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Corporate governance and gender diversity: Female representation on boards in Greece and beyond

In recent years, as corporate boards continue to face increasing scrutiny, the issue of board diversity has gained significant attention. Although diversity encompasses various factors such as ethnicity, age, sexual orientation, and more, gender has emerged as a dominant focus in the literature. In addition, the United Nations Sustainable Development Goals (SDGs) and recent European legislation have called for greater gender diversity in corporate leadership.

Understanding the wider implications of gender diversity within corporate boards is essential. A diverse board, particularly with regard to gender, offers numerous potential advantages that extend to various aspects of corporate governance. Female directors can positively impact decision-making, corporate strategy, financial reporting, conflict resolution, risk management, and corporate social responsibility (CSR) implementation. For instance, research has shown that women on boards tend to be more risk-averse and bring alternative perspectives to decision-making, leading to more comprehensive and robust strategies. Additionally, female directors have been linked to increased transparency in financial reporting, and a heightened focus on sustainability initiatives. Furthermore, women

on boards tend to be more collaborative and are often skilled at facilitating constructive conflict resolution. This creates a more inclusive boardroom environment, fostering open communication and encouraging the exchange of diverse perspectives. The presence of women on boards can also serve to enhance board independence, functioning, efficiency, and monitoring activities, ultimately strengthening corporate governance mechanisms.

The growing emphasis on gender diversity has led to a shift in focus towards diversity at the top levels, specifically within corporate boards. Despite inconclusive empirical findings on the association between board gender diversity and firm performance, a growing body of research suggests that the presence of female directors on corporate boards is associated with several positive outcomes and can improve board effectiveness. For example, a recent study by Harakeh, Leventis, Masri and Tsileponis (2022) provides evidence that board gender diversity enhances financial reporting transparency and maintains investor confidence, particularly during periods of crises. In similar vein, Shams, Minnick and Khedmati (2023) explore the impact of board gender diversity on acquisition decisions and find that firms with a higher percentage of women on their boards are more likely to make value-creating acquisitions, and experience long-term improvements in financial performance and market valuation.

Overall, female directors bring a wealth of experience, skills, and perspectives that can enhance decision-making and drive innovation. The above findings are particularly relevant in Greece, where there has been a longstanding issue of underrepresentation of women on corporate boards.

Main findings

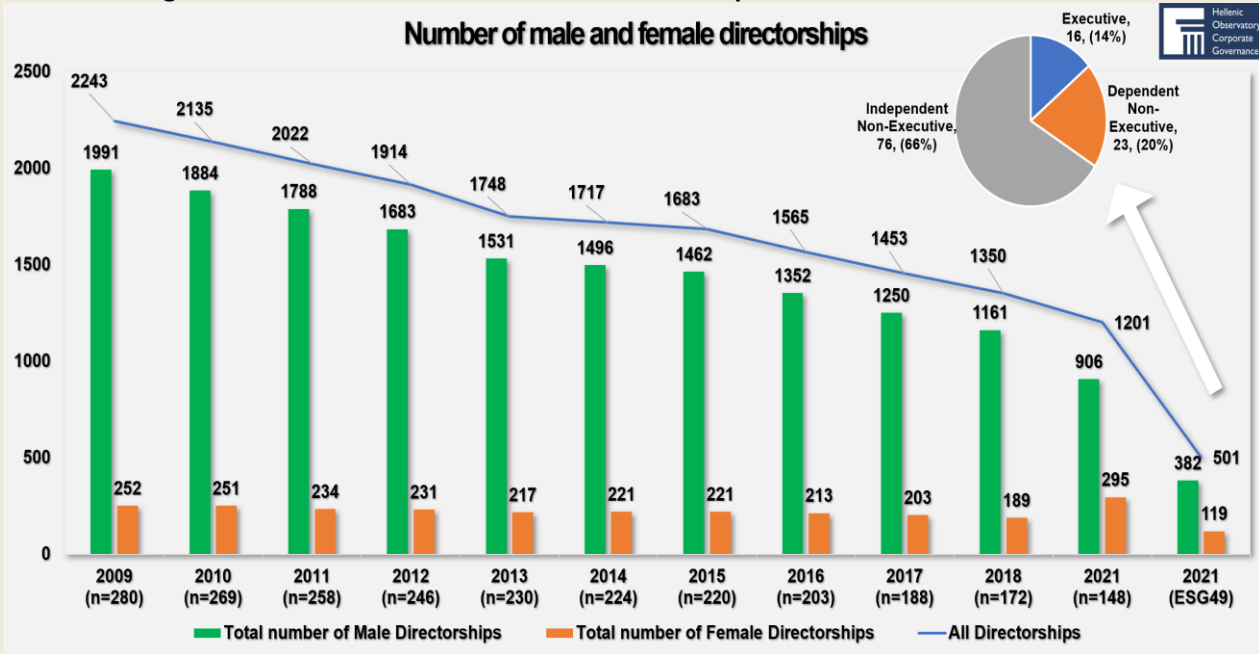
According to data from the Hellenic Observatory of Corporate Governance (HOCG), which conducts research since 2007 on the application of responsible principles of corporate governance in Greece, female participation on Greek boards has steadily increased from 11% in 2009 to 25% in 2021 (see **Figure 1**). However, this increase still lags developed market averages (see **Figure 2**). More specifically, in 2022, the percentage of women on boards of the largest publicly listed companies in Greece was 24%, while the EU-27 average was 32.2%.

