



Realizing Sustainability Through Diversity: The Case for Gender Diversity Among Sri Lanka's Business Leadership

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About Corporate Governance for Women in Sri Lanka

IFC's Corporate Governance for Women in Sri Lanka is a four-year project funded by Australia's Department of Foreign Affairs and Trade that began in March 2018. It aims to increase the participation of women on corporate boards and in senior management by promoting the adoption of corporate governance best practices among Sri Lankan companies. To achieve this objective, the project will: 1) raise awareness of the business case for gender diversity among business leadership; 2) collaborate with Sri Lanka's regulators to improve the gender component of the local corporate governance framework; 3) build the capacity of local market intermediaries to advance gender diversity and provide governance training and services to women-owned small and medium enterprises; and 4) work directly with Sri Lankan companies to improve their governance practices.

About Women in Work Program in Sri Lanka

Women in Work (WiW) is a four-year, \$11.5 million initiative launched in partnership with the Australian government in April 2017. It is IFC's largest, standalone country-based gender program designed to close gender gaps in the private sector while improving business performance. The program, which benefits from multisector program design and works closely with the World Bank on research, tackles women's access to jobs and assets at the same time. It aims to increase women's workforce participation in Sri Lanka's private sector, create more and better jobs for women, and has the potential to increase profits and drive overall economic growth. WiW also contributes to the vision of the government of Sri Lanka where all citizens can achieve higher incomes and better standards of living by 2025.

Disclaimer

This document was prepared in good faith, based on information collected through primary and secondary research. Much of the statistical data came from desk research of publicly available information, including annual reports. Primary research consisted of focus group discussions, one-on-one interviews, and an online questionnaire.

Financial data of the 30 largest companies listed on the Colombo Stock Exchange (CSE – <https://www.cse.lk/home/market>) were collected from each company's annual reports for the years 2015, 2016, and 2017. These companies were selected based on their market capitalization. Together, they account for approximately 60 percent of the total market capitalization of the CSE.

In addition, this report also utilizes the responses from an online survey that was sent out to over 200 board members and senior management through The Sri Lanka Institute of Directors and the Colombo Stock Exchange.

Although the utmost care went into the preparation of this publication, IFC does not guarantee or warrant the accuracy or reliability of the information herein, and it should not be relied on as a substitute for legal or corporate advice. The views expressed in this report are based on data analysis and respondents' comments and do not necessarily reflect the views of the authors.

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Foreword

Extensive research shows that gender diversity is good for business and good for the economy. Companies that draw their talent from the widest pool of skills, experiences, and perspectives will gain competitive advantage. And economies that engage, remunerate, and empower their women will advance faster.

Sri Lanka is the only South Asian country that has achieved the Millennium Development Goal of universal primary education, as well as gender parity in secondary education. In contrast, women's participation in the economy is 38 percent. Recent research by McKinsey shows that equal participation of men and women in the economy could add up to \$20 billion to Sri Lanka's GDP. Without greater female representation at all levels in the economy, from the mass of the workforce to senior positions in management and boards, companies are losing out on an important segment of talent. Only when men and women alike are empowered to make decisions and pursue employment, entrepreneurship, and leadership, will the nation reach its full economic potential.

Empirical studies in various regions of the world support the business case for gender-balanced boards, identifying a positive correlation with companies' financial performance. In 2018, IFC found that 8.2 percent of more than 1500 board directors in Colombo Stock Exchange-listed companies were women.

This publication, *Realizing Sustainability Through Diversity: The Case for Gender Diversity Among Sri Lanka's Business Leadership*, builds on that finding by identifying a correlation between financial performance and gender diversity in Sri Lanka's 30 largest companies. It also offers practical and relevant strategies to narrow the gender gap in the Sri Lankan context.

We hope this publication sparks further conversations on the importance of gender diversity in your organizations, and inspires you to join us in a journey to bring more women to Sri Lanka's corporate leadership.



Mary Porter Peschka
Director
IFC ESG Sustainability Advice & Solutions Department

Executive Summary

This report makes the case for greater gender diversity on Sri Lanka's corporate boards and in senior management by highlighting the value propositions of such diversity for companies, communities, and ultimately the country. Diversity is about more than just gender, ethnicity, or religion. However, this report focuses primarily on promoting gender diversity in the workplace, particularly in the corporate boardroom and among senior management.

Empirical evidence from around the world shows the importance and value of gender diversity in improving firms' overall performance, including but not limited to financial performance. Gender diversity among business leaders typically leads to better decision-making processes and better monitoring and strategy involvement.

The business case for gender balance at the top goes beyond financial performance. Extensive research shows that having more women in business leadership positions leads to higher environmental, social, and governance standards, with a particularly clear connection when women achieve a critical mass of about 30 percent on company boards. Companies with enhanced environmental, social, and governance standards also perform better on critical metrics: stronger internal controls and management oversight, reduced risk of fraud or other ethical violations, positive workplace environment, greater stakeholder engagement, and improved reputation and brand. Therefore, having a more gender-balanced board and leadership team contributes to stronger environmental, social, and governance performance, which, in turn, leads to better business performance. Ultimately, diversity is about ensuring companies' competitiveness, performance, and long-term sustainability.

To strengthen the case for greater gender diversity in Sri Lanka's corporate leadership, the authors of this report analyzed the relationship between gender diversity in business leadership positions and the financial performance of the 30 largest listed companies on the Colombo Stock Exchange during the last three years. Together, these companies account for approximately 60 percent of the total market capitalization.

Overall results from the methodologies employed for this report (subgroup analysis and Pearson's correlation coefficient) show that the relationship between gender diversity on the board and in senior management and the financial performance of these companies is likely to be more positive than negative, although further research is needed.

The following are the main findings:

Subgroup Analysis

- On average, companies with *higher board gender diversity* exhibit better financial indicators than those with lower gender diversity in terms of return on equity, return on total assets, and price-to-earnings ratio.¹
- On average, companies with a *higher percentage of women among independent directors* exhibit a better return on equity and return on total assets than those with lower gender diversity, but a lower price-to-earnings ratio.²
- On average, companies with a *higher percentage of women in business leadership positions* exhibit better financial indicators than those with lower gender diversity in terms of return on equity, return on total assets, and price-to-earnings ratio.³
- On average, companies with *more women on audit committees* exhibit a higher return on equity and return on total assets,⁴ but a lower price-to-earnings ratio compared to companies with lower gender diversity in their audit committees.

Pearson's Correlation Coefficient

- The percentage of *women among independent directors* is positively correlated with the return on total assets and this was statistically significant at the 10 percent level.
- The percentage of *women on senior management teams* is positively correlated with the price-to-earnings ratio and this was statistically significant at the 5 percent level.

Finally, equity and fairness are important arguments on their own to justify promoting gender diversity among Sri Lanka's corporate boards and senior management regardless of the financial "utility" that might result from having more women at the top. Building fairer and more inclusive businesses that better reflect their diverse shareholders and stakeholders is an ethical imperative of our times.

¹Since the results are not statistically significant, it is not possible to conclude decisively that companies with greater board gender diversity are indeed more profitable and valuable than those with lower gender diversity.

²Since the results are not statistically significant, no definitive conclusions can be inferred.

³Since the results are not statistically significant, no definitive conclusions can be inferred.

⁴The correlation with the return on total assets was statistically significant at the 10 percent level.

Table of Contents

Acknowledgement.....	6
Foreword.....	7
Executive Summary.....	8
Table of Content.....	10
CHAPTER 1. Introduction.....	12
CHAPTER 2. Putting Sri Lanka into Perspective.....	15
2.1 The Current Gender Landscape.....	16
2.2 Explaining the Discrepancy.....	18
2.3 The Cost of Gender Inequality.....	20
2.4 The Business Case for Gender Diversity.....	21
CHAPTER 3. Behind The Numbers.....	24
3.1 The State of Gender Diversity in Sri Lanka's Corporate World.....	25
3.2 Opinions and Attitudes on Gender Diversity.....	25
3.3 Relationship between Gender Diversity and Financial Performance.....	36
CHAPTER 4. Working Towards Greater Gender Diversity.....	48
4.1 What Boards Can Do.....	49
4.2 What Companies Can Do.....	51
4.3 What Policy Makers Can Do.....	53
Annex 1.....	58
Annex 2.....	60



Chapter 1

Introduction



This report makes the case for greater gender diversity on Sri Lanka's corporate boards and senior management by highlighting the value propositions of such diversity for companies, communities, and ultimately the country. This report:

1. Explains the current state of gender diversity in Sri Lanka
2. Demonstrates the value of gender diversity in the boardroom and among senior management
3. Analyzes the relationship between gender diversity in business leadership positions (board of directors and senior management)⁵ and the financial performance of Sri Lankan (Colombo Stock Exchange-listed) companies
4. Highlights key barriers and challenges faced by women in reaching leadership positions in the private sector
5. Recommends concrete and practical strategies to increase female representation in business leadership

Diversity is about more than just gender, ethnicity, or religion. Diversity encompasses a whole range of issues, from knowledge, skills, and experience to age, culture, socio-economic background, and sexual orientation, among others. However, this report focuses primarily on promoting gender diversity (defined as a balance in the representation and inclusion of women) in the workplace, particularly in the corporate boardroom and among senior management.

The structure of the board of directors is one of the most important pillars of corporate governance because it contributes directly to the functioning, dynamics, and effectiveness of the board. Corporate governance, defined as the structures and processes by which an organization is directed and controlled, helps companies to mitigate risks, promote accountability and transparency, safeguard against mismanagement, and operate more efficiently. Diversity among board members and business leaders is about bringing different perspectives, experiences, and knowledge to drive a better decision-making process, avoid the trap of groupthink and other cognitive biases, and deliver greater value. Research shows that balanced and diverse groups tend to outperform homogenous groups since they are more likely to consider, discuss, and integrate disparate knowledge, information, and perspectives, which typically leads to better decision-making and spurs innovation.⁶

Inclusive organizations also have more expansive talent pools to draw from. Since women exert an increasingly greater influence and control over household purchasing decisions, gender diverse boards can stand to benefit greatly from female insights vis-à-vis their customer base. Balanced boards are generally better-positioned

⁵"Women in business leadership" is a catch-all phrase to include both women who serve on a board of directors and women in senior-level management positions.

⁶Denise Lewin Loyd, Cynthia S. Wang, Katherine W. Phillips, and Robert B. Lount, "Social Category Diversity Promotes Premeeting Elaboration: The Role of Relationship Focus," *Organization Science* 24, no. 3 (June 2013): 757–772.



to consider the interests of their diverse stakeholders and take into account both financial and non-financial performance, and therefore help to ensure their companies' sustainability in the long-run.

Increased visibility of women in business leadership as role models can further catalyze change by prompting other women to reimagine their role and contribution in society, potentially transforming rigid societal/gender norms that often favor men and disadvantage women. Overall, professional, well-functioning, diverse boards can help companies attract and retain investors, grow and create employment, provide jobs for local communities, and contribute tax revenues to help address critical national development objectives.



Chapter 2

Putting Sri Lanka
into Perspective



2.1 The Current Gender Landscape

Sri Lanka's ranking in the Global Gender Gap Report⁷ has declined precipitously within the past decade. In 2006, Sri Lanka ranked 13th out of 115 countries. In 2018, its ranking dropped to 100th out of 149 countries. This growing gender gap is more surprising considering Sri Lanka's notable record in other human development indicators, including parity or near parity on health and education measures, as shown below.

Table 1 | Sri Lanka's Gender Development Index in 2017 relative to selected countries and groups⁸

	Life expectancy at birth		Expected years of schooling		Mean years of schooling		GNI per capita (US\$)		HDI values	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Sri Lanka	78.8	72.1	14.1	13.6	10.3	11.4	6,462	16,581	0.738	0.789
India	70.4	67.3	12.9	11.9	4.8	8.2	2,722	9,729	0.575	0.683
Pakistan	67.7	65.6	7.8	9.3	3.8	6.5	1,642	8,786	0.465	0.620
Bangladesh	74.6	71.2	11.7	11.3	5.2	6.7	2,041	5,285	0.567	0.644
Nepal	72.2	69.0	12.6	11.8	3.6	6.4	2,219	2,738	0.552	0.598
South Asia	70.9	67.8	12.1	11.7	5.0	8.0	2,694	10,035	0.571	0.682
High HDI	78.2	74.0	14.3	13.9	8.0	8.6	10,945	18,948	0.740	0.773

*Gender Development Index (GDI) is sex-disaggregated Human Development Index (HDI) or ratio of female to male HDI.

