European Parliament

Gender balance on company boards

In 2012, the European Commission proposed a directive to improve gender balance on company boards. It required that the under-represented sex make up 40 % of board members of companies listed on stock exchanges. Although the European Parliament supported the proposal in 2013, the directive has still not been adopted due to reservations from several Member States in the Council. Parliament is expected to hold a debate on the state of play of the proposed directive during its first October plenary session.

Background

In 2020, women make up only 28.7 % of board members in the largest listed companies in the EU-27. The percentage is unevenly distributed across the EU, with only one Member State, France, reaching and surpassing 40 % of women board members, after the adoption of a 40 % quota in 2011. Other Member States that come close to 40 % are Belgium, Denmark, Germany, Italy, the Netherlands, Finland and Sweden. National regulatory approaches are currently very diverse but those that have secured the fastest progress are the most stringent (Belgium, Italy, France). Progress has also been made in some states with a softer approach, such as Sweden and Finland, albeit under threat of stricter legislation if this fails.

The economic benefits of better gender balance on company boards are promoted by the International Labour Organization, the World Bank and the OECD. McKinsey's interviews with CEOs also show the importance of board diversity, inter alia in improving decision-making by eliminating groupthink. Research into the issue has not always produced conclusive results, but critiques state that this may be because much of it focuses too narrowly on the presence of women board members, without examining their actual contribution and how they exercise their influence. Gender-diverse boards are proven to have a positive impact on transparency of firms, and firms run by female CEOs are more likely to remain in operation. Significant positive relationships have been found between the presence of women on boards and firm value. Not having women in positions of power can also be considered unfair and a waste of human capital.

European Commission proposal

In 2012, the Commission proposed a directive on improving the gender balance among non-executive directors of companies listed on stock exchanges and related measures. The proposal was based on Article 157 of the Treaty on the Functioning of the European Union, which refers to the principle of gender equality in employment and occupation and recognises positive action as a method for achieving it. It set the aim of a minimum of 40 % of non-executive members of the under-represented sex on boards, to be achieved by 2018 in public sector companies and by 2020 in the private sector. Appointments would need to be made on the basis of clear and neutral criteria and in case of equally qualified candidates, advantage should be given to the under-represented sex. The directive would not apply to SMEs, and for Member States choosing to apply the objective to both executive and non-executive directors, a lower target (33 %) would apply. The proposal has not been adopted because several Member States have reservations, mostly about subsidiarity and because some already have national legislation in place. As of May 2020, eight Member States were reported to oppose the proposal. Nevertheless, the Commission maintains its strong commitment to the file, including it among the priorities of the Gender Equality Strategy 2020-2025.

European Parliament position

Parliament strongly supported legislation in this area and adopted its position at first reading by a strong majority on 20 November 2013. Its position inter alia called for stronger penalties. Parliament has continued to push for progress and for the proposal to be unblocked, most recently in February 2019 and January 2020.

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