Corporate Governance and Gender Diversity

Italy

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Goals of this document

• The main aim is to contribute to the debate on the gender issue in the international arena

• Key features of the composition of Italian boards and directorships are identified and analysed
  ▪ Overall and by gender

• Initiatives launched to close the gender gap are described

• Barriers and issues identified, to fuel international discussion on cross country actions
The loss of talent

- Where do women graduates go over the years?
- Do they exit the market or do they become invisible?

Source: * Ministero Istruzione Università Ricerca, **Corriere Economia 2/3/2009 “La multinazionale è donna”, ***Aliberti Governance Advisors
Italian listed firms - Overview

• Less than 300 listed companies

• Ownership structure heavily concentrated
  ➢ 2007: 3.1% listed companies had a floating capital >70% – mainly banks with limits to ownership and voting rights

• Majority of companies (95%) use the so called “traditional system” (available also one tier system and dual system)
  ➢ Board of directors + Board of statutory auditors
  ➢ Three roles in the BoD: executive, independent, non executive non independent (ned insiders)
  ➢ Average BoD size: 10
Positions on BoD of Italian Listed Firms
Distribution by Gender - Trend

Source: Aliberti Governance Advisors on Consob data; Santella, Drago Aliberti on [http://works.bepress.com/carlo_drago/43/](http://works.bepress.com/carlo_drago/43/)
WBD directors by role

Presence by Role

- independent
- NED insiders
- executives

% representation

Fonte: Aliberti G.A. on Consob data, 31.12.09 and June 2010
What next?

- Female representation has increased but the change is not significant
- The few women directors do not seem to possess the right characteristics to influence and “weight” on the network of directors
  - Predominance of non executive positions
  - Family ties are very important
  - Independent women directors find it hard to make it where family ties cannot be used as door opener
  - Not central enough in the network of directors

*What has been done to increase the pace of change?*
How to get more women on boards?
A coordinated set of actions
Increase female representation on boards
Initiatives in Italy

• Currently there is no legislative nor self-regulatory requirement regarding gender representation

• The debate on WBD started when Norway passed the law on quotas and has intensified ever since

• The initiatives refer to
  ✓ Proposed Legislation (listed companies and state owned)
  ✓ Proposed Self Regulation (listed companies)
  ✓ Private initiatives (visibility, networking, lobbying etc.)
Initiatives to increase female representation
Proposed change in Legislation

• Total of 4 proposals submitted (2 Lower House, 2 Senate)

• Process started at the Lower House (C 2426 Golfo and C 2956 Mosca), initiatives currently being discussed in Finance Commission. Respectively 2 and 4 articles

• Proposed changes mandate a minimum representation of 30% for each gender. C 2956 extends minimum gender requirement to board of statutory auditors and to state owned companies; also limits provisions to a 9 year period

• No real sponsor, chances this regulation will pass are very slim.
Initiatives to increase female representation
Proposed Self Regulation for listed companies

• The self regulation code issued in 2006 went through two years of “restyling”

• Provisions to include gender diversity in the boardroom were proposed and carried forward with great difficulty. The final proposal sounded a fairly plain “both genders shall be represented”

• For some reasons the revision process was halted. It might start again very soon

• “Comply or explain” gender specific provisions are likely to pass; most likely very generic.
Many private initiatives have taken off, fostered by national and international debate

Different goals: awareness, visibility, networking

Round tables organised to raise awareness, centered on key concept of “meritocracy” and loss of talent

High quality data provided real time to qualified media

Activism of private initiatives such as PWA and Pari o Dispare to strengthen moral suasion and sanctions
  - Emails to boards up for renewal with no WBD

Lists of high calibre women to give them visibility
  - Corriere Economia 2008
  - PWA 2009 and 2010
Barriers to action lead to poor results

Comments against positive actions

• Not enough competent women
• Relationship between diversity and performance has not been demonstrated
• Fear that “family and friends” women would be appointed to boards should legislation pass
• Women don’t understand how to play the game of boardroom
• Women themselves are often against quotas

WBD trend

• WBD now cover 6.8% of seats, up from 6.3% at Dec 2009
• At Dec 2009 54% of boards had no WBD. The percentage is now 50%
• Trend is not likely to change dramatically without actions
• Without interventions female representation is likely to peak at +10% and stabilize around that figure
Initiatives to increase female representation
The road ahead

• The pressure put by some private initiatives was effective but did not change the overall picture
• This shows that private initiative per-se is not enough to produce a significant change
• Italian market will strongly oppose legislation, and there is no real sponsor in Parliament
• Only action that might speed up an increase in female representation is a “qualified” change in the provisions of the self-regulation code
  ➢ More than the weak statement proposed early this year
International experience
Lessons and key issues

• Quota legislation is effective in terms of numeric representation; is it effective in terms of exploiting value added from diversity?
• On what conditions can women on board bring value to board and to female representation in top management?
• Are WBD aware of their potential as sponsors for practices and processes to support growth of female talent along the pipeline?
• Top-down and bottom-up approaches: are they complementary or can be effective independently?
Initiatives to increase female representation
Design the road ahead

- No “easy way out”, need to define a strategic plan: players, sponsors, key levers
- Essential to find male sponsors willing to give example and credibility to the initiatives
- WBD as ambassadors for gender related best practices and processes
- Top down approach must be complemented with a bottom up approach to feed the pipeline
- EU initiatives and associations can play a key role in disseminating information, raise awareness, provide role models
Initiatives to increase female representation

My commitment

- Cooperation with largest newspaper to provide real time high quality data on female representation
- Member of the Advisory Board of PWA “Ready for Board” Women 2010; aiming at broadening the pool of talented women who will be given visibility as “ready for board” (first list in Nov 2009: 72 names; aiming at 200+ names in 2010)
- Member of EPWN working group on international data
- Support PoD initiatives with data and research
- Liase with international experts (E. Hurvenes, M. Huse, A. Perrazzelli)