



To:
JUST-GENDERBALANCE-CONSULTATION@ec.europa.eu

GENDER IMBALANCE IN CORPORATE BOARDS IN THE EU

The Swedish Corporate Governance Board (the “Board”) hereby submits its answers to the consultation on gender imbalance in corporate boards in the EU.

1 SUMMARY

The Board shares the opinion of the European Commission that gender balance should be improved in society, including the business sector. However, the Board believes it is of utmost importance that candidates to the board of a listed company are evaluated as individuals with their unique professional background, experience and competence and not as representatives for a gender, or, for example, an age or ethnical group.

The Board therefore opposes the introduction of any mandatory gender quotas for listed companies’ boards.

2 GOOD FOR BUSINESS

The Board is not convinced that better gender balance in the boardroom is automatically good for business. The academic research has shown that it is a nearly impossible methodologically task to attribute company performance to the gender factor alone.

From a sheer corporate governance point of view, the main concern regarding board composition is the professional background, experience and competence of the individual directors, and how these capabilities are combined to a team that is best adapted to the needs of each company. In comparison, the sex of the individuals bearing these capabilities is, from a corporate governance point of view, of less importance. However, to the extent certain competence pools are underrepresented at corporate board elections, it is a public policy challenge to make them more competitive to suit owner needs. To make i. e. women more electable to corporate boards, public policy initiatives could aim at a more even gender balance in decision making bodies in both the private and public sector. A more evidence-based view is therefore that this is primarily a political issue of gender equality in the society, thereby widening the pool of competence available to companies and their boards.

The question whether requirements on gender quotation should be put on listed companies’ boards should therefore not be based on the notion that it will automatically improve corporate governance in these companies. Instead, as basically a societal question of gender equality, it should be evaluated whether gender quotation to listed companies’ boards is beneficial for the society as a whole, taking into account the negative effects and costs for the involved companies and the business sector such rules will entail.

3 RESTRICTIONS OF OWNERSHIP RIGHTS

Legal requirements about the composition of the boards of privately held companies would involve a serious restriction of the owners’ proprietary rights. The right of private ownership is a cornerstone of the free market economy, and the freedom of the owners of an asset to choose the people to whom they wish to entrust the fiduciary responsibility to manage their property is a key aspect of their proprietary rights. The discussion regarding gender equality is to a large extent based on the notion that listed companies are very large, perpetual institutions with wide-spread ownership, the owners rather being passive investors than real owners exerting control over the company influencing its strategy and decision-making. This picture is wrong.

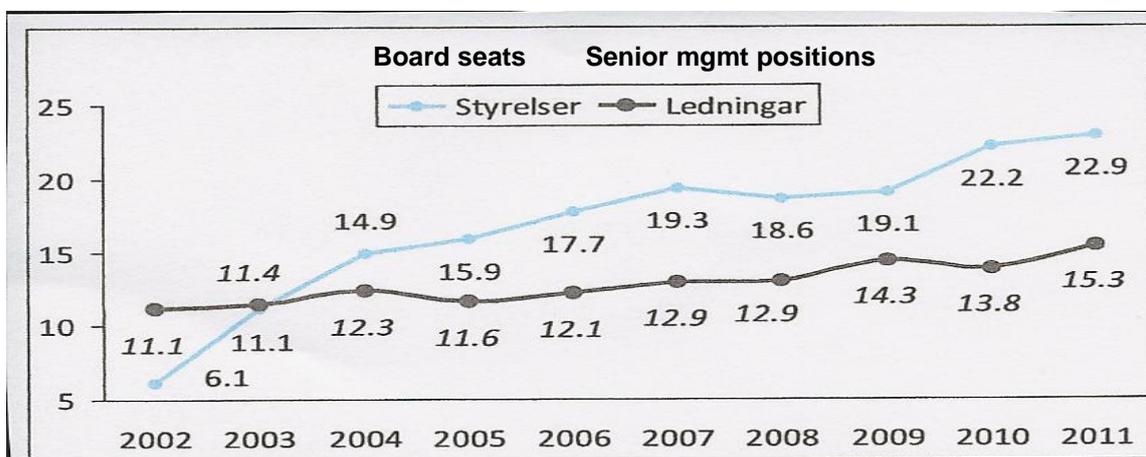
To introduce restrictions for listed companies only will mean less attractiveness compared to having the company unlisted. All restrictions involve costs, meaning that listed companies will bear costs that companies with other ownership forms or companies from outside the EU will not incur.

