PROMOTING A FAIR BUSINESS ENVIRONMENT IN ASEAN

Empowered lives. Resilient nations.

GOOD CORPORATE GOVERNANCE AND GENDER DIVERSITY IN ASEAN

An overview on the status of women's representation in boards and top management positions

DRAFT

ACKNOWLEDGEMENTS

This report was commissioned in 2019 by UNDP Bangkok Regional Hub within the framework of the Regional Project on “Promoting a fair business environment in ASEAN (2018-2021)”, in cooperation with Bangkok Regional Hub Gender Team.

It was authored by Radhika Behuria, edited by Liviana Zorzi and designed by Pundaree Boonkerd under the supervision of Diana Torres.

The report benefited from insightful comments from: Aida Arutyunova, Charlene Lui, Doina Ghimici, Jessica Robinson, Koh Miyaoi, Laura Wijaya, Paavani Reddy and Suparnee Pongruengphant.

DONOR PARTNER

This research was made possible by the contribution of the UK Government, as part of the Prosperity Fund

TABLE OF CONTENTS

LIST OF FIGURE AND BOXES

1

SCOPE AND PURPOSE OF THE STUDY

The ASEAN economic community is the 7th largest economy with a combined Gross Domestic Product of US$2.6 Trillion, expected to grow at an average rate of 5% annually through 2021. With over 622 million people, ASEAN's potential market provides a huge opportunity for lifting people out of poverty in the region. Despite this potential, poor governance and corrupt practices have been cited consistently as the most significant challenges to doing business[1], which increases inequalities and threatens the sustainability of economic and social development in the region.

To address these challenges, UNDP has launched in 2018 the regional project 'Promoting a fair business environment in ASEAN(2018-2021)', aimed at nurturing a culture of integrity for sustainable development both in the public and the private sectors. The project aims to promote the adoption of sustainable business practices and gender diversity in leadership as a part of good corporate governance. The target countries are Indonesia, Malaysia, Myanmar, Philippines, Thailand and Viet Nam.

Good corporate governance[2] is the foundation of responsible business, and a key feature of good corporate governance is gender diversity. Specifically, gender diversity on corporate boards and at the top managerial level brings companies a variety of business benefits – as indicated by IFC research[3]: improved financial performance and shareholder value; increased customers' and employees' satisfaction; improved investor confidence; enhanced reputation. Studies show that companies with more women on their board of directors are more likely to institute strong governance structures, adopt clear anti-corruption policies, demonstrate a high level of transparency and disclosure, build strong relationships with the community and avoid large-scale controversy[4].

1 Susan Rose-Ackerman (2004). The Challenge of Poor Governance and Corruption. Copenhagen Consensus 2004 project.

2 Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled (Investopedia).

3 IFC (2013).

4 UC Berkeley Haas School of Business (2012).

GOOD CORPORATE GOVERNANCE AND GENDER DIVERSITY IN ASEAN

The objectives of this baseline study, within Output 3 of the regional project on "Business integrity and sustainable practices promoted for private companies and state-owned enterprises", are to:

1. **Collect data** in relation to gender diversity[5] in boards and at senior management level in companies in the 6 target countries of the project, to reinforce advocacy promoting gender and inclusion as essential aspects of business integrity and sustainable business practices.

2. **Provide programmatic recommendations** on how the project could contribute to gender equality and how it could best engage with the private sector for the achievement of SDG 5

5 For the scope of this study and the regional project, gender diversity is limited to examining women's leadership and does not include the LGBTI community or diversity from the lens of other minority groups

2

WHY GENDER DIVERSITY MATTERS

The issue of gender diversity in businesses and organizations at all levels has gained momentum across the globe. Board diversity is a growing area within corporate governance practices, globally and in ASEAN. There are several imperatives for companies to promote greater diversity in leadership positions. Some of these are outlined below.

THE (MACRO) ECONOMIC CASE

A McKinsey report on the power of parity to advance gender equality in the Asia Pacific region[6], emphasizes that all countries in Asia Pacific would benefit from advancing women's equality, adding $4.5 trillion to their collective annual GDP by 2025, a 12 percent increase over the business-as-usual trajectory.

To achieve this significant boost to growth and leverage this opportunity, the report identifies three economic levers:

1. Increase **women's labour-force participation** rate which would count for 58% of the increase;
2. Increase the **number of paid hours women work** (part-time versus full-time mix of jobs) which would account for 17% of the GDP opportunity; and
3. Raise **women's productivity** relative to men's by adding more women to **higher-productivity sectors** which could be the remaining 25%.

While the economic case for gender diversity at the workplace demands a broader call for action to increase female labour force participation and deal with institutional barriers to women's productive work, it also provides an important basis for promoting greater gender diversity in the workforce (across all levels).

6 https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-asia-pacific

GOOD CORPORATE GOVERNANCE AND GENDER DIVERSITY IN ASEAN

THE CASE FOR SOCIAL JUSTICE, EQUALITY AND GOOD GOVERNANCE

Normative frameworks and international standards around justice and equality remain the foundation and initial impetus for efforts on championing diversity in the workplace. The role of governments in pushing for gender equality in boards has been critical in Europe, with Norway having spearheaded board diversity quota, now followed by several other countries. From the government perspective, one of the main reasons for greater gender representation on boards has been not only for the enhancement of the firm's economic performance, but more importantly, for social justice. **With women being 50% of the population, there is a case of fairness and justice in having women represented in the highest influencing bodies of companies.** Additionally, increasingly board diversity, and gender diversity in particular is regarded as part of good corporate governance, including disclosures about board diversity being reflected as part of greater transparency of corporations.

