

# Gender diversity on corporate boards

What to expect from the new EU Women on Boards Directive, including the practical changes for your management structure and the impact on the national legislation of each Member State

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# I. Introduction

Women continue to be significantly underrepresented on the boards of directors of companies in every Member State within the European Union and the United Kingdom. In recent years, more and more European countries have introduced statutory gender quotas to balance gender on company boards. The progress year-on-year has, however, been rather slow. The legal provisions in those countries introducing quotas can differ greatly, particularly with regard to sanctions for failure to comply with a quota. It has become clear that the voluntary approach of countries to gender balance on company boards has had limited success, with the exception of the United Kingdom, which has made steady progress year-on-year. With regard to the European Union, we have witnessed how legislative measures with binding gender quotas taken at the national level have a significant impact: in 2020, European countries with mandatory quotas had a 37.6% representation of women on their listed company boards, compared to 24.3% in countries with either soft measures or no measures in place.

In light of the broad disparity between Member States, the European Commission has now presented its EU Directive on improving gender balance among non-executive directors (the so-called *EU Women on Boards Directive*)<sup>1</sup>. The Directive frames the Commission's work on gender equality and aims to strengthen gender diversity in corporate boardrooms with binding standards for all European Member States.

This Client Alert focuses on the impact of the EU Women on Boards Directive on the governance regulations across a benchmark of European countries in which A&O is present (ie Belgium, the Czech Republic, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Poland, Slovakia and Spain) and summarises the respective approaches. It also illustrates similar new regulation on board diversity targets for listed companies in the United Kingdom to provide a complete overview of the legislation in this area.

## II. Gender diversity on corporate boards and why it matters

### Gender inequality is a significant concern

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- The persistent gender inequality in economics, politics, science, and the arts is a key element of a broader lack of board diversity in general. The principle of gender equality should not be confused with that of diversity: women are neither a group nor a minority, but more than half of the world's population, not to mention 45% of the European workforce. The balanced participation of women and men in decision-making bodies is an essential imperative of the fundamental principles of democracy and human rights – and now more important than ever.
- Besides the equal treatment with regard to age, cultural and social background, disabilities, sexual orientation and gender identity, gender equality is a general ideological principle within the European Union and the United Kingdom, the process of a sustainable transformation of organisational cultures and structures to combat and reduce gender imbalances and inequalities is still too slow. To achieve gender equality, many European countries as well as the United Kingdom have adopted laws and regulations enhancing these principles: family support, maternity (and paternity) protection, access to equal opportunities, and governance of companies are only some of the legal topics with which the national legislators try tackle a non-diverse work environment.

### Female leaders: change and challenges

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- Gender diversity at the highest leadership level makes a significant difference to overall diversity. The most diverse boards still tend to be found at companies led by women at the executive or board levels. For example, companies with women CEOs have, on average, significantly more gender-balanced boards than those led by men: 33.5% women vs. 19.4%.<sup>2</sup>
- But quotas are of course only one tool: it is more important that childcare, and care work in general, are distributed more evenly and rewarded differently. This requires pressure from society, legislation, and financial incentives.



## Diversity as a growth driver

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- The path to more diversity is not only ethically and socially right. There are also business imperatives behind it. Both in politics, society and the economy, voices and the call for more diversity are getting more robust. However, although the relevance of the issue is now undisputed, some companies still underestimate the economic potential of diversity and are hesitant to implement it. This neglects important economic resources.<sup>3</sup> In other words:  
*Diversity really matters.*
- Research suggests that companies with high diversity in its various dimensions are more likely to be profitable.<sup>4</sup> Moreover, diverse teams make better decisions for the company than homogeneous work groups because they can draw on a diversity of ideas. By 2050, improving gender equality would lead to an increase in EU (GDP) per capita by 6.1 to 9.6%, which amounts to EUR1.95 to EUR3.15 trillion. Improvements in gender equality would lead to an additional 10.5 million jobs in 2050, which would benefit both women and men. The estimated GDP impacts of increased gender equality vary considerably across Member States, depending on the present level of achievement of gender equality.<sup>5</sup>

