More Women Directors serving on Boards of Directors of publicly held corporations will boost the California economy, improve opportunities for women in the workplace, and protect California taxpayers, shareholders and retirees—including retired California state employees and teachers whose pensions are managed by CalPERS and CalSTRS.

Yet studies predict it will take more than 40 years to achieve gender parity, if something is not done proactively.

In September 2013, the Senate Concurrent Resolution SCR 62 urged that by December 31, 2016, all public companies in California to increase numbers of women on their boards of directors ranging from one to three, depending upon the size of their boards. California was first in the U.S. to adopt such a resolution, followed by five other states that passed similar Resolutions urging more women directors on corporate boards in their states. However, as of the cut-off date of December 31, 2016, fewer than 20% of the companies headquartered in California had the number of female directors called for in the Resolution.

Numerous independent studies have concluded that publicly-held companies perform better when women serve on their boards of directors:

(1) A 2017 study by MSCI found that U.S. companies which began the five-year period from 2011-2016 with three or more female directors reported earnings per share which was 45% higher than those companies with no female directors at the beginning of the period.

(2) In 2014, Credit Suisse found that companies with at least one woman on the board had an average Return on Equity (ROE) of 12.2 percent, compared to 10.1 percent for companies with no female directors. Additionally, the price-to-book value of these firms was greater for those with women on their boards: 2.4 times the value in comparison to 1.8 times the value for zero-women boards.

(3) A 2012 University of California Berkeley study called "Women Create a Sustainable Future" found that companies with more women on their boards are more likely to “create a sustainable future” by, among other things, instituting strong governance structures with a high level of transparency.

(4) Credit Suisse conducted a six-year global research study from 2006 to 2012, with more than 2,000 companies worldwide, showing that women on boards improve business performance by key metrics, including stock performance. For companies with a market capitalization of more than $10 billion, those with women directors on boards outperformed shares of comparable businesses with all-male boards by 26 percent;

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

Other countries have addressed the lack of gender diversity on corporate boards by instituting quotas mandating 30% to 40% seats to be held by women directors. Germany is the largest economy to mandate a quota requiring that 30% of public company board seats be held by women; In 2003, Norway was the first country to legislate a mandatory 40% quota for female representation on corporate boards. Since then, other European nations that have legislated similar quotas include France, Spain, Iceland and the Netherlands.

One-fourth of California's public companies in the Russell 3000 have NO women on their boards of directors; and, women hold only 15.5% of the board seats in California. A 2017 report being prepared by Board Governance Research LLC, conducted by University of San Diego professor Annalisa Barrett, examined the board composition as of June 2017 of 446 companies included in the Russell 3000 Index and headquartered in California, representing nearly $5 trillion in market capitalization, and found the following:

(1) Women directors held only 566 seats (15.5%) while men held 3,089 (84.5%);

(2) More than one-quarter, numbering 117 (26of these companies have NO women directors serving on their boards;

(3) Only 54 (12%) of these companies have three or more female directors on their boards;

Smaller companies are much more likely to lack female directors. Among the 50 California-based companies with the lowest revenues, only 8.4% of the director seats are held by women. Nearly half (48%) of these companies have NO women directors. At the other extreme, the 50 highest-revenue California companies all have at least one woman director and, 23.5% of the director seats are held by women.

If measures are not taken to proactively increase the numbers of women serving on corporate boards, studies have shown that it will take decades—as many as 40 years—to achieve gender parity among directors:

(1) A 2015 study conducted by the U.S. Government Accountability Office estimated it could take more than 40 years for the numbers of women on corporate boards to match men.

(2) The 2017 Equilar Gender Diversity Index (GDI) revealed that it will take nearly 40 years for the boards of Russell 3000 companies nationwide to reach gender parity—the year 2055.

(3) Fewer than half the 75 largest IPOs from 2014 to 2016 went public with NO women on their boards. Many technology companies in California have gone public with no women on their boards, according to 2017 national study by 2020 Women on Boards.

Further, several studies have concluded that having <u>three</u> women on the board, rather than just one or none, increases the effectiveness of boards:

(1) According to the study entitled "Women Directors on Corporate Boards: From Tokenism to Critical Mass" (M Torchia, A Calabrò, M Huse, Journal of Business Ethics, 2011) 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.

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 they govern.

(2) A 2016 McKinsey and Company study entitled "Women Matter" showed nationwide, that companies where women are most strongly represented at board or top-management levels are also the companies that perform the best, in profitability, productivity, and workforce engagement.

Companies with three or more women in senior management functions score even more highly, on average, on the organizational performance profile, than companies with no women on boards or in the executive ranks. When there are at least three women on corporate boards with an average membership of 10 directors, performance increases significantly.