THE BUSINESS CASE

While the normative foundation is an important one, increasingly companies have begun to regard diversity as **a source of competitive advantage**, and even as **an enabler of business strategy and growth**. The correlation (if not direct causality) between diversity, and company performance and financial profitability is well established and recognized across the private sector. Studies conducted by Catalyst[7] have found **a correlation between the presence of women in leadership positions and key business performance indicators** (KPIs) such as return on equity, stock growth, and improved sustainability. These findings suggest that having women in leadership is not only the "right thing" to do, but can play a key role in promoting firms' profitability, reputation, and strategic advantage. Another study[8] examined over 140 prior research studies on the impact of board gender diversity on firm performance in numerous countries and found that **firms that have greater female board representation tend to have slightly higher return on assets**. Interestingly, the same study highlights that the impact of greater board gender diversity on stock market performance is more pronounced in countries where women enjoy greater equality in society.

The most recent Korn Ferry Diversity Scorecard series[9] examined the largest 100 publicly listed companies in ten Asia Pacific economies: Australia, China, Hong Kong, India, Indonesia, Japan,

7 Catalyst is a global nonprofit organization focused on empowering and accelerating women in business.

8 Post and Byron (2015). Academy of Management Journal, Vol. 58, No. 5.

9 Korn Ferry (2016). Korn Ferry Diversity Scorecard 2016: Building Diversity in Asia Pacific Boardrooms.

Malaysia, New Zealand, Singapore and South Korea. Based on the findings, firms with at least 10 per cent of female board members delivered a 14.9% return on equity (ROE) in 2014 compared to just 12.6% for those without female board members. A 2016 Credit Suisse analysis found that companies where women made up at least 15% of senior managers had 18% **higher profitability** than those where female representation was less than 10%, and companies with a woman as CEO experienced 19% higher profitability[10]. The study also found that companies with at least one woman on the board had generated a compound excess return of 3.5% per year for investors since 2005, compared to companies where the boardroom was entirely male, also demonstrating the long-term impact of more diverse boards. There is also evidence to substantiate that businesses with more women in high-level management, especially directorial boards are able to shift their focus from maximizing short-term profit to achieving longer-term growth goals[11].

Such compelling research and advocacy have generated awareness and acceptance of the business case for greater gender diversity across all levels, and especially in senior management positions. There is also a growing recognition that having more balanced board representation enhances firm performance by bringing in new and diverse insights, experiences, values, and perspectives to complex problems and discussions in the boardroom and hence enables boards to make better (informed) decisions[12].

Women on boards have also been found to provide **additional insight into consumer trends and priorities** for companies. This can be particularly relevant for consumer-focused corporations as women make 70% of consumer purchasing choices, and with gender-diverse boards they may have an advantage in decision-making that is more responsive to their customers[13].

10 Credit Suisse (2016). The CS Gender 3000: The Reward for Change.
11 Ibid.
12 OMFIF (2018). Gender Balance Index.
13 Laura Colby (2017). Women on Boards. Bloomberg.

Another positive trend is that more investment fund companies are including gender diversity indicators among their criteria, suggesting **investor confidence is likely to improve** with gender diversity on company boards. To this effect, in early 2018, BlackRock[14] sent a letter to Russell 1000[15] companies with fewer than two women directors (appx 367 companies) to justify how the lack of gender diversity on their boards was not aligned with their long-term strategies and urged to report on their efforts to address the gap.

THE CASE FOR THE SUSTAINABLE DEVELOPMENT

According to the report by the Business and Sustainable Development Commission[16], companies with more women in leadership roles tend to demonstrate several competencies required to build lasting success for businesses in a world converging on the Global Goals. While there is not yet enough evidence to draw causality between more women in management positions and a company's success in sustainable business ventures, there are plenty of cases documented to exhibit linkages between the two.

Companies with more women on their boards have shown that they are **likely to invest in renewable power generation, low-carbon products and energy efficiency**- all contributing towards the SDGs, thus serving as accelerators to help companies unlock the 'economic prize' associated with the SDGs on addressing unemployment, hunger, inequality and environmental challenges.

By increasing the number of women in managerial teams has demonstrated a company's **capacity for innovation**, especially related to identifying new business models and/or products and services that are critical to meeting consumer needs, while solving

14 World's largest asset manager with $6.29 trillion in assets under management, as of December 2017.
15 A stock market index that tracks the highest ranking 1000 stocks in the Russel 3000 Index.
16 Business and Sustainable Development Commission (2018). Better Leadership, Better World: Women Leading for the Global Goals.

societal issues[17]. A 2017 joint study from the UN Foundation and BNY Mellon identified a US$300 billion market opportunity that could be attained by closing the gender gap in access to products and services in the water, contraception, telecommunications, energy, and childcare sectors[18].

THE TRANSPARENCY AND CORPORATE GOVERNANCE NEXUS

Another important link has been between companies with greater gender-diversity on their boards have exhibited **greater transparency and stronger corporate governance practices** although more research is needed to substantiate these linkages. Studies linking ethical beliefs and decision-making have demonstrated the link between women being more inclined to support ethical business practices, and thus greater representation of women on corporate boards being linked to more positive social outcomes and greater corporate responsibility[19]. Women in senior positions have also showcased greater affinity to institute stronger governance structures, increased efforts to monitor management and demonstrate high levels of disclosure and transparency[20].

