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Subject :	Proposal for a Directive of the European Parliament and of the Council on improving the gender balance among directors of companies listed on stock exchanges and related measures

Delegations will find attached a set of drafting suggestions prepared by the Presidency.

Changes in relation to the previous version (14852/13) are indicated as follows: new text is in **bold** or **bold underlined** and deletions are marked "[...]".

Proposal for a

**DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on improving the gender balance among directors of companies listed on stock exchanges and
related measures**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

[Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 157(3) thereof,]

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee,¹

Acting in accordance with the ordinary legislative procedure,

Whereas:

¹ OJ C , , p. .

- (1) Equality between women and men is one of the Union's founding values and core aims under Article 2 and Article 3(3) of the Treaty on European Union. Under the terms of Article 8 of the Treaty on the Functioning of the European Union (hereinafter referred to as the Treaty), the Union shall aim to eliminate inequalities, and to promote equality, between men and women in all its activities. Article 157(3) of the Treaty provides a legal basis for the adoption of Union measures to ensure the application of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation.
- (2) The principle of positive action and its importance for achieving effective equality between women and men in practice are recognised in Article 157(4) of the Treaty and in Article 23 of the Charter of Fundamental Rights of the European Union, which provides that equality between women and men must be ensured in all areas and that the principle of equality shall not prevent the maintenance or adoption of measures providing for specific advantages in favour of the under-represented sex.
- (3) Council Recommendation 84/635/EEC of 13 December 1984 on the promotion of positive action for women² recommended that Member States should take steps to ensure that positive action includes, as far as possible, actions having a bearing on active participation by women in decision-making bodies. Council Recommendation 96/694/EC of 2 December 1996 on the balanced participation of women and men in the decision-making process³ recommended that Member States should encourage the private sector to increase the presence of women at all levels of decision-making, notably by the adoption of, or within the framework of, equality plans and positive action programmes.

² OJ L 331, 19.12.1984, p. 34.

³ OJ L 319, 10.12.1996, p.11.

- (4) In recent years the European Commission has presented several reports taking stock of the situation concerning gender diversity in economic decision-making.⁴ The Commission has encouraged publicly listed companies in the European Union to increase the number of women on their boards by self-regulatory measures and to make concrete voluntary commitments in that regard.⁵ In its Women's Charter⁶ of 5 March 2010, the European Commission underlined that women still do not have full access to the sharing of power and decision-making in political and economic life and reaffirmed its commitment to use its powers to promote a fairer representation of women and men in positions of responsibility. Improving the gender balance in decision-making was defined by the Commission's strategy for equality between women and men 2010-2015⁷ as one of its priority tasks.
- (5) In the European Pact for Gender Equality 2011-2020, which was adopted on 7 March 2011, the Council acknowledged that gender equality policies are vital to economic growth, prosperity and competitiveness, reaffirmed its commitment to close the gender gaps with a view to meeting the objectives of the Europe 2020 Strategy, especially in three areas of great relevance to gender equality, namely employment, education and social inclusion, and urged action to promote the equal participation of women and men in decision-making at all levels and in all fields, in order to make full use of all available talent.

⁴ Commission report 'More women in senior positions' (2010); Commission Staff Working Paper 'The Gender Balance in Business Leadership' of 1.3.2011 (SEC(2011) 246 final); Progress Report 'Women in economic decision-making in the EU' of 5.3.2012; Commission Staff Working Document 'Progress on equality between women and men in 2011' of 16.4.2012 (SWD(2012) 85 final).

⁵ 'Women on the Board Pledge for Europe', IP/11/242.

⁶ COM(2010) 78 final.

⁷ COM(2010) 491 final.

