



**Πρόγραμμα Μεταπτυχιακών Σπουδών
στη Φορολογική Λογιστική και Χρηματοοικονομική
Διοίκηση Στρατηγικών Αποφάσεων**

Τμήμα Οργάνωσης και Διοίκησης Επιχειρήσεων

Διπλωματική Εργασία

**Η Πολυμορφία ως προς το Φύλο των Διοικητικών Συμβουλίων
και η Απόδοση των Εταιρειών στην Ευρώπη**

του

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**Υποβλήθηκε ως απαιτούμενο για την απόκτηση του
Μεταπτυχιακού Διπλώματος στη Φορολογική Λογιστική και
Χρηματοοικονομική Διοίκηση Στρατηγικών Αποφάσεων**

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ΠΕΡΙΛΗΨΗ

Η παρούσα εργασία έχει ως σκοπό να προσφέρει μία ανάλυση σχετικά με την ποικιλομορφία ως προς το φύλο των διοικητικών συμβουλίων των εταιρειών και πως αυτή επηρεάζει την απόδοση της εταιρείας. Η ανάλυση επικεντρώνεται στην Ευρώπη και σε μια αναφορά στα ελληνικά δεδομένα. Παράλληλα, παρουσιάζεται η στρατηγικής της Ευρωπαϊκής ένωσης για θέματα ισότητας μέχρι και το έτος 2025 και τα Ευρωπαϊκά και ελληνικά νομοθετήματα σχετικά με τις ποσοτώσεις των φύλων στα διοικητικά συμβούλια των εταιρειών. Για την έκβαση της μελέτης χρησιμοποιήθηκε κυρίως βιβλιογραφία από τα νομοθετήματα της Ευρωπαϊκής Ένωσης και τα αντίστοιχα ελληνικά, ενώ χρήσιμες ήταν και οι πληροφορίες από το Ευρωπαϊκό Ινστιτούτο για την Ισότητα των Φύλων. Το συμπέρασμα που προκύπτει σχετικά με το εάν υπάρχει σχέση μεταξύ των ποσοτώσεων ως προς το φύλο στα διοικητικά συμβούλια των εταιρειών στην Ευρώπη και της απόδοσης των εταιρειών είναι αμφιλεγόμενο.

Λέξεις κλειδιά: Φύλο, Διοικητικό Συμβούλιο, Απόδοση Εταιρείας, Ευρωπαϊκό Ινστιτούτο για την Ισότητα των Φύλων

ABSTRACT

The purpose of this paper is to offer an analysis regarding the gender diversity of the boards of directors of companies and how it affects the performance of the firms. The analysis focuses on Europe and has also a reference to Greek data. At the same time, the strategy of the European Union for equality issues up to the year 2025 and the European and Greek legislation regarding gender quotas on company boards are presented. For the outcome of the study, mainly bibliography from the legislation of the European Union and the corresponding Greek was used, while the information from the European Institute for Gender Equality was also useful. The conclusion drawn as to whether there is a relationship between gender quotas on corporate boards in Europe and corporate performance is controversial.

Keywords: Gender, Board of Directors, Firm Performance, European Institute for Gender Equality

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Chapter 1

Introduction

1.1 Introductory Remarks

The board of directors performs a number of important functions in a company. First, corporate boards control and monitor management. Given the separation of ownership and management in listed companies, the interests of both parties may not be aligned, as management could pursue its own interests and engage in opportunistic behavior. The board of directors aims to ensure that the interest of shareholders is at the center of management's actions and strategies and therefore represents the most important internal control tool.¹

The ambiguous effects of board size, composition and independence on firm performance are attracting academic interest. Managers usually have the ability to influence firm performance. However, the ways in which diversity affects the performance is still highly debated in the field of corporate governance. Diversity refers to the variety inherent in board composition which has multiple dimensions, such as ethnicity, age and gender.²

However, academia is inconclusive about the effects of board diversity on firm performance. On one hand, academia argues that boards with greater diversity improve board effectiveness and thus board performance. On the other hand, research has also identified some disadvantages of board diversity. Diversity can potentially improve performance by improving board decision-making, while it can also lead to a loss of performance through an increased risk of conflict among directors.³

This paper examines the effect of mandatory gender quotas on boards as a country-level factor influencing the main relationship between board diversity and firm performance. In recent years, countries, especially in the European Union (EU), have implemented laws requiring listed companies to fill a certain threshold of board seats with female directors.

¹ Fama & Jensen, 1985, Organizational forms and investment decisions, *Journal of financial Economics*, pp. 100-120

² Campbell & Minguez-Vera, 2008, Gender Diversity in the Boardroom and Firm Financial Performance, *Journal of Business Ethics*, pp 430-450

³ Erhardt, Werbel & Shrader, 2003, Board of director diversity and firm financial performance. *Corporate Governance: An International Review*, pp. 100-115

In this research, we investigate the relationship between board diversity factors and firm performance. More specifically, the most basic research questions of this study include: How gender diversity on the board of directors affects business performance?

In order to serve the purposes of the research we conduct a study using the comprehensive literature review. We try to present board gender diversity and firm performance, while providing basic concepts about corporate governance, board of directors and EU agenda regarding board gender diversity.

1.2 Literature Review

Despite the abundance of literature on corporate governance, establishing a precise definition of the concept has always posed challenges. Various definitions exist, each emphasizing certain aspects over others, prompting authors to seek common features among them. The modern studies on corporate governance trace back to Berle & Means (1932), who highlighted the separation between ownership (shareholders) and control (management) within companies, a division that becomes almost inevitable with increasing company size and management complexity. These authors were among the first to recognize the managerial abilities of managers as crucial resources alongside the capital provided by shareholders, thus identifying a potential conflict of interests between shareholders and management, later formalized in agency theory frameworks.

One prominent subdivision, proposed by Pugliese (2008), distinguishes between "narrow" and "broad" definitions of corporate governance. Narrow definitions, heavily influenced by agency theory, focus on key corporate bodies such as management, the board of directors, and shareholders, while broad definitions encompass a wider array of stakeholders associated with the company. Recent studies have expanded the traditional shareholder-centric view of corporate governance, which prioritizes the protection and maximization of shareholder wealth, to include a stakeholder-oriented approach, acknowledging the interests of various stakeholders beyond shareholders.

Among the notable definitions is the one which was put forth by the OECD in 1999:

“Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and

responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance”.

This definition underscores the allocation of rights and responsibilities among various corporate entities (Board of Directors, management, shareholders, and other stakeholders), delineating the regulations and procedures essential for governing decision-making processes. Berle & Means' (1932) seminal study has spawned numerous theories of corporate governance, including agency theory and subsequent stewardship theory. Over time, there has been a progressive evolution in the concept of corporate governance, transitioning from a sole focus on shareholders to considering multiple stakeholders, even those external to the company's organizational structure.⁴

Gender diversity has increasingly garnered attention from external actors such as public opinion, academia, and governments, influencing corporate activities. Consequently, it has become a crucial factor in shaping a more suitable and widely accepted corporate governance framework.

1.3 Structure

Regarding the structure of the thesis, it consists of six chapters. The main body is divided into six chapters, which analyze the central theme of this work and end up in the relevant conclusions.

1.4 Methodology

The work follows the methodology of comparative analysis and presents the issues related to the topic of gender diversity in the boards of directors of companies and how that interacts with their firm performance. Data were drawn from the legislative acts of the European Union and Greece. In order to draw the conclusions, data from the European

⁴ Salaris, 2020, Gender Diversity in the board of directors: an explanatory analysis of the Italian Companies, University degli Studi di Cagliari

Union, the Hellenic Corporate Governance Council and the European Institute for Gender Equality were used, while important information about the outcome of the work was drawn from academia research articles.

Chapter 2

Theories – Board Gender Diversity

2.1 The theory of Representation

The theory of representation is the primary theory that emerges for exploring gender diversity in the Board of Directors (BoD). The representation model ranks among the oldest theories in the management and economics literature. This theory describes the separation of ownership and control of the company, outlining the problems arising from this separation. It assists in implementing corporate governance mechanisms and aligns the interests of management and shareholders with the aim of the company's profitability.⁵

One of the prevailing views regarding this theory is that external members of the board will not conspire with internal members to undermine the interests of shareholders but will operate independently to defend shareholders' interests. An argument used to support the independence of the BoD is its diversity, suggesting that the different gender, nationality, or cultural backgrounds of members may create a more activist BoD, introducing diverse thoughts and concerns. Furthermore, researchers argue that boards adopting gender diversity dedicate more effort to monitoring compared to boards where one gender is underrepresented. Enhancing supervision through female representation appears to improve the effectiveness of the BoD.⁶ However, this diversity in the composition of the board may not necessarily lead to profitable outcomes but rather to the marginalization of different members.⁷

2.2 The Theory of Human Capital

The theory of human capital relates to an individual's stock in terms of their educational background, skills, and experiences. For members of the board of directors of

⁵ Leepsa et al, 2017, Agency Theory: Review of Theory of Evidence on Problems and Perspectives. Indian Journal of Corporate Governance, pp. 70-95

⁶ Schmidt, 2019, Board Gender Diversity and Firm Performance: How do Educational Levels and Board Gender Quotas affect this Relationship? Evidence from Europe. Department of Business Studies, pp.43-44

⁷ Carter, Simkins & Simpson, 2003, Corporate Governance, Board Diversity and Firm Value, Financial Review, Volume 38, Issue 1, pp. 33-53

any organization, human capital can be utilized to their advantage, thereby influencing their effectiveness and profitability.⁸

This theory complements certain concepts associated with board diversity originating from the resource dependence theory. Despite claims that women may lag in human capital, research by Singh dispels this myth by noting that in the United Kingdom, women are more likely to hold MBA degrees and have international experience.⁹

Thus, according to the theory of human capital, the performance of the board of directors is influenced by the diversity of its composition as a result of unique human capital, with the impact being either positive or negative in terms of financial performance each time.

2.3 The Resource Dependence Theory

Following the monitoring function of the board of directors aimed at reducing representation conflicts, the second primary function of the board is to provide resources.¹⁰ This function incorporates the resource dependence theory, which, according to Pfeffer and Salancik (1978), suggests that boards of directors serve as a connecting link of the company with external entities. According to them, the benefits to the enterprise from external connections include information in the form of advice, access to information channels, privileged access to resources, and the legitimacy of the enterprise in the external environment.

It is one of the main arguments for diversity in boards of directors, as it can improve the information provided by the board. Female directors can contribute to boards of directors by providing legitimacy, which results in an improvement in the company's image. With diversity in terms of gender on the board of directors, different and unique sets of information can be produced for management, resulting in better decision-making. Knowing this, the company should recruit members with specific knowledge, unique information, and business contacts, as this way the company will have access to rare

⁸ Carter, et al,2010, The Gender and Ethnic Diversity of US Boards and Board Committees and Firm Financial Performance. *Corporate Governance: An International Review*, p. 396–414

⁹ Terjesen et al, 2009, Women Directors on Corporate Boards: A Review and Research Agenda. *Corporate Governance. An International Review* 1, May, pp. 320-337

¹⁰ Schmidt, 2019, Board Gender Diversity and Firm Performance: How do Educational Levels and Board Gender Quotas affect this Relationship? Evidence from Europe. *Department of Business Studies*, pp.43-44

resources such as information, knowledge, and experience. Therefore, by including women on the board of directors, the company can improve its access to rare resources and thus its performance and profitability.

2.4 The Stakeholder Theory

The stakeholder theory asserts that the managerial executives comprising the board of directors have the responsibility to ensure that the interests of the shareholders remain satisfied. This theory primarily concerns the design of a governance structure that responds to the interests of all stakeholders, including the employees of the respective enterprise, creditors, suppliers, the local community and even competitors.

Several studies seem to work with the above theory, with their results indicating that the actions and performance of each director on the board vary according to gender, age, nationality, and education.¹¹ Gender diversity on boards of directors is significant through both real and symbolic representations, with women enhancing the legitimacy and credibility of the board, bolstering shareholders' trust in the company, and thus contributing to market performance.

Chapter 3 EU

Gender Equality Strategy 2020-2025

3.1 Actions, Aims and Implementation of the Agenda

The European Union is committed to promoting equality between men and women in all its activities, as mandated by its treaties. Gender equality is not only a fundamental right but also a central tenet of the European Pillar of Social Rights and a reflection of the EU's values. It is crucial for fostering innovation, competition, and prosperity in the European economy. Embracing diversity and utilizing all talents is essential for achieving

¹¹Khatib et al, 2020, Nudging towards diversity in the boardroom: A systematic literature review of board diversity of financial institutions. *Business Strategy and the Environment*. pp 10-17, 900-950.

our full potential in business, politics, and society as a whole. Gender equality leads to increased employment and productivity, which is particularly important as we transition to greener and more digital economies and address demographic challenges.

