

PRESS RELEASE

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Study: Much work still to be done to improve diversity on Singapore's boards

- *First qualitative report on Singapore Board Gender Diversity that outlines paths to action across individuals and boardrooms to achieve 20% target of female representation on boards by 2020.*
- *The report has found that 54% of companies surveyed fall into the "Meritocracy Upholders"¹ category. This is regarded more positively than being in the category of "Passive Onlooker" or worse, "Resistive Denier".*
- *Recognising the need for more "Conscious Champions", this report also suggests some actionable strategies to facilitate this transition and accelerate towards the goal of 20% by 2020.*
- *Proposed nine year rule on director independence suggested by Corporate Governance Council is expected to support the acceleration of rate of female director appointments in Singapore*

26 January 2018, Singapore – The benefits of having a gender diverse board are widely acknowledged and well documented -- from enhanced financial performance to increased trust from institutional investors, heightened investor confidence, stronger corporate governance and greater social impact.

While awareness about the need for gender diversity on boards has increased in recent years, actual progress made to address the issue has been slow. For Singapore to maintain its position as a leading global financial centre in Asia and to achieve the target of 20% female representation by 2020, immediate and concerted efforts must be directed to transform the way boards nominate, assess and select directors: and address how boards perceive the importance of diversity.

The study "**20 by 2020: Gender Diversity on Singapore Boards – A Path to Action**", conducted in collaboration between the Human Capital Leadership Institute (HCLI) and BoardAgender, highlights much-needed transformations in board processes that are required to advance the diversity agenda. Based on 41 in-depth interviews carried out with stakeholders² from representative groups of companies of different industries and market, the study also suggests strategies that aspiring female directors can undertake to enhance the odds of their nomination and subsequent selection.

"This is a ground breaking report, the first of its kind which seeks to specifically understand the board diversity landscape in Singapore. BoardAgender is committed to be at the core of an ecosystem to enable the acceleration of more women on boards." comments Ms Junie Foo, Chairperson of Boardagender.

¹ Please see Appendix 1

² Stakeholders interviewed include Board Chairpersons, Nominating Committee members, Female Directors, Advocates and Chief Human Resource Officers

The diversity philosophy of boards

The study identifies four philosophical positions³ that boards tend to adopt towards the issue of diversity: The Resistive Denier, The Passive Onlooker, The Meritocracy Upholder, and the Conscious Champion, depending on their openness towards implementing a gender diverse board.

Unsurprisingly, given Singapore's reputation for meritocracy, the majority interviewed fall into the category of 'Meritocracy Upholder', with many warning of the danger of tokenism and the consequences of deviating from a meritocratic nomination process.

However, unfettered pursuit of meritocracy during nomination and selection process may sometimes preclude the consideration of women as potential candidates. Dr Don Chen, Assistant Vice President of Knowledge and Solutions at HCLI and Lead Researcher of the project notes that women do not always fit the mould of the typical profile of a director, and can fall off the radar of nomination committees when they search for the 'best board candidate' based on their archetype of who will make a good director.

"Meritocracy and gender diversity are not mutually exclusive. Boards need to strike a balance between looking for candidates who fit their archetype to a 'T' and the benefits of gender diversity where members bring a greater variety of skills and perspectives to the table," said Dr Chen.

To address the diversity challenge, the study suggests two fundamental transformations that boards must make to transit to becoming Conscious Champions.

Transformation 1 – Adopt a deliberate and targeted board renewal process

More often than not, board succession is not a well thought-through process. Two major issues plague the board succession process. Entrenched board directors – with board directors serving longer beyond the recommended number of years, as well as boards that seek replacements, rather than renewal – with boards seeking new members who share the same profile as outgoing directors instead of recruiting new directors who can augment the skill gaps of the board.

To counter this, the study recommends that succession planning and board renewal be undertaken as an explicit activity, with boards actively refreshing themselves with due consideration of the nine-year rule. In addition, multiple sourcing methods should be used in renewal to ensure that the candidate pool is varied and aligns with the changes in the macro-operating environment.

Transformation 2 – Protect the independence of nominating committees to enhance selection process

Interviewees suggest that nominating committees are sometimes not provided independence in their nominations. In addition, nominating committees on boards that are "Resistive Deniers" tend to disadvantage the selection of female directors.

Nominating committees have the power to refocus the board by putting in place directors who have the right skills and talent mix to deal with future business challenges. The study recommends adjusting the composition of the nominating committee to comprise individuals who are a good judge of character, are visionary and progressive in their thinking.

³ Refer to Appendix 1 for breakdown of philosophical positions

Achieving 20% by 2020

It is clear that gender diversity cannot be left to chance, it requires a planned and directed effort from multiple stakeholders in the business ecosystem, to come together to adopt an inclusive and progressive stance towards board diversity.

