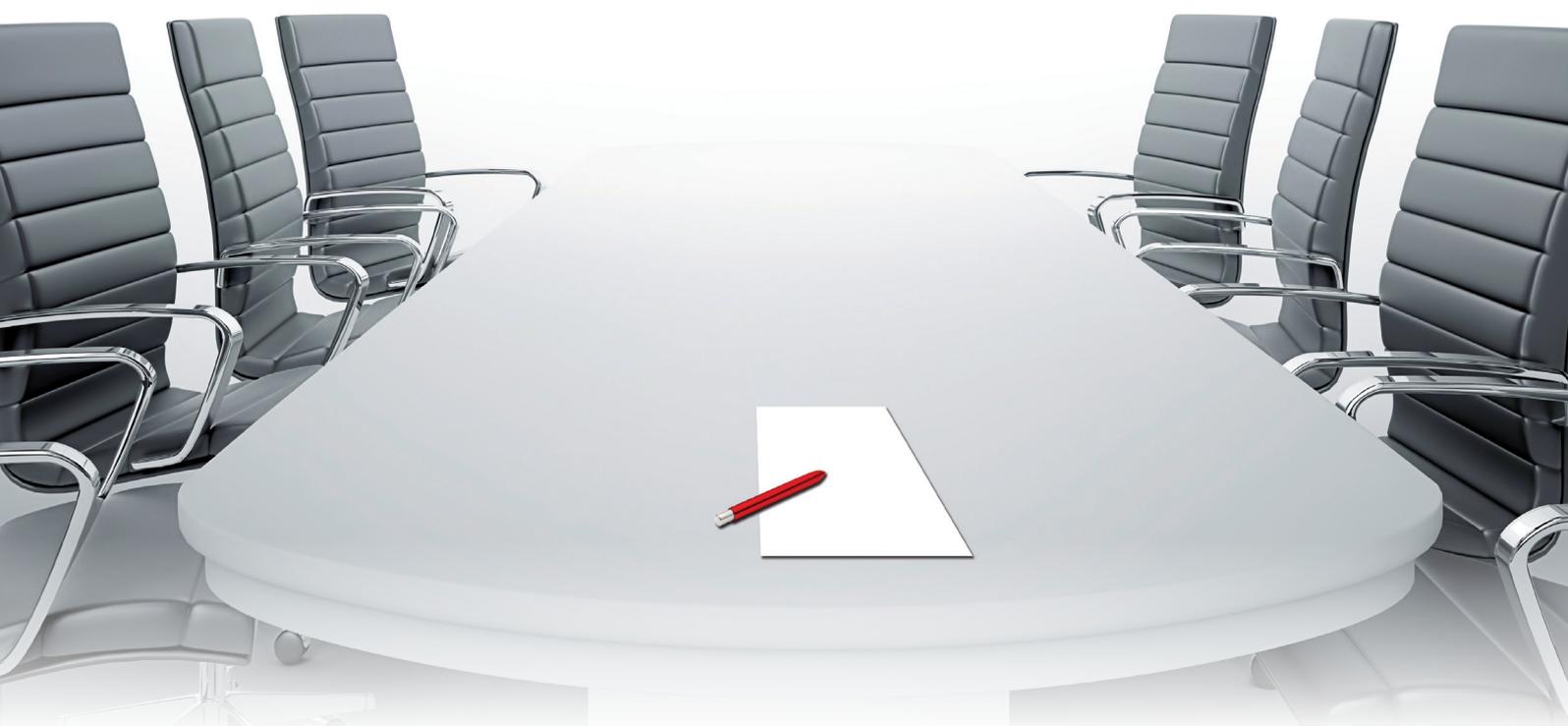


# GENDER DIVERSITY ON BOARDS

A Business Imperative



APRIL 2014







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# Foreword

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**Mrs Mildred Tan**

*Managing Director, Ernst & Young Advisory Pte Ltd  
Chairperson, Diversity Task Force regarding Women on Boards*

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**T**he Diversity Task Force regarding Women on Boards (DTF) is pleased to present its report, *Gender Diversity On Boards: A Business Imperative*. This report explores gender diversity on boards and in senior management of companies listed on the Singapore Exchange, and provides recommendations on the way forward. Gender diversity in senior management is also included in this report because they form the pipeline of women on boards.

Globally, the call for more gender diversity on corporate boards has been gaining momentum. Gender diversity is increasingly recognised as essential to robust decision-making, more informed risk management and stronger corporate governance, which ultimately lead to better business performance and sustainability. There is increasing spotlight on the issue in media around the world, including the local media. Singapore Government leaders have also been encouraging boards to embrace gender diversity.

Getting women on boards is not a numbers game or about women's rights. Rather, it is about what companies, and by extension society, are losing out by not tapping on the potential of women. It is about ensuring that decisions made in the boardrooms reflect the realities of the society and the market, including the rising incomes, purchasing power and decision-making power of women at home and at work. It is also about harnessing the individual and combined talents of people to make more holistic and balanced decisions. Solving complex business challenges requires the widest spectrum of views, personalities, strengths and opinions in boardrooms and in senior decision-making positions.

Shareholders, institutional investors, as well as corporate governance rating agencies around the world believe that in an increasingly complex global marketplace, companies that effectively hire, retain and promote women are often better equipped to capitalise on competitive opportunities than those that do not.

Singapore is at the start of this journey. Clearly much more can be done to raise awareness and change mindsets, attitudes and behaviours. We hope that the Government, regulators, industry, academia and companies will use the findings from this report as a platform to initiate dialogues; review existing policies, practices and programmes; as well as institute changes, so that we can have more gender-diverse boards in Singapore for our long-term competitiveness.

# Executive Summary

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**G**ender diversity is an important source of competitive advantage for companies. Women are doing just as well, if not better in some areas, than men. Yet they are often under-represented in management and leadership ranks. With manpower shortage and an ageing population, tapping on the under-utilised pool of talented women would give companies a competitive edge. Moreover, shareholders and institutional investors are increasingly seeing gender diversity as being important for board effectiveness. Companies with better gender diversity on their boards and in their senior management teams tend to be better governed and managed. This will ultimately translate into better valuation and higher shareholder value in the long term.

