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Women's leadership and the transition towards sustainability

Webinar Summary Note

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How does gender interact with the drive toward sustainability in the economy and society? How can we foster gender equality in the workplace?

Integrating the gender dimension plays a twofold central role in the transition towards sustainability. On the one hand, according to recent studies, women in leadership positions have been seen to consistently integrate sustainability in business and investment decisions further. On the other hand, particularly in developing countries, the consequences of climate change have a greater impact on women, therefore requiring larger attention.

The below summary note covers some of the key highlights from the webinar “What’s the role of women’s leadership in the transition to sustainability?” organised by the Luxembourg Sustainable Finance Initiative (LSFI) and the University of Luxembourg in October 2023. This summary notes also includes references to reports and studies that analyse gender equality and sustainability. Its also looks at the role of quotas and finance and how women’s leadership can impact the transition towards sustainability, among others.

The summary note provides a highlight snapshot of the current situation, emphasizing both the opportunities and challenges at hand, thereby aiming to shed light on some subsequent steps to be taken.

Gender Composition at the Workplace

The role of policy: quotas

With consumers and investors increasingly focused on environmental and social issues, companies are starting to consider how to improve their capabilities and performance in these areas. Yet one relevant factor is often overlooked – the need for boards to contain more female directors.

In France, board gender quota rules were enacted by legislation in 2011, requiring at least 40% of directors at medium-sized and large companies to be of each gender. Researchers from Université Paris-Dauphine have collected data from before and after the imposition of quotas in order to compare the results against two control groups. Their research finds that with the introduction of a gender quota, the proportion of female directors rose sharply in France by comparison with the control groups.

While the legal quota concerned board director level, researchers note a parallel rise in the number of board committees focusing on environmental and social issues. What's more, a significant proportion of key committee positions are held by women – which might indicate a positive trickle-down effect from the imposition of gender quotas.

Enriching gender equality beyond quotas

Policies such as quotas have fostered gender equality at board levels, however, there are still several challenges and gaps, for instance with regard to the representation of women in several sectors and roles. Women predominantly have roles in areas such as human resources, marketing and compliance. Meanwhile men are traditionally responsible for more business-driven departments, which also tend to enjoy higher income brackets.

In this regard, further actions that go beyond setting quotas and introducing further requirements regarding committees and other responsibilities can help overcome this situation. To embed ESG into corporate culture, women's influence on key decisions needs to be further opened up.

For instance, in addition to legal requirements, further societal changes are needed to attract and retain women in the workforce. Typically, women are more often care providers than men, for both the young and the old. Women need accessible infrastructure services, food security, and a reliable care system in order to create a stable environment in which they can more easily enter the workforce and take up positions of responsibility.

Female Representation and Sustainability

Women contribution to ESG

The study conducted by researchers from Université Paris-Dauphine also suggests that the appointment of more female directors has brought a depth of sustainability experience, knowledge and skills to boards, with researchers identifying a significant improvement in ESG performance as more women became directors. However, they also find that the increase in positive outcomes was identified only when 50% of board members were female. Having just one-woman director brings no environmental and social impact – hence suggesting that critical mass is needed.

Similarly, a recent survey by PwC has found that 62% of women directors agree that ESG issues have a financial impact on their companies, compared with just 45% for men. And a 2022 study from the European Central Bank has found that banks run by women were less likely to lend to heavily polluting companies. Meanwhile, the 2022 Sustainable Cities Index compiled by Dutch design and engineering consultancy Arcadis indicates that cities run by women outperform in ESG terms those that are not.

In short, according to recent studies, women can make a significant positive contribution to ESG reporting and compliance at board level. Similarly, female entrepreneurs are more firmly committed to starting businesses with sustainability credentials than men. Women in key decision-making roles, from corporate boards of directors to microfinance initiatives, and at both management and junior levels can play a key role in ensuring a strong climate leadership.

Long track record expertise

Women have been active in the environmental and social impact field for a long time, acquiring genuine expertise and insights, with female investors embracing sustainable finance at a faster rate than men. The panellist of the webinar “What’s the role of women’s leadership in the transition to sustainability” agreed that women are more likely to take ethical considerations into account in business decisions, while men might tend to focus more on profitability.

