

Diversity matters:

Adding colour to boards in APAC

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Foreword by Korn Ferry

On behalf of Korn Ferry, I am pleased to present the third edition of the diversity research report on Asia Pacific boardrooms, which has been developed in partnership with NUS Business School's Centre for Governance, Institutions and Organisations (CGIO).

Diversity Matters: Adding Colour to Boards in APAC explores the diversity of boardrooms at the top 100 companies based on market value in 10 major economies which include Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and South Korea. The study is centred on a scorecard that analyses boardroom composition based on measures of age, gender, educational attainment and positions held on the board.

Since its inception, Korn Ferry has endeavoured to be a thought leader that delivers pertinent and practical scientific research which enables organisations to secure the best talent for sustained organisational success. International research provides evidence that suggests diversity contributes to organisational success in terms of profitability and governance.

As many Asian nations continue to grapple with the dual problems of an ageing population and low fertility rates, the underutilisation of female workers at all levels of the organisation remains a critical issue of concern. Moreover, as the percentage of women achieving higher educational qualifications increases, they will spend many more years actively engaged in the labour market. Yet, the number of women holding leadership appointments in organisations severely lags behind this trend. As such, Korn Ferry has taken special interest and effort to propagate the need for greater diversity amongst C-level executives and boardrooms across the region.

Our findings highlight the need to make strategic talent decisions in ensuring parity in gender, age and educational attainment as boards continue to be dominated by senior male executives. The study illustrates a compelling case for diversity as companies that do ensure greater representation of women demonstrated superior financial performance. We hope these actionable insights serve as a catalyst for regulators, policy makers and organisations to reconfigure the leadership pool which will then contribute to greater growth, better corporate citizenship and a sustainable competitive advantage.

The results also reinforce the need for organisations to tap on talents that hail from different generations, genders, disciplines and expertise. This will no doubt enable companies to reap greater financial and social benefits.

A commitment to diversity is a commitment to harnessing untapped talents and igniting the human potential. Through this research, Korn Ferry hopes to encourage leadership renewal in boardrooms and pledges to ensure that diversity will continue to feature prominently in managing leadership and corporate governance in Asia Pacific.

I am confident that we are moving in the right direction and that this report will only serve to create more discussion and collaboration in this area. I hope that you will enjoy reading this report and that it will help you to create the necessary conversations with your colleagues and the people around you. Together, we will be able to make this change and it is absolutely vital to keep the momentum going.

Alicia Yi

Executive Summary

The 2015 report on board diversity in Asia Pacific is the third in the Korn Ferry Diversity Scorecard series. The report traces board composition of 1000 companies across 10 countries in Asia Pacific. Previously, we had closely surveyed and studied gender diversity on boards and its impact across 9 countries, which included – Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, Singapore, and South Korea. This year we have added Indonesia to the list. Across these countries, we selected the top 100 listed companies by market capitalisation in each country, focusing especially on gender representation on their boards.

As a mark of development, we have established that a higher proportion of women on boards is positively correlated with better company performance. Our research shows that boards with 10% or more female directors offer, on average, a 3.6% higher return on equity [ROE] and a 1.3% higher return on asset [ROA] than those with a lower proportion of women [less than 10% female directors]. Coming to individual countries, we see similar positive results except in Malaysia. This finding should elevate the addition of more women to boards to a best practice and allay the concerns of those who view it as a concession to tokenism.

Besides gender, we examined diversity with respect to age and educational qualifications. It is widely accepted that a more diverse board better reflects society's progress, strengthens decision-making and risk-management by adding varying perspectives, and improves communication with shareholders and the credibility of the company.

While board diversity in the broadest sense has become an important corporate governance benchmark, it is gender diversity that has attracted global attention. Much of the debate has centred on ways to tap the talent of women for top management positions, including the use of quotas.

The issue of gender diversity has particular relevance for Asia given the growing number of women entering the workforce in the region and entrenched attitudes that tend to pose a barrier to their advancement.

Our study found some optimistic signs. The number of all-male boards decreased in 2013 while the average female percentage on Asia Pacific boards rose to 9.4% from 8.0% in 2012. That compares with 19.2% for S&P 500 companies in the U.S. and 22.8% for FTSE 100 companies in the U.K.¹

Not surprisingly, figures vary across Asia Pacific. Australia continues to have the highest proportion of female directors, followed by New Zealand and China; South Korea has the least with Japan faring slightly better. Indonesia and Hong Kong have above average female representation in the double digits while Singapore, despite showing some improvement over the year, is below average and marginally better than India.

Domestic factors such as policies and guidelines, rapid changes in the economy and social perceptions played a role in boosting the number of female directors in some countries. In China, the percentage of women on boards surged 57% between 2012 and 2013, reflecting a more inclusive business environment, which has

¹ Retrieved from <http://www.catalyst.org/media/new-global-2014-catalyst-census-women-board-directors>

increased the need for talent. In India, changes to the Companies Act in 2013 made it compulsory for listed companies to have at least one woman on their boards. As a result, the percentage of female directors increased to 7.3% that year and we expect the percentage to increase further in the near future.

However, women remain under-represented on Asian boards. Just 24 of the 1000 largest Asian companies examined have at least four female members on their boards. Of the 24, nine are in China, nine in Hong Kong, and six in Indonesia.

Few women hold top leadership positions such as chair of the board or CEO. China has the highest percentage of female CEOs while New Zealand has the highest percentage of female chairs.

Japan does not have a single woman in either position while India and South Korea do not have any female chairs.

Clearly, much more work is required to improve board diversity, especially gender diversity, in the region. As the report shows, some countries that have opted for mandatory measures have made quick progress in increasing the number of women at senior levels. Elsewhere, suggestions to implement quotas for women in senior management have met with resistance.

Ultimately, much depends on a company's readiness to acknowledge the advantages that a diverse board can bring to the business and to address any imbalance. We hope the findings of this report will spur such action.

Considerable variety across Asia Pacific

More women on boards but room for improvement

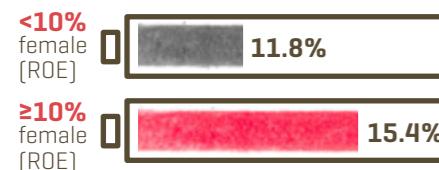


[versus 19.2% for S&P 500 companies in the U.S. and 22.8% for FTSE 100 companies in the U.K.]

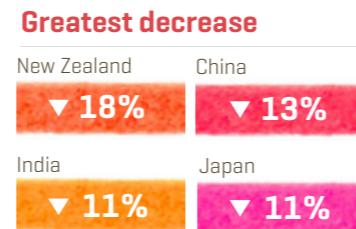
Greatest Improvement



Firms with more women on boards display better performance



The percentage of all-male boards decreased from 2012 to 2013



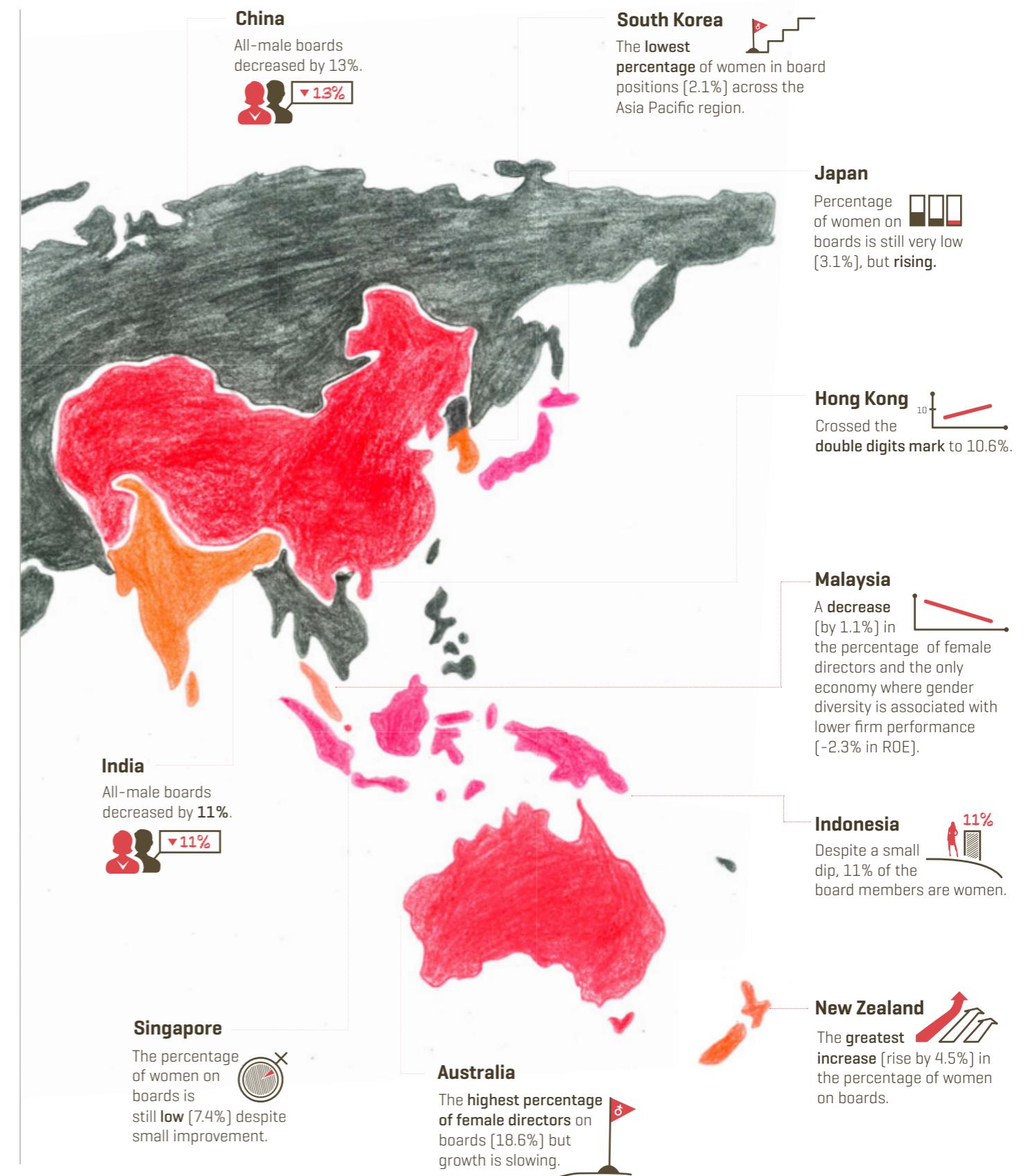
Healthcare industry
has the **highest
representation**
of female directors at
13.6%



female directors

rarely account for
more than a quarter
of board seats.

Countries	≥10% Female [ROE]	<10% Female [ROE]	Difference
Japan	13.7%	7.8%	5.9%
India	21.2%	16.1%	5.1%
China	18.6%	14.0%	4.6%
Hong Kong	18.8%	15.3%	3.5%
New Zealand	9.8%	6.4%	3.4%
Singapore	15.5%	13.1%	2.4%
South Korea	7.4%	5.1%	2.3%
Australia	14.2%	12.7%	1.5%
Indonesia	16.0%	15.6%	0.4%
Malaysia	14.8%	17.1%	-2.3%
Total Average	15.4%	11.8%	3.6%



Gender Diversity in Asia Pacific: Little of a Good Thing

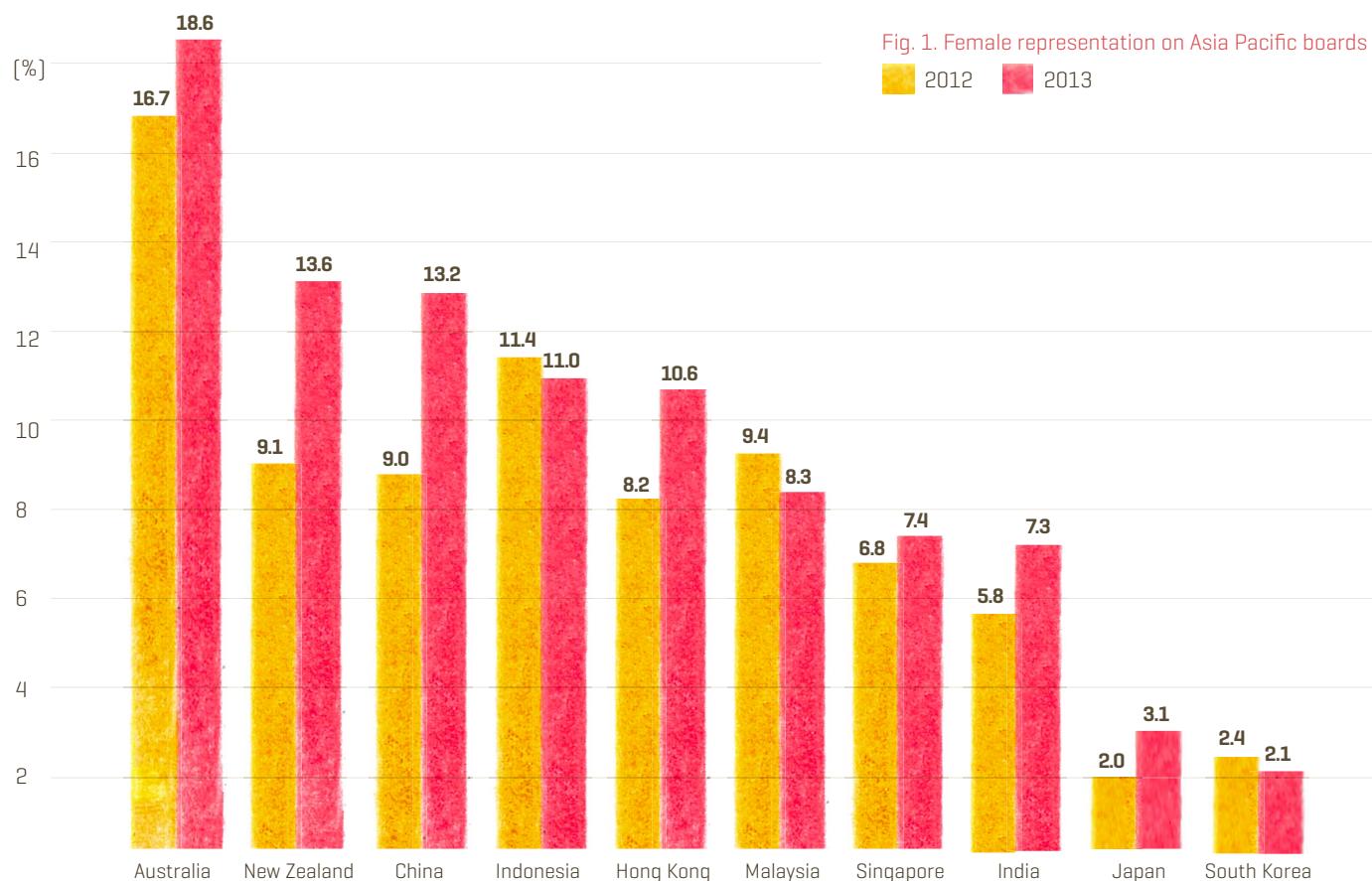
Few women in Asia's boardrooms

The proportion of women on boards increased in seven of the 10 Asia Pacific countries we studied [Fig. 1]. New Zealand and China showed the greatest improvement, with a rise of 4.5% and 4.2% respectively. Indonesia, Malaysia and South Korea are the only countries to record a decline.

The regional average for female proportion on boards is 9.4%, up from 8.0% in 2012. Another measure underscores efforts to improve gender diversity in the region. In 2012, only Australia and Indonesia had women occupying 10% or more of board seats across their companies. A year later, China, Hong Kong and New Zealand also have women making up at least 10% of their boards.

The countries surveyed are at different stages of economic development and of diverse cultural backgrounds. As such, they have different aspirations and policy environments when it comes to advancing the position of women in boardrooms. Among the countries studied, Australia continues to lead the region with 18.6% of board seats occupied by women. This figure is quite similar to the 19.3%² reported by the Australian Institute of Company Directors on ASX200 boards, which looks at a slightly different sample than the top 100 companies studied in this report. While 18.6% may stand out among countries in the Asia Pacific, it is still behind other developed economies outside the region such as Norway [35.5%] and the UK [22.8%]³.

Other countries did not fare so well. South Korea and Japan ranked at the bottom with women making up 2.1% and 3.1% of boards, respectively.



