



**ICGN**

International Corporate Governance Network

SSE Gender Quality Advisory Group

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**Subject: Promoting gender equality: Exchange best practice and guidance**

The International Corporate Governance Network (ICGN) is pleased to comment upon the “Zero Draft” Sustainable Stock Exchanges (SSE) and International Finance Corporation (IFC) of the working document “Promoting gender equality: Exchange best practice and guidance”.

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.

ICGN is highly supportive of the aims and ambitions of the SSE Gender Advisory Group. We believe that stock exchanges and investors can play an important role in promoting diversity and gender equality in markets around the world. Gender equality, and diversity, equity and inclusion more broadly, is a critical issue not only in the governance of individual companies, but also in a systemic context. We believe this is a matter of both ethics and economics.

ICGN has published two Guidance documents related to diversity. Our 2013 Guidance focused specifically on gender diversity in corporate governance<sup>1</sup>, followed by a later Guidance document (2016) that looks at diversity in a wider context, taking into consideration not only gender, but also ethnicity, nationality, age, social origins and personal attributes.<sup>2</sup> Moreover, ICGN’s *Global Governance Principles* place specific emphasis on promoting diversity, equity and inclusion and on encouraging balanced gender representation on company boards.<sup>3</sup> We highlight in Appendix 1 relevant passages from our newly revised *Global Governance Principles* that address these issues.

With regard to the Zero Draft, we forward separately our more detailed responses to your consultation in the excel spreadsheet format that you had requested. We write this cover letter to summarise a few key points of relevance to ICGN members for your consideration.

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<sup>1</sup> ICGN *Guidance on Gender Diversity on Boards* (2013): [http://icgn.flpbks.com/icgn\\_gender-diversity\\_2015/#p=1](http://icgn.flpbks.com/icgn_gender-diversity_2015/#p=1)

<sup>2</sup> ICGN *Guidance on Diversity on Boards* (2016): [http://icgn.flpbks.com/icgn\\_diversity-on-boards/#p=1](http://icgn.flpbks.com/icgn_diversity-on-boards/#p=1)

<sup>3</sup> ICGN’s *Global Governance Principles* (2021): <https://www.icgn.org/policy>

## Role of investors

The Zero Draft is silent on the role of investors and the logic that underpins their expectations related to diversity. There is not much reference to the investment community and the powerful role that investors can play in holding companies to account for the standards set by exchanges. For example, on page 11, in the section on ways in which the market performance on gender diversity could be strengthened, it seems odd that the role of investors is not identified. Diversity is one of the dominant themes of investor stewardship with climate risk and diversity featuring prominently in shareholder proposals. Support for such resolutions continues to grow. Inequalities are systemic issues and a system level change, to which the role of exchanges is a fundamental part, is needed.

## Link to corporate governance codes

In addition to stock exchange listing rules, corporate governance codes also have relevance for promoting gender equality. These are not considered in the Zero Draft, and we would encourage the Draft to explore ways in which listing rules, governance codes and regulation can complement and mutually support one another to strengthen diversity in company management and boards. For example, we cite the Davies Report on Improving the Gender Balance on British Boards.<sup>4</sup>

## Business case

Establishing an evidence base for diversity is important, but we believe the Zero Draft's emphasis on the 'business case' should be toned down for two reasons. Firstly, the Draft does not refer to rigorous scientific evidence on the causal relationship between gender diversity and financial performance, and relies instead on consulting firms' reports on association. For good examples of empirical research we refer you to a 2018 IFC report which examines scholarly paper relating to women in business. This might provide stronger support for your arguments.<sup>5</sup> Second, we believe that emphasis should be on the systemic risks of lack of diversity and inclusion, which effects the environment in which all companies operate—whereas the business case for individual companies can be hard to establish rigorously.

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<sup>4</sup> UK Department of Business, Energy and Industrial Strategy, *Davies Report on Improving the Gender Balance on British Boards* (2015):

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/482059/BIS-15-585-women-on-boards-davies-review-5-year-summary-october-2015.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/482059/BIS-15-585-women-on-boards-davies-review-5-year-summary-october-2015.pdf)

<sup>5</sup> Alexandre di Miceli and Angela Donnagio *Women in Business Leadership Boost ESG Performance: Existing Body of Evidence Makes Compelling Case*, International Finance Corporation (2018):

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+cg/resources/private+sector+opinion/women+in+business+leadership+boost+esg+performance](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/private+sector+opinion/women+in+business+leadership+boost+esg+performance)

We hope that our comments are helpful, and we look forward to engaging with you in this or other matters 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](mailto:george.dallas@icgn.org).

Yours faithfully,



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Chief Executive Officer, ICGN

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## Appendix 1: ICGN Global Governance Principles

Sections relating to diversity. Note that the **yellow** text highlights new language in the 2021 revisions to the Global Governance Principles.

### 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.*

### 3.2 Gender diversity

*Boards should strive towards achieving appropriate gender diversity **with, preferably, at least one- third of board positions held by women.** This approach should be promoted throughout the **company to encourage women to be appointed to senior leadership positions.** Boards should disclose clear gender diversity goals and regularly report progress towards achievement over a defined timeframe.*