## Diverse talents as a necessary talent tool

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Given expected demographic trends throughout Europe, it is likely to become even more important for companies to be diverse. The Baltic states Estonia, Latvia and Lithuania, and the majority of regions in Bulgaria, Romania, Germany, Hungary, Poland and Slovakia will lose inhabitants within the upcoming decades.<sup>6</sup> The demographic projections suggest that companies cannot afford to do without talent from different population groups.

Lived diversity is also strongly linked to the effect which positive role models create: If companies create and promote these diverse role models, they can better motivate women, people with a migration background or a different sexual orientation to apply for jobs.



## Tough sanctions are the most effective

The issue of gender imbalance has gained increasingly more attention, and the debate has increased the pressure to counter inequalities between women and men in leadership positions. Nevertheless, many countries struggle to introduce statutory gender quotas for the top decision-making bodies. The tools used to improve gender equality vary depending on the area concerned, the country at stake and its local culture and situation on this topic. The range of tools varies from mere recommendations or mandatory rules, to minimum mandatory ratios for each gender or mandatory equality.

Over the last two decades, only six out of the 27 European countries as well as the United Kingdom have introduced a statutory gender quota for the highest supervisory and decision-making bodies of certain private sector companies. In 2003, Norway became the first country in the world to introduce a binding gender quota for all publicly traded and state-owned companies. Spain became the first EU state to introduce a binding quota for large, publicly traded companies and was followed by Iceland, Belgium, France, Italy, and the Netherlands. Ten other Member States took soft measures and 11 Member States did not take any measures at all.<sup>7</sup>

The legal provisions in these countries sometimes differ greatly, mostly with regard to sanctions in the event of quota non-compliance: until today, rigid sanctions (ie companies being fined for noncompliance at the very least) in cases of non-compliance are introduced in only a few countries. If countries have voluntary recommendations on gender diversity in leadership positions in their corporate governance codes instead of a statutory gender quota (ie a “comply or explain” approach), or do not take any measures at all, they all score significantly lower than the countries with hard quotas in terms of gender balance at Board level.

The absence of regulation within some Member States does not lead only to discrepancies in the number of women among non-executive directors and different rates of improvement within the European Union, but also poses barriers to the internal market by imposing divergent corporate governance requirements on European listed companies.



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## IV. Legislative timeline of the Directive

The process of the implementation of the new EU Women on Boards Directive is rather special with regard to the timing: even though the average timeline from a proposal by the European Commission to a formal adoption of a directive is usually around 18 months, it took ten years in this case to pass the new legislation. The gap between the Commission's proposal dates from 2012 until the negotiations were resumed in early 2022 is due to the diverging views of European countries. Despite a rather broad consensus across the European Union in favour of taking measures to improve gender balance on company boards, not all Member States supported EU-wide legislation and some Member States considered that binding measures at the European level were not the best way to pursue the objective. Shortly after Commission President Ursula von der Leyen announced her intention to support the 2012 draft of the directive as a political priority under her Commission term (2019-2024), and Germany unblocked the negotiations, the inter-institutional negotiations (trilogues) with the European Parliament started.





1

**November 2012:** First proposal by the EU commission for Directive on Improving the Gender Balance Among Directors of Companies Listed on Stock Exchanges and Related Measures (COM(2012) 614 final).

2

**November 2013:** The European Parliament adopts a position strongly supporting legislative action regarding gender quotas for non-executive directors. Some Member States, especially Germany, block the directive draft. Since adopting its original position, the Parliament has continued to push for progress.

3

**January 2021:** The European Parliament publishes its resolution on the new EU Gender Equality Strategy, calling on the European Commission to continue working with the Member States and European presidencies.

4

**January 2022:** The European Commission and the French president express their determination to move forward with the Directive.