Table 2 | Sri Lanka's gender-related indicators in 2017 relative to selected countries⁹

	Maternal mortality ratio	Adolescent birth rate	Female seats in parliament (%)	Population with at least some secondary education (%)		Labor force participation rate (%)	
				Female	Male	Female	Male
Sri Lanka	30	14.1	5.8	82.6	83.1	35.1	74.1

⁷World Economic Forum, *The Global Gender Gap Report 2018* (Geneva: WEF, 2018). The Global Gender Gap Report is an annual publication by the World Economic Forum that measures the relative gaps between women and men across four key areas: health, education, economy, and politics in 149 countries and tracks their progress over time.

⁸UNDP, *Human Development Indices and Indicators: 2018 Statistical Update, Briefing Note for Sri Lanka* (New York: UNDP, 2018). UNDP, *Human Development Indices and Indicators: 2018 Statistical Update, Briefing Note for Bangladesh* (New York: UNDP, 2018).

⁹Ibid.

India	174	23.1	11.6	39.0	63.5	27.2	78.8
Pakistan	178	36.9	20.0	27.0	47.3	24.9	82.7
Bangladesh	176	83.5	20.3	44.0	48.2	33.0	79.8
Nepal	258	60.5	29.6	27.3	43.1	82.7	85.9
South Asia	176	32.1	17.5	39.8	60.6	27.9	79.1
High HDI	38	26.6	22.3	69.5	75.7	55.0	75.5

*Maternal mortality ratio is expressed in number of deaths per 100,000 live births and adolescent birth rate is expressed in number of births per 1,000 women ages 15-19.

Sri Lanka's female enrollment at secondary education has long been near parity with their male counterparts. *The Global Gender Gap Report 2018* reported that 90 percent of Sri Lankan women had reached at least secondary level compared to 88 percent of their male counterparts. There were also more females enrolled in tertiary education (23 percent) than males (15 percent).¹⁰

These impressive educational achievements have not translated into better economic opportunity for Sri Lankan women. Sri Lanka's female labor force participation rate stagnated at around 35 percent from 2009-2017, compared to the steady male participation rate of 75 percent during the same period. Similarly, the female unemployment rate on average remained more than double the male unemployment rate (7 percent for females and 3 percent for males) in 2009-2017.¹¹ As a comparison, the female labor participation rate was 49 percent globally and 28 percent in South Asia based on the World Bank's data.¹²

Sri Lanka's low female labor participation rate translates into low female representation among senior management and corporate boards. Even with near parity between Sri Lanka's female and male professional/technical workers, the gender ratio for leadership positions in the workplace in 2016 was very low at 0.33, while the perceived wage gap ratio for similar work was 0.63 for the same year.¹³ Just 8.2 percent of more than 1500 board directors in Colombo Stock Exchange-listed companies were women.¹⁴ While this percentage is comparatively higher than in some more advanced economies such as Japan (3.5 percent) and South Korea (4.1 percent),¹⁵ it is significantly lower than in Australia at 20.1 percent, Norway at 46.7 percent, and 11.2 percent in India.¹⁶

¹⁰WEF, *Global Gender Gap Report 2018*, 255.

¹¹Sri Lanka Department of Census and Statistics, *Sri Lanka Labour Force Survey: Annual Report 2017*, ISBN 978-955-702-096-9.

¹²World Bank Open Data, accessed in February 9, 2019, <https://data.worldbank.org/indicator/SL.TLF.ACTI.FE.ZS?view=chart>.

¹³Jonathan Woetzel et al., "The Power of Parity: Advancing Women's Equality in Asia Pacific", McKinsey Global Institute (April 2018): 10.

¹⁴IFC and Colombo Stock Exchange, *Women on Boards of Companies Listed at the Colombo Stock Exchange*, March 2018, 5.

¹⁵Deloitte, "Women in the Boardroom: A Global Perspective (5th Edition)," (2017): 26-27.

¹⁶Deloitte, "Women in the Boardroom," 79.

2.2 Explaining the Discrepancy

To better understand the mismatch between Sri Lanka's achievements in advancing women's health and education versus the country's poor labor market outcomes, this report draws on the World Bank's in-depth study titled *Getting to Work: Unlocking Women's Potential in Sri Lanka's Labor Force* published in 2017. According to the study, women's experience in Sri Lanka's labor market is characterized by low labor force participation, high unemployment (particularly for women under 30), and persistent albeit declining wage gaps between males and females. The study highlighted three main causes to explain these gender gaps.

The first is a powerful gender norm on the role of women in society. Families and communities expect women either to remain out of the labor force or leave the workforce once they are married and have children. In addition, women are expected to bear the majority of household responsibilities, thereby adding significant constraints to their participation in paid employment. To illustrate this point, the study finds that marriage substantially lowers a woman's odds of being employed by 26 percentage points compared to unmarried women. Having children younger than the age of five also reduces women's labor market participation by 7.4 percentage points, compared to women without young children, whereas the same factor has no effect on men.¹⁷

The second factor is "educational and occupational streaming (which) continue to create a skills mismatch between women's human capital attainment and market demand for their paid labor."¹⁸ University education (often pursued by women) is not a primary requirement for jobs in the private sector, which places a much higher premium on technical and vocational skills (often pursued by men) compared to educational attainment. In addition, the study finds that women tend to display a preference for the humanities, arts, and biological sciences in their education primarily because occupations in these fields tend to have family-friendly policies, such as steady work hours, maternity leave, and other benefits. Women also display a strong preference for government jobs, such that a substantial proportion of female graduates waiting for an opening contributes to the high level of unemployment among young women, since the supply of candidates far surpasses the number of openings for public sector jobs. Thus, women's choices about the level and type of education are often misaligned with employers' needs for workers who have firm grounding in technical and vocational skills. This finding has also been substantiated by participants at focus group discussions organized for this report.

The third cause of the gender gap, according to the World Bank report, is gender

¹⁷Jennifer L. Solotaroff, George Joseph, and Anne T. Kuriakose, *Getting to Work: Unlocking Women's Potential in Sri Lanka's Labor Force* (Washington, DC: World Bank Group, 2017), 19.

¹⁸Solotaroff, Joseph, and Kuriakose, *Getting to Work*, 25.

discrimination/bias in the job search, hiring, and promotion processes. Based on the survey results presented by the authors of the study, employers expressed a clear preference for men over women in hiring at all levels. This preference is accentuated at the managerial and skilled-worker levels, which confirms the existence of a glass ceiling for female workers in the country.¹⁹ The glass ceiling can prevent companies from developing a pipeline of female talent that can be tapped into to fill both managerial positions and board vacancies. Thus, the research suggests that the lack of female representation among Sri Lanka's business leadership is not due to the lack of qualified women, but is rather because qualified women can face multiple barriers to advancing to higher-skilled positions. Another indicator for gender bias, according to the World Bank research, is the tightness of Sri Lanka's labor market, which indicates that there are more jobs available than workers. The study points out that nearly 60 percent of employers in Sri Lanka reported difficulty in finding new workers. Yet, a substantial proportion of employers surveyed (53 percent) are not planning to increase the number of female workers.²⁰

In addition, according to the World Bank's research on Women, Business and the Law, employers may view having to pay for (extended) maternity leave provisions and other women-specific benefits as a disincentive to hiring women because in Sri Lanka employers bear the full cost of such benefits. The disparity between the cost of hiring women compared to men may also lead employers to reduce women's salaries to compensate for paying women higher leave benefits. However, if the cost of maternity leave is paid for by the government, firms do not necessarily face higher costs for hiring women. Governments pay 100 percent of leave benefits for mothers in 96 economies. In 53 economies, employers pay 100 percent of leave benefits.²¹

Sri Lanka's low female labor participation cascades into poor gender diversity among its corporate boards and senior management, as evidenced by the gender ratio for leadership positions in the workplace (which, at 0.33, was dismally low).²² A study comparing corporate governance in Singapore and Vietnam suggests that higher female labor participation in Vietnam (73 percent) as opposed to Singapore (60 percent) may explain Vietnam's higher level of board gender diversity. Women held 15.4 percent of board seats in Vietnam versus 11.9 percent in Singapore, despite Vietnam's much poorer governance practices and weaker institutional and legal structures.²³ Thailand, with a female labor force participation rate of 70 percent, also has one of the highest percentages of board seats held by women (20.4 percent) in Southeast Asia.

¹⁹Solotaroff, Joseph, and Kuriakose, *Getting to Work*, 35.

²⁰Solotaroff, Joseph, and Kuriakose, *Getting to Work*, 36.

²¹The World Bank, *Women, Business and the Law 2018*, (Washington, DC: World Bank, 2018), 15.

²²Woetzel et al., "The Power of Parity," 10.

²³Nguyen Van Tuan and Nguyen Anh Tuan, "Corporate Governance Structures and Performance of Firms in Asian Markets: A Comparative Analysis Between Singapore and Vietnam," *Organisations and Markets in Emerging Economies*, 7, No. 2 (2016): 128.

2.3 The Cost of Gender Inequality

In its 2018 Country Report on Sri Lanka, the International Monetary Fund (IMF) estimates that Sri Lanka could raise its gross domestic product (GDP) by as much as 20 percent in the long-run by closing the gender gap in its workforce.²⁴ Conversely, if the gender gap were to be completely closed in 50 years, Sri Lanka could see an income gain of 21 percent in 2065.²⁵ Closing the gender gap is particularly critical as Sri Lanka faces an aging population, with a shrinking labor force that is expected to decline as early as 2026.

McKinsey Global Institute estimates that the entire East Asia Pacific region (which includes South Asia) could add \$4.5 trillion of GDP, or 12 percent more than would be generated according to current forecasts, to its 2025 GDP by closing the gender gap in employment. Specifically, Sri Lanka could achieve a 14 percent increase over business-as-usual GDP, or an estimated \$20 billion,²⁶ by expanding female labor participation, increasing the number of paid hours for work done by women, and adding more women to higher-productivity sectors.

Besides the potential losses in GDP (which only measures current income), the loss in human capital wealth (the present value of the lifetime earnings of today's labor force for individuals aged 15 and above) due to gender inequality is estimated at \$160.2 trillion globally (predicated on the assumption that an employed woman would earn as much as an employed man). This amount represents twice the value of GDP globally. On a per capita basis, gender inequality in earnings could lead to losses in wealth of \$23,620 per person worldwide. Gender equality²⁷ in earnings has the potential to increase human capital wealth by 21.7 percent and total wealth by 14 percent.²⁸ In South Asia, the losses in human capital from gender inequality are estimated at \$9.1 trillion (or \$5,405 on a per capital basis), which accounts for 29 percent of losses in total wealth.²⁹ If countries were to achieve gender equality in earnings, they can increase their human capital, and thereby their total wealth, substantially.

Gender inequality entails huge economic costs not only for women themselves, but also for their families, communities, and countries. Gender inequality perpetuates

²⁴International Monetary Fund, "Sri Lanka: Selected Issues," IMF Country Report No. 18/176 (June 2018): 30.

²⁵Ibid., 31.

²⁶Woetzel et al., "The Power of Parity," 5.

²⁷The following is a definition on gender equality from UN Women: Equality between women and men (gender equality) refers to the equal rights, responsibilities and opportunities of women and men and girls and boys. Equality does not mean that women and men will become the same but that women's and men's rights, responsibilities and opportunities will not depend on whether they are born male or female. Gender equality implies that the interests, needs and priorities of both women and men are taken into consideration, recognizing the diversity of different groups of women and men. Gender equality is not a women's issue but should concern and fully engage men as well as women. Equality between women and men is seen both as a human rights issue and as a precondition for, and indicator of, sustainable people-centered development.