The EU is recognized as a global leader in gender equality, with 14 of its member states ranking among the top 20 worldwide. This achievement is attributed to strong legislation ensuring equal treatment, efforts to integrate gender perspectives into various policy areas, and laws targeting specific inequalities. Over the past decades, the EU has made significant strides in advancing gender equality.

While progress towards gender equality in the EU has been slow, no Member State has fully achieved it. The average score on the EU Gender Equality Index in 2019 was 67.4 out of 100, with only a modest improvement of 5.4 points since 2005. It's clear that advancements in gender equality are not guaranteed and can regress without sustained efforts.

There is a pressing need to revitalize efforts to promote gender equality. Despite strides in education, disparities persist in employment, pay, care-giving responsibilities, political representation, and pension benefits. Additionally, sexist hate speech and resistance to combating gender-based violence and stereotypes remain significant challenges. Gender-based violence and harassment remain prevalent, as evidenced by movements like #MeToo, which have shed light on pervasive sexism and abuse faced by women and girls while also empowering them to speak out and seek justice.

The European Commission's Gender Equality Strategy for 2020-2025 outlines its approach to addressing these challenges. The goal is to create a Europe where gender-based violence, discrimination, and structural inequalities are eradicated, and where everyone, regardless of gender or identity, has equal opportunities to pursue their chosen paths and participate fully in society.

The strategy emphasizes a dual approach: targeted measures to achieve specific gender equality objectives and strengthened gender mainstreaming. Gender mainstreaming involves systematically integrating a gender perspective into all stages of policy design across all EU policy areas, both internally and externally. Intersectionality will be a guiding principle, recognizing how gender intersects with other personal characteristics and identities, shaping individuals' experiences of discrimination.

In 2020, commemorating the 25th anniversary of the Beijing Declaration and Platform for Action, the EU presents this strategy as its contribution to fostering a more equitable world for all genders. It aligns with the objectives of SDG 5 on gender equality and underscores the significance of gender equality as a fundamental aspect across all Sustainable Development Goals. Furthermore, it upholds the EU's dedication to upholding the UN Convention on the Rights of Persons with Disabilities.

Everyone should feel safe in various settings, including homes, workplaces, public spaces, and online platforms, regardless of gender or identity. Gender-based violence remains a significant challenge rooted in inequality, both within and outside the EU. The EU is committed to preventing and addressing gender-based violence comprehensively, drawing on international standards like the Istanbul Convention. Efforts include proposing measures to harmonize laws on specific forms of gender-based violence, such as sexual harassment and female genital mutilation, and adopting a Recommendation on preventing harmful practices. A Victims' Rights Strategy will address the needs of victims, particularly those of gender-based violence. Additionally, the EU will develop measures to address violence experienced by women with health problems or disabilities, focusing on awareness-raising and support services.

Gender stereotypes hinder progress toward equality by limiting individuals' aspirations and choices. These stereotypes also perpetuate the gender pay gap and intersect with other biases. In fields like Artificial Intelligence (AI), where women's participation is crucial, efforts are needed to ensure AI development remains inclusive and free from biases. The EU's approach, outlined in the White Paper on AI, emphasizes non-discrimination and gender equality. Horizon Europe will contribute to addressing gender biases in AI and debunking stereotypes across various domains. Media and cultural sectors play a vital role in shaping attitudes and perceptions and will be supported in promoting gender equality through initiatives like Creative Europe and the MEDIA sub-programme. Furthermore, the EU will launch a communication campaign targeting gender stereotypes, engaging youth and adopting an intersectional approach.

In addition to the actions outlined by the Commission, it urges the following: Council: To swiftly conclude the EU's accession to the Istanbul Convention and ensure its rapid ratification. Member States: To ratify and implement the Istanbul Convention, as well as

the ILO Convention on combating violence and harassment in the workplace. They should also implement directives protecting victims of gender-based violence and systematically collect and report data on gender-based violence. Member States are encouraged to support civil society and public services in combating gender-based violence and stereotypes, with the assistance of EU funding under the "citizens, equality, rights and values" program (2021-2027).

Closing Gender Gaps in the Labor Market: Enhancing women's participation in the workforce is crucial for economic prosperity and empowerment. While women's employment rates have risen, significant barriers persist, particularly for women facing intersecting vulnerabilities. Improving work-life balance, as facilitated by the Work-Life Balance Directive, is essential, as is addressing gender disparities in traditionally male-dominated sectors. The European Semester will continue to monitor gender equality challenges, while the structural reform support program aims to close the gender employment gap and address poverty among older women.

Addressing the Gender Pay and Pension Gap: Despite legal provisions, women still earn less than men on average, leading to wider pension gaps and increased risk of poverty among older women. The Commission plans to introduce binding measures on pay transparency to address this issue. Additionally, reducing the gender pension gap requires exploring pension credits for care-related career breaks and assessing pension system sharing between genders.

Closing the Gender Care Gap: Balancing work and care-giving responsibilities remains a challenge for women, particularly single parents and those in rural areas. Equal sharing of care responsibilities and access to affordable childcare services are crucial for women's participation in the workforce. The Commission aims to revise childcare targets, propose a Child Guarantee, and invest in care services to support women's employment and reduce inequalities.

In addition to Commission initiatives, Member States are urged to transpose and implement EU directives, invest in childcare and long-term care services, and support initiatives like "Women in Digital".

Achieving Gender Balance in Decision-Making: It's crucial for companies, communities, and countries to be led by both women and men, reflecting their diverse

perspectives. Gender should not determine one's career path. However, there's still a notable lack of women in leadership positions across various sectors, despite existing gender parity at lower levels. Inclusive leadership is essential for addressing complex challenges effectively and fostering innovation. Diverse representation leads to better decision-making and drives economic growth. Despite progress, women remain underrepresented in decision-making roles in European businesses.

Corporate Boards and Political Representation: Efforts to break the glass ceiling include advocating for the adoption of a Directive aimed at achieving a minimum of 40% gender balance on corporate boards. The Commission will promote the exchange of best practices and cooperation through platforms like the EU Platform of Diversity Charters and projects like the European Gender Diversity Index. Ensuring equal opportunities for participation is vital for democracy, and the Commission will support initiatives to increase women's participation in the 2024 European Parliament elections. EU institutions must lead by example in achieving gender balance in leadership positions. The Commission aims to achieve gender parity at all levels of its management by the end of 2024, implementing measures such as setting quantitative targets and leadership development programs.

Supporting Member States: The Commission will assist Member States in developing effective strategies to increase women's representation in decision-making roles through initiatives like the Mutual Learning Program in Gender Equality and data dissemination in collaboration with the European Institute for Gender Equality (EIGE).

In addition to Commission actions, it urges European Parliament and Council to adopt measures for improving gender balance on corporate boards and at all levels of their management, it urges Member States to transpose and implement the Directive on improving gender balance on corporate boards and to develop strategies for increasing women's representation in decision-making positions in politics and policy-making.

Mainstreaming Gender by the meaning of Recognizing that core challenges like the green and digital transitions and demographic shifts have gender dimensions, the EU is committed to incorporating a gender perspective into all its policies and processes. Gender mainstreaming aims to ensure fairness, equal opportunities, and the redistribution of power and resources among all individuals, regardless of gender identity.

The Commission will embed a gender perspective in all major initiatives, facilitated by the appointment of the first Commissioner for Equality and the establishment of a Task Force for Equality comprising representatives from all Commission services. This approach will ensure the operational integration of equality, including gender equality, across various policy areas.

Policies such as the European Green Deal and digitization initiatives can affect women and men differently. Addressing the gender dimension in these policies is crucial for leveraging their full potential. For instance, climate change policies may impact women and men unequally, highlighting the need for gender-sensitive approaches to maximize their effectiveness.

Health policies, including the EU Beating Cancer Plan, will integrate a gender dimension to address gender-specific health risks and promote sexual and reproductive health rights. The EU Drugs Agenda will also address gender-specific challenges in substance abuse among women and girls.

Recognizing that women experience discrimination based on multiple personal characteristics, EU policies will address intersectionality by considering how gender intersects with other forms of discrimination. For example, policies on integration, disability rights, LGBTI+ rights, Roma inclusion, and children's rights will be linked to gender equality policies, ensuring a holistic approach that responds to the diverse needs of women and girls.

The Commission's proposals for the Multi-Annual Financial Framework (MFF) ensure that the gender dimension is incorporated across various EU funding instruments, including the European Social Fund Plus, the European Regional Development Fund, Creative Europe, and others. Funding will support initiatives aimed at promoting women's participation in the labor market, improving work-life balance, investing in care facilities, fostering female entrepreneurship, combating gender segregation in professions, and addressing gender imbalances in education and training.

The proposed Common Provisions Regulation includes specific "enabling conditions," requiring Member States to have national gender equality strategic frameworks in place to access funds for initiatives related to improving gender balance in the labor market, work-life balance, or childcare infrastructure. Gender equality is also a key

principle under the horizontal "enabling conditions" related to the effective implementation of the Charter of Fundamental Rights.

Dedicated funding under the Citizens, Equality, Rights, and Values Programme will support projects by civil society organizations and public institutions aimed at preventing and combating gender-based violence, with a focus on the specific needs of women and girls in asylum and migration contexts.

In Horizon Europe, measures will be introduced to strengthen gender equality, including requiring gender equality plans from applicants and initiatives to increase the number of women-led technology start-ups. Funding will also be available for gender and intersectional research.

Funding opportunities will support initiatives to increase women's entrepreneurship, promote participation in decision-making, and invest in basic services development in rural areas under the Common Agricultural Policy. A new call dedicated to women in the "blue economy" is planned as part of the European Maritime and Fisheries Fund.

An Inclusion and Diversity Strategy will guide the future Erasmus+ programme to address gender inequalities across education, training, youth, and sports sectors.

The Commission's guidance on socially responsible public procurement will aim to combat discrimination and promote gender equality in public tenders.

The Commission will assess the gender impact of its activities and explore ways to measure expenditure related to gender equality in the 2021-2027 MFF. This will improve gender mainstreaming in the Commission's budget process, aligning policy design and resource allocation with gender equality objectives.

Gender inequality is a pressing issue worldwide, and the EU is committed to advancing gender equality and women's empowerment both internally and externally. In its external actions, the EU integrates gender equality into partnerships, dialogues with third countries, trade policy, and policies related to fragile situations. The EU's action plan on gender equality and women's empowerment in external relations (2016-2020) focuses on ending violence against women, promoting economic and social empowerment, and ensuring human rights fulfillment. Building on this, GAP III will be launched in 2020 with a comprehensive approach.

The EU supports women's human rights, sexual and reproductive health and rights, and efforts to combat sexual and gender-based violence globally. Initiatives like the Spotlight Initiative and the #WithHer campaign aim to eliminate violence against women and challenge harmful gender norms. Additionally, the EU will adopt the EU Action Plan on Human Rights and Democracy (2020-2024) and continue implementing the EU Strategic Approach and Action Plan on Women, Peace, and Security.

In trade policy, the EU actively addresses gender aspects, gathers gender-disaggregated data, and considers gender impact in trade initiatives. The External Investment Plan is utilized to promote women's entrepreneurship and labor market participation in partner countries. Gender mainstreaming is prioritized in budget processes, aiming for 85% of all new programs to contribute to gender equality.

Achieving gender equality in the EU requires joint efforts by EU institutions, Member States, civil society, social partners, and the private sector. The European Parliament and the Council have demonstrated their commitment to gender equality through resolutions and calls for strengthening gender mainstreaming in all policy areas.

Collaboration with civil society, including women's movements and organizations, international organizations, and governments, is essential for progress on gender equality. The Commission urges the European Parliament and the Council to advance existing and forthcoming Commission proposals promptly. Member States are encouraged to utilize available tools for EU financial support and improve gender equality.

The key actions outlined in the strategy will be regularly updated and monitored, with progress reported annually. These reports will serve as political assessments of progress made, incorporating data from various sources, including Eurostat and Eurofound, and indicators for measuring progress. EIGE will provide data and research to inform evidence-based policymaking.