Women now hold only 8.3% of directorships on the boards of companies that are listed on the Singapore Exchange (SGX). Although this is an increase from 6.8% in 2008, the rate of increase is too slow. At the current rate of growth, the proportion of women-held directorships will only reach a mere 17% in 2030. Concerted action needs to be taken.

The importance of improving the gender balance on corporate boards is being increasingly recognised around the world. Some countries have taken legislative action and imposed quotas, while some have taken the path of moral suasion and introduced voluntary measures (e.g. enhanced their corporate governance codes to require companies to disclose their gender diversity policy, and/or set targets for companies). Singapore revised its Code of Corporate Governance in 2012 to include 'gender' in the guideline on board diversity. While this is a positive step towards increasing awareness of the importance of board gender diversity, more can be done.

The causes of poor gender diversity on our boards are complex and intertwined. Part of the challenge relates to demand factors, ranging from the lack of awareness about the importance of gender diversity, to over-reliance on personal networks to source for directors and looking for candidates with past board experience. Another challenge relates to supply factors, where some women who are capable of serving on boards do not do so due to a mix of reasons such as family responsibilities or being uncertain of how their skill sets fit the needs of the boards.

To address these challenges, the DTF recommends a multi-stakeholder approach, where different stakeholders play their respective parts or collaborate with one another to collectively address the root causes. The DTF does not recommend

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imposing quotas or setting targets at the present time, as the causes of poor gender diversity are complex. The DTF recommends other measures to address the underlying causes and allow these measures to run their course before assessing if quotas or targets should be imposed or set in future.

## Recommendations

### Stakeholder: Government and Regulators

#### **1. To continue highlighting the importance of gender diversity, for the long-term competitiveness of our companies and economy.**

Senior Government leaders and regulators have done much in recent years in highlighting the importance of gender diversity on boards and in senior management at various events. Some who have spoken on the issue include Mdm Halimah Jacob (Speaker of Parliament), Ms Grace Fu (Minister for Prime Minister's Office, Second Minister for Foreign Affairs and Environment & Water Resources), Mr K Shanmugam (Minister for Foreign Affairs and Law), Mr Tan Chuan Jin (Acting Minister for Manpower), Mrs Lim Hwee Hua (former Second Minister for Finance and Transport) and Mr Magnus Böcker (CEO, SGX).

It would be helpful if senior Government leaders and regulators continue to encourage companies to improve gender diversity in order to ensure the long-term competitiveness of our companies and economy.

To further the effort, the DTF proposes that a *Diversity Action Committee (DAC)* be established to engage relevant stakeholders from the public, private and people sectors to facilitate the implementation of the recommendations set out in this report, where appropriate. The DAC will be supported by SGX. It will comprise senior stakeholders from the public, people and private sectors.

#### **2. To place more importance on gender diversity in the Code of Corporate Governance and SGX's rules.**

Regulators could consider placing more emphasis on gender diversity in the Code of Corporate Governance, taking reference from the practices of other countries (e.g. requiring companies to disclose their gender diversity policy). SGX's rules and templates (e.g. those relating to announcement of directors) could be amended accordingly. Regulators could also consider highlighting or publishing how companies comply with the Code, so that others could learn from their experience.

## **Stakeholder: Industry and Academia**

### **3. To involve captains of industry as role models, advocates and mentors.**

The industry could complement the Government and regulators' effort by adopting initiatives involving captains of industry serving as role models, advocates or mentors. For example in the UK, the '30% Club' consists of a group of Chairpersons voluntarily committed to bringing more women onto UK corporate boards. It aims to achieve this goal by:

- Inspiring company leaders to appoint more women to executive and non-executive directorships;
- Improving the pipeline below board level, to widen the talent pool available to business; and
- Supporting and encouraging successful women in business<sup>1</sup>.

The industry in Singapore could start a network of prominent business leaders to be public advocates of the issue, as well as set personal targets to improve gender diversity in their own organisations or set personal targets on mentoring women to take on board positions.

### **4. To introduce programmes to train and develop board-ready female candidates.**

The industry could consider training and development programmes targeted specifically at female directors. For example, they could be trained to enhance their knowledge across a broad spectrum of topics like strategy management and international development, beyond their technical or professional expertise. This makes them more board-ready and allows them to maximise their contribution in the boardroom. If the industry aspires for women to hold, say, 20% of directorships by 2020, about 1,000 women need to be trained and be ready to take on board positions by then.

There could also be programmes for senior managers in large corporations to gain practical experience from serving on boards of subsidiaries, joint ventures and non-profit organisations. This helps to create a pipeline of female directors for SGX-listed companies.

### **5. To give out awards and publish rankings.**

There are currently a number of corporate governance-related awards, indices and rankings in Singapore. The organisers and publishing agencies could consider including gender diversity as one of the evaluation criteria. Awards recognising companies in gender diversity practices would encourage them to do better and serve as role models for others to follow suit. Indices and rankings allow companies to assess where they stand and how much they need to do to improve their gender diversity practices.

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<sup>1</sup> <http://www.30percentclub.org.uk/>

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**6. To publish research on gender diversity; as well as establish a local resource on best practices.**

Possible research areas include:

- Research which examines the link between gender diversity and board effectiveness, corporate governance and long-term value creation;
- Research on potential pipelines of female directors in different industries and professions; and
- Case studies of companies which have successfully implemented initiatives to improve the participation of women in the boardroom and C-suite, such as through the setting of measurable objectives and monitoring progress, sponsorship and mentoring programmes, and flexible work arrangements and other workplace support. Such case studies can be useful for companies to learn from each other.

The industry could also consider setting up a body of knowledge or repository on initiatives that have been undertaken to successfully improve the participation of women in the boardroom and C-suite. This would serve as a local resource for companies to learn good initiatives and practices from each other.

**7. To leverage on existing “board match” initiatives in corporate and non-profit sectors.**

In our survey of SGX-listed companies, 55% agree that initiatives to identify board-ready candidates should be one of the measures to improve gender diversity – this is the measure which received the highest level of support.

The Singapore Institute of Directors and the Centre for Non-Profit Leadership have been offering a “board matching” service for the corporate and non-profit sectors respectively. The industry could consider leveraging on these initiatives to develop a database of board-ready candidates (both men and women) that could serve on the boards of either the corporate or non-profit sector. Some could gain practical experience serving on non-profit boards or smaller corporate boards, before moving to serve on bigger corporate boards.

