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its new “Women on Boards”
Directive

Alliant Global Knowledge Center

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By Lina Zhang

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Following the initial proposal in 2012, an increasing number of European Union (EU) Member States have introduced statutory gender quotas on company boards to enhance gender balance. Nevertheless, progress has been slow, variable across EU Member States, and women remain underrepresented on companies' boards of directors, and this in every Member State.

Gender quotas on company boards

Legislation in Member States that have introduced gender quotas on company boards varies, particularly in terms of enforcement in cases of non-compliance. According to European Commission (EC) [2021 Report on Gender Equality in the EU](#):

"In October 2020, women accounted for 37.6% of the board members of the largest listed companies in the six Member States with binding quotas, following an increase of 3 percentage points per year. In comparison, 24.3% of board members were women in

countries that had taken either soft measures or no action at all."

Aside from the United Kingdom – a former EU Member State, according to the [2022 Report on Gender Equality in the EU](#), the 7 EU member states having introduced binding legislation with women on boards quotas are France, Italy, Belgium, Portugal, Germany, Austria, Greece, and most recently the Netherlands since January 2022. Ten member states introduced soft measures, and the remaining Member States have taken no action at all.

The new "Women on Boards" Directive

Given the high variance across Member States, the EU Parliament adopted [Directive \(EU\) 2022/2381 on improving the gender balance among directors of listed companies and related measures](#). The Directive will enter into effect on 27 December 2022, i.e., 20 days after its publication into the Official Journal of the EU. All EU Member States will then have

until 28 December 2024 to transpose its provisions into their national legislation; and ensure that larger listed companies (with more than 250 employees that are registered in a EU Member States) meet or are striving to meet gender boardroom goals of 40% of the underrepresented gender among non-executive directors or 33% among all directors, by 30 June 2026; and report against these targets annually on their company website and to local authorities.

All EU Member States will be required to enforce the provisions of the Directive, via annual publication of companies that do meet the gender equity targets and the applicable penalties.

The EC monitors gender equity in decision-making roles and synthesizes its findings through its annual report on equality between women and men. The EC intends to lead by example, with its goal of reach a gender balance of 50% at all levels of its management before 2025.

Actions to consider by larger listed companies

In planning ahead of forthcoming legislative changes, larger listed companies with more than 250 employees that are registered in a EU Member States would be well advised to review their executive recruitment strategies and processes to ensure they are equitable and transparent, and that they prioritize candidates of the under-represented gender when choosing between equally qualified

candidates, as required by the provisions of the new Directive.

The Directive provides that member states where 30% of non-executive directors or 25% of all director positions are women, or those that already have gender boardroom goals and enforcement measures in local legislation, are dispensed from the Directive's requirements related to board member recruitment, appointment, or selection process. Affected employers in other Member States are advised to start preparing for annual public reporting against boardroom gender equity goals of 40% of the underrepresented gender among non-executive directors or 33% among all directors, by 30 June 2026.

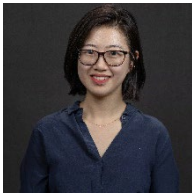
What next?

In early 2020, the EU Commission adopted its [Gender Equality Strategy 2020-2025](#) spelling out the actions required to close EU's gender pay gap, which is currently at 13%. In late 2020, the EC adopted [2021-2025 the Action Plan on Gender Equality and Women's Empowerment in the EU's External Action](#). In March 2021, the EC's [proposal on pay transparency](#) was adopted, introducing measures to ensure equal pay for equal work, irrespective of gender in particular.

Albeit the slow progress, gender equality and women's empowerment have never been so high up on the EU's political agenda. To demonstrate its commitment to closing the gender gap, the Commission has also created [monitoring framework](#) to keep track of

progress, continue policy debate, policy development, and policy implementation. Other areas where the Commission has committed to address that may impact employers include gender pay gap, gender

pension gap, leave policies, childcare and education, etc. It is likely that further call to action for gender equality will be presented in the form of future legislation.



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Lina has over 6 years of experience helping multinational companies succeed in the global benefits space. From optimizing global benefits strategy, to budgeting, to logistics and inventory management, Lina is exposed to a variety of projects including global benefits management, M&A and divestitures, D&I initiatives, global health initiatives, cost analysis and projection, captive pricing, pension actuarial valuation, and secondment in overseas projects.

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