5

**14 March 2022:** The Ministers agree on their position on the draft directive, thereby opening the way for negotiations with the European Parliament to reach a final agreement.

6

**7 June 2022:** EP and EU countries' negotiators finally agree on a provisional agreement to increase the presence of women on corporate boards.

7

**October/November 2022:** The final version of the Directive (after lawyer linguistic checks) made available.

8

Once Parliament and Council have formally approved the agreement, the Directive will **enter into force 20 days after it has been published in the EU's Official Journal**. Member states would need to implement the directive **within two years of its being adopted**.

# V. Analysis of the Directive

This analysis provides for a legal assessment of the potential impact the EU Women on Boards Directive will have for all Member States and how it can increase the proportion of women in top bodies of large companies.

## The targets for corporate bodies

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The Directive aims to introduce transparent recruitment procedures in **listed companies**, so that at least **40% of non-executive director positions or 33% of all director positions** are occupied by the under-represented sex. In cases where candidates are equally qualified for a post, priority should go to the candidate of the under-represented sex. Small and medium-sized enterprises with fewer than 250 employees are excluded from the scope of the directive.

## Timing

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Companies must comply with this target by **30 June 2026** (compared to the Council's proposal of 31 December 2027). Parliament succeeded in including an **assessment on the scope** of the Directive at a later stage on whether non-listed companies should be included.

## Any loopholes....?

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However, the Directive has been watered down by adding an important article: it allows some Member States who already ensure a more balanced representation of women and men through the adoption of binding measures that are considered **equally effective** to those laid down in this Directive to **suspend the requirements**. There are two possible scenarios in which this exception applies: Either members of the underrepresented sex already hold at least 30% of the total number of all non-executive director positions, or at least 25% of the total number of all director positions in listed companies by the time the directive enters into force; or existing national law of a Member State already requires that women hold 30% of non-executive director positions or at least 25% of all director positions. Member States in which neither applies will have to achieve a proportion of 33% of board members or 40% of non-executive board members being women by 30 June 2026. In any case, Member States may introduce or maintain provisions which are more favourable than those laid down in the Directive.

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### Clear and transparent board appointment procedures

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Listed companies will be required to **provide information to the competent authorities once a year about the gender representation on their boards** and, if the objectives have not been met, how they plan to attain them. This information would be published on the company's website in an easily accessible manner.

To provide for more transparency with regard to the selection procedure of non-executive directors, companies will also need to comply with the following binding measures:

- Companies must disclose their qualification criteria should the unsuccessful candidate request it.
- Companies are further responsible for proving that no measures were transgressed, if there is suspicion that an unsuccessful candidate of the underrepresented gender was equally qualified.
- Companies must undertake individual commitments to reach gender balance among their executive directors.
- Companies that fail to meet the objective of this Directive must report the reasons and the measures they are taking to address this shortcoming.