According to research carried out examining corporate performance of more than 1,500 companies across three main categories: environmental, social, and governance (ESG)[21], it was found that companies with more women on their board of directors are more likely to be: companies that institute strong governance structures, demonstrate a high level of transparency, and avoid large-scale controversy; companies that have clear policies to avoid corrupt business dealings, have strong partnerships with local communities, and have high levels of disclosure and transparency.

17 Dezsò, C. L. and Ross, D. G. (2012). Does female representation in top management improve firm performance? A panel data investigation, Strategic Management Journal, Vol. 33, Issue 9, p. 1072–89.
18 United Nations Foundation and BNY Mellon (2017). Return on Equality: Investment opportunities that help close the global gender gap.
19 Boulouta, I. (2012). Hidden connections: The link between board gender diversity and corporate social performance, Journal of Business Ethics.
20 Noland, M., Moran, T., and Kotschwar, B. (2016). Is Gender Diversity Profitable? Evidence from a Global Survey, (working paper 16–3), Pearson Institute for International Economics.
21 McElhaney, K. A. and Mobasseri S. (2012). Women create a sustainable future, UC Berkeley Haas School of Business.

Thus, the benefits of more women in management positions in businesses are considerable, not only for women, but for companies - their reputation and profitability, and the countries, economies and the environment in which they work. The linkages between women in managerial positions and boards being linked to stronger corporate governance standards and practices also points for the need to strengthen the link and case for gender diversity with greater transparency and promotion of accountability in business practices/integrity.

WHY GENDER DIVERSITY MATTERS

Gender diversity in boards and senior management is better for

The economy

Businesses

Social justice and equality

Sustainable Development

3

OVERVIEW OF GENDER DIVERSITY IN BOARDS AND SENIOR MANAGEMENT IN ASEAN[22]

On average, in the Asia Pacific region, **women's representation on boards increased from 6% in 2011 to 13% in 2016**, reflective of regulations and corporate policies instituted during this period (refer to the next section for more on policies and regulations). However, this is **still low compared with the average share in advanced global economies which is at 28%** (2016)[23]. Despite this, it is encouraging to note that all-male boards are no longer a majority in the region, with a significant drop from 53.2% in 2012 to 39% in 2014, indicating the recognition for gender diversity at the board level. However, this still lags behind Financial Times Stock Exchange (FTSE) 100 companies, where there are no longer any all-male FTSE 100 boards[24].

In the ASEAN region, female directors' representation in 2016-17 stood at 14.9% in the Philippines, 12.5% in Malaysia, 11.6% in Indonesia and 9% in Thailand[25]. Malaysia made some of the largest improvements in 2014, with government initiatives like the Women Director's program and 30% target for companies (by 2016), for which state owned companies have led the way - with 17% women on boards, and a total drop in all male boards from 44% to 29%.

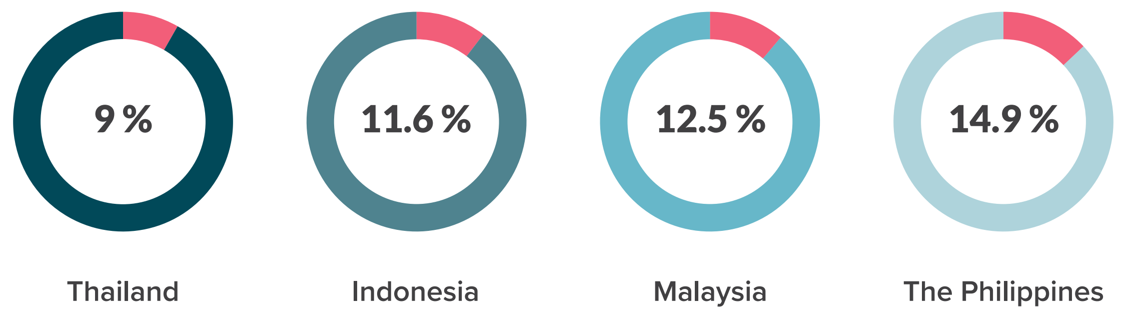
22 Different companies use different data sources and methodologies which offer slightly variable statistics for countries

23 McKinsey (2017). Gender Parity Report.

24 Building Diversity in Asia Pacific Boardrooms, is the fourth in the Korn Ferry Diversity Scorecard.

25 Sustainable Stock Exchanges Initiative (2017). How Stock Exchanges Can Advance Gender Equality.

FIGURE 1. FEMALE REPRESENTATION IN LEADERSHIP IN ASEAN IN 2016-17



Source:

Companies in the target ASEAN countries with the largest proportion of women on boards include Vinh Hoan (Viet Nam), Top Frontier Investment (Philippines), Vista Land and Lifescapes (the Philippines), Binh Chan Construction Investment (Viet Nam), BIMB (Malaysia), Phu Nuanh Jewelry (Viet Nam), Truong Long Engineering & Auto (Viet Nam), MNC Investana (Indonesia)[26].

