Diversity in Singapore’s Boardrooms

Marleen Dieleman, Associate Director
Centre for Governance, Institutions and Organizations

Breakfast Briefing on Board Effectiveness,
SGX Auditorium, January 12, 2012
Centre for Governance, Institutions and Organizations

- Established by NUS Business School in 2010
- Aims at promoting impactful research on governance issues relevant to Asia
- Organizes public lectures, industry roundtables and academic conferences on topics related to governance
- Rankings, e.g. Governance and Transparency Index
- Reports on governance-related matters, e.g. family firm governance in Singapore; boardroom diversity
Boardroom Diversity

• Boardroom diversity is increasingly part of corporate governance discussions and metrics
• Diversity encompasses issues such as education, expertise, gender, minorities, industry experience, etc.
• General idea: more diverse boards are more effective and responsive
“the greater the variety within a system, the greater its ability to reduce variety in its environment through regulation.”

The law of requisite variety

W. Ross Ashby
“It is imperative for boards to comprise an appropriate mix of skills and mindsets. Our listed companies are encouraged to review their Boards’ composition and balance of gender diversity, to meet the increasing demands from investors on good governance and corporate sustainability. An effective board allows independence and diversity of thought.”

Magnus Bocker
CEO, Singapore Exchange Ltd (SGX)
Focus on the Female Factor
About this study

• Focuses on gender diversity
• Based on a comprehensive study of all SGX-listed firms (2008-2010)
  • Over 5,000 directorships
  • Over 730 companies
• Topics:
  • Gender diversity by company and industry
  • Board composition and leadership roles
  • Director profiles
Gender diversity in Singapore-listed firms

- Women held 6.9% of all boardroom positions
- Over 60% of SGX-listed firms did not have a single woman on their board

**Singapore directorships held by women**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6.6%</td>
</tr>
<tr>
<td>2009</td>
<td>5.8%</td>
</tr>
<tr>
<td>2010</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

Source: CGIO database

**Female directors by company (2010)**

- 61.3% with zero women
- 30.7% with one woman
- 6.6% with two women
- 1.3% with three or more women

Source: CGIO database
Boardroom gender diversity globally

- India: 4.7%
- Singapore: 6.9%
- Malaysia: 7.8%
- China: 8.1%
- Hong Kong: 8.6%
- Australia: 10.1%
- European Union: 11.7%
- United Kingdom: 12.5%
- United States: 15.7%
- Finland: 24.5%
- Sweden: 27.5%
- Norway: 39.5%

Sources: CGIO (Singapore); Korn Ferry Institute (India, Malaysia, China, Hong Kong); Women on Boards (Australia); Cranfield University School of Management (UK); European Professional Women’s Network (EU); Catalyst (US, Finland, Sweden, Norway)
Female directors by industry

Source: CGIO database

- Finance sector scored lowest with 5.2%
- Best scoring industries:
  - TSC (9.4%)
  - Properties (9.4%)
Boardroom diversity in Singapore

- Leadership positions for women in boardrooms remain low
- 2.7% of board Chairmen and 4.6% of CEOs being women for SGX-listed companies

Women's share of board leadership (2010)

- Chairman of the board: 2.7%
- CEO of the company: 4.6%
- Audit committee chair: 2.8%
- Remuneration committee chair: 2.8%
- Nomination committee chair: 4.5%

Source: CGIO database
Type of directorships women hold

- Difference between the percentage of women holding executive and non-executive directorships

**Female executive & non-executive directors (2010)**

- Executive Director: 9.1%
- Non-executive Director: 5.6%

**Female independent & non-independent directors (2010)**

- Independent Director: 4.5%
- Non-independent Director: 8.9%

Source: CGIO database
Concentration of power

- Women held fewer board directorships
- None held >5 directorships in SGX-listed companies

**Quantity of board directorships held (2010)**

<table>
<thead>
<tr>
<th>Seats</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>One seat</td>
<td>93.8%</td>
<td>84.3%</td>
</tr>
<tr>
<td>Two seats</td>
<td>3.7%</td>
<td>10%</td>
</tr>
<tr>
<td>Three seats</td>
<td>9.0%</td>
<td>5%</td>
</tr>
<tr>
<td>Four seats</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Five seats</td>
<td>3.2%</td>
<td>1.0%</td>
</tr>
<tr>
<td>More than five</td>
<td>0.6%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: CGIO database
Age of directors

- Women directors are younger
- More female directors under 40: 16%
- Women retire: among directors of 65 and above only 1.5% are women

![Average age of directors](image)

Source: CGIO database
Education of directors

• Women directors show different educational profile

• Male directors: 40% above bachelor level; female directors 30%

Educational qualifications (2010)

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>PhD</td>
<td>4.2%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Master's</td>
<td>26.1%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Bachelor</td>
<td>53.8%</td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>6.4%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Others</td>
<td>9.5%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

Source: CGIO database
Summary of findings

• Singapore has relatively few female directors
  • Compared to developed countries and regional peers
  • Trend data do not suggest that this will rapidly change
• It will take 158 more board seats held by women to reach 10% female representation on SGX Boards.
• Differences between male and female directors in:
  • Roles: Executive and non-executive
  • Number of board positions
  • Age
  • Formal education
Designing the board of the future

- Gender diversity is increasingly a metric against which good governance is measured globally.

- Ways to increase boardroom gender diversity include: quota, legislation, governance codes, self-regulation, company target setting.

- Quick wins:
  - More systematic and targeted search for female non-executive and independent directors.
  - Closer look at retirement and retention policies.
  - Disclosure of diversity policy with measurable objectives.
Example: BHP Billiton, AR2011, section 5.3.3

Committee to formalise diversity considerations. The Board has set an aspirational goal of increasing the number of female Directors to at least three over the next two years (which, if achieved, would see the proportion of women on the Board increase from 17 per cent currently to 25 per cent, based on a Board size of 12).
Conclusions

• Singapore lags behind on the metric of boardroom gender diversity
• Board members are advised to put gender diversity on the agenda when designing effective boards
• No basis for the notion that more gender diversity is a matter of time: it will take concerted action from companies, SGX, government, and other stakeholders to achieve the 10% target. More ambitious targets can probably only be achieved with regulation
• But: quick wins are available and easy to implement
Thank you for your attention

cgio@nus.edu.sg