

Telephone and on-line conference
**Enhancing stakeholder diversity in the Board
room**

Monday, 15th September 2008

Agenda of the conference

- General introduction (Marco Cilento, Advisor, European Trade Union Congress - Moderator)
- Proposals on stakeholder diversity in the Board room (Laurent Zibell, President, European Citizens' Seminars association)
- Intervention by the speakers: Efficiency and perspectives of implementation of stakeholder diversity in the Boards of European corporations (Nathalie Malige, CEO, Diverseo; Corinna Ullrich, Administrator, European Commission, DG Internal Market)
- Questions & Answers with the on-line audience
- Closing remarks and conclusions (Marco Cilento)

The full text of the Public Policy Proposals being discussed during the conference may be downloaded for free at

http://www.citizenseminars.eu/Downloads/ECS_BoardDiversity_2008-03.pdf

with an Executive Summary available at

http://www.citizenseminars.eu/ExecSum/StakeholDiversity_2008-03.html.

The speakers



Corinna Ullrich, European Commission, DG Internal Market, Unit Company Law, Corporate Governance and Financial crime

Corinna ULLRICH has been working with the European Commission since November 2000. After having worked for four years on the Commission reform in personnel policy and as an assistant to the Director-General responsible for personnel and administration she started in the company law and corporate governance unit of DG Internal Market in December 2004. She is in charge of the initiative to simplify the EU company law acquis and provides the secretariat to the

European Corporate Governance Forum. Furthermore, she deals with questions related to shareholders' rights in listed companies. Before joining the Commission, she was an official in the German Federal Ministry of Justice, working on European law, contract law and finally on Internal Market matters in the Permanent Representation of the Germany to the EU.

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Education and Culture DG

'Europe for Citizens' Programme

<http://ec.europa.eu/citizenship>



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<http://www.fph.ch>



Nathalie Malige, CEO, Diverseo (<http://www.diverseo.com>)

Nathalie's main area of expertise is to counsel senior executives in the design and implementation of effective corporate-wide diversity management programs. She has developed new approaches to understand the impact of diversity on the value chain. She currently focuses on the effectiveness of corporate communication on diversity.

Nathalie did her first diversity management project about 12 year ago. She has a strong background in strategy and change management in Fortune 500 companies. One of her major strengths is her ability to manage teams of world-class cross industry and cross functional experts, also training them to acquire new skills. For years, she has built and developed global businesses and organizations in the United States, Asia, and Europe.

A graduate of the American University of Beirut and ESCP-EAP in Paris, Nathalie started her career with seven years in marketing at Procter & Gamble and Diageo (now LVMH – UDV France). She then moved on to five years of strategy and change management consulting at McKinsey and two years with AT Kearney.

Nathalie is Adjunct Professor of diversity management at the graduate school of ESCP-EAP, a European "Ivy League" school, ranking in the top 5 masters in business in Europe. She is also the President of the P&G Alumni association and the mother of two children. Born in France, Nathalie carries both French and Lebanese citizenships.

Interventions by the speakers

For **Nathalie Malige**, the Public Policy Proposals resulting from the Seminar bring a novel and interesting way to consider diversity in a corporate Board of Directors. Indeed, the most important is not the diversity of people (which is traditionally being considered in programmes aiming at increasing the number of women or of representatives of specific ethnic groups in Boards) , but the diversity of thought and of skills. However, this latter nature of diversity is more difficult to measure. A key point of the document is to bring in people that are specialists of the externalities created by the firm, and specifically of the adaptations required by global issues such as climate change. She has observed that Boards containing diverse stakeholders take better decisions, because earlier members need to better justify themselves, and because new members introduce new evaluation criteria. The research undertaken by Diverseo and its academic partners demonstrates a strong link between diversity and corporate performance.

A first stage of corporate governance to reach diversity in the Board is the existence of a Nominating Committee, with specific task of identifying and recruiting new Board members. This indeed overcomes the first hurdle in the direction of a greater diversity of Board members, namely a selection by mere cooptation with no formal selection process. The next step would be to broaden the formal qualifications and credentials that this Nominating Committee considers in its selection. Today, only former or existing CEOs are considered to be qualified, and this may need to be challenged, specifically if new qualifications, such as those identified in the document, are to be introduced in the Board.