By 2025, progress can be achieved towards a Europe where gender equality is realized, enabling individuals to pursue their chosen paths in life, reach their full potential, thrive equally, and participate and lead in European society regardless of gender.¹² These

¹²European Commission, 2020, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Unions of Equality, Gender Equality Strategy 2020-2025

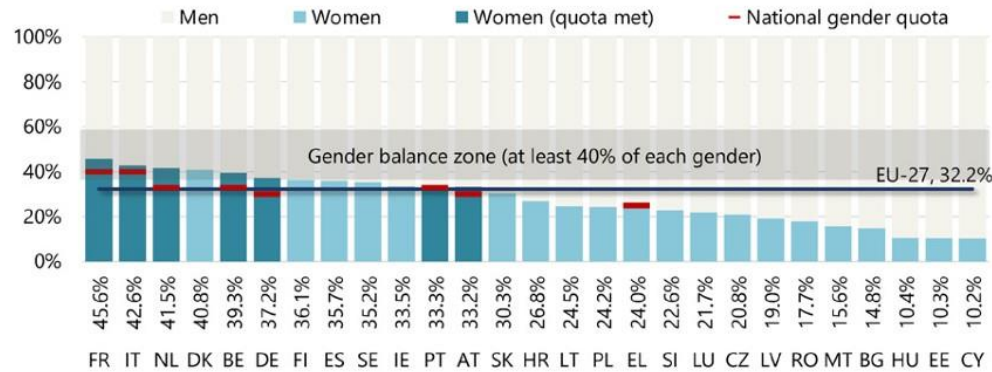
are the aims of the European Union regarding the abovementioned Agenda and the actions which should be taken in order to meet them.

3.2 Before the Directive

The EU is addressing the gender disparity in top corporate positions with new regulations aiming to increase the representation of women on corporate boards. These rules include setting targets for female representation, implementing transparent and merit-based appointment criteria, giving priority to underrepresented genders in cases of equal qualifications, and requiring companies to disclose their qualification criteria upon request. Additionally, companies failing to meet these targets must provide reasons and measures to rectify the shortfall and may face penalties such as fines or annulment of appointments. Information on companies' progress towards these targets will be made public to encourage compliance.

Action is required because there is still a significant gender imbalance in top corporate positions, with men predominantly occupying these roles. Women hold less than one in ten board chair and CEO positions, and they represent less than a third of board members in large listed companies. Although there has been progress, with the proportion of women on boards reaching 32.2% in October 2022, it still falls short of the desired gender balance threshold of 40%.

Share of women and men on the boards of the largest listed companies in the EU, October 2022

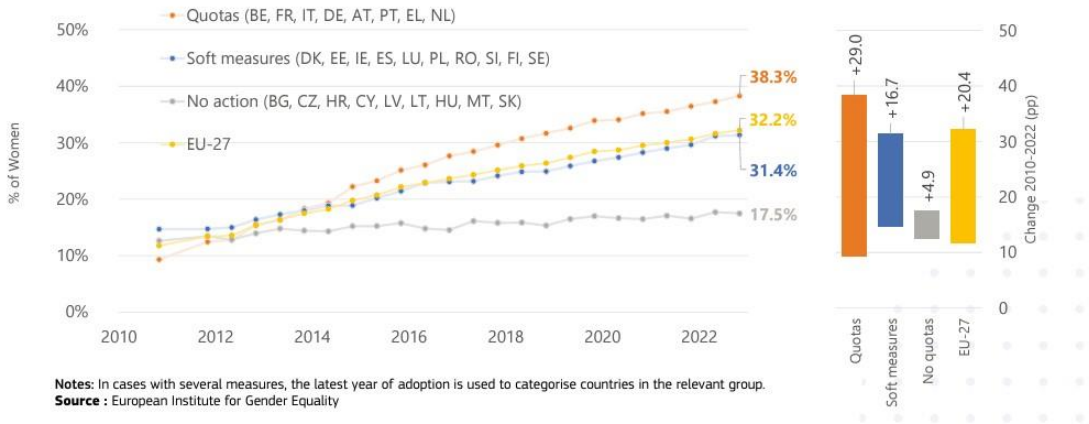


National gender quota targets: FR, IT (40%), BE, NL, PT (33%), DE, AT (30%), EL (25%).
 Source : European Institute for Gender Equality

The implementation of gender quotas and softer measures has been instrumental in driving progress towards gender balance on corporate boards. As of now, eight Member

States have national gender quotas that apply to the boards of listed companies. The impact of these binding quotas is evident: in October 2022, women constituted an average of 38.3% of board members in Member States with binding quotas, compared to 31.4% in those with softer measures, and only 17.5% in Member States with no action taken at all.¹³

Proportion of women on the boards of the largest listed companies in EU Member States with and without national gender quotas, 2010-2022



3.3 The Reasoning of the Directive

The European Parliament and the Council of the European Union, guided by the Treaty on the Functioning of the European Union and the proposal put forth by the European Commission, and following consultation with national Parliaments, the European Economic and Social Committee, and the Committee of the Regions, acted within the ordinary legislative procedure and they considered the following legislations and their point of view is¹⁴:

Equality, as enshrined in the Treaty on European Union, is fundamental to the Union and its Member States. The Union is mandated to promote equality between women and men.

¹³ European Commission, 2022, Gender Balance on Corporate Boards, Driving up gender equality and breaking the glass ceiling, Available: https://commission.europa.eu/document/download/1f1ac9fd-94d1-426d-b46d-8b8dbcbea841_en?filename=Gender_Balance_on_Corporate_Boards__2_.pdf.pdf

¹⁴ 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, Available: <http://data.europa.eu/eli/dir/2022/2381/oj>

Article 157(3) of the Treaty on the Functioning of the European Union empowers the European Parliament and the Council to adopt measures ensuring equal treatment of men and women in employment.

Positive action is permitted under Article 157(4) of the Treaty, allowing Member States to implement measures favoring underrepresented genders to address inequalities in employment.

The European Pillar of Social Rights emphasizes equality between women and men, including in labor participation and career progression.

Achieving gender equality in the workplace requires a holistic approach, encompassing gender-balanced decision-making and closing the gender pay gap, which is crucial for reducing poverty among women.

Previous Council Recommendations have urged Member States to promote gender-balanced decision-making, particularly in the private sector.

This Directive aims to promote equal opportunities between women and men, particularly in top management positions, through transparent and merit-based selection processes.

The Commission has consistently highlighted the need to address gender imbalances in decision-making roles, both in political and economic spheres, through various initiatives.

The Council acknowledges the importance of gender equality policies for economic growth and urges actions to promote equal participation of women and men in decision-making to utilize all available talents effectively.

The Europe 2020 Strategy recognizes the importance of increasing women's labor market participation for economic growth and aims to eliminate the gender pay gap and barriers to women's employment, with a particular focus on increasing women's representation in economic decision-making. In light of the above, enhancing women's participation in decision-making is crucial for economic recovery and resilience, as inclusion and diversity are essential for competitiveness, innovation, and professional standards, especially in the aftermath of the COVID-19 crisis.

The European Parliament urged companies to increase female representation in management bodies to 30% by 2015 and 40% by 2020. If insufficient progress is made,

legislation including quotas should be proposed. This legislation should be temporary, acting as a catalyst for rapid reforms to address gender inequalities in economic decision-making.

Union institutions should lead by example in promoting gender equality, setting goals for balanced representation in management. The Commission, for example, aims for full gender equality in its management by 2024 and shares best practices with other institutions. The European Parliament and the Council have also committed to gender balance in their management.

Companies must support the development of female talent at all levels to ensure opportunities for board and management positions.

Directive (EU) 2019/1158 promotes work-life balance and equal sharing of caring responsibilities between women and men, aiding gender equality in decision-making.

Heightened awareness of the benefits of gender equality is necessary in business education. Regular turnover of directors and positive measures can promote diversity in decision-making bodies.

The Union possesses a large pool of highly qualified women, and achieving gender balance on boards is essential for economic and demographic challenges. Studies show diversity improves corporate governance and financial performance.

Increasing women's representation on boards attracts female talent and helps close gender employment and pay gaps.

Despite existing laws and actions, women remain vastly underrepresented in company leadership. This undermines principles of equal opportunities and treatment. Measures to support women's career progression, particularly in listed companies, are crucial.

Progress towards gender balance on boards varies across Member States. Sharing effective measures and best practices can support Union-wide progress.

Divergent national regulations or lack thereof create barriers for listed companies operating across borders. Harmonizing requirements can facilitate business operations and gender balance.

Women are underrepresented in senior management, particularly in certain fields. Increasing women's advancement to management positions is essential for board recruitment.

Transparent selection criteria are vital for achieving gender balance on boards, ensuring equal consideration of candidates' qualifications regardless of gender.

Lack of transparency in selection processes hinders gender balance and investor decisions. Clear procedures enable fair assessment of candidates' merits.

While not aiming for detailed harmonization, this Directive establishes minimum requirements for transparent and objective selection processes in listed companies to achieve gender balance.

Binding measures at the Union level are necessary to increase women's presence on boards, fostering economic growth and gender equality.

Listed companies should develop gender equality policies, including diverse recruitment strategies and support for women's career development, to achieve balanced gender representation.

Listed companies hold significant economic importance and influence, setting standards for the broader economy. Due to their public nature, they warrant greater regulation in the public interest.

The measures outlined in this Directive should be applicable to listed companies.

Micro, small, and medium-sized enterprises (SMEs) are exempt from the provisions of this Directive.

The Member State where a listed company is registered should regulate matters covered by this Directive. National laws regarding companies' applicable laws remain unaffected by this Directive.

Various board structures exist for listed companies across Member States, including dual systems with separate management and supervisory boards or unitary systems combining both functions. This Directive applies to all such systems.

Board systems typically distinguish between executive directors involved in daily management and non-executive directors providing oversight. This Directive aims to improve gender balance among both categories of directors.

In some Member States, non-executive directors may be appointed or elected by the company's workforce or employee organizations. The Directive's objectives apply to such directors, with Member States ensuring compliance considering specific rules for employee representatives.

Member States should aim for boards to have at least 40% non-executive directors of the underrepresented sex by June 30, 2026, or 33% of all directors, regardless of executive status.

These objectives promote overall gender balance without dictating specific appointments, allowing companies and shareholders to make individual decisions.

Public undertakings under this Directive's scope should serve as models for the private sector due to Member States' influence over them.

To achieve the Directive's objectives, the number of director positions should approximate 40% or 33%, not exceeding 49%.

Positive action for gender balance can be justified if equally qualified candidates are considered and priority is not automatic or unconditional.

Companies should select candidates based on clear and objective criteria, such as managerial experience and skills, to improve gender balance on boards.

Equally qualified candidates of the underrepresented sex should be prioritized in selection, but exceptions may apply based on broader diversity policies.

Companies meeting the Directive's gender balance objectives are exempt from certain selection requirements.

Selection methods vary, but companies should meet the Directive's requirements at the appropriate stage, allowing for gender equality without unduly interfering with management.

Companies should inform candidates about selection criteria and assessment processes, balancing transparency with privacy rights and data protection regulations.

If a candidate of the underrepresented sex for a director position demonstrates before a court or competent authority that they were equally qualified as the selected candidate of the opposite sex, the listed company must justify its choice.

While this Directive sets minimum requirements for improving board gender composition, it acknowledges the effectiveness of existing national measures in achieving

this goal. Member States with satisfactory measures may suspend certain requirements of this Directive if conditions are met.

Listed companies must annually report on board gender composition and measures taken to achieve Directive objectives. This information should be easily accessible on their websites and in annual reports, with exemptions for Member States suspending certain Directive requirements.

Penalties for non-compliance with Directive obligations must be effective, proportionate, and dissuasive. Member States must provide administrative or judicial procedures for enforcement, with penalties including fines or annulment of director selection decisions.

Member States or listed companies can implement or maintain more favorable measures for gender balance.

Member States should designate bodies to promote, analyze, and monitor board gender balance. Information campaigns and sharing best practices would raise awareness and encourage proactive gender balance efforts, including support for SMEs.

This Directive upholds fundamental rights and principles of the Charter, contributing to gender equality, the right to work, and access to effective remedies and fair trials.

Given the ineffectiveness of individual Member State actions in achieving board gender balance, a common Union approach is necessary. This Directive sets common objectives and principles to accelerate progress, allowing Member States flexibility in implementation.

Member States should involve social partners and civil society in informing them about Directive significance, transposition, and implementation.

Objectives for listed companies should be temporary until sustainable progress is achieved in board gender composition. The Commission will regularly review the Directive's application and assess the need for extension.

Member States must provide explanatory documents alongside transposition measures, justifying the relationship between Directive components and national transposition instruments.