To effect change, three critical touch points have to be addressed:

1. **Addressing Stereotypes** – Boards and nominating committees need to re-examine their perceptions of what 'suitable' means in the context of board roles in Singapore. Search criteria for directors needs to be adjusted to meet future business needs, not just existing business concerns.
2. **Visualising Goals** – Realistic gender diversity goals need to be set for companies and/or boards. Stakeholders who are proficient change agents need to be activated to revolutionise existing practices.
3. **Realising Change** – Review board guidelines and the status quo, revise the current nomination and selection approach to maximise the potential in the talent pool to achieve diversity.

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For media enquiries, please contact:

Ms Amanda HO
Programmes Manager
Singapore Council of Women's Organisations
DID: (65) 6571 0182 Mobile: (65)9634 5322
Email: amanda@scwo.org.sg

About the Human Capital Leadership Institute

The Human Capital Leadership Institute is a centre of excellence that facilitates the acceleration of leadership development and strategic human capital management capabilities in Asia. Through its efforts, HCLI aims to develop global leaders with a strong understanding of leading in Asia, as well as to build Asian leaders with the ability to lead on the global stage. The institute achieves this by driving Asia-specific research and insights, creating industry-relevant executive development programmes and fostering rich networks between thought leaders in business, government and academia.

HCLI is a subsidiary of Temasek Management Services, which is wholly owned by Temasek Holdings (Private) Limited, and is supported by the Singapore Ministry of Manpower and the Singapore Economic Development Board.

For more information, please visit www.hcli.org

About BoardAgender

BoardAgender was launched on 9th March 2011, and its aim is to provide a forum to facilitate a greater awareness of the benefits of gender balanced business and the advancement of women into senior leadership positions and ultimately the board room. BoardAgender welcomes business women and men, as well as private and public sector organisations to participate in our events, engage in our discussions, and benefit from our resources to achieve best practices.

BoardAgender concentrates on:

- **Information:** Conducting research. The website serves as a resource for local and global statistics and research on women in leadership and in the boardroom.
- **Awareness:** Through a variety of channels including the 100 Champions Campaign and media, to raise the level and amount of dialogue in the community on the topic of gender balance in the workplace and boardroom.
- **Education & Inspiration:** Speaker, networking events, training and corporate Dialogue Sessions to provide personal inspiration, education, and the sharing of corporate best practices.

For more information, please visit www.boardagender.org, or email contact@boardagender.org.

APPENDIX 1 – The Diversity Philosophy of Boards

From our interviews, we concluded that boards, in general, welcome diversity and are motivated to foster an encompassing culture that embraces differences in opinions and views from directors of different backgrounds. Yet, there are boards that take on a more apathetic attitude towards diversity. This impacts how such boards nominate and select their directors, as well as affects the dynamics of interactions between directors. Based on our analyses, we identified four philosophical positions that boards tend to adopt towards the issue of diversity.

1. Resistive Denier

- Does not recognise the importance of diversity and issues related to under-representation of women on boards.
- Prioritises business or bottom line-related concerns over other matters like board diversity.
- Believes that directors should be appointed based on corporate acumen and past experiences, as well as ability to work together with management and incumbent board members.

2. Passive Onlooker

- Accepts that the present challenge in diversity is the result of social structures, historical pathways, and past events.
- Identifies the lack of female representation on boards as a supply side issue due to lower labour participation rates of women and a smaller pool of senior female executives that have the ability to take on board roles.
- Feels powerless in effecting change due to the low starting count of females in the workforce.
- Believes that the present issues in diversity will resolve itself over time when social structures and attitudes towards women change.

3. Meritocracy Upholder

- Recognises danger of self-fulfilling prophecies of gender stereotypes.
- Advocates meritocracy and position of neutrality as the best approach towards board appointment. Believes that meritocracy is the panacea to all issues as it offers an objective measure that puts the best person up for the job.
- Actively steers clear from gender differentiation to avoid affirmative actions, unintended consequences, adverse impact, and crippling effects of gender labels.
- Believes that policies to help a minority group may produce unintended consequences of portraying them as less capable.

4. Conscious Champion

- Demonstrates high levels of awareness towards board diversity issues, and understands the implications of an entrenched male-dominated board.
- Challenges the status quo and stereotypes that exist in the nomination and selection process of directors.
- Initiates conscious efforts to mitigate biases and change questionable board processes that perpetuate low representation of women on boards.
- Proactively mobilise effort to source and nominate qualified female directors for boards. At the same time, develop a culture of openness that facilitate conversations and promote the value of equal contributions.