Women CEOs are even rarer than board members. Globally in 2016-17, there were only 24 female CEOs in Fortune 500 companies[27]. In 2016, the share of CEOs in Indonesia was only 2%. Even in the Philippines, which has a higher proportion of female board members, just 3% of CEOs are female, but a high 30% of women reporting directly to CEOs[28]. According to research and data presented by the BCG in 2017, Viet Nam was reported as having a higher share of 25% of CEO positions held by women[29].

Asia Pacific Economic Cooperation (APEC), through the Policy Partnership on Women and the Economy, works on women's leadership, including encouraging and monitoring the action plans of individual members to promote women's leadership. In 2017, the partnership released the second edition of its Women and the Economy Dashboard, which helped APEC member countries track and communicate progress on reducing barriers to women's advancement using 80 indicators. One of these indicators is the "percentage of firms that report female participation in top management positions" with the following data recorded[30] - Indonesia at 22.1% (2015); Malaysia at 26.3% (2015); the Philippines at 29.9% (2015); Thailand at 64.8% (2016); Viet Nam 22.4% (2015), Myanmar at 41.1% (2016).

One or two levels lower than the board level, in accounting for senior business roles held by women, the Grant Thornton's annual survey in 2017[31] revealed that Indonesia has the highest proportion of senior business roles held by women (46%) in ASEAN. This is followed by the Philippines (40%) and Thailand (31%). While Malaysia has the least senior business roles held by women at 24%, and 34% of businesses reported having no women in senior management.

As can be noted, **different research institutes and organizations (PwC, Boston Consulting Group, IFC, McKinsey, World Bank) offer different numbers and statistics for gender diversity in board and senior level representation**. There are several factors that contribute to the variability, from the timing of the research, the methodology, sample and sources of data, as well as the level of disclosures on board diversity that may be required in different countries.

26 Corporate Women Directors International (2017). Report on Women Board Directors of Asia-Pacific Companies.

27 Forbes (2017).

28 McKinsey (2017). Gender Parity Report.

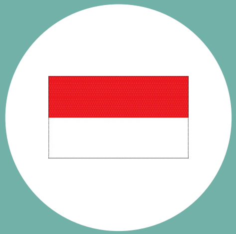
29 https://www.consultancy.asia/news/245/women-account-for-one-quarter-of-Viet Nams-ceos-and-directors

30 World Bank Enterprise Surveys

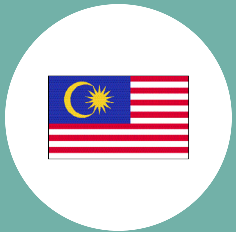
31 Grant Thornton (2017). Women in business: New perspectives on risk and reward.

BOX 1 KEY NOTES ON GENDER DIVERSITY IN LEADERSHIP IN TARGET COUNTRIES

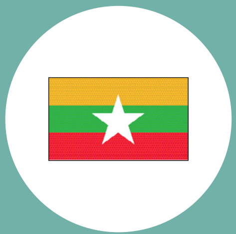
Despite these differences, perhaps a few key notables in the target countries:



Indonesia’s numbers remain in the mid-range for board level and CEO representation in the middle of the mix of countries.



Malaysia has made good progress on gender diversity at the board level, owing in part to the regulations and policies put in place. However, it fares poorly on placing women in senior executive leadership roles.



Given that the private sector is still fairly nascent in **Myanmar** and there only a few listed companies in the Myanmar Stock Exchange, there is little available data. This however provides an opportunity to work with organizations to promote corporate governance standards and best practices. There is also an opportunity focus on state-owned enterprises (SOEs) and support the government to devise and implement measures to facilitate women’s promotion to leadership positions in SOEs.

While **Thailand** has low levels of women in board positions, the representation is much higher in terms of women in senior management positions.

Viet Nam and **the Philippines** come out high in terms of senior management and board representation in the region, also reflective of the role of women in society and economy, the ownership of small businesses and SMEs that are run by women and the positive policies of the government and businesses alike.

4

CHALLENGES FOR GENDER DIVERSITY IN BOARDS AND SENIOR MANAGEMENT

Despite the momentum and progress made, most countries in ASEAN lag behind the global average of women in boards and other senior management positions. The challenges and reasons why companies are unable to address the gender gap at this level in a more systematic manner are similar for Asia, as for the rest of the world.

DEMAND FOR GENDER DIVERSITY

On the demand side, **while there is growing acknowledgment of the benefits of gender diversity to the business itself, this is yet to translate into real changes in numbers**. Most companies are yet to move beyond lip service into putting targets, and accompanying these with a suite of initiatives. Also the sourcing for positions is still overly reliant on personal networks making it more difficult for qualified females to be identified and appointed, and the existence of unconscious bias which may limit many women from being perceived as “board-ready”. Boards and their nominating committees need to consciously broaden their search criteria, present a more diverse pool of candidates across genders and take measures (including exploration of innovative measures where resources allow) toward minimizing (unconscious) bias.

SUPPLY TO CREATE GENDER DIVERSITY

On the supply side, **women may not consider that they have the right skills to be a board member or often see that their family responsibilities limit or prohibit them from taking certain positions.** Across industries and across countries, the same trend appears- of women dropping out between mid to senior level positions, mostly due to personal and family reasons or cultural expectations, lack of affordable and accessible childcare. According to the most recent

ILO report[32], women experience a motherhood wage penalty that can persist across their working life, while the status of fatherhood is associated with a wage premium, owing to social mores and pressures that compel women to be the main caregivers and men as the main breadwinners. The report also indicates that mothers of young children tend to experience a motherhood leadership penalty, having the lowest participation rates in managerial and leadership positions (only 25.1% of managers with children under six years of age are women) compared with their male counterparts (74.9% of managers with children under six years of age are men). However, where men share unpaid care work more equally with women, more women are found in managerial positions.