²⁸Quentin Wodon and Benedicte de la Briere, *Unrealized Potential: The High Cost of Gender Inequality in Earnings* (Washington, DC: World Bank Group, 2018), 5.

²⁹Ibid., 9.

vicious cycles and exacerbates the myriad challenges that countries face in reducing poverty and achieving sustainable development. Even when countries such as Sri Lanka have successfully closed many gender gaps in health and education, such gains do not necessarily translate into better outcomes for women. Social and cultural norms in addition to discrimination strongly influence the terms of female labor force participation. Not only are women less likely than men to enter or remain in the labor force after marriage and childbirth, they are also less likely to work for pay since women typically bear a disproportionate burden of household responsibilities and therefore spend much of their time in unpaid work. When women do work outside the home, they are more likely to work part-time or in the informal sector, receive lower pay, and face significant hurdles to advancement, which results in substantial wage gaps between males and females and further erodes women's bargaining power and voice in their homes, communities, and institutions. Without intervention, this pernicious cycle affects their children as well and perpetuates the deprivation of fundamental human rights for girls and women.

In its Vision 2025, the government of Sri Lanka outlines four ambitious goals in its effort to move the country to an upper-middle income quadrant: increasing GDP per capita to \$5,000 (from \$3,930 in 2016); generating 1 million jobs (40 percent of which will employ women); raising foreign direct investment (FDI) to \$5 billion per year; and doubling merchandise exports to \$20 billion (compared with \$10.3 billion in 2016). The government acknowledges the importance of increasing female labor participation and plans to introduce policies that will "improve access to good quality, affordable child care facilities and transportation, facilitating part-time and flexible work arrangements, improving maternity benefits for private sector employees, and improving access to tertiary education and vocational training."³⁰ Sri Lanka's path to future growth partly lies in its ability to tap into highly underutilized female talent (including in business leadership), thereby raising the female contribution to its human capital wealth, easing labor market tightness, and opening up more economic and growth opportunities for the country as a whole.

2.4 The Business Case for Gender Diversity

Gender diversity, defined as balance in the representation and inclusion of women, does not only make economic sense. Gender diversity is good for business as well. There have been numerous studies aiming to ascertain the correlation between gender diversity at the senior management and board level and firms' financial and non-financial performance. Since the empirical evidence between gender diversity and financial

³⁰Government of Sri Lanka, *Vision 2025: A Country Enriched*, 2017, 26.

performance is mixed, several researchers have conducted meta-analyses, which utilize a statistical approach to combine the results from multiple studies in order to increase their combined statistical power (over individual studies), improve estimates of the size of the effect, and resolve uncertainty when reports disagree. This report synthesizes the results from two meta-analysis studies. The first meta-analysis focuses on the relationship between women on boards and firms' financial performance, while the second study focuses on the relationship between women on boards and firms' social performance.

Gender Diversity is Positively Correlated with Accounting Returns

A meta-analysis study conducted in 2015 that combined the results of 140 studies with data from 90,070 firms spanning 35 countries found that the presence of women on boards is positively related to accounting returns, which measure a firm's profitability or how well a firm utilizes its assets and investments to generate earnings.³¹ Since women bring a unique set of knowledge, experience, and values, their presence on boards shapes not only what types of information are considered, but also how decisions are made, which ultimately affects firm performance. However, the relationship between women on boards and accounting returns is more positive in countries with stronger shareholder protections, possibly because directors may be held personally liable for not performing their fiduciary responsibility. Female representation on corporate boards is also positively related to greater board monitoring and strategy involvement, both of which are among the board's key responsibilities. The meta-analysis study also found that although the relationship between women on boards and market performance (which refers to the behavior of a security or asset in the marketplace and is a reflection of external perceptions and expectations of a firm's long-term value) is near zero, the relationship is positive in countries with greater gender parity and negative in countries with low gender parity. The authors argue that the negative relationship is possibly due to investor bias, which occurs in countries where cultural/societal norms call women's leadership abilities into question and therefore negatively influence investors' evaluations of the earning potential of firms with greater gender diversity.

Gender Diversity is Positively Correlated with Environmental, Social, and Governance Performance

Another meta-analysis in which the authors aggregate 87 studies from 20 countries finds that female board representation is positively correlated with corporate social performance. Corporate social performance is broadly defined to include "principles, processes, and outcomes that relate to an organization's societal relationships"³² (such

³¹Corinne Post and Kris Byron, "Women on Boards and Firm Financial Performance: A Meta-Analysis," *Academy of Management Journal* 58, no. 5 (2015): 1546–1571.

³²Kris Byron and Corinne Post, "Women on Boards of Directors and Corporate Social Performance: A Meta-Analysis," *Corporate Governance: An International Review* 24, no. 4 (2016): 429.

as socially responsible business practices, relationships with various stakeholders, and commitment to environmental and societal issues). This relationship is more positive in countries with stronger shareholder protections and higher gender parity. The authors argue that greater shareholder protections encourage boards to seek, consider, and integrate different views, including those of women directors who tend to be more concerned with corporate social and environmental responsibilities compared with their male counterparts. Similarly, the positive effect of women on boards with corporate social performance is more pronounced in countries with stronger gender parity because women directors in these contexts are more likely to possess not only the expertise and experience but also higher legitimacy, agency, and voice in the boardroom. Institutional and social contexts thus influence how power dynamics between males and females play out in the boardroom.

Consistent with the above research, a comprehensive literature review conducted by IFC finds that having more women in business leadership positions is positively correlated with better environmental, social, and governance (ESG) standards and performance, such as better sustainability practices, improved environmental and social performance, more robust disclosures on environmental and social issues, gender-equitable hiring and promotion practices, and family-friendly policies, among others.³³ This correlation is stronger when women comprise a critical mass of about 30 percent of a company's board. Consequently, companies with better ESG practices perform better on critical metrics: stronger control environments, reduced risk of fraud/ethical lapses, positive workplace culture, greater stakeholder engagement, and improved reputation and brand.

There is a clear business case for gender diversity on corporate boards and in businesses leadership. The empirical evidence shows the importance and value of gender diversity in improving firms' overall performance, including but not limited to financial performance. Gender diversity among business leaders typically leads to better decision-making processes, better monitoring and strategy involvement, and greater attention to ESG issues. These factors are critical for companies to achieve the triple bottom line of people, planet, and profit. Ultimately, diversity is about ensuring companies' competitiveness, performance, and long-term sustainability.



³³Alexandre Di Miceli and Angela Donaggio, "Women in Business Leadership Boost ESG Performance: Existing Body of Evidence Makes Compelling Case," *Private Sector Opinion: IFC Corporate Governance Knowledge Publication 42: 4*. Available at https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/private+sector+opinion/women+in+business+leadership+boost+esg+performance



Chapter 3

Behind the Numbers



3.1 The State of Gender Diversity in Sri Lanka's Corporate World

Women represent approximately 38 percent of the total labor force in Sri Lanka.³⁴ However, there are roughly the same number of males and females among Sri Lanka's professional and technical workers. The female/male ratio decreases significantly to 0.33 for leadership positions in the workplace while the perceived wage gap for similar work was 0.63, meaning women earn just 63 cents on the dollar compared to men.³⁵ In 2018, only 8.2 percent or 144 of more than 1500 board directors in Colombo Stock Exchange-listed companies were women.³⁶

Table 3 | Sri Lanka's scorecard on economic participation and opportunity³⁷

2018	Rank (out of 149 countries)	Score (distance to parity or 1)	Average (%)	Female (%)	Male (%)	Female/Male Ratio
Labor force participation	130	0.488	0.669	38.5	78.9	0.49
Wage equality for similar work (survey)	68	0.649	0.645	n/a	n/a	0.65
Estimated earned income (PPP, US\$)	127	0.349	0.510	6,752	19,346	0.35
Legislators, senior officials and managers	91	0.381	0.329	27.6	72.4	0.38
Professional and technical workers	75	0.962	0.753	49.0	51.0	0.96

3.2 Opinions and Attitudes on Gender Diversity

To develop a deeper understanding regarding the level of women's participation in corporate boards and senior management, as well as of the challenges faced by women in attaining senior positions, IFC conducted an online survey that was sent out to over 200 board members and senior management through The Sri Lanka Institute of Directors and the Colombo Stock Exchange. The survey results are not an exhaustive

³⁴World Bank Open Data, <https://data.worldbank.org/indicator/SL.TLF.ACTI.FE.ZS?view=chart>.

³⁵Woetzel et al., "The Power of Parity," 10.

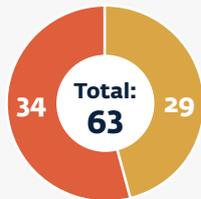
³⁶IFC and CSE, *Women on Boards*, 5.

³⁷WEF, *Global Gender Gap Report 2018*, 255.

representation of Sri Lanka's business community; however, the responses provide a snapshot of the current state of gender diversity in business leadership and senior management in Sri Lanka.

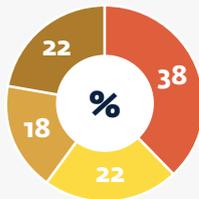
CHARACTERISTICS OF THE COMPANIES REPRESENTED BY THE SURVEY RESPONDENTS

Survey respondents:



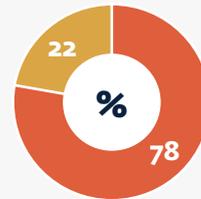
- Male
- Female

Primary sector:



- Financial Sector
- Service Sector
- Industrial Sector
- Other Sector

Position held:

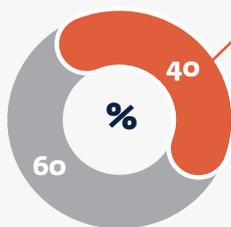


- Directors & Chairpersons
- Senior Management



Consistent with the general trend, the majority of board chair and CEO positions in Sri Lanka are occupied by men. Between 2015 and 2017, only one company among the 30 largest listed companies in Sri Lanka had a woman chairing its board (for just one year).

In Asia, only 2.4 percent of board chairs are women, whereas the global figure is 4.5 percent.³⁸



In 40 percent of the companies surveyed, the chairperson also serves as the CEO.

Ideally, separate individuals should assume the role of chairperson and CEO to ensure balance of power, greater accountability, improve the board's capacity for independent decision making, and so that no individual has unfettered power to make decisions.

³⁸Egon Zehnder, Global Board Diversity Tracker 2018, accessed on February 9, 2019 at <https://www.egonzehnder.com/global-board-diversity-tracker/customize-the-data>.



19% of the companies have all male boards

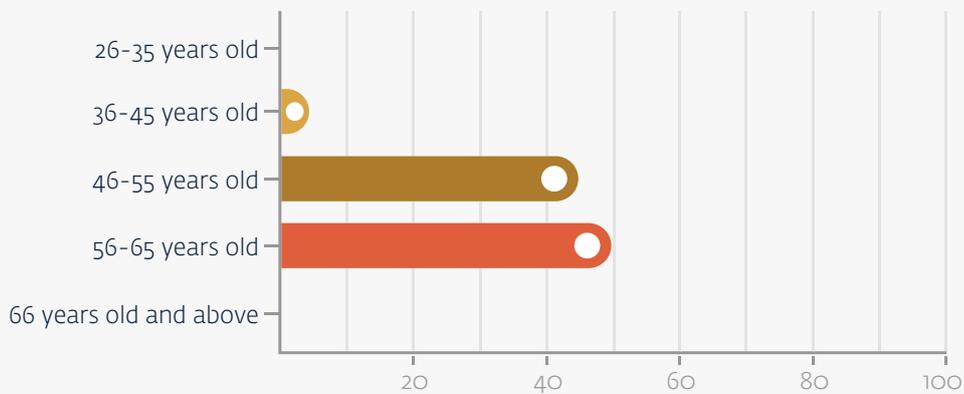
59% of the companies have 1-2 women on their boards

22% of the companies have 3 or more women on their boards

As a comparison, among the 30 largest listed companies in Sri Lanka, approximately 30 percent of the companies have all-male boards. Less than 20 percent of these companies have three or more women on the board.

