# GENDER DIVERSITY IN THE CHINESE BOARDROOM:

## SIGNS OF PROGRESS BUT MORE REQUIRED TO DRIVE FAIRER REPRESENTATION

### INTRODUCTION

Gender diversity progress is not often mentioned as one of the areas of focus for investors when they invest in China. The narrative is usually dominated by issues such as poor environmental standards, forced or slave labor in supply chains, and corporate governance failings. While all of the above are critical and important in their own right, for investors to take a truly holistic sustainability perspective, they need to advocate for progress across the whole spectrum of issues and not just the ones that are in the headlines. This is the core belief at Alquity, and as such, we seek out opportunities that create a fairer and more equitable working environment where we invest. In addition, by supporting multiple efforts to reduce inequality in all its manifestations, we can build true sustainability into developing economies that can support long-term returns for our investors.

***"We seek out opportunities that create a fairer and more equitable working environment where we invest."***

We were therefore intrigued to see the recent report on gender diversity in Chinese companies produced by the Asia Corporate Governance Association (ACGA) (www.acga-asia.org). The report, produced in August 2023, analyzed the board makeup of the top 100 companies in China. To produce the report, ACGA analyzed issuers' annual and sustainability reports, reviewed websites, and studied Stock Exchange announcements. The headline findings from the survey can be summarized as follows:

- Only 14% female representation on average across the top companies.
- State-owned enterprises lagged behind private businesses, with those in high-growth industries (technology, for example) having the highest female representation.
- Boards with a female chair of the nomination committee, on average, had double the female representation versus peers.
- 20 of the companies had all-male boards, with a total of 5 female CEOs, although 26 companies had a female CFO.

To put these numbers into context, currently, the FTSE 100 has 40% female board representation, while 8 companies have a female CEO. The number was 12.5% just 10 years ago.[1]

Clearly, while the report highlights the clear and significant concerns around the lack of gender diversity in Chinese boardrooms, we do see some potential positive signs to build upon from this data and our own experience of investing in the country. However, significant changes requires investors to act decisively in their ESG analysis, stock selection, and stewardship.

[1] Source: https://www.gov.uk/government/news/sea-change-in-uk-boardrooms-as-women-make-up-nearly-40-of-ftse-100-top-table-roles

At Alquity, we always undertake a detailed analysis of the company board makeup, including assessing the background, experience, and suitability of all directors. It is during this research that we assess the alignment of management with ourselves as minority stakeholders. Hence, attitudes and future plans in terms of gender diversity across the business are important when selecting appropriate investments. While this may mean that some investments have all-male boards, we ensure either during our analysis or through our stewardship that we communicate the importance of gender diversity, and we act if we see no improvement over time.

## GENDER DIVERSITY IN ALQUITY'S CHINESE HOLDINGS

For transparency, please find below a table listing all the existing Alquity holdings in Chinese companies and their current female representation.

| Holding | Board Female Representation |
|---|---|
| JD.com | 43% |
| Pacific Basin Shipping | 33% |
| Full Truck Alliance | 33% |
| Great Wall Motor | 29% |
| 3SBio | 29% |
| Tencent | 25% |
| Yongda Auto | 22% |
| Nissin Foods | 20% |
| Ping An Insurance | 20% |
| AIA Group | 17% |
| WuXi AppTec | 16% |
| China Resources Land | 16% |
| Wuxi Lead | 14% |
| Weimob | 14% |
| Meituan Dianping | 14% |
| Sunny Optical | 13% |
| Tongcheng Travel | 11% |
| Unipresident China | 11% |
| Hangzhou Robam | 0% |
| Baidu | 0% |
| **Average** | **19%** |

Source: Alquity based on company data, October 2023

At a portfolio level, this clearly shows the higher average female representation in our holdings of 19% versus the 14% found in the study, and only two firms (10%) have zero gender diversity versus 20% in the study. While we do not currently exclude stocks for a lack of gender diversity, we do engage with them and track aspects such as disclosure of equal opportunity policies and female representation at senior management, which is a good forward indicator for the board.

For Weimob, Sunny Optical, and Unipresident, we voted against the re-election of the entire all-male board last year and are pleased to see that each of them has added female representation since. Of course, we continue to track and encourage them to add more in the future.

Baidu is a new company in our portfolio, which was previously an ESG fail for us, but we have seen significant improvements recently on its governance, and we are engaging with them and hopeful of seeing improvements in female representation in the near future. Hangzhou Robam is our only China 'A" shares listed, and we have voted against the re-election of the board in accordance with our Principles of Governance.

***"Higher average female representation in our holdings of 19% versus the 14% found in the study."***

## KEY TAKEAWAYS

The ACGA report is a welcome spotlight on the issue of gender diversity in China, and for Alquity, it gives us additional data and impetus to raise this as we engage with our Chinese holdings. The progress we have seen in developed economies (UK, Europe) has come through either government mandate or through voluntary targets set by companies (as is the case in the UK). This may be a route for progress in China too. What we do learn from the developed economies is that change can happen quickly, and we have seen that change start in our Chinese holdings, so we remain optimistic that the next few years will see a significant rise in female board representation.

***"We voted against the re-election of the entire all-male board last year and are pleased to see that each of them has added female representation since."***

**Suresh Mistry**

Head of Sustainability

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