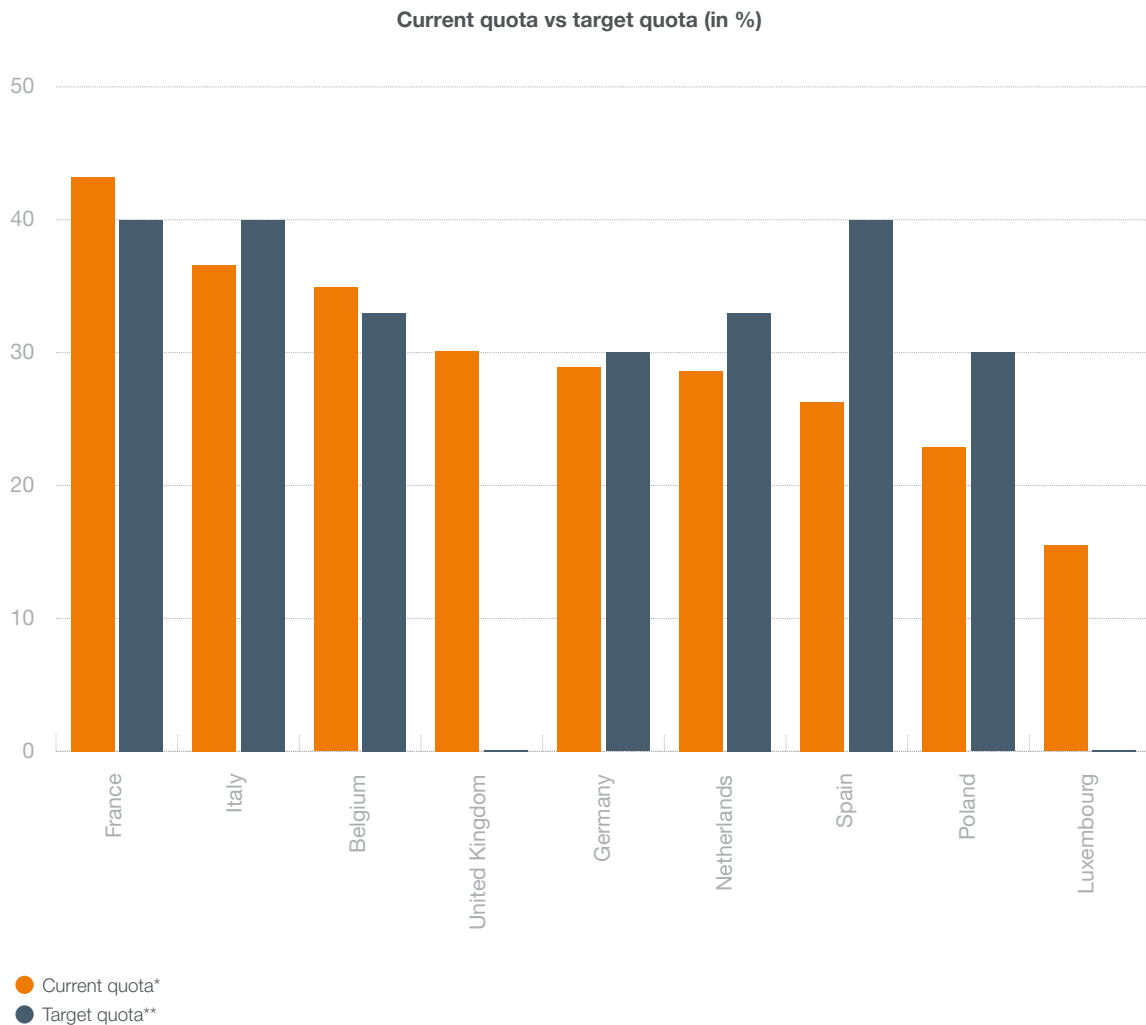
### Sanctions in case of non-compliance

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Member States' penalties for companies that fail to comply with selection and reporting obligations must be effective, proportionate and dissuasive. They could include **finances and nullity or annulment of the contested director's appointment**. Member States shall also publish information on companies' that are reaching targets, which would serve as peer-pressure to complement enforcement ("faming" provision).



## VI. Diagram: women in the boardroom



\* The percentages indicate actual figures that measure the proportion of women currently in leadership positions.<sup>8</sup>

\*\* The percentages indicate the presence and the level of a national quota or quota-equivalent.

The European countries as well as the United Kingdom have adopted very different approaches and implement different tools to promote gender equality in the governance of companies. However, this diagram shows that the progress towards increasing the number of women on corporate boards is still slow. According to an analysis by Deloitte published in early 2022,<sup>9</sup> the worldwide average of women on boards in 2021 sits at 19.7%, an increase of just 2.8 percentage points since 2019. If this rate of change were to continue every two years, we could expect to reach a level approaching parity in 2045.