Another consequence is the weakening of the responsibility for the company borne by a company owner. A key aspect of this responsibility is to choose the best possible board of the company to the benefit of all shareholders. However, if the owners' freedom to do so is being curbed by legal prescriptions, their responsibility for the company will be correspondingly diluted. Instead this responsibility may increasingly have to be assumed by the society. Each minor step in this direction may not be seriously detrimental to the companies concerned, but if consecutive steps of this kind follow over longer periods of time it may have serious repercussions on the functioning of the free market economy.

4 IMPROVING GENDER BALANCE IN THE BUSINESS SECTOR

Mandatory quotas of gender composition of listed companies' boards may be counteractive to the much more important purpose of increasing gender equality in the business sector at large, in particular at higher management positions. The development in Sweden during ten years of strong pressure on listed companies to increase the share of women on boards is illustrative in this respect, see the diagram below.

As shown in the diagram, the share of women on board seats in all listed companies increased from about 6 percent in 2002 to close to 23 percent in 2011 (the preliminary 2012 figure is 23.8%, and among the 30 largest listed companies close to 27 percent). During the same period the share of women in senior management positions has grown at a remarkably more modest pace, from about 11 to 15 percent. Furthermore, what cannot be seen in the diagram is that most of these positions are functional manager positions (finance, marketing, investor relations, human resources etc.) rather than general manager positions. In fact the share of female CEOs remains at a meager 3 percent level, lower than in many comparable countries.



Source: AP2 Index of Share of Women in Swedish Listed Companies, June 2011

- Some additional data:
Source: SIS Ägarservice
- Share of women in CEO positions 3 %
 - Share of women in Chair positions 3 %

Hence the significant increase in the share of women on boards has not been associated with a corresponding increase of women in top management and even less in business leadership positions – a development which would have involved a much larger number of women and have greater effects from a societal gender equality point of view. Instead a widening gap has been created between the share of women on boards and in the types of positions that make up the main

recruitment base for board positions. Furthermore, it has created a sort of “quick lane” for women in middle/upper management positions to board positions, leading to a further drain of the number of women who chose top management careers.

Against this background the Board is of the opinion that it would be counteractive to the purpose of increased gender equality in society and in the business sector to force an artificial increase in the share of women on boards through mandatory quotas. Instead the attention should be directed towards measures aimed at increasing female representation at the highest management levels, in particular business executive positions.

As shown in the diagram above, Swedish listed companies have already come about half way towards an equal gender composition on at least formally voluntary ground. A reasonable gender balance may therefore be attainable in Sweden within a not very distant future without mandatory quota regulation.

5 ANSWERS TO THE QUESTIONNAIRE

- (1) Effective enough.
- (2) None.
- (3) No.
- (4) Gender balance (50%), no timeframe, no binding rules or recommendations.
- (5) –
- (6) –
- (7) No

Stockholm, 28 May 2012

THE SWEDISH CORPORATE GOVERNANCE BOARD

Hans Dalborg
Chair

Björn Kristiansson
Executive Director

The Swedish Corporate Governance Board is a self-regulatory body that was set up in spring 2005 with the general aim of promoting good corporate governance in Swedish stock exchange listed companies.

A major part of this role is the management of the Swedish Corporate Code Governance, which was introduced for major stock exchange companies on 1 July 2005. Since then, the Code has been revised and its application broadened. As of 1 July 2008, the revised Code is applicable to all Swedish companies whose shares are traded on a regulated market in Sweden.

The Board is one of the three bodies that constitute the Association for Generally Accepted Principles in the Securities Market, an association set up by a number of corporate sector organizations to provide a structure for the self-regulation of private sector companies on the Swedish securities market.

See www.corporategovernanceboard.se