Gender Equality is more than a Goal in Itself

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> *"Gender equality is more than a goal in itself. It is a precondition for meeting the challenge of reducing poverty, promoting sustainable development and building good governance."*
>
> *— Kofi Annan*

Gender Equality, SDGs and Women on Boards

November, among other things, also marks the start of this year's Conference of Parties (COP). This time Egypt is hosting the UN Climate Change Conference and the focus is on Climate Justice. "The COVID-19 pandemic pushed 150 million people into extreme poverty. By 2030, climate change is expected to push an additional 132 million into extreme poverty."- including many women, girls and marginalized communities.[1] While there has been some progress on this issue, they are not on track for 2030. The 2030 Agenda is a major challenge, but we are at a point of no return. All 17 SDGs are complex and intertwined, which means it is no longer possible to focus on individual SDGs, but to combine the underlying targets. As a result, many organizations are addressing aspects of interconnectedness such as gender equality and health, remuneration, security, etc. Some organizations have a broader focus and compare on a country or regional basis. The OECD has developed a unique methodology that attempts to show how far countries have come in achieving their goals and how far they still have to go. "The Short and Winding Road to 2030, Measuring Distance to the SDG Targets" is a book designed to help the international community build on its previous work and examine current achievements and recent trends. According to the latest evidence, OECD countries are close to achieving at least 25% of the targets for 12 of the 17 goals. However, no targets can be considered close to being achieved for gender equality (Goal 5), climate action (Goal 13), and reducing inequalities (Goal 10). Blackrock has published a report showing the projected and current costs of inaction on selected SDGs. Unfortunately, the highest projected costs relative to global GDP are for gender equality at 18.5%, followed by biodiversity loss at 11%, and violence and armed conflict at 10.6%.[2]

SDGs and the financial markets

The investor relations professional (IRO) is the bridge between institutional investors and companies. The IROs' most visible work is meeting with these institutional investors. Interestingly, something has changed in recent years. The pandemic has created a need for knowledge about all aspects of corporate sustainability practices. IROs no longer need to compartmentalize information about the financial and non-financial aspects of a company, as performance is measured as a whole and the sustainability framework is part of the company's business strategy. We have seen a rise in impact and thematic funds, and more and more investment companies are no longer willing to wait for standards to be applied, but are creating their own groundbreaking frameworks for measuring risk on specific environmental and social issues. Such standardized frameworks may not be the best basis

[1] Anurit Kanti, Global Shaper, Gurugram Hub, World Economic Forum, https://www.weforum.org/agenda/2022/10/cop27-climate-justice-success/

[2] https://www.blackrock.com/institutions/en-ch/insights/investment-actions/integrating-un-sdgs-in-investments

for comparison, as cultural norms and regulations vary from country to country. Therefore, it is up to IROs to educate investors on these issues and tailor the information to the particular framework. Often, investors are simply looking for answers to their frameworks, which in turn can lead to incorrect or misunderstood information. This is why inclusion in indexes is becoming a very important approach for companies. In particular, measuring diversity and inclusion not only in terms of the SDGs, but also in terms of governance principles. The Bloomberg Gender-Equality Index uses multiple metrics related to a company's approach to gender equality, presenting details on female leadership and talent pipelines, equal pay and gender pay equity, inclusive culture, anti-sexual harassment policies, and women-friendly branding. Such indexes are simple, provide comparable information, and help reduce the time spent on cultural differences and applicable regulations.

Gender Diversity on the Board of Directors

While indexes and standardization can be a good starting point or level of knowledge for investors, IROs need to be current in the world of corporate governance and ESG. Much of the literature suggests that board gender diversity brings unique perspectives to the boardroom. According to some of these studies, a broader range of backgrounds among board members promotes diversity on the board, which in turn has more information and is therefore more likely to make better decisions. Some of these studies also suggest that gender diversity on the board can signal to stakeholders that the company is well managed and cares about societal diversity in its governance. As a result, some countries have enacted laws and regulations that require companies to report on their gender diversity statistics. A recent example is the Rixain law, which came into force in France in December 2021. The representation of women on boards of directors is an approach that emphasizes diversity and inclusion. Some European countries have introduced quotas for women's representation on boards of directors, which are 30% (Germany and the Netherlands), 33% (Italy and Belgium), 40% (France and Norway) and 50% (Spain). In some countries, such as Sweden, England and Canada, there are legal regulations based on the "comply or explain" principle, whereby a seat on the board remains vacant until a woman is appointed. In Turkey, the principle of corporate governance requires the company to set a target quota and target period for the proportion of female members on the board, provided that this is not less than 25%, and to develop a strategy for achieving these targets. According to the indicators presented by the Women- on Board Association of Turkey, numbers in Turkey for women on boards did not accelerate as expected. While the overall ratio increased from 11% in 2011 to 16% in 2019, it was only 17% in 2020. 458 women were on the boards of 397 companies on Borsa Istanbul (BIST) in 2020. Of these 458 women, 42% are Family members of main shareholders, only 37 are board chairs and 14 are chairwomen. Of the 397 companies, 116 met the suggested minimum quota of 25%, which is only 29% of the total.[3]

The Expanding IR Horizon

It is the nature of the IR professional to focus exclusively on numbers and financial data. In recent years, the profession has expanded and shifted its focus to recognize the importance of other factors. The knowledge of IROs has broadened to include governance and ESG-driven stories combined with company performance. The framework created by investment professionals has helped broaden IROs' horizons, with financial and non-financial performance becoming the focus of meetings. Investors want to know how the company is mitigating its climate risks, what strategies are in place to measure board quality, or what cybersecurity standards are being applied. They want to know how the company will be impacted positively or negatively in financial terms. Integrating sustainability topics in meetings is therefore critical, especially as shareholders expect management to be accountable for the company's ESG performance, including gender equality.

[3] https://www.womenonboardturkey.org/page/women-on-boards-in-turkey-and-around-the-world