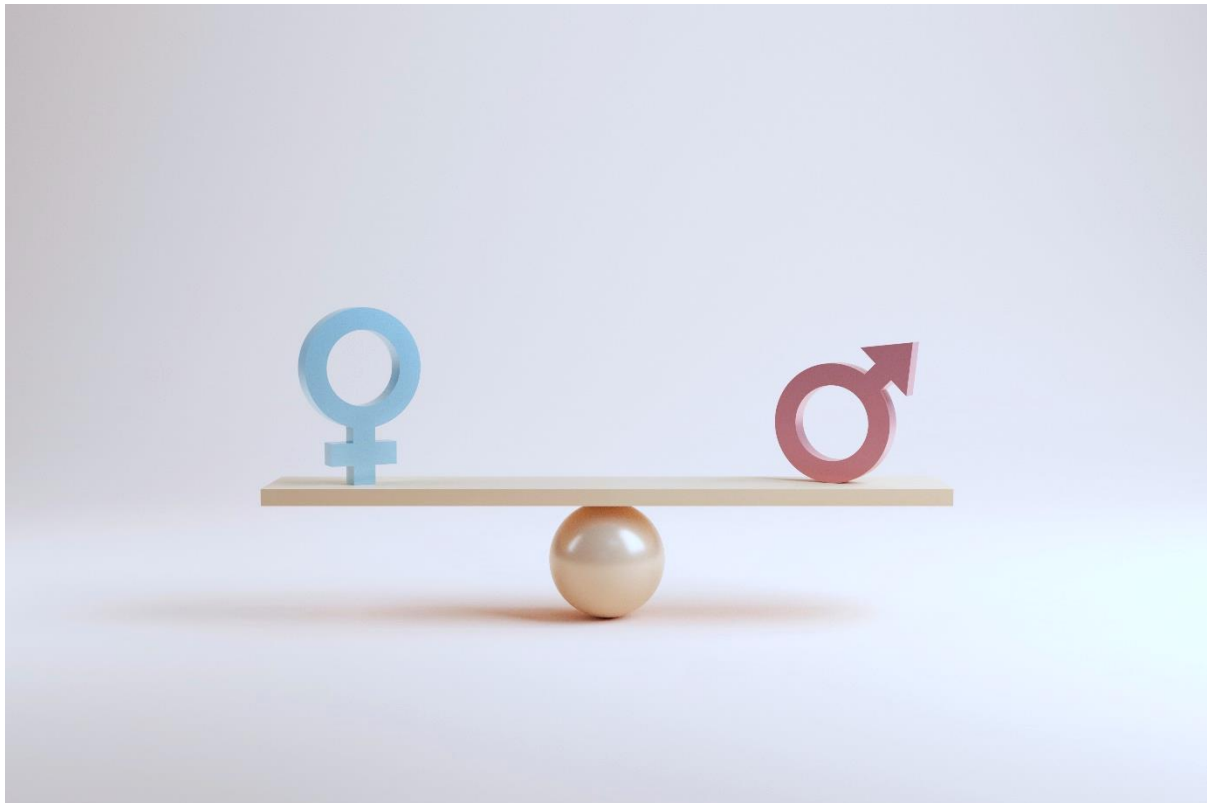


Corporate India needs better gender balance

Despite recent improvements, women representation in the boardroom and in the workforce remains relatively low. Regulations can only push to a limited extent. It is for corporate India to see the benefits of a better gender balance, and for stakeholders to push for this agenda.

