

# GENDER DIVERSITY: A MOUNTAIN TO CLIMB?

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It is a well-known fact that Singapore public-listed companies have been sluggish to embrace diversity, lagging behind other Asian countries.

The Diversity Task Force (DTF) report, *Gender Diversity on Boards: A Business Imperative* noted that at the present snail's pace of growth (6.8 per cent in 2008 to 8.3 per cent in 2013), the proportion of directorships on SGX-listed corporations held by women will reach only 17 per cent in 2030. 57 per cent of boards of SGX-listed corporations have no women at all.

Women are even more under-represented in Singapore leadership positions; less than 5 per cent of chairpersons and CEOs are women.

Guideline 2.6 of the Code of Corporate Governance 2012 states that the Board and its committees should comprise “directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company”.

What else can be done about the lack of gender diversity besides the Code’s approach of gentle encouragement?

## TURNING UP THE HEAT

Amongst the DTF’s 10 recommendations are that regulators consider placing more emphasis on gender diversity in the Code, taking reference from other countries (e.g. requiring companies to disclose their gender diversity policy), and amending SGX’s rules and templates (e.g. those relating to announcement of directors) accordingly.

The DTF does not recommend either imposing quotas or setting targets for now. It instead proposes that its recommendations be allowed to run their course before assessing if quotas or targets should be set in future.

In my view, imposing a requirement to explicitly disclose in annual reports the proportion of women on the board, and possibly also in senior management, will go some way to increasing awareness and eventually lead to positive action by boards to improve their gender balance. The disclosure should be accompanied by an explanation of the corporation’s policy or targets in relation to gender (and perhaps other aspects of) diversity, and also its progress in achieving its previously stated policy and targets. While this approach does not mandate gender balance by way of quotas or externally-imposed targets, it puts the issue squarely on the agenda and compels boards and management to address it and corporations to be transparent before stakeholders and the public about where they stand on it.

## SUPPLY AND DEMAND

The DTF also sought to address the supply and demand of women directors.

To address supply, it proposes putting in place programmes to train women candidates to be board-ready and help qualified women take on senior management or board positions.

Demand is harder to address. Male directors are invariably more comfortable recruiting other directors in the same familiar way, relying on the Singapore equivalent of the “old boys’ network”. All things being equal, a male director has no incentive to consider which woman may fit the position if he reaches out to his pool of (mostly male) contacts and identifies one or more men who (he thinks) can do the job. It is an easy choice for him to make.

Thus, one of the DTF’s recommendations is for corporations to put in place a formal search and nomination process (including the use of search firms or professional associations as appropriate) to recruit directors. The DTF noted that a hefty 42 per cent of SGX-listed corporations which responded to its survey used only the personal networks of directors in their board recruitment process.

Until boards are sensitised to the need to address gender imbalance, things are unlikely to change much. Requiring corporations to redress gender imbalance or face certain unfavourable consequences will help also to encourage women directors to be less hesitant about recommending other able women to the board, because that will be seen as something the corporation actively needs to do. This is not to say that women should be appointed to boards regardless of merit or competence.

The DTF also noted that local boards tend to prefer certain attributes such as board experience or experience in traditionally male-dominated industries or functions. It is necessary for corporations

to cast the net wider and aspire to having a diverse board through a properly structured board appointment process that systematically and regularly identifies the corporation's needs and the persons who can best fulfil them.

Increasing the pool of women directors hopefully will lead to a virtuous cycle where more directors become more familiar with more women who are directors or in senior positions, leading to more women being appointed with greater ease, so that over time they will become identified not just as women directors but as able equals to male directors.

In the future, it is hoped that gender diversity will no longer be an issue to be resolved, having a holistic diversity policy will become widely accepted, and board diversity will become a core value of the majority of Singapore-listed corporations. ■