

Women on Boards

March 2021

KPMG Nigeria Board Governance Centre



Introduction

In recognition of 2021 International Women’s Day (with the theme **Choose to Challenge**), we take a quick review of Women on Corporate Boards and the strides that have been taken to enhance the inclusion of women in the board room. While gender is only one of the many facets of diversity, the under-representation of women on corporate boards remain a key area of focus for boards, investors, regulators. As boards seek to improve their effectiveness and consider how best it should be composed to enable them carry out their oversight roles amid rapid changes and shifting expectations, a number of factors such as diversity of skills, experience, age, background and gender becomes top of mind for a number of them.

In this article, we look at the current state of gender diversity on corporate boards, benefits to increased gender diversity and recommendations for women and boards.

Women on Boards: A Global Review

Although boardroom diversity is increasing across the globe, women on boards are still underrepresented and the progress is slow. On a global basis, women hold less than 20% of board seats among companies listed on the Morgan Stanley Capital International All Country World Index (MSCI ACWI), a global equity index.¹ According to Egon Zehnder, 2020 Global Board Diversity Tracker, 23.3% of board positions are now held by women globally, up from 20.4 % in 2018.²

An analysis of more than 8,600 companies in 49 countries showed women held 16.9% of all global board seats in 2018, up from 15.0% in 2016.³ Among companies located in jurisdictions with no elective or

compulsory gender quota requirements, only 20.3% of boards reached the 30% women director threshold, and 23.0% had no women directors.

Nearly three-quarters (71.8%) of MSCI ACWI companies located in jurisdictions with established compulsory quotas had at least 30% women directors in 2019. Please see table 1 below:

Women’s Global Representation on Boards 2019⁴

Country	% of Women Directorship 2019	% of Women Directorship 2016	Gender Quota & Year Introduced
Australia	31.2%	26.0%	No
Canada	29.1%	22.8%	Pending
France	44.3%	37.6%	Yes, 2010
Germany	33.3%	19.5%	Yes, 2015
India	15.9%	12.8%	Yes, 2013
Japan	8.4%	4.8%	No
Netherlands	34.0%	18.9%	Yes, 2013
Nigeria	23.3%	20.0%	No
South Africa	26.4%	19.5%	No
Sweden	39.6%	35.6%	Yes, 2016
Switzerland	24.9%	17.5%	Pending
United Kingdom	31.7%	25.3%	No
United States	26.1%	20.3%	CA. only, 2018

Table 1: Women’s Global Representation on Boards as at 2019

¹ Olga Emelianova and Christina Milhomem, Women on Boards 2019 Progress Report (MSCI, December 2019).

² Egon Zehnder: 2020 Global Board Diversity Tracker <https://www.egonzehnder.com/global-board-diversity-tracker/tracker-highlights>

³ Catalyst- Workplaces that Work for Women <https://www.catalyst.org/research/women-on-corporate-boards/>

⁴ Catalyst- Workplaces that Work for Women <https://www.catalyst.org/research/women-on-corporate-boards/>

Women on Boards: The Nigerian Perspective_ A Review of Gender Representation of Companies on the NSE 30 Index⁵

It is worthy to note that there are no specific legal requirements for gender diversity (i.e. Quota) in the Nigerian legal system except for regulations issued by the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC) Code of Corporate Governance, and the Nigerian Code of Corporate Governance, 2018 (NCCG). CBN regulations mandate a minimum of 30 percent female representation on boards of Nigerian commercial banks, the SEC Code recommends that publicly listed companies consider gender when selecting board members, and the NCCG encourages the board to set diversity goals and to be mindful of them when filling board vacancies.