These observations may stem from a perceived gender disparity with regard to risk profiles and long-term thinking. Women are sometimes described as ‘risk-averse’, but it could be more accurate to refer to risk-informed, examining every dimension of decisions and actions. Similarly, women rather than men are more likely to embrace a longer-term view of sustainability that goes beyond short-term profitability.

This divergence between men and women can bring broader views to the decision-making process at board level – and thus offer more varied and broader perspectives.

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The Role of Finance

An investment opportunity

The business case for gender equity has become increasingly clear in recent years and investors are taking notice. According to a 2021 study from Wharton, between 2017 and 2021, the number of investment funds using a gender lens increased by more than 250%. New investment opportunities can be generated by including a social dimension in the ESG decision-making process. The pressing necessity to incorporate a gender perspective into climate action is equally essential in this context. For instance, if it is possible to substantiate that women's leadership can deliver an acceleration in climate action performance, investors are likely to take keen interest.

Finance and climate change

There is an abundance of evidence that at its core, climate change has a larger effect on women – the greater the impact of adverse climate events, the higher the gender disparity. Women die more often as a result of such events; they also have less access to assets, finance and insurance. According to the OECD, more than half of all climate-related official development assistance had gender equality objectives in 2019-20. Recognition of the business case at the portfolio level should continue to drive better alignment between climate and gender issues.

The Role of Standardisation and Reporting

Standardisation and reporting are key in the process of achieving gender equality to ensure transparency, as well as to create a level playing field. In this journey, several instruments, such as frameworks, initiatives and toolkits are available for companies and financial institutions to guide them in their journey.

To avoid accusations of so-called 'pinkwashing', development finance organisations, the private sector and pension funds, among others, are also using indicators that facilitate meaningful sustainability reporting on social issues, including quantitative thresholds for leadership, entrepreneurship, employment and consumption. For instance, a gender-smart climate finance toolkit was introduced by 2XGlobal at the COP26 United Nations Climate Change Conference in Glasgow in 2021 to help leaders examine their investments through a gender-climate lens.

At company level, in the case of Luxembourg, the Luxembourg Women in Finance Charter (WiF) aims at promoting gender diversity within the Luxembourg financial sector. It constitutes a commitment made by its Founders, signatory companies and representative entities to foster increased gender equality and inclusivity across the Luxembourg financial services landscape. This initiative serves as a foundational framework to advance women's involvement across all tiers of financial service organizations and representative bodies in Luxembourg. The Charter was introduced by the following founding members: The Luxembourg Bankers' Association (ABBL), Association Luxembourgeoise des Fonds d'Investissement (ALFI), the Association of Insurance and Reinsurance Companies (ACA), the Luxembourg Capital Markets Association (LuxCMA), Luxembourg Finance Labelling Agency (LuxFLAG) and the Luxembourg Stock Exchange (LuxSE), under the patronage of the Ministry of Finance. In other countries, such as the United Kingdom or Ireland, or at international level with FC4S' Women in Finance charter, similar initiatives exist, always aiming at fostering gender equality.

In this context, while there is a growing focus on gender balance, challenges persist at all levels and across industries. There is a clear need for greater representation of women in senior managerial roles and across various sectors and fields of expertise. This necessitates increased investments, coupled with a robust policy framework, and transformative cultural and societal shifts.

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Sources

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Webinar's Speakers

The webinar "What's the role of women's leadership in the transition to sustainability?" was moderated by the University of Luxembourg sustainable finance chair, Michael Halling, and included European Investment Bank gender specialist, Carmen Niethammer, Union Investment Luxembourg director, Maria Löwenbrück, and Université Paris Dauphine corporate finance professor, Edith Ginglinger. A sincere thank you to our speakers and moderators for sharing their valuable expertise with us.

Disclaimer

This summary report has been drafted by the Luxembourg Sustainable Finance Initiative. It contains some key highlights from the webinar "What's the role of women's leadership in the transition to sustainability?" as well as reports and studies on the topics of gender equality and sustainability. The document is for information purposes only, as part of the LSFI mission of raising awareness of sustainable finance.