Gender diversity e governance societaria: tra Principi del G20/OCSE e altri studi/progetti internazionali

Università degli Studi di Siena, Diritto europeo della banca e della finanzae di Legislazione e diritto bancario

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Outline of the presentation

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2 **The G20/OECD Principles of Corporate Governance**

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4 **The Review of the G20/OECD Principles of Corporate Governance**

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OECD organizational structure

COUNCIL
Oversight and strategic direction

Representatives of member countries and the European Commission provide strategic orientations for the OECD. Chaired by the Secretary-General, decisions are taken by consensus.

COMMITTEES
Discussion and review

Committees, expert and working groups bring together countries and partners to share policy experiences, innovate and review policy implementation and impact.

SECRETARIAT
Evidence and analysis

OECD directorates collect data, provide analysis and formulate recommendations to inform committee discussions, based on the Council's mandate.

POLICY MAKERS AND POLICY SHAPERS

Representatives from government, business, labour, civil society and academia participate in our work and provide their views through consultations and regular exchanges with the Secretariat.

The Corporate Governance Committee

OBJECTIVE	To effectively fulfil its responsibilities as an international standard setter in corporate governance, and contribute to economic efficiency, sustainable growth and financial stability by improving corporate governance policies and supporting good corporate practices.

AREAS OF WORK	Corporate Governance	Capital Markets	State-Owned Enterprises

COMPOSITION	OECD Members and accession candidates + all G20 and FSB members + Malaysia

INSTRUMENTS	❖ G20/OECD Principles of Corporate Governance ❖ OECD Guidelines on Corporate Governance of State-Owned Enterprises ❖ OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises

Regional networks and country projects

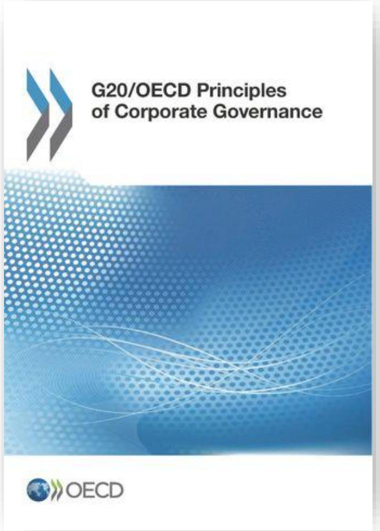
THEMATIC WORK AND RESEARCH	Work and peer reviews on thematic areas, such as digitalisation, climate change, board responsibilities, **gender diversity in boards and senior management of listed companies** **OECD Corporate Governance Factbook** (2021 edition with 50 jurisdictions)
REGIONAL NETWORKS	E.g., OECD-Asia and Latin America Roundtables on Corporate Governance
BILATERAL PROGRAMMES	Brazil, India and Indonesia
CAPITAL MARKET REVIEWS	**Italy**, Portugal, Croatia and Romania
SOE REVIEWS	Argentina, Brazil, Bulgaria, Croatia, Romania and Ukraine

SELECTED REVIEWS

The G20/OECD Principles of Corporate Governance

The G20/OECD Principles of Corporate Governance

- **Main international standard for corporate governance**. First issued in 1999 and last revised in 2015.
- **Help policy makers evaluate and improve the legal, regulatory and institutional framework for corporate governance.** Also provide guidance for stock exchanges, investors, corporations and others that have a role in developing good corporate governance.
- **Endorsed by G20 Leaders** in 2015.
- **Endorsed by the FSB** as one of its Key Standards for Sound Financial Systems and by the **World Bank** as the benchmark for its national Corporate Governance Assessments.
- **53 adherents**: OECD, G20 and FSB, Bulgaria, Croatia, Peru and Romania.
- **6 pillars**:
  - Ensuring the basis for an effective corporate governance framework
  - The rights and equitable treatment of shareholders and key ownership functions
  - Institutional investors, stock markets and other intermediaries
  - The role of stakeholders in corporate governance
  - Disclosure and transparency
  - The responsibilities of the board



Strategic Priorities of the Principles

I. To promote access to finance, innovation and entrepreneurship;

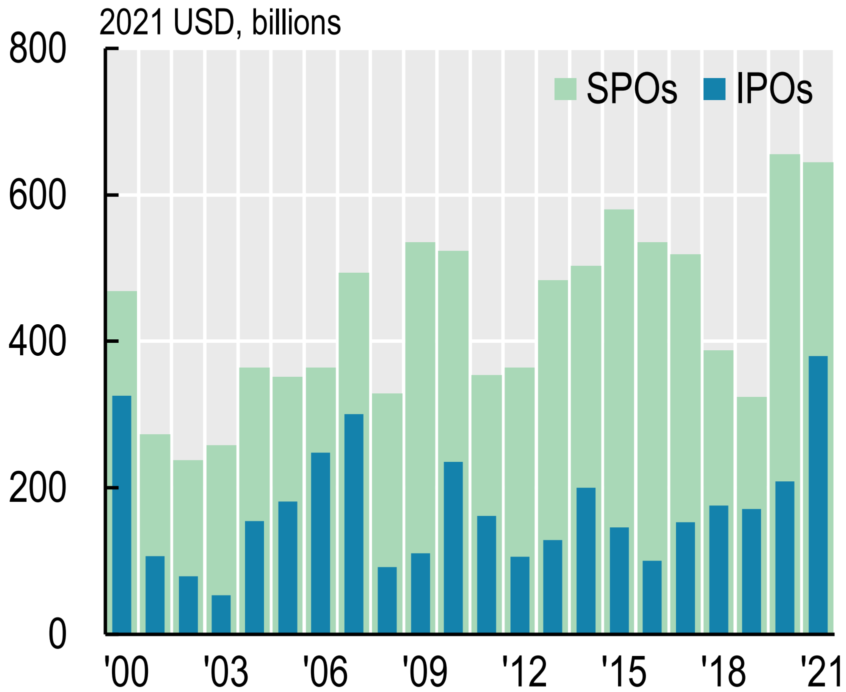
II. To provide a framework to protect investors; and