## VII. Table

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>1. Belgium</b>			
<p>Law of 28 July 2011 (the “Quota Law”), inserting rules on quota in:</p> <ul style="list-style-type: none"> <li>– Art. 7:86, 7:88 §2 and 7:106 of the Belgian Code of Companies and Associations</li> <li>– Art. 18 §2bis of the Law of 21 March 1991 on the reform of several economic public companies</li> <li>– Art. 8 of the Law of 19 April 2022 on the working of the National Lottery</li> </ul>	<p>For listed private companies:</p> <p><b>33% on boards of directors</b> (<i>raad van bestuur/conseil d’administration</i>) in a one-tier system.</p> <p><b>33% on supervisory boards</b> (<i>raad van toezicht/conseil de surveillance</i>) only in a two-tier system.</p> <p>For autonomous public companies and the National Lottery:</p> <p>33% of the directors appointed by the Belgian State or by a company controlled by the Belgian State</p>	<p>Listed companies, autonomous public companies (ie Proximus, bpost, Skeyes, NMBS/ SNCB and Infrabel) and the National Lottery</p>	<p>For listed companies, autonomous public companies and the National Lottery : nullity of appointments.</p> <p>For listed companies: suspension of all benefits connected to director’s mandate until breach is remedied</p>

- 1 The national regulation has a rather wide scope.
- 2 The representation of women on boards of directors of affected companies in Belgium has significantly increased over the last decade by virtue of the Quota Law. In 2008, the proportion of women on boards of directors of affected companies in Belgium was 8.2%, whereas in 2017 it reached 26.8%<sup>10</sup>.
- 3 Despite the provisions of the Quota Law being mandatory and the related sanctions, 33.9% of the affected companies in Belgium did not yet respect the quota rules (in 2017)<sup>11</sup>.
- 4 Parliament will evaluate the impact of the Quota law in 2023.



Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>2. Czech Republic</b>			
None			

- 1 Although no national quotas exist in the Czech Republic, in the Trio Presidency Declaration on Gender Equality France, the Czech Republic and Sweden 2022-2023, it has committed to making Women's economic empowerment a "top priority".<sup>12</sup>
- 2 Czech Capital Markets Act stipulates an obligation on large-scale issuers to include information on how they deal with diversity in their governing body in their annual reports.
- 3 There are initiatives to increase the number of women in economic and political decision-making:
  - The Czech government has introduced a Gender Equality Strategy for 2021-2030, in which it analyses gender representation and proposes a strategy for increasing the representation of women in economic and political decision-making;<sup>13</sup>
  - The Forum 50%, supporting equal participation of women represented on government advisory boards.<sup>14</sup>
  - The Czech Social Democratic Party has inserted in its own internal rules quotas for women. According to the internal rules of the party, 25% of those elected by the party must be women.

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>3. France</b>			
Law n°2011-103 of 27 January 2011 (Cope-Zimmermann Act).	<b>20% gender parity</b> of board members (directors and members of supervisory board) was to be reached by 2014. 40% by 2017.	Listed companies, and non listed companies with at least 500 employees and a total of revenues or assets of over 50 million euros for three years. Its scope was enlarged to include companies with a minimum of 250 employees from 2020 onwards.	In case of non-compliance, appointments of directors are considered null and void and board attendance fees are suspended as long as the composition of the board is not compliant.
Law n° 2021-1774 of 24 December 2021 (Rixain Act).	Annual publication of gender gaps in Exco from 1 March 2022.  30% of members of Exco and management Boards should be women by 1 March 2026,  40% by 1 March 2029.	All companies with at least 1,000 employees for three years in a row.	If on 1 March 2029, companies do not comply with the targets, they will have two years to do so, subject to a penalty fee of up to 1% of the company's payroll.