37 percent of companies in Asia have all-male boards while just 6 percent of the companies have 3 or more women on their boards. The average board size for Asian companies is 11 while the average number of women per board is 1.³⁹

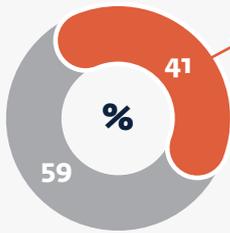
95 percent of the board members among the companies surveyed are at least 46 years old or older. The majority of the board members are between 56 and 65 years old.



The typical age of Sri Lanka's board members is in line with the trend in Asia and globally.⁴⁰

	Average age of female directors	Average age of male directors	Overall age
Asia	57.6	61.0	60.7
Global	57.8	61.2	60.6

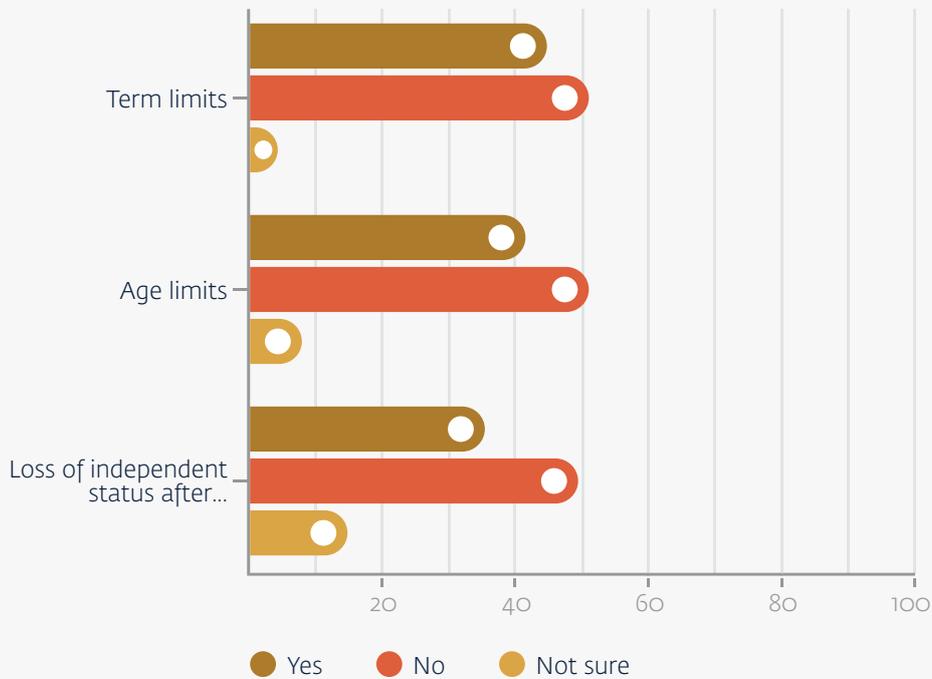
³⁹Ibid.
⁴⁰Ibid.



Half of the board members among the companies surveyed are related to other board members or executive directors. 41 percent of the companies have at least one first-degree familial relationship (parent, sibling, spouse) among their board members.

Around 50 percent of the companies surveyed do not have age limits, term limits, or loss of independent status after a prescribed number of years.

Do your board members have any of the following?

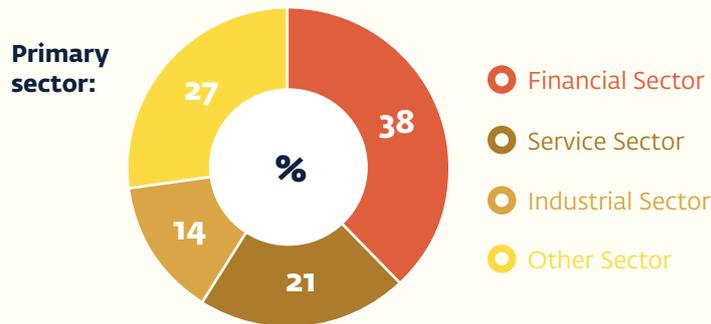


The absence of these safeguards can present a challenge for continued board refreshment. The independence of any director who has served beyond nine years should be subject to rigorous review to ensure that he/she remains independent in conduct, character, and judgment. In addition, limits on age and director tenure are critical to ensure progressive refreshing of the board and to maintain a balanced mix of skills, knowledge, experience, and diversity, such as gender and age.

More than 50 percent of the companies have neither a formal onboarding program for new directors nor a continuous training program for existing directors.

A formal induction program for new board members is critical to ensure that each director understands the company's business as well as his/her directorship duties (including his/her role as an executive or non-executive and independent director) and thereafter remain abreast of relevant new laws, regulations, and changing risks through continuous training programs. Induction and training programs also provide entry points to apprise directors of the importance of gender diversity and their role in promoting diversity while remaining alert to unconscious biases.

CHARACTERISTICS OF FEMALE RESPONDENTS

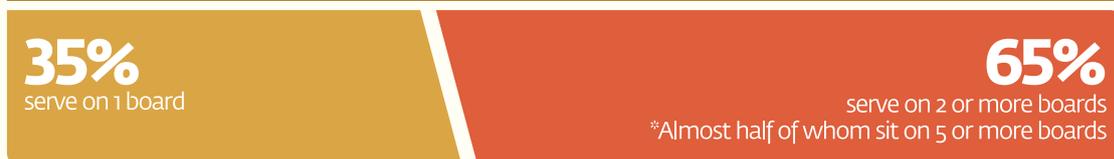


The industry in which a firm operates is also strongly associated with board gender diversity. For example, manufacturing companies tend to have lower levels of diversity than companies in the service industry. According to Deloitte, life science and healthcare, financial services, technology and media ranked among the top three industries in terms of board seats held by women in Asia.⁴¹

The following are the top three sectors in Sri Lanka with the largest number of board directorships held by women (among companies listed on the Colombo Stock Exchange):⁴²



Number of board seats held by female respondents



By comparison, 11 percent of female directors in Asia sit on multiple boards, compared to 13 percent of women directors worldwide. On the other hand, only 6 percent of male directors in Asia and 10 percent of male directors globally have multiple board memberships.⁴³

⁴¹Deloitte, "Women in the Boardroom," 21.

⁴²IFC and CSE, *Women on Boards*, 6.

⁴³Global Board Diversity Tracker 2018, <https://www.egonzehnder.com/global-board-diversity-tracker/customize-the-data>.

Type of directorship held by female respondents

Executive Director	51.72%
Non-Executive Director	55.17%
Independent Director	48.28%
Promoter Director	0.00%

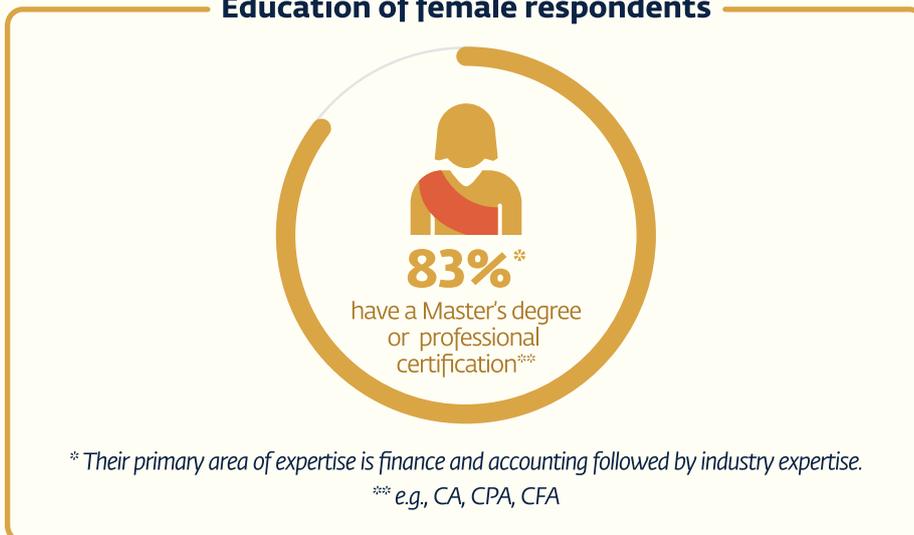
Board committees of female respondents

The majority of women directors sit on at least 2 board committees. 55 percent serve on the audit committee. In addition to the **audit committee**, these women directors also serve on the **remuneration committee** and the **strategic planning committee**.

Percentage of women on audit committees—comparison by region in 2017⁴⁴

	Asia	Africa	Australia and New Zealand	Europe	Middle East	North America
Audit committees	9.5	25.3	25.4	26.6	14.6	17.1

Education of female respondents



Globally, female directors typically have higher rates of advanced education but less C-suite experience than their male counterparts.⁴⁵

⁴⁴Deloitte, "Women in the Boardroom," 80.

⁴⁵MSCI, *Women on Boards: Global Trends in Diversity on Corporate Boards* (November 2015): 2.

Experience of female respondents

38%

have at least 15 years
of board experience

62%

have less than 15 years
of board experience

**How
they
got
there**

1. Developing **technical skills**
2. Maintaining a **strong network**

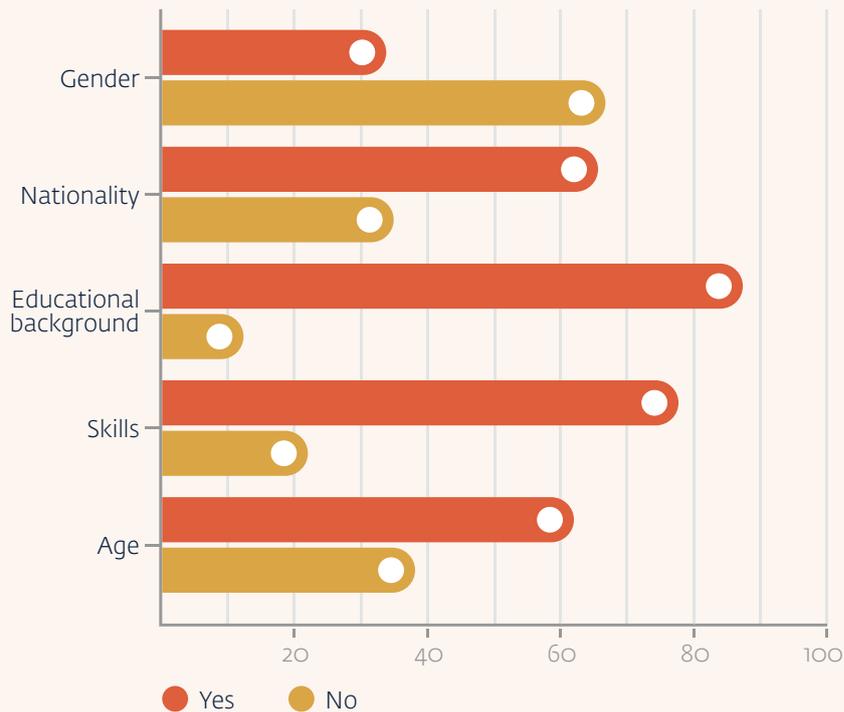
Consistent with their experience, the female respondents highlighted **professional experience** and **industry expertise** as key prerequisites for board memberships.

FEMALE AND MALE RESPONDENTS' OPINIONS ON GENDER DIVERSITY

• GENDER DIVERSITY VERSUS OTHER TYPES OF DIVERSITY

67 percent of all respondents believe that there is insufficient gender diversity on their boards, but the majority believe there is adequate diversity related to other factors (nationality, background, skills, and age).

Is there adequate diversity in the boards you serve on with respect of the following factors?



• THE PRIMARY REASONS COMPANIES RECRUIT FEMALE DIRECTORS

1. The company believes gender diversity adds value
2. The company would like to be seen as a progressive organization

• THE VALUE ADDED BY GENDER DIVERSITY

1. Better mix of leadership skills and a more balanced view of risks, leading to better decision making and improved corporate governance
2. Women tend to be better prepared for board meetings and more skilled at conflict management and relationship building than men, leading to stronger board performance

• **CRITICAL MASS**

52 percent of the survey respondents believe there should be at least 2-3 women on a board to truly make a difference in boardroom discussions. This is in line with existing global research that suggests a “critical mass” of three women is needed to make a noticeable impact on the content and dynamics of the boardroom, foster inclusiveness and collaboration, and avoid the risks of tokenism. The table below is an excerpt from research by Konrad et al. that summarizes the difference in having one, two, and three or more women on the board.⁴⁶

WHAT DIFFERENCE DO NUMBERS MAKE?