Another challenge remains **the lack of a pipeline of women who are nurtured, trained and mentored for senior management and board positions**. Thus the lack of women in the top positions in business has its roots in the talent pipeline development which runs from enrolment in tertiary education, to taking entry level positions in companies, moving up the ladder to middle management and eventually to senior management and the boardroom. The share of women, across all the ASEAN countries in this study, typically erodes the further they are along this pipeline.

UNCONSCIOUS BIAS

Unconscious gender bias is **unintentional and automatic mental associations based on gender, stemming from traditions, norms, values, culture and/or experience**. Automatic associations can feed into decision-making, enabling a quick assessment of an individual according to their gender and gender stereotypes and perceptions that are held[33]. Often such bias creeps into the workplace, and for promoting gender diversity, the problem starts from the recruitment stage, with unconscious bias often playing a part in women not being perceived as suitable for certain types of roles. Similar bias may also appear during promotions as well as in selection for learning and growth opportunities, often limiting the ability of women to be able to climb the corporate ladder at the same pace as their male counterparts. Also, commonly identified traits and styles of leadership, are often found to resonate more with masculine rather than feminine traits, especially in the Asian context, which can further exacerbate some types of unconscious bias.

GENDERED PERCEPTIONS

A McKinsey research exploring why gender diversity remains a problem, highlighted perception gaps (among men and women) as another key challenge, wherein far fewer men than women acknowledge the challenges faced by female employees at work[34]. **A traditional, male-focused view of leadership continues to dominate the corporate world.** In a global McKinsey survey of managers and top executives, close to 40% of women felt their communication and leadership styles were incompatible with the prevailing styles in the top management of their companies. This survey also showed that while most men and women agree women can lead as effectively as men, men had reservations when asked if they were "strongly convinced." The survey revealed that 84% of women strongly agreed they could lead as effectively as men at senior management levels, but only 43% of the men were strongly convinced[35].

32 ILO (2019). A quantum leap for gender equality: for a better future of work for all.

33 ILO (2017). Breaking barriers: Unconscious gender bias in the workplace.

34 McKinsey (2014). Why gender diversity at the top remains a challenge.

35 McKinsey (2013). Women Matter 2013, Gender diversity in management: Moving corporate culture, moving boundaries.

5

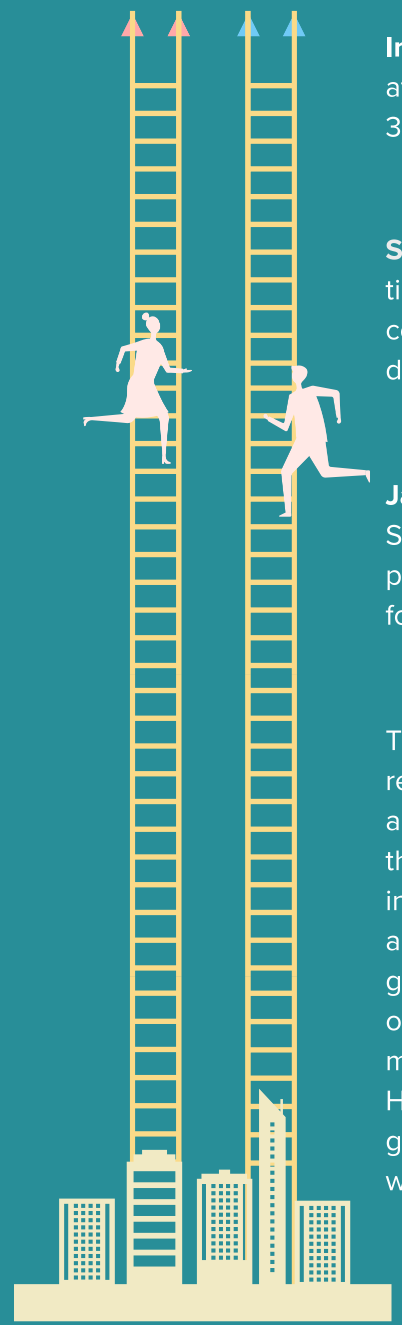
ROLE OF POLICY AND REGULATIONS AS AN ENABLER FOR GENDER DIVERSITY

Governments have shown motivation to spur companies into action on gender diversity in leadership and management positions, in the form of required or voluntary policies, benefits, and disclosures. Norway, as early as 2003, became the first country in the world to impose a gender quota requiring public limited companies to have at least 40% of its board members to be women, which in turn required funded parental leave for working parents. The Government also made provisions to support the regulation in order for companies and families to be able to afford implementation. France also took the bold move to place a mandatory quota requiring companies with more than 500 employees to have at least 40% women on their boards.

While board gender diversity is now accepted in these countries, this wasn't always the case and there was initial resistance from the business community. Despite such opposition, corporate management eventually accepted the board quota after a strong push and certain positive provisions made by governments.