² Retrieved from <http://www.companydirectors.com.au/Director-Resource-Centre/Governance-and-Director-Issues/Board-Diversity/Statistics>

³ Retrieved from <http://www.catalyst.org/media/new-global-2014-catalyst-census-women-board-directors>

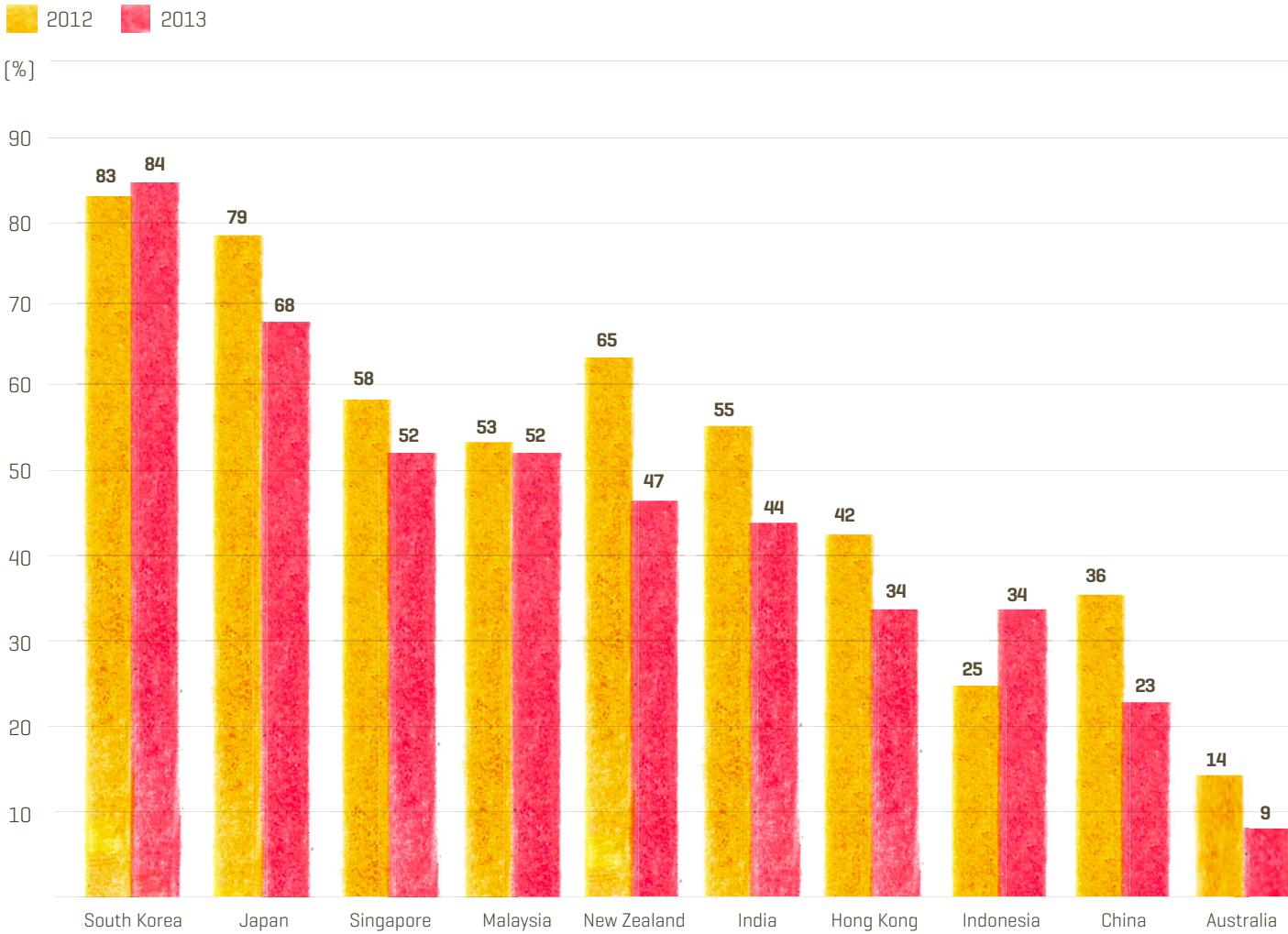
All-male boards decreasing in number but still prevalent

 The percentage of all-male boards decreased in most countries to varying extents [Fig. 2].

New Zealand shows the greatest improvement with a decrease of 18%. Two countries run counter to trend: South Korea and Indonesia show an increase in the number of all-male boards.

South Korea also has the highest percentage of all-male boards at 84%, whilst Australia has the lowest at 9%. Besides South Korea, all-male boards are still predominant in Japan, Malaysia and Singapore. The study found no all-female boards.

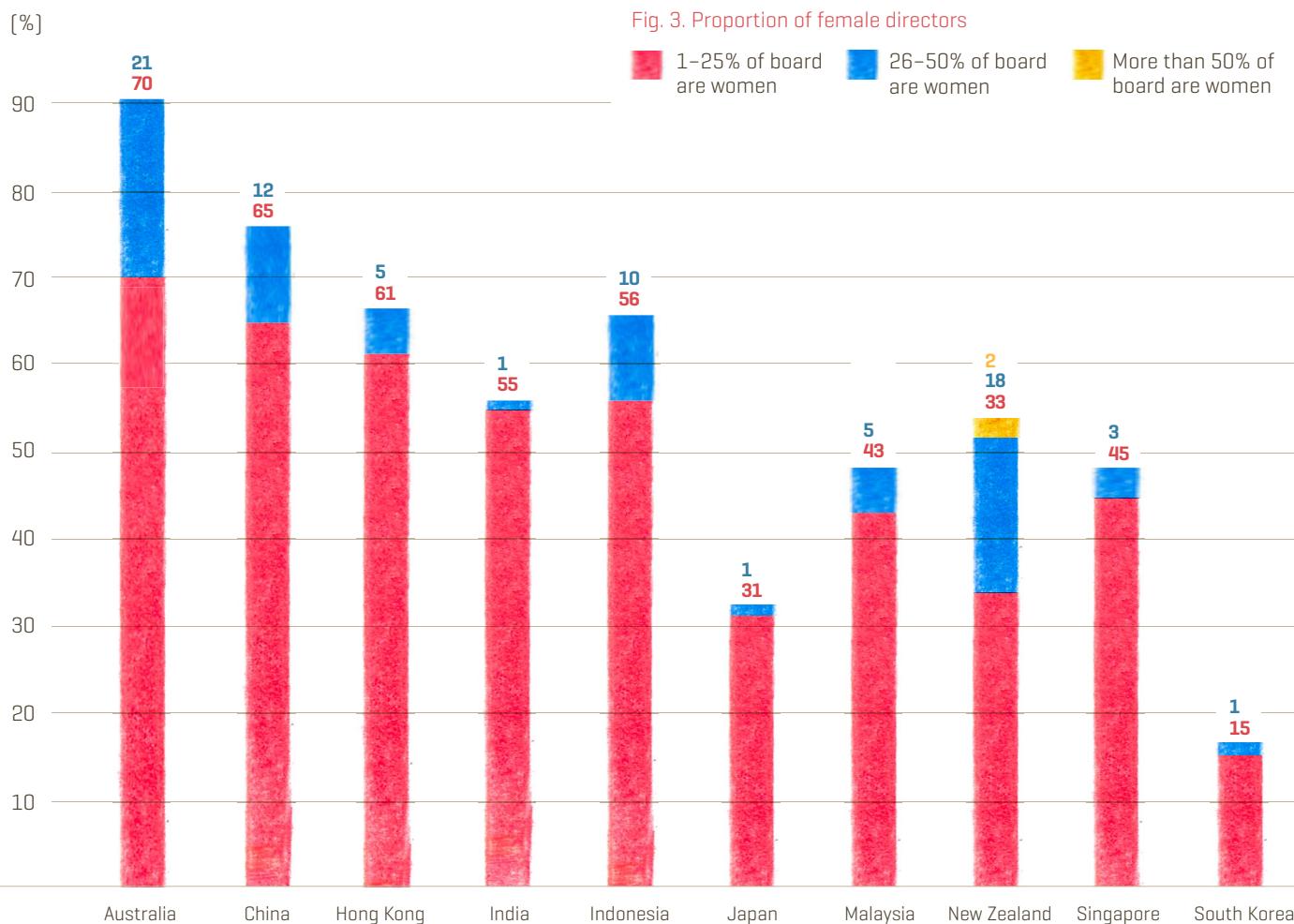
Fig. 2. All-male boards in the region



Women rarely comprise more than a quarter of board

Although the proportion of all-male boards has decreased, female directors rarely account for more than 25% of the board [Fig.3].

The only country to have boards where women outnumber men is New Zealand. New Zealand has a small economy and companies sampled here tend to be relatively small in terms of market capitalisation. Of the 100 companies we studied there, two have above 50% female representation although one of these is particularly small with just 3 board members in total and a market capitalisation of \$60m.



Healthcare scores highest and industrial lowest on gender diversity

We studied the distribution of women directors based on industry⁴. Fig. 4 shows the breakdown.

The healthcare sector has the highest percentage of female directors at 13.6%, while the industrial sector, which has the most number of sampled companies in the study, has the lowest proportion at

5.8%. Traditionally, the healthcare sector has been a female-dominated industry while the industrial, information technology and materials sectors are predominantly male. In terms of absolute numbers, the financial sector has the greatest female proportion with 194 women directors.

For more details on each economy, please see Highlights from Asia Pacific Markets.

⁴ See description of industry classification according to GICS standards in Annex A.

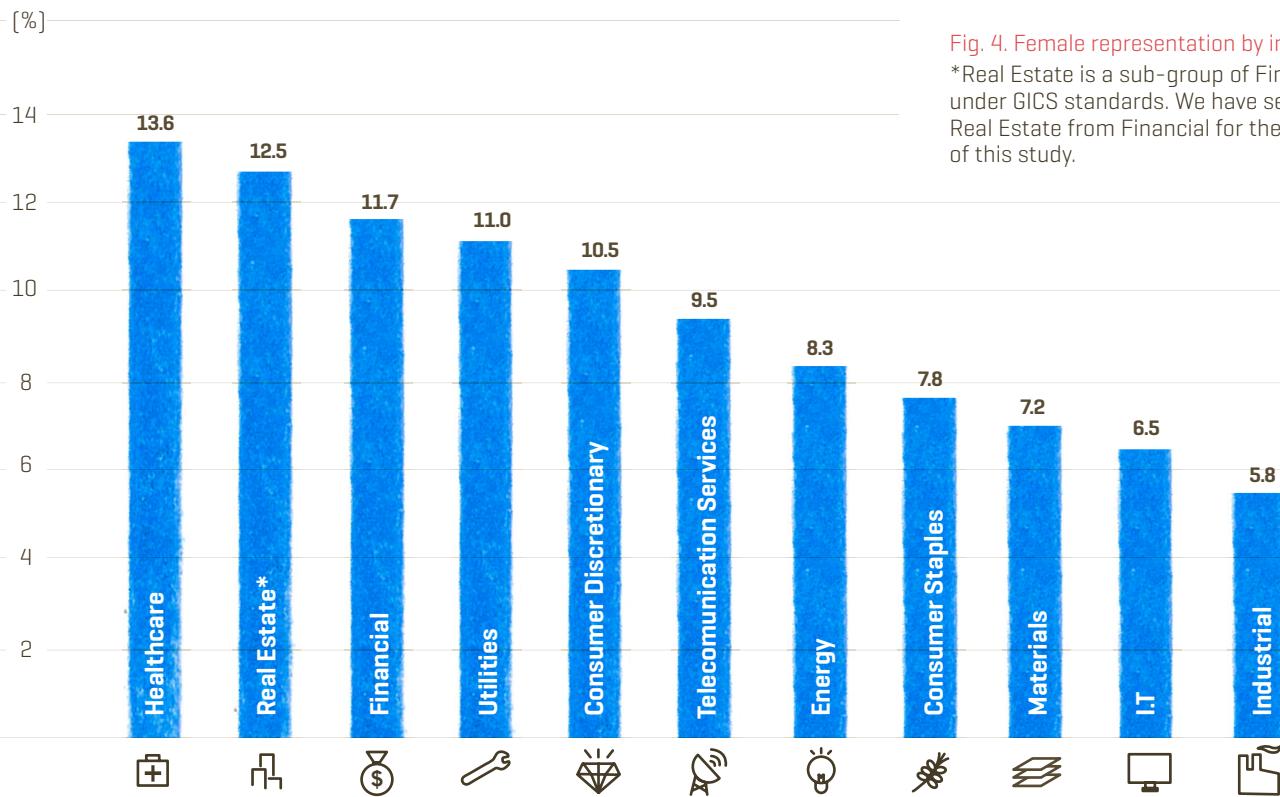


Fig. 4. Female representation by industry

*Real Estate is a sub-group of Financial under GICS standards. We have separated Real Estate from Financial for the purpose of this study.

Where are the women CEOs and Chairs?

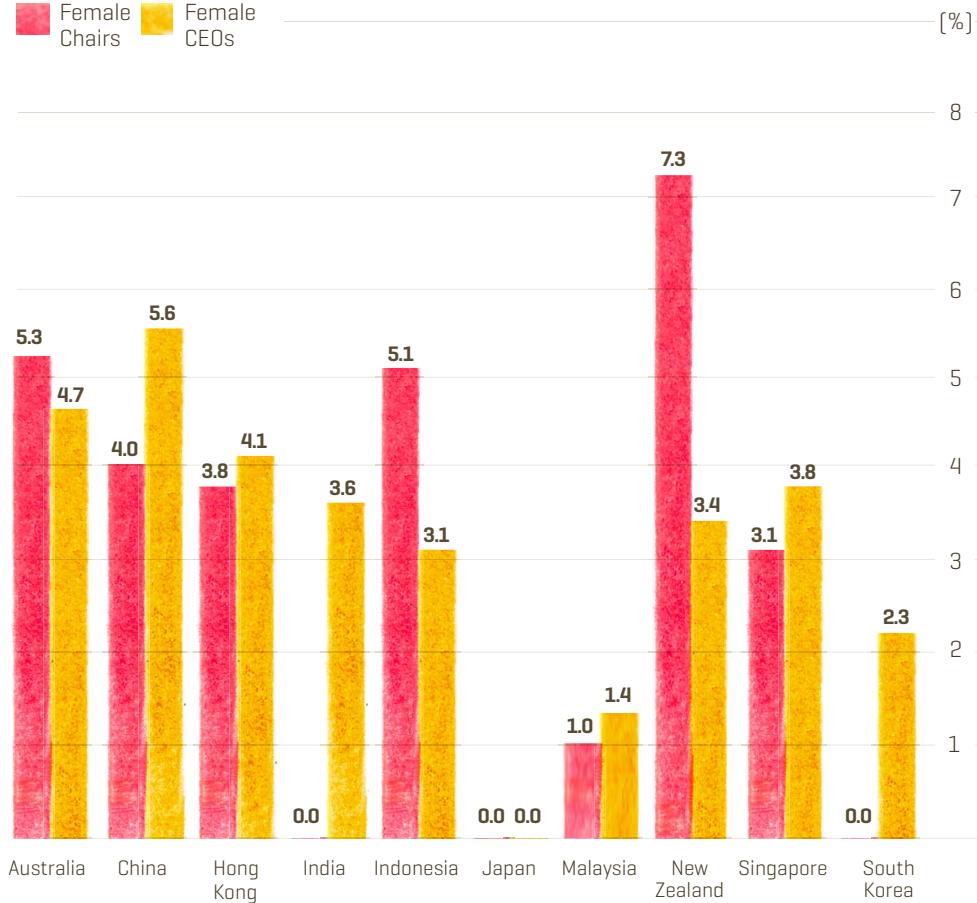
Despite signs of progress on gender diversity, the region has few women in leadership roles. Out of 954 chair positions in our study sample, only 29 of them, or 3%, are held by women. Similarly, only 26 out of 795 CEOs are women.

New Zealand has the highest percentage of female chairs at 7.3% while China has the highest percentage of female CEOs at 5.6% (Fig. 5). It must be noted that these percentages correspond to relatively small numbers. Despite being the leaders in their respective categories, New Zealand only had 7 female chairs and China had just 4 female CEOs.

By contrast, there is no woman in either position in any of the top 100 companies in Japan; no company in India and South Korea has a woman as chair.