III. To support corporate sector sustainability and resilience.

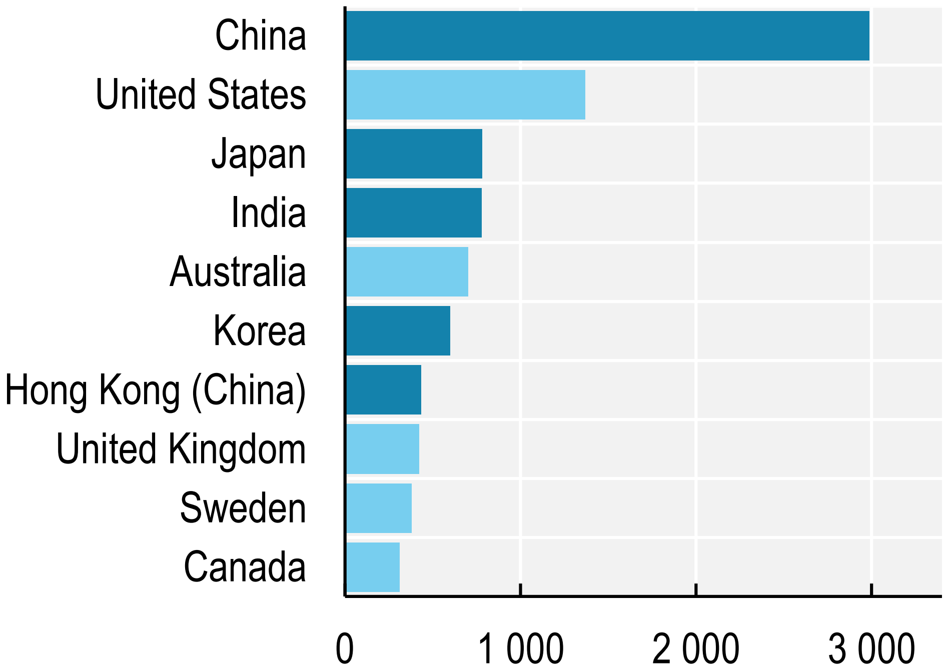
A changing world and its corporate governance implications

Promoting access to finance, innovation and entrepreneurship

Capital raised by non-financial companies in public equity markets



Top 10 markets by number of non-financial company IPOs over the last 10 years

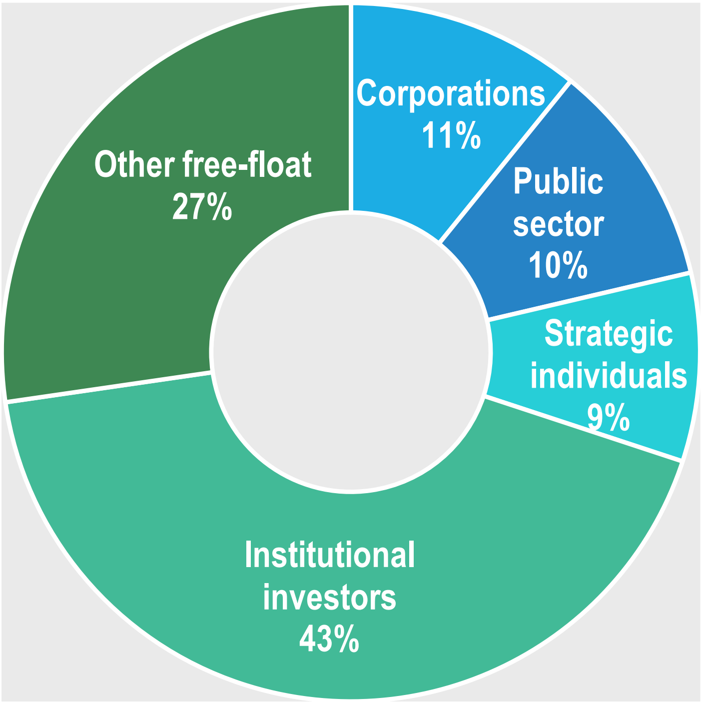


Source: OECD Capital Market Series dataset.

- The Principles lay the foundations for a sound corporate governance framework that gives investors, executives, corporate directors and stakeholders the tools and incentives needed to ensure companies can access the capital they need.
- Record equity issuance during the COVID-19 crisis: USD 2 trillion for 2020 and 2021 combined.
- Structural decline in the number of listed companies in most advanced markets. Except for Asia, which hosts half of all listed companies in the world today.