One woman

Possible impact but real risks of tokenism

Hypervisibility: being in the spotlight

Invinsibility: being ignored, dismissed, not taken seriously, or otherwise excluded

Being stereotyped and also viewed as representing all women: not seen as individuals

Needing to work very hard to be heard, included, and have an impact



Two women

Situation often improves but tokenism can still exist

Increased feelings of inclusion and comfort

Validation, reinforcement, and having a strategy partner

Decrease in stereotyping

Larger impact on the board

But:

Women may still be stereotyped

Women still having to work to be heard

Women keeping their distance from each other – concerned about being seen as conspirators



Three or more women

Critical Mass

Normalization – gender is no longer a barrier to acceptance and communication

Women more comfortable being themselves and associating with one another

More supportive atmosphere

Women not seen as representing all women

Women freer to raise issues, be more active

Women more likely to be heard

Noticeable impact on content and dynamics in the boardroom; increased collaboration and inclusiveness

• **MANDATING GENDER DIVERSITY**

52 percent of the survey respondents believe the government should mandate female representation in companies.

⁴⁶Alison M. Konrad et al., “Critical Mass: The Impact of Three or More Women on Corporate Boards,” *Organizational Dynamics* 37, no. 2 (April 2008): 147.

• **PERCEIVED MAIN BARRIERS TO ACHIEVING GENDER DIVERSITY** (in order of preference)

1. Most companies do not have diversity policies/strategies
2. There are an insufficient number of qualified women
3. Women are less effective at networking than men
4. Traditional gender stereotypes
5. Lack of statutory requirement

• **PROPOSED MECHANISMS TO RECRUIT FEMALE DIRECTORS** (in order of preference)

1. Leveraging social networks/peer groups
2. Seeking help from industry/professional bodies
3. Promoting women candidates internally

All respondents believe that women should focus on **developing strong networks** and **joining industry/professional bodies** if they aspire to become board members.

• **MAIN OPPORTUNITIES TO ADVANCE GENDER DIVERSITY** (in order of preference)

1. Putting in place a formal, company-level diversity policy for board and management
2. Collaborating with industry associations to develop training programs for aspiring women directors
3. Mandating quotas for women on boards and in senior management

All respondents believe that **companies** and **women themselves** are best-suited to provide more opportunities for women's ascendance to the boardroom.

Overall, the survey responses highlight a high degree of consensus among male and female respondents on the main issues related to gender diversity among Sri Lanka's business leadership, such as the value proposition of gender diversity, the main barriers/opportunities to advancing gender diversity, and the best mechanisms to recruit female directors. The consensus indicates not only a high degree of awareness on this issue but also opportunities to pilot promising initiatives that have significant buy-in among Sri Lanka's business leaders to advance gender diversity, which are discussed in detail in Chapter 4.

3.3 Relationship Between Gender Diversity and Financial Performance

3.3.1 The Companies

To make the case for gender diversity in Sri Lanka's corporate leadership, we analyzed the relationship between gender diversity in business leadership positions and the financial performance of the 30 largest companies in Sri Lanka based on their market capitalization during the last three years.⁴⁷ Together these companies account for approximately 60 percent of the total market capitalization.

Below are the main characteristics of the 30 companies included in the sample:⁴⁸

Board composition in Sri Lanka's 30 largest companies

The majority of these companies represent the following sectors:



**Banks, finance,
and insurance**

*Women on board for
companies in this sector
varies between 17 to 33
percent or 1-3 female
directors.*



**Beverage, food,
and tobacco**

*Women on board for
companies in this sector
varies between 8 to 17
percent or 1-2 female
directors.*



**Diversified holdings,
manufacturing,
telecommunications,
health care,
land and property,
and oil palms**

*Women on board for
companies in this sector
varies between 0-1
female directors.*

None of the companies have more than 3 females serving on their boards.

The board size varies from 5 to 16 among the 30 largest listed companies in the country, with a median of 10 members. The typical board includes a single woman among its members. One-third of the companies have all-male boards. Less than 20 percent of the companies have three or more women on the board. Between 2015 and 2017, only one

⁴⁷As of October 31, 2018, there are a total of 297 companies listed on the Colombo Stock Exchange.

⁴⁸For a full list of the 30 largest listed companies in Sri Lanka, see Annex 1.

company in the sample had a woman chairing its board (for just one year).

Around 63 percent of the companies do not have any female independent directors. Two-thirds of audit committees are all-male, while only 10 percent of audit committees have two or more women as members.

Senior management composition of Sri Lanka's 30 largest companies

Women make up around 20 percent of the senior management teams, with the median company having three women in senior management. The typical size of the senior management team is 14 members. Women occupy less than one-quarter of the senior management positions for 75 percent of the companies in the sample. The presence of women in business leadership positions (board of directors and senior management) varies from 1 to 11 members, with a median presence of three women.

On average, women comprise less than 5 percent of directors and around 20 percent of senior management. Women also make up around 13 percent of independent board members and 14 percent of audit committee members. Overall, women comprise around one-sixth of business leadership positions in Sri Lanka's 30 largest companies.

Table 4 | Proportion of women in business leadership positions in Sri Lanka's 30 largest companies

Year	Statistics	Board of Directors (BOD)	Women among independent directors	Board chair	Senior Management Team (SMT)	Business leadership positions (BOD + SMT)	Audit committee
2017	Average	4.8%	13.1%	3.3%	20.5%	16.5%	14.4%
	<i>Median</i>	0%	0%	0%	20.0%	16.1%	0%
	<i>n</i>	28	30	30	25	25	30
2016	Average	4.8%	11.4%	0%	20.7%	16.4%	12.7%
	<i>Median</i>	0%	0%	0%	18.2%	17.2%	0%
	<i>n</i>	28	30	30	25	25	30
2015	Average	3.1%	9.1%	0%	20.5%	15.6%	8.5%
	<i>Median</i>	0%	0%	0%	18.2%	15.6%	0%
	<i>n</i>	27	29	29	24	24	29

3.3.2 The Research Variables

To analyze the relationship between gender diversity in business leadership positions (C-level and board of directors) and the financial performance of Sri Lankan companies, we collected the following gender and financial variables from the 30 largest companies in Sri Lanka in 2015, 2016, and 2017, which yield a database of 89 firm-year observations.

Table 5 | Gender variables and their definitions

Variable	Definition	Measurement
Women on the board	Number of women on the board of directors (NFEM_BOD)	Number of female board members.
	Percentage of women on the board of directors (PFEM_BOD)	Number of female board members divided by the total number of directors.
Independent women on the board	Number of independent women on the board of directors (NFEM_INDEPD)	Number of female board members classified as independent directors by the companies.
	Percentage of women among independent directors on the board of directors (PFEM_INDEPD)	Number of independent female directors divided by the total number of independent directors.
Women on the senior management team	Number of women on the senior management team (NFEM_SMT)	Number of women on the statutory senior management team.
	Percentage of women on the senior management team (PFEM_SMT)	Number of women on the statutory senior management team divided by the total number of members.
Women in business leadership positions	Number of women on the board of directors and on the senior management team (PFEM_BLP)	Number of women on the Board of directors and on the statutory senior management team.
	Percentage of women on the board of directors and on the senior management team (PFEM_BLP)	Number of women on both the board and SMT divided by the total number of members on the two governance bodies.
Woman as chairperson	Presence of women as chair of the board of directors (FBOD_CHAIR)	Dummy variable taking the value of "1" if a woman chairs the Board of Directors; "0", otherwise.
Women on the audit committee	Number of women on the audit committee (NFEM_AUDCOM)	Number of women on the on the audit committee.
	Percentage of women on the audit committee (PFEM_AUDCOM)	Number of women on the on the audit committee divided by the total number of members.

Table 6 | Financial variables and their definitions

Variable	Acronym	Definition
Return on equity	ROE	A short-term measure of company performance, which measures net income as a percentage of shareholders' equity. It captures how well a company uses investments to generate earnings growth.
Return on total assets	ROTA	A short-term measure of company performance, which measures a company's earnings before interest and taxes relative to its total net assets. It indicates how effectively a company utilizes its assets to generate earnings before contractual obligations must be paid.
Price-to-earnings ratio	PE	Indicates the amount an investor can expect to invest in a company in order to receive the same amount of the company's earnings. Calculated by dividing price per share by earnings per share. The P/E ratio helps investors to determine the market value of the company's stock compared to its earnings.

3.3.3 Findings from Subgroup Analysis

To analyze the relationship between gender diversity and financial performance, we conducted subgroup analysis. First, we segregated companies into three groups based on their percentage of gender diversity at the top. TOP GENDER DIVERSITY refers to the group of firms in the top 33 percent in terms of board gender diversity from 2015 to 2017. BOTTOM GENDER DIVERSITY, in turn, refers to the group of firms at the bottom 33 percent in terms of board gender diversity over the same period.

After segregating companies into three groups, we then compared the performance of the two extreme groups (top gender diversity vs. bottom gender diversity) by computing the statistical significance of the difference of their mean values, which resulted in a correlational analysis instead of a causal one. As a result, although we might find that companies with a greater presence of women at the top did indeed exhibit a superior financial performance compared with those with lower gender diversity, we would not be able to claim that this superior performance was necessarily caused by gender diversity.

Overall results from subgroup analysis show that the financial performance of the companies with greater gender diversity (measured as the percentage of women on boards, women among independent directors, women in business leadership, and women in the audit committee) was generally higher than the performance of those companies with lower gender diversity. However, because the difference in performance between the two groups was not statistically significant on most occasions, it is not possible to argue conclusively that companies with greater gender diversity are indeed more profitable and valuable than those with lower gender diversity.⁴⁹

⁴⁹Statistical significance is the likelihood that a relationship between two or more variables is caused by something other than chance. Significance levels show how likely it is that a pattern in the data is due to chance. For example, statistically significant at a 10 percent level means that the finding has a 90 percent chance of being true; statistically significant at a 5 percent level means that the finding has a 95 percent chance of being true.

Chart 1 | Subgroup analysis: board gender diversity and financial performance

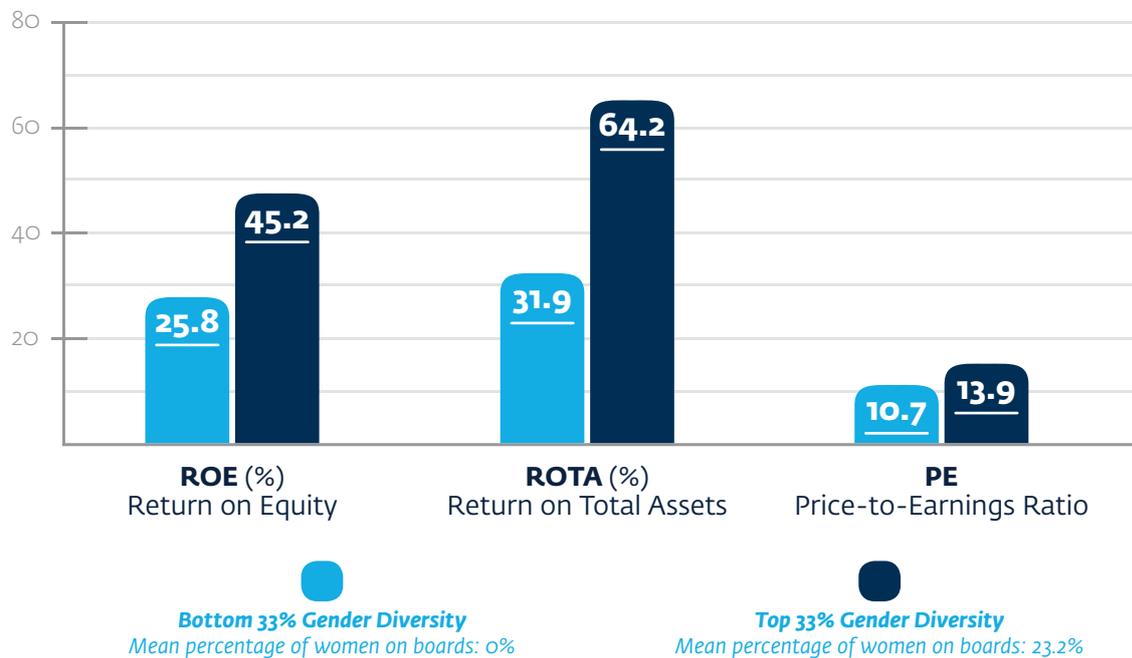


Chart 1 compares the performance indicators of firms that belong to the top 33 percent versus the bottom 33 percent *in terms of board gender diversity* among the 30 largest companies in Sri Lanka from 2015 to 2017. It shows that, on average, companies with higher board gender diversity exhibit better financial indicators than those with lower gender diversity in terms of return on equity (ROE), return on total assets (ROTA), and price-to-earnings ratio (PE).⁵⁰

⁵⁰Since the results are not statistically significant, it is not possible to conclude decisively that companies with greater board gender diversity are indeed more profitable and valuable than those with lower gender diversity.



