

2013-K1413

LEGISLATIVE RESOLUTION encouraging equitable and diverse gender representation on corporate boards

WHEREAS, Of the 126 Fortune 1000 companies that operate in New York State, (1) women total only 17.8 percent of the board members (2) only 36 percent of these boards have 20 percent or more of their seats filled by women, (3) 12 percent have no women on the board, (4) There are no companies that have a gender neutral board and (5) only one company has more women directors than men. (6) Firms in the consumer goods sector have the highest average percentage of women directors and (7) those in the energy industry have the least; 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 inno-

vation within the firm; now, therefore, be it

RESOLVED, That this Legislative Body acknowledge that the body of evidence to date concludes that companies perform better when their boards include women, and that the State of New York 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, encourages equitable and diverse gender representation on corporate boards, and urges that, within a three-year period from January 2015 to December 2017, inclusive, every publicly held corporation in New York with nine or more director seats have a minimum of three women on its board, every publicly held corporation in New York with five to eight director seats have a minimum of two women on its board, and every publicly held corporation in New York with fewer than five director seats have a minimum of one woman on its board; and be it further

RESOLVED, That copies of this Resolution, suitably engrossed, be transmitted to The Honorable Andrew M. Cuomo, Governor of the State of New York.