Fig. 5. Female board leadership

Female Chairs Female CEOs



Women often in independent role

With the growing number of women on boards in Asia Pacific, it is interesting to look at the types of directorship they hold. The structure of boards, in terms of independent, executive and non-executive directors, varies substantially across countries in the Asia Pacific.

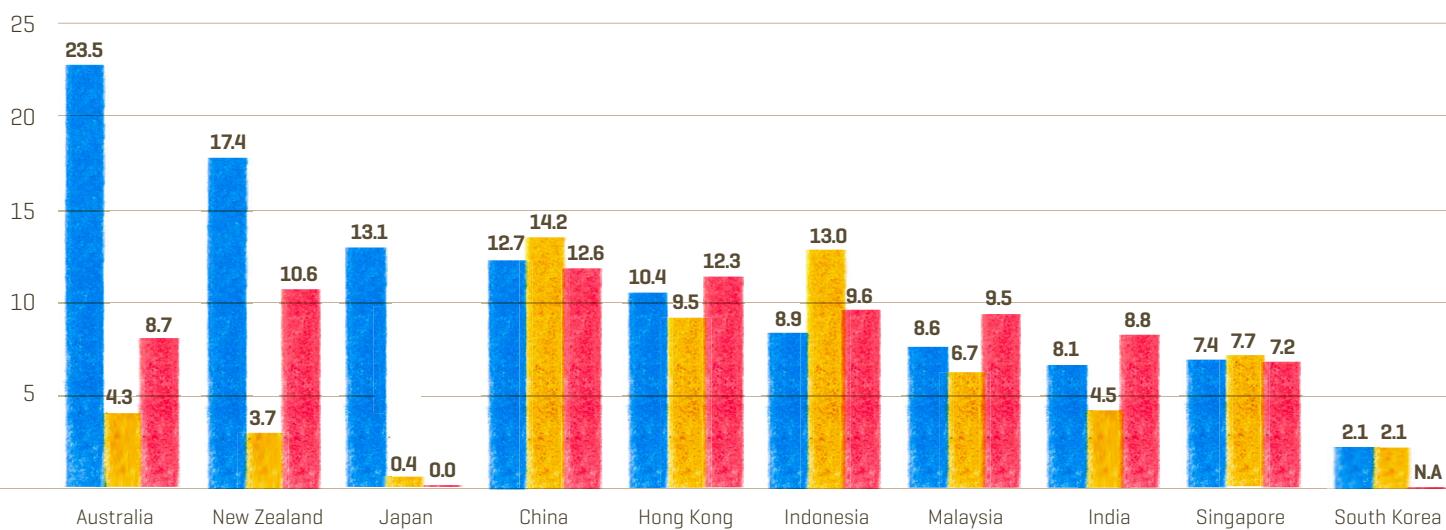
We found that the majority of women serve as independent directors. Out of 10,186 board positions in our study sample, 4,308 of them, or 42.3%, are independent. Of these 4,308 independent directors, 488, or 11.5%, are women.

Australia, Japan, and New Zealand have a particularly strong percentage of women in the independent director category. It is worth noting that companies in Australia and New Zealand predominantly feature independent directors on their boards i.e. most directors are independent with the exception of the CEO (and sometimes, the CFO). In Australia, out of 140 executive directors, only 6 are female. South Korean companies, on the other hand, do not have the role of non-executive director at all [Fig. 6].

Fig. 6. Types of directorship held by women

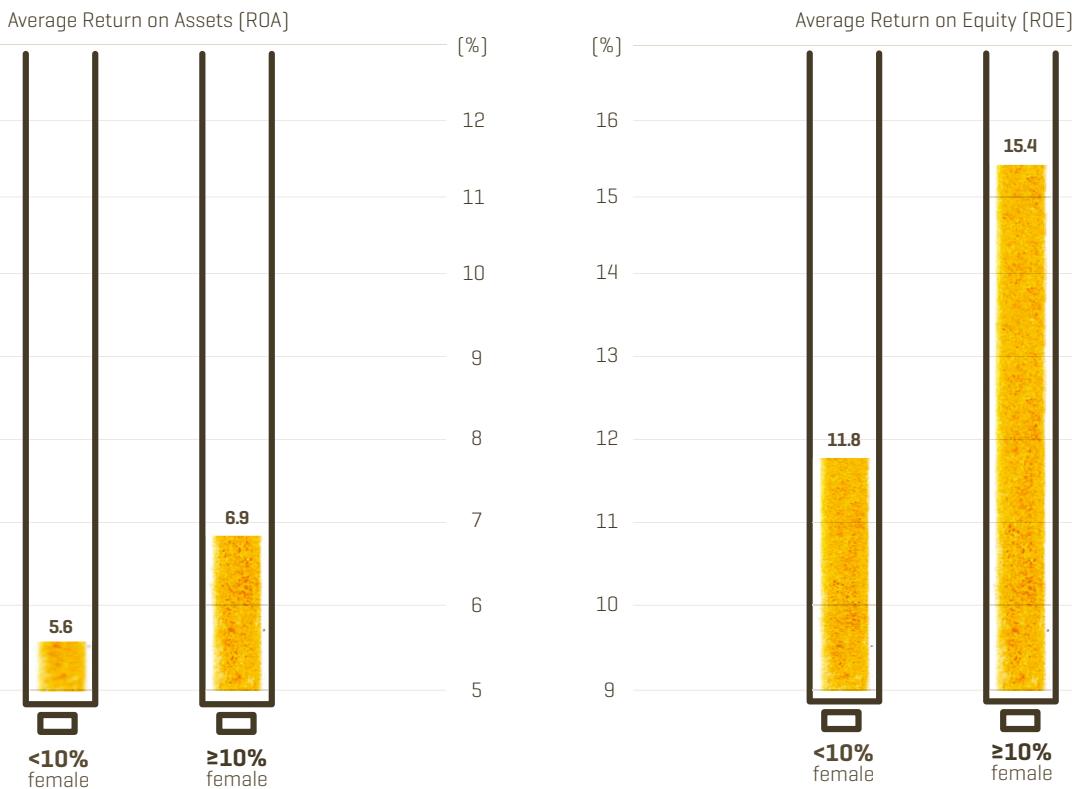
■ Independent Director ■ Executive Director ■ Non-Executive Director

[%]



Gender Diversity and Performance

Fig. 7. Gender diversity and performance in Asia Pacific



Gender diversity pays

We studied gender diversity indicators and the company's performance – in terms of Return on Asset [ROA] and Return on Equity [ROE] — to determine the correlation, if any, between the two. Based on the FY2013 financial indicators, the 1000 companies show an average ROA of 6.2% and ROE of 13.3%.

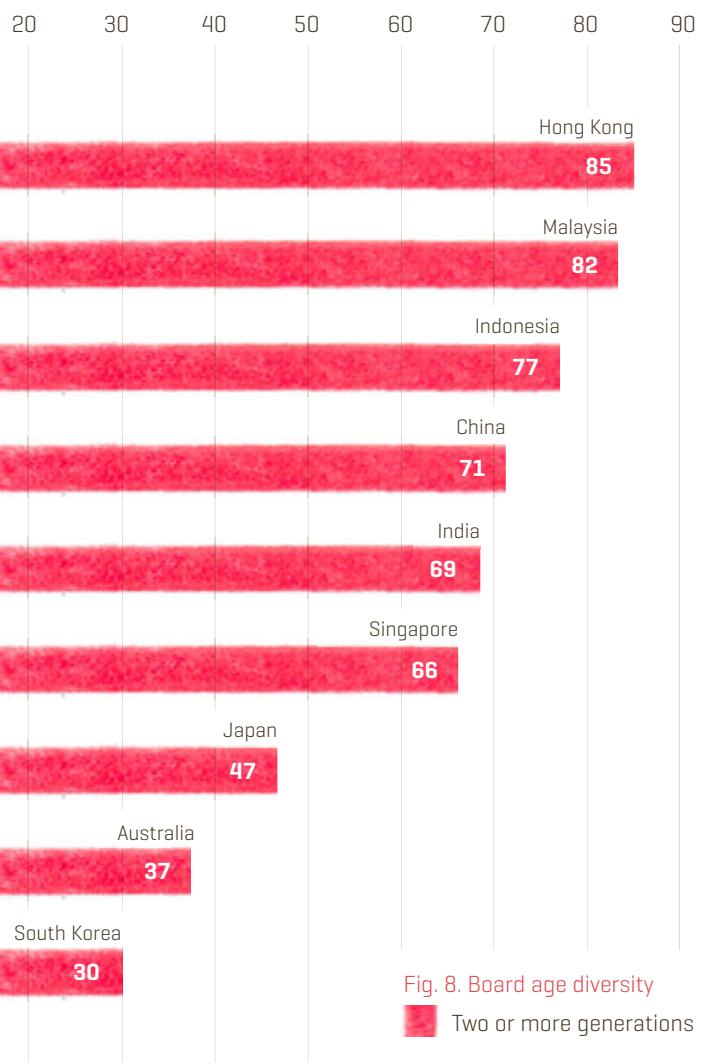
We compared the average performance of companies that have at least 10% female directors with those that have a lower proportion [less than 10% female directors].

Boards with at least 10% female directors have an average ROA and ROE of 6.9% and 15.4% respectively. Boards with less than 10% female representation show weaker results with ROA at 5.6% and ROE at 11.8% [Fig. 7].

We ran the analysis measuring performance in terms of ROE on these ten economies and they show similar results with the exception of Malaysia [Table 1]. We also ran the analysis in terms of ROA and the results were similar.

Table 1: Gender diversity and performance

	≥10% Female [ROE]	<10% Female [ROE]	Difference
Japan	13.7%	7.8%	5.9%
Indonesia	21.2%	16.1%	5.1%
China	18.6%	14.0%	4.6%
Hong Kong	18.8%	15.3%	3.5%
New Zealand	9.8%	6.4%	3.4%
Singapore	15.5%	13.1%	2.4%
South Korea	7.4%	5.1%	2.3%
Australia	14.2%	12.7%	1.5%
India	16.0%	15.6%	0.4%
Malaysia	14.8%	17.1%	-2.3%
Total Average	15.4%	11.8%	3.6%



Age diversity

In order to determine age diversity, we looked at the generations represented on a board. If the age gap between the oldest and the youngest director was less than 20 years, we classified the board as single-generation; if the gap was between 20 and 39 years, as a two-generation board; and if the gap was more than 40 years, as a three-generation board.

We found Hong Kong and Malaysia to be the most age-diverse; a little over 80% of boards in each country include at least two generations [Fig. 8]. By contrast, more than half the top companies in Australia, Japan, and South Korea have single-generation boards. New Zealand was excluded from this analysis, as companies there typically do not disclose the age of their directors.

Other Types of Diversity

While gender has attracted the most attention, a range of other factors has a bearing on diversity. In this study, we also considered age and academic background. People from different generations have different life experiences; education also plays a crucial role in shaping talent. A well-diversified board leverages on the value and contributions that these individual differences can bring in terms of presenting different perspectives to business issues, communicating with various stakeholders, and improving work culture and overall company performance.

Fig. 9. Field of study⁵



Academic background

Diversity of academic backgrounds matter because companies need various skills and types of knowledge to gain a competitive edge. The educational background is a key factor in shaping talent.

Overall, boards in Asia Pacific are not particularly diverse when it comes to qualifications. Not surprisingly, business degrees dominate, followed by science and engineering degrees [Fig. 9]. There are significantly fewer directors trained in the arts in the economies we studied.

⁵ See description of academic discipline classification in Annex B



Highlights from Asia Pacific Markets

Culture, demographics and regulation all have a major influence on board diversity.

Our study of each country yielded a better understanding of the extent of that influence and helped us identify the top companies with the best practices in that market. Such companies can serve as role models or partners in the push to improve board diversity.

Australia

The country has made substantial progress in promoting the participation of women in the workplace through various measures.

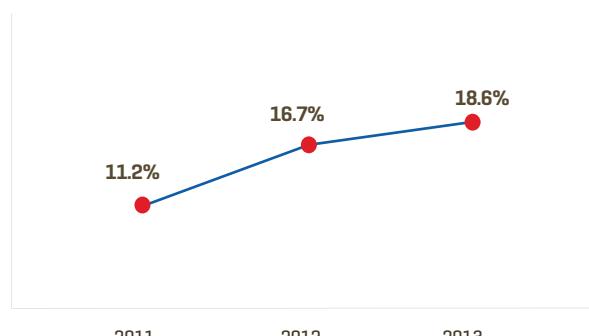
In 2010, ASX's corporate governance council set out a recommendation requiring listed companies to disclose how they fared in meeting gender diversity objectives set by the boards. The new reporting rules required entities to report on their compliance on an 'if not, why not' basis. The result was an immediate jump in the number of board seats offered to women. According to the Australian Institute of Company Directors, boardroom seats offered to women went from just 10 in 2009 to 56 in 2010⁶.

This has helped boost female proportion on Australian boards from 11.2% in 2011 to 18.6% in 2013, the highest in the region. However, growth slowed from 5.5% in 2012 to just 1.9% in 2013.

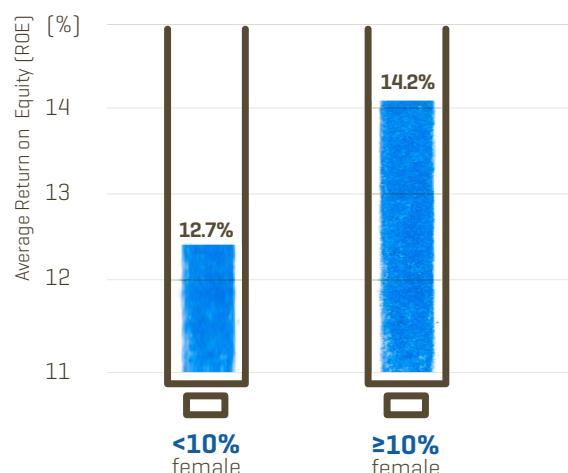
Furthermore, our study also revealed that only 6 female directors are holding executive roles out of a total of 140 executive directors, with only 4 female CEOs. While the number of female independent directors is high, the number of female CEOs is not.

In addition to this, a government-led initiative called The Male Champions of Change asks influential male CEOs to advocate for more women in leadership positions and acceleration of the process to improve gender diversity at senior levels.