- 1 France is currently the European and world leader in terms of women's representation on boards of directors of listed companies.
- 2 However, gender parity stops at the "power gates": Only three women are CEOs of a SBF120 company and only one woman is the managing director of a CAC 40 company. Overall, only 22.4% of women are part of the executive/management committees of SBF120 companies in 2021. There are still 11.6% companies of the SBF 120 that have no women on their executive committees; 43% of the SBF 120 companies have less than 20% women.<sup>15</sup>
- 3 French companies where gender parity is effective achieve better financial performance.<sup>16</sup>

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>4. Germany</b>			
Zweites Führungspositionengesetz, came into force on 12 August 2021	<b>30% on supervisory boards</b> ( <i>Aufsichtsrat</i> ) and (from 1 August 2022 onwards) there must be at least one woman on management boards ( <i>Vorstand</i> ), provided that the board consists of at least four members. Additionally, companies that are either listed or fully co-determined are required to set their own targets for the representation of women on supervisory and management boards.	Listed companies to which full co-determination law applies (more than 2,000 employees)  Companies that are either listed or fully co-determined	Empty Chair

- 1 Of the current 700 board members in the DAX, MDAX and SDAX listed companies, 94 are women. Even though the proportion of women on the executive boards has thus risen, it still does not yet reflect the actual representation of women in society generally. In addition, in just over every second company, the board is still made up exclusively of men.<sup>17</sup>
- 2 The national regulation has a rather narrow scope since only the 66 DAX listed companies are affected. These companies for which the legal quotas are binding have the highest proportion of female board members, with more than one in six board members currently being female. Between 2021 and 2022, the proportion of women increased from 13.9% to 18.1%.<sup>18</sup>
- 3 In the MDAX and SDAX companies, the proportion of female board members is similar, but lower, ie 11.1% for MDAX in January 2022 and 10.8% for SDAX in January 2022 companies respectively. This shows that companies not directly affected by the quota voluntarily increased their share of women by only 1.3% (MDAX) and 1.6% (SADX).<sup>19</sup>
- 4 Family businesses in Germany are losing touch: the proportion of women on the management boards of the 100 largest family-run businesses is only 8.3% in 2022, constituting an increase of only 1.4% since 2020.<sup>20</sup>



Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>5. Hungary</b>			
None			

- 1 In October 2007 the SZDSZ, ie the junior ruling party, proposed a quota for women in parliament, which was however not implemented.<sup>21</sup>
- 2 The Hungarian Socialist Party (until 2018 the largest opposition party) and other political parties have set their own quotas for National Assembly and European Parliament elections.<sup>22</sup>
- 3 Hungary has not introduced any gender quotas yet, but any form of positive discrimination on the grounds of sex is prohibited. Consequently, the Directive will have an important effect on the Hungarian gender equality regime.
- 4 The Directive will affect only a limited number of companies, since there are only a few dozen publicly listed companies on the Budapest Stock Exchange; some of them welcomed the proposed directive publicly.

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>6. Italy</b>			
Legge 12/07/2011 no. 120, amended in 2019	<b>40% on supervisory</b> ( <i>Collegio sindacale</i> ) and management boards ( <i>Consiglio di Amministrazione</i> )	Listed and state owned companies	Fines amounting between EUR 100,000 and EUR 1,000,000 in cases of non-compliance after four months from Consob's injunction  Dissolution of the board after another three months

- 1 The representation of women on boards of directors of Italian listed companies has significantly increased over the last decade as a result of legal regulations, but does not yet reflect the actual representation of women in Italian companies generally. Indeed, the set of rules in Italy are applicable and applied only to listed or publicly controlled companies, representing a minority of Italian companies.
- 2 The Italian listed companies' corporate governance Code (which is not binding, it contains only recommendations) was updated in November 2020, improving gender equality best practice and providing, under recommendation no. 8, that "*companies shall adopt measures aimed at promoting equal treatment and opportunities between genders within the entire company organisation, monitoring their concrete implementation*".
- 3 There is a great disparity between the share of women among executive and non-executive directorships. The share of women among executive directors in the largest listed companies was just over 13% in 2020 – far below women's 45% share among non-executive directors.<sup>23</sup>

