

EUROPEAN COMMISSION

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Dear Chairman ,

The European Commission would like to thank the House of Commons for its Reasoned Opinion on the Commission 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 and related measures {COM(2012) 614 final} and apologises for the delay in replying.

The analysis and impact assessment of the Commission in preparing this proposal make a strong case for pursuing greater representation of women on boards as well as demonstrating the clear benefits to businesses resulting from a more gender diverse boardroom. The Commission therefore supports the United Kingdom in its current efforts to improve the situation of women in boardrooms of big companies.

In principle, Member States have the possibility to act to improve gender balance on boards on their own. In practice, however, the vast majority of Member States are not currently making use of this possibility or their actions are so diverse that they often lead to very divergent results. Moreover, the current figures reveal that decades of self-regulation have not led to satisfactory results. The last attempt by the Commission to encourage self-regulation was on 1 March 2011. At that time, the Commission invited publicly listed companies to sign the "Women on the boards pledge for Europe" and to make a credible commitment to raising the number of women on their boards. The results of this initiative were very disappointing as only a handful of companies signed the pledge. The current figures speak for themselves: EU-wide, 85% of non-executive board members and 91.1% of executive board members are men. Despite an intensive public debate and some voluntary initiatives at national and European level, the situation has not changed significantly in recent years. The encouraging effects of the UK business-led approach to raising gender diversity on boards are more an exception than a rule when one considers the situation in the European Union as a whole.

After having thoroughly evaluated the present situation in the impact assessment, the Commission has come to the conclusion that action by Member States individually will not achieve the objective of a more balanced gender representation on company boards by 2020 or at any point in the foreseeable future. Consequently, the Commission took action at EU level as this is necessary in order to achieve the objective of significantly improving gender balance on the boards of listed companies.

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However, the Commission has fully recognised that in some Member States efficient measures already exist and that those measures, adapted to conditions existing in each Member State, should continue to apply. Therefore, the proposal allows Member States to continue applying such national measures adopted before the entry into force of the proposed directive instead of the procedural rules of the Directive if it can be shown that they are of equivalent effectiveness with respect to reaching the target of 40% gender balance among non-executive directors, or one-third target applicable to the whole board, by 2020. This possibility may be of relevance to the United Kingdom and should be taken into consideration in the assessment of the proposal.

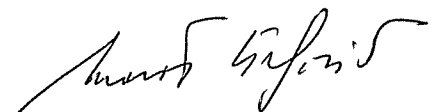
Unlike the House of Commons the Commission is convinced that procedural obligations relating to the explanation of subsidiarity were fully respected. The explanatory memorandum to the proposal contains the statement on subsidiarity and proportionality of the proposed directive. Its length and level of detail are in keeping with other EU legislative proposals and the relevant considerations are elaborated in more detail in the impact assessment.

The Commission maintains its opinion that, while the proposal is a gender equality legislative measure based on Article 157(3) TFEU, it would also contribute to better corporate governance, better company performance and to an improvement of the EU economy as a whole, in particular as far as female employment rates and the gender pay gap are concerned. The Commission is of the opinion that the proposed directive can also help avoid possible problems related to maintaining a competitive level-playing field in, and harmonious operation of, the internal market.

As for the evidence of increased company performance as a result of greater board diversity, the Commission would like to draw the House's attention to a growing body of literature showing that companies with more diverse boards not only have better corporate governance, but also are more profitable. A comprehensive analysis of that literature can be found in the Commission's impact assessment.

The Commission hopes that these clarifications address the concerns raised in the Reasoned Opinion of the House of Commons and looks forward to working together fruitfully in the future.

Yours faithfully,



Maroš Šefčovič
Vice-President