Soft law may not be enough for this task, as the examples of Norway and of the Sarbanes Oxley regulations in the United States of America have illustrated. Therefore, the European Commission should implement incentives for the introduction of stakeholder diversity in the Board room.

For **Corinna Ullrich**, the issue of stakeholder diversity in Board is at the edge of several DGs of the European Commission: (1) DG Internal Market, that is mainly dealing with in the relations between the shareholders (= the owners of the firm) and managers, for the issue of Board composition, and (2) DG Employment and DG Enterprise, in charge of Corporate Social Responsibility of the firm, which also deal more in general with the involvement of external stakeholders.

There is very little regulation on the issues of Board composition. The only one that exists refers to the independence of Board members: towards the company, towards the CEO and towards the majority shareholder. Indeed, it is only if some Board members are independent regarding these three entities that they may contribute a real added value to the Board deliberations. Even on this highly specific topic, the EU regulation only takes the form of a recommendation.

In addition, the European Corporate Governance Forum, a high-level advisory body to the European Commission, considers issues related to the composition of boards.

One reason why regulation at EU level on Board composition is very limited is the variety in the legal forms of Boards in the Member States (single or dual Boards), and in the representation of workers. Regulation would be technically difficult. In addition, one would need to prove the benefits of the regulation. It is difficult at this stage of research to prove that Board diversity indeed improves firm performance. It is even difficult to relate good governance with firm performance as performance depends on a large variety of factors: the only proven effect of better corporate governance procedures is on share price, and then only because these procedures increase investor confidence, and therefore their propensity to buy shares of the company.

It would be difficult to broaden the circles in which Board members are recruited, because very few are both qualified and willing to take the risk. If specialists of specific fields of knowledge were recruited, they would still be considered as fully co-responsible of decisions of the Board that they are not knowledgeable of, under the principle of joint liability of the Board members. So it constitutes a challenge to incorporate people into the board that on one hand embody diversity of experience and of stakeholder representation and on the other hand are qualified to deal with the broad range of tasks and liabilities of a company's board, including those concerning the financial matters. This issue of qualification of potential Board members is again crucial. Another argument is that only the shareholders bear the economic risk of the firm.

Despite all these points, she considers the discussion and the document produced by the Seminar as being very interesting, and considers forwarding them to her colleagues in the Commission, both in the DG Internal Market and the DG Employment (which is in charge of Corporate Social Responsibility).

The registered participants

The participants registered to the on-line conference were the following.

Family name	Given name	Organisation	Position
Bey	Erol	Ministry of Finance	Senior Finance Inspector
Brbaklic	Andrea	Erste Bank a.d. Novi Sad	Head of Communications Department
Cadat	Brieuc-Yves	Movisie	Advisor / Member Works Council
Collazzo	Pablo	EABIS	Director
Davies	Jim	University of Leicester	PhD student
di Cagno	Simonetta		
Hoffmann	Frank	IGN e.V.	Vorstandsvorsitzender
Hutki	Vitavt	hrec.org	Member
Idrizi	Hasan	Association of the Roma Intelligentsia- "Anglunipe"	Executive Director
Kolyva	Katerina	NMC	Europe Officer
Maadoune	Sophie	Suez Environnement	Chargée de missions RH
Mainguy	Caroline	Sanofi Aventis	Diversity Intern
Marti	Anna		
Mesnard	Mathilde	OECD	Economist
Monnot	Jean-Michel	Sodexo	Vice President, Group Diversity & Inclusion
Neacsu	Nelu	UNPR	Brussels representative
Neerscholten	Bart	EABIS	Research Manager
Philippelis	Dimitrios		
Plantenga	Hielko		
Richez-Baum	Béatrice	ecoDa	Secretary General
Rius	Laurea		Policy advisor
Sanchez Bajo	Claudia		
Skripova	Olga	ecoDa	Trainee
Strazzeri	Laura	AIDP Associazione Italiana per la Direzione del Personale	Vice-President International Relations
Van den Berghe	Lutgart	Guberna	Executive Director