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>7. Luxembourg</b>			
The X Principles of Corporate Governance of the Luxembourg Stock Exchange	Among the criteria to select for the appointment or re-appointment of directors, listed companies shall take account of diversity criteria, including gender.	Listed companies	Comply or explain

- 1 Equality between men and women has been enshrined in Luxembourg's Constitution since 2006, under article 11 (2): « *Les femmes et les hommes sont égaux en droits et en devoirs. L'Etat veille à promouvoir activement l'élimination des entraves pouvant exister en matière d'égalité entre femmes et hommes* ».
- 2 The Luxembourg Government has published an objective of 40% of women representing the State on the boards of directors of public establishments. In February 2021, Luxembourg's Ministry of Equality between Women and Men announced that a percentage of 41.19% women representing the State has been reached.<sup>24</sup> Until today, however, there are no binding national regulations, only the above-mentioned soft quotas.
- 3 In addition, the total rate of women on the boards of public institutions (including people representing other partners) reached 34.99% (compared to 27.41% in January 2015). For companies, the rate of women representing the state increased to 31.14% (compared to 24.69% in January 2015).<sup>25</sup>
- 4 A Luxembourg National Action Plan on Equality 2018-2023 for the implementation of United Nations Security Council Resolution 1325 (2000) aims to strengthen women's participation in decision-making in national and international institutions.<sup>26</sup>



Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>8. The Netherlands</b>			
Act on balanced gender diversity at the top of large companies, came into force on 1 January 2022	<b>33% on supervisory boards</b> ( <i>raad van commissarissen</i> ; non-executives) of listed companies.  Other large companies are required to set up an appropriate and ambitious target to balance the gender ratio in the (sub)top of the company, which includes an annual progress reporting duty.	Listed companies; other large companies (balance sheet of more than EUR20m, net turnover of more than EUR40m and 250 or more employees averaged over the financial year)	Empty chair; comply or explain regarding the self-set targets

- 1 Of the overall 726 directors in the Netherlands (ie 225 executives and 501 non-executives), 176 in 2020 were female. Between 2019 and 2020, the proportion of females increased from 21.0% to 24.2%.<sup>27</sup>
- 2 The percentage of companies with a female director on either the management board (executives) or the supervisory board (non-executives) has increased from 74 to 78; however due to the larger sample (from 88 to 94 this year), relatively, the percentage slightly decreases from 84% to 83%. The percentage of companies with at least one female executive director increased from 19% in 2019 tot 26%, whereas the percentage of companies with at least one female non-executive director slightly decreased to 79% (2019: 81%).<sup>28</sup>
- 3 Sixteen companies still do not have a single female director (17%), 70 companies do not have a female executive director (74%) and one out of five companies does not have a female non-executive director (21%). Companies in the small cap index and the other (local) listed companies show an especially high percentage of all-male boards.<sup>29</sup>

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>9. Poland</b>			
Code of Best Practice for WSE listed companies	<b>30% on each of a company's governing bodies</b> – management board ( <i>zarząd</i> ) and supervisory board ( <i>rada nadzorcza</i> )	Listed companies	Comply or explain

- 1 In reference to gender diversity on corporate boards, there are only soft quotas in Poland and no binding national regulations yet. However, the Polish government has implemented the National Programme of Action for Equal Treatment 2022-2030 with the aim inter alia of promoting women's participation in leadership roles.
- 2 Poland has the second lowest percentage of women on boards and below average percentages of women at executive level, on boards and control committees, and in layers two and three.<sup>30</sup>
- 3 Despite these results, Poland is the top country looking at the percentage of women acting as chair of boards of directors and supervisory boards.<sup>31</sup>
- 4 According to recent research undertaken by the Warsaw Stock Exchange (WSE), the percentage of women on the management board on the regulated market in 2021 amounted to 12.5%, while in the supervisory boards to 17.2%.<sup>32</sup>