- (6) The European Parliament, in its resolution on women and business leadership of 6 July 2011⁸, urged companies to attain the critical threshold of 30 per cent female membership of management bodies by 2015 and 40 per cent by 2020. It called on the Commission, if the steps taken by companies and the Member States were found to be inadequate, to propose legislation by 2012, including quotas. The European Parliament reiterated that call for legislation in its resolution of 13 March 2012 on equality between women and men in the European Union – 2011.⁹
- (7)
- (8)
- (9)
- (10) Europe has a large pool of highly qualified women. Improving the gender balance on company boards is essential for making more efficient use of existing human capital, which is key to addressing the EU's demographic challenges. Moreover, it is widely acknowledged that the presence of women in the boardroom improves corporate governance and numerous studies have shown a positive **correlation** between gender diversity at the top management level and a company's financial performance and profitability. Despite the existing evidence of the beneficial impact of gender balance on companies themselves and the economy in general, and despite the existing Union legislation prohibiting sex discrimination and Union-level actions encouraging self-regulation, women continue to be vastly outnumbered by men in the highest decision-making bodies of companies throughout the Union. In the private sector and especially in listed companies this gender imbalance is particularly significant and acute. The Commission's key indicator of gender representation on corporate boards shows that the proportion of women involved in top-level business decision-making remains very low. **According to the Commission's Report on Progress on Equality between Women and Men in 2013, women account for an average of 17.8% of the members of boards of directors in the largest publicly listed companies and only 2.8% of Chief Executive Officers.**

⁸ 2010/2115(INI).

⁹ 2011/2244(INI).

(10b) (*Ex recital 15*) The Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth¹⁰ recognised that increasing women's labour market participation was a precondition for boosting growth and for tackling demographic challenges in Europe. The Strategy set a headline target of reaching an employment rate of 75 per cent for women and men aged 20-64 by 2020, which can only be reached if there is a clear commitment to gender equality and a reinforced effort to tackle all barriers to women's participation in the labour market. The **recent** economic crisis **highlighted** Europe's ever-growing need to rely on knowledge, competence and innovation and to make full use of the pool of available talent. Enhancing women's participation in economic decision-making, on company boards in particular, is expected to have a positive spill-over effect on women's employment in the companies concerned and throughout the whole economy.

(11) The proportion of women on company boards is progressing very slowly, with an average annual increase of just 0.6 percentage points during the past years. The rate of improvement has differed in individual Member States and has led to highly divergent results. Much more significant progress was noted in the Member States where binding measures have been introduced. **The** discrepancies between Member States are likely to increase given the very different approaches to ensure a more balanced representation of women and men on boards. **Therefore Member States should be encouraged to share information about the effective measures taken and policies adopted at the national level, and to exchange best practice, with a view to supporting progress across the Union towards achieving a more balanced representation of women and men on company boards.**

(12)

¹⁰ COM(2010) 2020 final.

- (13) The current lack of transparency of the selection process and qualification criteria for board positions in most Member States represents a significant barrier to more gender diversity among board members and negatively affects both the board candidates' careers and freedom of movement, as well as investor decisions. Such lack of transparency prevents potential candidates for board positions from applying to boards where their qualifications would be most required and from challenging gender-biased appointment decisions, thus restricting their freedom of movement within the internal market. On the other hand, investors have different investment strategies that require information linked also to the expertise and competence of the board members. More transparency in the qualification criteria and the selection process for board members enables investors to better assess the company's business strategy and to take informed decisions.
- (14) While this Directive does not aim to harmonise national laws on the selection process and qualification criteria for board positions in detail, the introduction of certain minimum standards as regards the requirement for listed companies without balanced gender representation to select candidates for election or appointment to the posts of non-executive directors on the basis of an objective comparative assessment of their qualifications in terms of suitability, competence and professional performance is necessary for improving the gender balance . Only an EU-level measure can effectively help to ensure a competitive level-playing field throughout the Union and avoid practical complications in business life.
- (15) (*moved to 10b*)

- (16) The Union should therefore aim to increase the presence of women on company boards, in order both to boost economic growth and the competitiveness of European companies and to achieve effective gender equality on the labour market. This aim should be pursued through minimum requirements on positive action in the form of binding measures aiming at attaining a quantitative objective for the gender composition of boards of listed companies, in view of the fact that Member States and other countries which have chosen this or a similar method have achieved the best results in ensuring a more balanced representation of women and men in economic decision-making positions.
- (17) Companies listed on stock exchanges enjoy a particular economic importance, visibility and impact on the market as a whole. These companies set standards for the wider economy and their practices can be expected to be followed by other types of companies. The public nature of the listed companies justifies that they be regulated to a greater extent in the public interest.
- (17a) The measures provided for in this Directive should apply to listed companies, which are defined as companies having their registered office in a Member State and whose shares are admitted to trading on a regulated market within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments,¹¹ in one or more Member States. This Directive does not affect the existing legislation on determining the seat of a listed company.
- (17b) For the purposes of the implementation of this Directive the Member State competent to regulate the matters under this Directive should be the Member State in which the listed company in question has its registered office, rather than the Member State on whose regulated market the listed company trades its shares. The applicable law should be the law of the Member State in which the listed company has its registered office.