**Stakeholder: Companies and Boards**

**8. To develop gender diversity policy for the board and company; as well as discuss gender diversity at board meetings.**

Companies could consider developing a gender diversity policy, which could include measurable objectives. These measurable objectives may include targets for female participation at different levels and across functions. Progress could also be monitored and tracked.

In our survey of SGX-listed companies, only 12% reported that boardroom diversity is on the agenda of board meetings. Boards could consider discussing gender diversity in board meetings, e.g. when discussing the

desired competencies as part of the search and nomination process.

**9. To adopt a formal search and nomination process for board appointments (including the use of search firms or professional associations where appropriate and necessary).**

The following is a formal search and nomination process which boards, assisted by the nominating committee, could consider in order to achieve the appropriate diversity of competencies and gender:

- Determine the desired competencies and diversity required for the board, given its business, strategies and needs;
- Assess the current competencies and diversity on the board and identify gaps between the desired and current competencies and diversity;
- Review the results of assessment of the board, committee and director effectiveness to determine gaps in board performance;
- Identify directors who may no longer meet the desired competencies and diversity requirements and could be considered for retirement;
- Develop profiles of new directors sought;
- Conduct a comprehensive search for new directors, which includes using external search firms or professional associations to source for potential candidates where appropriate and necessary; and
- Review reasons if the shortlist of director candidates does not include female candidates.

**10. To implement initiatives or programmes to help qualified women to take on senior management or board positions.**

Companies which aspire to improve female participation in senior management could consider implementing some of the following measures which are used by major international and SGX-listed companies:

- CEO/ senior management championing gender diversity;
- Having a gender diversity awareness programme;
- Having a function or a designated executive looking into gender diversity;
- Implementing initiatives to attract female ex-employees holding management positions back to work;
- Implementing a mentoring or sponsorship programme for women who are candidates for senior management or board positions;
- Helping women who are candidates for senior management or board positions to build their networks; and
- Tracking of gender representation, promotion rates by gender or attrition rates by gender, at different levels of seniority.

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# Scope of the Study

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**I**n late 2012, the DTF was formed to examine the state of gender diversity on boards and in senior management of SGX-listed companies. The DTF was initiated by Mdm Halimah Yacob, Speaker of Parliament, during her term of office as Minister of State, Ministry of Social and Family Development (MSF). The move was prompted by the concern that women continue to be under-represented on boards and in senior management despite making immense progress in education and employment.

The DTF is chaired by **Mrs Mildred Tan** (*Managing Director of Ernst & Young Advisory Pte Ltd*) and comprises business leaders from the private and people sectors. Guiding the DTF is an Advisory Panel chaired by **Mr J. Y. Pillay** (*Chairperson of Tiger Airways Holdings and Chairperson of the Council of Presidential Advisers*). The Panel comprises industry leaders from the private sector who are champions of board gender diversity (see [Annex A](#) for composition of DTF and the Advisory Panel, as well as the terms of reference). The DTF engaged **Associate Professor Mak Yuen Teen** (*National University of Singapore, Business School*) as the consultant and lead researcher for the study.

For the purpose of comparison, the DTF also studied the statutory boards to find out the state of gender diversity in these organisations and their practices.

The DTF's study comprises:

- A survey with 780 SGX-listed companies and 55 statutory boards;
- Five dialogue sessions and twelve in-depth interviews with Board Chairpersons, Directors and CEOs of SGX-listed companies and statutory boards;
- Review of the annual reports of SGX-listed companies and statutory boards; and
- Literature review.

The survey allowed the DTF to better understand the state of gender diversity in the organisations, their practices, as well as their views on the topic. The DTF, in collaboration with the Singapore National Employers Federation, launched the survey with the support of SGX, Singapore Institute of Directors, BoardAgender and MSF. The response rate for the survey was excellent, where almost 300 SGX-listed companies and almost all of the 55 statutory boards participated.

The methodology of the various components of the study and detailed findings of the study can be found at [Annex B](#) and [Annex C](#) respectively.

# Why Gender Diversity Matters: A Competitive Advantage

The topic of 'diversity' is increasingly important as economies become progressively globalised and business challenges become more complex. In recent years, boardroom diversity has been a much-discussed topic by regulators, lawmakers, research institutions and industry bodies globally. Although diversity encompasses many elements, much of the discussion has been in the area of gender diversity.

There has been a range of studies in recent years which observed that companies with more women on boards perform better financially than others with fewer women. For seven years, McKinsey & Company's annual 'Women Matter' studies have shown a positive correlation. For example, in 2013 McKinsey & Company reported that companies with top-quartile representation of women on boards had 47% higher return on equity (ROE) on average and 55% higher earnings before interest and tax on average, than those without any woman on their boards, across various industries<sup>2</sup>. In its report 'Gender Diversity and Corporate Performance', Credit Suisse noted that the average ROE of companies with at least one woman on board from 2005-2011 was 16%; this is 4 percentage points higher than the average ROE of companies without any woman on their board<sup>3</sup>. In addition companies with women on their board tend to have a higher price/book value (2.4 times) compared to companies without (1.8 times)<sup>4</sup>.

On the other hand, there are studies that do not support the causal links between board gender diversity and improved financial performance. For example, the study by Carter, Souza, Simkins and Simpson titled 'The Gender and Ethnic Diversity of US Boards and Board Committees and Firm Financial Performance', did not find "any empirical evidence of causation going from board diversity to financial performance, either positive or negative"<sup>5</sup>. This is similar to Broome and Krawiec's research 'Signalling through board diversity:

2 Devillard, S., Sancier, S., Werner, C., Maller, I. and Kossoff, C. "Gender Diversity in Top Management: Moving Corporate Culture, Moving Boundaries", *Women Matter*, November 2013, p. 6, [http://www.mckinsey.com/~media/mckinsey/dotcom/homepage/2012\\_March\\_Women\\_Matter/PDF/WomenMatter%202013%20Report.ashx](http://www.mckinsey.com/~media/mckinsey/dotcom/homepage/2012_March_Women_Matter/PDF/WomenMatter%202013%20Report.ashx)

3 Curtis, M., Schmid, C. and Struber, M. "Gender Diversity and Corporate Performance", *Credit Suisse Research Institute*, 13 July 2012 p. 14, <https://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=88EC32A9-83E8-EB92-9D5A40FF69E66808>

4 *Ibid.*

5 Carter, A. D., D'Souza, F., Simkins, J. D. and Simpson, G. W. "The Gender and Ethnic Diversity of US Boards and Board Committees and Firm Financial Performance", *Corporate Governance: An international Review*, 18 September 2010, pp. 369, 411

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Is anyone listening?', which acknowledged the challenges with establishing causation between board diversity and improved financial performance. They too were not certain if high-performing companies endorsed gender diversity or if gender-diverse boards led to more competitive business<sup>6</sup>.