BOX 2 IMPLEMENTING GENDER DIVERSITY POLICIES: GOOD PRACTICES FROM ASIA

Several stock exchanges, globally, but also in the Asia Pacific region are imposing similar requirements on listed companies, from the Australian Securities Exchange, New Zealand Exchange, Hong Kong Exchanges and Clearing Limited, and Bursa Malaysia. Most such regulations and policy measures are seen to have a positive impact on board gender composition and family leave or initiatives addressing work life balance[36].



India has a mandatory quota that requires publicly traded companies to appoint at least one woman to their boards, whereas **Malaysia** had imposed a mandatory 30% quota for new appointments to boards by 2016.

Singapore, through its Diversity Action Committee (DAC) announced a triple-tier target of 20% by 2020, 25% by 2025 and 30% by 2030 for SGX-listed companies, and has developed a six-step action plan for companies to increase diversity in the context of a good governance structure and process[37].

Japan on the other hand has a voluntary quota, wherein Japan's Prime Minister Shinzo Abe set a goal of increasing the percentage of women in executive positions in the country's companies to more than 30% by 2020. He also called for each Japanese company to have at least one female executive.

The **Hong Kong** Corporate Governance Code introduced "comply or explain" requirements for board diversity (including gender diversity), which the advocacy group 30% Club Hong Kong and Linklaters examined. Their study on the regulation compared with the practice discovered that of all listed companies included in the study, around 93% have established a nomination committee and around 63% have implemented a board diversity policy (including a focus on gender). The board diversity policy was found to be enshrined in less than half of the terms of reference of the nomination committees, with very few having measurable objectives and or evaluation processes. Overall the regulation in Hong Kong has proven to be a positive step towards getting companies to create greater gender diversity at the board level, with the banking sector leading the way with female CEO appointments in large banks.

36 Morgan Stanley Research (2016). Sustainable and Responsible: A Framework for Gender Diversity in the Workplace.
37 http://www.diversityaction.sg/about/diversity-action-committee/

Korn Ferry's report in 2016[38] found that three countries in Asia have seen notable progress, namely **Australia, India and Malaysia**, indicating that the same ones have had regulatory action or governmental support for promoting board diversity. Australia with 21.9% female board members among the Australian Securities Exchange (ASX)-listed companies continues to be the best performing country in the region, with the figure being double what it used to be in 2011, reflecting the ASX's inclusion of gender diversity policies in its corporate governance council reporting rules.

BOX 3 FEMALE BOARD REPRESENTATION: THE MALAYSIAN CASE

Malaysia has seen the **largest year-on-year increase in female representation**, from 8.3% to 12.5%, reflecting the success of its governmental programmes to increase gender diversity. The Malaysian cabinet approved a policy in 2011 mandating that women will comprise at least 30 percent of senior management and board positions in companies with more than 250 employees by 2016[39].

A number of initiatives such as **Women in Leadership Malaysia**, organized by TalentCorp is a six-month program that focuses on supporting the careers of women in all industries who are seeking senior executive or board service roles. Malaysia has also gained significant support from organizations such as Korn Ferry, LeadWomen, the NAM Institute for Empowerment of Women, and the Malaysian Directors Academy, which have together helped prepare more than 800 women for boardroom service. The Malaysia chapter of the 30% Club launched in 2015 by the Prime Minister aims to support a sustainable business-led voluntary change to improve the current gender imbalance on Malaysian corporate boards. The 30% Club, started as a campaign in the UK in 2010, aims to inspire debate, assist corporate boards in their engagement of board-ready women and support a pipeline of women in executive and non-executive roles.

38 Korn Ferry (2016). Korn Ferry Diversity Scorecard 2016: Building Diversity in Asia Pacific Boardrooms.
39 ADB (2015). Asian Development Outlook 2015 Update: Enabling Women, Energizing Asia.

Among the target countries for the regional project, **Indonesia** has no references to boardroom gender diversity or women's representation on boards in the corporate governance guidelines set forth by Indonesian regulatory bodies such as the stock exchange (IDX) and the financial regulatory board (or OJK).

Thailand also does not have any references to gender diversity for boards in its regulations. However, the Global Entrepreneurship Thailand has had some focus to equip women entrepreneurs with the knowledge, training, coaching, and management tools required to advance their businesses to the next level.

The same stands for **the Philippines** with no quotas for boards. However, in the Philippines, the Securities and Exchange Commission (SEC) released a revised Code of Corporate Governance for publicly listed companies that took effect on 1 January 2017 and recommends establishing a policy on board diversity that should cover, among other things, gender diversity.

While **Viet Nam** also does not have any indicative gender quotas, the Viet Nam constitution, the Law on Gender Equality, and a Politburo resolution set various governmental and business targets for women by 2020. One such target calls for the percentage of female entrepreneurs to reach 35 percent by 2020.

Myanmar has the youngest private sector among the target countries, and the Yangon Stock Exchange (YSX) is only three years in existence, with no specific focus on gender diversity targets. the Securities and Exchange Commission (SEC) released a revised Code of Corporate Governance for publicly listed companies that took effect on 1 January 2017 and recommends establishing a policy on board diversity that should cover, among other things, gender diversity[40]. While Vietnam also does not have any indicative gender quotas, the Vietnam constitution, the Law on Gender Equality, and a Politburo resolution set various governmental and business targets for women by 2020. One such target calls for the percentage of female entrepreneurs to reach 35 percent by 2020[41]. Myanmar has the youngest private sector among the target countries, and the Yangon Stock Exchange (YSX) is only three years in existence, with no specific focus on gender diversity targets.