¹¹ OJ L 145, 30.4.2004, p. 1.

- (18) This Directive should not apply to [...] small and medium-sized enterprises (SMEs), as defined by Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises¹² [...].
- (19) There are various systems of board structures for listed companies in the Member States, the main distinction being between a dual ('two-tier') system with both a management board and a supervisory board and a unitary ('one-tier') system combining the management and supervisory functions in a single board. There are also mixed systems, which feature aspects of both systems or give companies an option between different models. The measures provided for in this Directive should apply to all board systems in the Member States.
- (20) All board systems distinguish, *de jure* or *de facto*, between executive directors, who are involved in the daily management of the company, and non-executive directors who are not involved in the daily management, but do perform a supervisory function. The Directive aims to improve the gender balance among both executive and non-executive directors **on the boards of listed companies**. The specific provisions concerning the two categories of **directors** are differentiated in order to strike the right balance between the need to increase the gender diversity of boards and the need to minimise interference with the day-to-day management of a company.
- (21) The quantitative objectives provided for in this Directive should apply to all non-executive directors. In several Member States, a certain proportion of the non-executive directors can or must be appointed or elected by the companys' workforce and/or of employee organisations pursuant to national law or practice. The quantitative objectives should also apply to these directors. However, the **means [...]** for ensuring that those objectives are attained, taking into account the fact that some non-executive directors are employee representatives, should be defined by the Member States concerned, with due regard to the specific rules for the election or designation of employee representatives as laid down in Member States' legislation and respect the freedom of vote in the election of employee representatives.

¹² OJ L 124, 20.5.2003, p. 36.

(22) Listed companies in the Union should aim to attain the objective of having at least 40 per cent of non-executive directors of the under-represented sex no later than 1 January 2020.

Alternatively, since listed companies should aim to increase the proportion of the under-represented sex in all decision-making positions, Member States may provide that listed companies may aim to attain the objective that members of the under-represented sex hold at least 33 per cent of all director positions, irrespective of whether they are executive or non-executive. These objectives concern the overall gender diversity among directors and do not interfere with the concrete choice of individual directors from a wide pool of male and female candidates in each individual case. In particular, this Directive does not exclude any particular candidates for director positions, nor does it impose any individual directors on companies or shareholders. It respects the shareholders' rights and the freedom of vote at the assembly of shareholders. The decision on the appropriate board members thus remains with the companies and shareholders.

(23)

(24) Determining the number of director positions necessary to attain the objectives requires further specification since for most board sizes it is mathematically possible only to go beyond or remain below the exact share of 40 per cent or, where relevant, 33 per cent. Therefore, the number of board positions necessary to meet the objective should be the number closest to 40 per cent, or, where relevant, 33 per cent, **and it should in any event not exceed 49 per cent. [...]**

(24a) *(new wording is taken from Recital 31.)* [...] **Since the gender composition of the workforce may have a direct impact on the availability of candidates of the under-represented sex, Member States may provide that where the members of the under-represented sex make up less than 10 per cent of its employees, a listed company should not be required to meet the objectives laid down in this Directive.**

- (25) In its case-law¹³ on positive action and the compatibility thereof with the principle of non-discrimination on ground of sex (now also laid down in Article 21 of the Charter of Fundamental Rights of the European Union), the Court of Justice of the European Union accepted that priority may in certain cases be given to the under-represented sex in selection for employment or promotion, provided that the candidate of the under-represented sex is equally qualified as compared with the competitor of the other sex in terms of suitability, competence and professional performance, that the priority is not automatic and unconditional but may be overridden if reasons specific to an individual candidate of the other sex tilt the balance in that candidate's favour, and that the application of each candidate is the subject of an objective assessment which specifically applies all the selection criteria to the individual candidates.
- (26) *(new wording is taken from Recital 24a)* In line with that case-law, Member States should ensure that **those listed companies on whose boards members of the under-represented sex hold less than 40 per cent of non-executive director positions, or less than 33 per cent of all director positions, respectively, carry out the** selection of the best qualified candidates for election or appointment to those positions on **the basis of** a comparative analysis of the qualifications of candidates **by applying** clear, neutrally formulated and unambiguous criteria established **at the beginning of the selection process, with a view to attaining the said percentage no later than 1 January 2020**. Examples of types of selection criteria that listed companies could apply include professional experience in managerial and/or supervisory tasks, knowledge in specific relevant areas such as finance, controlling or human resources management, leadership and communication skills and networking abilities. Priority should be given to the candidate of the under-represented sex if that candidate is equally qualified as compared with the candidate of the other sex in terms of suitability, competence and professional performance, and if an objective assessment taking account of all criteria specific to the individual candidates does not tilt the balance in favour of a candidate of the other sex.