To summarise the recent progress in Greece, the country has experienced substantial growth in the percentage of women on boards, particularly from 2020 to 2022, when it increased from 13% to 24%. The increase in female board representation in Greece can be partially attributed to the implementation of Law 4706/2020 on corporate governance, which stipulates that a minimum of 25% of board members must be female. This legal mandate has been a driving force in promoting

gender diversity in boardrooms and encouraging companies to take steps towards more balanced representation. While this legal requirement has contributed to improving gender diversity, an examination of other key indicators suggests that there is still much progress to be made. According to the latest HOCG study (2021), the landscape in the ESG Index of the Athens Stock Exchange with respect to women in leadership roles remains less than ideal. Out of the 49 companies comprising the ESG Index, there is only one female chairperson, two female CEOs, and 24 women holding positions in audit and risk board committees. This underscores the need for continued efforts to foster greater gender balance in leadership roles within the Greek business sector.

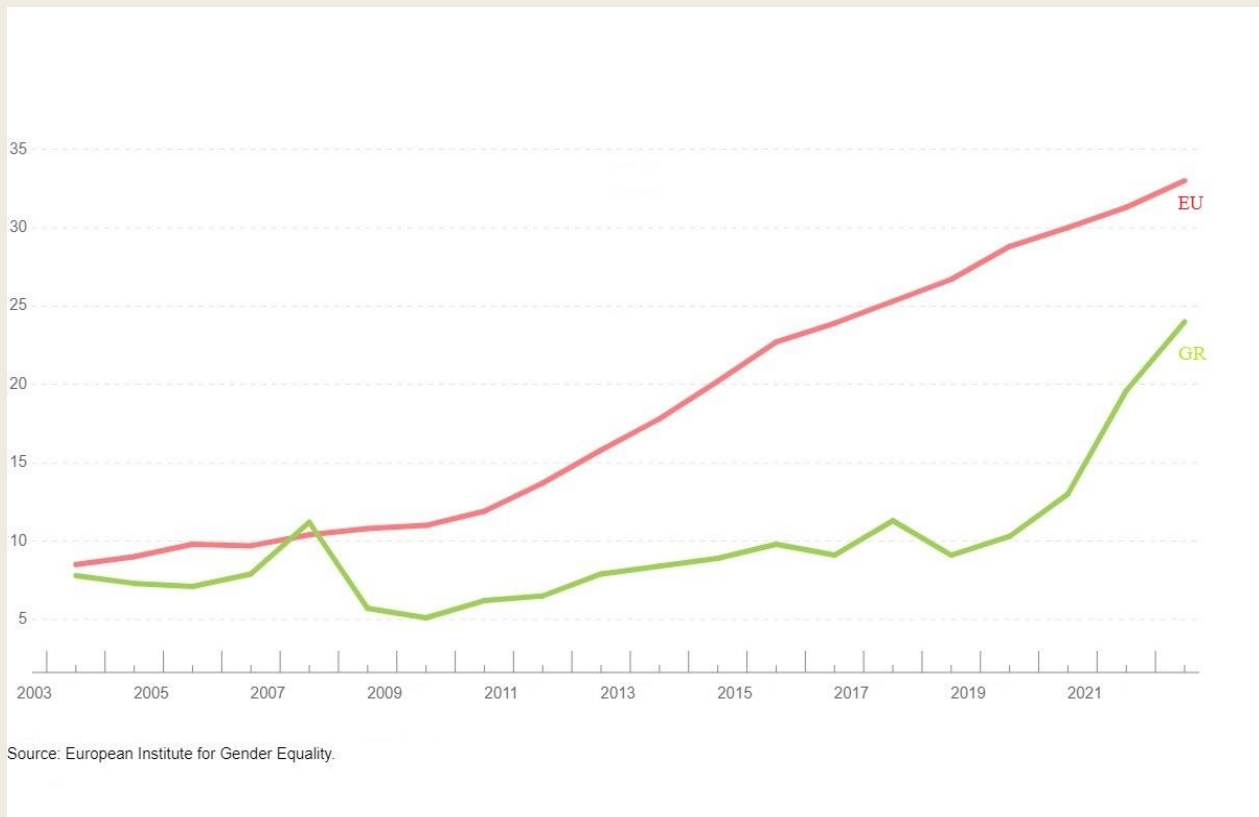
Despite lagging the EU average for female representation on corporate boards, Greece ranks better than some Eastern European countries. For example, Bulgaria has a female board representation of 14.8%, Hungary sits at 10.4%, and Estonia has a 10.3% representation. Additionally, Cyprus ranks among the lowest in Europe, with a mere 10.2% of female directors (see **Figure 3**). This comparison highlights the varying degrees of progress in achieving gender balance across European nations, emphasising the need for continued efforts to promote gender diversity in leadership positions throughout the continent.