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>10. Slovakia</b>			
None			

- 1 In 2002, female politicians called for a quota in the Slovak cabinet, due to lack of female representation and very few female Slovak parliamentarians.<sup>33</sup> However, no hard or even soft quotas have been implemented.
- 2 Slovakia has committed to a “National Strategy for Gender Equality (2007-2013)” and a related “National Action Plan for Gender Equality (2010-2013)”.<sup>34</sup> These two documents were the first documents addressing the issues of gender inequality in Slovakia. Nevertheless, they were later replaced by a “National Gender Equality Strategy and Action Plan” for 2014-2019.<sup>35</sup>
- 3 Since the Slovak Republic’s commitments under the “National Strategy for Gender Equality (2014-2019)”, progress has been made in the reduction of the gender pay gap. It has continued to decrease, from 26.7% in 2005 to 17.8% in 2015.<sup>36</sup> Several measures have been launched to support the employment of women and the reconciliation of family and working life, such as the creation of new childcare facilities and flexible working arrangements.<sup>37</sup>
- 4 Nowadays, no specific law on gender equality exists in Slovakia. However, in 2021, Slovakia adopted a “State Strategy for Equality between Women and Men and Equal Opportunities (2021-2027)” as well as the Action Plan. Although these documents do not meet the requirements laid down by the EU, they aim to combat stereotypes related to gender inequality, among other issues.<sup>38</sup>



Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>11. Spain</b>			
Act for the Effective Equality of Women and Men, Ley Orgánica 3/2007, de 22 de marzo.  Código de Buen Gobierno de Sociedades Cotizadas, revisado en junio de 2020 (Good Governance Code of Listed companies, dated June 2020)	<b>40% on boards of directors</b> ( <i>consejo de administración</i> ).  Listed companies are obliged to specify a target for the representation of women and to prepare a policy on how to increase the number of women on their boards	All companies that have a minimum size as measured by assets, turnover or headcount and all types of directors.	None. The government may show preference in awarding public contracts to firms that have gender-balanced boards.

- 1 When the quota law was introduced in 2007, the share of female directors on the largest listed companies was around 6%. By the end of the implementation period in 2015, women's share had increased to nearly 19%. While the increase was sizeable, it was still well below the quota target of 40%.<sup>39</sup>
- 2 By 2020, the share of female directors in the IBEX-35 companies had increased to around 29%<sup>41</sup> and to 17.53% in listed companies. By 2021, the share of female directors had increased to around 19.66% in listed companies.
- 3 In recent years, there was a significant growth in private initiatives from Spanish companies in promoting diversity and inclusion policies. According to the Innodiversity Index 2021, 60% of companies in Spain have devoted more resources to diversity and innovation during the pandemic. Also, eight out of ten companies have paid particular attention to gender diversity management.<sup>40</sup>

Applicable Law	Target quota in the national legislation	Affected companies	Sanctions
<b>12. The United Kingdom</b>			
Listing rules and UK Corporate Governance Code	No targets but companies should promote gender diversity in board appointments and succession	Companies with premium listing	None but required to make various disclosures in annual financial reporting
Listing Rules	<p>Women should make up at least:</p> <ul style="list-style-type: none"> <li>– <b>40% of board</b></li> <li>– <b>One senior board position</b> (chair, CEO, SID or CFO)</li> </ul> <p>(applies for financial years on or after 1 April 2022)</p>	Companies with equity shares, or certificates representing equity shares, admitted to the premium or standard segment of the FCA's Official List (excluding open-ended investment companies and "shelf companies")	None but required to comply or explain. A company is required to disclose in its annual report any target(s) it has not met, and explain the reasons why not

- 1 As part of its broader focus on diversity and inclusion, the FCA has published its final rules on diversity and inclusion on listed company boards and executive committees.<sup>41</sup> The rules require certain diversity disclosures in listed companies' annual reports and accounts for financial years commencing on or after 1 April 2022.

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