Gender balance among non-executive directors of companies listed on stock exchanges

2012/0299(COD) - 07/12/2022 - Final act

PURPOSE: to improve the gender balance among directors of listed companies.

LEGISLATIVE ACT: Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures.

CONTENT: the Directive is aimed at ensuring the application of the principle of equal opportunities between women and men and **achieving a gender-balanced representation among top management positions** by establishing a set of procedural requirements concerning the selection of candidates for appointment or election to director positions based on transparency and merit.

In its <u>resolution</u> of 6 July 2011 on women in corporate governance, the European Parliament urged companies to reach the critical threshold of 30% of women in top management by 2015 and 40% by 2020.

Objectives for gender balance on boards

The Directive provides that by 2026, listed companies should aim to have members of the under-represented sex occupy at least 40% of non-executive directors.

Member States may choose to apply these rules to both executive and non-executive directorships. In these countries, the aim is to ensure that members of the under-represented sex occupy 33% of all board positions.

Scope and applicable law

The Directive applies to listed companies. It does not apply to micro, small and medium-sized enterprises (SMEs). The Member State competent to regulate the listed company is the one where the company has its registered office. The applicable law will be that of the country where the listed company has its registered office.

Criteria for the selection and appointment of board members

Listed companies that do not meet the objectives set by the Directive will have to **adapt the process of selecting candidates** for appointment or election as directors. These candidates will be selected on the basis of a comparative assessment of the qualifications of each candidate. To this end, clear criteria, formulated in neutral and unambiguous terms, shall be applied in a non-discriminatory manner throughout the selection process.

In the selection of candidates for appointment or election as directors, priority will be given to the equally qualified candidate of the under-represented sex, unless, in exceptional cases, there are legally overriding reasons to favour the candidate of the other sex.

Listed companies will be required to inform the applicant of the criteria relating to qualifications on which the selection was based and of the objective comparative assessment of the applicants against these criteria.

Suspension clause

A Member State which has come close to meeting the objectives or which has put in place equally effective legislation before the entry into force of the Directive will be able to suspend the application of the requirements set out in the Directive relating to the selection of candidates for appointment or election as directors and, where appropriate, those relating to the setting of individual quantitative objectives, provided that the conditions for suspension set out in the Directive are met.

Member States also remain free to introduce measures that go beyond the proposed system.

Publication of information

Once a year, companies will have to provide information on the representation of men and women on their boards and the measures they are taking to reach the 33% or 40% targets. Also once a year, Member States will publish a list of companies that have met the objectives set by the Directive.

Where a listed company has not met any of the objectives, the information should include the **reasons** why the listed company has not met those objectives and a full description of the measures it has already taken or intends to take to meet those targets.

Sanctions

Member States will lay down rules on penalties applicable to breaches by listed companies of the national provisions adopted pursuant to the Directive. Sanctions may include **fines** or annulment declared by a judicial body of the appointment or of the election of non-executive directors made contrary to the national provisions adopted under the Directive.

By 29 December 2025, and every two years thereafter, Member States will report to the Commission on the implementation of the Directive.

ENTRY INTO FORCE: 27.12.2022. The Directive expires on 31.12.2038.

TRANSPOSITION: no later than 28.12.2024.