

Gender balance on company boards 3/48/24



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Europe has been looking for ways to improve its gender equality indicators in recent years, including the pay gap between men and women and their participation in top management. One of the latest initiatives provides for securing a gender balance on the boards of listed companies. In this article, we explore these changes because the new rules apply to Latvia too.

EU law and national law

Directive 2022/2381, which prescribes measures to improve the gender balance among directors of listed companies, was passed on 27 December 2022. The member states are liable to transpose these rules into their national law by 28 December 2024.

As a member state, Latvia has to meet this requirement, also because it has no legislation in place to require companies to foster gender-balanced participation in their boards and councils. So the Welfare Ministry's inter-agency working group has drafted the Gender Balance in Corporate Governing Bodies Bill. It aims to secure a balanced participation of men and women in company boards and councils by transposing the directive's requirements.

The Welfare Ministry's proposals have been presented for a public consultation, which invited opinions by 11 November.

The scope and obligations

Section 3 of the Bill provides that the relevant companies must secure a gender balance in one of the two ways:

- The under-represented gender holds at least 40% of council roles.
- The under-represented gender holds at least 33% of all council and board roles.

There are certain requirements that must be satisfied to achieve this target. Companies must post on their website a readily accessible notice about starting the selection of candidates, which clearly and neutrally formulates selection criteria and qualification requirements to find out whether a candidate's professional qualifications, competence and performance are appropriate. The notice must be gender neutral.

Every stage of the selection process has to include a comparative, objective assessment of candidates based on their experience and professional qualifications. When it comes to choosing between candidates with equivalent qualifications, competence and performance, companies must favour the under-represented gender candidate to meet either of the gender balance targets set by section 3 of the Bill. According to an annotation to the Bill, this secures an open and transparent process that will have a positive effect on candidates by restricting discrimination on the grounds of gender. This promotes the diversity and inclusion of genders and improves business prospects by drawing on all available talent,

expertise and ideas. Gender-balanced participation in corporate governance and improved transparency in recruitment may have a positive effect on minimising the gender pay gap, encourage professionals to apply, and enhance trust in an objective assessment of performance and professionalism.

The relevant companies

The Bill applies to a limited range of companies. Specifically, companies that have their registered office in Latvia, their shares traded on a regulated market and at least 250 employees and a net revenue of at least EUR 50 million or a balance sheet total of at least EUR 43 million for two consecutive financial years must file with the Bank of Latvia annual information on gender participation in their board and council, as well as on measures they have taken to achieve a gender balance. According to Nasdaq Riga AS, the Bill will cover two Latvian companies.

Key takeaways

Despite the small number of companies being affected by these changes, it's important to welcome this initiative as another positive step towards gender equality. We will keep our MindLink subscribers informed of other instruments that help solve economic and social problems by promoting equal opportunities and rights for men and women in the job market, as well as fostering the diversity management approach and principles in corporate governance.