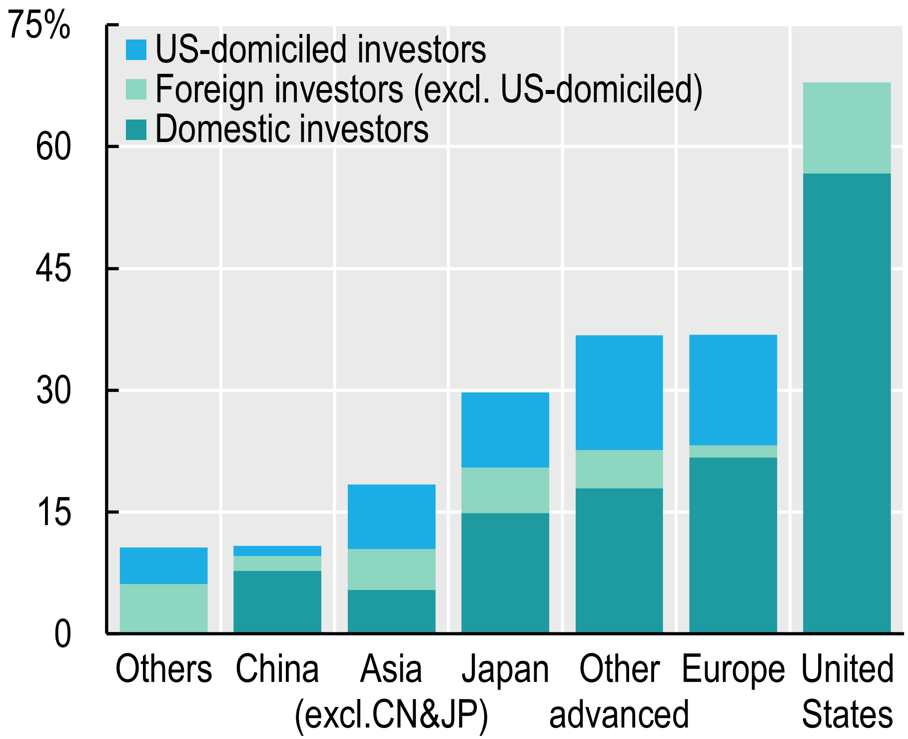
Providing a framework to protect investors

Investors' holdings in public equity markets



Source: OECD Capital Market Series dataset.

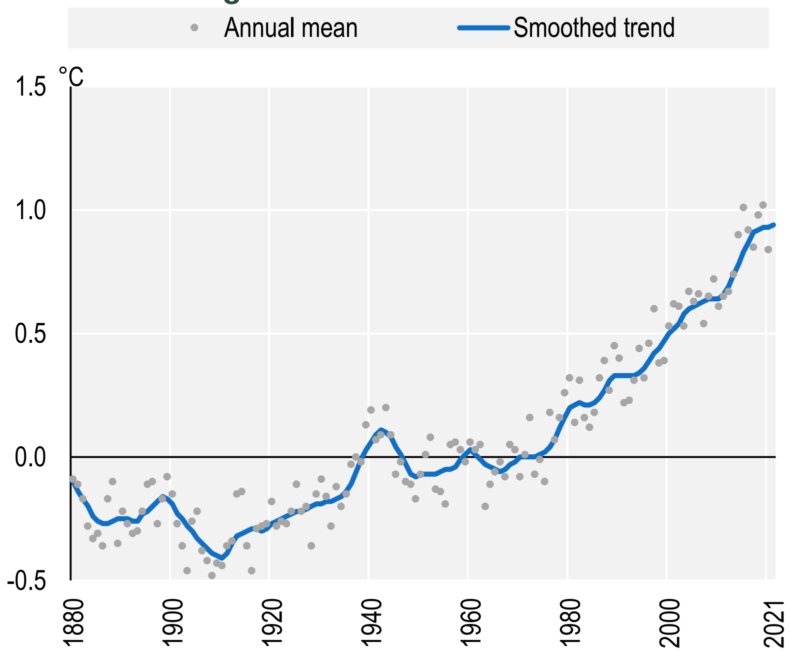
Domestic and foreign institutional investors holdings