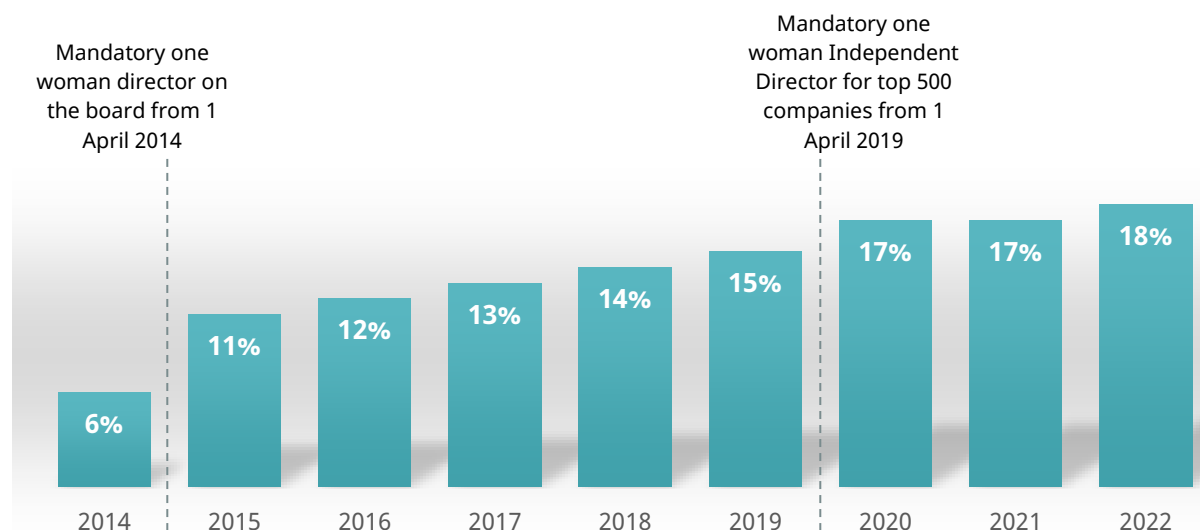


Gender equality is the fifth of the seventeen sustainable development goals (SDGs) set by United Nations. According to the World Economic Forum's Global Gender Gap Report 2022, India ranks 135 of the 156 companies scored. The scoring is based on four essential pillars – Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. Independent of any debate over its methodology, there is no doubt that India's rank needs to improve on gender equality.

From corporate India's perspective, the regulators have been focussing at the bringing in gender diversity at the board level. The top 1000 companies are now mandated to have at least one independent woman director. The regulation for

having at least one woman on the board came in 2014¹, which resulted in the share of directorships in NIFTY 500 companies increasing from the then about 6% (in 2014) to 17.6% on 31 March 2022 (Exhibit 1).

Exhibit 1: Share of directorships held by women in the NIFTY 500



Source: NSE, Prime Database, IiAS Research

India is not the first market to mandate gender diversity on boards. While approaches differ, several other global markets have set targets for better gender-based diversity on boards (Exhibit 2).

Exhibit 2: Gender-based targets across geographies

Country	Requirement Type	Threshold / Target	Disclosure
Australia	Comply or explain	Disclose Targets	Board and senior management
Austria	Mandatory	30%	Board and senior management
Belgium	Mandatory	33%	Board
Canada	Comply or explain	Disclose Targets	Board and senior management
Denmark	Comply or explain	Disclose Targets	Board and senior management
Finland	Comply or explain	Disclose Targets	Board
France	Mandatory	40%	Board
Germany	Mandatory	30%	Board
Greece	Mandatory	25%	Board

¹ Regulations changed from one women director to one independent women director in March 2018: with effect from 1 April 2019, the top 500 companies were required to have at least one independent woman director. This was extended to the top 1000 companies with effect from 1 April 2020.

Country	Requirement Type	Threshold / Target	Disclosure
Hong Kong SAR	Mandatory disclosure requirement	Voluntary	Board and across the workforce (including senior management)
Iceland	Mandatory	40%	Board
India	Mandatory	At least one independent woman director	Board
Israel	Mandatory	50% at state owned companies; At least one female director	Board
Italy	Mandatory	40%	Board
Japan	Voluntary	12%	Board
Malaysia	Mandatory	30%	Board
Netherlands	Comply or explain	30%	Board
New Zealand	Voluntary	50% on state sector boards	Board
Norway	Mandatory	40%	Board
Portugal	Mandatory	33%	Board
Singapore	Voluntary	20%	Board
South Africa	Comply or explain	Disclose Targets	NA
Spain	Voluntary	40%	Board
Sweden	Comply or explain	gender balance on boards as a goal	Board
Turkey	Voluntary	25%	Board
United Kingdom	Comply or explain	Disclose Targets ²	Board and senior management
United States of America	Comply or explain	At least two diverse board members	Board

Source: CS Gender 3000 in 2021 Report

A UK-based initiative called the [30% Club](#) campaigned that women comprise at least 30% of the board and senior leadership in large listed companies. The move to achieving this goal began in 2010 and has now spread across to 20 countries.

In India, however, we are at some distance from this 30% mix. Women representation on boards aggregated 17.6% across NIFTY 500 companies on 31 March 2022.

Leaving aside most listed public sector companies, listed companies in India have been complying with regulations. Despite the initial push-back and the fear of

² Although not a regulatory requirement, most companies in the UK follow a threshold of 33% women representation on Boards in line with the [Hampton – Alexander Review](#).

this being a check-box, corporate India has rallied to get a set of accomplished women on their boards. Women from the promoter-family (often considered check-the-box positions) account for less than 10% of the total directorships held by women.

Much like the global campaign, India too needs to move away from an absolute count to a share of board size for gender diversity. Research shows that gender diversity works best when there are three or more women on the board. In India, companies comply with the regulation, and no more. Even as the share of women representation at the board level has seen an improvement in the last twenty-four months, women comprise about less than 20% of board composition (Exhibit 3).

