



European Commission
DG Justice / D1
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'Consultation gender balance'
B-1049 Brussels
BELGIUM

Submitted by e-mail

Subject: Eumedion's response to the Consultation on Gender imbalance in corporate boards in the EU
Ref: B2012.44
Register ID number: **65641341034-11**

Amsterdam, May 25, 2012

Dear Sir, Madam,

Eumedion welcomes the opportunity to comment the consultation on gender imbalance in corporate boards in the EU. Our foundation is the dedicated representative of the interests of 69 institutional investors – all with a long term investor horizon – and aims to promote good corporate governance and sustainability of Dutch public-listed companies. Together Eumedion participants have more than € 1 trillion assets under management. Through the provision of equity and non equity, long term institutional investors are a major source of the capital that is used by listed companies to grow, create wealth and provide employment, which is vital to the long term interests of the European economy.

Before we answer your seven questions directly, we would like to make two comments.

First, we think that the focus of the consultation on only gender imbalance in corporate boards is too limited. We would have liked the Commission to have taken a broader approach to diversity of perspectives and experience, including – and in addition to gender – professional experience, psychological type, ethnicity as well as national, cultural and social background.

Secondly, Eumedion believes that a process driven by companies and investors, rather than purely by regulation, is more likely to be effective in addressing both the symptoms and causes of company-specific diversity challenges. Mandatory measures, such as gender quotas, may in certain circumstances, be effective in jump-starting behavioural change, for example by bringing higher numbers of target population groups into certain educational fields. But we are concerned that an overly compliance-driven approach at board recruitment level may result in poor choices that compromise board quality, effectiveness and cohesion.

Questions and answers

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

Looking at the overall figure we could say low. According to *The Davies Review, Women on Boards, 2011*¹ published by the UK Department of Business Innovation and Skills, female representation on European boards is 9.6%, compared to 11.4% in North America. But self-regulation can be a success as well when we take Sweden as an example. Sweden has no recommendations or legislation on board diversity in place but still commands an impressive 28.7% female representation rate on boards.

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

As we said earlier, Eumedion is not in favour of mandatory quota as an end result and we are not in favour of only focussing on gender. We would recommend a broader attitude towards diversity and in that context suggest that there could be a quota system in the selection and proposition of candidates. For example if a listed company is looking for a new board member or a senior executive, the executive search company should support a range of candidates who add to the broader diversity of the board without compromising board quality, effectiveness and cohesion.

It would help if listed companies would be encouraged through, for example, non financial reporting guidelines, to report on different diversity aspects, not only on gender (im)balances.

¹ *The Davies Report*, February 2011, <http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards.pdf>

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

Gender balance in top positions has shown to contribute to better business performance, improved competitiveness and economic gains, as academic and consultant firm research has shown². But it is not only the gender factor, it is diversity as whole. For example, a report by McKinsey³ shows that companies with diverse executive boards enjoy significantly higher earnings and returns on equity.

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?*

We would rather not give a specific percentage. But the broadly supported insight⁴ is that if at least 30% of the board are women, the “groupthink” – a tendency of board members to yield to group consensus at the cost of considering alternative courses of action – will decrease and also the recruiting process will be more open to select other people on the board. In the UK the so called 30% club (www.30percentclub.org.uk) is an advocate for 30% women on boards. But Eumedion would favour a more flexible approach, where desired diversity outcomes are framed in terms of aims, not quotas, and recruitment priorities and practices are re-designed to value non-traditional attributes alongside traditional ones, would, in our view, enable boards and management to seek out and develop the best available talent within the time-frame deemed appropriate for their companies. We do recognise, however, that failure to demonstrate genuine progress through these softer measures will cause frustration to build up, and fuel ever-growing calls for quotas and other forms of regulatory compulsion. But before we fall back on regulation we should give a greater role to shareholders. In Australia and Finland diversity on boards has improved considerably by making it part of the corporate governance code and through the focus on transparency in the form of “comply or explain”.

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

As we are a representative of institutional investors who can through their engagement policies try to influence the behaviour of listed companies we would favour listed companies to be covered by a voluntary system.

² Catalyst, *The bottom line corporate performance and womens representation on boards*, October 2007, <http://www.catalyst.org/publication/200/the-bottom-line-corporate-performance-and-womens-representation-on-boards%20%3Cwww.catalyst.org/publication/200/the-bottom-line-corporate-performance-and-womens-representation-on-boards>

³ Thomas Barta, Markus Kleiner and Tilo Neumann, *Is there a payoff from top-team diversity?*, McKinsey Quarterly, April 2012.

⁴ Catalyst, *Why Diversity Matters*, August 2011, <http://www.catalyst.org/publication/508/why-diversity-matters>

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

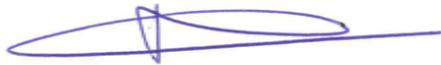
We would recommend applying a voluntary system to senior management, executive and non-executive members.

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?

No, we would recommend looking from a more positive point of view and try to reward the companies and countries that succeed in reaching more board diversity that takes into account gender, professional experience, personality type, and ethnicity as well as national, cultural and social background.

If you would like to discuss our views in further detail, please do not hesitate to contact us. Our contact person is Marleen Janssen Groesbeek (Marleen.janssengroesbeek@eumedion.nl, +31 20 70 85 883).

Yours sincerely,

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Rients Abma
Executive Director

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