



ICGN

International Corporate Governance Network
Inspiring good governance & stewardship

Lisa Remke
Deputy Coordinator, UN SSE
SSE Gender Equality Advisory Group

Via email: siobhan.cleary@SSEinitiative.org

20th December 2021

Dear Deputy Coordinator Remke,

Subject: Promoting gender equality: Exchange best practice and guidance

The International Corporate Governance Network (ICGN) is pleased to comment upon the release of the Second Draft of the Sustainable Stock Exchanges (SSE) and International Finance Corporation (IFC) document, “Promoting gender equality: Exchange best practice and guidance”. ICGN submitted comments on the Zero Draft in August 2021.

Led by investors responsible for assets under management in excess of US\$59 trillion, ICGN is a leading authority on global standards of corporate governance and investor stewardship. Our membership is based in more than 40 countries and includes companies, advisors and other stakeholders. ICGN’s mission is to promote high standards of professionalism in governance for investors and companies alike in their mutual pursuit of long-term value creation contributing to sustainable economies world-wide. ICGN offers an important investor perspective on corporate governance and sustainability to help inform public policy development and to encourage good practices by capital market participants.

After receipt of the Second Draft, ICGN circulated it internally and to the chairs of the newly established Human Capital, Global Governance, and Global Stewardship Committees for review and comment back to us. In this letter, we have summarized the key observations relating to the Second Draft for your consideration. We note that it is a comprehensive outlook into the present and future efforts for promoting gender equality around the world. It highlights many relevant initiatives in various jurisdictions that might not be well known by market participants. We appreciate the drive towards the global promotion and inclusion of women in the corporate environment.

As requested, we have included detailed comments in an Excel spreadsheet which has been sent separately to Ms. Siobhan Cleary, SSE. ICGN remains highly supportive of the goals and objectives of the SSE Gender Equality Advisory Group. As you will note from this second round of comments, we are recommending that steps toward gender equality include direct ties to diversity, equity, and inclusion more broadly.

The continued frame of reference for ICGN are the *ICGN Global Governance Principles (ICGN GGP)*, which place specific emphasis on promoting diversity, equity, and inclusion (DEI) and on encouraging balanced gender representation on company boards.¹ The ICGN GGP were updated in 2021 to include the following new provision:

3.1 Diversity, equity, and inclusion

Boards, and the workforce, should comprise a genuinely diverse group of individuals to ensure effective, equitable and inclusive decision-making in alignment with the company's purpose and taking into consideration the interests of relevant stakeholders. This includes individuals from different genders, age, ethnicities, nationalities, social and economic origins, professional skills and personal attributes. Boards should disclose and report against the company's policy on diversity, equity and inclusion to the extent permitted by law which should include measurable goals and period for achievement. The report should include an explanation of how the policy aligns with the company strategy and succession planning for the board and workforce.²

Role of investor stewardship

ICGN believes there is an important role of investor stewardship in driving the achievement of companies' gender targets and exchanges. The role that Corporate Governance Codes across the world have played in advancing gender diversity as a good governance practice cannot be overstated. The adoption of these Codes was, at times, well before any regulatory requirements.

Emphasis on Inclusion

We would recommend a more direct link between the concept of diversity with the concepts of equity and inclusion. The SSE document does emphasize the importance of fostering inclusion, however, it is important to consider a more holistic view of the concept of diversity, beyond the means of defining and implementing quotas. Inclusion is defined initially, however, it does not appear as readily in the rest of the document. The role of inclusiveness in the workplace and for building inclusive cultures could be explored as advancing and preserving gender equality. There does not appear to be any reference to the concept of equity.

In addition, equity and inclusion is important for board effectiveness. Boards may be considered as made up of diverse board members. However, to obtain effective outcomes, they must create not only an inclusive boardroom but also require management to create inclusive cultures at work. Setting inclusive governance practices at the board level is important and could be a model for exchanges.

¹ ICGN's Global Governance Principles (2021), https://www.icgn.org/sites/default/files/ICGN%20Global%20Governance%20Principles2021_0.pdf

² GGP, Section 3.1 Diversity, equity, and inclusion. https://www.icgn.org/sites/default/files/ICGN%20Global%20Governance%20Principles2021_0.pdf, p. 15

Regulatory Activity

Under the section for Regulators' action, ICGN recommended that SSE specifically mention, under the EU financial sector, the calls by the European Banking Authority (EBA) for gender diversity in management bodies.³

Other comments

ICGN provided additional information in the Excel spreadsheet, including:

- Section 3.2.3, Line 674 – it would be helpful to refer to the prospect of consulting with different stakeholders, including investors, on what robust disclosure (and progress on DEI in society more generally should look like). An approach of working with investors to establish the kinds of data that would be needed to hold companies accountable on progress is implicit but not quite so explicit.
- The beginning of the guidance highlights the need for exchanges to consider diversity beyond gender. It would be helpful to add examples of efforts that consider diversity beyond gender in the report. Where there are opportunities to apply similar principles to diversity, beyond gender, in a regional context, could be used to explicitly encourage exchanges to consider these practices as well.

We hope that that the additional comments on the Second Draft are helpful, and we look forward to engaging with you in where we could provide meaningful input. Should you wish to discuss our comments further, please contact me or George Dallas, ICGN's Policy Director, by email at george.dallas@icgn.org.

Yours faithfully,



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Chief Executive Officer, ICGN

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³ See EBA 2020 benchmarking report on diversity practices: <https://www.eba.europa.eu/eba-calls-measures-ensure-more-balanced-composition-management-bodies-institutions>, EBA 2021 Guidelines on Internal Governance: <https://www.eba.europa.eu/eba-publishes-its-final-guidelines-internal-governance>