

Women on Boards in California

Testimony to the Senate Select Committee on Women, Work and Families

August 29, 2017

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The Role of the Board of Directors

- Serve as fiduciaries and act in the best interests of the shareholders of the corporation
- Hire, evaluate, incentivize, compensate and plan for the succession of the CEO
- Oversee the development of corporate strategy and its execution
- Monitor management's risk management process
- Oversee financial reporting and the auditor
- Establish the appropriate “tone at the top”
- Approve significant transactions

Corporate Directors Forum, Governance Academy, May 2016.

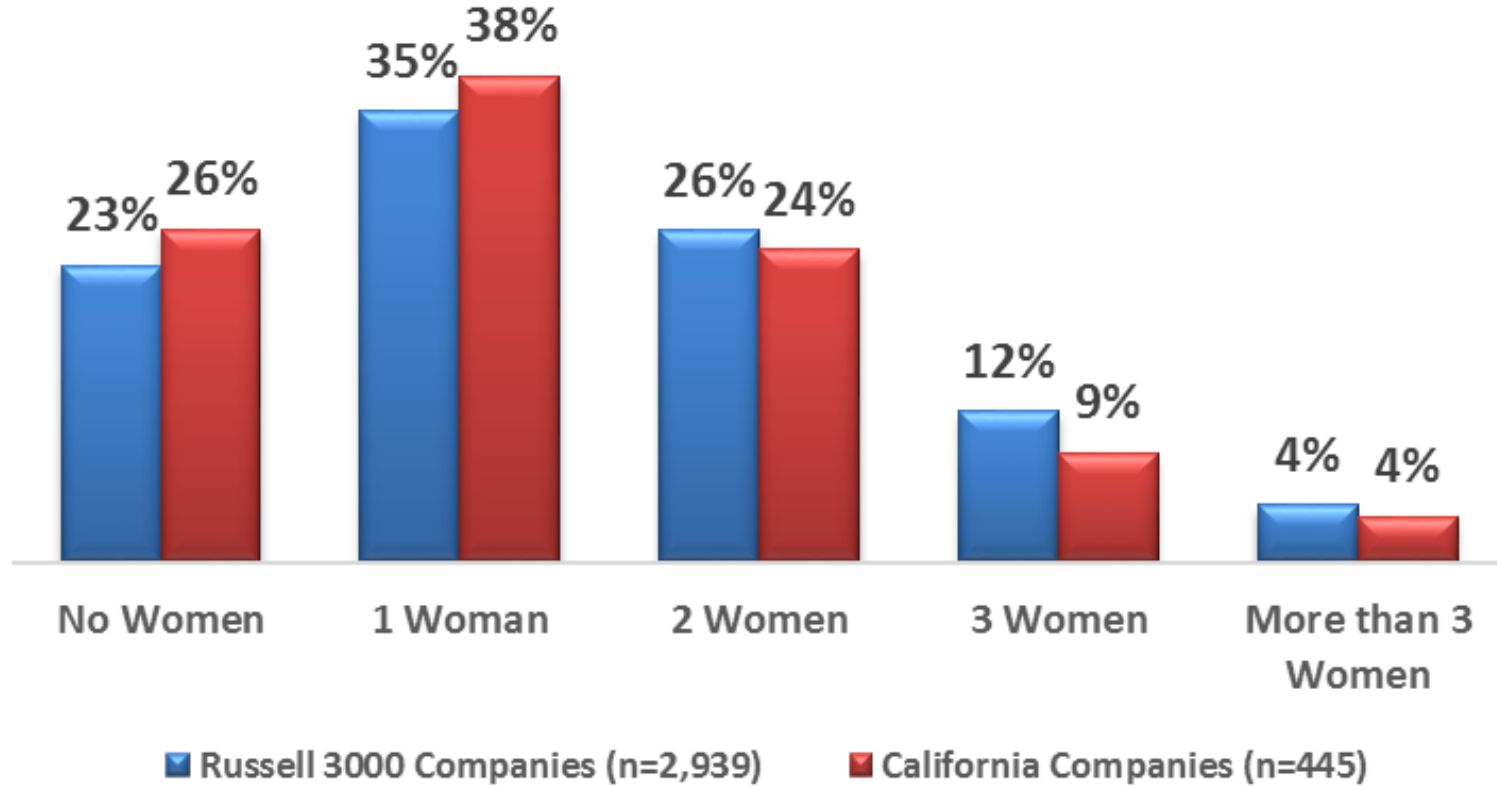
Research Supporting Increased Gender Diversity in the Boardroom

