most probably no clear progress would have been seen. However, there could be an issue on the types and quality of nominations: conflicted candidates from the same pool or problems with time commitments.

Employee representatives on the board should reflect the female quota in the company. This would lead to appropriate female representation and would take the respective business situation into account.

Companies often justify the lack of diversity by the restriction on potential candidates available. Although it might be more difficult in some industries or sectors, 45% of employed in the EU are women and there is 56% women in tertiary education.

(5) Which companies (e.g. publicly listed / from a certain size) should be covered by such an initiative?

In our opinion, the initiative should start with the publicly listed companies since they have a 'flagship position' and other companies could then follow later. Nevertheless, Initiatives should cover all companies listed on a regulated market in the EU.

(6) Which boards/board members (executive / non-executive) should be covered by such an initiative?

In a first step, the initiative should focus on the non-executive members of boards since it is much easier and faster to exchange the supervisory board members (for Companies / Member States having a dual top supervision structure. Also, at Euroshareholders we currently observe that there are enough highly qualified women for the supervisory boards, at least in Germany.

However, improving the gender imbalance at the level of executive management is much more demanding; it should therefore be the second step.

(7) Should there be any sanctions applied to companies which do not meet the objectives? Should there be any exception for not reaching the objectives?

Euroshareholders believes that the Norwegian sanction (the delisting of the company) is a very strong sanction; we believe sanctions should hit primarily the board altogether. For instance, in case of non-compliance the board would not be legally allowed to act as a board until it has appointed a sufficient number of female representatives.

A binding rule should foresee exceptions depending on the kind of industry. For example, in the mining and steel or coal industry it will be hard to comply with a 30 % level of women in executive positions if in all of the industry there are only 10 % women qualified for the management level.