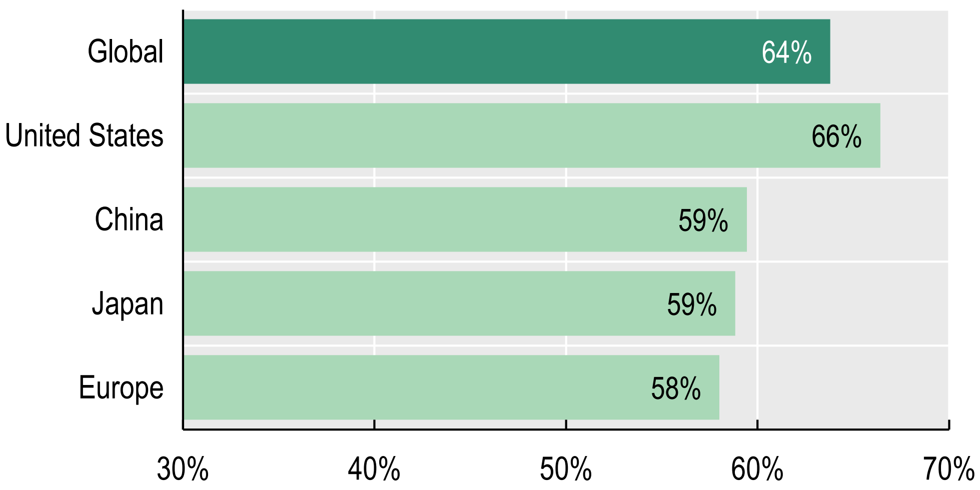
- More than 40 000 listed companies in the world with a combined market value of USD 105 trillion.
- Equity is the largest asset class available to households.
- Institutional investors are the largest owners in stock markets. They invest a large share of their portfolios in foreign markets. This is why sound corporate governance policies are also essential to protect savers across borders.

Climate change poses an enormous challenge to countries around the world, including the corporate sector

Change in global surface temperature compared to 1951-1980 average



Share of market capitalisation exposed to climate risks (2020)



Note: Trendline uses locally weighted scatterplot smoothing (LOWESS).
Sources: NASA Goddard Institute for Space Studies (GISS); Climate Change and Corporate Governance (OECD, 2021).

- 19 of the hottest years on record have been since 2000.
- OECD estimates suggest climate change is a significant financially material risk for companies representing two-thirds of global market capitalisation.

The Review of the
G20/OECD Principles of Corporate Governance

Ten priority areas for the review

- The management of climate change and other environmental, social and governance (ESG) risks
- The growth of new digital technologies and emerging opportunities and risks
- Corporate ownership trends and increased concentration
- The role of institutional investors and stewardship
- Crisis and risk management
- Excessive risk taking in the non-financial corporate sector
- The role and rights of debtholders in corporate governance
- Executive remuneration
- The role of board committees
- **Diversity on boards and in senior management**

Proposed revisions (I)

Overall direction of changes

- Better reflect the **three overarching objectives**.

Sustainability and resilience (new chapter)

- **Sustainability disclosure**: Promote the disclosure of financial and non-financial information and the use of high-quality international standards that facilitate comparability. Guidance on the concept of materiality.
- **Shareholders and stakeholders**: Promote dialogue in companies' important decisions on sustainability.
- **Board responsibilities**: Highlight the importance of the "business judgement rule" for long-term investments, and clarify that material sustainability risks and opportunities must be considered by the boards.

Proposed revisions (II)

Corporate ownership and company groups

- Promote a **clear regulatory framework** for company groups and capital structures, group structures and their control arrangements in company groups.
- Improve **risk management** by ensuring disclosure on risks related to company groups.
- Improve disclosure of **related party transactions** by better identifying all related parties in complex group structures and addressing potential conflicts of interest.

Institutional investors and stewarship

- Address the growing use of **stewardship codes** as a tool to support shareholder engagement and increase disclosure requirements for institutional investors.
- Increase disclosure and minimise conflict of interests of **proxy advisors**, **ESG rating and index providers**.

Proposed revisions (III)

Digital technologies

- Strengthen corporate governance practices and supervision with digital technologies while addressing the related risks.
- Ensure board responsibilities for **digital security risks** in terms of disclosure and risk management.
- Underline the importance of a **technology neutral approach**.

Board responsibilities and duties

- Reflect increasing **diversity** considerations and the growing use of **board committees** (e.g. audit, remuneration, nomination).
- Emphasise **risk management** including crisis management.
- Recommend disclosure of sustainability indicators used in determining **executive pay**.

Corporate debt and bondholders

- Address the increasing importance of **corporate debt and bondholders** in markets, their rights, and their impacts.

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Timeline

2021

- **October**: OECD Ministers and G20 Leaders: "recognise the importance of good corporate governance frameworks and well-functioning capital markets to support the recovery and look forward to the review of the G20/OECD Principles of Corporate Governance".

2022

- **February**: Terms of Reference and Roadmap agreed.
- **February, June and November**: Committee discussions on revisions.
- **February and July**: OECD Secretary-General's 1st and 2nd progress reports to G20
- **19 September-21 October**: Public consultation on revisions

2023

- **Q1**: revised Principles approved by Committee.
- **Q2**: revised Principles to be adopted at OECD Ministerial meeting.
- **Q3**: revised Principles to be considered for endorsement by G20.

Gender diversity in the G20/OECD Principles

Diversity and gender inclusion in the 2015 G20/OECD Principles

- The G20/OECD Principles recognise the importance of bringing a diversity of thought to board discussions.
- Evidence suggests that gender diversity on boards has spillover effects on board dynamics and governance.
- The 2015 Principles already include a reference concerning gender diversity on boards and in senior management (Chapter V, Principle VI.E.4)

Principle VI.E.4 Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences.

[…] In order to avoid groupthink and bring a diversity of thought to board discussion, boards should also consider if they collectively possess the right mix of background and competences.

