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'Consultation gender balance'

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Consultation document: Gender imbalance in corporate boards in the EU

The Danish Government welcomes the opportunity to respond to the European Commissions consultation on Gender Diversity.

The Danish Government is convinced that more women in top management positions and on corporate boards are needed for the benefit of society and the individual – all managerial talent, qualifications, and skills should be brought into play.

Within the last ten years, the number of female top executives in the private sector in Denmark has risen from four percent to seven percent, and the same trend prevails regarding women on corporate boards. Today, women make up twelve percent of all board members in private companies listed on the Danish Stock Exchange.

Women continue to attain higher levels of education and qualifications. However, the process of achieving a more equal gender balance in management positions and on boards is progressing slowly. Therefore the Danish Government agrees with the European Commission that actions to improve the gender balance in corporate boards are needed.

However, the gender imbalance on corporate boards cannot be solved only by focusing on board representation. The Danish government is convinced that efforts should also be devoted to increase the recruitment base of candidates. Hence, it must be ensured that potential candidates develop relevant qualifications.

The following answers reflect the Danish Government's view on how to improve gender balance in corporate boards.

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The Danish Government



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

Side 2

Corporate Governance recommendations

In August 2011 the Committee on Corporate Governance in Denmark revised their recommendations on Corporate Governance. In the new recommendation the Committee recommends that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both genders. The Committee also recommends that the supreme governing body must set *measurable objectives* in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.

The Committee's recommendations are aimed at the approximately 200 Danish companies whose shares are admitted to trading on a regulated market.

The recommendations are so-called soft law. Soft law reflects best practice in corporate governance and is characterised by voluntary participation, which ensures adequate flexibility in the recommendations.

As part of the "comply or explain"-approach, the individual company decides whether and to what extent it wishes to comply with the recommendations. If a company fails to comply with a recommendation, it must explain why and specify different approach.

It is still too early to say how the companies have worked with the revised recommendations from August 2011. The new recommendations will be evaluated in the summer of 2012. The preliminary evaluation shows that a number of companies actually have set objectives for 20-40 % female board members by 2015.

Voluntary initiatives

In Denmark, several initiatives have been implemented based on a close cooperation with the private sector, including a Charter on more women in management and the so called "Operation Chain Reaction" – which aims at promoting more female board members.

"Operation Chain Reaction"

"Operation Chain Reaction - Recommendation for more women on supervisory board" was launched in 2010 by the Danish minister for gender equality in close cooperation with representatives of Danish trade and industry and the Confederation of Danish Industry. As co-signatories of "Recommendation for more women on supervisory boards", the companies undertake, over



the coming years, to work consistently to develop and recruit more female managers to the supervisory boards of Danish limited liability companies.

Side 3

In less than six months 56 major companies have signed the recommendations. The companies represent a large number of stakeholders within the business community.

The preliminary evaluation of Operation Chain Reaction shows, that there has only been a slight increase in the number of female board members. Since board members are often elected for a 4-year period it is still too early to say if more changes will occur when the boards have to appoint new members. On the other hand, the preliminary evaluation also shows that the companies have launched internal initiatives to increase the pool of female candidates.

“Charter for more women in management”

“The Charter for more women in management” was introduced in 2008. The charter has been drawn up jointly with public and private sector companies as part of the Government’s efforts to encourage companies to inspire more women to take up management positions.

In endorsing this charter companies undertake to make concrete efforts to bring more women into management positions. Efforts will be adapted to the particular company’s circumstances – for example sector conditions – and the current share of women managers.

Each company is required to submit a baseline report to the Ministry for Gender Equality, which describes concrete efforts. Every second year the companies have to evaluate their initiatives.

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

From a Danish perspective, it is important that companies individually ensure a balanced share of women at management levels, including equal opportunities for both genders. It is important that each company commits itself to work with the underrepresentation of women on boards. At the same time it is important to respect the managerial prerogatives of the companies and to leave the companies with some flexibility.



The Danish Government will in fall 2012 propose legislation with the following elements to address the issue of gender imbalance in corporate boards:

Side 4

- 1) The 1.100 largest companies (both private and public) will be obliged to individually set up realistic and ambitious targets for the underrepresented gender on corporate boards and give an account of both the objectives and the progress made in achieving the objective.
- 2) The 1.100 largest companies will furthermore be obliged to promote policies for increasing qualified candidates of the underrepresented gender in the company's management levels in general to sustain an acceptable balance and to increase the recruitment base of candidates to company boards.
- 3) Companies must give an account in the companies' annual report of the objectives and the progress made in achieving the objectives and give an account of the policy for increasing the number of the underrepresented gender in the company's management levels in general, how the policy is implemented and what progress is made. If the companies fail to do so, they may be fined.
- 4) State owned companies are obliged – regardless of size – to set up objective targets and policies for the underrepresented gender.

The Danish Government will advise both private and public companies to set objectives as ambitious as possible.

The Danish government believes that this model contains appropriate and sufficient measures to address gender imbalances.

(3) In your view, would an increased presence of women on company boards bring economic benefits, and which ones?

The Danish Government is convinced that Danish companies as well as the society in general will prosper if we manage to activate the country's most talented, competent and able individuals. Some international studies indicate that there is a positive link between diversity in the boardroom and the financial performance of a company. However, the advantage of having a larger talent pool and thus more women on boards of directors is the main reason why it remains important that we help the process along.

(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 re-commendation? Why?

Side 5

As described in the answer to question 2, the Danish Government proposes a model where each company sets up objectives for the underrepresented gender on the corporate boards. These objectives and the concrete timeframe should be developed by the company in due respect of their individual gender balance situation. The Danish Government will advise both private and public companies to set objectives as ambitious as possible.

This will ensure flexibility for each company – regardless of industry – to set up objectives, while the companies' right to self-management is respected.

(5) Which companies (e.g. publicly listed / from a certain size) should be covered by such an initiative?

A way of increasing the number of women on company boards would be to extend the field of application further than just listed companies. It should also be considered to include other large companies of substantial economic importance to society. Likewise, it should be considered not only to include representation at board level, but also to promote policies for increasing qualified candidates of both genders in management positions to sustain an acceptable balance.

This solution will prevent that additional requirements are imposed on companies caused only by the fact that they are listed. By including a larger group of companies, this solution will also increase the recruitment field of qualified candidates more than a solution that only focuses on listed companies.

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

This issue is strongly interlinked with national company law and practice. Some jurisdictions traditionally apply the two-tier system while others have a tradition to apply the one-tier system or sometimes a mixture of the two systems. The Danish company law allows for all three possibilities.

As described in the answer to question 2 the Danish Government suggests a model where each company sets up objectives for the underrepresented gender on corporate boards.



At the same time companies will be obliged to promote policies for increasing the number of the underrepresented gender in the company's management levels in general to sustain an acceptable balance and to increase the recruitment base of candidates to company boards.

Side 6

It is the opinion of the Danish Government that it is not enough to focus on the top level, i.e. on the board of directors. It is important to secure the "supply chain" of qualified candidates and therefore focus also has to be on increasing the number of the underrepresented gender in the company's management levels in general.

(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 Danish Government does not recommend or support sanctions for not reaching the objectives since sanctions will not encourage companies to set ambitious targets.