Broader international and regional initiatives and rankings can also help create greater momentum for gender diversity. For instance, the Organisation for Economic Co-operation and Development (OECD) specifies in their G20/Principles of Corporate Governance that "in order to avoid groupthink and bring a diversity of thought to board discussion, boards should also consider if they collectively possess the right mix of background and competencies. Countries may wish to consider measures such as voluntary targets, disclosure requirements, boardroom quotas, and private initiatives that enhance gender diversity on boards and in senior management"[42] The ASEAN Corporate Governance Scorecard (ACGS)[43] started in 2011 and later revised in 2016 uses the G20/OECD principles of corporate governance as the main benchmark and covers five areas. Gender diversity, female independent director and disclosure of diversity policy feature as elements for scoring on Board Diversity on the ACGS.

40 Securities and Exchange Commission Philippines (2016). SEC Memorandum Circular No. 19: Code of Corporate Governance for Publicly-Listed Companies.

41 Socialist Republic of Viet Nam Government Portal, National Gender Equality Strategy 2011–2020.

42 OECD (2015). G20/OECD Principles of Corporate Governance. OECD Publishing. Paris. Available at http://dx.doi.org/10.1787/9789264236882-en

43 An initiative of the ASEAN Capital Markets Forum and the Asian Development Bank.

6

AREAS FOR COLLABORATION ACROSS STAKEHOLDERS

Several stakeholders need to work together to generate change towards greater gender diversity in the boardroom and in senior executive leadership of companies: from government and regulators, to industry and investors, as well as academia and advocacy groups. The following are proposed areas where UNDP could work together with stakeholders to add value and provide support to complementary initiatives in promoting greater leadership of women in boards and management positions.

RESEARCH AND EVIDENCE GENERATION

- Support and develop new research and evidence, focusing on the six target countries, that continues to demonstrate the value of diversity in boards, with unique experiences and insights that can support better problem solving at the board level and lead to long term positive impacts on business growth and profitability. Such evidence can be used by governments, regulators and advocates to lobby for greater gender diversity with companies.

- Document and showcase good practice, particularly from within Asia and ASEAN where positive policies are leading to incremental changes in board representation. For example, by showcasing the shifts through regulations in Hong Kong, India, Malaysia, Singapore and Australia, other countries in the region can be inspired and influenced.

- Work with companies that have been able to make steady changes to document their journey. Given that the challenges to the lack of gender diversity in boardrooms is common across industries and countries, perhaps good practice guidance could be developed to help companies adopt standard practices that can create incremental changes to the make-up of board representation and senior leadership.

- Further research in the areas of identifying and unpacking barriers for women in accessing managerial roles and present pathways and solutions to overcome these. This could also be an area to work with the media, in terms of highlighting the barriers to advance gender diversity in boards, as well as highlight influential women as role models in the region.

- Support the improvement of data – both access and quality related to gender equality in the workplace, particularly in the target ASEAN countries. The UN Foundation houses an initiative called Data2X which builds partnerships to close gender data gaps, promotes expanded and unbiased collection of gender data, and uses that data to improve policies, strategies, and decision-making in support of gender equality.

TECHNICAL AND POLICY SUPPORT

- Support governments to set targets and improve diversity in publicly listed companies, and encourage gender diversity in companies as a contribution to SDGs 5 and 16. Document and showcase good policy examples from the target countries, such as Malaysia.

- Promote publicly declared national agenda and target for women's representation in senior management, by supporting countries to establish an agenda for pursuing the goal of gender equality and set targets for organisations to support more women in leadership positions. Provide opportunities for responsible ministries and government departments to connect across the six countries.

- Provide technical and advisory support with practical solutions to companies interested in addressing workplace diversity through transforming workplace behaviour and business practices (including work-life balance), and examining the culture of valuing women in leadership positions.

REGIONAL AND CROSS-COUNTRY PLATFORM

- Involve industry influencers as regional role models and advocates who can lead by example and inspire other company leaders to appoint more women to executive and nonexecutive directorships.

- Create a regional platform for showcasing and recognizing good practice, and for multi-stakeholder dialogue on the issue of gender diversity in boards and senior management.

- Provide technical support and create peer-to-peer learning opportunities for governments, chambers of commerce, regulators and advocacy groups across the ASEAN region.

- Explore opportunities to connect with the Action Agenda on Mainstreaming Women's Economic Empowerment (WEE) in ASEAN, which aims to bolster women's economic empowerment, including but not limited to increasing women's representation and leadership roles in the workforce and encouraging public and private sector collaboration to create more opportunities for women in business.

CONNECT WITH AND SUPPORT EXISTING REGIONAL AND COUNTRY INITIATIVES

- Partner with chambers of commerce, existing advocacy groups and academic institutions that are working in this area to generate initiatives that can cater to creating a stronger talent pipeline of "board ready" women across industries. Some examples are:

- The 30% Club which started as a campaign in the UK in 2010 with a goal of achieving a minimum of 30% women on FTSE-100 boards. In the Asia region, the 30% Club has an operational chapter in Hong Kong and Malaysia, which does not apply a quota but a voluntary forum to inspire debate and discussion at corporate leadership and board levels on gender diversity and its benefits to business and assist corporate boards in their engagement of qualified, board-ready women.