¹³ C-450/93: Kalanke (1995 ECR I-3051), C-409/95: Marschall (1997 ECR I-6363), C-158/97: Badeck (2000 ECR I-1875), C-407/98: Abrahamsson (2000 ECR I-5539).

- (27) The methods of selecting candidates for appointment or election to the posts of directors differ from one Member State to another and from one company to another. They may involve the pre-selection of candidates to be presented to the shareholders' assembly, for example by a nomination committee or by executive search firms. The requirements concerning the selection of candidates should be met at the appropriate stage of the selection process in accordance with national law and the articles of association of the listed companies concerned, prior to the election of a candidate by shareholders, for example while preparing a shortlist. In this respect, this Directive only establishes minimum standards for the process of selection of candidates for appointment or election to the posts, making it possible to apply the conditions provided for by the case-law of the Court of Justice with a view to attaining the objective of a more balanced representation of women and men on boards of listed companies. The Directive respects the shareholders' rights and the freedom of vote at the assembly of shareholders.
- (28) This Directive aims to improve the gender balance among directors of companies listed on stock exchanges and thus to contribute to the realisation of the principle of equal treatment between men and women, recognised as a fundamental right of the Union. Listed companies should therefore be required upon the request of a candidate, to inform that candidate of the qualification criteria upon which the selection was based, the objective comparative assessment of those criteria and, where relevant, the considerations tilting the balance in favour of a candidate who is not of the under-represented sex. These limitations to the right to respect for private life with regard to the processing of personal data, recognised by Articles 7 and 8 of the Charter are necessary and, in conformity with the principle of proportionality, genuinely meet recognised objectives of general interest. They are therefore in line with the requirements for such limitations laid down in Article 52(1) of the Charter and with the relevant case-law of the Court of Justice and should be applied in compliance with the provisions of Directive 95/46/EC¹⁴ of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

¹⁴ OJ L 281, 23.11.1995, p.31.

(29) Where a candidate of the under-represented sex establishes the presumption that they were equally qualified as compared with the selected candidate of the other sex, the listed company should be required to demonstrate the correctness of the choice.

29a) *(new wording is taken from Recital 35)* **Certain** Member States may have already taken measures providing for means to ensure a more balanced representation of women and men on **the boards of listed companies or may still take such measures** before the **deadline for adopting the laws, regulations and administrative provisions necessary to comply with** this Directive. Such Member States should have an opportunity to apply those measures in place of the requirements relating to the process of selection of candidates where they can reasonably show that the measures taken are of equivalent efficacy [...] **with a view to attaining**, on average in that Member State, the objective of a presence of the under-represented sex of at least 40 per cent among non-executive directors of listed companies, or, where relevant, of 33 per cent of all directors, [...] by 1 January 2020.

29b) **In addition to the measures relating to non-executive directors, and with a view also to improving the gender balance among directors involved in daily management tasks, listed companies should be required to set individual quantitative objectives regarding a more balanced representation of both sexes among executive directors, with the aim of attaining them at the latest by 1 January 2020. These objectives should help companies to achieve tangible progress as compared with their current situation. This obligation should not apply to listed companies which pursue the objective of 33 per cent relating to all directors, whether executive or non-executive.**

29d) **Member States should require listed companies to provide information on the gender composition of their boards as well as information on the measures taken with a view to attaining the objectives laid down in this Directive, on a yearly basis to the competent national authorities in order to enable them to assess the progress of each listed company towards a more balanced representation of men and women among directors. Such information should be published. Where the company in question has not met the objectives, such information should also include a description of the measures that company intends to take in the future in order to meet the objectives.**

