

Senate Concurrent Resolution No. 62

RESOLUTION CHAPTER 127

Senate Concurrent Resolution No. 62—Relative to women on corporate boards.

[Filed with Secretary of State September 20, 2013.]

LEGISLATIVE COUNSEL'S DIGEST

SCR 62, Jackson. Corporations: boards of directors: representation: women.

This measure would encourage equitable and diverse gender representation on corporate boards, and urge that, within a 3-year period from January 2014 to December 2016, inclusive, every publicly held corporation in California with 9 or more director seats have a minimum of 3 women on its board, every publicly held corporation in California with 5 to 8 director seats have a minimum of 2 women on its board, and every publicly held corporation in California with fewer than 5 director seats have a minimum of one woman on its board.

WHEREAS, The 2012–2013 University of California, Davis, Study of California Women Business Leaders found the following: (1) there is only one woman for every nine men among directors and the highest-paid executives, (2) no company has a gender-balanced board or management team, (3) 44.8 percent of California's companies have no women directors, (4) 34 percent have only one woman director, (5) among counties with at least 20 companies, San Francisco County has the greatest percentage of women directors (15.5 percent) and Orange County has the least (7.7 percent), (6) firms in the semiconductor industries and those located in the Silicon Valley tended to include fewer women on the board and in the highest-paid executive positions, and (7) firms in the consumer goods sector had the highest average percentage of women directors and highest-paid executives; and

WHEREAS, A McKinsey and Company study entitled "Women Matter" showed that companies where women are most strongly represented at board or top-management levels are also the companies that perform the best, companies with three or more women in senior management functions score more highly, on average, on the organizational performance profile than companies with no women at the top, and performance increases significantly once a certain critical mass is attained: specifically, when there are at least three women on management committees with an average membership of 10 people; and

WHEREAS, An Oklahoma State University study found that board diversity, including gender and ethnicity, is associated with improved

financial value and that study also found that a significant positive relationship between the fraction of women or minorities on the board and firm value; and

WHEREAS, A report entitled “Women Directors on Corporate Boards” found that gender diversity on corporate boards contributes to more effective corporate governance and to positive governance outcomes through a variety of board processes as well as through individual interactions; that women directors contribute to important firm-level outcomes as they play direct roles as leaders and mentors, as well as indirect roles as symbols of opportunity for other women, and inspire those women to achieve and stay with their firms, and that more recognition is needed for the valuable contribution of women directors to firm value; and

WHEREAS, Credit Suisse conducted a six-year global research study, commencing in 2006, of more than 2,000 companies worldwide that showed that women on boards improve business performance by key metrics, including stock performance, as demonstrated by the fact that companies with a market capitalization of more than \$10 billion, whose boards have women, outperformed shares of comparable businesses with all-male boards by 26 percent; and

WHEREAS, The Credit Suisse report included the following findings: (1) there has been a greater correlation between stock performance and the presence of women on a board since the financial crisis in 2008, (2) companies with women on their boards significantly outperformed others when the recession occurred, (3) companies with women on their boards tend to be somewhat risk averse and carry less debt, on average, and (4) net income growth for companies with women on their boards averaged 14 percent over a six-year period, compared with 10 percent for those with no women directors; and

WHEREAS, According to the study entitled “Women Directors on Corporate Boards: From Tokenism to Critical Mass” and a report entitled, “Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance,” attaining critical mass, going from one or two women directors to at least three women directors, creates an environment where women are no longer seen as outsiders and are able to influence the content and process of board discussions more substantially, and boards of directors need to have at least three women to enable them to interact and exercise an influence on the working style, processes, and tasks of the board, in turn positively affecting the level of organizational innovation within the firm; now, therefore, be it

Resolved by the Senate of the State of California, the Assembly thereof concurring, That the Legislature acknowledges that the body of evidence to date concludes that companies perform better when their boards and executive leadership include women, and that the State of California has a significant stake in both protecting the shareholders of publicly traded companies, as well as setting policies that enable them to perform better; and be it further

Resolved, That the Legislature, supported by the California Legislative Women's Caucus and the National Association of Women Business Owners California, encourages equitable and diverse gender representation on corporate boards, and urges that, within a three-year period from January 2014 to December 2016, inclusive, every publicly held corporation in California with nine or more director seats have a minimum of three women on its board, every publicly held corporation in California with five to eight director seats have a minimum of two women on its board, and every publicly held corporation in California with fewer than five director seats have a minimum of one woman on its board; and be it further

Resolved, That the Secretary of the Senate transmit copies of this resolution to the author for appropriate distribution.