**MINORITY SHAREHOLDERS WATCH GROUP**
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- **Almost** 300 public listed firms have all-male boards
- **Will** naming and shaming the firms with no women on their boards work?
- **Women** make up half of Malaysia's population, so why is it difficult to find the 'right' women directors?
- **There** are three 'independent' directors who have served for at least three decades and another 66 who have been on the board for 20 years or more

# Women on the board: The pursuit continues

by **Devanesan Evanson**


Women in general tend to bring a different perspective to board discussions and hence add value to a company's ventures, so why the need to seek the 'right' women to be directors?

The Securities Commission (SC) issued its inaugural annual Corporate Governance Monitor 2019 in May, which examines the state of corporate governance amongst public listed companies (PLCs).

The data for it were gathered from information available as at Dec 31, 2018.

### Gender diversity: Why there should be no excuses

The Monitor says there were 5,231 directors in 930 listed issuers of whom only 833 (15.92%) were women. This falls short of the national aspiration of having at least 30% women representation at the PLC-board level.

The encouraging point is that there has been an increase in women representation at the board level over the past few years without the imposition of any quotas, a fact alluded to with some pride, and rightly so, by SC chairman Datuk Syed Zaid Albar at the launch of the CG Monitor 2019.

So how have we improved? Between December 2016 and December 2018, there was a 7% increase for the top 100 PLCs (from 16.6% to 23.68%) and a 4% increase (from 12% to 15.69%) for all PLCs. A commendable rate of increase.

Of the 930 PLCs, 634 have at least a woman director on board. That means that there are 296 PLCs which have no women on board.

Perhaps it is time for a 'name and shame' exercise to motivate these PLCs to hasten their onboarding of 'good' women on-board.

In January 2018, the SC announced the seven top-100 PLCs with all-male boards. All of them soon after appointed women directors.

This is an area where institutional investors can play a powerful role in driving the gender diversity agenda because they have the voting power - they can move mountains compared to the minority shareholders.

At least one local institutional investor, with substantial holdings of shares in PLCs listed on Bursa Malaysia, has made it its internal mandate that it will not vote for any re-election of a male director of a PLC which has an all-male board.

Though we take pride in the progress of women representation at the board level, we should also look at the relationship and type of directorship that these women assume on the board.

The debate then moves to women at the board who are daughters or wives of the major shareholders or other directors.

Is this the intended outcome - using the language of the Malaysian Code on Corporate Governance (MCCG) 2017 - that we aspire to achieve?

We must take baby steps and be happy that at least we have a woman (whether a daughter or wife) on the board.

The more discerning PLCs can ask themselves the question of the intended outcome or the spirit (substance) of gender diversity.

Another discerning debate for PLCs who have women on board is whether it is better that these women be executive or independent directors.

### Myth of seeking the 'right' women

When boards are asked whether they face a challenge in getting women to sit on their boards, the typical answer is that it is difficult to find the right women.

This response confuses the need for diversity in skills with the need for diversity in gender - these are two distinct issues with some overlap.

Women directors are sought because the female gender, by their very nature and creation being different from males, bring different perspectives to deliberations and discussions, regardless of their professional and technical skill sets.

The more varied the perspectives discussed and deliberated, the better the decision.

If PLCs start with the premise that we want a 'good' woman on our board simply because she will bring a different perspective to our discussions and deliberations, then there is no dearth of 'good' women out there.

We must remember that at least 50% of our population are women. This shows up the folly of the statement that it is difficult to find the right woman to sit on the board.

From a different perspective, we can ask ourselves, how can we talk of corporate governance when we ignore 50% of our population when composing our boards.

Women who have 'succeeded' can be great mentors and catalysts in encouraging and facilitating women's progress to the boardroom.

For those women who do not so mentor or facilitate, or worse still, place obstacles in the path of women who aspire for board positions, the words of Madeleine Albright, the first woman secretary of state in US history, are a timely reminder: "There is a special place in hell for women who do not help other women."

And for the men out there who stereotype women and have ingrained prejudices towards women, just be reminded that 'behind every successful man there is a woman, and behind every successful woman, there is a man ... who tried to stop her' - and, surely, we do not want to be that man.

### Long-serving independent directors

Just imagine, we have three independent directors who have served for 31 to 40 years who claim that they are 'independent' (and their boards also claim that they are independent) and they get voted in as independent directors.

Leave alone that there are another 66 directors who have served between 21 and 30 years as independent directors, in the same scenario.

The usual refrain from the boards who harbour these long-serving independent directors is that they have conducted a robust evaluation of these independent directors and are of the opinion that they can continue to be effective as independent directors.

The resolution comes to a vote and the major shareholder, with its sheer voting power, votes the 'independent director' onto the board again.

### Rule vs practice

MCCG 2017 tries to arrest such situations by advocating a two-tier voting process beyond the 12-year tenure but only 242 board resolutions were voted using the two-tier voting process.

This is because the two-tier voting process is not mandatory but a only a practice in MCCG 2017.

This situation shows the drawback of the principles-based approach to codes on CG as opposed to a rules-based approach.

A principles-based approach allows one to explain an alternative to a practice advocated in MCCG 2017.

However, if it is a rule under the Listing Requirements, then the PLC has no choice but to comply lest it face sanctions from Bursa Malaysia.

For a start, would it not make sense to have a rule that prohibits independent directors who continue to serve on the board for tenures beyond 20 years, or at the very least make it a rule to address the independent status of the three independent directors who have served 31 to 40 years?

We must remember that if the board (and shareholders) feels that the services of these three directors are so indispensable, keep them on the board but do not make a mockery of things by labelling them as independent directors.

It is also interesting to note that 116 independent directors with tenure or more than 12 years resigned from the board after the introduction of the two-tier voting process.

This may be due to them preferring a graceful exit as opposed to being outvoted by minority shareholders who vote in the 2nd tier.

But the challenge is what to do with the PLCs which do not introduce two-tier voting (which is a practice under MCCG 2017) as there is no compulsion for them to do so? FocusM

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