3.4 The Directive (EU) 2022/2381

The Directive as it was adopted:

«Article 1

Purpose

This Directive aims to achieve a more balanced representation of women and men among the directors of listed companies by establishing effective measures that aim to accelerate progress towards gender balance, while allowing listed companies sufficient time to make the necessary arrangements for that purpose.

Article 2

Scope

This Directive applies to listed companies. This Directive does not apply to micro, small and medium-sized enterprises (SMEs).

Article 3

Definitions

For the purposes of this Directive, the following definitions apply:

‘listed company’ means a company which has its registered office in a Member

1) State and whose shares are admitted to trading on a regulated market within the meaning of Article 4(1), point (21), of Directive 2014/65/EU in one or more Member States;

‘board’ means an administrative, management or supervisory body of a listed

2) company;

‘director’ means a member of a board, including a member who is an

3) employees’ representative;

‘executive director’ means a member of a unitary board who is engaged in the

4) daily management of a listed company or, in the case of a dual board system, a member of the board which carries out the management functions of a listed company;

‘non-executive director’ means a member of a unitary board other than an

5) executive director or, in the case of a dual board system, a member of the board which carries out the supervisory functions of a listed company;

‘unitary board’ means a single board that carries out both the management and

6) supervisory functions of a listed company;

‘dual board system’ means a system in which the management and supervisory

7) functions of a listed company are carried out by separate boards;

‘micro, small and medium-sized enterprise’ or ‘SME’ means a company which

8) employs less than 250 persons and has an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million, or, for an SME having its registered office in a Member State whose currency is not the euro, the equivalent amounts in the currency of that Member State.

Article 4

Applicable law

The Member State competent to regulate matters covered by this Directive in respect of a given listed company shall be the Member State in which that company has its registered office. The applicable law shall be the law of that Member State.

Article 5

Objectives with regard to gender balance on boards

1. Member States shall ensure that listed companies are subject to either of the following objectives, to be reached by 30 June 2026:

members of the underrepresented sex hold at least 40 % of non-executive

a) director positions;

members of the underrepresented sex hold at least 33 % of all director positions,

b) including both executive and non-executive directors.

2. Member States shall ensure that listed companies which are not subject to the objective laid down in paragraph 1, point (b), set individual quantitative objectives with a view to improving the gender balance among executive directors. Member States shall ensure that such listed companies aim to achieve such individual quantitative objectives by 30 June 2026.

3. The number of non-executive director positions deemed necessary to achieve the objective laid down in paragraph 1, point (a), shall be the number closest to the proportion of 40 %, but not exceeding 49 %. The number of all director positions deemed necessary to achieve the objective laid down in paragraph 1, point (b), shall be the number closest to the proportion of 33 %, but not exceeding 49 %. Those numbers are set out in the Annex.

Article 6

Means to achieve the objectives

1. *Member States shall ensure that listed companies which do not achieve the objectives referred to in Article 5(1), point (a) or (b), as applicable, adjust the process for selecting candidates for appointment or election to director positions. Those candidates shall be selected on the basis of a comparative assessment of the qualifications of each candidate. For that purpose, clear, neutrally formulated and unambiguous criteria shall be applied in a non-discriminatory manner throughout the entire selection process, including during the preparation of vacancy notices, the pre-selection phase, the shortlisting phase and the establishment of selection pools of candidates. Such criteria shall be established in advance of the selection process.*

2. *As regards the selection of candidates for appointment or election to director positions, Member States shall ensure that, when choosing between candidates who are equally qualified in terms of suitability, competence and professional performance, priority is given to the candidate of the underrepresented sex unless, in exceptional cases, reasons of greater legal weight, such as the pursuit of other diversity policies, invoked within the context of an objective assessment which takes into account the specific situation of a candidate of the other sex and which is based on non-discriminatory criteria, tilt the balance in favour of the candidate of the other sex.*

3. *Member States shall ensure that, at the request of a candidate who was considered during selection of candidates for appointment or election to a director position, listed companies are obliged to inform that candidate of the following:*

the qualification criteria upon which the selection was based;

a)

the objective comparative assessment of the candidates under those criteria; and

b)

where relevant, the specific considerations exceptionally tilting the balance in

c) favour of a candidate who is not of the underrepresented sex.

4. *Member States shall take the necessary measures, in accordance with their national judicial systems, to ensure that where an unsuccessful candidate of the underrepresented sex establishes facts, before a court or other competent authority, from which it may be presumed that that candidate was as equally qualified as the candidate of*

the other sex who was selected for appointment or election to a director position, it is for the listed company to prove that there has been no breach of Article 6(2).

This paragraph shall not prevent Member States from introducing rules of evidence which are more favourable to plaintiffs.

5. Where the process for selecting candidates for appointment or election to director position is made through a vote of shareholders or employees, Member States shall require listed companies to ensure that voters are properly informed regarding the measures provided for in this Directive, including penalties for non-compliance by the listed company.

Article 7

Reporting

1. Member States shall require listed companies to provide information to the competent authorities, once a year, about the gender representation on their boards, distinguishing between executive and non-executive directors and regarding the measures taken with a view to achieving the applicable objectives laid down in Article 5(1) and, where applicable, the objectives set in accordance with Article 5(2). Member States shall require listed companies to publish that information in an appropriate and easily accessible manner on their websites. On the basis of the information provided, Member States shall publish and regularly update, in an easily accessible and centralised manner, a list of the listed companies that have achieved either of the objectives laid down in Article 5(1).

2. Where a listed company has not achieved one of the objectives laid down in Article 5(1) or, where applicable, the objectives set in accordance with Article 5(2), the information referred to in paragraph 1 of this Article shall include the reasons for not achieving the objectives and a comprehensive description of the measures which the listed company has already taken or intends to take in order to achieve them.

3. Where applicable, the information referred to in paragraphs 1 and 2 of this Article shall also be included in the company's corporate governance statement, in accordance with the relevant provisions of Directive 2013/34/EU.

4. The obligations set out in paragraphs 1 and 2 of this Article shall not apply in a Member State which has suspended the application of Article 6 pursuant to Article 12

where national law provides for reporting obligations that ensure the regular publication of information regarding the progress made by listed companies towards a more balanced representation of women and men on their boards.

Article 8

Penalties and additional measures

1. Member States shall lay down rules on penalties applicable to infringements by listed companies of the national provisions adopted pursuant to Article 5(2) and Articles 6 and 7, as applicable, and shall take all necessary measures to ensure that they are implemented. In particular, Member States shall ensure that adequate administrative or judicial procedures are available to enable the obligations deriving from this Directive to be enforced. The penalties shall be effective, proportionate and dissuasive. Such penalties may comprise fines or the possibility for a judicial body to annul a decision concerning the selection of directors made contrary to the national provisions adopted pursuant to Article 6 or to declare it null and void. Member States shall, by 28 December 2024, notify the Commission of those rules and of those measures and shall notify it, without delay, of any subsequent amendment affecting them.

2. Listed companies may be held liable only for acts or omissions which can be attributed to them in accordance with national law.

3. Member States shall ensure that, in the performance of public contracts and concessions, listed companies comply with applicable obligations relating to social and labour law, in accordance with applicable Union law.

Article 9

Minimum requirements

Member States may introduce or maintain provisions which are more favourable than those laid down in this Directive to ensure a more balanced representation of women and men in respect of listed companies incorporated in their national territory.

Article 10

Bodies for the promotion of gender balance in listed companies

Member States shall designate one or more bodies for the promotion, analysis, monitoring and support of gender balance on boards. For that purpose, Member States

may designate, for example, the equality bodies they have designated pursuant to Article 20 of Directive 2006/54/EC of the European Parliament and of the Council [\(13\)](#).

Article 11

Transposition

1. Member States shall adopt and publish, by 28 December 2024 the laws, regulations and administrative provisions necessary to comply with this Directive. They shall immediately inform the Commission thereof.

When Member States adopt those measures, they shall contain a reference to this Directive or shall be accompanied by such reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

2. Member States which have suspended the application of Article 6 pursuant to Article 12 shall immediately communicate to the Commission the information demonstrating that the conditions laid down in Article 12 are fulfilled.

3. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

Article 12

Suspension of the application of Article 6

1. A Member State may suspend the application of Article 6 and, where relevant, Article 5(2), where, by 27 December 2022, the following conditions have been fulfilled in that Member State:

members of the underrepresented sex hold at least 30 % of the non-executive
a) director positions or at least 25 % of all director positions in listed companies; or

that Member State's national law:

b) requires that members of the underrepresented sex hold at least 30 % of non-
i) executive director positions or at least 25 % of all director positions in listed companies;

includes effective, proportionate and dissuasive enforcement measures in the
ii) event of non-compliance with the requirements referred to in point (i); and

requires that all listed companies not covered by that national law set
iii) individual quantitative objectives for all director positions.

Where a Member State has suspended the application of Article 6 and, where relevant, Article 5(2) on the basis of either of the conditions set out in the first subparagraph of this paragraph, the objectives laid down in Article 5(1) shall be deemed to have been achieved in that Member State.

2. For the purpose of assessing the fulfilment of the conditions for a suspension on the basis of paragraph 1, first subparagraph, point (a) or (b), the number of director positions required shall be the number closest to the proportion of 30 % of non-executive directors or 25 % of all director positions, but not exceed 39 %. That shall also be the case where, pursuant to national law, the quantitative objectives laid down in Article 5 are applied separately to shareholder representatives and employee representatives.

3. Where, in a Member State which has suspended the application of Article 6 and, where relevant, Article 5(2) pursuant to paragraph 1 of this Article, the conditions set out in paragraph 1 of this Article are no longer fulfilled, Article 6 and, where relevant, Article 5(2) shall apply at the latest six months after such conditions ceased to be fulfilled.

Article 13

Review

1. By 29 December 2025, and every two years thereafter, Member States shall communicate to the Commission a report on the implementation of this Directive. Such a report shall include comprehensive information about the measures taken with a view to achieving the objectives laid down in Article 5(1), information provided in accordance with Article 7 and, where applicable, representative information about individual quantitative objectives set by listed companies pursuant to Article 5(2).

2. Member States which have suspended the application of Article 6 and, where relevant, Article 5(2) pursuant to Article 12 shall include in the reports mentioned in paragraph 1 of this Article information showing whether and how the conditions laid down in Article 12 are fulfilled and whether they continue to make progress towards a more balanced representation between women and men among non-executive director positions or all director positions in listed companies.

By 29 December 2026, and every two years thereafter, the Commission shall issue a specific report ascertaining, inter alia, whether and how the conditions laid down in

Article 12(1) are fulfilled and, as applicable, whether the Member States have resumed the application of Article 6 and Article 5(2), in accordance with Article 12(3).

3. By 31 December 2030, and every two years thereafter, the Commission shall review the application of this Directive and report to the European Parliament and to the Council. The Commission shall evaluate in particular whether the objectives of this Directive have been achieved.

4. In its report referred to in paragraph 3 of this Article, the Commission shall assess whether, in the light of developments in the representation of women and men on boards at different levels of decision-making throughout the economy and taking into account whether the progress made is sufficiently sustainable, this Directive is an efficient and effective instrument for increasing the gender balance on boards. On the basis of that assessment, the Commission shall consider whether there is a need to extend the duration of this Directive beyond 31 December 2038 or whether there is a need to amend it, for instance by extending its scope to non-listed companies which do not fall within the definition of SMEs or by revising the conditions set out in Article 12(1), first subparagraph, point (a), so as to ensure continued progress towards a more balanced representation between women and men among executive and non-executive director positions or all director positions in listed companies.

Article 14

Entry into force and expiry

This Directive shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

It shall expire on 31 December 2038.

Article 15

Addressees

This Directive is addressed to the Member States.

Done at Strasbourg, 23 November 2022.