Countries may wish to consider measures such as voluntary targets, disclosure requirements, boardroom quotas, and private initiatives that enhance gender diversity on boards and in senior management.

Diversity and gender inclusion in review of the Principles (1/2)

- **Diversity on boards and in senior management** has been selected as one of the **priority areas** guiding the revision
- Diversity, including gender diversity, has been embedded in different recommendations
  - Transparency and disclosure on composition of boards, including on gender diversity (Principle IV.A.5)
  - **Boards performance** and right mix of background and competences (Principle V.E.4)
  - Gender diversity policies (disclosure of gender composition of boards and senior management, mandatory quotas and/or voluntary targets for female participation on boards)

Principle IV.A.5

[…] Many jurisdictions require or recommend <u>disclosure of the composition of boards, including on gender diversity</u>. Such disclosure may also extend to <u>other criteria such as age and other demographic characteristics, in addition to professional experience and expertise</u>. Some jurisdictions that have established such requirements or recommendations in codes also request disclosure on a "comply or explain" basis. In some cases this includes the disclosure of the composition of management boards in two-tier board systems, and of executive or other senior management positions.

Diversity and gender inclusion in review of the Principles (2/2)

- Succession planning could also be a long-term strategic tool to support talent development and diversity (Principle V.D.4)
- Ensuring formal and transparent board nomination and election process (Principle V.D.6)
  - It is considered good practice to conduct open search processes extending to a broad range of backgrounds to **respond to diversity objectives and evolving risks to the company**.
- Ensuring diversity also in **employee representation on the board** (Principle V.G).
- Relevance of diversity strategies also for sustainability-related information (Principle VI.A.1)
  - *Material sustainability-related information could include environmental and social matters that can reasonably be expected to affect a company's asset value and its ability to generate revenues and long-term growth. […] Likewise, <u>diversity strategies, can communicate important information on the competitive strengths of companies to market participants</u>.*

Principle V.E.4 – gender and other forms of diversity

- ***Principle V.E.4 Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences, including with respect to gender and other forms of diversity.***

[…] In order to avoid groupthink and bring a diversity of thought to board discussion, evaluation mechanisms may also support boards to consider if they collectively possess the right mix of background and competences. This may be based on diversity criteria such as gender, age or other demographic characteristics, as well as on experience and expertise, for example on accounting, digitalisation, sustainability, risk management or specific sectors.

<u>To enhance gender diversity, many jurisdictions require or recommend that publicly traded companies disclose the gender composition of boards and of senior management</u>. Some jurisdictions have established <u>mandatory quotas or voluntary targets for female participation on boards with tangible results</u>. Jurisdictions and companies should also consider <u>additional and complementary measures to strengthen the female talent pipeline throughout the company and reinforce other policy measures aimed at enhancing board and management diversity</u>. Complementary measures may emanate from government, private and public-private initiatives and may, for example, take the form of advocacy and awareness-raising activities; networking, mentorship and training programmes; establishment of supporting bodies (women business associations); certification, awards or compliant company lists to activate peer pressure; and the review of the role of the nomination committee and of recruitment methods. Some jurisdictions have also established guidelines or requirements intended to ensure consideration of other forms of diversity, such as with respect to experience, age and other demographic characteristics.

Gender inclusion in other international benchmarks

Gender diversity in Italy: Recent press

24 ORE
COMMENTI

In evidenza Criptovalute Spread BTP-Bund FTSE-MIB Petrolio 24+

Servizio | Studio Università Bocconi

Donne Ceo nelle principali 50 quotate italiane Nessuna. Deficit culturale e manageriale

di Massimo Milletti e Alessandro Minichilli

12 aprile 2023

GOVERNANCE Introdotte 12 anni fa, hanno agevolato la parità di genere più nei cda che nei ruoli di vero potere. E' ora di abolirle per evitare che provochino casi di pink washing? Rispondono Pierdicchi e Abravanel

Quote rosa: servono?

di **Andrea Cabrini**

Le quote rosa funzionano davvero o rischiano di diventare uno strumento di «pink washing» che non intacca il vero potere maschile in azienda? Dalla legge Golfo-Mosca sono passati quasi 12 anni. Ed entro il 2026 nelle quotate con più di 250 dipendenti almeno il 40% degli amministratori non esecutivi e il 33% di quelli esecutivi dovranno essere donne. Lo prevede la direttiva *Women On Board* approvata lo scorso novembre dal Parlamento Europeo

ma di certo le donne hanno portato un contributo di *soft skills*, indipendenza e coraggio, soprattutto nella *compliance* con le regole. E nei cda si è rotto il fronte degli amici dell'azionista di riferimento.

Pierdicchi. In realtà per rispondere è necessario anche capire bene i criteri da considerare. La creazione di valore per

gli azionisti è solo uno di questi. Le donne hanno portato diversità e nuove esperienze che costituiscono sempre un arricchimento. Ma soprattutto portano valore in ter-

forzare temporaneamente una situazione bloccata. Quando proposi almeno due donne nei cda, nei miei comitati nomine eravamo solo uomini e a nessuno veniva l'idea di cercare una donna. Adesso le donne ci sono e ci pensano loro a proporle.