- **Academic studies have found that boards with female directors have been found to:**
 - Have better board governance and risk management practices
 - Have better attendance at board meetings
 - Be better at holding CEOs accountable for poor stock performance
 - are more likely to “create a sustainable future” by, among other things, instituting strong governance structures with a high level of transparency
- **A study by The Conference Board found that adding women to the board:**
 - Improved the quality of board deliberation and decision-making
 - Broke down cronyism amongst board members and group-think in the boardroom
 - Increased the attention paid to stakeholders

Research Supporting Increased Gender Diversity in the Boardroom

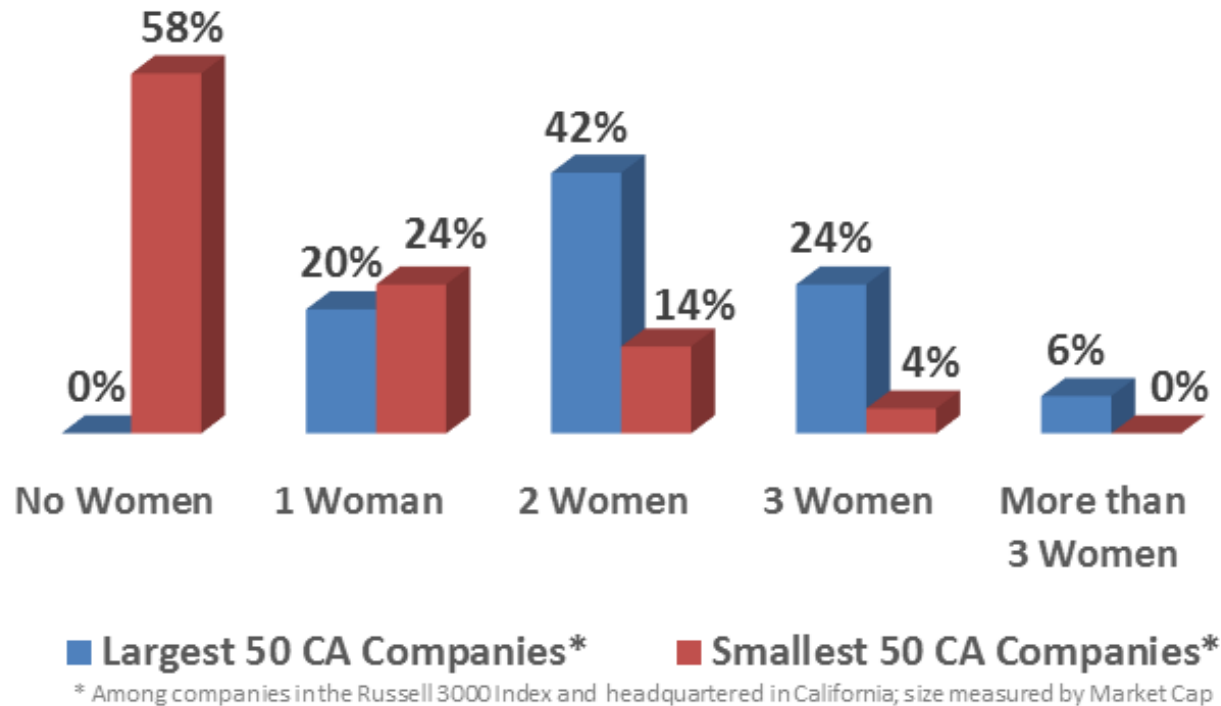
- Companies perform better **financially** when there are women on the board:
 - Credit Suisse has conducted studies of women on boards and found that companies with at least one woman on the board:
 - Had **stock price performance 26% higher and average Return on Equity 2.1% higher** than companies with all male boards
 - Companies with female directors tend to be somewhat **risk averse and carry less debt**, on average
 - Companies with women on their boards of directors significantly **outperformed others when the recession occurred**
 - An MSCI study found that U.S. companies with 3 or more female directors reported **earnings per share (EPS) 45% higher** than those companies with no female directors, over a 5 year period.