More studies on the linkage between gender diversity and financial performance may be needed. However what is clear from other streams of research is that gender diversity benefits companies in the following ways:

- 
- **It leads to better board effectiveness and corporate governance;**
  - **It allows companies to better leverage on talent and compete more effectively; and**
  - **It addresses the demand by shareholders and institutional investors for board gender diversity.**
- 

## Better Board Effectiveness and Corporate Governance

Research has shown that better gender diversity improves board effectiveness in the form of better monitoring, improved decision-making, formulation of more balanced policies and other outcomes. This leads to better corporate governance.

Boards are often criticised for having members with similar background, education and network. Such homogeneity is more likely to produce 'group-think'<sup>7</sup>. Better decision-making is more likely to occur if directors have a diverse range of experience and background. Women bring different perspectives and voices to the table, to the debate and to the decisions.

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*“When you have gender diversity, you reduce “group think” substantially. And the moment you reduce “group think”, your strategies and decisions will be smarter and less prone to error. In general, men tend to lead with confidence and aggression. Women prefer to lead with caution and seek a holistic approach. The benefit of a combination of these approaches is substantially greater than either of these approaches on their own.”*

*– Male CEO of a SGX-listed company in the oil and gas sector*

Female directors help to enhance board independence<sup>8</sup>. Women generally take their non-executive director roles more seriously, preparing more conscientiously

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<sup>6</sup> Broome, L. and Krawiec, D. K. "Signalling through board diversity: Is anyone listening?", *University of Cincinnati Law Review*, 77, 2008, pp. 431, 433-434

<sup>7</sup> Maznevski, M. L., 1994 "Understanding our differences: Performance in decision-making groups with diverse members", *Human Relations*, 47(5): 531-52.

<sup>8</sup> Fondas, N. and S. Salsalos 2000, "A Different Voice in the Boardroom: How the Presence of Women Directors Affects Board. Influence over Management", *Global Focus*, 12: 13-22.

for meetings. Women ask the awkward questions more often, decisions are less likely to be nodded through and so are likely to be better<sup>9</sup>.

*“In general, men go for a very big picture view but may not have an eye for detail. As an independent director where you have to scrutinize and ask questions, women generally do a better job at that. That said, I’m not saying that boards must therefore have women. Board performance is still due to the collective experience of all the directors.”*

– Female independent director of several small market-capitalisation companies

In addition, there is a negative association between female directors and insolvency risk, i.e. gender balance reduces insolvency risk. This negative correlation appears to hold good irrespective of size, sector, ownership and age of companies<sup>10</sup>.

## Better Use of the Talent Pool to Compete Effectively

*“No manager operates his or her plants at 80% efficiency when steps could be taken that would increase output. And no CEO wants male employees to be underutilized when improved training or working conditions would boost productivity. So take it one step further: If obvious benefits flow from helping the male component of the workforce achieve its potential, why in the world wouldn’t you want to include its counterpart?”*

– Warren Buffett, “Warren Buffett is bullish ... on women”, *Fortune*, 20 May 2013

The lack of women directors on boards would not be a cause for concern if there was a scarcity of capable women. However, this is not the case. Over the last few decades, women have achieved much progress in education and at work. Women are now the “new majority” in the global talent pool<sup>11</sup>. In Europe and the USA, 60% of university graduates are women. In the UK, women make up almost half of the labour force. In Singapore’s case, female participation in the workforce for the resident population rose from 51% in 2003 to 58% in 2013. In 2013, females accounted for 45% of the resident work force<sup>12</sup>. Among those aged 25 to 34 in 2012, 76% of females held tertiary qualifications, compared to 72% for men<sup>13</sup>.

<sup>9</sup> Izraeli, D. “Women directors in Israel”, *Women on Corporate Boards of Directors: International Challenges and Opportunities*, 2000, pp. 75–96.

<sup>10</sup> “Women on Boards”, February 2011, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31480/11-745-women-on-boards.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf)

<sup>11</sup> “The Beauty of Diverse Talent”, [http://www.aaas.org/sites/default/files/Capacity\\_Center/Appendice\\_B3.pdf](http://www.aaas.org/sites/default/files/Capacity_Center/Appendice_B3.pdf)

<sup>12</sup> Singapore Workforce, 2013, Ministry of Manpower, November 2013.

<sup>13</sup> Educational Profile of Singapore Resident Non-Students, *Statistics Singapore Newsletter*, Singapore Department of Statistics, March 2013.

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As women represent half the global talent pool, it is clear that they should be at the forefront of the economic and social scene as well, not out of a sense of fairness but to ensure that the very best minds, men's and women's alike, are brought together to address complex business challenges.

In times of manpower shortage and an ageing population, we can no longer afford to under-utilise female talent. The competition for talent is global, and talent matters to bottom-line results<sup>14</sup>. Companies that do not provide sufficient incentives and opportunities for more women to rise to the top will lose them to others that do.

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*“Having a female perspective, especially for service-based companies, is important for the business. If half of the customers are female, you better get a female perspective.”*

*– Male non-executive Chairman of a large market-capitalisation service-oriented SGX-listed company*

Furthermore, firms with gender-diverse boards tend to foster a diverse workplace culture. Thus they are in a prime position to attract talent and compete effectively in an increasingly globalised and diverse market.