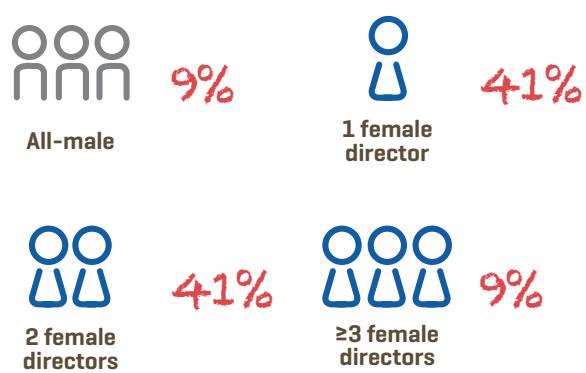
Female proportion on Australia's boards [2011–2013]



Gender diversity associated with higher firm performance

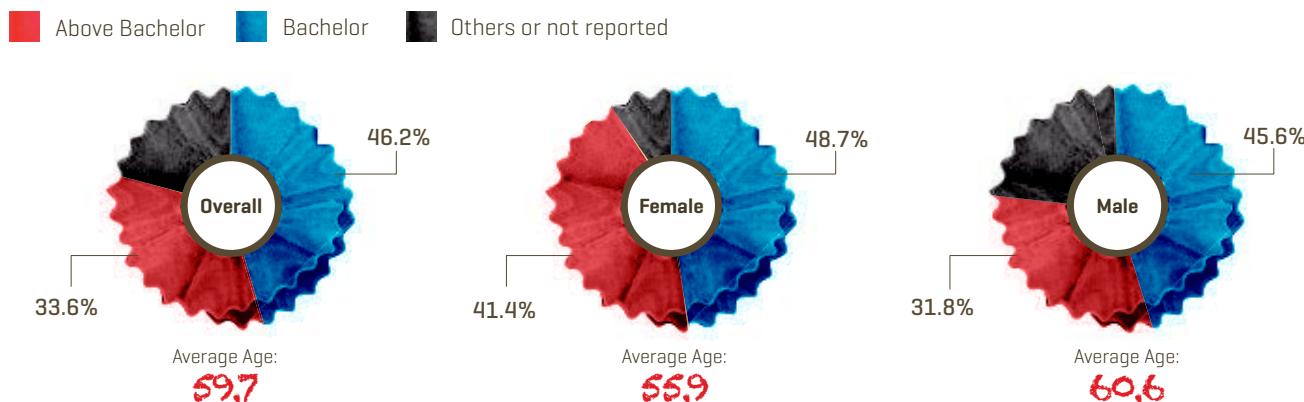


A few all-male boards but gender-balanced boards still rare

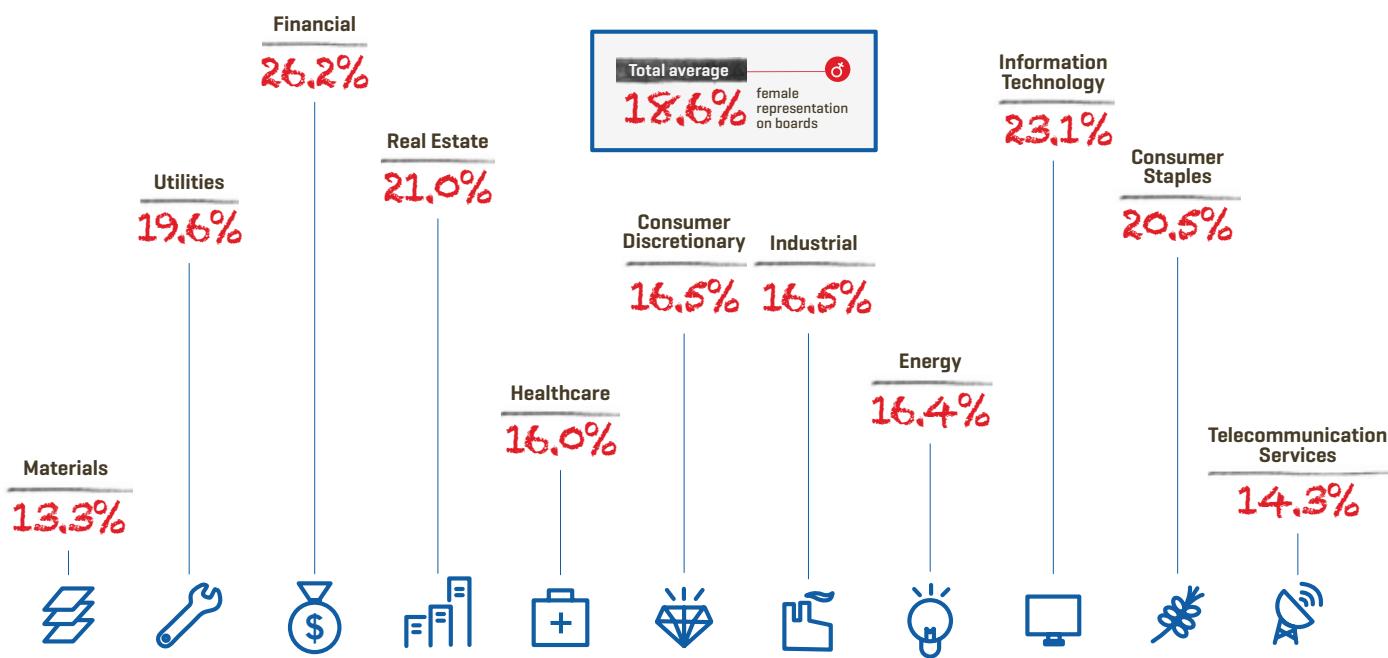


⁶ Retrieved from <http://www.companydirectors.com.au/Director-Resource-Centre/Governance-and-Director-Issues/Board-Diversity/Statistics>

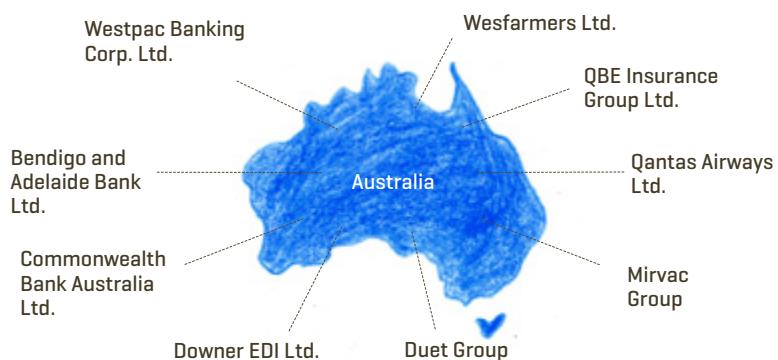
Age and education of directors



Financial sector leads in gender diversity



Nine Australian companies had **at least three female directors** on their boards at the time of the research⁷. They are:



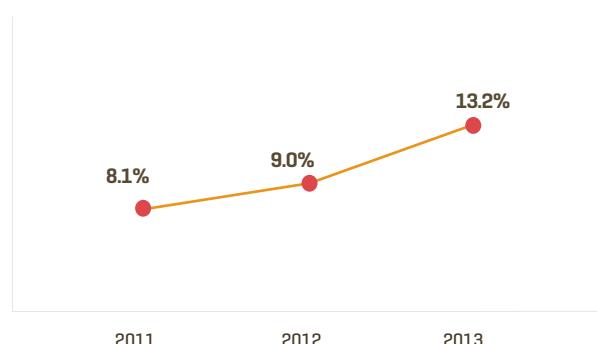
⁷ Based on annual reports of the top 100 companies in FY2012/13

China

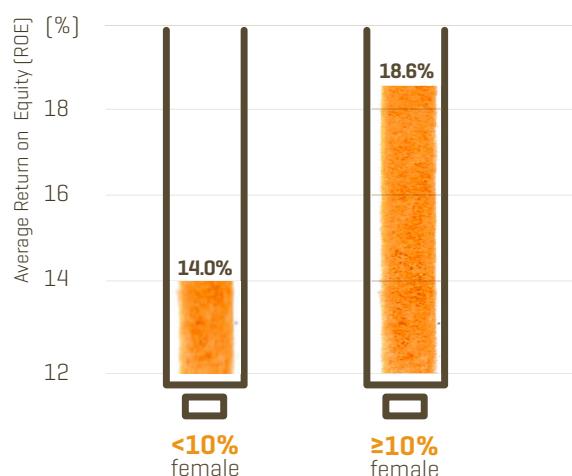
There was a sharp rise in female proportion on boards in China, with women occupying 165 board positions in 2013 compared to 105 positions in 2012. Companies in China have also appointed more female directors in executive roles. These changes reflect a more inclusive business environment which embraces gender diversity.

China's corporate governance code however does not consider gender an important criterion for board candidates.

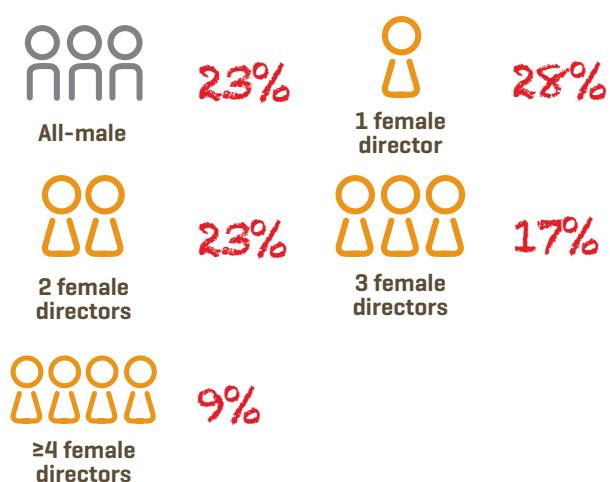
Female proportion on China's boards (2011–2013)



Gender diversity associated with higher firm performance

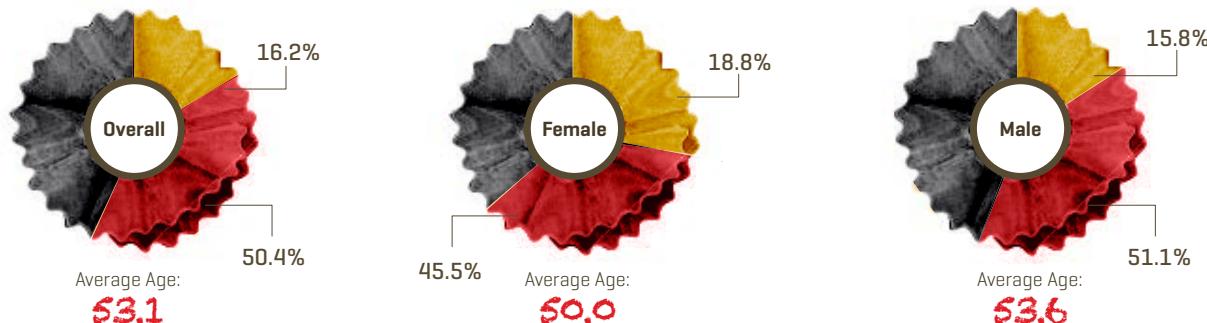


All-male boards declining

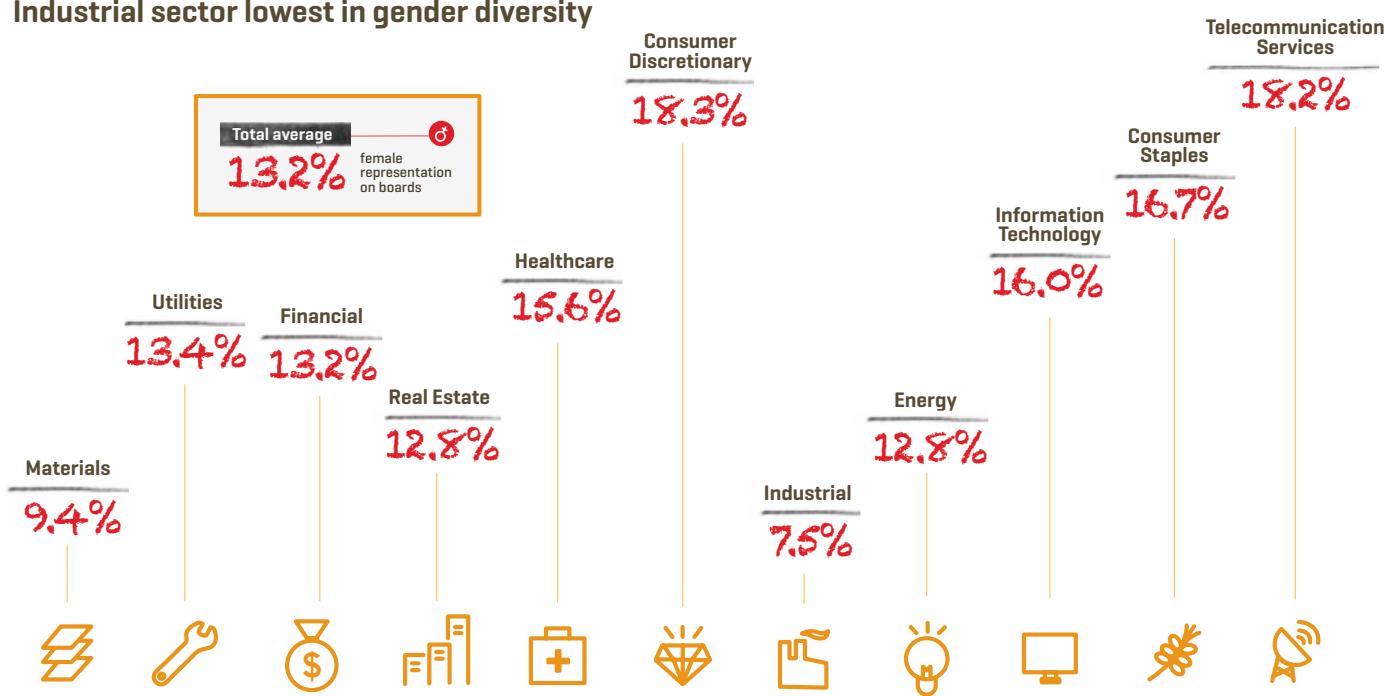


Age and education of directors

Above Bachelor Bachelor Others or not reported



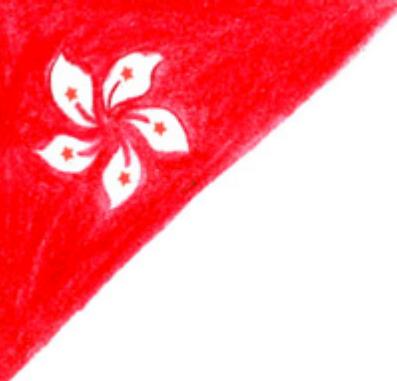
Industrial sector lowest in gender diversity



Nine Chinese companies had **at least four women** on their boards at the time of the research⁸. They are:



⁸ Based on annual reports of the top 100 companies in FY2012/13

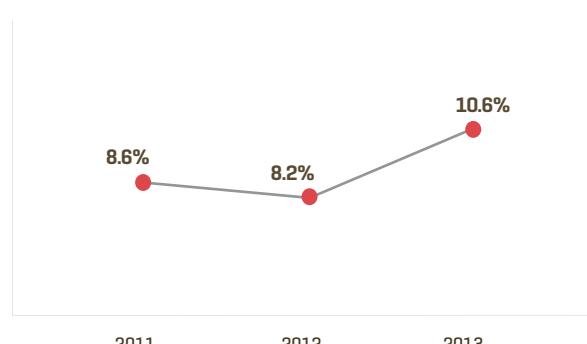


Hong Kong

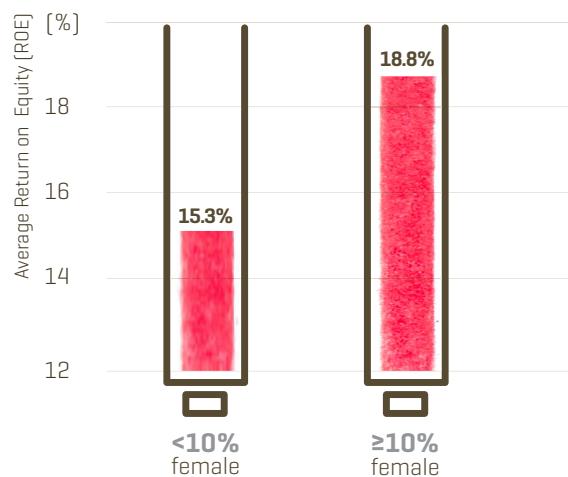
In September 2013, the Corporate Governance Code of Hong Kong was expanded to include a rule that all companies should have a policy to ensure a diverse board and should disclose the policy or a summary of it in their corporate governance report. Companies also had to set measurable objectives and disclose their progress in achieving these goals.

Other regulatory measures include the Gender Mainstreaming Checklist, introduced in 2002 to help government officials take into account the needs and perspectives of both men and women when formulating policies, rules and programmes. As of March 2012, the checklist had been applied to 43 policies and programme areas, including reviews of government committees.