For the European Parliament

The President - R. METSOLA

For the Council - The President- M. BEK»

3.5 The ANNEX of the Directive

TARGET NUMBERS OF DIRECTORS OF THE UNDERREPRESENTED SEX

Number of positions on the board	Minimum number of non-executive directors of the underrepresented sex necessary to meet the objective of 40 % (Article 5(1), point (a))	Minimum number of directors of the underrepresented sex necessary to meet the objective of 33 % (Article 5(1), point (b))
1	-	-
2	-	-
3	1 (33,3 %)	1 (33,3 %)
4	1 (25 %)	1 (25 %)
5	2 (40 %)	2 (40 %)
6	2 (33,3 %)	2 (33,3 %)
7	3 (42,9 %)	2 (28,6 %)
8	3 (37,5 %)	3 (37,5 %)
9	4 (44,4 %)	3 (33,3 %)
10	4 (40 %)	3 (30 %)
11	4 (36,4 %)	4 (36,4 %)
12	5 (41,7 %)	4 (33,3 %)
13	5 (38,4 %)	4 (30,8 %)
14	6 (42,9 %)	5 (35,7 %)
15	6 (40 %)	5 (33,3 %)
16	6 (37,5 %)	5 (31,3 %)
17	7 (41,2 %)	6 (35,3 %)
18	7 (38,9 %)	6 (33,3 %)
19	8 (42,1 %)	6 (31,6 %)
20	8 (40 %)	7 (35 %)
21	8 (38,1 %)	7 (33,3 %)
22	9 (40,1 %)	7 (31,8 %)
23	9 (39,1 %)	8 (34,8 %)
24	10 (41,7 %)	8 (33,3 %)
25	10 (40 %)	8 (32 %)
26	10 (38,5 %)	9 (34,6 %)
27	11 (40,7 %)	9 (33,3 %)
28	11 (39,3 %)	9 (32,1 %)

29	12 (41,4 %)	10 (34,5 %)
30	12 (40 %)	10 (33,3 %)

The Annex precisely expresses the target that each company should have regarding the provisions of the Directive.

Chapter 4

Board Gender Diversity in Greece

4.1 Corporate Governance

The Organization for Economic Co-operation and Development (OECD) defines corporate governance as the system of relationships among a company's management, shareholders, employees, and other stakeholders, with the goal of fostering strong and competitive businesses. The Corporate Governance Code, drawing inspiration from OECD principles, establishes self-regulatory measures rather than strictly legal requirements. It encourages voluntary adherence to specific practices aimed at guiding management, monitoring and controlling corporate functions, managing relationships with shareholders and other stakeholders, identifying and mitigating risks, and achieving objectives.¹⁵

4.2 Board of Directors and Gender Diversity

The Board of Directors is competent to decide on every act concerning the management of the company, the management of its property and the general pursuit of its purpose. During the establishment of the company, the appointment of a president, vice-president, managing director or authorized advisor or persons with other capacities and responsibilities for the first Board of Directors can also be done by the articles of association. The Board of Directors may at any time make a different distribution of the above properties among its members.

The members of the Board of Directors and any third party to whom powers have been delegated by it, in accordance with article 87 of Law 4548/2018, must, in the exercise of their duties and responsibilities, comply with the law, the statutes and the legal decisions

¹⁵More information available: <https://www.oecd.org/corporate/>

of the general assembly. They must manage the corporate affairs with the aim of promoting the corporate interest, supervise the execution of the decisions of the Board of Directors and the general assembly and inform the other members of the Board of Directors about the corporate affairs. The Board of Directors defines and supervises the implementation of the corporate governance system of provisions 1 to 24 of Law 4706/2020, monitors and evaluates periodically every three (3) financial years at least its implementation and effectiveness, taking the necessary actions for dealing with deficiencies. The Board of Directors ensures the adequate and efficient operation of the Company's Internal Control System.

The Board of Directors is responsible for defining the values and strategic orientation of the company, as well as the continuous monitoring of their compliance. At the same time, he remains responsible for the approval of the company's strategy and business plan, as well as for the continuous monitoring of their implementation. The Board of Directors also regularly reviews the opportunities and risks in relation to the defined strategy, as well as the relevant measures taken to address them. The Board of Directors, seeking to receive all the necessary information from its executive members or from the managers, is informed about the market and about any other development that affects the company. The Board of Directors ensures that the company's values and strategic planning are aligned with the corporate culture. The company's values and purpose are translated and put into practice and influence practices, policies and behaviors within the company at all levels. The Board of Directors and senior management set the standard for the characteristics and behaviors that shape corporate culture and exemplify its application. At the same time, they use tools and techniques aimed at integrating the desired culture into the company's systems and processes. The Board of Directors understands the company's risks and their nature and determines the extent of the company's exposure to the risks it intends to undertake in the context of its long-term strategic objectives. The Board of Directors establishes a policy to identify, avoid and deal with conflicts of interest between the interests of the company and those of its members or persons to whom the Board of Directors has delegated some of its responsibilities, in accordance with Article 87 of Law 4548/2018. This policy is based on clear procedures, which define the manner of timely and full disclosure to the Board of Directors of any interests in related party transactions or

other potential conflict of interest with the company or its subsidiaries. Measures and procedures are evaluated and reviewed to ensure their effectiveness.

The Board of Directors provides the appropriate approval, monitors the course of implementation of the strategic directions and objectives and ensures the existence of the necessary financial and human resources, as well as the existence of an internal control system. The Board of Directors defines and/or delimits the responsibilities of the CEO and the Deputy CEO, who exercises them, if any. The company encourages the non-executive members of the Board of Directors to take care of their information regarding the above matters. The non-executive members of the Board of Directors meet at least annually, or exceptionally when deemed appropriate without the presence of executive members in order to discuss the performance of the latter. At these meetings the non-executive members do not act as a de facto body or committee of the Board of Directors.

The CEO and senior management ensure that all information necessary for the performance of the duties of the members of the Board of Directors is available to them at any time. The Board of Directors establishes its Operating Regulations, which describe at least the way it meets and takes decisions and the procedures it follows, taking into account the relevant provisions of the Statute and the mandatory provisions of the law. The Operating Regulations of the Board of Directors are drawn up in compliance with the principles of the Code or otherwise explaining the deviations. At the beginning of each calendar year, the Board of Directors adopts a calendar of meetings and an annual action plan, which is revised according to the developments and needs of the company, in order to ensure the correct, complete and timely fulfillment of its duties, as well as the examination of all matters on which it takes decisions. The Board of Directors utilizes technological tools with the necessary security specifications for real-time information and facilitating the connection and information of members. The non-executive members may request, in accordance with the procedure included in the Operating Regulations of the Board of Directors, to come into contact with the executives of the company's top management, through regular presentations by the heads of sectors and services. The members of the Board of Directors receive the Agenda of the next meeting and the supporting documents in good time, i.e. before the expiration of the mandatory deadlines of the Law, so that it is

possible to study them, taking into account the complexity of the issues to be discussed each time.

The number of members of the Board of Directors is defined by the articles of association or by the general assembly, within the limits provided for in the articles of association. Subject to article 115 of Law 4548/2018, the Board of Directors consists of at least three (3) members and no more than fifteen (15). When the statute provides for a minimum and maximum number of members of the Board of Directors, the exact number of members is determined by the general assembly. The size and composition of the Board of Directors reflect the size, scope and complexity of the company's activities and shareholding composition.

The Company has an eligibility policy for the members of the Board of Directors, which is approved by its Board of Directors and includes at least the provision of diversity criteria for the selection of the members of the Board of Directors. The joint-stock companies include in the management report they draw up a corporate governance statement. This statement contains information: a description of the diversity policy applied to the company's administrative, management and supervisory bodies with regard to aspects such as, but not limited to, age, gender or education and members' professional history, the objectives of that diversity policy, how it was implemented and the results during the reporting period. If no such policy is applied, the statement shall include specific justification of the reason for non-application. The composition of the Board of Directors reflects the knowledge, skills and experience required for the exercise of its responsibilities, in accordance with the Company's business model and strategy.

The independent non-executive members are elected by the general meeting or appointed by the Board of Directors in accordance with par. 4 of article 9 of Law 4706/2020, they do not fall short of one third (1/3) of the total number of its members and , however, are not less than two (2). If a fraction occurs, it is rounded to the nearest whole number. The executive members of the Board of Directors, in particular: a) are responsible for the implementation of the strategy determined by the Board of Directors and b) consult at regular intervals with the non-executive members of the Board of Directors regarding the appropriateness of the implemented strategy. In existing situations of crises or risks, as well as when circumstances require measures to be taken which can reasonably be expected to

significantly affect the Company, such as when decisions are to be made regarding the development of business activity and the risks undertaken, which are expected affect the financial situation of the Company, the executive members shall immediately inform the Board of Directors in writing, either jointly or separately, submitting a relevant report with their assessments and proposals.

The non-executive members of the Board of Directors, including the independent non-executive members, have, in particular, the following obligations:

a) Monitor and examine the Company's strategy and its implementation, as well as the achievement of its goals.

b) Ensure the effective supervision of the executive members, including the monitoring and control of their performance.

c) Examine and express opinions regarding the proposals submitted by the executive members, based on existing information.

A non-executive member of the Board of Directors is considered independent if, upon appointment and during his term of office, he does not directly or indirectly hold a percentage of voting rights greater than zero point five percent (0.5%) of the Company's share capital and is exempt from financial, business, family or other dependent relationships, which can influence his decisions and his independent and objective judgment. The selection criteria for the members of the Board of Directors include at least sufficient representation by gender in a percentage that does not fall short of twenty-five percent (25%) of all the members of the Board of Directors. In the case of a fraction, this percentage is rounded to the previous whole.

The independent non-executive members do not fall short of at least one second ($\frac{1}{2}$) of the total number of members of the Board of Directors. The company adopts a diversity policy that is part of the suitability policy. In terms of gender representation, the diversity policy includes specific quantitative targets for gender representation. The company ensures that the diversity criteria go beyond the members of the Board of Directors and the top or senior managers with specific gender representation targets, as well as timelines for achieving them.

The selection criteria for the members of the Board of Directors ensure that the Board of Directors, collectively, can understand and manage issues related to the

environment, social responsibility and governance (ESG19), within the framework of the strategy it formulates. The selection criteria ensure that the members of the Board of Directors can devote sufficient time to the performance of their duties and set limits on the number of positions they hold as members of the Board of Directors of one company in other, non-affiliated joint-stock companies. The non-executive members of the Board of Directors do not participate in the Boards of Directors of more than five (5) listed companies, and in the case of the Chairman, more than three (3).

The Chairman of the Board of Directors is a non-executive member. In the event that the Board of Directors, by way of exception appoints one of the executive members of the Board of Directors as Chairman, it must appoint a vice-chairman from among the non-executive members.

The Chairman is elected by the independent non-executive members. In case the Chairman is chosen by the non-executive members, one of the independent non-executive members is designated, either as vice-chairman or as Senior Independent Director.¹⁶

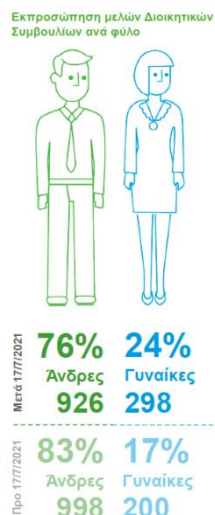
4.3 The era after the Greek Law 4706/2020

Regarding gender representation, the Hellenic Corporate Governance Code (HCGC) stipulates that the criteria for selecting members of the board of directors must include ensuring adequate gender representation, at a minimum of twenty-five percent (25%) of the total board members. In cases of fractions, this percentage is rounded to the nearest integer. As for gender representation, corporate diversity policies should establish specific gender representation targets. Furthermore, companies must ensure that diversity criteria extend beyond board members to senior management, with specific gender representation goals and timelines for achieving them.

Currently, the boards of directors of listed companies are composed of 926 men and 298 women, representing 75.7% and 24.3% of the total members, respectively, resulting in a female-to-male ratio of 1:3. Compared to previous researches, there has been a significant improvement in the presence of women on the boards of listed companies, as the number of women has increased from 200 to 298, while the number of men has decreased from 998 to

¹⁶Ελληνικός Κώδικας Εταιρικής Διακυβέρνησης, 2021, Ελληνικό Συμβούλιο Εταιρικής Διακυβέρνησης, Available: <https://www.esed.org.gr/home>

926, excluding companies that have delisted from the Stock Exchange. Therefore, we observe that the participation of women in board positions has increased by 98 positions, corresponding to a participation rate of 24.3%, compared to 16.7% previously, leading to an improvement in convergence with the European average of 34% (based on the EWOB Gender Diversity Index 2020).



17

In recent years, the correlation between gender diversity on corporate boards and financial performance has garnered significant attention from policymakers, regulators, and scholars worldwide. However, as far as we know, this subject remains largely unexplored in Greece, except for our study. To address this gap, we employ the two-step system GMM estimator, which effectively handles endogeneity issues common in governance literature. We utilize three different measures of gender diversity—namely, the percentage of female directors, the Blau index, and Shannon index—and examine their impact on two distinct firm performance metrics: Tobin’s Q and return on assets (ROA).

