The European Banking Federation response to the European Commission consultation ‘Gender imbalance in corporate boards in the EU’

Launched in 1960, the European Banking Federation is the voice of the European banking sector from the European Union and European Free Trade Association countries. The EBF represents the interests of almost 5000 banks, large and small, wholesale and retail, local and cross-border financial institutions. Together, these banks account for over 80% of the total assets and deposits and some 80% of all bank loans in the EU only.

Questions asked by the Commission:

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

The EBF considers that gender equality and gender balance is about equal conditions and equal opportunities for men and women. Gender equality should be achieved by breaking down barriers to equal opportunities for men and women.

The EBF believes that self-regulation, understood as voluntary actions by companies to decide the composition of its own board of directors has been and must remain as the most adequate mechanism to address gender imbalance at board level. Indeed, it should be reminded that self – regulation takes into consideration the sectoral specificities as well as the corporate culture of the company, which is essential in such process. It should be reminded that when companies employ workers and leaders the main focus is the candidates’ skills and competences. For this reason companies seek to produce as many well qualified candidates as possible regardless of them being men or women. Through voluntary measures companies can contribute to create equal opportunities for men and women to make careers and to manage executive positions. Companies’ effort to develop qualified and professional leaders – both men and women – contribute to a better and larger platform for recruitment to corporate boards.

The EBF is not convinced that gender equality can be achieved by introducing more regulation at either the national or at European level and that doing so could cause destabilisation to business operations.
According to the Progress Report "Women in economic decision making in the EU" progress on improving the gender balance in Europe's boardrooms over the past year has been the best for a long time (a 1.9-percentage point increase from October 2010 to January 2012, compared to a long-term average rise over the last decade of 0.6 percentage points per year).

Therefore, the EBF considers that it is likely that this trend will continue in the coming years, so as the number of women on boards of directors will gradually increase through self-regulation, because the intention of the companies is to have the best talented persons available for these important positions.

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

The EBF would advise that on a self-regulatory basis companies should ensure a sustainable and credible supply of board-ready women, by concentrating on current training and development initiatives in order to swell the ranks of female executives as well as non-executives.

Training and development opportunities available for female employees should be clearly identifiable and should aim to enhance existing skills sets and develop new skills. These measures are already in place for some of our members but could be encouraged. Indeed, in order to increase female board representation it is essential to ensure that there are as many female candidates as possible available, all equipped with the relevant skills and experience.

In addition the EBF believes that flexible working arrangements should be more readily available. This will ensure that family commitments do not deter strong candidates from being given opportunities to progress their careers. In order to address this and retain talented employees, companies should be encouraged to voluntarily develop a supporting infrastructure and culture within the organisation to support flexible working patterns where appropriate.

Needless to say the importance of the public authorities responsibility to offer a set of adequate child care units and a set of relevant regulations to encourage women to work at the highest level. Companies cannot take on the responsibility of creating gender equality in the whole society. But companies can contribute by creating equal conditions and equal opportunities for men and women in the labour market.

3. In your view, would an increased presence of women on company boards bring economic benefits, and which ones?
The EBF would like to express certain reservations regarding the question due to the fact that an answer should be related to a pre-defined scale to measure the economic benefits. A professional should bring economic benefits to a company no matter of its gender.

The argument that the increased presence of women on company boards would by its very nature bring economic benefits is difficult to evidence with absolute certainty. However, as a realistic expectation we could envisage that the recruitment at board level based on a larger platform of talents and experiences could bring alternative perspectives to board decisions and help to ensure the balance of the overall composition of the board. This may help prevent boards from adopting a "group think" mentality which has been a criticism in the past of a number of organisations.

An increased presence of women on boards of companies not necessarily brings economic benefits nor does a greater presence of men. We consider that it would be important to incorporate as members of the board persons which, regardless of gender, will provide complementary and enriching visions to the company with a common purpose to achieve the best benefit to the business in the short and long term.

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 EBF has serious concerns if quotas would be imposed as a regulatory measure as this could potentially destabilise business operations and existing successful boards. Consequently, the principal effects of such decision could be potentially more adverse than favorable for the companies. Moreover, such measures also restrict the freedom of companies to choose the best candidate available or to renew members who have dully performed their duties. Neither of these consequences are desirable outcomes.

The EBF would support a recommendation which aims to promote the commitment of companies regarding the principle of equal opportunities between men and women. This will encourage companies to voluntarily adopt processes which develop female candidates and ensure that more women, equipped with the relevant skills and knowledge, step up to board level positions. This process, coupled with a commitment to transparency in recruitment policies, will ensure that increased female board membership will happen (organically). The EBF is not convinced on the need of the quotas, and if it would be the case they should be given as recommendation to help companies in their orientation.

5. Which companies (e.g. publicly listed / from a certain size) should be covered by such an initiative?
The EBF would advise a wider debate regarding this issue on which companies should be covered by such initiative; it seems that it would be impractical to require all companies to comply with board diversity requirements. Company size is a key consideration, but the answer to the question would depend on how size is being determined, in particular whether the criteria would be turnover or number of staff. In any case, the EBF would consider important to ensure consistency in the treatment of public listed companies and therefore believes that public listed companies should all be subject to the agreed diversity objectives.

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

The EBF would like to reiterate once more that the election of board members must be based on objective criteria, regardless of gender, such as: prior experience, meritocracy and also the capacity and suitability of the candidate. For these reasons the EBF considers that it shall be maintained the principle of freedom for the companies to choose the best candidate, regardless of his/her gender.

If any initiative should be envisaged but not advisable in this context, it should cover the board as a collective. A better representation of the female gender at board level would be expected to permeate at all levels of the board covering executive and non-executive directors simultaneously.

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?

The EBF considers that the use of soft regulation in the form of supporting principles is the best way to promote good corporate governance and those theses should be applied on a comply-or-explain basis. It should remain for shareholders to decide if any explanation provided for non-compliance with the objectives is adequate. Such a system would ensure overall transparency in respect of diversity policy, and would ensure that there was scope for each company's individual circumstances to be taken into account.

There should be no sanctions if the initiative is given as a recommendation.

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