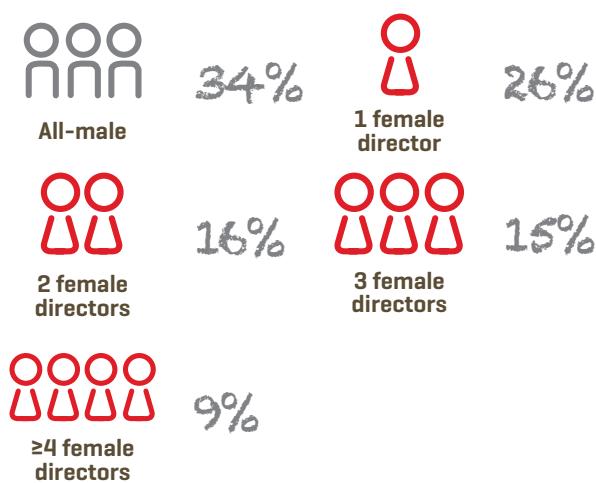
Female proportion on Hong Kong's boards (2011–2013)



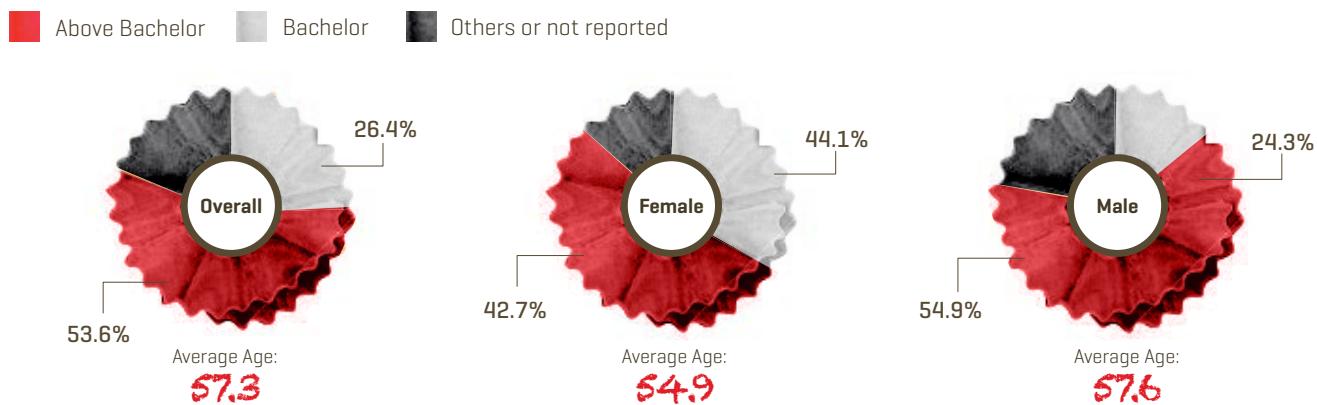
Gender diversity associated with higher firm performance



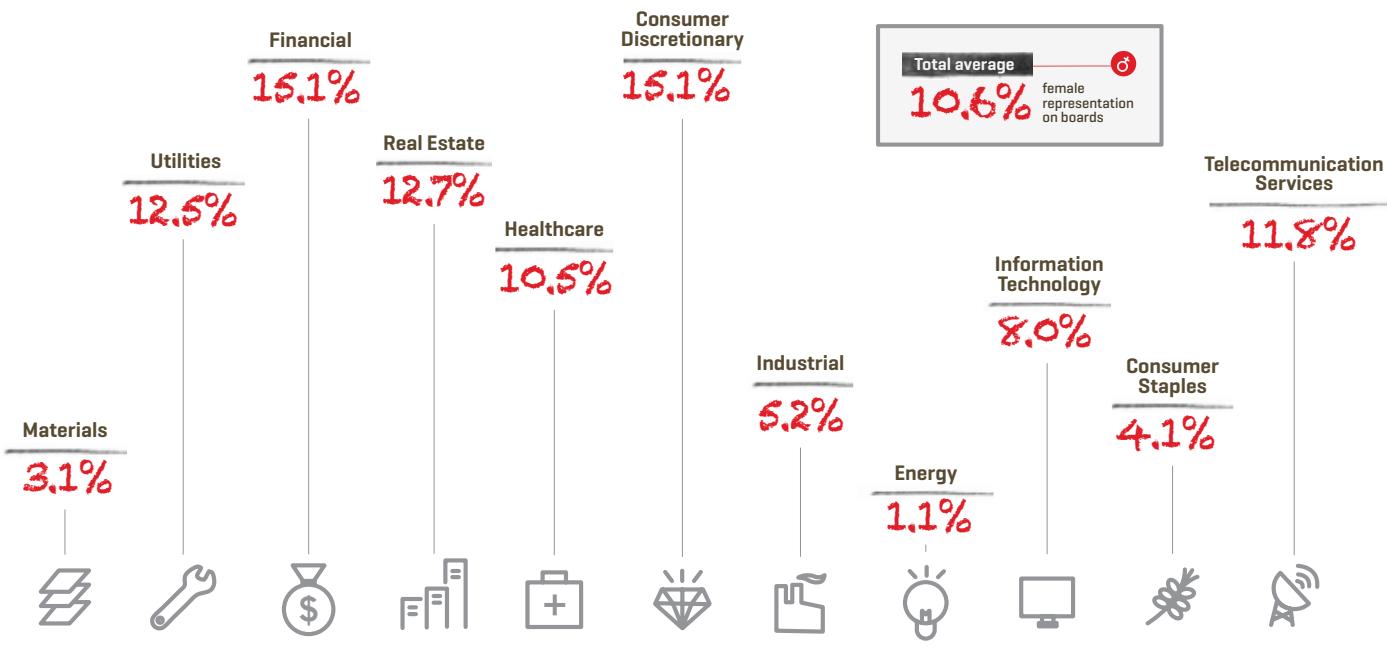
All-male boards declining



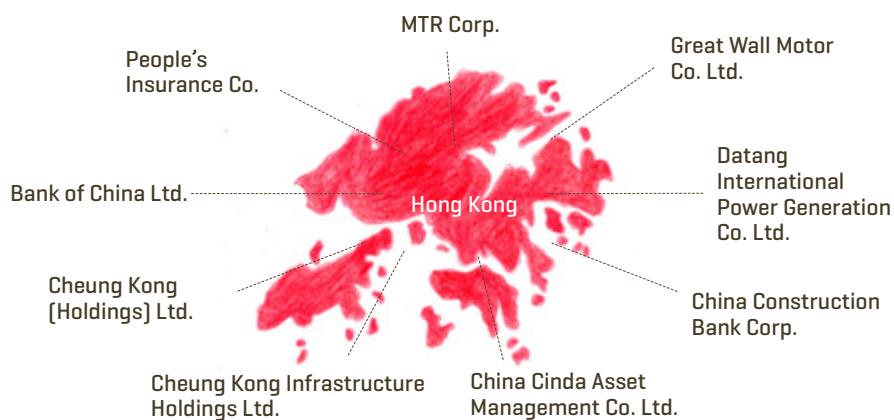
Age and education of directors



Financial and consumer discretionary sectors lead in gender diversity



Nine listed companies in Hong Kong had **at least four women** on their boards at the time of the research⁹. They are:



⁹ Based on annual reports of the top 100 companies in FY2012/13



India

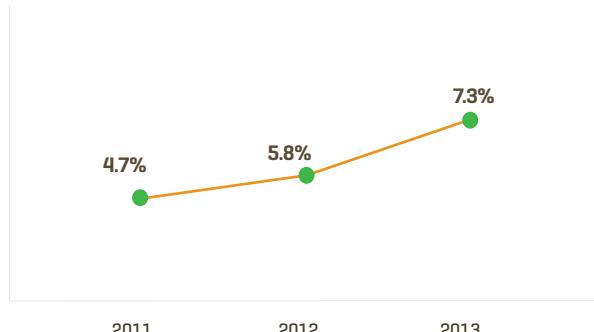
Amendments to the Companies Act in 2013 fuelled an increase in female directors on boards in India. The new rule requires companies to have at least one female director on their boards within one to three years based on their size. As a result, the percentage of women on the boards of the top 100 companies improved from 5.8% in 2012 to 7.3% in 2013. Despite this, all-male boards stood at 44% at the time of this study.

While it is debatable whether the presence of just one woman on a board is sufficient, the change in legislation represented a bold move and a clear signal that all-male boards were no longer acceptable. We will probably see a further decline in all-male boards in the near future.

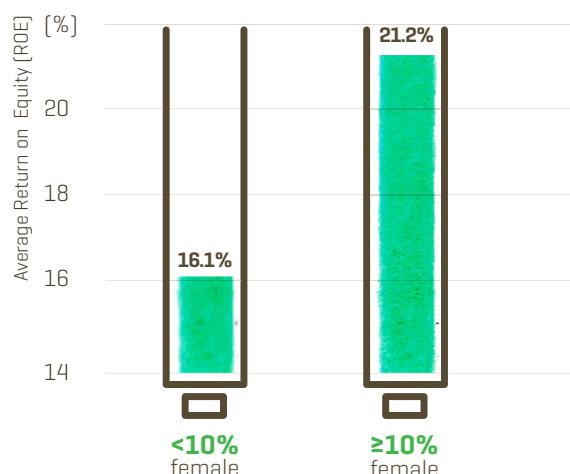
The increase in women's representation following the new Act shows that regulation can be an effective tool in increasing gender diversity on boards. One of the main concerns

given India's many family-held businesses was that some companies would pay lip service to the new rule by nominating women who are family members for board positions. However, a closer look at the roles of female directors shows that 59% of female directors have independent status. This suggests that companies have actively searched outside the company to find the best candidates to fill the top positions.

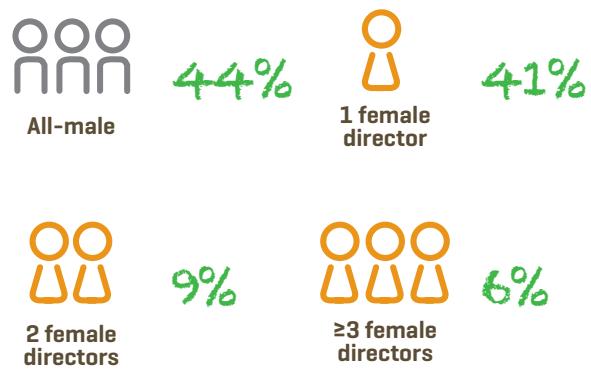
Female proportion on India's boards (2011–2013)



Gender diversity associated with higher firm performance

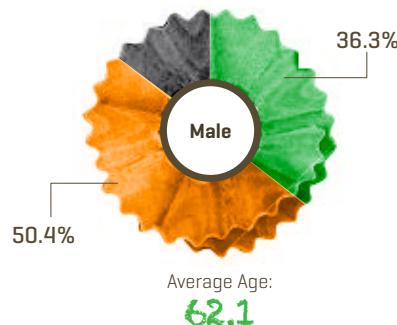
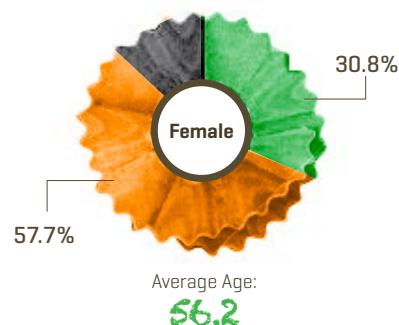
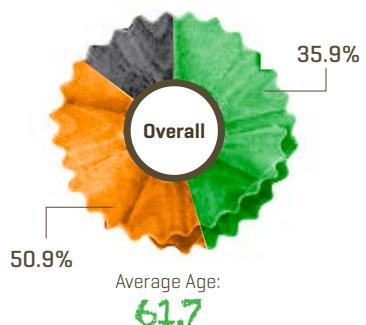


All-male boards still relatively high

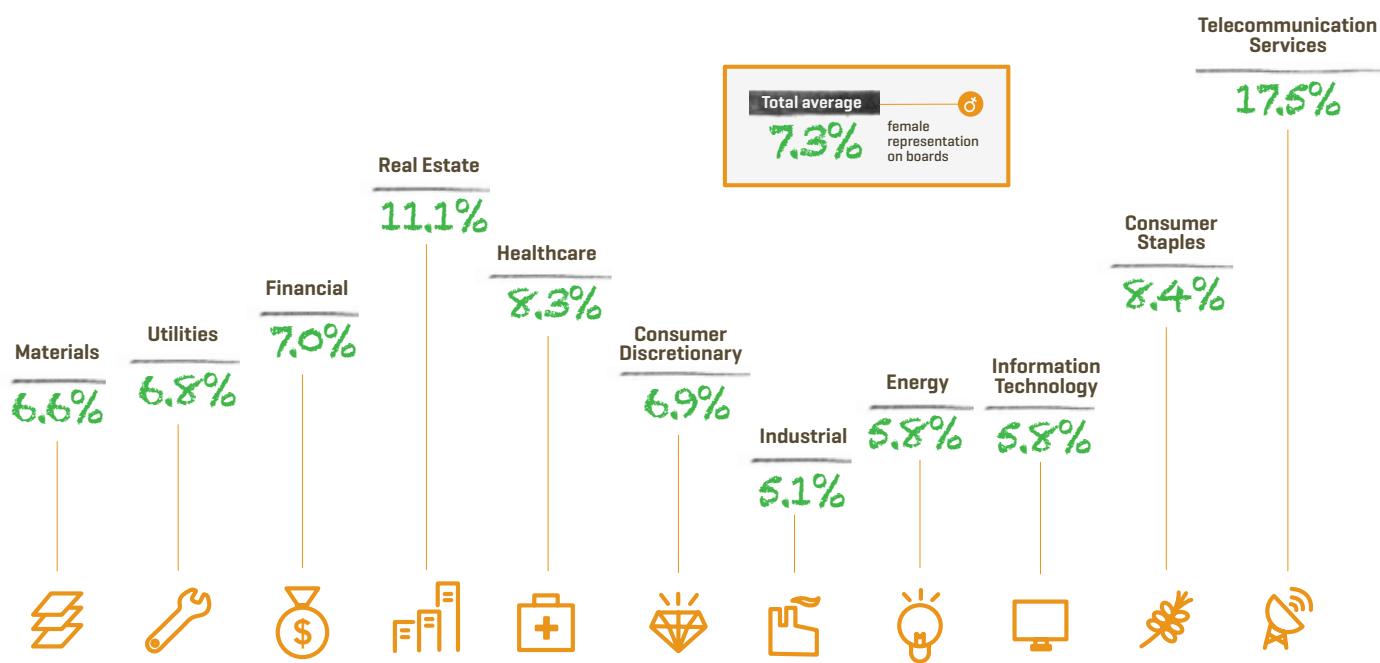


Age and education of directors

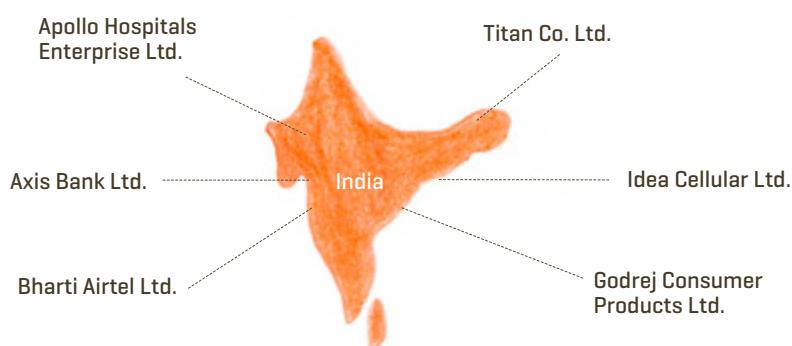
Above Bachelor Bachelor Others or not reported



Industrial sector lowest in gender diversity



Six companies in India had **at least three female directors** present on their boards at the time of the research¹⁰. They are:



¹⁰ Based on annual reports of the top 100 companies in FY2012/13

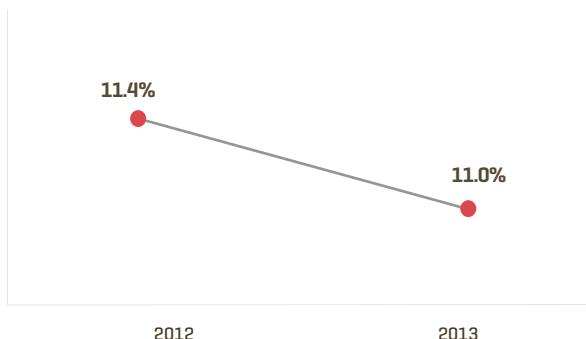
Indonesia

Despite the absence of policies or regulation to increase female representation, women occupy 11% of board seats in Indonesia. While this figure is much lower than that of Australia and New Zealand, it is higher than other Asian economies and second only to China. In other words, Indonesia has the fourth highest percentage of women on boards in the Asia Pacific region.

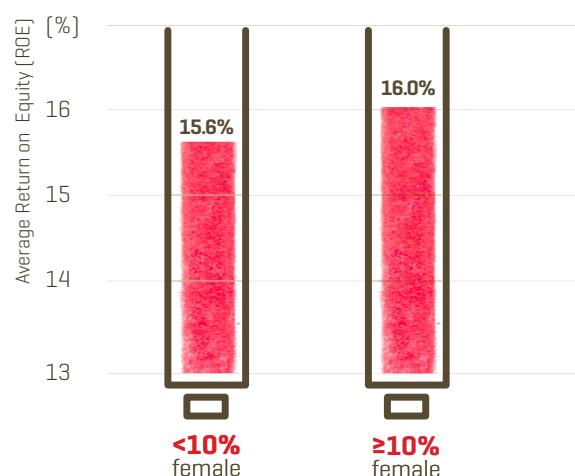
Indonesian company boards have a two-tier structure, which includes a board of commissioners and a board of directors. As stated in Indonesia's Code of Good Corporate Governance 2006, the board of commissioners is responsible for overseeing and advising the board of directors. Responsibility for

management of the company falls to the board of directors. Both sets of board members were taken into account for the purpose of this analysis.