Figure 1: Number of female and male directorships in Greece between 2009 and 2021



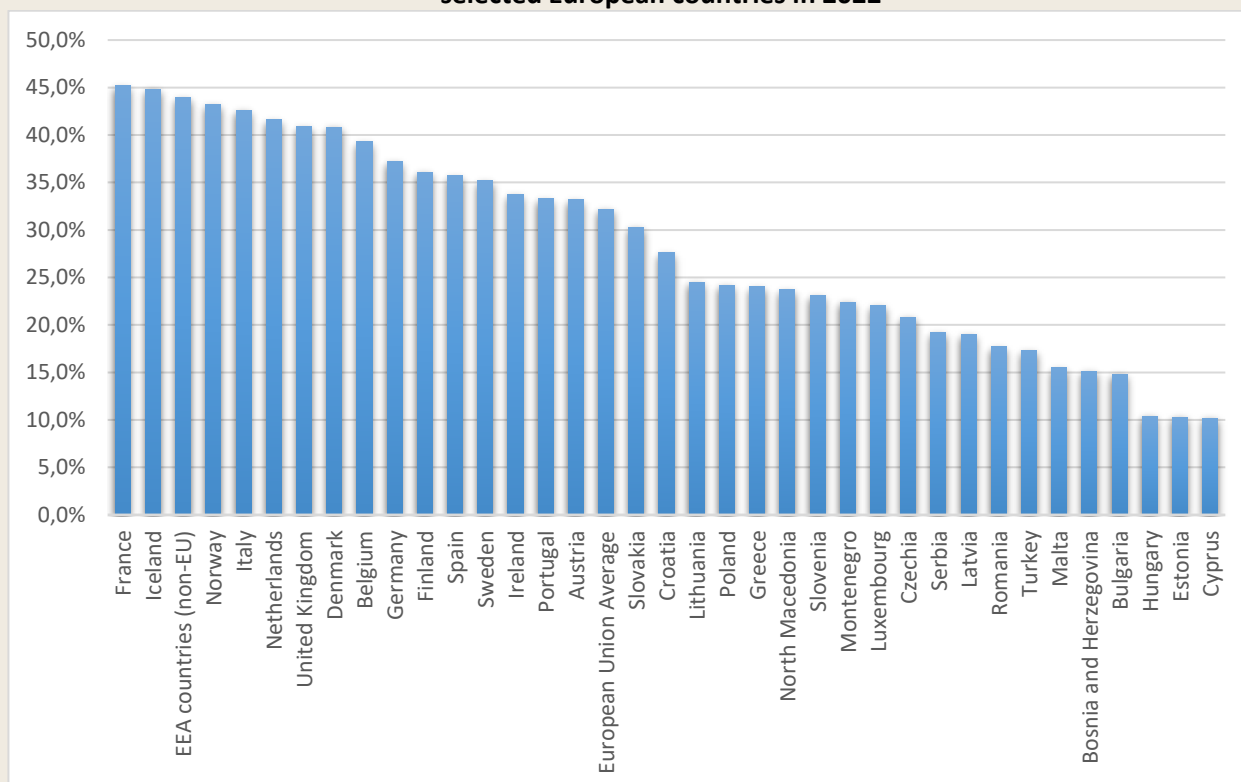
Source: Hellenic Observatory of Corporate Governance (HOCG)