Pierdicchi. Non sono d'accordo. Io lavorerei soprattutto sul cambio culturale, ma direi sicuramente che la legge serve ancora per un po'.

Abravanel. Legge o non legge, si deve cambiare la narrativa. L'obiettivo è una buona governance e per averla bisogna preparare più donne nelle posizioni senior.

OECD

OECD Corporate Governance Factbook

- The OECD Corporate Governance Factbook is a bi-annual publication and the last edition of 2021 provided easily accessible and up-to-date information about the institutional, legal and regulatory frameworks for corporate governance across 50 jurisdictions worldwide.

  → (Available at: https://www.oecd.org/corporate/corporate-governance-factbook.htm)

- The Factbook complements the G20/OECD Principles of Corporate Governance and can be used by governments, regulators and the private sector to compare their own frameworks with those of other countries and also to get information on practices in specific jurisdictions.

- The 2021 edition of the Factbook included a section on gender diversity under Chapter IV.

OECD Corporate Governance Factbook: Disclosure on gender composition of boards and management (1/2)

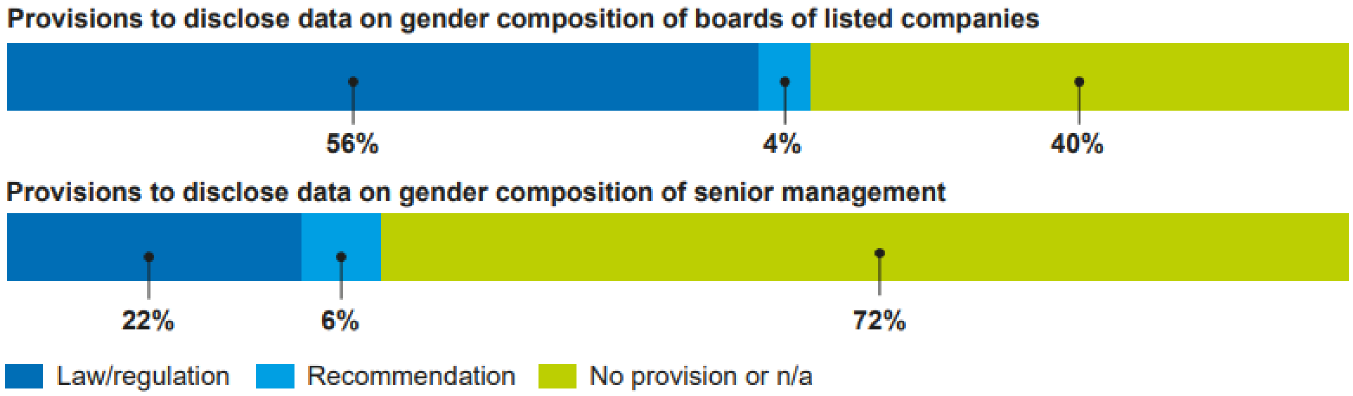
In 2020-21, the Factbook reported a growing number of jurisdictions have adopted measures to promote **women's participation on corporate boards and in senior management**.

- **60% of jurisdictions have established requirements to disclose gender composition of boards**, up from 49% as of the end of 2018.
- Just **28% of jurisdictions have such disclosure requirements with regards to senior management, a slight increase from 22% in 2018**.
- All but two of the 30 jurisdictions with disclosure provisions require the disclosure of the gender composition of boards by law or regulation, while it is solely recommended by code in **Australia** and **New Zealand**.
- Some jurisdictions have focused legislative efforts on disclosure **related to gender pay gaps as a means to enhance female participation in the labour force and in senior management (e.g., France)**
  - For instance, in France, the 2018 Act for the freedom to choose one's future careers introduced the **Gender Equality Index**, comprising five criteria to assess gender pay gaps. Companies with more than 50 employees are required to disclose on their website their scor on the Index out of 100 on a yearly basis. If it is less than 75 out of 100, they have three years to comply; otherwise they are financially sanctioned up to 1% of their payroll.

OECD

OECD Corporate Governance Factbook: Disclosure on gender composition of boards and management (2/2)

Provisions to disclose data on the gender composition of boards and of senior management



Source: OECD Corporate Governance Factbook 2021.

OECD Corporate Governance Factbook: Enhancing gender diversity on boards of listed companies

- About **one-fourth** have adopted **mandatory quotas for listed companies** requiring a certain percentage of board seats to be filled by women, while a slightly **higher and growing share (30%) rely on more flexible mechanisms** such as voluntary goals or targets, and **8% have introduced a combination of both**.

  - Across surveyed jurisdictions, quotas were first adopted in **Israel** and **Norway.** While the former adopted a law in 1999 requiring "at least one" woman director on boards of listed companies, the latter passed a law in 2003 requiring 40% of female representation on boards, which came into force in 2006 with a two-year grace period, requiring full compliance by 2008.