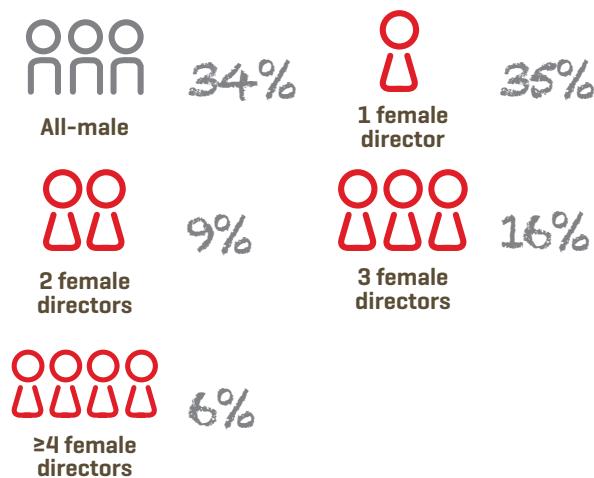
Female proportion on Indonesia's boards (2012–2013)



Gender diversity associated with higher firm performance

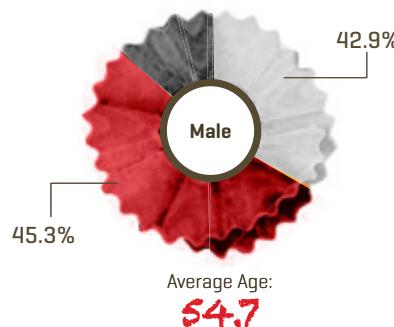
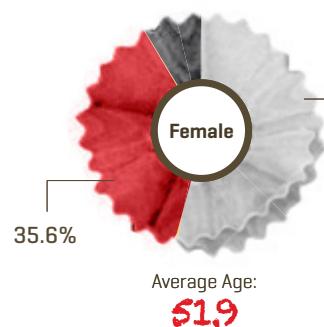
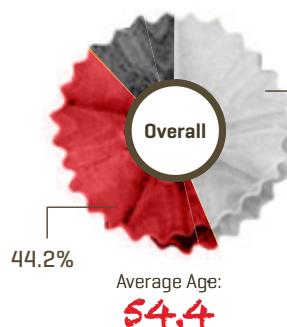


All-male boards increased

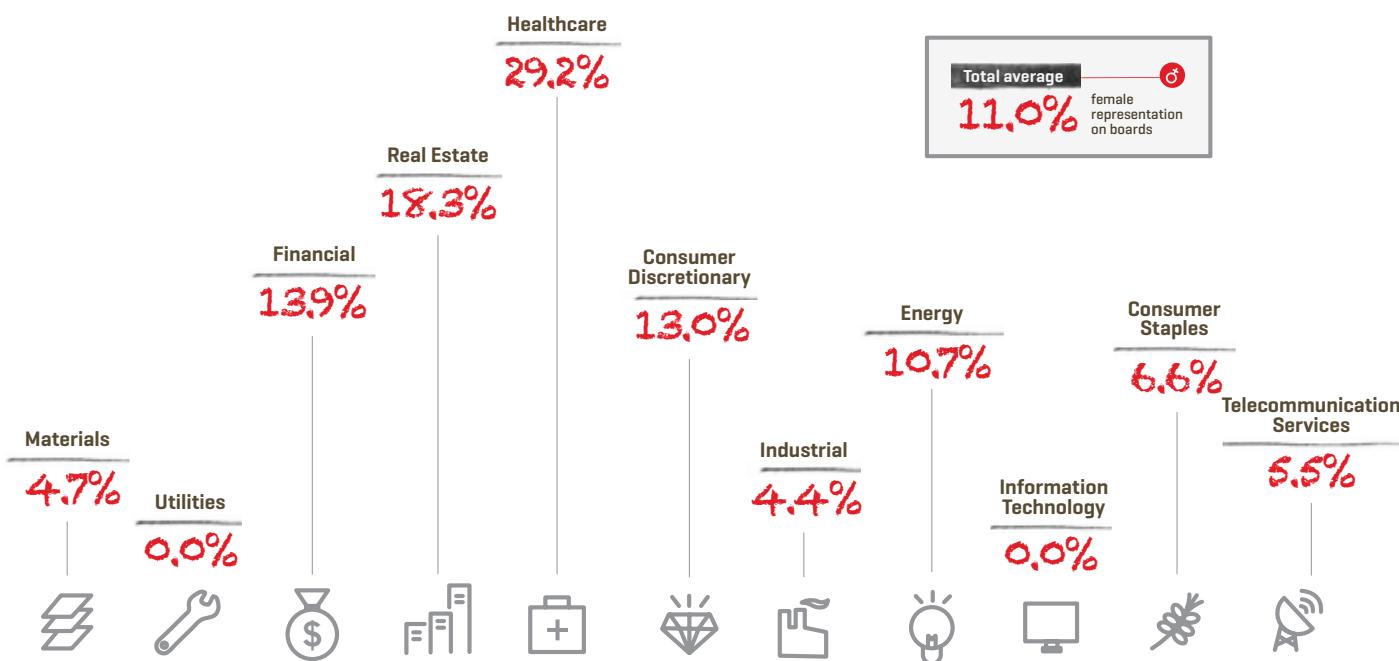


Age and education of directors

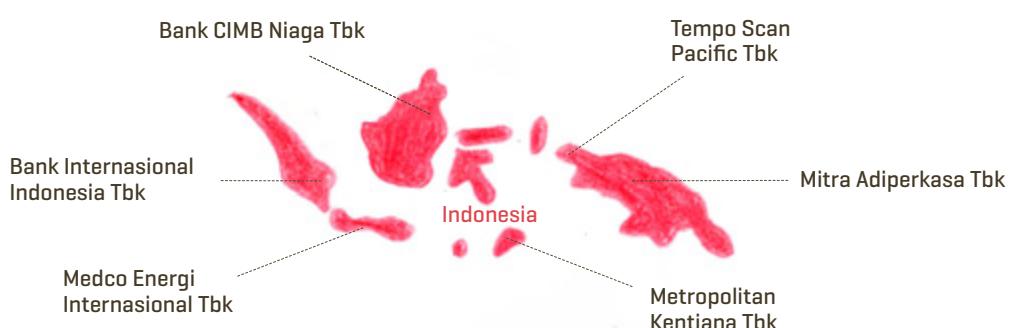
Above Bachelor Bachelor Others or not reported



Healthcare sector leads in gender diversity



Six companies in Indonesia had **at least four female** on their boards at the time of the research¹¹. They are:



¹¹ Based on annual reports of the top 100 companies in FY2012/13

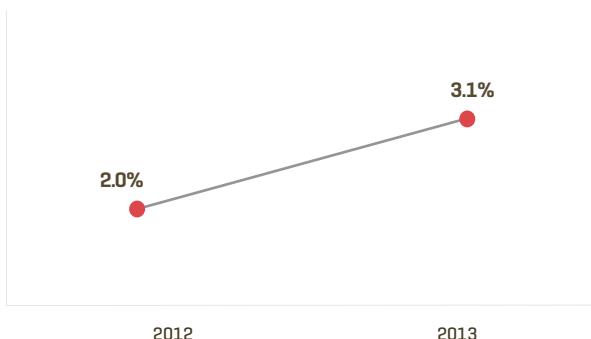
Japan

Japan saw an improvement in the percentage of women on the boards of the top 100 companies, going from 2.0% in 2012 to 3.1% in 2013. It has, thus, surpassed South Korea and is no longer at the bottom of the ranking. It is worth mentioning that the percentage of all-male boards has decreased 11% during the same period.

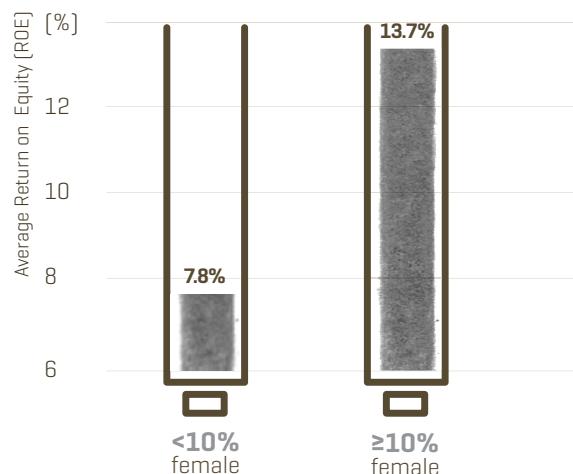
Nonetheless, women are still severely under-represented on the boards of top Japanese companies. Efforts have been made recently to address the under-representation of women in the workforce. In 2014, Prime Minister Shinzo Abe set a goal to raise the percentage of women in executive positions

from the current 10% to 30% by 2020. He also called for each Japanese company to have at least one women at the executive level¹².

Female proportion on Japan's boards (2012–2013)



Gender diversity associated with higher firm performance

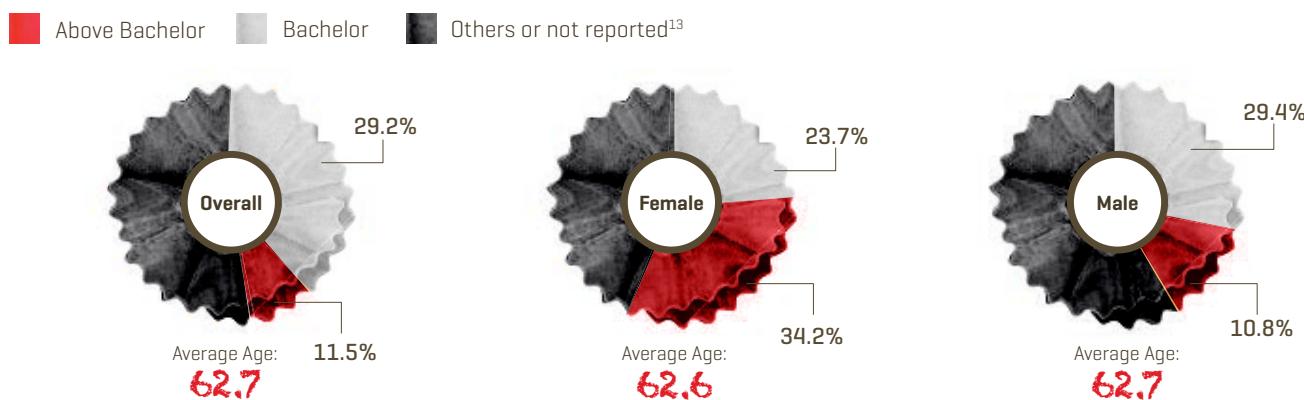


Commendable effort to decrease all-male boards

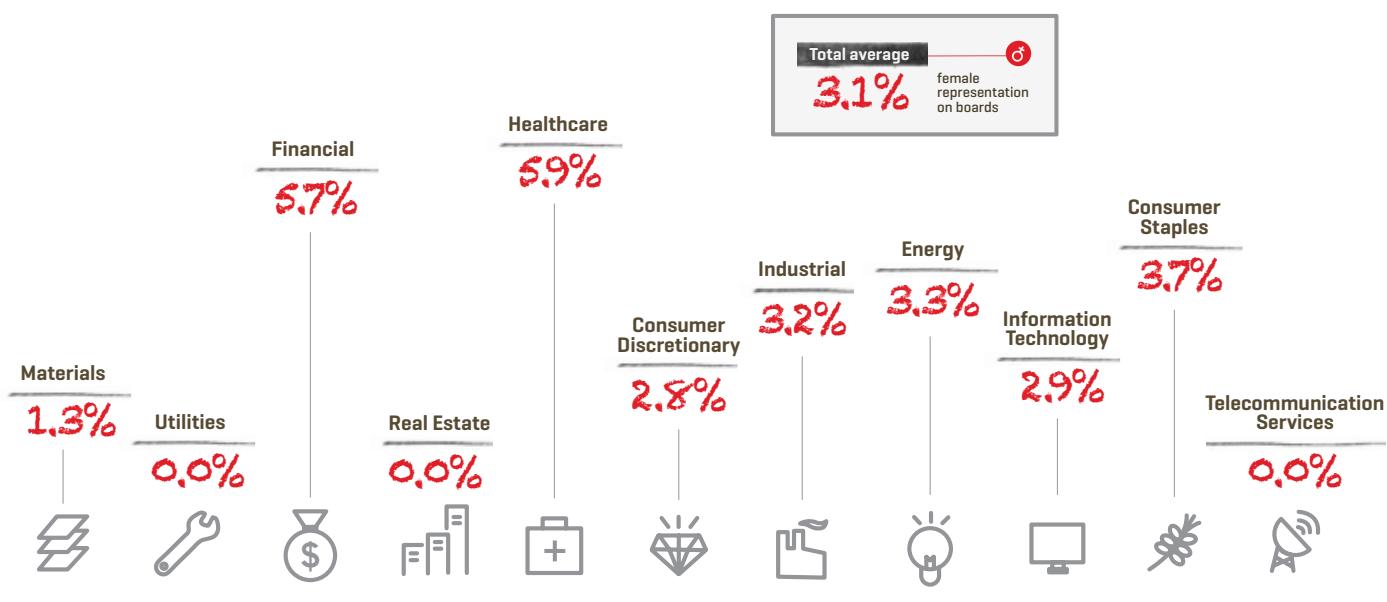


¹² Retrieved from <http://reuters.com/article/2014/07/17/us-Japan-women-nissan-idUSKBN0FM0V20140717>

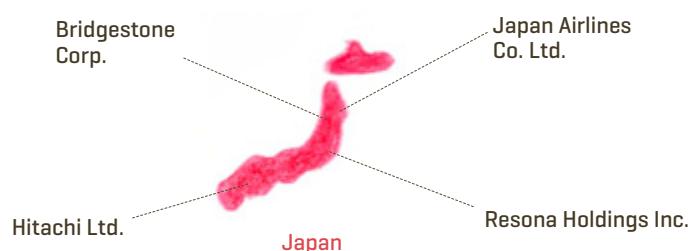
Age and education of directors



Healthcare and financial sectors lead in gender diversity



Four companies in Japan had **at least two female directors** on their boards at the time of the research¹⁴. They are:



¹³ Disclosure of board profile is not broadly followed in Japan.

¹⁴ Based on annual reports of the top 100 companies in FY2012/13

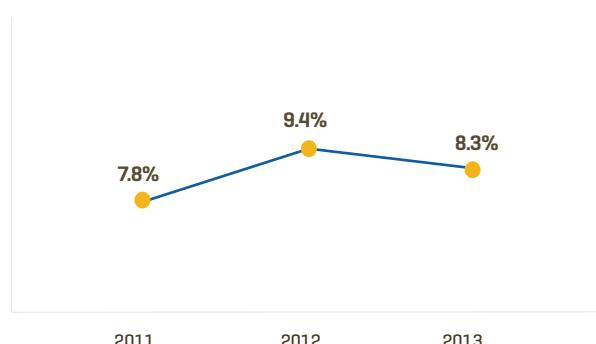
Malaysia

Malaysia is one of three economies that saw a decrease in the percentage of female directors and the only market to display lower firm performance when associated with having more women directors on their boards. Our study also shows that fewer women hold leadership positions on Malaysian boards.

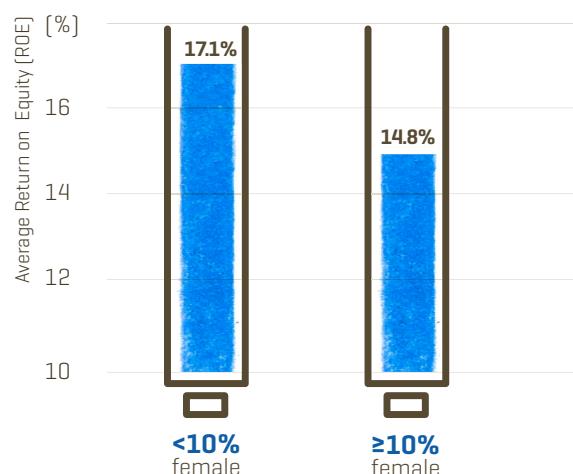
In 2011, the government approved a policy to ensure that women fill at least 30% of decision-making positions in private sector companies by 2016. Corporate governance guidelines state that companies should disclose gender diversity policies, targets, and the measures they take.

Yet, the proportion of female board members in the country fell by 1.1% to 8.3% in 2013.