## **Demand by Shareholders and Institutional Investors for Board Gender Diversity**

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*“When women are at the table, the discussion is richer, the decision-making process is better, management is more innovative and collaborative, and the organization is stronger. Because companies that advance and empower women are, in our view, better long-term investments, we are encouraging companies in our portfolios to enhance their performance on gender issues.”*

*– Joe Keefe (President and CEO of Pax World Funds),  
“Investors Put Gender on the Agenda”, Pax World News, October 2013*

The global financial crisis in 2008 revealed severe shortcomings in corporate governance, including the lack of diversity in terms of gender, race/ethnicity and international expertise<sup>15</sup>. As a result, capital markets and shareholders/institutional investors are paying greater attention to companies' corporate governance, including and especially the gender composition of boards of these companies.

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<sup>14</sup> “Fulfilling the Promise: How More Women on Corporate Boards Would Make America and American Companies More Competitive”, Statement by the Policy and Impact Committee of The Committee for Economic Development, [http://www.fwa.org/pdf/CED\\_WomenAdvancementonCorporateBoards.pdf](http://www.fwa.org/pdf/CED_WomenAdvancementonCorporateBoards.pdf)

<sup>15</sup> Kirkpatrick, G. “The Corporate Governance Lessons from the Financial Crisis” *Financial Market Trends Vol 1/2009*, <http://www.oecd.org/finance/financial-markets/42229620.pdf>

Shareholders and institutional investors value companies with women on their boards. This is because the board is able to tap into a diversity of talent and leadership styles<sup>16</sup>, so that the board can be better governed and better managed in order to enhance long-term growth prospects and value for shareholders. This presents a win-win proposition for the company, its shareholders and institutional investors.

For example, the International Corporate Governance Network (ICGN), comprising institutional investors responsible for managing more than US\$18 trillion in assets, stated that boards should have a “sufficient mix of relevant skills, competence, and diversity of perspectives”<sup>17</sup>. The ICGN considers gender diversity an important factor in helping to ensure a diversity of perspectives on the board.

Major institutional investors, California Public Employees’ Retirement System (CalPERS) as well as Amazone, have included gender diversity as an indicator among their investment criteria. In addition, corporate governance rating agencies such as GMI Ratings are increasingly developing tools to measure gender diversity as a key performance indicator for corporate performance and investment recommendations.

Investors around the world are urging companies to improve their board gender diversity. For example, in the UK, institutional investors have been proactively engaging FTSE 350 companies to urge them to increase the number of women in leadership positions within the companies<sup>18</sup>. In the US, the Thirty Percent Coalition (a group of senior business executives, national women’s organisations, institutional investors, corporate governance experts and board members) have been writing to companies who have no female directors, urging them to improve female representation on their boards. These investors control US\$1.2 trillion in assets<sup>19</sup>. As at June 2012, they have written to 127 companies.

Indeed, the benefits of gender diversity on corporate governance and management of companies should ultimately translate into better valuation and long-term shareholder value.

The current level of women representation on boards in Singapore does not position Singapore and our companies favourably in the eyes of shareholders and institutional investors. We must be mindful that women themselves are also shareholders and would be looking out for companies with good women representation on boards. Attracting shareholders and investors to Singapore would allow us to create a vibrant economic ecosystem and ultimately give our companies a competitive edge in the global marketplace.

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16 Dobbin, F. and Jung, J. “Corporate Board Gender Diversity and Stock Performance: The Competence Gap or Institutional Investor Bias?”, *North Carolina Law Review* Vol 89/ 2011, [http://scholar.harvard.edu/files/dobbin/files/2011\\_nclr\\_dobbin\\_jung.pdf](http://scholar.harvard.edu/files/dobbin/files/2011_nclr_dobbin_jung.pdf)

17 “ICGN announces managing director”, 6 December 2013, <http://news.cision.com/international-corporate-governance-network--icgn-/r/icgnannounces-managing-director,c9509155>

18 “Women on Boards”, February 2011, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31480/11-745-women-on-boards.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf)

19 <http://www.30percentcoalition.org/about>

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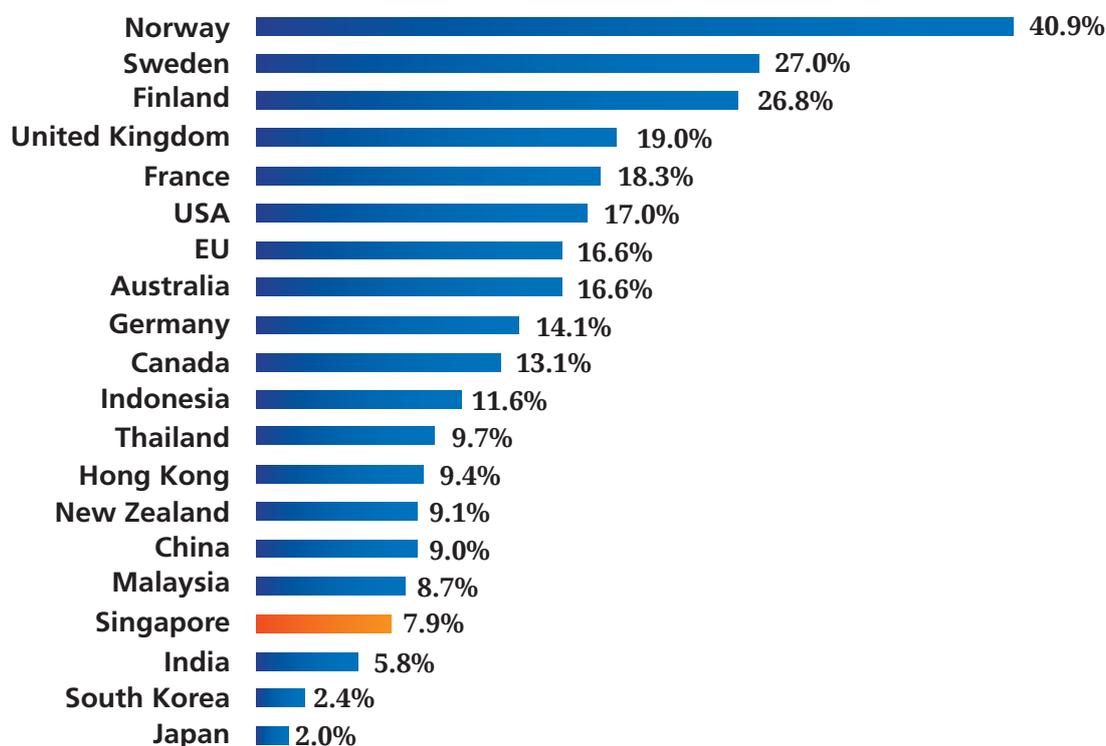
“Singapore has always been an excellent country to work in, in terms of meritocracy, ease of working, day-to-day business etc. As a leading international financial centre, Singapore is recognised for its high governance standard and practice. Good governance includes board diversity and it is evident that gender diversity remains a challenge in Singapore’s boardrooms. Based on recent data, we have only 8% female board representation, which is way lower than our Asian neighbours. It is time that we pay greater attention to and address this lacking in our boardrooms. Authorities, professionals, companies and directors are already working together to take bigger and bolder steps to nurture and establish a well-balanced marketplace of best talents from both genders.”