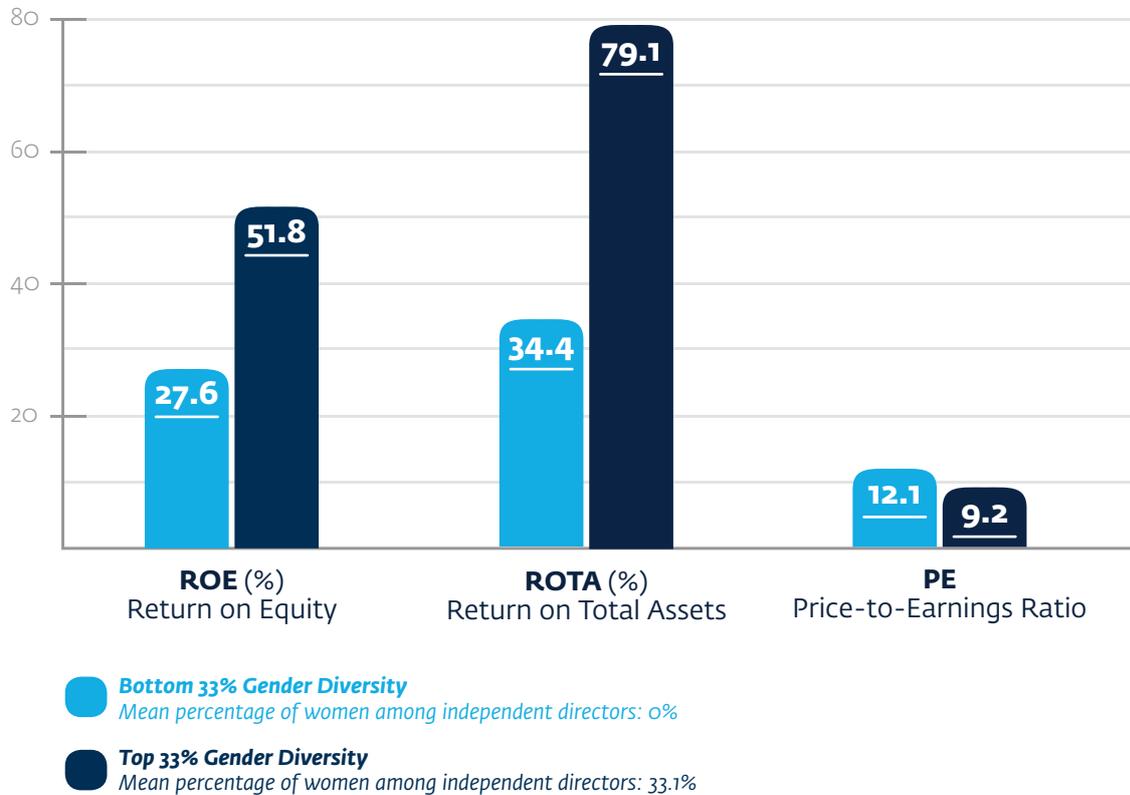
WOMEN AS BOARD CHAIRS

In 2017, there were 17 listed companies led by a female chairperson in Sri Lanka, 1 of which (Chevron Lubricants Lanka Ltd) belongs to the top 30 companies by market capitalization. Research analyzing the link between the presence of a female chairperson and financial performance is inconclusive. However, other research shows that such companies may exhibit improvements to non-financial performance such as better environmental, social, and governance performance.

Below is the list of all companies listed on the Colombo Stock Exchange that were led by a female chairperson as of December 2017:

- Abans Electricals PLC
- Abans PLC
- Cargo Boat Development Company PLC
- Ceylon Guardian Investment Trust PLC
- Ceylon Investment PLC
- Chevron Lubricants Lanka PLC
- HNB Assurance PLC
- LB Finance PLC
- Melstracorp PLC
- PC House PLC
- Renuka Agri Foods PLC
- Renuka City Hotel PLC
- Renuka Foods PLC
- Renuka Holdings PLC
- SANASA Development Bank PLC
- Swadeshi Industrial Works PLC
- The Autodrome PLC

Chart 2 | Subgroup analysis: percentage of women among independent directors and financial performance



The chart above compares the performance indicators of firms that belong to the top 33 percent versus the bottom 33 percent *in terms of the percentage of women among independent directors* among the 30 largest companies in Sri Lanka from 2015 to 2017. It shows that, on average, companies belonging to the group with a higher proportion of women among independent board members exhibit better ROEs and ROTAs than those with lower gender diversity, but lower PE ratios.⁵¹

⁵⁰Since the results are not statistically significant, no definitive conclusions can be inferred.

Chart 3 | Subgroup analysis: gender diversity in business leadership positions and financial performance

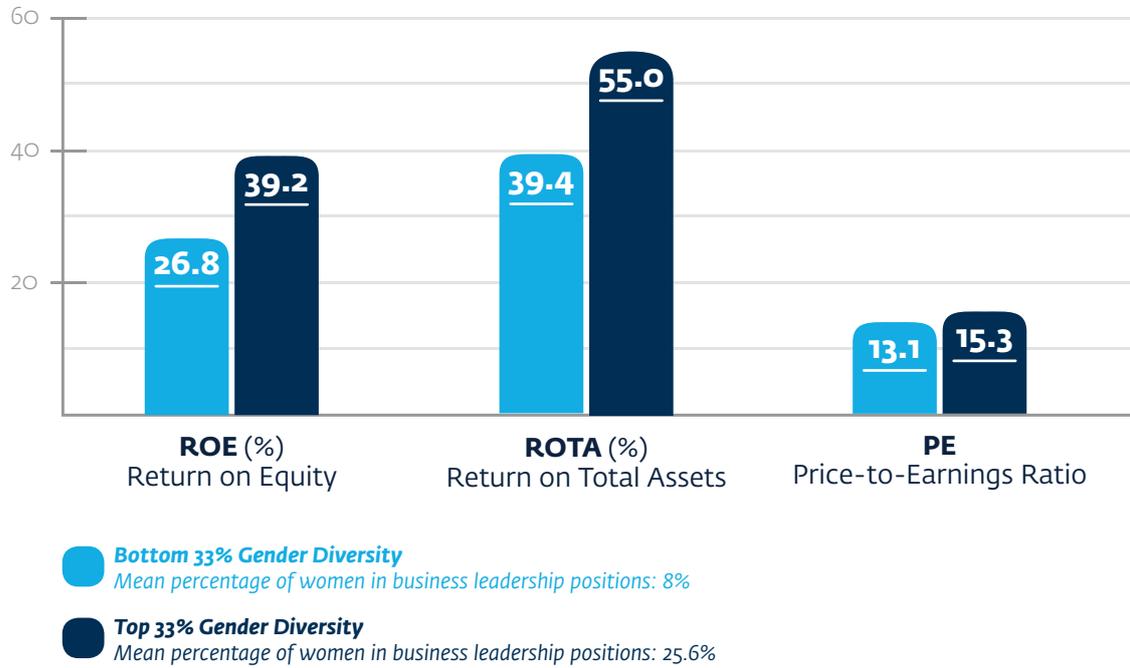


Chart 3 compares the performance indicators of firms that belong to the top 33 percent versus the bottom 33 percent in terms of the percentage of women in business leadership positions among the 30 largest companies in Sri Lanka from 2015 to 2017. It shows that, on average, companies from the group with higher gender diversity exhibit better financial indicators than those with lower gender diversity in terms of ROE, ROTA, and PE.⁵²

⁵⁰Since the results are not statistically significant, no definitive conclusions can be inferred.

Chart 4 | Subgroup analysis: gender diversity on audit committees and financial performance

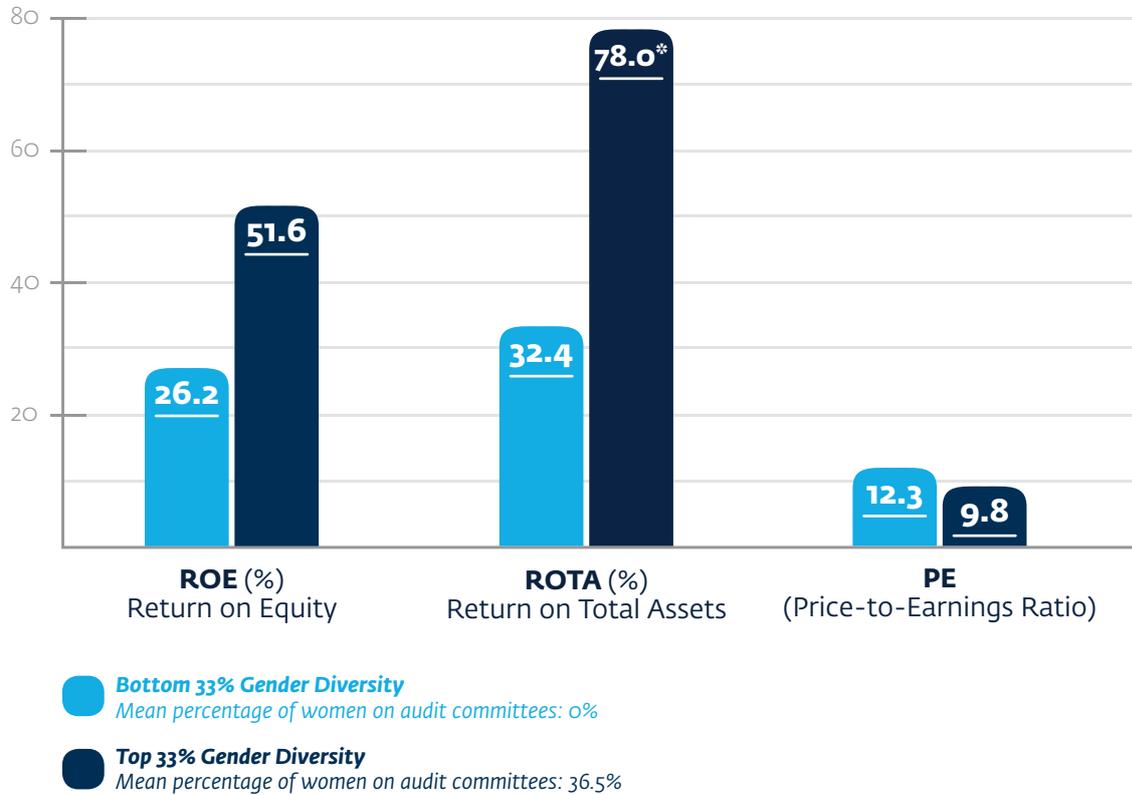


Chart 4 compares the performance indicators of firms that belong to the top 33 percent versus the bottom 33 percent *in terms of the percentage of women on audit committees* among the 30 largest companies in Sri Lanka from 2015 to 2017. It shows that, on average, the group of companies with more women on audit committees exhibit higher ROEs and ROTAs (in this case, at the 10 percent level of statistical significance), but lower PE ratios compared to the group of companies with a lower percentage of gender diversity. Thus, we only found partial support for our hypothesis of a positive relationship between gender diversity and improved financial performance.

