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## ESG in the banking sector - CSSF review on diversity in management bodies of credit institutions

On 10 October 2023, the CSSF published the outcome of an investigation launched in April 2023 on diversity in the management bodies of 46 less significant credit institutions.

On 10 October 2023, the Commission de Surveillance du Secteur Financier (**CSSF**) published the outcome of an investigation (**CSSF Review**) launched in April 2023 on diversity in the management bodies of 46 less significant credit institutions (**LSIs**).

### 1. Context

According to Article 38-2(8) of the law of 5 April 1993 on the financial sector, as amended (**LFS**), credit institutions must engage a broad set of qualities and competences when recruiting members to the management body and for that purpose shall put in place a policy promoting diversity on the management body.

Therefore, credit institutions must adopt a diversity policy and the CSSF oversees compliance with this requirement.

### 2. Key findings

The CSSF Review notes in particular the following:

- There are still LSIs that have not adopted a diversity policy.

LSIs that do not have a diversity policy are prompted to adopt and implement one without delay and any failure to abide by injunctions issued by the CSSF in this regard will result in severe measures, including sanctions.

- Some diversity policies do not take into account gender diversity, even though this, in addition to other criteria, such as age, geographic and ethnic origin and educational and professional background, is required by (i) Article 38-2(8) of the LFS and (ii) the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU.

The CSSF urges non-compliant LSIs to take measures to ensure compliance without delay.

- Many LSIs do not include career development measures and mechanisms to ensure equal treatment and opportunities for employees of different genders within their diversity policy.

These incomplete diversity policies must be adapted immediately.

The CSSF Review further specifies that there are still many management bodies that are fully composed of male members or have a majority of male members.

The CSSF concludes that there is still work to be done to improve the level of diversity within management bodies of LSIs.

### 3. Next steps

The CSSF emphasises that it will be focusing on compliance with diversity requirements, notably by carrying out regular investigations and checks and consequently, issuing sanctions in cases of shortcomings.

Contact our experts in the Banking & Financial Services team if you require any guidance or assistance with developing, implementing or reviewing your diversity policy within the constantly evolving ESG framework\_

To read the CSSF Review, click here\_

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