The Nigerian Code of Corporate Governance however highlights the importance of diversity on boards and committees. The gender diversity requirement set forth in the NCCG is not absolute, but is subject to competence, independence, and integrity considerations.⁶

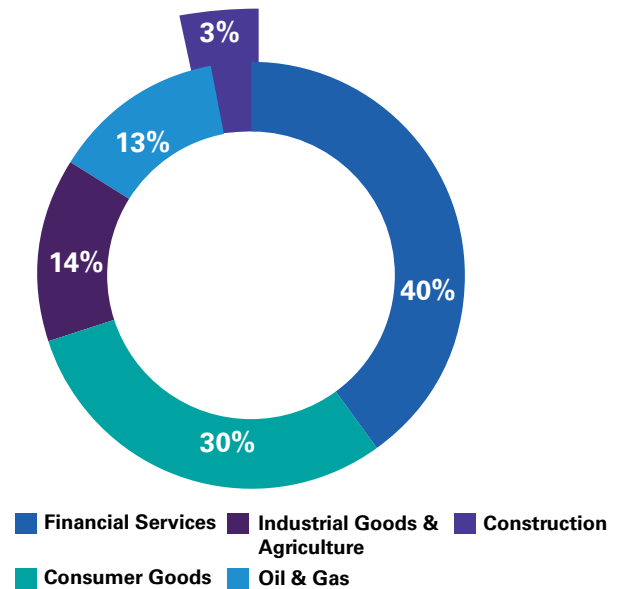
A research on the women on the boards of NSE 30 Index as at December 2020 (Top 30 Capitalized Companies on the Nigerian Stock Exchange) (see figure 2 below) revealed the following:

- Women make up 24% of Directors on the top 30 capitalized companies on the NSE.
- 17% of women make up Chairpersons on the top 30 capitalized companies on NSE
- Women make up 3% of CEOs the top 30 capitalized companies on NSE

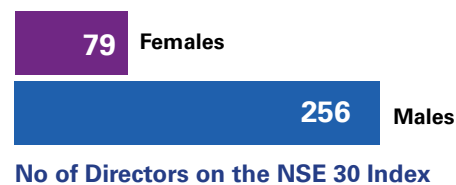
(Please see figures 3 and 4). From these analyses, it is evident that more still needs to be done to get more women in the boardroom



Sectoral Distribution



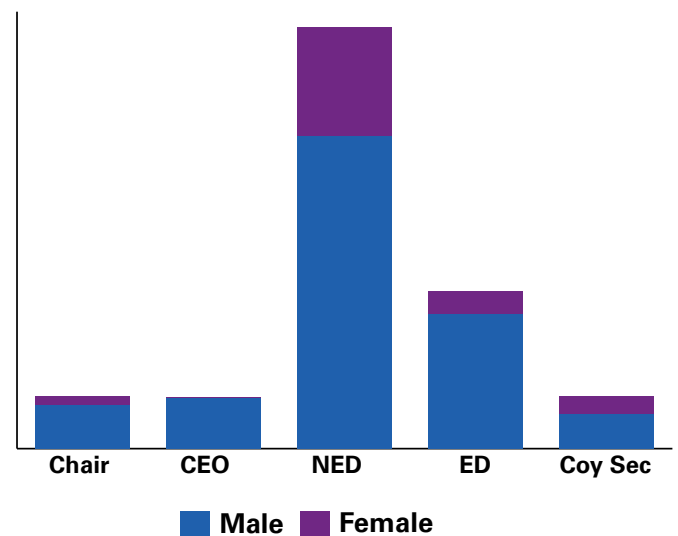
Gender Diversity of NSE 30 Index⁷



Women make up **24%** of Directors on the top 30 capitalized companies on NSE

Women make up **17%** of Chairpersons on the top 30 capitalized companies on NSE

Gender Representation by Position



⁵ Research features a review of the top 30 capitalized companies on the Nigerian Stock Exchange (NSE 30 Index) as at December 2020

⁶ Financial Reporting Council of Nigeria, National Code of Corporate Governance, January 2019

⁷ Used information provided on the NSE Listed Companies website, annual reports and company profile for each company

Importance of Board Diversity


In a report, published by McKinsey and Company in 2015, titled "Why Diversity Matters," it was stated that diversity has an impact on many key aspects of an organisation's performance such as talent recruitment, customer orientation, employee satisfaction, etc. Women are key consumer decision makers; hence, a woman's perspective may help the board strengthen its customer orientation. Also, diversity in a group fosters innovation and creativity through the different problem-solving approaches and perspectives that its members may possess. Thus, academic research shows that diverse groups tend to outperform their counterparts.⁸