3.3.4 Findings from Pearson's Correlation Coefficient

Pearson's correlation coefficient measures the statistical relationship, or association, between two continuous variables. The value ranges between +1 and -1, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation. This method provides information about the magnitude of the association, or correlation, as well as the direction of the relationship.

Table 7 | Correlations between gender diversity and financial performance variables

	PFEM_BOD	PFEM_INDEPD	PFEM_SMT	PFEM_BLP	FBOD_CHAIR	PFEM_AUDCOM
ROE	0.117	0.157	-0.081	0.054	0.048	0.129
ROTA	0.127	0.176*	-0.098	0.034	0.038	0.138
PE	0.054	0.007	0.278**	0.201	-0.004	-0.001

*This table indicates Pearson's correlation coefficients. ***, ** and * denotes significance at the 1, 5, and 10 percent levels, respectively.

The table above summarizes the Pearson's correlation coefficient between gender diversity and financial performance for the 30 largest listed companies in Sri Lanka from 2015 to 2017. It shows that:

- 14 out of 18 correlations between gender diversity and financial performance variables as shown in the matrix above were positive. Nevertheless, most of the correlations were not statistically significant. In the two cases in which they showed statistical significance, both were positive and in line with our expectations.
- **The percentage of women among independent directors (PFEM_INDEPD) is positively correlated with return on total assets (ROTA) and this relationship is statistically significant at the 10 percent level.**
- **The percentage of women on senior management teams (PFEM_SMT) is positively correlated with price-to-earnings ratio (PE) and is statistically significant at the 5 percent level.**
- There is no statistically significant correlation between the percentage of women on boards (PFEM_BOD) and financial performance variables.
- There is no statistically significant correlation between financial performance variables and the percentage of women in business leadership positions (PFEM_BLP), the presence of a woman chairing the board (FBOD_CHAIR), and the percentage of women on audit committees (PFEM_AUDCOM).

3.3.5 Findings from Regression Analysis⁵³

This method is the most robust way to assess the impact of gender diversity on financial performance, as it allows us to filter out the influence of control variables in the relationship between the two main variables of interest. For each performance variable, we ran regressions with both a basic model and a full model. The basic model corresponds to a simple regression without controls, while the full model controls the relationship between gender diversity and financial performance by firm size, financial leverage/indebtedness, and industry dummies.⁵⁴ It is important to note that multiple regressions, similar to subgroup analysis, does not prove causality.

Based on the regression analysis, most of the coefficients of the gender diversity variables were positive and therefore in line with our hypothesis that there is a positive correlation between women's leadership and firms' financial performance. However, the findings were not statistically significant, which is most likely because of the data limitations and the small number of observations included in this research.

3.3.6 Overall Findings

Overall, the results from subgroup comparison, Pearson's correlation coefficient, and the regression analysis show that the relationship between gender diversity on the board and in senior management and financial performance among Sri Lanka's 30 largest companies is likely more positive than negative, although further research is needed.



The business case for gender balance at the top goes beyond financial performance. Extensive global research shows that having more women in business leadership positions leads to higher environmental, social, and governance standards, with a particularly clear connection when women comprise a critical mass of about 30 percent on company boards. Companies with enhanced environmental, social, and governance standards also perform better on critical metrics: stronger internal controls and management oversight, reduced risk of fraud or other ethical violations, positive workplace environment, greater stakeholder engagement, and improved reputation and brand. Therefore, having a more gender-balanced board and leadership team contributes to stronger environmental, social, and governance performance, which in turn, leads to better business performance.

⁵³For complete results on the regression analysis, see Annex 2.

⁵⁴"Industry dummy" refers to a set of variables for each industry to which a company belongs. Each variable assumes the value of 1 for a specific industry and zero otherwise. For example, if a company is in the construction industry, it will score 1 for this industry and zero for variables related to other industries.



Finally, equity and fairness are important arguments on their own to justify promoting gender diversity among Sri Lanka's corporate boards and senior management regardless of the financial "utility" that might result from having more women at the top. Building fairer and more inclusive businesses that better reflect their diverse shareholders and stakeholders is an ethical imperative of our times.



Chapter 4

Working Towards Greater Gender Diversity





THE POWER OF NETWORKING

Institutes of directors, professional and industry bodies, and stock exchanges are well-positioned to connect qualified women with companies. Female business leaders who were interviewed as part of this report emphasize the importance of belonging to and maintaining a strong network (both social and professional) for any woman who aspires to reach the top. In addition to building technical skills, maintaining a strong network was viewed by survey respondents as a key prerequisite for women to advance, particularly in countries such as Sri Lanka where many board vacancies are made known exclusively through the network of existing directors.

4.1 What Boards Can Do

A commitment to diversity should start at the top. The board sets a tone that reverberates throughout the company, and diversity among the board and senior management tends to beget further diversity. A 2017 study by Deloitte finds that companies led by a female chairperson have almost double the number of women serving on their boards compared to companies with a male chairperson (28.5 percent versus 15.5 percent). The same relationship holds true for companies headed by female CEOs, which on average also have twice the number of women serving on their boards compared to companies with male CEOs (28.8 percent versus 14.5 percent).⁵⁵ A gender diverse board and senior management signals a real commitment to gender equality and therefore are well-positioned to champion further diversity across the company.

Diversity therefore should begin in the boardroom. If the board is serious about gender diversity, it should be reflected in its structure and composition, recruitment and nomination procedures, evaluation processes, succession planning, and board dynamics. It is important to remember that “board diversity is as much about the culture within the boardroom and acceptance of a diversity of views as it is about having diversity (of gender or otherwise) around the boardroom table.”⁵⁶

In order to promote gender diversity on corporate boards, we recommend that boards:⁵⁷

1. Develop and disclose policies and procedures for board renewal and succession planning with specific and measurable targets to achieve balance and diversity (including of gender, skills, experience, and knowledge). To promote diversity, a board

⁵⁵Deloitte, “Women in the Boardroom,” 3.

⁵⁶International Corporate Governance Network, “ICGN Guidance on Diversity on Boards” (2016): 11.

⁵⁷This section is adapted from “ICGN Guidance on Diversity on Boards,” 2016.

succession plan should include term limits for directors.

2. Develop and disclose board evaluation methodology and metrics, including self-assessment of board performance in achieving its diversity objectives. Board evaluations should be conducted annually to identify and fill any gaps between the board skills matrix and succession plan with incumbent directors, including diversity shortfalls. The results from the board evaluation should feed into new director recruitment efforts.
3. Ensure that the director selection criteria are broad enough to expand the talent pool while continuing to reflect the fundamental competencies required to serve as a director. Most boards look for past boardroom experience when hiring new members, which can lead to a very small number of female candidates being considered (if any), since typically there is a much smaller pool of women directors to recruit from. The board, whenever possible, should ensure that there are qualified diverse candidates on the director shortlist. Overall, the board should ensure that it possesses and maintains the right balance of independence, skills, and diversity, including in terms of gender.



“My initial nomination and appointment as chairperson of SANASA was because the board saw Kiriwandeniya in my name. My reappointment for the second term, I believe, was because the board also saw me as Samadani. During my first term I had to contribute, challenge, learn, and grow”

Samadani Kiriwandeniya – Chairperson at SANASA Development Bank

Being nominated to the board of a bank that was founded by her father, Ms. Kiriwandeniya never felt the pressure that she had to outshine Mr. Kiriwandeniya. She was able to lead and navigate the bank during challenging times to take it to higher levels of growth and market reputation. When she took over, the culture of the board was primarily top-down. Today, the board adopts a more collective decision-making process. Ms. Kiriwandeniya emphasizes that all board members need to get used to being challenged inside and outside the boardroom (rather than feeling threatened). Speaking on the topic of male bonding at the workplace, she views it more as an interest-bonding rather than simply male bonding.

4. Provide a formal and thorough onboarding program for new directors. This is critical particularly when recruiting new, first-term directors (both female and male) to ensure that they fully understand their duties and responsibilities and contribute effectively to boardroom discussions. A continuous training program should be provided to existing women directors to ensure that they can advance to leadership

positions, such as committee chair and board chair.

5. Establish a board recruitment pipeline, such as through collaboration with professional/industry bodies and institutes of directors (such as The Sri Lanka Institute of Directors) prior to any vacancy in the board. This practice can help the board to develop relationships with a broader pool and more diverse candidates who might not be part of the current directors' existing networks.
6. Develop and disclose policies to monitor, review, and report on board diversity objectives. Ideally, the board should review the progress and report the results to shareholders and stakeholders on an annual basis.
7. The chairperson should encourage and nurture diversity, including diversity of thought, opinions, and information in the boardroom by facilitating constructive debate and ensuring that new, independent, and minority directors are able to contribute effectively to the dialogue.
8. Provide oversight to senior management as they develop and implement diversity policies and initiatives and ensure that there is ongoing discussion, training, and reporting across the organization on diversity issues.



“Women are typically not heard unless they are persistent.”

Shiromal Cooray – Managing Director of Jetwing Travels and Independent Director at Commercial Bank of Ceylon

Based on her extensive experience as a business leader in multiple companies in Sri Lanka, Ms. Cooray emphasizes the importance of persistence when expressing her opinions in the boardroom. Oftentimes, she is the only woman in the room and despite her impressive qualifications, she often remains subject to the unconscious biases of her male colleagues. She also confirms the value of having more than one woman in the boardroom to make an impact and create a better dynamic.

4.2 What Companies Can Do

Companies that fail to utilize an increasingly larger talent pool of qualified women risk falling behind in an increasingly competitive and diverse world. The challenge and opportunity presented by gender diversity extends to all levels of the corporation. Consequently, diversity objectives and strategies should be embedded across all operations.

1. Develop a company-wide, formal diversity policy. A diversity policy should include at least the following:
 - Commitment to diversity and equality in hiring, training, promotion, and pay
 - Protection from discrimination/harassment because of age, gender, race, religion, disability, sexual orientation, marriage status, pregnancy, and maternity
 - Anti-discriminatory and anti-harassment measures, including reporting and third-party grievance mechanisms
 - Guidelines to encourage female inclusion in hiring and promotion, including flexible talent management and family-friendly policies
2. Develop and disclose specific and measurable targets to increase female representation, including within senior management and on the board. Ideally, diversity targets should be incorporated as a part of key performance indicators (KPI) and cascaded down to ensure accountability.
3. Initiate programs to help women advance through the organizational ranks, such as mentorship/sponsorship programs, ongoing training, etc.
4. Provide training on diversity management, unconscious bias and stereotyping, and the importance of emotional intelligence to supervisors/managers who manage a growing female workforce. Better skills and understanding among workplace supervisors/managers, who are predominantly male, can lead to better retention of female workers. For example, Sri Lankan women tend to outperform their male counterparts during employment entrance exams, particularly on entrance exams given by financial institutions. Unconscious bias among management (such as the common perception that hiring a woman is more expensive or that retaining a woman is difficult) often results in more men being called in to interview, which can translate to less women being hired.
5. Identify leading, influential male managers/leaders and support them to become champions who catalyze changes and drive actions for gender diversity across the company.⁵⁸
6. Collaborate with universities, vocational schools, and professional/industry bodies to recruit and train female talent.
7. Integrate gender-related and other diversity indicators into the company's annual reporting cycle.
8. Create a conducive work environment for women (and men) to excel, such as through provision of employer-supported childcare for parents, safe transportation options, flexible work options, etc.

⁵⁸For more information on this strategy, visit <https://malechampionsofchange.com/about-us/>.



“Know what you really want, and don't be afraid to ask for it.”

Shivani Hegde – Former Managing Director of Nestlé Lanka

As the first female Managing Director of Nestlé Lanka and the first woman on the company's board, Ms. Hegde believes in driving specific initiatives to recruit and retain female talent. At Nestlé, she rolled out initiatives to ensure that at least 50 percent of candidates in any recruitment short-list are female. In addition, she started a program called W.I.N. (Women in Nestlé) to catalyze and champion women-related issues across and outside the company. She also encouraged and supported women to take up international career opportunities and helped them progress in the organization.