Number of Women on Boards



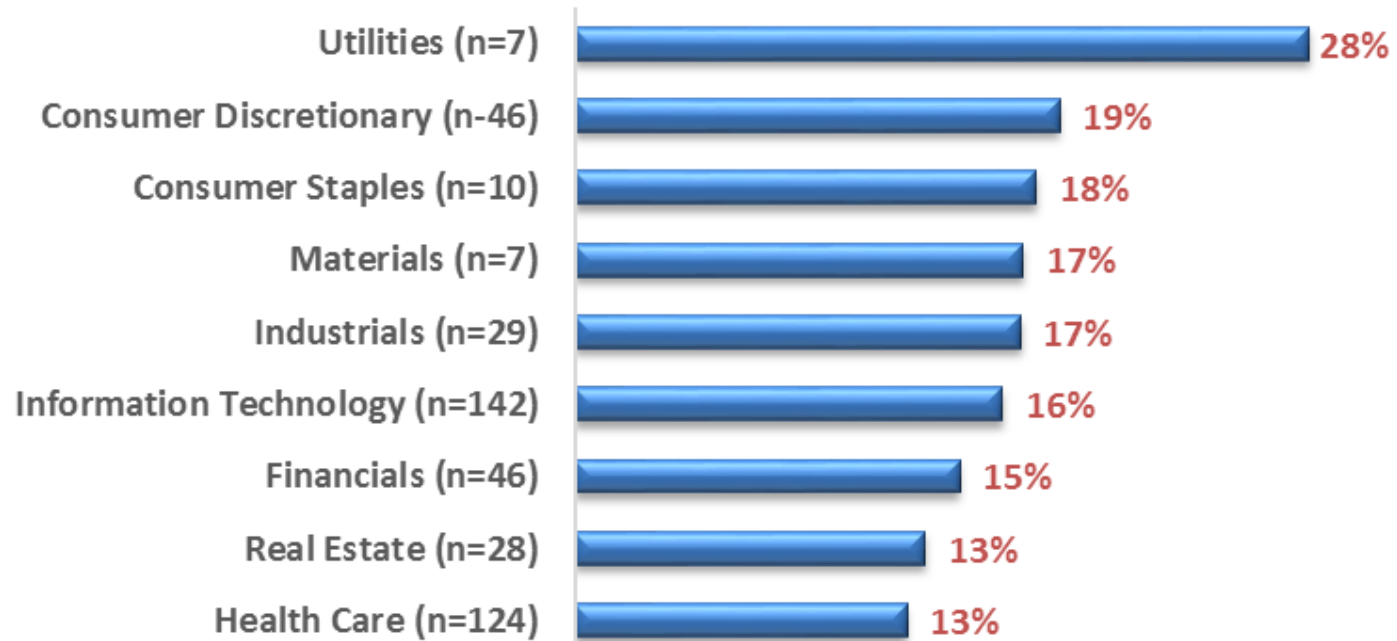
- Companies headquartered in CA are more likely to have no women on their boards when compared to the companies in the Russell 3000 Index, which includes the vast majority of U.S. publicly-traded companies

Number of Women on Boards of CA Companies Comparison by Company Size



- **Smaller companies are more likely to have all male boards**
 - More than half (58%) of the smallest 50 California companies have no women on their boards; while all of the largest 50 California companies have at least one female director

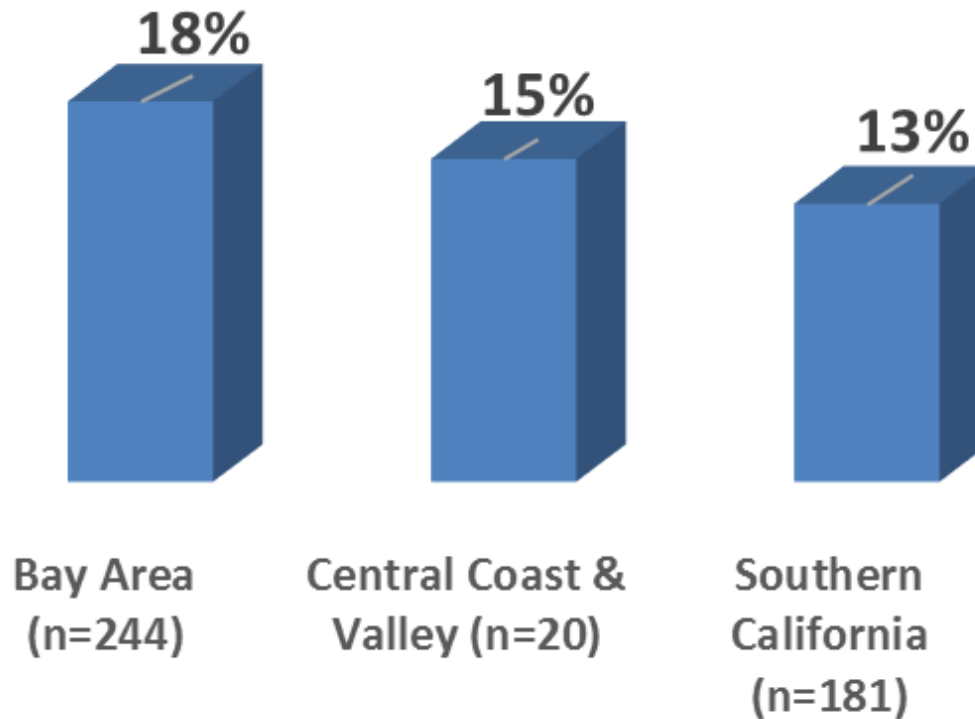
% of Directors in Industry who are Female



There are too few CA companies in the Aerospace & Defense, Energy, and Telecom Services industries for analysis.