  - **Italy** adopted a gradual approach to the imposition of quotas aimed at allowing time for a cultural change to take place, starting with a 2011 law taking effect in 2012. The law applying to companies listed on the Italian Stock Exchange initially required a minimum of 20% of board seats for each gender with the first board appointment following August 2012, and a minimum of 33% for the second term, expiring with the third term of board appointments. **A 2019 law further increased the minimum threshold from 33% to 40% starting from 2020, and extended its application to six successive terms of board appointments (i.e. 18 years).**

  - **India** stands as one of the **first Asian markets adopting a quota** to promote gender diversity, requiring "at least one" female director on boards of listed companies since 2013. A similar quota came into force in early 2020 in **Korea**. In **Greece**, a 25% quota was adopted in July 2020 and has entered into force in July 2021.

- In addition, **12 jurisdictions have established sanctions** in case mandatory provisions are not met. In practice, women account for a much higher share of senior management positions than of board members.

OECD Working Paper: Enhancing Gender Diversity on boards and in senior management of listed companies

- The OECD Working Paper "**Enhancing gender diversity on boards and in senior management of listed companies**" by Emeline Denis, takes stock of progress and existing policies and practices to enhance gender diversity on boards and in senior management of listed companies. Covering 50 jurisdictions, it focuses on the implications of quotas and targets as the main instruments used to foster gender diversity on boards, and considers the importance of complementary initiatives to strengthen the pipeline for leadership positions

  → (Available at: https://www.oecd-ilibrary.org/docserver/4f7ca695-en.pdf?expires=1682432611&id=id&accname=ocid84004878&checksum=FC23B045DCB432AE2C78204B7105DFBC)

- Although the percentage of women on boards has grown significantly since the 2013 OECD Gender Recommendation, **women continue to comprise only a quarter of board members in listed companies globally**.

- While the percentage of women in company management has generally been higher on average than for women on boards**, the percentage of women in leadership positions such as CEOs is much lower.**

OECD Working Paper: Enhancing Gender Diversity on boards and in senior management of listed companies

Government tools to incentivise companies to take action and accelerate progress

- **Certificates**
  - In **Argentina**, the Ministry of Labour, Employment and Social Security created a certificate of gender equality for companies, which is granted to companies which have undergone a diagnosis and planning process with support from the ministry
  - In **Japan**, the Ministry of Health, Labour and Welfare started issuing the ‘Eruboshi’ certificate to companies that satisfy certain standards and that are recognised for their excellence in this area.
- **MOUs**
  - In **Korea**, private companies that provide plans for promoting female employees are able to sign an MOU with the ministry and receive support (such as consulting services) to help them improve their gender diversity. In addition, Korea is operating a family-friendly certification system, whereby certificates are granted by the Ministry of Gender Equality and Family to private enterprises and public institutions that implement a set of family-friendly policies (such as maternity leave and child care support, flexible work hours, etc.).
- **Awards**
  - In the **United States**, the Secretary of State’s Award for Corporate Excellence for Women’s Economic Empowerment honours companies that have committed to support women’s economic empowerment.

Source: OECD analysis based on OECD (2020[13]), Policies and Practices to Promote Women in Leadership Roles in the Private Sector, https://www.oecd.org/corporate/OECD-G20-EMPOWER-Women-Leadership.pdf.

OECD Working Paper: Enhancing Gender Diversity on boards and in senior management of listed companies

Conclusions of the Working Paper

- This review shows that on average, jurisdictions that have initiated quotas or targets for board composition in listed companies – that is, 26 of the 50 jurisdictions reviewed – **have achieved a greater level of board gender diversity than other jurisdictions**.

- At the same time, evidence also suggests that quotas and targets may not be sufficient in and of themselves, since in some cases such initiatives have at least initially led to a "**golden skirts" effect with a small group of women serving on multiple boards, or an increase in family-related appointments.** Moreover, there seems to be no strong link between the share of women on boards and those in management positions.

- Such experiences have increased the focus on the importance of **complementary initiatives** to develop the female talent pipeline and the conditions for women in the workforce more generally to expand the pool of qualified candidates and support a more level playing field. This focus has also included **increased disclosure, including as part of environmental, social and governance (ESG) reporting.** While disclosure requirements in a majority of jurisdictions are focused on board composition, a growing number of jurisdictions have also established requirements related to **reporting on gender diversity policies, women in management and executive positions, as well as gender pay differentials**.

World Bank Group: Women, Business and the Law 2023

- ***Women, Business and the Law 2023*** is the ninth in a series of annual reports that analyze laws and regulations affecting women's economic opportunity in 190 economies as of October 1, 2022. (Available at: https://wbl.worldbank.org/en/reports; https://openknowledge.worldbank.org/server/api/core/bitstreams/105265e8-311a-4b39-a71b-e455a86dd0ba/content)
- Eight indicators—structured around women's interactions with the law as they begin, progress through, and end their careers—align with the economic decisions women make at various stages of their lives.
- **Mobility**, **Workplace**, **Pay**, **Marriage**, **Parenthood**, **Entrepreneurship**, **Assets**, and **Pension.**
- Some key findings:

→ Equal treatment of women under the law is associated with larger numbers of women entering and remaining in the labor force, rising to managerial positions, and becoming intellectual and political leaders.