Ms. Hegde strongly believes that it is important for women to articulate and voice their needs to the organization. Often women are afraid to ask and choose to give up. Following childbirth, Ms. Hegde requested a sabbatical leave to care of her young child but was delighted that her organization offered her a partial work-from-home arrangement, which allowed her to balance motherhood and her career. Surprisingly, she noted, no other woman had made a similar request in her local organization. A lot of women underestimate the power of simply asking.

4.3 What Policy Makers Can Do

The government has a variety of tools at its disposal, including "hard" and "soft" regulations, fiscal policies, enforcement, and partnership with the private sector, to influence gender outcomes. Regulators should take into account the interactions, coherence, and complementarity between different policy options and its overall ability to supervise and enforce such regulations. At the same time, the government should also avoid over-regulation, balance trade-offs among different policies, and limit unintended consequences. Ideally, the government should collaborate and consult with other key stakeholders, including the private sector whenever possible, to ensure buy in and encourage greater compliance.

Below are some policy options that have been utilized by policy makers across the world to promote gender diversity:

1. Establish targets to increase female representation for listed companies in the workplace.

⁵⁹Sustainable Stock Exchanges Initiative, *How Stock Exchanges can Advance Gender Equality*, March 2017, 8.

2. Encourage or require disclosure of diversity-related metrics, including the percentage of women across all levels of the organization, pay gap and turnover rates by gender, expenditure on training by gender, and actions taken to enforce gender requirements across the supply chain.⁵⁹



REGULATORS' TOOLBOX

- **Disclosure requirements** typically involve reporting gender-related metrics in annual reports, such as the gender breakdown among staff, management, and the board, diversity strategy and/or policy, and pay by gender.
- **Targets** establish voluntary goals for the percentage/number of females among staff and/or business leadership positions.
- **Quotas** are government or industry mandated percentages of women among board members and/or senior management. Failure to meet the quota will result in penalties.

Although the effectiveness of quotas is a controversial topic globally, a study found that both targets and quotas are more effective at increasing the number of women on boards compared to reporting requirements alone. Having a specific target, such as through a mandatory quota or voluntary goal, has been found to be a key driver to increasing female representation in the boardroom.⁶⁰

3. Encourage or require companies to develop and disclose a diversity policy, including diversity targets for the board, senior management, and across the company's operations, as well as relevant strategies, initiatives, and guidelines to achieve these targets.
4. Develop or amend anti-discrimination and anti-harassment regulations in the workplace to create a more secure working environment for all, including women.
5. Develop or amend regulations to ensure equal pay for men and women who perform work of equal value.
6. Develop or amend regulations to improve and protect parental rights to encourage women to return to work after maternity leave and men to take paternity leave.
7. Consider providing tax exemptions, tax rebates, or subsidies for companies or

⁶⁰Victor E. Sojo et al., "Reporting Requirements, Targets, and Quotas for Women in Leadership," *The Leadership Quarterly* 27 (2016): 527.

individuals to promote family-friendly policies.

8. Issue diversity guidelines to raise awareness and build the business case for diversity among companies.



STOCK EXCHANGES FOR GENDER DIVERSITY

The following are recommended actions by the Sustainable Stock Exchanges Initiative for exchanges to advance gender diversity:⁶¹

- Require listing applicants to disclose material convictions for violations of human rights rules, including gender-based violations, in their prelisting disclosures
- Offer a separate listing segment that takes into account gender disclosure
- Support the development of gender-focused investment products
- Rank listed companies based on the quality and quantity of their disclosures of gender metrics
- Implement and encourage listed companies to implement the Women's Empowerment Principles (a framework to advance gender equality in the workplace, marketplace, and community)
- Conduct or sponsor research on gender-related issues

⁶¹Sustainable Stock Exchanges Initiative, *How Stock Exchanges Can Advance Gender Equality*, 17.

IFC's WOMEN ON BOARDS AND BUSINESS LEADERSHIP INITIATIVES IN SRI LANKA

In 2018, IFC published the first directory of Women on Boards of Companies Listed at the Colombo Stock Exchange. The directory listed the women on boards of Colombo Stock Exchange-listed companies, and the companies they served on, as of December 2017. This includes the type of board membership these women hold, for example, executive director, independent director, managing director, etc. This directory was launched as part of the 2018 Ring the Bell for Gender Equality event hosted by the Colombo Stock Exchange for the third time in a row.

Ring the Bell for Gender Equality is a global initiative in which six organizations (the Sustainable Stock Exchanges Initiative, UN Global Compact, UN Women, the World Federation of Exchanges, Women in ETFs, and IFC) partner with stock exchanges around the world to raise awareness of the pivotal role the private sector can play in advancing gender equality to help raise awareness for women's economic empowerment. In 2018, 59 stock exchanges participated globally.

IFC has organized a Training of Trainers Program for Women on Boards and in Business Leadership in partnership with The Sri Lanka Institute of Directors (SLID), with the objective to develop a pool of qualified men and women trainers who can train current and potential future women directors to build the talent pipeline. SLID has also initiated a mentorship program that will help with the placement and nomination of more women for company boards.

IFC has supported Women in Management (WIM)'s Top 50 Professional and Career Women Awards, which is a competition that highlights the achievements of Sri Lanka's businesswomen and women in business leadership. Co-sponsored by IFC and Women in Management (a group that develops the professional capacity of female managers and businesswomen), the awards program culminates in a gala that celebrates the winners of the competition. In 2018, the event recognized 50 women professionals and women entrepreneurs who excel in their careers, businesses, and everyday lives, while also inspiring others. Together with WIM, IFC plans to conduct training for women-owned small and medium enterprises to help them improve their governance practices and scale up their businesses sustainably.

IFC also facilitated a dialogue between female directors in Sri Lanka and the CEO of Women Corporate Directors (WCD), which is the largest international corporate community globally. With headquarters in the US, the WCD has local chapters in 80 countries whose members serve on over 8500 company boards around the world. Having a local chapter will provide an opportunity to Sri Lankan women board members

to network, learn from the experiences of board members around the world, and be more visible to the international corporate community. Once established, the local chapter can also host events together with WCD's global sponsors to facilitate exchange of views and information and perhaps even facilitate placement to boards in companies beyond Sri Lanka.

Annex 1

Sri Lanka's 30 largest companies in 2017

Company	Number of males on the board	Number of females on the board	Board size	Percentage of women on the board
DFCC BANK PLC	6	3	9	33%
SAMPATH BANK PLC	7	3	10	30%
SRI LANKA TELECOM PLC	5	2	7	29%
CEYLON COLD STORES PLC	6	2	8	25%
NATIONS TRUST BANK PLC	10	3	13	23%
LANKA ORIX LEASING COMPANY PLC	4	1	5	20%
NATIONAL DEVELOPMENT BANK PLC	8	2	10	20%
OVERSEAS REALTY (CEYLON) PLC	9	2	11	18%
CEYLON TOBACCO COMPANY PLC	5	1	6	17%
CHEVRON LUBRICANTS LANKA PLC	5	1	6	17%
HATTON NATIONAL BANK PLC	10	2	12	17%
NESTLE LANKA PLC	6	1	7	14%
JOHN KEELLS HOLDINGS PLC	7	1	8	13%
CENTRAL FINANCE COMPANY PLC	9	1	10	10%
LION BREWERY CEYLON PLC	9	1	10	10%
C T HOLDINGS PLC	11	1	12	8%
COMMERCIAL BANK OF CEYLON PLC	11	1	12	8%
ASIRI HOSPITAL HOLDINGS PLC	8	0	8	0%
BUKIT DARAH PLC	7	0	7	0%
CARGILLS (CEYLON) PLC	12	0	12	0%
CARSON CUMBERBATCH PLC	11	0	11	0%
CEYLINCO INSURANCE PLC	16	0	16	0%
DIALOG AXIATA PLC	9	0	9	0%
DISTILLERIES COMPANY OF SRI LANKA PLC	7	0	7	0%

HEMAS HOLDINGS PLC	11	0	11	0%
MELSTACORP PLC	8	0	8	0%
PEOPLE'S LEASING & FINANCE PLC	8	0	8	0%
RICHARD PIERIS AND COMPANY PLC	7	0	7	0%
SOFTLOGIC HOLDINGS PLC	12	0	12	0%
TEEJAY LANKA PLC	8	0	8	0%

Annex 2

Multiple regressions: relation between board gender diversity and financial performance variables

Dependent variables	ROE		ROTA		PE	
	Basic Model	Full Model	Basic Model	Full Model	Basic Model	Full Model
Model	(1)	(2)	(3)	(4)	(5)	(6)
BOARD GENDER DIVERSITY (PFEM_BOD)	0.731 (1.02)	0.698 (1.01)	1.298 (1.08)	1.089 (0.92)	6.563 (0.48)	11.300 (0.80)
FIRM SIZE		0.151*** (2.91)		0.249*** (2.98)		-1.106 (-0.55)
FINANCIAL_LEVERAGE		-0.443** (-2.32)		-0.631** (-1.98)		0.790 (0.11)
INDUSTRY DUMMIES	NO	YES	NO	YES	NO	YES
Constant	0.274*** (4.48)	-1.680** (-2.29)	0.48*** (3.53)	-2.898** (-2.46)	10.853*** (4.86)	14.693 (0.50)
Number of observations	89	86	89	86	65	62
F statistic	1.04	4.25	1.16	7.38	0.23	26.7
R-squared	0.014	0.431	0.016	0.415	0.003	0.337

The table above shows the outcomes of different regression models related to gender diversity at the board level (the percentage of women on boards) with three financial variables: ROA, ROTA, and PE. For each performance variable, we ran regressions with both a basic model and a full model. The basic model corresponds to a simple regression without controls, while the full model controls the relationship between gender diversity and financial performance by firm size, financial leverage, and industry dummies.

Although the coefficients of the gender diversity variable were positive in all specifications and thus in line with our prediction, none of them were statistically significant. It is likely that the absence of statistically significant coefficients is due to the small number of data sets. Nevertheless, the results obtained for our sample of 30 listed companies over a three-year period do not allow us to conclude that the relation between board gender diversity and financial performance is indeed positive.

Multiple regressions: relation between gender diversity in business leadership positions and financial performance variables

Dependent variables	ROE		ROTA		PE	
	Basic Model	Full Model	Basic Model	Full Model	Basic Model	Full Model
Model	(1)	(2)	(3)	(4)	(5)	(6)
GENDER DIVERSITY IN BUSINESS LEADERSHIP POSITIONS (PFEM_BLP)	0.501 (0.81)	-0.574 (-0.78)	0.513 (0.52)	-1.326 (-1.08)	34.609* (1.95)	44.688** (2.49)
FIRM SIZE		0.426*** (2.80)		0.687*** (2.98)		-3.27 (-1.31)
FINANCIAL_LEVERAGE		-0.441** (-2.09)		-0.714** (-2.01)		-0.184 (-0.02)
INDUSTRY DUMMIES	NO	YES	NO	YES	NO	YES
Constant	0.285** (2.24)	-5.482*** (-2.64)	0.447** (2.17)	-8.880** (-2.62)	6.580** (3.14)	40.705 (1.05)
Number of observations	74	74	74	74	56	56
F statistic	0.66	2.36	0.27	2.01	3.81	20.62
R-squared	0.003	0.484	0.001	0.474	0.040	0.410

Similar to the prior analysis, the table above shows the outcomes of different regression models related to gender diversity in business leadership positions (the percentage of women on both senior management teams and boards of directors) with ROA, ROTA, and PE. In this case, we observed a positive influence of the proportion of women in business leadership positions on the price-to-earnings ratio, which is a proxy for a company's market value. For other performance variables, though, the coefficients were non-significant. As a result, we only found partial support for our hypothesis relating gender diversity to improved financial performance.

About IFC Corporate Governance Group

The Group brings together staff from investment and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance. The Group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.

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