

## Croatia introduces legislative changes to promote gender equality on corporate boards

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With the amendments to the Companies Act (the "Act"), which entered into force on 5 December 2024, Croatia has implemented EU Directive (EU) 2022/2381 on gender balance on corporate boards of listed companies (the "Directive"). The so called "Women on Boards" Directive aims to ensure that at least 40% of non-executive board seats or 33% of all board seats for listed companies are occupied by the "underrepresented sex" by the end of June 2026.

### What you need to know

- **Scope of application:** The obligation of balanced representation of women and men applies to listed companies. Companies that employ less than 250 employees, have an annual revenue that does not exceed EUR 50 million or with a total assets value that does not exceed EUR 43 million, are exempt.
- **Thresholds:** Different individual thresholds are set for listed companies with monistic and dualistic models of corporate governance, depending on the total number of relevant board seats:
  - Non-executive (single) criteria: supervisory board or board of directors (non-executive positions); or
  - All seats (joint) criteria: management board and supervisory board or board of directors (including executive positions).

A few examples of thresholds are shown in the table below:

	Total No of board members	Quota for underrepresented sex
<b>Non-executive (single) criteria</b>	3	1 (33,3%)
	4	1 (25%)
	5	2 (40%)
<b>All seats (joint) criteria</b>	6	2 (33,3%)
	7	2 (28,6%)
	8	3 (37,5%)

The obligation to achieve balanced representation primarily relates to the fulfilment of the single criteria. However, if the single criteria is not met, but the joint criteria is, the company would still be in compliance.

- **Procedure:** The rules must ensure the application of clear, neutral and unambiguous criteria that prevent discrimination and allow for the selection of candidates based on objectively assessable qualifications.

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- **Protection and sanctions:** A non-elected candidate may initiate misdemeanour proceeding against a company. If a non-elected candidate proves that he/she is equally qualified as the candidate of the opposite sex who was selected, the burden of proof that the former was not unfairly disadvantaged transfers to the company. Additionally, monetary fines in the amount of EUR 10,000 may be triggered. Furthermore, under the general corporate rules, the shareholders' decision during an election may be declared as null and void if it is passed contrary to the provisions of the Act.
- **Goals setting:** The supervisory board or the board of directors should set goals for the participation of the underrepresented sex at least every two years.
- **Implementation period:** The mandates of current members may be held until their regular expiration. Shareholders are required to elect members of the underrepresented gender at the first future election, in accordance with the Act.

According to the latest available official data as of 2023, the existing representation of women as the underrepresented sex on corporate boards of listed companies in Croatia is 19% in management boards and 25% in supervisory boards. The recently introduced legislative requirements will enhance the diversity of corporate boards within listed companies. Moreover, these measures are expected to have a significant transformative influence on governance practices in non-listed companies as well.

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