

Michel Barnier
European Commissioner
Commission européenne
Brussel
B-1049
Belgium



ICGN

International Corporate Governance Network

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7 November 2012

Dear Mr Barnier,

Re: Proposal for a directive of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed on stock exchanges.

We are writing on behalf of the International Corporate Governance Network (ICGN), a global membership organisation of over 600 institutional and private investors, corporations and advisors from 50 countries. Our investor members are responsible for global assets of US\$18 trillion.

We applaud the European Commission in promoting discussion around the importance of diversity on corporate boards and we recently canvassed our membership to contribute to the debate. In particular, our aim was to provide an investor viewpoint on the proposed EC policy option to *“implement a directive to introduce a binding objective of at least 40% of board members of each gender by 2020 for non-executive directors and a flexible objective for executive directors which would be set by the companies themselves.”*

We received responses to our survey from approximately 15% of our membership, including responses from members in 21 different countries. More than half (57%) of the respondents were male, while 35% were female and 8% of respondents did not specify their gender.

Based on the survey results, the ICGN does not support the implementation of binding quotas to improve gender diversity on corporate Boards. Our survey found that 66% of respondents were opposed to this idea, only 26% were in favour and 8% were uncertain.

The ICGN is supportive of a principles-based approach to gender diversity setting out a ‘comply or explain’ requirement for each company. A total of 93% of respondents asserted that it is the Board’s role to oversee a human capital management strategy that sets out clearly how diversity (and inclusivity) are promoted within the company and embedded within the corporate culture. Furthermore, 76% of respondents thought that the Board should explain its approach to incorporating diversity within the company on a comply-or-explain basis.

The ICGN supports the introduction of an EU-wide non-binding objective for companies to achieve a proportion of 40% of women on Boards by 2020. In this regard, we applaud efforts of groups such as the 30 Per Cent Club in the UK which has a target of reaching 30% of women on Boards on the FTSE 100 by 2015. In particular we welcome more efforts to increase the number of females in executive director roles.

We encourage more transparency around company selection procedures for board nomination and election. In this regard, besides supporting a more extensive 'comply or explain' approach for all listed companies, we would support a non-binding obligation for non-listed companies with more than 250 employees or with more than EUR50m in revenues to report annually on the number of male and female directors on their Boards. This is in line with the UK's Financial Reporting Council's amendment to the Corporate Governance Code to require listed companies to report annually on boardroom diversity policy, including gender, and on progress towards objectives.

In addition, we support more clarification around the role and influence of recruitment consultants in putting forward candidates for consideration and 72% of survey respondents advocated the need for improved standards of transparency.

The key findings from the survey are summarised in Annex 1. We hope this will usefully inform your discussions at the next EC meeting on the subject which we are aware will take place in mid-November in Brussels. We are also developing an ICGN position paper to define the investor viewpoint on the issue of diversity in general which we will be pleased to send you in due course.

We would be delighted to discuss the points above with you and please do not hesitate to contact Kerrie Waring, the ICGN's Head of Secretariat, by email at Kerrie.waring@icgn.org or by telephone on +44 (0) 207 612 7079.

Yours sincerely,



Michelle Edkins
Chairman of the ICGN Board of Governors



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Co-Chair, ICGN Shareholder
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Annex 1: Survey highlights

1. A total of 93% of respondents advocated that it is the Board's role to oversee a human capital management strategy that sets out clearly how diversity (and inclusivity) are promoted within the company and embedded within the corporate culture.
2. 76% of respondents thought that the Board should explain its approach to incorporating diversity within the company on a comply-or-explain basis.
3. The ICGN does not support the implementation of binding quotas to improve gender diversity on corporate boards. This is reflected in our survey response with 66% of respondents opposed, 26% in favour and 8% uncertain.
4. In the event that a binding quota is introduced, 63% of respondents asserted that it should be applicable to the board as a whole – i.e. both non-executives and executives combined.
5. Of those respondents who favoured an alternative approach to binding quotas, 49% preferred a comply-or-explain or self-regulatory approach.
6. The following activities were ranked in order of perceived effectiveness in helping to increase the representation of women on boards:
 - a. Commitment by investors to encourage companies to include women in their recruitment activities.
 - b. Commitment by male directors to identify, mentor and support women candidates for board membership.
 - c. The 'comply or explain' approach.
 - d. Creation of databases of board-ready women coupled with a "support and mentoring network".
 - e. The creation of quotas.
7. In terms of the role of investors in helping to encourage more gender balance on corporate boards, we asked which of the following activities by investors would be most effective in helping to ensure that diversity is properly embedded and the results are again shown below in order of popularity:
 - a. Regular dialogues on governance policies with the boards of investee companies.
 - b. Advocating high corporate governance standards, including those involving diversity.
 - c. Seeking development and implementation of diversity policies.
 - d. Developing voting guidelines on the appointment and re-election of board members for investee companies.
 - e. Using voting rights to effect improvements at the boards of investee companies.