Figure 2: Percentage of female directors on boards of the largest publicly listed companies between 2003 and 2022.



Source: European Institute for Gender Equality.

Figure 3: Percentage of female directors on boards of the largest publicly listed companies in selected European countries in 2022



Source: European Institute for Gender Equality

While there has been progress in increasing female representation on corporate boards, the recent improvements are far from satisfactory. Recognising this issue, the European Parliament has adopted the EU Directive 2022/2381 on gender balance in corporate boards. This Directive mandates that listed companies must have at least 40% representation of the underrepresented sex among non-executive directors or 33% among all directors by June 2026. This measure is expected to encourage companies to prioritise gender diversity on their boards, thereby promoting greater equity, diversity, and inclusion (EDI) within the corporate landscape. The implementation of this Directive highlights the ongoing commitment to achieving gender

balance and fostering a more inclusive business environment across the European Union.

While increasing female representation on corporate boards is a step in the right direction, it is not sufficient for achieving EDI. It is crucial to ensure women have a substantial role and influence in decision-making processes, which involves occupying "power positions", such as CEO roles and committee chairmanships. To facilitate this, it is important to include more women in top management teams, enabling them to make a meaningful impact on decision-making.

The Hellenic Observatory of Corporate Governance (HOCG), in collaboration with the

European Women on Boards (EWOB), has provided valuable data on the current state of gender diversity within top management teams of listed companies in the ATHEX Large Cap Index (EWOB, 2019; HOCCG, 2021). As of July 2021, there were 69 female positions across the 25 companies in the index, averaging 2.76 female directors per board and an average board size of 11.8. In addition, women occupied 97 committee positions, with 20 of them serving as committee chairs. Furthermore, there was 1 female CEO and 1 Chairwoman. This emphasises the need for continued efforts to promote gender diversity in corporate leadership, as well as the importance of focusing on women's involvement and influence in key decision-making roles.

Overall, the issue of board diversity in Greece is a critical topic that requires ongoing attention and action to ensure that women are adequately represented on corporate boards and in leadership positions. This necessitates continuous evaluation and consideration of policy measures and alternative approaches to achieve optimal corporate performance while increasing female representation on corporate boards.

Summary

This report provides an overview of the progress made in increasing female representation on corporate boards in Greece, while also emphasizing areas that warrant

further improvement. Although the growth of female participation on Greek boards is evident, it continues to fall behind the EU average for female board representation. To attain greater equity, diversity, and inclusion (EDI), concerted efforts must be directed towards promoting gender diversity beyond board positions and addressing other barriers that impede women's advancement in corporate leadership.

In line with the new EU Directive 2022/2381 on gender balance on corporate boards, companies will be required to prioritise gender diversity within their boards. This Directive mandates listed companies to have at least 40% of the underrepresented sex among non-executive directors or 33% among all directors by June 2026. Achieving these targets will necessitate collaborative efforts from both the private and public sectors.

In conclusion, the issue of board diversity in Greece remains a crucial topic that calls for ongoing attention and action to ensure that women are adequately represented on corporate boards and in leadership positions. Companies must be dedicated to creating an inclusive environment that fosters women's career growth, and policymakers must establish regulations that promote gender diversity and equity in the workplace. A collaborative approach is crucial for driving meaningful change and fostering a more balanced corporate landscape.

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