WOMEN ON BOARDS

Gender diversity target on SGX-listed boards proving a challenge

Increase of just 0.5 percentage point in 1H 2019 casts doubt on achieving end-2020 goal

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Women represent 15.7 per cent of board members in the top 100 primary-listed companies by market capitalisation on the Singapore Exchange, according to the latest figures released by the Council for Board Diversity. PHOTO: THE BUSINESS TIMES

Singapore

WOMEN represent 15.7 per cent of board members in the top 100 primary-listed companies by market capitalisation on the Singapore Exchange, according to the latest figures released by the Council for Board Diversity.

While some progress has been made, a marginal increase of 0.5 percentage point in the first half of 2019 throws into question whether the council's target of hitting 20 per cent, or about 171 directorships, by end-2020 can be achieved.

As of June 2019, 134 of the 854 directorships on offer in the top 100 companies are filled by women, leaving the council 37 female directors short of its 2020 target.

So far, 36 of the top 100 listed firms have hit the council's 20 per cent target.

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Five of these already gender-diverse companies - ComfortDelGro, SBS Transit, Wing Tai Holdings, First Resources and SATS - each added a woman director in 1H 2019.

All-male boards were reduced to 21 after Wilmar International, Hong Leong Finance, CapitaLand Mall Trust, ESR-Reit and Singapore Airlines added a woman director each, and the addition of one all-male board during the period.

Among listed companies, statutory boards and institutions of a public character (IPCs), statutory boards made the best progress with a 1.2 percentage point increase to 24.5 per cent.

Women on boards among the top 100 IPCs by donation receipts remained at 27.4 per cent, but this was still the highest among the three sectors.

The Council for Board Diversity, which succeeded the Diversity Action Committee, was set up in January 2019 by the Ministry of Social and Family Development to lead the charge to achieve a sustained increase of women on boards.

Beyond the 2020 target of 20 per cent, it looks to have all listed companies achieve goals of 25 per cent women on boards by end-2025, and 30 per cent by end-2030.

However, observers seem certain it will be a challenge to achieve the first-tier 2020 target by the end of next year.

"Short of a hard gender quota by the government, it will not be possible to hit the 2020 target set by the council," said Toru Yoshikawa, professor of strategic management, SMU Lee Kong Chian School of Business.

When asked about the 20 per cent target, Mildred Tan, co-chair of the Council for Board Diversity, and chairperson of National Volunteer and Philanthropy Centre said: "Diversity is an ongoing journey. Moving from 15.7 per cent to 20 per cent at the end of 2020 is a stretch, but it is possible if the pace of appointments of women directors increase."

She said the council is working towards this target and urged companies to take proactive and decisive action to look for women directors.

There are more opportunities to improve diversity, such as the nine-year tenure rule for independent directors taking effect on Jan 1, 2022, said the council.

As at June 30, 2019, 98 independent directors among the top 100 listed companies have served on the boards for at least nine years.

To speed up the process, Yupana Wiwattanakantang, associate professor of finance, NUS Business School, suggested training courses conducted or supported by the government for potential board members. "Not many people have experience being a board member," she said.

A more extreme measure could have the government implementing a hard gender quota for companies, as countries like France, Germany and Italy have done, said Prof Yoshikawa.

Singapore could also name and shame firms that do not reach the quota, with these firms having to explain why they've not reached it, and how they intend to.

While these extreme measures could help the council hit the 2020 target, the drawbacks would be potentially under-qualified female candidates filling board positions to make up the numbers.

Prof Wiwattanakantang said it might also result in a qualified female director serving on too many boards and being stretched too thin.

Prof Yoshikawa said: "There's no clear evidence that having more females improves company performance. There is association to better performance, but no direct causality."

Foo Maw Der, professor, College of Business (Nanyang Business School) said female representation can result in better company performance, such as higher return on sales and higher return on equity.

"It is less about whether the (2020) target is reachable but more about filling boards with directors with suitable skills and experiences," said Prof Foo. "Companies should be comfortable going beyond what they usually do in finding board of director members.

"For example, instead of looking for directors with CEO experience, companies can be clear what competencies they need in the board. Suitable women candidates can come from outside the traditional C-suite but who can offer these skills."

Diversity is also not just about gender for Prof Wiwattanakantang. She said it also mattered in terms of knowledge, education, age, racial group and different countries.

"It's like independent directors being brought onto boards to bring an outsiders' view," she said. "This can help positively influence the company's strategy and guide the CEO."

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