

28 May 2012

European Commission
DG Justice / D1
LX 46 – 1/101
Consultation gender balance
B – 1049 Brussels
Belgium.

Re: European Commission Public Consultation on Gender Imbalance in Corporate Boards in the European Union

Dear Sir or Madam,

CFA Institute is grateful for the opportunity to comment on the Commission's Public Consultation on Gender Imbalance in Corporate Boards in the European Union.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behaviour in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors' interests come first, markets function at their best, and economies grow. CFA Institute has more than 110,000 members in 139 countries and territories, including 100,000 Chartered Financial Analyst® charterholders, and 136 member societies.

Summary

CFA Institute supports initiatives that promote the highest professional and ethical standards. To that end CFA Institute believes that the board should strive for a diversity of backgrounds, expertise, and perspectives, including an increased investor focus. This more encompassing view of diversity will improve chances of effective functioning of boards and help boards avoid the type of "group think" mentality that has failed many companies in the recent past. Therefore a focus on gender alone would be deemed too narrow in scope. The focus on gender diversity will not help boards address in a holistic manner their own imperatives to improve board diversity and effectiveness. The effectiveness of the board will be determined by having the appropriate diversity of skill-sets. If attaining the appropriate mix of skill sets results in higher numbers of those considered under-represented on boards then this is a welcome secondary benefit.

Membership poll

In order to provide input to the specific questions set in this consultation CFA Institute carried out a poll of its European membership. Whilst the results illustrate that investor opinion on this issue is heavily divided; 50% believe that there is an issue with gender diversity in the European Union, 40% do not and 10% are not sure; the responses are included below as it is felt the views and qualitative feedback would be valuable for future policy-making debate. The sample for this poll provided 350 responses, received from portfolio managers and research analysts (41% UK, 17% Germany, all other countries make up less than 4%).

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

The answers from the poll illustrate that most investment professionals believe that self-regulation is not that effective in addressing the issue of gender imbalance. Over 44% of respondents felt that it was rather ineffective as compared with 29% that felt it felt it was rather effective.

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

The survey focused on the following categories of additional measures – binding quotas with sanctions, provision of training and support in the workplace, corporate governance codes, voluntary initiatives, charters and quotas without sanctions. Over 60% of respondents felt that quotas without sanctions would be rather ineffective. Conversely almost 52% felt that binding quotas with sanctions would be rather effective. Corporate governance codes and provision of support and training in the workplace were seen as effective measures that could be undertaken in order to address the issue of gender imbalance.

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

The feedback from our members' poll does not reflect anticipated benefits of an increased presence of women on company boards in economic terms. In fact some members find difficulty in seeing the benefits of furthering the representation of women on boards in isolation – believing rather that board membership should be based on merits, experience and competence - nothing else. If this focus on merit and skills brings about a secondary benefit of increasing the presence of women on boards then this would be welcomed. Other diverging qualitative input suggests that the benefits can range from diversity providing a balance of opinions and better representation of society at large, to a different leadership style, a broader and more open minded approach to problem solving as well as less conflicts of interest.

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?

When looking at an ideal percentage for board room gender diversity in the EU, over 33% of respondents have no opinion, 28% feel that 50% was the ideal percentage and over 17% feel that 30% was the right measure. When looking at time-frames for implementation the bulk of respondents favour long-term approaches with almost 37% believing that 4-5 years was an appropriate time frame and more than 32% supported a time period of 5 years or more. Most respondents feel that these objectives should not be binding as board participation should arguably be driven by merit alone.

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

Once more a high representation, over 42% of respondents, feel that companies should not be covered by such an initiative. However of those who believe that companies should be covered; a little over one third (37%) believe that state-owned companies should be covered and another third (32%) feel that public limited companies should also be covered by this initiative.

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

Being largely unsupportive of this initiative it is not surprising that almost 40% of respondents feel that none of the board members should be covered by this initiative. However, where respondents believe that certain individuals should be covered by such an initiative, the roles that were most often cited are the executive (41%) and non-executive (42%) board members.

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

In answering the questions as to should there be any sanctions applied to companies which do not meet objectives, the majority of the respondents (over 56%) feel that they should not be binding. Overall it is felt that board election and participation should be driven by and based upon merit and that boards should be led by the best talent. Gender in itself should not be a criterion for board selection and most felt that regulation in this area would be going too far. However for those that do see merits in sanctions the bulk of these respondents (16%) feel that fines and monetary penalties are most appropriate.

Conclusion

Although the results of the European members' poll accurately demonstrate the heavily divided opinion on the issue of board room mandated gender diversity; it is clear that most investors believe the focus should be on diversity (in the widest sense) and effectiveness as well as improving the quality and functioning of corporate boards. The board should strive for a diversity of backgrounds, expertise, and perspectives, including an increased investor focus.

Please do not hesitate to contact us should you wish to discuss any of the points raised:

- Claire Fargeot at +44.207.330.9563 or claire.fargeot@cfainstitute.org
- Graziella Marras at +32.2.401.6828 or graziella.marras@cfainstitute.org

Kind regards,



Claire Fargeot
Head
Standards and Financial Markets Integrity, EMEA
CFA Institute, London Office



Graziella Marras
Director
Capital Markets Policy
CFA Institute, Brussels Office