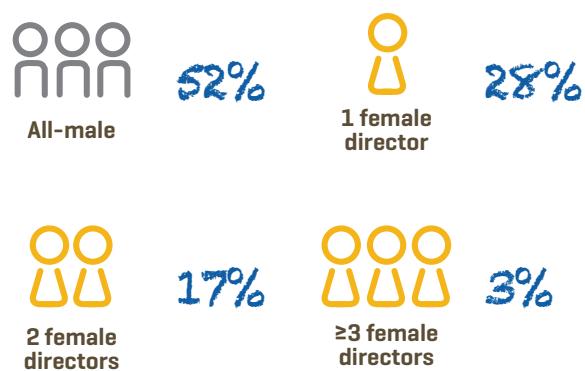
Female proportion on Malaysia's boards (2011–2013)



Gender diversity associated with lower firm performance

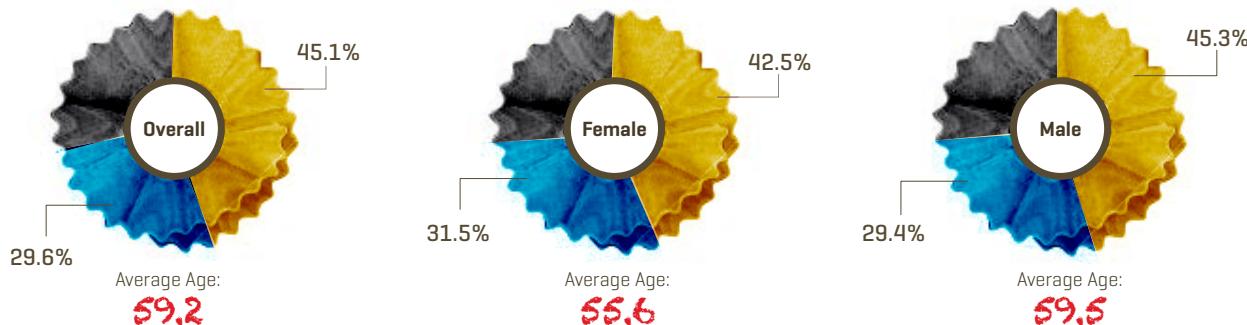


All-male boards still prevalent

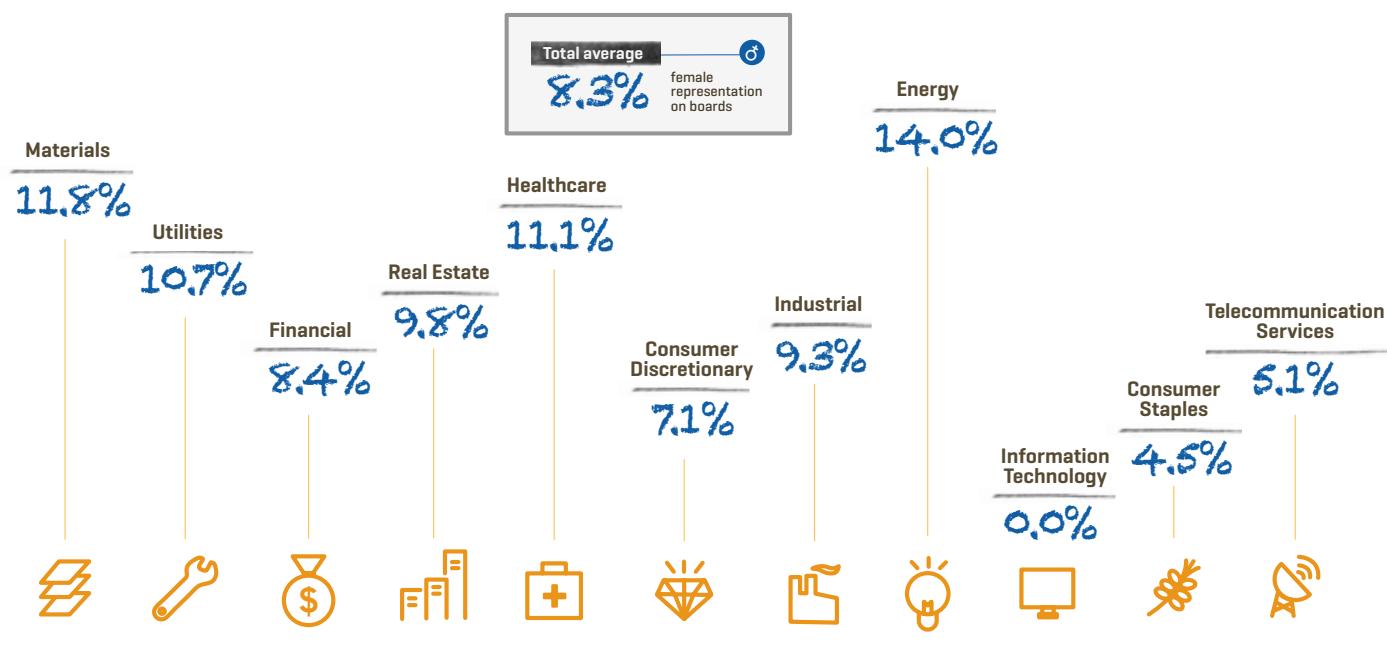


Age and education of directors

■ Above Bachelor ■ Bachelor ■ Others or not reported



Information technology and consumer staples sectors lowest in gender diversity



Three Malaysian companies had **at least three female directors** present on their boards at the time of the research¹⁵. They are:

Dialog Group Bhd.

Malaysia Airport Holdings Bhd.

Malaysia

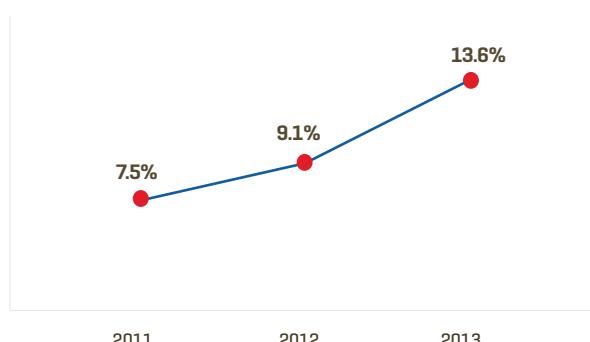
Oriental Holdings Bhd.

¹⁵ Based on annual reports of the top 100 companies in FY2012/13

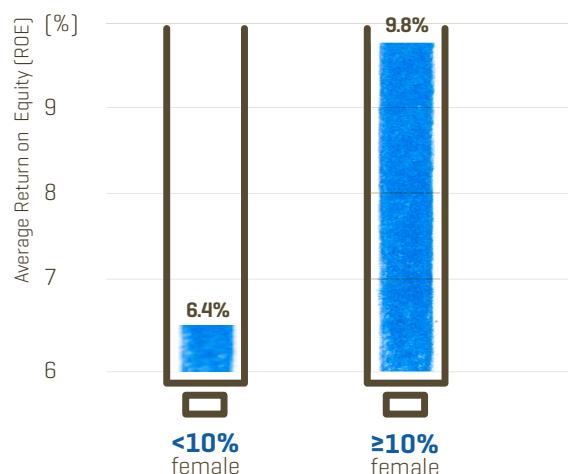
New Zealand

Although the number of women in senior management in New Zealand is still relatively low when compared to western countries based on the World Economic Forum's Global Gender Gap Report 2014¹⁶, the boards of the top 100 firms have seen major improvement in terms of gender diversity. Female proportion on boards is at 13.6% as compared to 9.1% previously. It must be mentioned that New Zealand has a relatively small business community and many companies here have small boards. The 4.5% increase from 2012 to 2013 corresponds to only 31 new female directors.

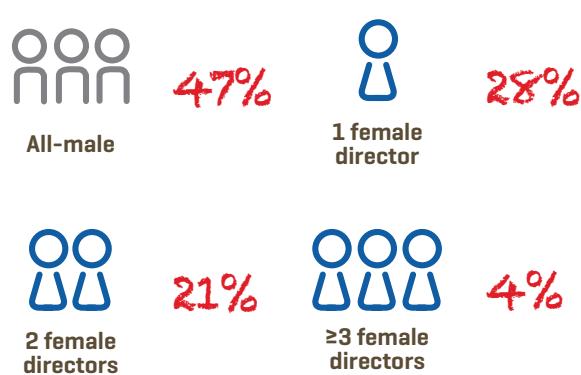
Female proportion on New Zealand's boards (2011–2013)



Gender diversity associated with higher firm performance

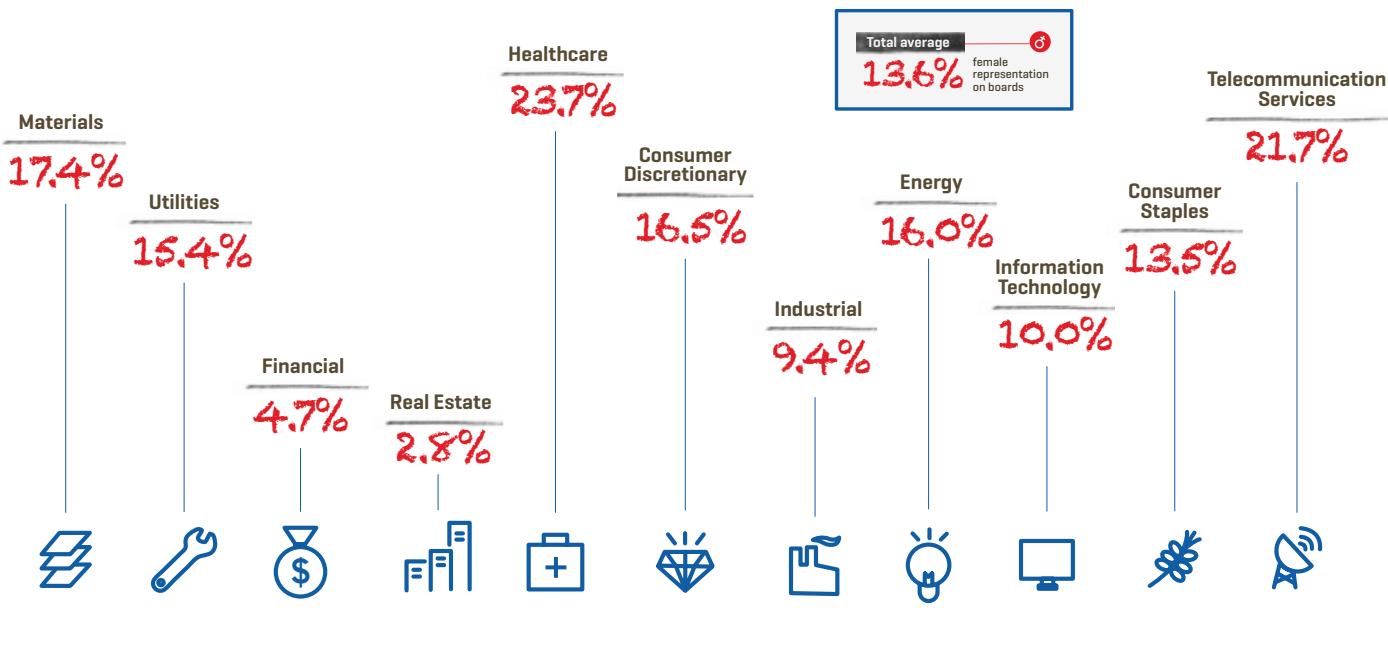


All-male boards still relatively high

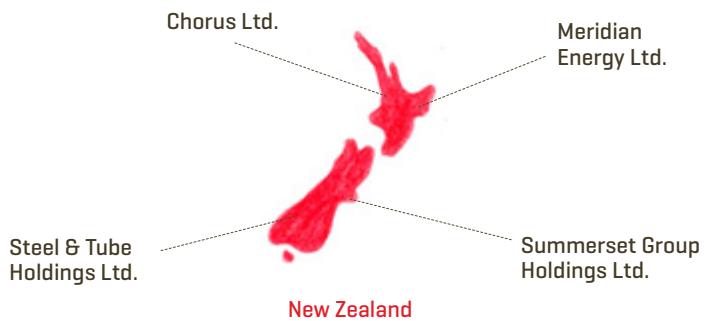


¹⁶ Retrieved from http://www3.weforum.org/docs/WEF_GenderGap_Report_2013.pdf

Real estate and financial sectors lowest in gender diversity



Four companies in New Zealand had **at least three female directors** at the time of the research¹⁷. They are:



¹⁷ Based on annual reports of the top 100 companies in FY2012/13

Singapore

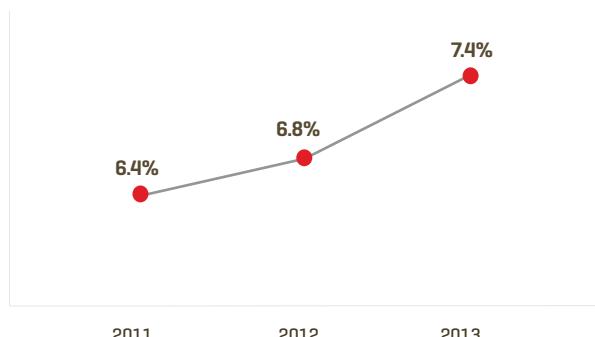
Singapore has seen a slight improvement in gender diversity. Women occupy 7.4% of board positions, up from 6.8% in 2012. The number of companies that have three or more female directors has also risen marginally. However, there is room for substantial improvement as the country is near the bottom, ranking seventh in our study and above only South Korea, Japan and India in terms of female representation.

Singapore has no mandatory measure to advocate more women in top jobs and the issue of whether or not to have quotas has been extensively debated in recent years.

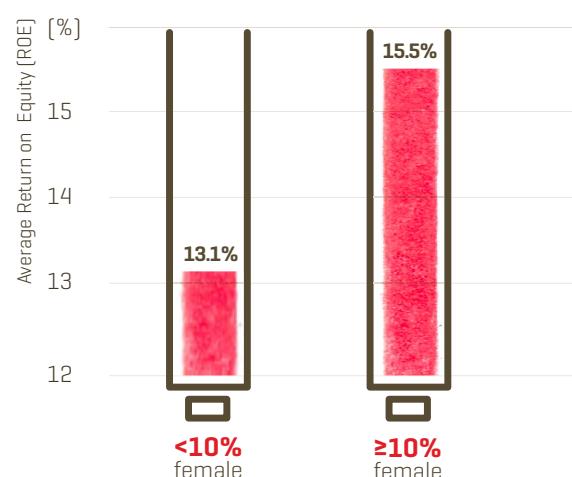
In May 2012, the Monetary Authority of Singapore, which regulates the Singapore Exchange, issued the revised Code of Corporate Governance which recommends companies to

disclose their gender policy in the boardroom. The new guidelines recommend that companies either comply or explain deviation, if any, in their annual reports. Between 2012 and 2013, the percentage of women went up by 0.6% on Singaporean boards.

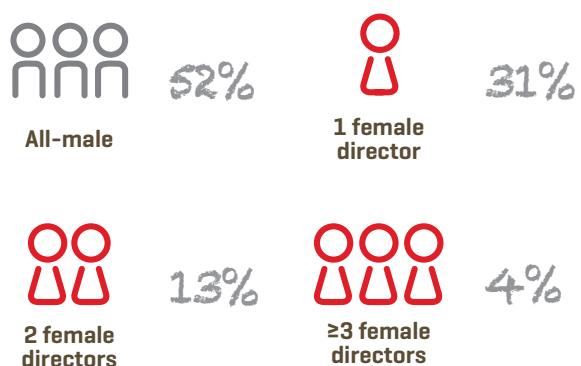
Female proportion on Singapore's boards [2011–2013]



Gender diversity associated with higher firm performance

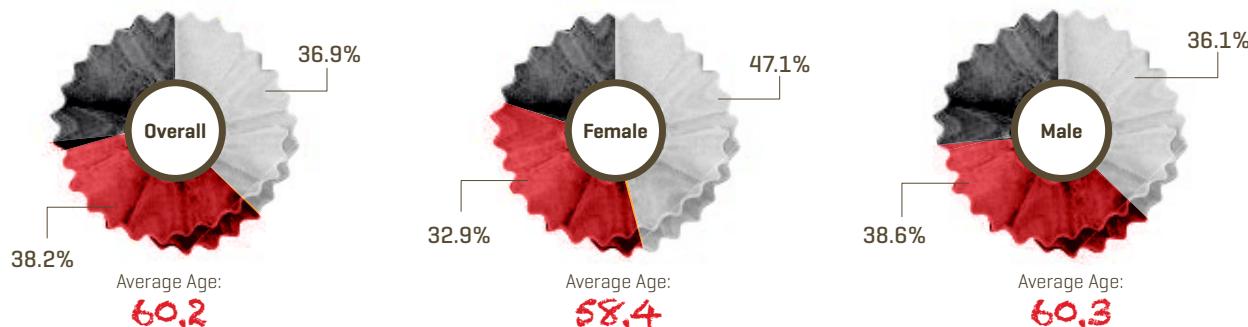


All-male boards still prevalent



Age and education of directors

█ Above Bachelor █ Bachelor █ Others or not reported



Information technology, energy and industrial sectors lowest in gender diversity

Materials

18.8%

Utilities

11.8%

Financial

7.8%

Real Estate

11.5%

Healthcare

7.4%

Consumer Discretionary

9.0%

Industrial

4.0%

Energy

2.3%

Information Technology

0.0%

Telecommunication Services

9.4%



Four companies in Singapore had **at least three female directors** at the time of the research¹⁸. They are:

Aspial Corp. Ltd.