- (30) The obligations relating to the process of selection of candidates for appointment or election, the obligation to set a voluntary target in relation to executive directors and reporting obligations should be enforced by measures which are effective, proportionate and dissuasive. Without prejudice to national law on the imposition of [...] **enforcement measures**, as long as listed companies comply with those obligations, they should not be [...] **penalised** for failing to attain the **quantitative** objectives concerning the representation of men and women among directors. Enforcement measures should not be applied to listed companies themselves if under national law a given action or omission is not attributable to the company, but to other [...] **natural** or legal persons such as individual shareholders.
- (31) [...] (*moved to recital 24a*)
- (32) [...] (*moved to Recital 22*)
- (33) [...] (*moved to Recital 29b*)
- (34) [...] (*moved to Recital 29d*)
- (35) [...] (*moved to Recital 29c*)
- (35b) Member States or listed companies may introduce or maintain more favourable measures to ensure a more balanced representation of men and women.
- (36) This Directive respects fundamental rights and observes the principles recognised by the Charter of Fundamental Rights of the European Union. In particular, it contributes to the fulfilment of the right to equality between women and men (Article 23 of the Charter), the right to freedom to choose an occupation and the right to engage in work (Article 15 of the Charter). This Directive seeks to ensure full respect for the right to an effective remedy and a fair hearing (Article 47 of the Charter). The limitations on the exercise of the freedom to conduct business (Article 16 of the Charter) and of the right to property (Article 17(1) of the Charter) respect the essence of those rights and freedoms and are necessary and proportionate. They genuinely meet objectives of general interest recognised by the Union and the need to protect the rights and freedoms of others.

- (37) While some Member States have taken regulatory action or encouraged self-regulation with mixed results, the majority of Member States have not taken action or indicated their willingness to act in a way that would bring about sufficient improvement. Projections based on a comprehensive analysis of all available information on past and current trends as well as intentions show that a balanced representation of women and men among board members across the Union in line with the objectives set out in this Directive will not be attained by Member States acting individually at any point in the foreseeable future. In the light of those circumstances and given the growing discrepancies between Member States in terms of the representation of women and men on company boards, the gender balance on corporate boards across the Union can only be improved through a common approach, and the potential for gender equality, competitiveness and growth can be better achieved through coordinated action at Union level rather than through national initiatives of varying scope, ambition and effectiveness. Since the objectives of this Directive cannot be sufficiently achieved by the Member States and can, therefore, by reason of the scale and effect of action, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union.
- (38) In accordance with the principle of proportionality, as set out in that same Article, this Directive is limited to setting common objectives and principles and does not go beyond what is necessary in order to attain those objectives. Member States are given sufficient freedom to determine how the objectives laid down in this Directive should best be attained taking national circumstances into account, in particular rules and practices concerning recruitment to board positions. This Directive does not interfere with the possibility for listed companies to appoint the most qualified board members, and it grants a sufficiently long period of adaptation.
- (39) In accordance with the principle of proportionality, the objective to be met by listed companies should be limited in time and remain in force only until sustainable progress has been achieved in the gender composition of boards. For that reason, the Commission should regularly review the application of this Directive and report to the European Parliament and the Council. The Directive is due to expire on 31 December 2028. The Commission should assess, in its review, if there is a need to extend the duration of the Directive beyond that period.

(40) In accordance with the Joint Political Declaration of Member States and the Commission of 28 September 2011 on explanatory documents,¹⁵ Member States have undertaken, in justified cases, to accompany the notification of their transposition measures with one or more documents explaining the relationship between the components of a directive and the corresponding parts of national transposition instruments. With regard to this Directive, the legislator considers the transmission of such documents to be justified.

HAVE ADOPTED THIS DIRECTIVE:

¹⁵ OJ C 369, 17.12.2011, p. 14.

Article 1
Subject matter

This Directive seeks to achieve a more balanced representation of men and women among the directors of listed companies by establishing measures aimed at accelerated progress towards gender balance while allowing listed companies sufficient time to make the necessary arrangements.

