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ESG practices and gender diversity in leadership positions

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The term ESG is increasingly common in the day-to-day routine of players in the securities market. Research has shown a growing maturity in the adoption of ESG practices, and these days investors cast a more critical eye on their investments: they don't look only at risk and return, but also at the impacts that the investment will have on society.

Issuers of debt and equity securities have been incorporating ESG practices into their businesses, in order to generate greater credibility and confidence among investors, especially issuers that intend to list their securities on the "New Market" (Novo Mercado) segment of Brazil's stock exchange, the B3.

In the social and governance aspects of ESG, the issue of diversity is gaining importance. In this article, we will look specifically at gender diversity, in which the representation of women in executive and leadership positions has particular importance.

According to the Gender 3000 report published by Credit Suisse in 2021, from 2015 to 2021 the percentage of women on boards of directors around the world grew 8.9% and more than doubled in comparison with the beginning of the decade. Europe and North America lead the global average, with women representing 34.4% and 28.6% of the members of boards of directors in those regions. Asia Pacific scored 17.3%, and Latin America 12.7%.

Turning to Brazil, SpencerStuart conducted a survey in 2021, which mapped 211 companies listed on the B3's Corporate Governance segments and performed a time-based analysis and international comparison of 1724 positions on boards of directors. The survey showed that 14.3% of the positions were occupied by women at the time of the survey, compared with 11.5% in 2020.

The reports show that companies that have broader policies on diversity and inclusion tend to have a better performance with respect to their environmental and governance policies.

Brazil does not yet have specific regulations on these issues. Recently, however, Brazil's securities regulator, the CVM, changed the rules on the preparation of Reference Forms by registered companies, broadening the requirement for disclosure of information on the environmental, social and governance aspects of companies' businesses. The rules constitute guidance for the market and are not compulsory, but they do serve to encourage the adoption of ESG practices.

Moreover, CVM Resolution 14, which companies can elect to follow, approves the preparation of an Integrated Report, which examines how an organization's strategy, governance, performance and perspectives generate value over time. Brazil's Central Bank has also issued new regulations on social, environmental and climatic risks in the National Financial System, which will come into force in 2022.

Although we still have a long way to go, especially where diversity is concerned, there can be no doubt that the market's new perception of ESG practices, with market players taking a leading role in promoting environmental, social and governance values, has had an impact on companies and – perhaps just as importantly – is presenting challenges to those companies that have not yet begun to incorporate ESG principles into their businesses.

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