- **The industries with the lowest percentage of female directors are Real Estate and Healthcare**
 - Bio-tech companies comprise half of the CA Healthcare companies
- **The 7 investor-owned utilities in CA have the highest percentage of women, led by the Sempra Energy board, which has 5 female directors**

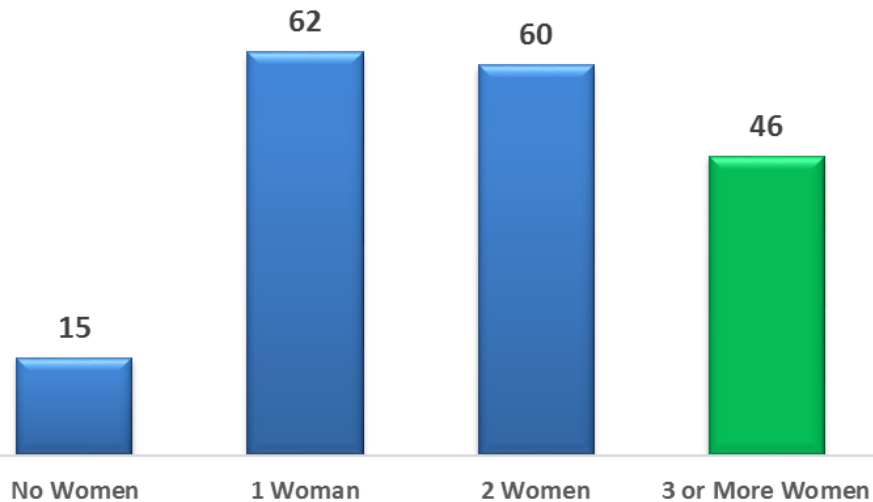
% of Directors in Region that are Female



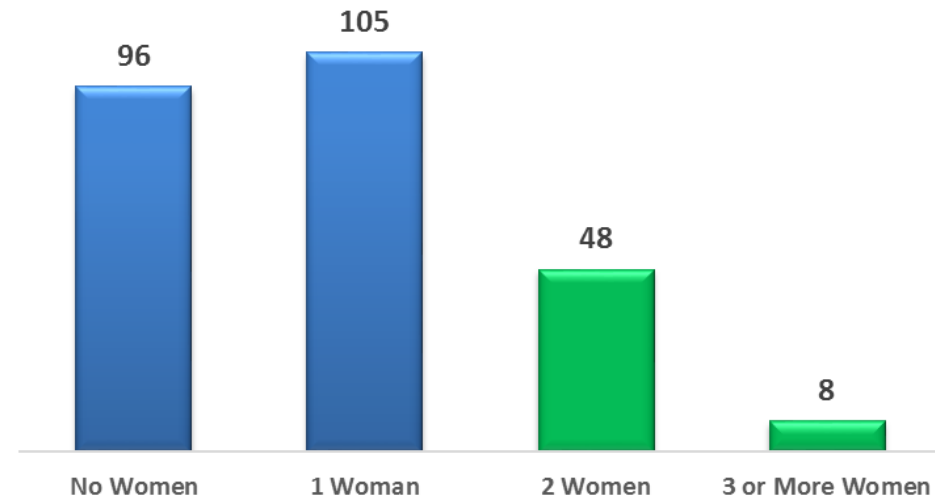
- **Regions were determined by the location of corporate headquarters for all California companies in the Russell 3000 Index**
- **Companies head-quartered in Southern California are the least likely to have female directors**
 - Nearly 1/3 of Southern California company boards have no women

Current Compliance with SCR 62

CA Company Boards with
More than 8 Directors
n=183



CA Company Boards with
Between 5 and 8 Directors
n=257



- The green bars indicate the number of companies which currently have the number of female directors called for under SCR 62
 - There are only five CA companies with fewer than five directors; only one of these companies meets the standards set forth in SCR 62

Prognosis for Women on Boards

- **Nearly half of the 75 largest IPOs from 2014 to 2016 went public with women on their boards, according to a national study by 2020 Women on Boards.**
 - Many technology companies in California have gone public with no women on their boards.
- **Studies have shown that it will take decades for corporate boardrooms to reach gender parity**
 - 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.
 - The 2017 Equilar Gender Diversity Index (GDI) also found that it will take nearly 40 years for the boards of Russell 3000 companies to reach gender parity.