Article 2
Definitions

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

- (1) 'listed company' means a company having its registered office in a Member State, and whose shares are admitted to trading on a regulated market, within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC, in one or more Member States;
- (2) 'board' means any administrative, managerial or supervisory body of a listed company;
- (3) 'director' means any member of a board, including an employees' representative;
- (4) 'executive director' means any member of a unitary board who is engaged in the daily management of the listed company and any member of a managerial board in a dual board system;
- (5) 'non-executive director' means any member of a unitary board other than an executive director and any member of a supervisory board in a dual board system;
- (6) 'unitary board' means a single board that carries out both the managerial and the supervisory functions of a listed company;

- (7) 'dual board system' means a system in which the managerial and supervisory functions of a listed company are carried out by separate boards;
- (8) 'small and medium-sized enterprise' or 'SME' means a company which 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;
- (9)

Article 2a

Applicable law

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

Article 3

Exclusion of small and medium-sized enterprises

This Directive shall not apply to small and medium-sized enterprises. [...]

Article 4

Objectives with regard to non-executive directors

1. Member States shall ensure that listed companies aim to attain the objective that members of the under-represented sex hold at least 40 per cent of non-executive director positions no later than 1 January 2020.

- 1a. Member States may provide that instead of the objective laid down in paragraph 1 listed companies may aim to attain the objective that members of the under-represented sex hold at least 33 per cent of all director positions, irrespective of whether they are executive or non-executive directors by the dates specified in that paragraph.
- 1b. *(Moved to new Article 4c)*
2. The number of non-executive director positions necessary to attain the objective laid down in paragraph 1 shall be the number closest to the proportion of 40 per cent, but not exceeding 49 per cent, while the number of director positions necessary to attain the objective laid down in of paragraph 1a shall be the number closest to the proportion of 33 per cent, but not exceeding 49 per cent, as indicated in Annex I.
- 3.
- 4.
- 5.
6. Member States may provide that listed companies, in which the members of the under-represented sex represent less than 10 per cent of the employees, are not subject to the [...] **provisions** laid down in this Article.
- 7.

New Article 4a

Means to attain the objectives

1. Member States shall ensure that, with the aim of attaining the objective laid down in Article 4(1) or 4(1a), in listed companies on whose boards members of the under-represented sex hold less than 40 per cent of the non-executive director positions or less than 33 per cent of all director positions respectively, the selection of candidates for appointment or election to those positions is carried out on the basis of a comparative analysis of the qualifications of each candidate, by applying clear, neutrally formulated and unambiguous criteria established in advance of the selection process.

2. In the selection of candidates for appointment or election to the positions mentioned in paragraph 1, Member States shall ensure that, when choosing between candidates who are equally qualified in terms of suitability, competence and professional performance, priority shall be given to the candidate of the under-represented sex, unless an objective assessment taking account of all criteria specific to the individual candidates tilts the balance in favour of the candidate of the other sex.
3. Member States shall ensure that, in response to a request from a candidate who has been considered in the selection for appointment or election, listed companies are obliged to inform that candidate of the qualification criteria upon which the selection was based, the objective comparative assessment of those criteria and, where relevant, the considerations tilting the balance in favour of a candidate of the other sex, while respecting the provisions of Directive 95/46/EC.
4. Member States shall take the necessary measures, in accordance with their national judicial systems, to ensure that where a candidate of the under-represented sex establishes facts from which it may be presumed that he or she was equally qualified as compared with the candidate of the other sex selected for appointment or election, it shall be for the listed company to prove that there has been no breach of the rule laid down in Article 4a(2).

New Article 4b (based on original Article 8(3) and Article 9(2))

Existing measures in Member States

1. A Member State which, before the [...] **deadline for implementation pursuant to Article 8(1)**, has already taken measures aimed at attaining a more balanced representation of women and men among the directors of listed companies may suspend the application of Article 4a, provided that, on the basis of available evidence, the Member State reasonably considers that the objectives set out in Article 4 will be attained by 1 January 2020 **at least as effectively as through the measures specified in Article 4a.**

2. *(Formerly Article 9(2a), originally Article 9(2) second part.)*

Member States in which, despite the application of the measures referred to in paragraph 1, members of the under-represented sex do not hold at least 40 per cent of the total number of all of the non-executive directors [...], or at least 33 per cent of the total number of all of the directors of listed companies, whether executive or non-executive, by 1 January 2020, shall ensure that listed companies which have not attained those objectives apply Article 4a with effect from 1 October 2020.

New Article 4c (Formerly Article 4(1b), originally Article 5(1))

Objectives with regard to executive directors

Member States shall ensure that listed companies, which are not subject to the objective laid down in Article 4(1a), set individual quantitative objectives regarding gender-balanced representation of both sexes among executive directors, which they aim to attain no later than 1 January 2020.

