

25 May 2012

GENDER BALANCE IN BOARDS OF DIRECTORS

KEY MESSAGES

- 1** European businesses support the objective of increasing the proportion of women at all company levels.
- 2** Especially when it comes to boards, achieving the right mix of talent, skills and experience is key for business. Diversity is a synonym for innovation, creativity, good governance and can reflect a company's customer base more accurately.
- 3** BUSINESSEUROPE supports the voluntary approach to increase board diversity but agrees that more efforts are needed to achieve this goal.

WHAT DOES BUSINESSEUROPE AIM FOR?

- Continue its support for more diverse boards, including gender, in European companies by promoting best practices among its members.
- Ensure that any European initiative in this field should not constrain each Member State's ability to decide on the action better suiting its situation.
- Avoid one-size-fits-all quotas which disregard the highly diverse conditions in different sectors/companies and do not take into account the way corporate boards function and are renewed.

KEY FACTS AND FIGURES

<p>Finland and Sweden are examples of the highest increase of women on boards in the EU without the use of mandatory quotas.</p>	<p>In the UK alone the number of female representatives in boards has risen from 10% to 15% in just one year due to voluntary initiatives (50% increase)</p>	<p>60% of young graduates are currently women but the average age of board members is 58.4 years</p>
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Consultation on gender balance in boards of directors

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

Although women's presence at all levels of decision-making positions within companies have increased, BUSINESSEUROPE recognises that further action is needed in order to improve gender balance in corporate boards.

Companies and member federations alike are taking concrete steps to promote diversity in the workplace.

BUSINESSEUROPE's members who have adopted self-regulation report both quantitative increases in female positions in boards, as well as qualitative aspects linked with individual choice. Finland and Sweden are examples of the highest increase of women on boards without the use of mandatory quotas.

BUSINESSEUROPE supports a self-regulatory and voluntary approach and is devoted further promote these measures.

Self-regulation:

- Provides the necessary flexibility to manage equal representation of both genders at work and recruit on the basis of skills, qualification and experience.
- When decided, designed by, and implemented by a company or group, is better accepted, understood and recognised across the organisation.
- Enables companies to make decisions according to their own cycle of renewal of the board and long term workforce growth perspectives.

Addressing the specific issue of gender imbalance in corporate boards also requires taking into account the specificity of board composition and the way corporate boards function and are renewed. Skills and competence, particularly the mix of both, should always be the decisive factor for recruitment of male and female board members. Board members are usually nominated at the later stage of one's career, for an average duration of five years. Furthermore, studies show that board size is shrinking, offering fewer opportunities for newcomers, combined with a fairly low turnover of board seats.

All these factors help explain why change will be gradual and cannot take place overnight.

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

BUSINESSEUROPE advocates for policy action based on the respect for the freedom to conduct a business. To this effect, the voluntary principle should be taken as a starting point to make progress in this field, by creating the necessary incentives to promote larger female participation not only in boards but in all other layers of companies.

BUSINESSEUROPE does not support binding legislative action at EU level. We are of the opinion that legislative quotas imposed at EU level are not the right way forward to encourage career progression and nominations of women at the top.

In BUSINESSEUROPE's view, quotas do not address the real causes of lower percentage of women in senior and executive positions.

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

Performance and economic benefits of companies depend on many factors, among which skills and competences of its management team and staff, regardless of its gender composition. This is why companies should remain free to appoint boards with the most suited skills and competences to reach their own business objectives.

BUSINESSEUROPE accepts that more diverse management structures, not only on the basis of gender, produce positive results for companies.

Companies are actively setting strategic objectives and in-house indicators to achieve a better gender balance and diversity in boards, not only aimed at reflecting consumer profiles or range of product and services, but also looking at their presence in various international markets.

(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?

BUSINESSEUROPE does not share the idea of introducing one-size-fits-all and legally binding targets for the gender composition of corporate boards.

One-size-fits-all quotas interfere disproportionately with the protected freedom of companies to organise their own affairs and with the property rights of their shareholders. Additionally, they disregard the highly diverse conditions in different sectors and within companies where the share of women in the workforce is sometimes limited. If the number of female applicants is already small at entry level, there will also be fewer women that can be trained for management positions.

As highlighted before, policy makers cannot disregard some facts and specificities of the functioning and turnover of corporate boards in Europe.



The increase of the proportion of women in boards cannot occur in one shot due to several factors, among them, the fall of the average board size, the annual turnover rate of boards which could be low in some country and the average long term spent by board members.

Therefore, a voluntary approach in which businesses set their own targets is more sustainable and adequate to achieve the intended goals. Any European initiative in this field must not constrain each Member State's ability to decide on the action better suiting its situation.

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

The most appropriate composition of the board varies from company to company. A company's needs in terms of the profile of the directors also vary over time depending i.a. on the company's type, size, owner structure, operations and phase of development. It is therefore neither possible nor desirable, by means of legislation or other rules, to state for each type of company an appropriate board composition.

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

In the case of self-commitments, companies can decide for themselves which boards and board members should be covered. Statutory rules should, under no circumstances, apply to executive bodies and their members.

Skills and competences are the essential criteria to be taken into account with regard executive and supervisory board members. Gender-based composition rules for executive bodies would severely disturb the autonomy of the company and the right of shareholders to choose a board composition which they believe is the most suitable for the company's success.

(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?

Action policy should be rather focused on positive incentives aiming at promoting a change of attitudes and culture, among women and men.