– Male CEO of a large market-capitalisation listed company

# The State of Gender Diversity on Boards

A study by GMI Ratings (a major international corporate governance ratings firm) showed that as at March 2013, only 11% of board directorships of 4,332 companies globally were held by women. In Asia, the percentage drops to 3% and 6% in industrialised and emerging economies respectively<sup>20</sup>. See Figure 1 below for the percentage of directorships held by women in major countries consolidated from various sources<sup>21</sup>.

**Figure 1: Percentage of Directorships Held by Women in Major Countries**



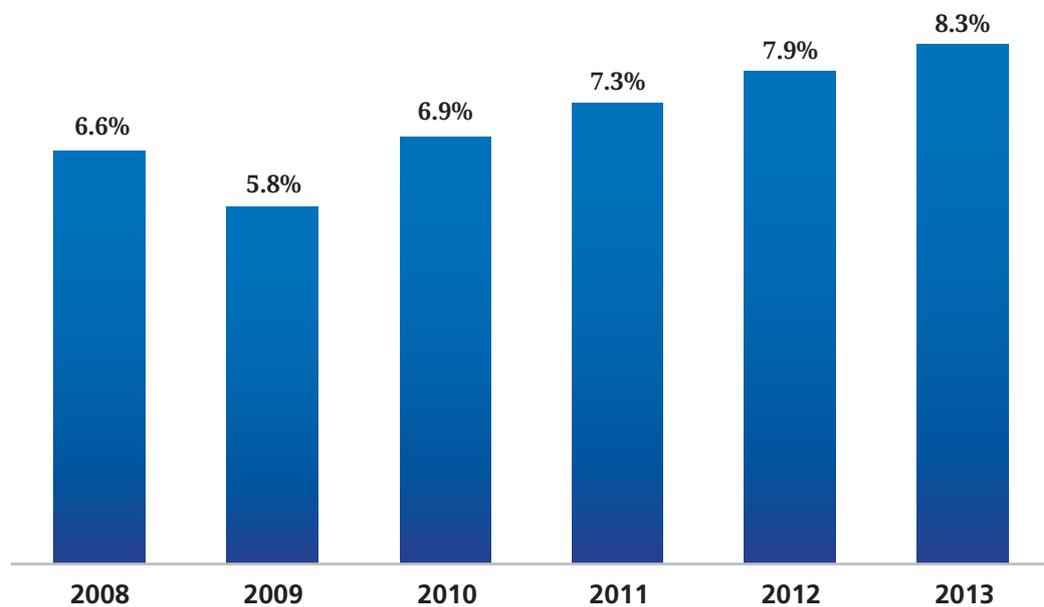
<sup>20</sup> 2013 Women on Boards Survey, GMI Ratings, April 2013

<sup>21</sup> Sources: Australian Institute of Company Directors (2013); BoardWatch (United Kingdom - 2013); Catalyst (Finland, Norway and Sweden - 2013); Centre for Governance, Institutions and Organisations (Indonesia - 2012; Singapore - 2013); Community Business (Hong Kong - 2013); Ernst & Young (USA - 2012); European Commission (EU - 2013); GMI Ratings (Canada, France, Germany and Thailand - 2013), Korn/Ferry study (China, India, Japan, New Zealand and South Korea - 2013) and Minority Shareholder Watchdog Group (Malaysia - 2013). The companies which are used to calculate these statistics may not be comparable. Year shown in parentheses refers to year of publication.

In Singapore, based on the latest findings by the DTF, the proportion of women-held directorships on the boards of SGX-listed companies remains dismal at 8.3%. The proportion is better in senior management with 21.2% of senior management positions being held by women. In addition, female independent directors account for just 6% of all independent directors while 57% of SGX-listed companies have all-male boards.

Compared to past statistics, the situation seems to be improving, but at glacial pace – see [Figure 2](#) below.

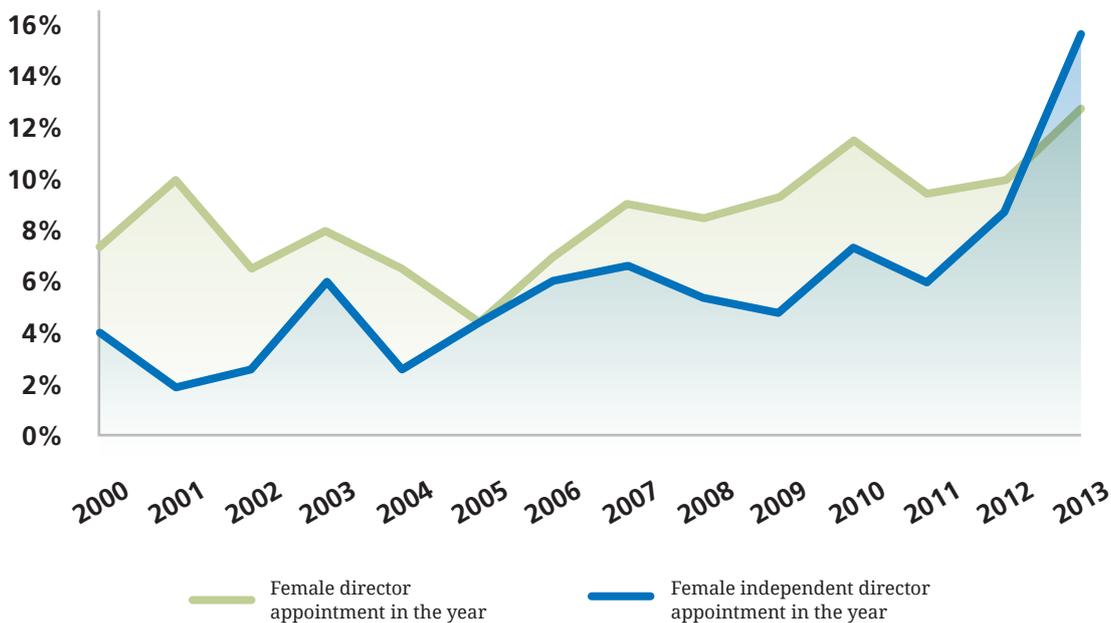
**Figure 2: Percentage of Women Directorships on Boards of SGX-Listed Companies (2008-2013)<sup>22</sup>**



