



Gender balance in company boards

Directorate-General Justice
Equal Treatment Legislation



Policy context

***"I am not a fan of quota,
but I like the results they bring"***



Policy context

EU Treaties and Charter of
Fundamental Rights

Council Recommendations

Strategy for Gender
Equality (2010-2015)

Women's Charter

Women on Boards Pledge

European Parliament
Resolutions





Policy context

*“Women and men still face widespread inequalities, with serious repercussions for economic and social cohesion, sustainable growth and competitiveness, and the ageing of Europe's population. It is therefore important to **include a strong gender dimension** in the **Europe 2020 strategy** that the Commission will develop in the next five years. **Especially in times of crisis**, we need to incorporate the gender dimension in all of our policies, for the benefit of both women and men”*

President José Manuel Barroso

Stakeholder views

Eurobarometer (March 2011)

- Women should be equally represented in the top jobs of businesses (**88%**)
- EU business community is dominated by men who do not have sufficient confidence in women's abilities (**78%**)
- **69%** of Europeans believe that women are just as interested as men in positions of responsibility



Stakeholder consultation (March – May 2012)

Consensus about the need to increase share of women on company boards

Views varied on the appropriate means to bring about the change.

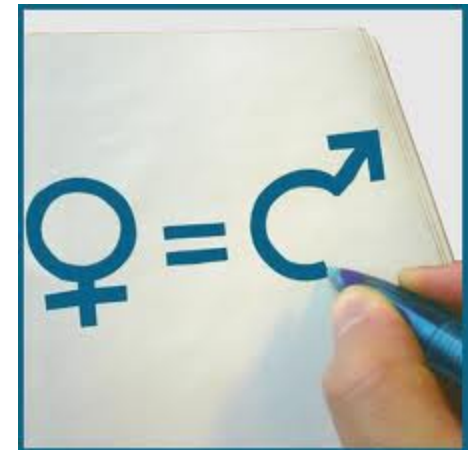


Stakeholder views

Key findings:

Consensus about the need to increase share of women on company boards

Views varied on the appropriate means to bring about the change.