Mewah International Inc.

Keppel Land Ltd.

Straits Trading Co. Ltd.

Singapore

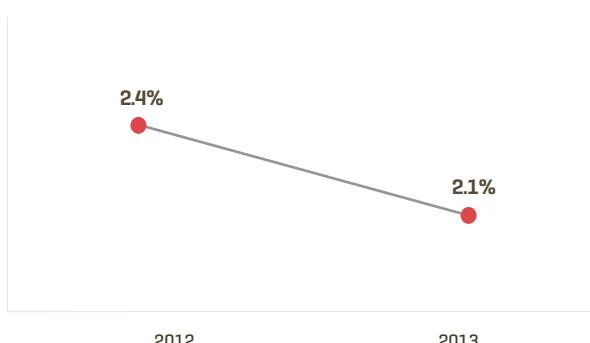
¹⁸ Based on annual reports of the top 100 companies in FY2012/13

South Korea

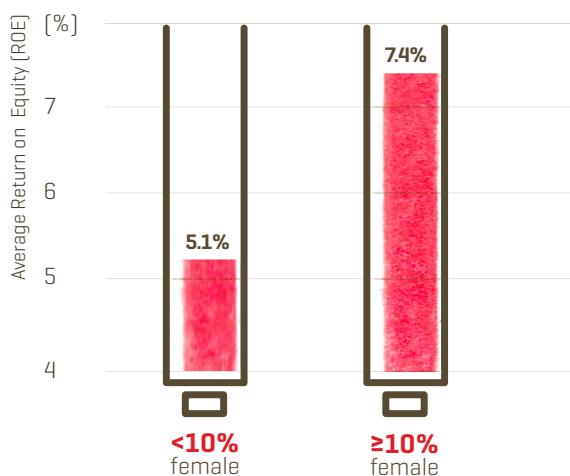
Despite its powerhouse companies, South Korea has the lowest percentage of women in board positions across the region. The average for all companies stands at 2.1%. Women account for 4% or less of boards in all sectors except telecommunication services, which has just three companies. In the industrial sector, which has the most number of companies, only one board seat is occupied by a woman.

With no foreseeable plans for any nationwide policies to promote the advancement of women in the workplace, it is up to companies to be more proactive in addressing the gender diversity imbalance.

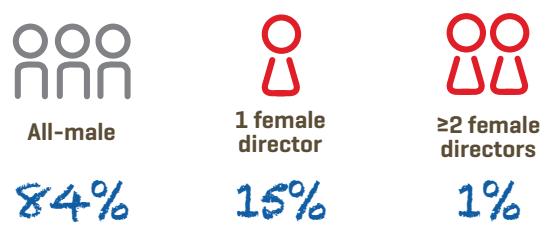
Female proportion on South Korea's boards [2012-2013]



Gender diversity associated with higher firm performance

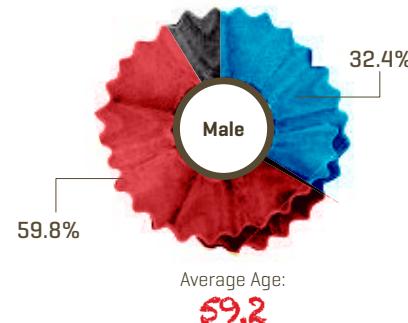
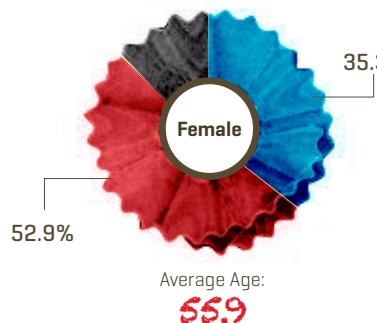
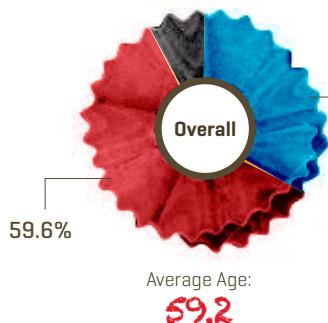


Percentage of all-male boards highest in Asia

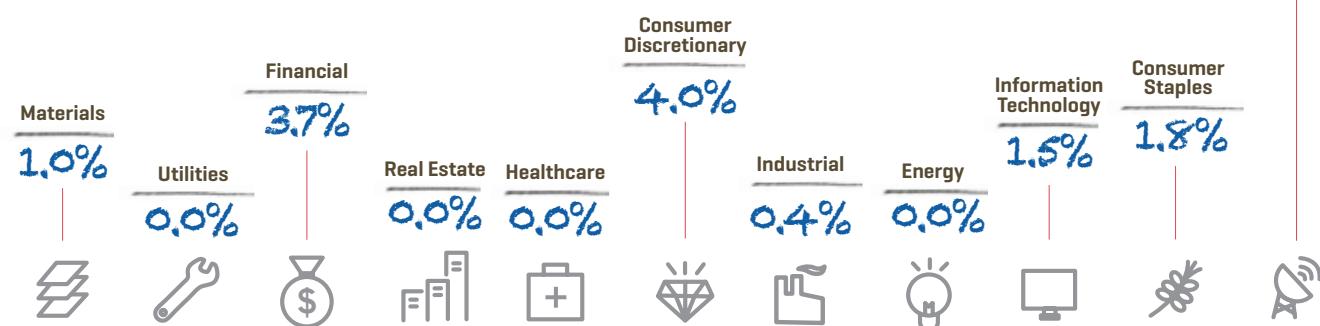


Age and education of directors

█ Above Bachelor █ Bachelor █ Others or not reported

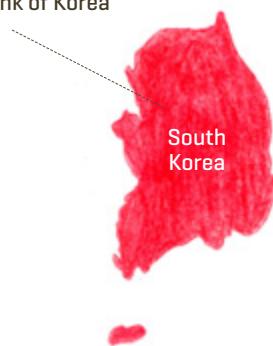


Telecommunication services sector leads in gender diversity



At the time of this research¹⁹, only one company, Industrial Bank of Korea, had **two female directors** on its board.

Industrial Bank of Korea



¹⁹ Based on annual reports of the top 100 companies in FY2012/13

Conclusion

It is evident from our study that board diversity, and gender diversity in particular, is becoming an important measure of corporate governance in many countries in Asia Pacific. The overall increase in the percentage of women occupying board seats and the decline in the number of all-male boards show that economies are making progress in tapping the talent of women.

However, the pace of change is slow and the corporate environment remains predominantly male. This is even more obvious at the leadership level – the proportion of women serving as CEOs and chairs of boards is negligible even in the developed economies.

The finding suggests that companies either do not have enough women in the talent pipeline to consider for top-level openings or that the preference for male leadership is still deeply entrenched or both.

While companies generally accept the need to improve the representation of women in their ranks, few have it as a target. Fewer still have an action plan in place, directly targeted at increasing diversity.

India is the latest country to have opted for quotas to boost female representation, with a law requiring every listed company to have at least one female director within one to three years, depending on the size of the company. The initial results are encouraging. The percentage of women on boards rose 1.5% in the space of one year.

Other countries with government-led initiatives or disclosure requirements set by stock exchanges or both have also shown improvement. Australia best illustrates this by having the highest proportion of women directors in the region. Between 2012 and 2013, the percentage of women

on boards in the country rose 1.9% to 18.6%. However, without penalties for non-compliance, the efficacy of governance guidelines will depend on the drive of top leadership in the company to effect change.

It is not surprising to note that South Korea, which has done little to push board diversity at the national or the stock exchange level, has fared the worst in our study.

We hope that the findings that women associated with better performance of the business will persuade more companies to take up the cause of greater gender diversity. Except in Malaysia, boards with a greater proportion of women delivered a better return on equity in our study.

Beyond gender, boards in the region also fared poorly on diversity in the educational qualifications of their directors. Companies did better in terms of age diversity but that could be due to the dominance of family businesses, which tend to have more than one member from the family on their boards, as well as the preference to look to a close-knit circle for director candidates.

Overall, there is need for a change in mind-set. As markets become increasingly global, a diverse board with complementary competencies provides a strategic advantage. In order to nurture a work culture that recognises diversity as an asset, it is important to start with leadership. The selection process needs to ensure sufficient attention is given to diversity, not only because it is good corporate governance, but also because it establishes best business practice.

When companies consciously utilise the benefits of diversity by encouraging multiple viewpoints on important issues, we will see greater growth and maturity in Asia Pacific economies.

Annex A: Classification of Industry Sectors

Sector	 Energy	 Materials	 Industrial	 Consumer Discretionary	 Consumer Staples
Definition	<p>Companies dealing with construction, provision of oil rigs, drilling equipment.</p> <p>Companies providing energy related services and equipment, including seismic data collection.</p> <p>Companies engaged in the exploration, production, marketing, refining or transportation of oil, gas, coal, and other fuel products.</p>	<p>Manufacturers of chemicals, construction materials, glass, paper, forest products and related packaging products, and metals, minerals and mining companies.</p>	<p>Manufacturers and distributors of capital goods, including aerospace and defence, building products, electrical equipment and machinery as well as companies that offer construction and engineering services.</p>	<p>Industries that tend to be the most sensitive to economic cycles in two areas:</p> <ul style="list-style-type: none"> Manufacturers of automotive, household durable goods, textiles and apparel and leisure equipment. Companies providing services, including hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services. 	<p>Companies whose businesses are less sensitive to economic cycles:</p> <ul style="list-style-type: none"> Manufacturers and distributors of food, beverages and tobacco, producers of non-durable household goods and personal products. This includes food and drug retailing companies, as well as hypermarkets and consumer super centres.
Sector	 Healthcare	 Financial	 Information Technology (I.T.)	 Telecommunication Services	 Utilities
Definition	<p>Manufacturers of healthcare equipment and supplies, or that provide healthcare-related services.</p> <p>Companies involved in research, development, production and marketing of pharmaceuticals and biotechnology products.</p>	<p>Companies involved in banking, mortgage finance, consumer finance, specialised finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment, and real estate [including REITs].</p>	<p>Companies that offer software and provide information technology consulting and services as well as data processing and outsourced services.</p> <p>Manufacturers and distributors of communications equipment, electronic equipment and related semiconductor equipment manufacturers.</p>	<p>Companies that provide communications services primarily through a fixed-line, cellular, wireless, high bandwidth and/or fibre-optic cable network.</p>	<p>Companies providing electric, gas or water utilities; or companies that operate as independent producers and/or distributors of power.</p>

*GICS classification is taken from http://www.msci.com/products/indexes/sector/usa_imi_sector_indexes/index.html

Annex B: Classification of Academic Disciplines

Accounting & Finance	Accounting / Banking / Finance
Arts	Liberal Arts / Public Administration / Mass Communications / Education / Philosophy
Business	Business / Commerce / Economics / Management / Human Resources / Marketing
Science & Engineering	Engineering / Science / Technology / Medicine / Dentistry / Mathematics
Others	Architecture / Military and others

About the Report

The 2015 report is the third in the Korn Ferry Diversity Scorecard series. The scorecard tracks the diversity performance of major economies in the Asia Pacific market, with special focus on gender representation on corporate boards. This report covers 10 economies: Australia, China, Hong Kong, India, Indonesia [new addition in this study], Japan, Malaysia, New Zealand, Singapore, and South Korea. We selected the top 100 listed companies by market capitalisation for each country and based our study on the data contained in the companies' annual reports for 2013.

About CGIO

The Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010. We aim to promote relevant and high-impact research on governance issues that are pertinent to Asia, including corporate governance, governance of family firms, state-linked companies, business groups, and institutions. We organise events such as public lectures, industry roundtables, and academic conferences on topics related to governance.

About Korn Ferry

At Korn Ferry, we design, build, attract and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programs, to enterprise learning, succession planning, and recruitment process outsourcing.

Korn Ferry Consultants



Robert Webster
Australia
Robert.Webster@kornferry.com



Teruo Seno
Japan
Teruo.Seno@kornferry.com



Charles Tseng
China
Charles.Tseng@kornferry.com



Eun-Joo (EJ) Chae
Korea
Eun-Joo.Chae@kornferry.com



Andrew Tsui
Hong Kong
Andrew.Tsui@kornferry.com



Reza Ghazali
Malaysia
Reza.Ghazali@kornferry.com



Smita Anand
India
Smita.Anand@kornferry.com



Alice Tan
Singapore
Alice.T@kornferry.com



Charles Yong
Indonesia
Charles.Yong@kornferry.com



Alicia Yi
Singapore
Alicia.Yi@kornferry.com

About the Authors



Dr. Marleen Dieleman is Associate Professor and Associate Director of the CGIO at NUS Business School in Singapore. She holds a Ph.D. from Leiden University and a M.Sc. in business administration from Rotterdam School of Management. Marleen teaches corporate strategy and family business. Her research interests are in Southeast Asian family businesses, in particular Indonesia. She is widely published on these topics, including articles in academic journals, books, cases and reports. Her work is featured regularly in international media such as the Financial Times. Marleen also teaches in various executive education programs and has extensive consulting experience. Marleen serves as independent director of Mercator Lines (Singapore) Ltd – a maritime company listed on the Singapore Exchange. She won the 2014 National University of Singapore Annual Teaching Excellence Award.



Dr. Meijun Qian is an Assistant Professor at NUS Business School and an affiliated researcher at the Risk Management Institute and the Institute of Real Estate Studies at NUS. She is a fellow of the Wharton Financial Institution Centre at the University of Pennsylvania. Dr Qian's research covers comparative financial systems, financial institutions, corporate governance, political economy, and regulations. Her research is published in academic journals such as the Journal of Financial Economics, Journal of Financial and Quantitative Analysis, Journal of Financial Intermediation, as well as practitioners' journals such as Chartered Financial Analysts (CFA) Research Monograph and Harvard China Review. She has also written several book chapters.



Mr. Muhammad Ibrahim is a Senior Research Assistant at the CGIO at NUS Business School. At CGIO, he works with faculty members on various applied research projects related to corporate governance and family businesses. He holds a Bachelor in Business Administration [Accountancy] from National University of Singapore. His research-related interests include corporate governance, corporate finance, corporate sustainability and family businesses, particularly in the Southeast Asian context.



Dr. Vivien Lim is the Professor and Deputy Head of the Department of Management and Organisation at NUS Business School. She obtained her PhD from the University of Pittsburgh. She is currently Editor-in-Chief of Applied Psychology: An International Review. Dr. Lim offers expertise in the areas of workplace health, leadership, employee misbehaviours and discipline. She has published more than 150 papers in refereed journals and conferences. Her research has been published in internationally-refereed journals such as the Journal of Applied Psychology, Journal of Personality & Social Psychology, Journal of Organisational Behaviour, Omega, Journal of Behavioural Medicine, and Singapore Medical Journal and Public Policy. Her research has been cited by The Straits Times, Wall Street Journal, Harvard Business Review and HR Review.

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NUS Business School
National University of Singapore
BIZ 2 Building #05-01
1 Business Link
Singapore 117592

[+65] 6601 2027
cgio@nus.edu.sg
<http://bschool.nus.edu/CGIO.aspx>

Korn Ferry

Korn Ferry Singapore
3 Temasek Avenue
Centennial Tower #09-01
Singapore 039190
[+65] 6224 3111
<http://www.kornferry.com>