In addition, 16% of independent directors appointed to their boards in 2013 are women. This represents an improvement compared to the past years (see [Figure 3](#) on the next page).

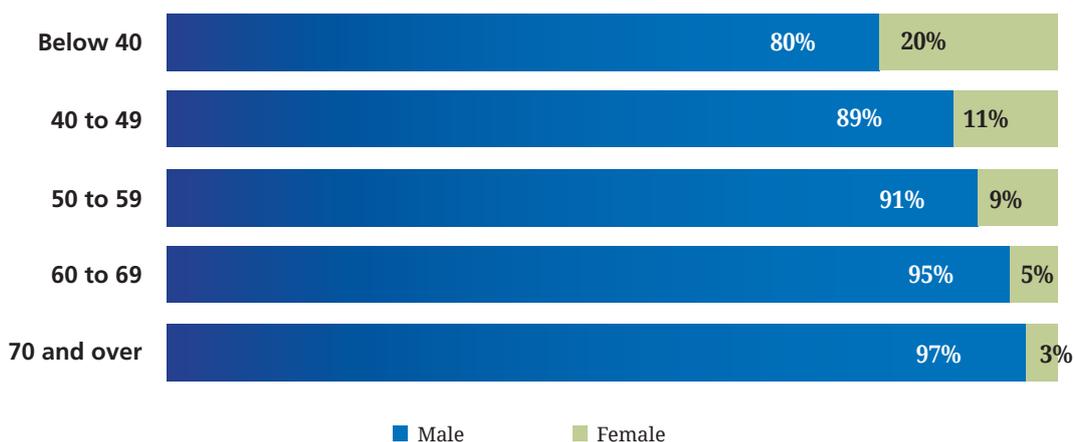
<sup>22</sup> Data for 2008-2012 sourced from "Singapore Board Diversity Report 2013: Time for Women to Rise", Centre for Governance, Institutions and Organisations, NUS Business School

Figure 3: Trend in Appointment of Female Directors<sup>23</sup>



An analysis of the proportion of female directors in different age bands further suggests that the situation may improve over time, i.e. the proportion of women get higher as we move to the younger age groups (see [Figure 4](#) below).

Figure 4: Profile of Male Versus Female Directors by Age Groups



However, if left on its own, the growth will be glacial. At this rate, the proportion of women-held directorships will only reach a mere 12% in 2020 and 17% in 2030. Concerted action needs to be taken.

<sup>23</sup> For 2013, the percentages are computed based on the period from January to March 2013.

# Practices Around The World

**I**nternational interest in women on boards has grown significantly in the past ten years. In year 2000, only the USA regularly monitored the proportion of women on top corporate boards. Now, at least twelve countries are regularly reviewing the gender composition on their top boards.

Globally, there is a convergence of opinion that gender diversity on boards needs to improve, with many governments and regulators taking steps to improve gender diversity on boards. Some countries have gone as far as taking legislative action and imposing mandatory quotas, while some have taken the path of moral suasion and introduced voluntary measures. For the latter countries, the common practice is to enhance their corporate governance codes to require companies to disclose their gender diversity policy, and/or set targets for companies.

The initiatives taken by some of the major countries are summarised at [Table 1](#) below and on the next page. More details are at [Annex D](#).

**Table 1: Summary of Initiatives by Some Countries to Improve Gender Diversity on Boards**

**Legislative Action**

Country	Year Implemented	Gender Diversity initiative	Target Year
Norway	2005	40% gender quota	2008
Spain	2007	40% gender quota	2015
Iceland	2010	40% gender quota	2013
Netherlands	2011	30% gender quota	2016
France	2011	20% gender quota	2014
		40% gender quota	2017
Italy	2011	20% gender quota	2012
		33% gender quota	2015
Belgium	2011	33% gender quota	2017
Denmark	2012	Companies set own targets	2013
EU	2013	40% gender quota	Draft law

***Voluntary Measures***

Country	Year Implemented	Gender Diversity initiative	Target Year
Australia	2010	Code – companies to disclose policy	2011
Malaysia	2011	30% target	2016
	2012	Code – companies to disclose policy	2012
United Kingdom	2011	25% target	2015
	2012	Code – companies to disclose policy	2014
Hong Kong	2013	Code – companies to disclose policy	2013

**What Singapore Has Done So Far**

Singapore regulators have recently started to recognise the importance of gender diversity. In May 2012, the Monetary Authority of Singapore (MAS) revised the Code of Corporate Governance to include 'gender' in the guideline on board diversity. The Code of Corporate Governance sets out principles and guidelines for, among others, the board composition of listed companies. Guideline 2.6 of the Code encourages boards and board committees of public-listed companies to "comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company".

Public-listed companies should thus have due consideration for such diversity in board nominations, and are encouraged to cast their net wider in their search for competent directors who can add value to the board and company, and provide diverse skills and perspectives that will lead to improved corporate performance.

Other enhancements to the Code which could create opportunities for women to join boards include: (i) subjecting the independence of directors to stricter review when they have served nine years; (ii) the need to set the maximum number of directorships to be held by their directors and to disclose this number; and (iii) the need for independent directors to make up at least half of the board under certain circumstances.

Although these changes are helpful, more can and should be done.

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# Key Challenges

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**T**he causes of poor gender diversity in our SGX-listed companies are complex and intertwined.

