

## **Eurosif response to the EC Consultation on Gender Imbalance in corporate boards in the EU**

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Eurosif, the European Sustainable Investment Forum, is of the opinion that balanced and diverse company supervisory and management boards are more informed and take better long-term sustainable decisions. In this respect, gender balance and diversity is one important aspect of long-term sustainable performance and risk management.

Eurosif therefore welcomes the consultation by DG Justice on Gender imbalance in corporate boards in the EU.

Eurosif's position is that gender imbalance should be addressed first through a Recommendation addressed at establishing national mechanisms with minimum recommended levels of gender representation on boards (and management). This should be coupled with disclosure requirements and a 'comply-or-explain' approach as long as a framework is provided to ensure a sufficient quality of explanations. Additional EU legislation is appropriate if this proves ineffective.

This response has been developed as a part of Eurosif's aims to encourage disclosure, transparency and responsible ownership, and to promote the integration of environmental, social and governance issues into financial services. It does not necessarily reflect the views of all its Members and Member Affiliates.

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Question 1

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

The figures presented in the paper accompanying the Consultation, “Women in economic decision-making in the EU: Progress report”<sup>1</sup>, show that self-regulation without sanction is ineffective. Self-regulation is only effective if accompanied by a real or perceived sanction. For example, national corporate governance codes can be an effective tool for self-regulation because they require companies to provide an explanation if they do not apply the recommended standard. That type of approach can only be strengthened if a robust narrative framework or template is provided for explanations by the Code or the regulator in order to secure appropriate quality.

Question 2

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

Eurosif stated in its response<sup>2</sup> to the July 2011 European Commission consultation on corporate governance that the Commission should establish mechanisms to ensure balanced gender representation on boards.

Eurosif encourages the Commission to set *minimum recommended levels of gender representation on boards* (and management). This should be in the first instance through a Recommendation to Member States, in which the Commission encourages the inclusion of defined minimum standards similar in nature to that provided for independent directors in 2005<sup>3</sup>. While not setting gender quotas at this stage, the Commission could provide some quantitative indications of what an “appropriate balance” might be (see question 4). Should the Commission find, upon review of this initiative, that measures are ineffective, EU legislation should be considered.

In order to draw attention to the issue, companies should be required, for example through national corporate governance codes, to disclose a company-wide diversity policy that includes gender diversity in general and gender balance at Board level in particular.

Finally, the European Commission might also consider broadening the scope of the Recommendation to Members States to other governing or management bodies such as

<sup>1</sup> [http://ec.europa.eu/justice/newsroom/gender-equality/opinion/files/120528/women\\_on\\_board\\_progress\\_report\\_en.pdf](http://ec.europa.eu/justice/newsroom/gender-equality/opinion/files/120528/women_on_board_progress_report_en.pdf)

<sup>2</sup> [http://www.eurosif.org/images/stories/pdf/Lobbying\\_Papers/Eurosif\\_Response\\_Corp\\_Gov\\_2011\\_FINAL.pdf](http://www.eurosif.org/images/stories/pdf/Lobbying_Papers/Eurosif_Response_Corp_Gov_2011_FINAL.pdf)

<sup>3</sup> “Member States are invited to take the steps necessary to introduce, at national level, a set of provisions concerning the role of non-executive or supervisory directors and the committees of the (supervisory) board to be used by listed companies, either through a ‘comply or explain’ approach or through legislation, and with the instruments best suited to their legal environment.” Source: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:052:0051:0063:EN:PDE>, p. 4



Executive Committees for instance. Diversity should be promoted at various management levels of an organisation.

**Question 3**

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

Eurosif is of the opinion that diverse boards, including in terms of gender, take better decisions and contribute to long-term sustainable growth. In improving long-term sustainable growth, companies will produce better economic outcomes.

**Question 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?

The national initiatives referred to in the paper accompanying the Consultation generally seek to achieve a minimum representation in the range of 30% to 40%. In the statistics provided in Figure 4 of the report on page 11, the EU-27 average shows that 30% of boards in the sample have no female representation, and a further 30% have only one female on the board.

Eurosif is of the opinion that ensuring representation of both genders is the first necessary step in the process, and this should therefore be the minimum objective. This should be introduced as an EU Recommendation that allows national implementation through legislation or the national corporate governance code (see question 1).

**Question 5**

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

Initiatives should cover all companies listed on a regulated market in the EU, regardless of their industry or sector.

**Question 6**

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

The initiative should cover all members of highest decision-making body. In two-tier structures, this is the supervisory board (including executives, if any) as well as the management board. In one-tier structures, this is the whole board (including executives). All types of board members should be included, whether executives or not.



#### Question 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?

Eurosif is of the opinion that minimum objectives should, in the first instance, be pursued through national legislation or national corporate governance codes. In the case of legislation, sanctions are necessary to ensure compliance. In the case of national corporate governance codes, meaningful explanations are necessary in the case of non-compliance.

#### About Eurosif

EUROSIF, the European Sustainable Investment Forum, is the pan-European network whose mission is to develop sustainability through European financial markets. Eurosif works as a partnership of the national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's Member Affiliates are drawn from leading institutional investors, asset managers, NGO's, trade unions, academic institutes and research providers, together representing assets totalling over €1 trillion. Eurosif's work includes a focus across asset classes - equity and fixed income markets, microfinance, renewable energy, property, private equity and hedge funds - all centred on the industry trends and future legislation affecting this space. The key benefits that Eurosif Affiliate Members receive include EU interfacing, SRI information and European wide initiatives that integrate Environmental, Social and Governance (ESG) issues into the financial services sector.

For the full list of Eurosif Member Affiliates, please see [www.eurosif.org](http://www.eurosif.org)

Eurosif has two main roles: (1) to provide an international forum that allows members and member affiliates to work together on issues pertaining to Sustainable & Responsible Investment (SRI, see below for definition of SRI and its market size in Europe) and Corporate Governance in the EU financial services sector, and (2) to collect input from members and member affiliates and then communicate their ideas and initiatives to European policy makers, including the European Commission as well as the European Parliament. Therefore, this note is mainly driven from and by the interest and expertise of our membership.

#### Sustainable and Responsible Investment Definition

Eurosif continues to use the term "SRI" as the most readily acknowledged expression for this field and defines SRI as follows:

*Sustainable and Responsible Investing (SRI) is a generic term covering any type of investment process that combines investors' financial objectives with their concerns about Environmental, Social and Governance (ESG) issues.*

#### Market Size



Eurosif published Sustainable and Responsible Investment (SRI) figures and trends in its “European SRI Study 2010”. This unique study highlights the scale of European SRI as well as European and National trends across nineteen countries. Based on a survey of asset managers and self-managed asset owners, we found that total SRI assets under management (AuMs) have reached €5 trillion as of December 31, 2009, corresponding to a remarkable growth given the financial crisis over the past two years since the study was last published.