



Diversity benchmarks for the Italian banking system

The recent international debate and the latest experience from bank supervision show that in the banks' top-level governing bodies, diversity - in terms of age, gender, country of origin and professional background - ensures effective decision-making processes based on constructive internal discussion.

EU legislation (Capital Requirements Directive IV - 2013/36/EU, Article 91.11) stipulates that surveys be conducted to analyse the composition of boards of directors, and that the Supervisory Authorities gather and comparatively analyse information concerning the policies adopted by banks to promote diversity in their governing bodies.

The Bank of Italy, in compliance with such EU legislation, carried out a survey to determine the degree of diversity in the boards of directors of Italian banks¹.

With respect to gender diversity, the survey found that:

- Boards made up entirely of men are still common. Among the 579 banks that were analysed, 259 have no female representation in any role on their board. If banks are divided into groups based on their size, the situation is as follows: for intermediaries with assets greater than €30 billion, 2 boards out of 18 have no female representation.; for those with assets ranging from €10 billion to €30 billion, 6 out of 23 have no women; for smaller banks with assets up to €10 billion, 251 banks (i.e. 47 per cent of the total for this group) have a board made up of men only.
- The average percentage of women who are non-executive board members is 16 per cent for the first group (i.e. larger banks whose assets are greater than €30 billion) and 17 per cent for the middle group. For smaller banks the figure is 10 per cent.
- With respect to executive board members, the average percentage of women on the total is very low: 10 per cent for larger banks, 4 per cent for banks in the middle group, and 7 per cent for smaller banks.
- Top management positions (such as Chair of the Board, CEO, Director General) had no female representation in banks with assets greater than €10 billion. For banks with assets ranging from €1 billion to €10 billion, women hold per cent of the positions as CEO and slightly less than 2 per cent of the positions as Director General and Chair of the Board. In banks with assets up to €1 billion, women account for 4 per cent of CEOs and 3 per cent of Director Generals and Chairs of the Board.

The results of the survey confirm the findings of similar studies, i.e. that female representation in the boards of directors of Italian banks is low when compared with other economic sectors and across countries.

The Bank of Italy therefore invites banks to adopt measures intended to boost the presence of women in top-level bodies and in executive or top management positions.

¹ The English term "board of directors" is used here to mean the following types of boards that exist in the Italian legal system: *consigli di amministrazione* ('boards of directors' proper), *consigli di sorveglianza* ('supervisory boards') and *consigli di gestione* ('management boards').

More specifically, the Bank of Italy considers that a 20 per cent female representation on boards is the bare minimum to which all banks should commit.² This percentage is a close approximation of the overall average in the banking system. Moreover, if a body has executive powers (e.g. *comitato esecutivo*, similar to a steering committee) at least one of the seats must be held by a woman.

The Bank of Italy expects this target to be attained when the next round of appointments for the boards takes place.

Should these target figures not be met, the issue will be raised by the Bank of Italy acting as the supervisory authority, as sound and prudent bank management also depends on the way the banks' governing bodies are appointed and function.

It should also be noted that for the larger banks (assets greater than €10 billion) industry best practices point to a target for female representation of 33 per cent, also as a consequence of legal requirements falling on listed companies (*'female quotas'*).

Surveys similar to the one conducted by the Bank of Italy are currently being carried out at European level. It is important to realize that compliance with the benchmarks set out here does not rule out the possibility that in the future banks might be required to adhere to more stringent policies or target figures.

July 2015

² If applying the benchmark does not result in a round number, the number of female members should be rounded up to the next whole number.