

Introduced by Senator Jackson

(Coauthors: Senators Corbett, Evans, Hancock, Liu, and Pavley)

(Coauthors: Assembly Members Garcia, Lowenthal, and Skinner)

July 11, 2013

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

LEGISLATIVE COUNSEL'S DIGEST

SCR 62, as introduced, 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.

Fiscal committee: no.

1 WHEREAS, The 2012–2013 University of California, Davis,
2 Study of California Women Business Leaders found the following:
3 (1) there is only one woman for every nine men among directors
4 and the highest-paid executives, (2) no company has a
5 gender-balanced board or management team, (3) 44.8 percent of
6 California's companies have no women directors; (4) 34 percent
7 have only one woman director, (5) among counties with at least
8 20 companies, San Francisco County has the greatest percentage
9 of women directors (15.5 percent) and Orange County has the least

1 (7.7 percent), (6) firms in the semiconductor industries and those
2 located in the Silicon Valley tended to include fewer women on
3 the board and in the highest-paid executive positions, and (7) firms
4 in the consumer goods sector had the highest average percentage
5 of women directors and highest-paid executives; and

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

16 WHEREAS, An Oklahoma State University study found that
17 board diversity, including gender and ethnicity, is associated with
18 improved financial value and that study also found that a significant
19 positive relationship between the fraction of women or minorities
20 on the board and firm value; and

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

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

39 WHEREAS, The Credit Suisse report included the following
40 findings: (1) there has been a greater correlation between stock

1 performance and the presence of women on a board since the
2 financial crisis in 2008, (2) companies with women on their boards
3 significantly outperformed others when the recession occurred,
4 (3) companies with women on their boards tend to be somewhat
5 risk averse and carry less debt, on average, and (4) net income
6 growth for companies with women on their boards averaged 14
7 percent over a six-year period, compared with 10 percent for those
8 with no women directors; and

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

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

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

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

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