Several arguments have been canvassed for the importance of board diversity which include the following:

- a. **Improved performance:** Numerous data sources have revealed the positive impact that gender diverse boards have on market and company performance. In a research conducted by Catalyst, it was noted that Fortune 500 companies that had the greatest representation of women board directors had a higher return on investment, return on sales and return on equity.⁹ In addition, the Credit Suisse Research Institute reports that shares of companies with a market capitalization of over \$10 billion and with women on board outperformed comparable businesses with all-male boards by 26% worldwide over a period of six years.
- b. **Optimal decision making:** Inclusive and gender balanced boards are able to bring diverse perspectives to the table, understand stakeholder (customers, staff morale, etc.) preferences better, ensure greater due diligence, and as a result make better decisions.¹⁰ Likewise, gender diverse boards are more equipped to understand stakeholder preferences.
- c. **Improved corporate governance:** Boards with women members are more likely to focus on non-financial performance indicators such as customer satisfaction and corporate social responsibility, and are better able to monitor board accountability and authority, leading to improved corporate governance¹¹
- d. A report by Catalyst, states that gender diverse boards see **successes in their critical role of risk oversight and other legal responsibilities** and have less cases of controversial business practices such as fraud, corruption, bribery, and shareholder battles.
- e. Equally, gender-diverse boards are associated with better collection and **transparent disclosure** of stock price information, and **fewer financial reporting mistakes**.

Strategies for Effective Change

Recommendations for Women & Companies



- Enhance Visibility**
- Develop & Leverage Personal, Business and Social Networks**
- Be Intentional with Personal and Professional Development**
- Be Open to Opportunities to Support Women through Mentoring, Coaching and Sponsorships**

Recommendation for Boards¹²

It has been established that board diversity is a major component of highly effective boards. As such, the recommendations below will help boards as they look toward embedding diversity in their various organisations:



- Develop and welcome an inclusive culture**
- Use company strategies and stakeholders' lenses to establish board diversity goals**
- Construct a board matrix that considers multiple dimensions of diversity e.g. skill sets, background and decision-making style.**
- Develop pathways for the board to tap into new, diverse networks of qualified board candidates**
- Develop a succession plan to nurture diverse boards**
- Exercise inclusive leadership to harness the full collective intelligence of the board**
- Routinely review an organisational diversity scorecard**
- Hold management accountable for inclusive leadership**

⁸ McKinsey & Co (2015) "Why Diversity Matters"

⁹ Catalyst, (2011). The Bottom Line: Corporate Performance and Women's Representation on Boards (2004-2008).

¹⁰ Women on Boards. International Labour Organisation

¹¹ Women on Boards. International Labour Organisation

¹² Source: Women Corporate Directors Thought Leadership Commission and KPMG, Diversity in the Boardroom: Pushing Forward, Reaching Back

Conclusion

As we move towards levelling the playing field for women in the boardroom, in business and more broadly society as a whole, it is critical that tangible, meaningful actions are taken – or parity will remain an elusive goal rather than an enabler of economic growth, success and fairness. This means moving away from the mentality that diversity initiatives are simply tick-box activities. There is no doubt that the inclusion of competent women on the board holds the potential to positively transform the overall corporate strategy of a company. Furthermore, women in the corporate world, however, must remain committed to their craft in order to earn the right to sit on the boards of companies through their dogged commitment to enhancing their knowledge, skills, and competence required for the role.

About the KPMG Board Governance Centre

The KPMG Board Governance Centre (BGC) is a dedicated forum that provides Board members with insights and resources to keep abreast of current and emerging governance issues.

The KPMG BGC offers thought leadership and timely resources including periodic seminars and round tables to host the exchange of views and support Board members (including Board sub-committee members) in clarifying and enhancing their governance practices amid rapidly evolving corporate governance landscape in Nigeria.

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