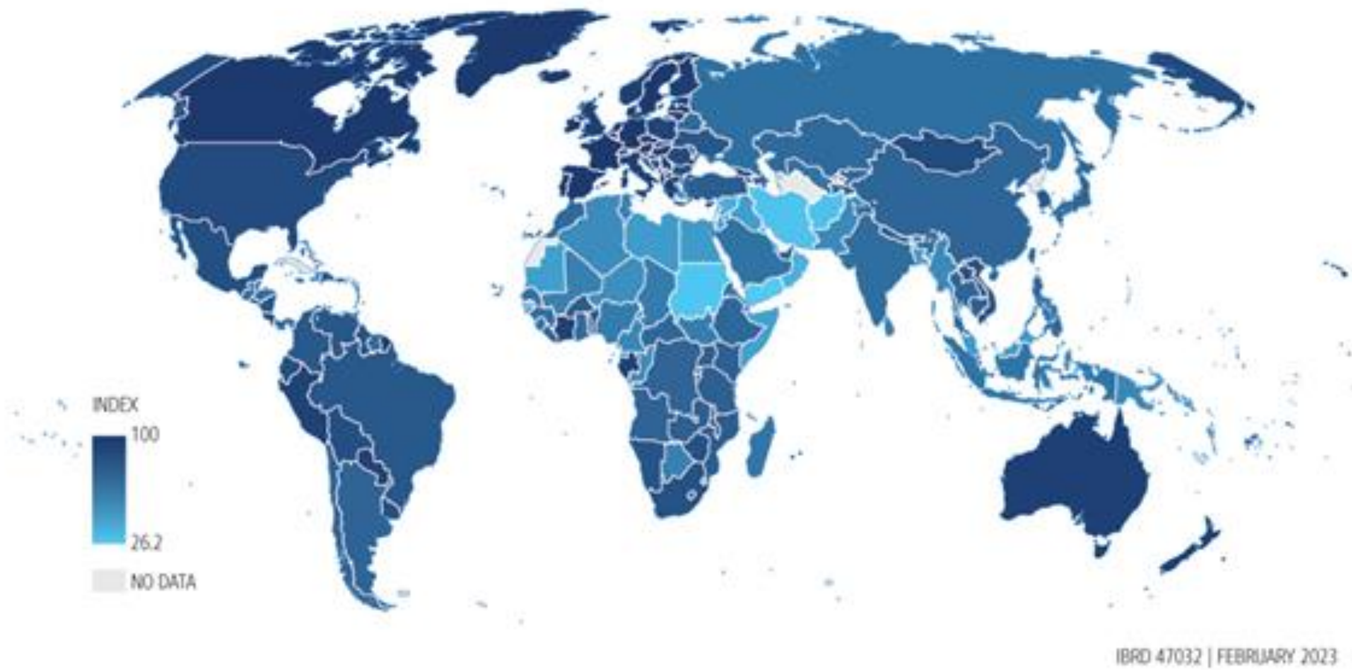
→ Economies will also lose the development race if they don't allow their women, virtually half their population, have the same rights as men do. Gender equality is not only good for women, but it is also good for the society and the economy.

Only **14 countries**, **all in the OECD**, score 100—which means that women are on an equal legal standing with men across all eight areas measured.

Sources: https://wbl.worldbank.org/en/wbl and https://blogs.worldbank.org/developmenttalk/countries-cannot-move-forward-if-half-their-citizens-are-held-back.

World Bank Group: Women, Business and the Law 2023

WOMEN, BUSINESS AND THE LAW 2023 INDEX



Today, equality of economic opportunity for women is highest in OECD high-income economies, where the average score on the *Women, Business and the Law* index is 95.3 points, and lowest in the Middle East and North Africa region, where the average score is 53.2 points.

Sources: https://wbl.worldbank.org/en/wbl and https://blogs.worldbank.org/developmenttalk/countries-cannot-move-forward-if-half-their-citizens-are-held-back.

UN Women: Economic Empowerment

- **Women's economic empowerment is central to realizing women's rights and gender equality.** Women's economic empowerment includes women's ability to participate equally in existing markets; their access to and control over productive resources, access to decent work, control over their own time, lives and bodies; and increased voice, agency and meaningful participation in economic decision-making at all levels from the household to international institutions.

- **Empowering women in the economy and closing gender gaps in the world of work are key to achieving the 2030 Agenda for Sustainable Development** and achieving the Sustainable Development Goals, particularly Goal 5, to achieve gender equality, and Goal 8, to promote full and productive employment and decent work for all; also Goal 1 on ending poverty, Goal 2 on food security, Goal 3 on ensuring health and Goal 10 on reducing inequalities.

- **When more women work, economies grow.** Women's economic empowerment boosts productivity, increases economic diversification and income equality in addition to other positive development outcomes. For example, increasing the female employment rates in OECD countries to match that of Sweden, could boost GDP by over USD 6 trillion, recognizing, however, that. growth does not automatically lead to a reduction in gender-based inequality. Conversely, it is estimated that gender gaps cost the economy some 15 percent of GDP.

- **Women's economic equality is good for business.** Companies greatly benefit from increasing employment and leadership opportunities for women, which is shown to increase organizational effectiveness and growth. It is estimated that companies with three or more women in senior management functions score higher in all dimensions of organizational performance.

 Source: https://www.unwomen.org/en/what-we-do/economic-empowerment/facts-and-figures.

OECD

Thank you for your attention