Exhibit 3: Women Directorships as a percentage of boards in Nifty 500 companies

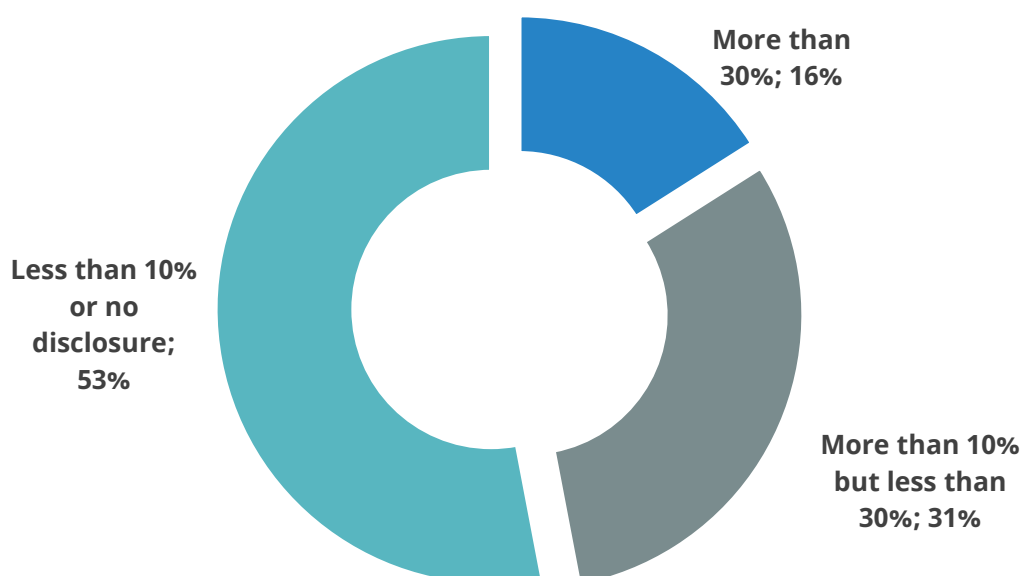
Women directorships as a % of board	FY 20		FY 21		FY 22	
	No of boards	% of total boards	No of boards	% of total boards	No of boards	% of total boards
Nil	13	2.6%	27	5.4%	8	1.6%
Up to 10%	94	18.8%	84	16.8%	93	18.6%
>10% to 20%	254	50.8%	243	48.6%	240	48.0%
>20% to 30%	106	21.2%	101	20.2%	112	22.4%
>30% to 55%	33	6.6%	45	9.0%	47	9.4%
Total	500	100.0%	500	100.0%	500	100.0%

Source: NSE, Prime Database, IiAS Research

Women representation at senior leadership levels remains a bigger challenge, and one where there is no quick fix. An IIM-Ahmedabad research report titled ‘The Glass Ceiling’ on Leadership Gender Balance in NIFTY 200 index constituents noted the share of women in top management and senior executive positions is significantly lower than the share of women on the board of directors. The report gloomily noted the gender pay gap also widens as women advance in their careers.

Several companies claim to be equal opportunity employers. Yet, of the S&P BSE 100 index constituents, in FY22, just 16 companies had more than 30% women in the workforce (Exhibit 4). With the Business Responsibility and Sustainability Reporting (BRSR) becoming mandatory from FY23, disclosures on gender diversity will be more enhanced, with disclosures on pay parity as well.

Exhibit 4: Women in the workforce of S&P BSE 100 companies in FY22



Source: IiAS research; annual report disclosures; sustainability report disclosures; stock exchange filings

What is the way forward? Regulators, companies, their boards, and shareholders will all need to commit themselves to improving the gender mix.

Companies: Creating and cultivating an active pipeline of female candidates in leadership has to become an important element of a successful board. A Harvard Business Research³ paper titled 'When Gender Diversity Makes Firms More Productive' argues gender diversity relates to more productive companies, as measured by market value and revenue, only in contexts where gender diversity is viewed as "normatively" accepted. By normative acceptance, they mean a widespread cultural belief that gender diversity is important. For this, companies will need to challenge cultural blocks and strive for a more gender diverse board and workforce through necessary affirmative action.

Regulations: Regulations played an important role in helping jump-start the gender diversity agenda for company boards. Better and sharper reporting in the BRSR disclosures will allow regulators and market participants to track progress. Regulations in India have set the stage with mandatory quotas for women representation at the board level. They need to continue press ahead and focus equally on the gender mix at all stages of the working cycle.

Investors: Shareholders need to insist on gender diversity as an important aspect of overall ESG performance. With sustainability-linked financial

³ [Harvard Business Review](#)

instruments (such as sustainability bonds), gathering steam in India, time is ripe for investors and lenders to play an active role in pushing for the social and governance aspects of ESG as well.



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<https://brokersforumofindia.com/magazines.php>

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