- There is **low awareness** about the importance and benefits of gender diversity on boards and **little is being done** by companies to improve the situation. Many companies are not yet convinced about the benefits of gender diversity, thus boards rarely discuss the issue and little is being done by companies to address it.
- Some boards **may not be comfortable** recruiting directors not known to them, or who may hold certain views on gender roles in family and business. What is at play here could be what many refer to as “unconscious bias” whereby people apply their attitudes, thoughts and values, to the decision-making process without realising it<sup>24</sup>.
- There is also a **lack of the use of a formal search and nomination process** when boards recruit directors. Most rely heavily on their **personal networks**, making it more difficult for qualified females to be identified and appointed. Out of the SGX-listed companies which responded to our survey, 89% use personal networks, with 42% using *only* this method.
- In addition, directors look for certain attributes like **previous board experience, or experience in traditionally male-dominated industries (e.g. engineering, science) or functions (e.g. information technology, sales)**. This further limits the opportunities for women to join boards.
- There are various factors affecting the supply and pipeline of women. **Family responsibilities** tend to fall on women and many sacrifice their career or cut down on work-related activities. This is especially so when there is extensive travelling involved or inflexible work arrangements. Some women are **uncertain** of how their skill sets fit the needs of the boards and are shy in putting themselves forward for board positions. Men are seen to be more assertive in putting themselves forward.

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<sup>24</sup> Murray, S. “Glass ceilings: ‘Unconscious bias still holding women back’”, *Financial Times*, 25 May 2011, [www.ft.com/cms/s/0/595fdd2a-86e5-11e0-92df-00144feabdc0.html](http://www.ft.com/cms/s/0/595fdd2a-86e5-11e0-92df-00144feabdc0.html)

# Recommendations

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**I**t is clear that we face a deep-rooted and complex problem. In the absence of any intervention, the lack of gender diversity on boards is unlikely to change for the better in the near future.

The DTF has given careful consideration to the question of quotas or targets – the arguments for and against; the impact they have had internationally; and the views of those consulted. Based on our findings, the DTF does not recommend imposing quotas or setting targets at the present time, as the causes of poor gender diversity are complex. The DTF recommends other measures to address the underlying causes and allow these measures to run their course before assessing if quotas or targets should be imposed or set in future. Furthermore, our study shows that both men and women would like women to be recognised for their merits instead of being seen as a ‘token’ on boards.

We believe that improving gender diversity on our boards and in senior management requires a **multi-stakeholder approach**, whereby different stakeholders play their respective parts or collaborate with one another to collectively address the root causes of the problem. It is important to improve gender diversity in senior management because senior management form the pipeline of directors on boards.

The *government and regulators* could consider taking the lead and giving their support on the issue, setting the tone for the rest of the stakeholders. The *industry and academia* could consider promoting the cause and building capacity around it. With the support of the Government and industry, *companies* could consider taking measures within their organisations to improve the situation.

Specifically, the DTF recommends the following ten initiatives:

## **Stakeholder: Government and Regulators**

### **1. To continue highlighting the importance of gender diversity, for the long-term competitiveness of our companies and economy.**

Senior Government leaders and regulators have done much in recent years in highlighting the importance of gender diversity on boards and in senior management at various events. Some who have spoken on the issue include Mdm Halimah Yacob (Speaker of Parliament), Ms Grace Fu (Minister for Prime Minister’s Office, Second Minister for Foreign Affairs and Environment & Water Resources), Mr K Shanmugam (Minister for Foreign Affairs and Law), Mr Tan Chuan Jin (Acting Minister for Manpower), Mrs Lim Hwee Hua (former Second Minister for Finance and Transport) and Mr Magnus Böcker (CEO, SGX).

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It would be helpful if senior Government leaders and regulators continue to encourage companies to improve gender diversity in order to ensure the long-term competitiveness of our companies and economy.

To further the effort, the DTF proposes that a *Diversity Action Committee (DAC)* be established to engage relevant stakeholders from the public, private and people sectors to facilitate the implementation of the recommendations set out in this report, where appropriate. The DAC will be supported by SGX. It will comprise senior stakeholders from the public, people and private sectors.

## **2. To place more importance on gender diversity in the Code of Corporate Governance and SGX's rules.**

Regulators could consider placing more emphasis on gender diversity in the Code of Corporate Governance, taking reference from the practices of other countries (e.g. requiring companies to disclose their gender diversity policy). SGX's rules and templates (e.g. those relating to announcement of directors) could be amended accordingly. Regulators could also consider highlighting or publishing how companies comply with the Code, so that others could learn from their experience.

### **Stakeholder: Industry and Academia**

## **3. To involve captains of industry as role models, advocates and mentors.**

The industry could complement the Government and regulators' effort by adopting initiatives involving captains of industry serving as role models, advocates or mentors. For example in the UK, the '30% Club' consists of a group of Chairpersons voluntarily committed to bringing more women onto UK corporate boards. It aims to achieve this goal by:

- Inspiring company leaders to appoint more women to executive and non-executive directorships;
- Improving the pipeline below board level, to widen the talent pool available to business; and
- Supporting and encouraging successful women in business<sup>25</sup>.

The industry in Singapore could start a network of prominent business leaders to be public advocates of the issue, as well as set personal targets to improve gender diversity in their own organisations or set personal targets on mentoring women to take on board positions.

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<sup>25</sup> <http://www.30percentclub.org.uk/>

#### **4. To introduce programmes to train and develop board-ready female candidates.**

The industry could consider training and development programmes targeted specifically at female directors. For example, they could be trained to enhance their knowledge across a broad spectrum of topics like strategy management and international development, beyond their technical or professional expertise. This makes them more board-ready and allows them to maximise their contribution in the boardroom. If the industry aspires for women to hold, say, 20% of directorships by 2020, about 1,000 women need to be trained and be ready to take on board positions by then.

There could also be programmes for senior managers in large corporations to gain practical experience from serving on boards of subsidiaries, joint ventures and non-profit organisations. This helps to create a pipeline of female directors for SGX-listed companies.

#### **5. To give out awards and publish rankings.**

There are currently a number of corporate governance-related awards, indices and rankings in Singapore. The organisers and publishing agencies could consider including gender diversity as one of the evaluation criteria. Awards recognising companies in gender diversity practices would encourage them to do better and serve as role models for others to follow suit. