WOMEN'S EMPOWERMENT PRINCIPLES

DECEMBER 2020

SPOTLIGHT ON PUBLIC POLICY

ITALY

THE GENDER PARITY LAW

The gender balance on boards in Italy has been under scrutiny for the past decade. In 2011, the Gender Parity Law[1] was passed to push for greater representation of women on boards. The purpose behind the law was to remove barriers that hinder women's career advancement.

Law No. 120 of 12 July 2011 mandated a quota for gender diversity on the board of directors and board of statutory auditors of public companies. The law required companies to gradually increase the portion of the under-represented gender on their boards for up to three consecutive renewals of the board.

The Gender Parity Law has had a major impact on board compositions of public companies in Italy, dramatically increasing women's representation on boards.

KEY FEATURES OF THE GENDER PARITY LAW

- The Gender Parity Law of 2011 mandated a temporary and gradual quota for gender diversity on public companies in Italy.
- The law required quotas for three consecutive board renewal terms, with a 20 per cent quota for the under-represented gender for the first renewal and 33 per cent for the second and third ones.
- A new law in force from 14 October 2020 has extended the period to six consecutive renewals and tightened the quota to 40 per cent for the less represented gender.
- The Italian companies and exchange commission also issued recommendations to help companies implement the law, including policy tools and guidelines.

OVERVIEW

The law applied to public companies traded on the Italian Stock Exchange, EU stock markets and Italian state-owned enterprises. It required the first board renewal subsequent to the passage of the act to have a 20 per cent quota for the under-represented gender, while the second and third renewals should have a 33 per cent quota. These quotas apply both to the portion of the new members entering the boards for each of the renewals, as well as to the entire composition of the board. Companies were to implement the quota a year from the enactment of the law, in August 2012.

With boards renewed every three years, companies that applied the law in 2012 were to implement it until 2021. Law 58/1998 that came into force on 14 October 2020 has now extended the renewal period to six consecutive times with a new quota of two-fifths.[2]

There are sanctions for companies that fail to comply with the law. If companies fail to comply within the first four months of notification, they will be issued a warning by Consob, Italy's companies and exchange commission. Failure to comply with the warning can result in fines ranging from €200,000 to €1,000,000, with another three-month warning to comply. If companies still fail to comply, their boards of directors and statutory boards elections can be declared null and void.[3]

The Borsa Italiana S.p.A., the Italian Stock Exchange, also modified the Corporate Governance Code for public companies in July 2018 to recommend that companies apply gender diversity to the board of directors and board of statutory auditors and suggested a one-third quota of the under-represented gender on boards on a voluntary basis to promote the principle behind the Gender Parity Law.[4]

Consob also issued regulations on 8 February 2012 directing companies to change their bylaws to specify and include the following:

- The criteria used for identifying candidates
- Slates of candidates for the board of directors and board of statutory auditors, with no slates with fewer than three candidates to ensure gender parity.
- Procedures for replacing members when their seats become vacant.
- Procedures for making appointments in such a way that the principle of gender balance is not lost.

IMPACT

Before the Gender Parity Law was enacted, Italy had extremely low numbers of women represented on boards; it was among the lowest in the European Union.[5] In 2008, the overall ratio of women on boards was 5.9 per cent.[6] This has changed dramatically since the Gender Parity Law. As of June 2017, women represented over one-third (33 per cent) of all board members – the highest figure ever recorded in Italy.[7]

A recent survey by Credit Suisse, 'The CS Gender 3000 in 2019', placed Italy in fifth place globally, behind Sweden, Belgium, Norway and France.[8]

Following the implementation of the Gender Parity Law on boards, the average education level of the board as a whole has also increased, and the ages of the directors have fallen.[9] There has also been reduced variability in the stock price of these companies.[10]

CHALLENGES

There is limited documented evidence of spillover effects on the representation of women in top executive or top earnings positions. At the end of 2017, only 18 women held the office of CEO while 23 women (10.1 per cent of companies) held the office of chair of the board of directors.[11]

Some reasons have been highlighted as possible explanations for this 'glass ceiling' effect. One of these is the possibility that firms are focusing on numbers of women versus appointing women with the right leadership and managerial skills.[12] There is also the issue of an over-concentration of the same women on multiple boards, as well as the appointment of women in non-decision-making roles.[13] A study that examined the aftereffects of the law suggested that in the short-run, the law did not lead to changes in the overall labour market situation of women.[14] It is expected that it will take time for the law to change perceptions and social norms and have ripple effects over the corporate landscape.

CONCLUSION

Gender parity in boardrooms has been given top priority in Italy and there has been transformative change in board compositions across the country. The improved situation comes at a time of greater focus and regional momentum for women on boards across Europe. Under the Europe 2020 Strategy, the European Commission proposed a law requiring a minimum of 40 per cent female board members in listed companies across the European Union.[15] With the Gender Parity Law getting a new boost with a new modification requiring a 40 per cent quota, it is expected that the momentum for women's increased boardroom participation will continue to grow.

ENDNOTES

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