The results of relevant surveys indicate that gender diversity on boards, as measured by all three methods, positively influences firm performance.¹⁸ These empirical findings align with agency theory and resource dependence theory, which suggest that gender diversity enhances board operations by increasing legitimacy, facilitating effective monitoring, improving decision-making, and providing easier access to external resources,

¹⁷Πηγή φωτογραφίας: The RSM Board Diversity Survey, The landscape following the implementation of Law 4706/2020, 2022, RSM Greece

¹⁸The statistics refer to the RSM Board Diversity Survey which was conducted after the implementation of Law 4706/2020 for RSM Greece.

ultimately leading to improved financial performance. Additionally, it is identified an inverted U-shaped relationship between the percentage of female directors and firm performance measured by Tobin's Q. Beyond a critical point of 33%, the positive effect of female directors on firm performance, as predicted by agency and resource dependence theories, transitions to a negative effect, as posited by social identity theory. The findings also challenge the critical mass theory perspective, which suggests that female directors impact corporate outcomes only when reaching a certain threshold.¹⁹

This study contributes to the governance literature in several ways. It sheds light on the conflicting evidence regarding the relationship between board gender diversity and firm performance, particularly for firms in small open economies like Greece, demonstrating that greater gender diversity enhances corporate performance. Moreover, to our knowledge, this is the first empirical investigation of the impact of gender diversity on firm value in the Greek context. Consequently, the findings carry practical implications for Greek regulators and policymakers in crafting effective corporate governance frameworks, especially given Greece's experience with long-term debt and the COVID-19 pandemic. Furthermore, the study enriches crisis literature by examining the impact of gender diversity amidst economic and pandemic crises.²⁰

Chapter 5

European Institute for Gender Equality (EIGE)

5.1 EIGE

The European Institute for Gender Equality (EIGE) is an agency of the European Union dedicated to advancing gender equality within the EU and globally. Its mission

¹⁹Another research regarding the relationship between board gender diversity and firm performance could be found here: Arvanitis et al, 2022, Does Board Gender Diversity really improve firm performance? Evidence from Greek Listed Firms, Journal of Risk and Financial Management

²⁰ The RSM Board Diversity Survey, 2022, The landscape following the implementation of Law 4706/2020, RSM Greece

involves conducting research, gathering data, and promoting best practices by conducting studies and compiling statistics on gender equality within the EU, monitoring the EU's adherence to its international commitment to gender equality, as outlined in the Beijing Platform for Action, and issuing an annual progress report on this matter, combating violence against women and coordinating initiatives such as the European White Ribbon Campaign to engage men in this cause, sharing knowledge and online resources, as well as supporting EU institutions, Member States, and stakeholders from various sectors in their endeavors to address gender disparities across Europe and beyond.

EIGE's range of products includes the Gender Equality Index, which provides insights into gender equality trends every two years, the Gender Mainstreaming Platform, which connects gender equality with various societal domains, the Gender Statistics Database, offering gender-specific facts and figures, a Glossary and Thesaurus, elucidating concepts related to gender equality, a Resource and Documentation Centre, hosting an online library containing over 500,000 documents, including publications not accessible through other public libraries.²¹

5.2 Gender Equality Index

The Gender Equality Index, created by EIGE, serves as a gauge to assess the advancement of gender equality within the EU. It enhances visibility regarding areas requiring enhancement and aids policymakers in crafting more impactful measures to promote gender equality. It consists of different domains such as domain of work, domain of money, domain of knowledge, domain of time, domain of power, domain of health, domain of violence. From these areas, a basis will be given to the domain of power, which is related to uneven progress towards equality for women and men in decision-making, inequalities in political participation and under-representation in climate change decision-making.²²

²¹More information available: <https://eige.europa.eu/>

²²More information available: <https://eige.europa.eu/gender-equality-index/about>

5.3 Gender Equality Index – 2023 Edition | European Union



The data for 2023 Index is mostly from 2021 and 2022. The Gender Equality Index gives the EU and the Member States a score from 1 to 100. A score of 100 would mean that a country had reached full equality between women and men.

With a score of 70.2 out of 100, the European Union still has significant work to do in order to achieve gender equality. The EU's current score reflects a moderate improvement of 1.6 points compared to the previous Index, marking the highest year-on-year increase since the Index's inception in 2013. The increase in the EU's score since 2020 is primarily attributed to advancements in gender equality within the domains of time (up by 3.6 points) and work (up by 2.1 points). Since 2010, the EU's score has risen by 7.1 points, largely due to progress in the domain of power, which has seen an increase of 17.2 points.²³

5.4 Domain of Power

Despite advancements in gender equality in decision-making, women remain underrepresented compared to men in political, economic, and social decision-making bodies across the EU. Achieving gender balance in decision-making is a key objective of the EU Gender Equality Strategy 2020-2025. To address this issue, the European Commission is advocating for increased efforts to enhance gender balance, particularly in politics.

²³More information available: <https://eige.europa.eu/gender-equality-index/2023/country>

In September 2022, the European Parliament endorsed a Commission proposal aimed at enhancing transparency in the funding of European political parties, which includes measures to improve gender equality. Concerns persist over the ongoing underrepresentation of women in politics, especially as the next European Parliament elections approach in 2024.

To tackle this issue, the European Parliament adopted a proposal for a Council Regulation on the election of Members of the European Parliament, with provisions for quotas or "zipped lists" to ensure gender balance on candidate lists. This initiative aligns with efforts by some Member States to implement binding measures to boost women's participation in politics and economic decision-making.

As of the second quarter of 2023, nearly 40% of Members of the European Parliament (MEPs) were women, but gender balance varied significantly among Member States, with only 11 out of 27 having at least 40% representation of each gender among their MEPs. In 10 Member States, over two-thirds of MEPs are men.

The European Commission achieved gender balance for the first time with the appointment of Ursula Von der Leyen as President in December 2019, and this parity has been maintained as of June 2023, with 46% women and 54% men among commissioners.

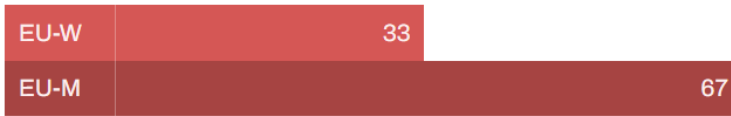
While the proportion of women on the boards of the largest listed companies in EU Member States reached a record high of 33% in 2023, this progress is primarily driven by legislative actions in a few Member States. In countries with gender quotas, women accounted for 38% of board members, compared to 33% in countries with soft measures and only 19% in countries without any gender balancing initiatives.²⁴

5.5 Comparative Analysis: Share of Members of Boards in Largest Quoted Companies, Supervisory Board or Board of Directors (%) in EU Member States (2023)

European Union

²⁴More information available: <https://eige.europa.eu/gender-equality-index/2023/domain/power/BE>

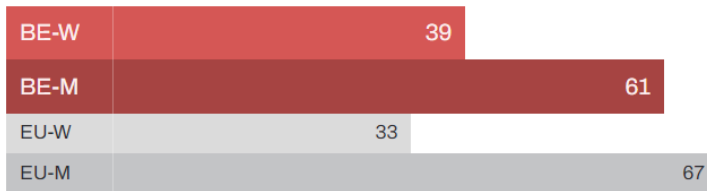
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Belgium

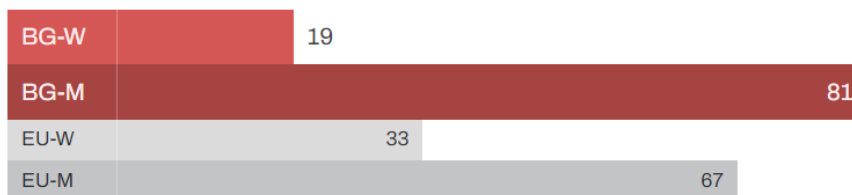
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Bulgaria

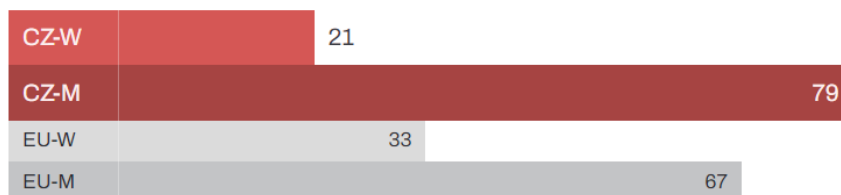
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Czechia

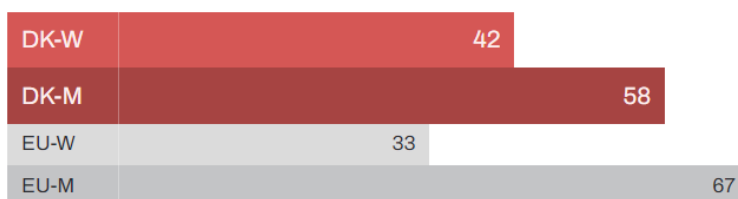
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Denmark

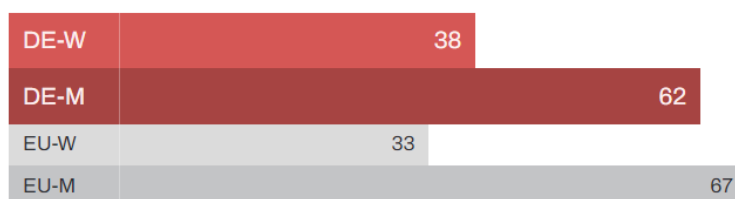
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Germany

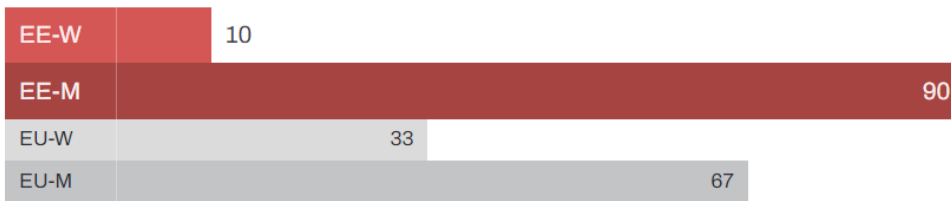
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Estonia

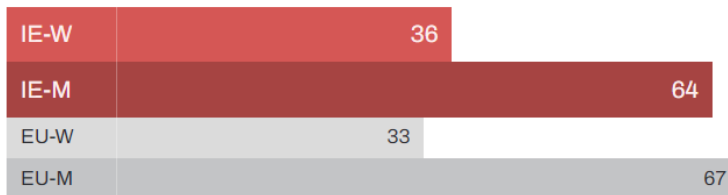
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Ireland

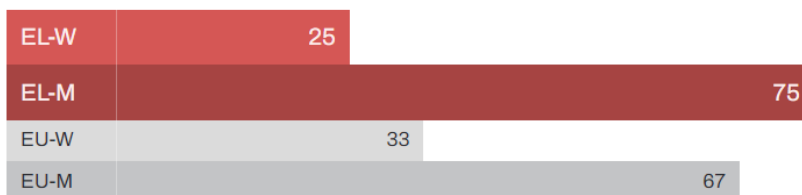
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Greece

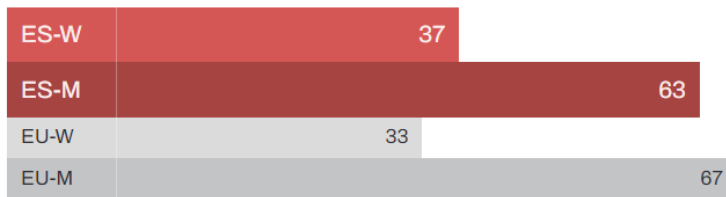
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Spain

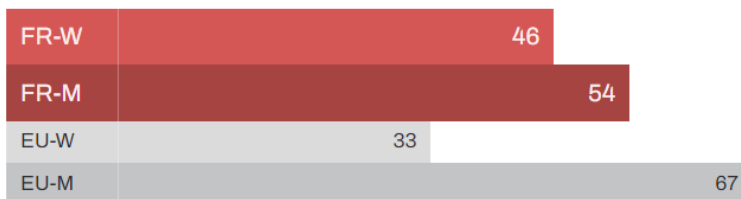
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

France

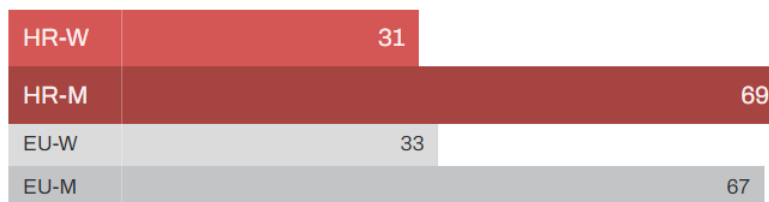
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Croatia