Article 5

Reporting

- 1.
2. Member States shall require listed companies to provide information to the competent national authorities, once a year as from *[two years after adoption]*, about the gender representation on their boards, distinguishing between non-executive and executive directors where relevant, and about the measures taken **with a view to attaining** the objectives laid down in Articles 4(1), 4(1a) and 4c and to publish that information in an appropriate and accessible manner on their websites.

3. Where a listed company does not attain the objective laid down in Article 4 (1) or Article 4(1a) or the quantitative objectives it has set for itself pursuant to Article 4c, the information referred to in paragraph 2 shall include the reasons for not attaining the objectives and a description of the measures which the company [...] **has already taken and/or intends to take** in order to meet them.
4. Member States shall take the necessary measures to ensure that the body or bodies designated in accordance with Article 20 of Directive 2006/54/EC¹⁶ of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation or other bodies designated by the Member States are competent for the promotion, analysis, monitoring and support of gender balance on the boards of listed companies.

Article 6

Enforcement measures

1. Member States shall lay down rules on enforcement measures applicable to infringements of the national provisions adopted pursuant to Articles 4a, 4c, 5(2) and 5(3) of this Directive and shall take all necessary measures to ensure that they are applied.
2. The enforcement measures must be effective, proportionate and dissuasive.
3. Listed companies may be held liable only for acts or omissions which can be attributed to them in accordance with national law.

¹⁶ OJ L 204, 26.7.2006, p. 23.

Article 7

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 men and women in respect of listed companies, provided those provisions do not create unjustified discrimination or hinder the proper functioning of the internal market.

Article 8

Implementation

1. Member States shall adopt and publish, by *[two years after adoption]* at the latest, the laws, regulations and administrative provisions necessary to comply with this Directive. They shall forthwith communicate to the Commission the text of those provisions.
2. When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.
- 2a. Member States that have, pursuant to Article 4b(1), suspended the application of the requirements relating to the process of selection of candidates for appointment or election referred to in Article 4a shall forthwith communicate to the Commission the measures referred to in Article 4b(1).
3. (Moved to Article 4b.)
4. 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 9

Review

1. Member States shall communicate to the Commission by 1 January 2017 at the latest and every two years thereafter, a report on the implementation of this Directive. These reports shall include, *inter alia*, comprehensive information about the measures taken with a view to attaining the objectives laid down in Article 4(1) or 4(1a) respectively, information provided in accordance with Article 5(2) and information about individual commitments taken by listed companies pursuant to Article 4(c).
2. Member States, having suspended, pursuant to Article 4b, the application of the requirements relating to the process of selection of candidates for appointment or election referred to in Article 4a shall include in the reports mentioned in paragraph 1 information showing the concrete results obtained by the national measures referred to in Article 4b and the likelihood of the relevant target percentage referred to in Article 4b(1) being met by the date mentioned in that Article. The Commission shall issue a specific report by 31 December 2017 ascertaining whether those measures are effective for the purpose of attaining the objectives laid down in Article 4(1) or 4(1a) respectively.
 - 2a. (*Moved to Article 4b(2).*)
3. The Commission shall review the application of this Directive and report to the European Parliament and the Council by 31 December 2021 at the latest and every two years thereafter. The Commission shall evaluate in particular whether the objectives of this Directive have been achieved.
4. In its report, the Commission shall assess whether, in the light of developments in the representation of men and women on the boards of listed companies and at different levels of decision-making throughout the economy and taking into account whether the progress made is sufficiently sustainable, there is a need to extend the duration of this Directive beyond the date specified in Article 10(2) or to amend it.

Article 10

Entry into force and expiry

1. This Directive shall enter into force on the *[twentieth]* day following that of its publication in the *Official Journal of the European Union*.
2. It shall expire on 31 December 2028.

Article 11

Addressees

This Directive is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

**TARGET NUMBERS OF DIRECTORS OF THE
UNDER-REPRESENTED SEX**

Number of positions on the Board	Overall number of non-executive directors	Overall number of directors
	Minimum number of non-executive directors of the under-represented sex necessary to meet the objective of 40% (Article 4(1))	Minimum number of directors of the under-represented sex necessary to meet the objective of 33% (Article 4(1a))
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%)