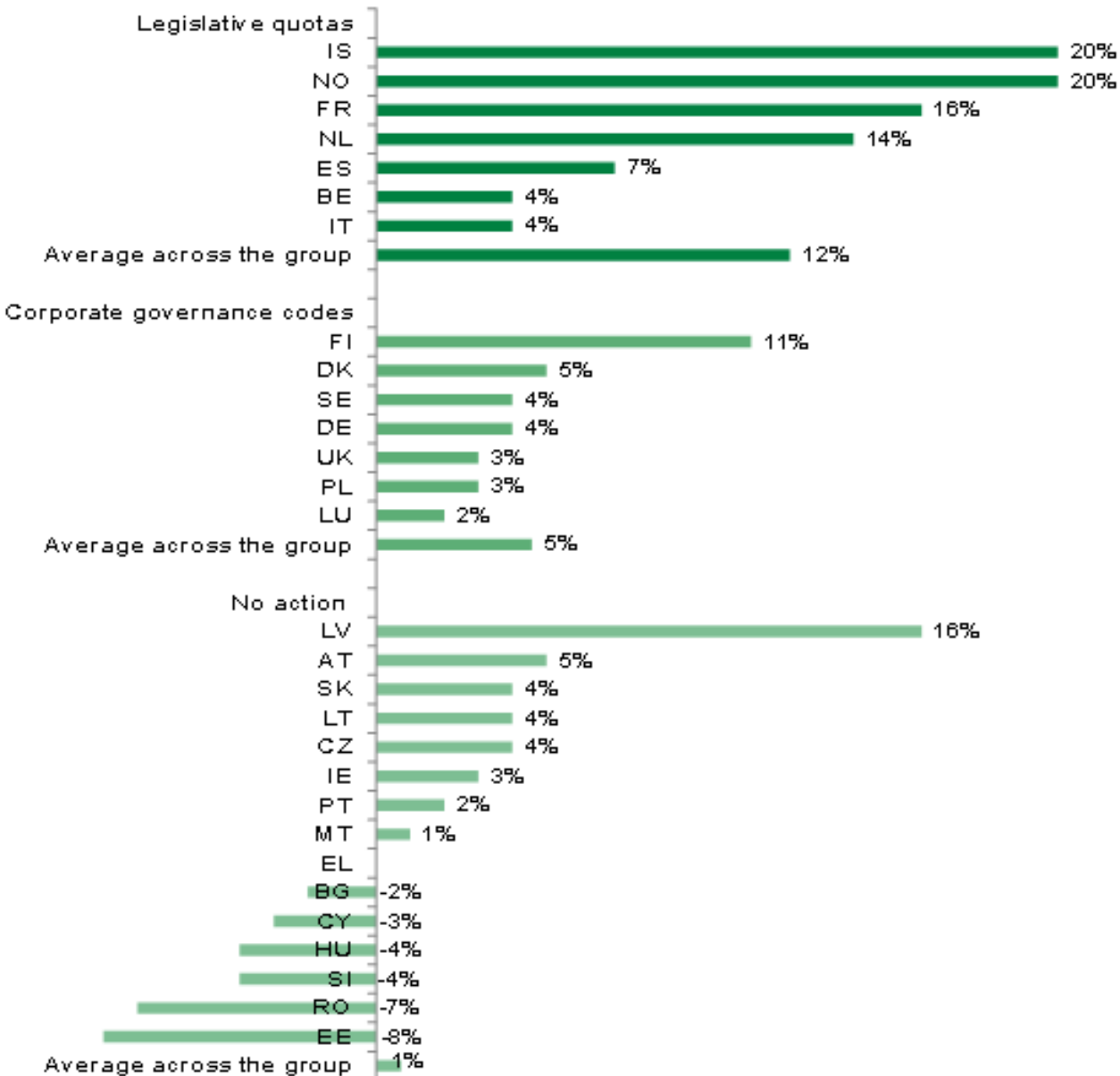
Problem definition

8,9% of executive board members in listed companies (EU-27) are women compared to 91,1% men



15% of non-executive board members in listed companies (EU-27) are women compared to 85% men

3,2% of boardroom chairs are women compared to 96,8% men



**p.p. change
in female
presence in
corporate
boards
between
2004 and
January
2012**

Problem drivers

Supply-side barriers

Demand-side barriers

Lack of transparency in recruitment procedures



Expected evolution

Estimated % of women on boards EU average:

Year	%
2004	9%
2011	15%
2020	20%
2040	Less than 40%



EU's right to act

Political foundations of the right to act

Legal basis

Fundamental objective of gender equality

Subsidiarity and proportionality

Compliance with the Charter of Fundamental Rights and CJEU's case law



Policy objectives

To promote gender equality

To exploit female talent pool

To reduce the "demand side barriers"

To improve corporate governance and enhance company performance

Impact analysis - elements

- **Effectiveness**
- **Micro- economic impacts**
 - Corporate performance
 - Financial performance (return on equity)
 - Annual investment costs
- **Macro-economic impacts**
 - Reduction of gender pay gap and gender employment gap
 - Return on education
- **Social impacts**
- **Administrative burden**

Main findings

All policy options will address the main problem drivers

Binding measures will be more effective with bigger socio-economic benefits but will entail comparatively larger costs.

Administrative burden linked to all policy options is expected to be minimal

Proposed Directive: key issues

- Accelerating progress: with intelligent, not rigid, quota
- 40% target combined with binding rules on a transparent selection process
- Selection based on qualifications and merit and a preference rule in case of equal qualification
- High degree of flexibility for Member States, proportionate measure



40% rule

Directive applies to:

- Companies **listed** on stock exchanges;
- Not having **40% of non-executive directors** on their boards by 1 January 2020 (or by 1 January 2018 for publicly owned listed companies)

Procedural obligations

- Kick in only if 40% not achieved
- Transparent selection procedure
 - **Criteria: pre-established, clear, neutrally formulated and unambiguous**
 - **Comparative analysis of qualifications**
- Priority based on merit
- Information obligations
 - **Disclosure of assessment and burden of proof**

Additional obligations

Companies have to set **individual targets** for executive or management board members.

Reporting obligations:

- Annually
- On gender composition and measures taken
- Explanation in case objectives not met
- On the website

Sanctions

- "effective", "proportionate" and "dissuasive"
- examples

→ kick in in case of non-compliance with the procedural and other obligations

Flexibility for Member States

Minimum requirements

Member States may provide that the objective to be attained is one third (33%) of all board members are of under-represented sex instead of 40% non-executive directors.

Possible exemption for companies where the under-represented sex makes up less than 10% of the workforce

Temporary suspension of obligations in case of national provisions which are equally effective

Proportionality

- Exclusion of SMEs
- Primary focus on non-executive directors
- Sunset clause: expiry date= 1 January 2028



Conclusions

Ambitious, realistic and innovative proposal;

First positive action measure on the EU-level;

Logical step towards effective gender equality;

Bringing economic benefits to businesses and EU as a whole.

Thank you for your attention!

For more information, please visit

http://ec.europa.eu/justice/gender-equality/index_en.htm

Or e-mail

Rosalinde.VAN-DER-VLIES@ec.europa.eu