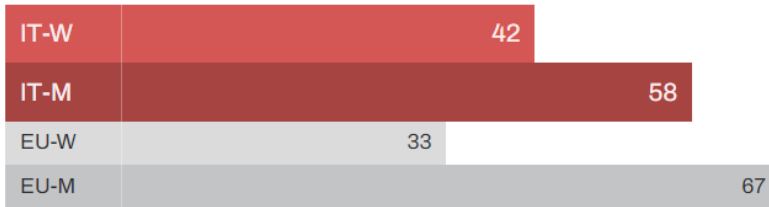
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Italy

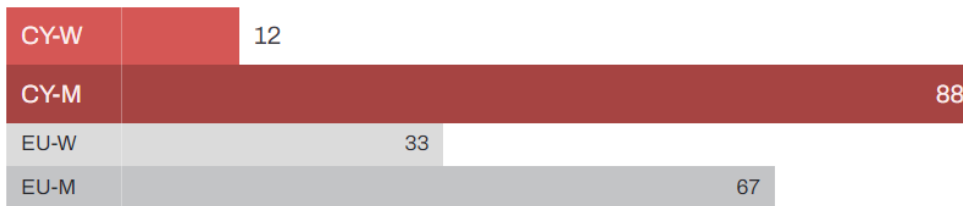
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Cyprus

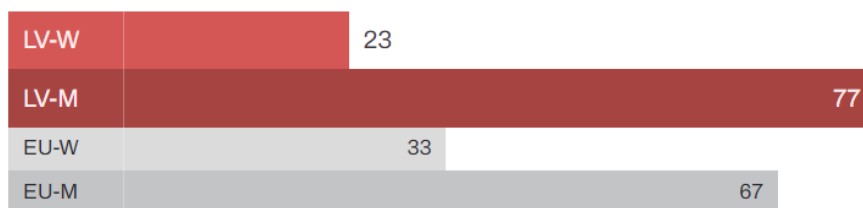
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Latvia

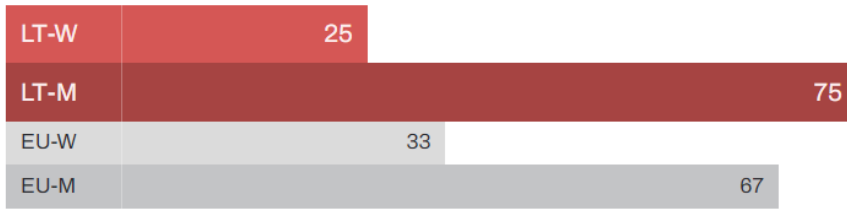
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Lithuania

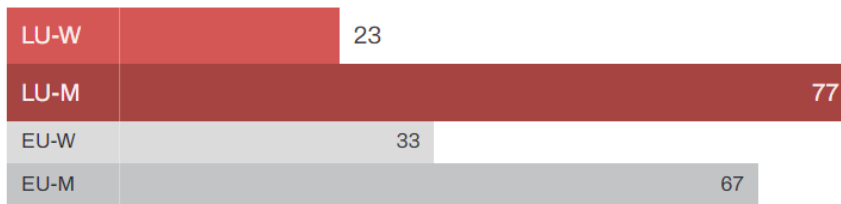
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Luxembourg

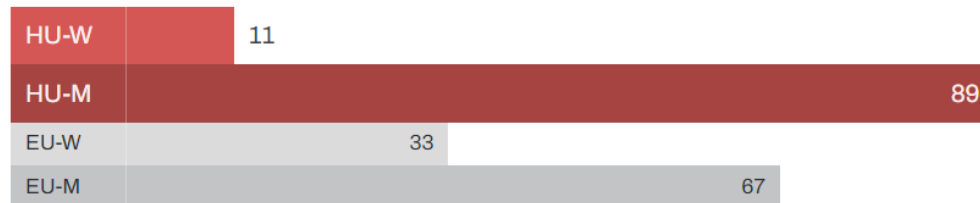
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Hungary

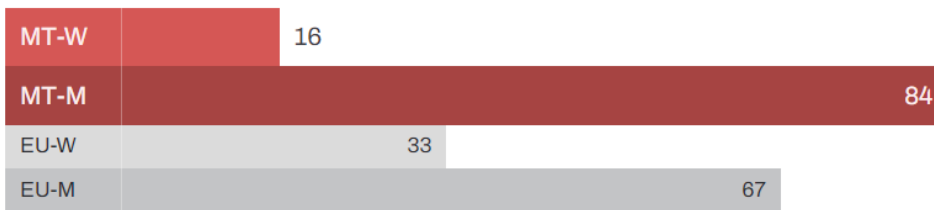
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Malta

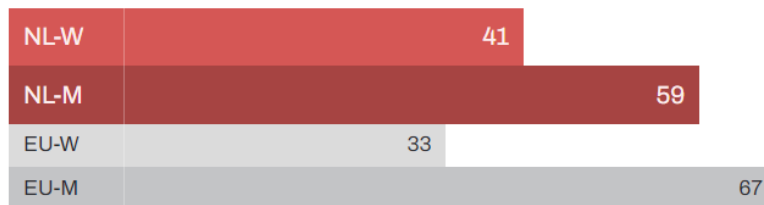
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Netherlands

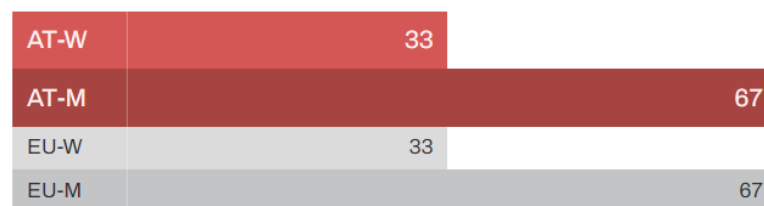
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Austria

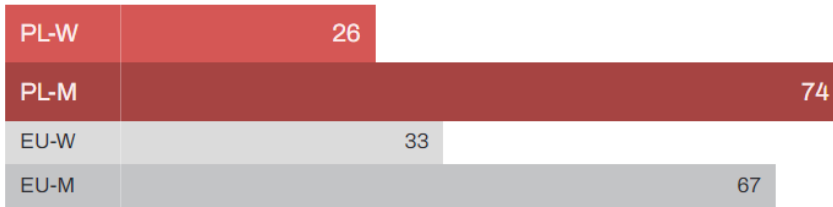
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Poland

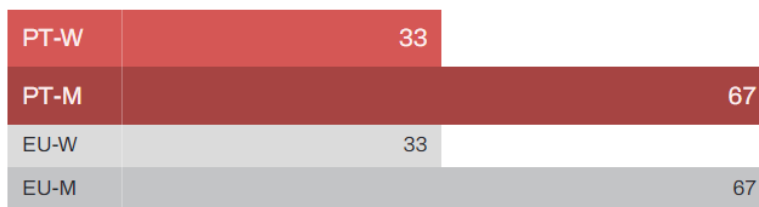
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Portugal

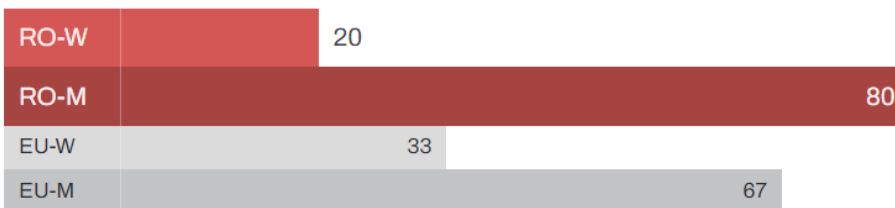
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Romania

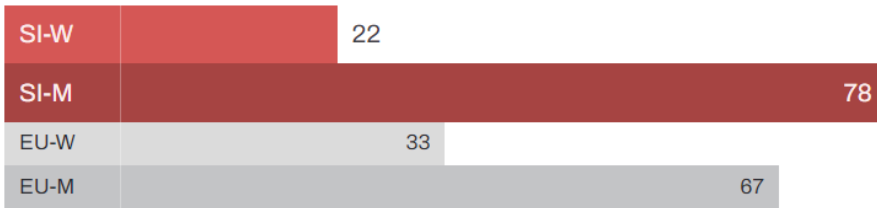
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Slovenia

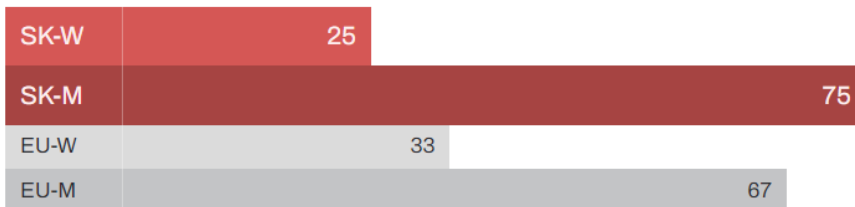
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Slovakia

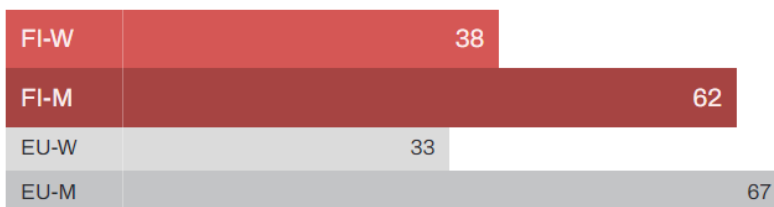
Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Finland

Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ



Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Sweden

Share of members of boards in largest quoted companies, supervisory board or board of directors (%) ⓘ

SE-W	36
SE-M	64
EU-W	33
EU-M	67

Source: EIGE, Gender Statistics Database, WMID, 1st semester 2023. EIGE's calculation.

Based on the data of the year 2023 as illustrated above for the member states of the European Union, it is observed that in a total number of 27 states, there are 5 states, namely Bulgaria, Estonia, Hungary, Malta and Cyprus, where the presence of women in the boards of companies are underrepresented. Specifically, the percentages in these countries amount to a maximum of 19%. Specifically, in Estonia this percentage is only 10%. On the other hand, there are countries such as the Czechia, Greece, Latvia, Luxembourg, Romania, Slovenia and Slovakia where the representation of women on company boards ranges from 20 to 25 %. The winners of “equality” are France and the Netherlands, where there is almost absolute balance on the boards of directors, as the percentages of women reach 46% and 41% respectively.

5.6 Comparative Analysis regarding the proportion of Women and Men among members of the highest decision –making body of the largest nationally registered companies listed on the national stock exchange (2003-2023)

2003



EIGE's Gender Statistics Database - Indicator:G18. The proportion and number of women and men among members of the highest decision-making body of the largest nationally regulated company.
 Source: European Institute for Gender Equality.
 LAST UPLOAD ON: 12.12.2023

2023



EIGE's Gender Statistics Database - Indicator:G18. The proportion and number of women and men among members of the highest decision-making body of the largest nationally regulated company.
 Source: European Institute for Gender Equality.
 LAST UPLOAD ON: 12.12.2023

25

²⁵More information available: https://eige.europa.eu/gender-statistics/dgs/indicator/bpfa_g_offic_g18_wmid_comp_compbm/bar/year:2023-B2/geo:BE,BG,CZ,DK,DE,EE,IE,EL,ES,FR,HR,IT,CY,LV,LT,LU,HU,MT,NL,AT,PL,PT,RO,SI,SK,FI,SE/UNIT:PC/sex:M,W/POSITION:MEMB_BRD/EGROUP:COMP/NACE:TOT

Analyzing these two graphs we drew almost the same conclusions as the previous chapter. Comparing the year of 2003 to the year of 2023, there is better representation of women on the boards of directors of companies, expect once again for Estonia, Cyprus, Hungary and Malta, where there aren't any big changes through those twenty years. France once again has the biggest and most impressive jump in "equality" in board gender diversity.

Chapter 6

Board Gender Diversity and Firm Performance

6.1 The problem of Gender – Imbalanced Company Boards

The issue of underrepresentation of women in top positions within corporations is multifaceted and originates from societal, organizational, and individual levels. Societally, expectations and biases about women's roles often hinder their advancement. Cultural norms often dictate that women primarily handle household and care-giving duties, which can be at odds with career aspirations. Stereotypes surrounding leadership further complicate matters, making it harder for women to aspire to top positions. Moreover, practical barriers such as inadequate access to childcare facilities and unfavorable taxation policies can deter women from pursuing careers.