- As part of the overall corporate governance work, the International Finance Corporation's work on Women on Boards and Business Leadership, carries out capacity building, awareness raising, and expanding the discussion about gender diversity on boards in emerging markets and developing countries. IFC began an active outreach process to identify qualified women to fill board positions in the companies in which it invests and has almost reached its 2015 goal of 30% female representation, aiming for full parity in the future.

- The Women Corporate Directors (WCD) Foundation is a preeminent organization for women directors globally, which fosters a community of women corporate directors and supports the representation of women on boards and in senior management positions. WCD has launched chapters in ASEAN, including Indonesia, Malaysia, Myanmar, the Philippines and Viet Nam.

- The National University of Singapore's Business School's Centre for Governance, Institutions and Organisations (CGIO) has been conducting research on gender diversity in boards across ASEAN countries.

- The Alliance for Integrity has a chapter in Indonesia which is working to promote women entrepreneurs as part of business integrity work.

- Community Business, is a Hong Kong based regional advocacy platform and think tank advocating for greater gender diversity in corporate boards.

- The Filipina CEO Circle in the Philippines organises forums aimed at building a bridge between one generation of woman CEOs and the next.

- The Myanmar Institute of Directors (MIoD), an independent organization promoting corporate governance standards and best practices in Myanmar; and The Myanmar Centre for Responsible Business encourages responsible business practices across the country.

- The ASEAN Corporate Governance Scorecard (ACGS) initiative started by the ASEAN Capital Markets Forum and the Asian Development Bank (ADB), and uses the G20/OECD principles of corporate governance as the main benchmark, and includes criterion related to gender diversity on boards.

ANNEX: METHODOLOGY

The data sources used in this report are secondary sources from credible institutions such as Price Waterhouse Coopers, Boston Consulting Group (BCG), International Finance Corporation (IFC), McKinsey, World Bank and the World Economic Forum. However, several research papers offer different statistics for gender diversity in board and senior level representation, due to the timing of the research, the methodology, sample and sources of data, as well as the level of disclosures on board diversity that may be required in different countries.

The focus of this study corresponds directly to Sustainable Development Goal 5 on gender equality and women's empowerment, specifically on the target 5.5 to "ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life", measured by the indicator of the proportion of women in managerial positions.

REFERENCES

ADB (2015). Asian Development Outlook 2015 Update: Enabling Women, Energizing Asia.

Boulouta, I. (2012). Hidden connections: The link between board gender diversity and corporate social performance, Journal of Business Ethics.

Business and Sustainable Development Commission (2018). Better Leadership, Better World: Women Leading for the Global Goals.

Corporate Women Directors International (2017). Report on Women Board Directors of Asia-Pacific Companies.

Credit Suisse (2016). The CS Gender 3000: The Reward for Change.

Dezsò, C. L. and Ross, D. G. (2012). Does female representation in top management improve firm performance? A panel data investigation, Strategic Management Journal, Vol. 33, Issue 9, p. 1072–89.

Grant Thornton (2017). Women in business: New perspectives on risk and reward.

IFC (2013).

ILO (2017). Breaking barriers: Unconscious gender bias in the workplace.

ILO (2019). A quantum leap for gender equality: for a better future of work for all.

Korn Ferry (2016). Korn Ferry Diversity Scorecard 2016: Building Diversity in Asia Pacific Boardrooms.

Laura Colby (2017). Women on Boards. Bloomberg.

McElhaney, K. A. and Mobasseri S. (2012). Women create a sustainable future, UC Berkeley Haas School of Business.

McKinsey (2013). Women Matter 2013, Gender diversity in management: Moving corporate culture, moving boundaries.

McKinsey (2014). Why gender diversity at the top remains a challenge.

McKinsey Global Institute (2018). The Power of Parity: Advancing Womens Equality in Asia-Pacific. Available at https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-asia-pacific

Morgan Stanley Research (2016). Sustainable and Responsible: A Framework for Gender Diversity in the Workplace.

Noland, M., Moran, T., and Kotschwar, B. (2016). Is Gender Diversity Profitable? Evidence from a Global Survey, (working paper 16–3), Pearson Institute for International Economics.

OECD (2015). G20/OECD Principles of Corporate Governance. OECD Publishing. Paris. Available at http://dx.doi.org/10.1787/9789264236882-en

OMFIF (2018). Gender Balance Index.

Post and Byron (2015). Academy of Management Journal, Vol. 58, No. 5.

Securities and Exchange Commission Philippines (2016). SEC Memorandum Circular No. 19: Code of Corporate Governance for Publicly Listed Companies.

Socialist Republic of Vietnam Government Portal, National Gender Equality Strategy 2011–2020

Susan Rose-Ackerman (2004). The Challenge of Poor Governance and Corruption. Copenhagen Consensus 2004 project.

Sustainable Stock Exchanges Initiative (2017). How Stock Exchanges Can Advance Gender Equality.

United Nations Foundation and BNY Mellon (2017). Return on Equality: Investment opportunities that help close the global gender gap.

World Bank Enterprise Surveys

https://www.consultancy.asia/news/245/women-account-for-one-quarter-of-Viet Nams-ceos-and-directors

United Nations Development Programme
Bangkok Regional Hub
3rd Floor United Nations Service Building
Rajdamnern Nok Avenue, Phranakorn
Bangkok 10200 Thailand
For more information: www.asia-pacific.undp.org