Organizational factors also contribute to the problem. Limited opportunities for flexible work arrangements can limit the talent pool for senior positions. Women often cite barriers like lack of access to informal networks, absence of female role models, and cultural norms favoring long working hours as impediments to advancement. Additionally, biased recruitment and promotion practices further hinder women's progress.

Individually, women face challenges balancing career aspirations with other responsibilities, particularly when raising a family. Social pressures often influence their career choices, leading many to opt for supporting roles rather than positions with advancement potential. Furthermore, reluctance to self-promote can result in women being overlooked as qualified candidates for top positions.

Overall, the underrepresentation of women in corporate leadership roles stems from a combination of societal expectations, organizational practices, and individual choices, all of which interact and perpetuate the issue.

6.2 The relationship of Board Gender Diversity and Firm Performance

Gender is among the most prominent demographic factors and extensively researched topics in the literature²⁶. Adams et al. categorize diversity into three groups: task-related diversity, non-task-related diversity (including gender, age, race, etc.), and structural diversity.²⁷ In studies focusing on non-task-related diversity, including various demographic variables, it is often assumed that these factors deeply influence board members in terms of their knowledge, behavior, decision-making processes, and ultimately, company performance.²⁸

The literature examining the relationship between gender diversity on boards and performance presents varying results. Recent reviews by Kirsch²⁹, Post & Byron³⁰, and Pletzer et al.³¹ indicate that many studies find a positive or neutral correlation between gender diversity and board performance. Cabrera-Fernández et al. in a comprehensive review, observed positive, negative, or neutral results across various studies.³² For instance, Adams & Ferreira identified a negative relationship between increased gender diversity and company value measured by Tobin's Q.³³ They suggest that while female presence

²⁶ Erhardt et al, 2003, Board of director diversity and firm financial performance, *Corporate Governance*, Vol. 11 No. 2, pp. 102-111. / Hillman, 2015, Board diversity: beginning to unpeel the onion, *Corporate Governance: An International Review*, 23(2), pp. 104-107

²⁷ Adams et al, 2015, Board diversity: moving the field forward. *Corporate Governance: An International Review*, 23(2), 77-82

²⁸ Forbes, Milliken, 1999, Cognition and Corporate Governance: Understanding Boards of Directors as Strategic Decision-Making Groups. *The Academy of Management Review*. 24. 10.2307/259138.

²⁹ Kirsch, 2017, The gender composition of corporate boards: A review and research agenda. *Leadership Quarterly* [<https://doi.org/10.1016/j.leaqua.2017.06.001>]

³⁰ Post C. Byron K., 2015, Women on Boards and Firm Financial Performance: A Meta-Analysis', *Academy of Management Journal*, 58(5), 1546–1571

³¹ Pletzer J.N., Nikolova R., Kedzior K.K. S.C. Voelpel (2015) 'Does Gender Matter? Female Representation on Corporate Boards and Firm Financial Performance - A Meta-Analysis'

³² Cabrera-Fernández A. I., 2016, "Women's participation on boards of directors: a review of the literature", *International Journal of Gender and Entrepreneurship*, Vol. 8 Iss 1 pp. 69-89
<http://dx.doi.org/10.1108/IJGE-02-2015-0008>

³³ Adams, R.B., Ferreira, D., 2009, Women in the boardroom and their impact on governance and performance. *Journal of financial economics* 94 (2), 291- 309.

enhances board functioning, in societies with weak governance, a higher number of female board members may exert greater control.

Understanding the link between board member characteristics and performance is challenging, especially since gender is just one of many attributes.³⁴ Additionally, board diversity is influenced by factors like company size, industry sector, and other governance-related characteristics. Moreover, gender studies primarily focus on Northern Europe, with limited analysis conducted on Southern Europe.³⁵

Despite numerous studies indicating a positive relationship between gender diversity and performance, others show negative (Adams & Ferreira, 2009; Bøhren & Strøm, 2010; Shrader et al., 1997) or non-existent correlations (Carter et al., 2010; Chapple & Humphrey, 2013; Farrell & Hersch, 2005; Gregory et al., 2014; Miller & Triana, 2009; Randøy et al., 2006; Rose, 2007). Some studies even suggest ambivalent relationships (Bonn et al., 2004; Dobbin & Jung, 2011).³⁶

³⁴ Johnson, J. L., Daily, C. M., Ellstrand, A. E., 1996, Boards of Directors: A Review and Research Agenda. *Journal of Management*, 22(3), 409–438.

³⁵ Paoloni, P., Demartini, P., 2016, *Women in Management: Perspectives on a Decade of Research (2005–2015)*. Palgrave Communications

³⁶ Salaris, 2020, *Gender Diversity in the board of directors: an explanatory analysis of the Italian Companies*, University degli Studi di Cagliari

6.3 Studies about the Relationship between gender diversity in the Boards of Directors and performances

<i>Studies about the relationship between gender diversity in the boards of directors and performances</i>			
<i>Author(s)</i>	<i>Nationality of the companies</i>	<i>Performance indicators</i>	<i>Value of the relationship</i>
<i>Adams and Ferreira (2009)</i>	<i>USA</i>	<i>ROA⁹⁴, Q di Tobin</i>	<i>Negative</i>
<i>Amore et al. (2014)</i>	<i>Italy</i>	<i>ROA</i>	<i>Positive</i>
<i>Ararat et al. (2015)</i>	<i>Turkey</i>	<i>ROE⁹⁵, Market-to-book⁹⁶</i>	<i>Positive</i>
<i>Böhren & Ström (2010)</i>	<i>Norway</i>	<i>ROE, ROS⁹⁷, Q di Tobin</i>	<i>Negative</i>
<i>Bonn et al. (2004)</i>	<i>Japan and Australia</i>	<i>ROA, Market-to-book</i>	<i>Positive (Australia) No relation (Japan)</i>
<i>Bruno et al. (2018)</i>	<i>Italy</i>	<i>ROA, ROE, ROIC⁹⁸, ROS</i>	<i>Positive</i>
<i>Campbell & Vera (2008)</i>	<i>Spain</i>	<i>Q di Tobin</i>	<i>Positive</i>
<i>Carter et al. (2003)</i>	<i>USA</i>	<i>ROA, Q di Tobin</i>	<i>Positive</i>
<i>Carter et al. (2010)</i>	<i>USA</i>	<i>Q di Tobin, ROA</i>	<i>No relation</i>
<i>Chapple and Humphrey (2014)</i>	<i>Australia</i>	<i>Q di Tobin</i>	<i>No relation</i>
<i>Dobbin and Jung (2011)</i>	<i>USA</i>	<i>ROA, Q di Tobin</i>	<i>Negative (Tobin's Q) No relation (ROA)</i>
<i>Erhardt et al. (2003)</i>	<i>USA</i>	<i>ROA, ROI</i>	<i>Positive</i>
<i>Farrell and Hersch (2005)</i>	<i>USA</i>	<i>TSR⁹⁹</i>	<i>No relation</i>
<i>Francoeur et al. (2008)</i>	<i>Canada</i>	<i>ROE, Market-to-book</i>	<i>Positive</i>

<i>Garcia-Meca et al. (2015)</i>	<i>Various Countries</i>	<i>Q di Tobin e ROA</i>	<i>Positive</i>
<i>Gordini and Rancati (2017)</i>	<i>Italy</i>	<i>Q di Tobin</i>	<i>Positive</i>
<i>Gregory-Smith et al. (2014)</i>	<i>UK</i>	<i>TSR, ROA, ROE, Q di Tobin</i>	<i>No relation</i>
<i>Isidro and Sobral (2015)</i>	<i>Various Countries</i>	<i>Q di Tobin, ROA, ROS</i>	<i>Positive</i>
<i>Joecks et al. (2013)</i>	<i>Germany</i>	<i>ROE</i>	<i>Positive</i>
<i>Liu et al. (2014)</i>	<i>China</i>	<i>ROA, ROS</i>	<i>Positive</i>
<i>Low et al. (2015)</i>	<i>Hong Kong South Korea Malaysia Singapore</i>	<i>ROE</i>	<i>Positive</i>
<i>Lückerath-Rovers (2013)</i>	<i>Netherlands</i>	<i>ROE, ROS, ROIC</i>	<i>Positive</i>
<i>Mahadeo et al. (2011)</i>	<i>Mauritius</i>	<i>ROA</i>	<i>Positive</i>
<i>Miller and Triana (2009)</i>	<i>USA</i>	<i>ROI, ROS</i>	<i>No relation</i>
<i>Nguyen et al. (2015)</i>	<i>Vietnam</i>	<i>Tobin's Q</i>	<i>Positive</i>
<i>Ntim (2015)</i>	<i>South Africa</i>	<i>Tobin's Q, ROA, TSR</i>	<i>Positive</i>
<i>Randoy et al. (2006)</i>	<i>Pakistan</i>	<i>EVA¹⁰⁰</i>	<i>No relation</i>
<i>Reguera-Alvarado et al., (2017)</i>	<i>Spain</i>	<i>Tobin's Q</i>	<i>Positive</i>
<i>Rose (2007)</i>	<i>Denmark</i>	<i>Tobin's Q</i>	<i>No relation</i>
<i>Salloum et al. (2019)¹⁰¹</i>	<i>9 Middle Eastern Countries</i>	<i>Tobin's Q</i>	<i>Positive</i>
<i>Shrader et al. (1997)</i>	<i>USA</i>	<i>ROE, ROS, ROI, ROA</i>	<i>Negative</i>
<i>Smith et al. (2006)</i>	<i>Denmark</i>	<i>Gross profit Net revenues, Contribution margins¹⁰²</i>	<i>Positive</i>
<i>Terjesen et al. (2016)</i>	<i>47 Countries</i>	<i>Tobin's Q, ROA</i>	<i>Positive</i>

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Pletzer et al.³⁸ similarly conclude that increased representation of women on boards of directors does not correlate with either higher or lower performance. These findings align with studies suggesting that greater diversity is associated with improved performance. However, the study emphasizes that promoting gender diversity should be pursued for ethical reasons, regardless of its impact on company performance.

³⁷ Salaris, 2020, Gender Diversity in the board of directors: an explanatory analysis of the Italian Companies, University degli Studi di Cagliari

³⁸ Pletzer J.N., Nikolova R., Kedzior K.K. S.C. Voelpel (2015) 'Does Gender Matter? Female Representation on Corporate Boards and Firm Financial Performance - A Meta-Analysis', PLOS-One.

Contrary findings suggest that it is not merely the presence of women on boards but rather achieving a fair balance between genders (greater gender diversity) that significantly impacts company value.³⁹

From the above two graphics someone can easily conclude that the results of the studies/researches are controversial, while in some studies the outcome for the firms is positive but in some studies the outcome for the firms is negative. Furthermore, we cannot always relate the results of the firm performance to board gender diversity.

6.4 Conclusions

The discourse surrounding corporate governance, influenced by theories, has been pivotal in understanding how organizations are managed and controlled. However, recent empirical research has questioned the effectiveness of these mechanisms, focusing instead on the structural composition of boards and their impact on firm performance, particularly regarding gender diversity. While studies have linked board diversity to better performance, there is criticism regarding the simplistic view of diversity and its impact. Some argue for a distinction between fixed notions of diversity and context-specific aspects. Others explore the intersectionality of gender, power, and corporate governance, highlighting the need to address power structures beyond mere demographic representation. To what extent gender diversity specifically contributes to board effectiveness remains an area of exploration, considering the complexity of boardroom dynamics and processes.

While various theories speculate on the impact of board diversity on performance, empirical evidence remains inconclusive. The primary focus of debate revolves around whether board diversity, particularly in terms of gender, positively influences corporate performance in Europe or elsewhere. Quantitative studies typically examine the relationship between board diversity and measures such as profitability and stock valuation, with some suggesting a positive correlation between female representation on boards and stock returns.

Contrary to positive findings, numerous studies show no significant effect of board diversity on financial performance or even negative effects. The lack of moderator

³⁹ Salaris, 2020, Gender Diversity in the board of directors: an explanatory analysis of the Italian Companies, University degli Studi di Cagliari

variables may explain this inconsistency, as well as the varying impacts that female directors may have on boards. While increasing female representation is generally seen as beneficial, there are arguments that women leaders could negatively impact performance.

Studies using panel data have failed to reach a consensus on the effect of gender diversity on corporate performance, often due to the inability to measure individual director contributions or understand boardroom dynamics fully. Additionally, the scarcity of gender-balanced boards limits the scope of analysis. Overall, there's a lack of understanding regarding the mechanisms through which diverse boards affect performance.

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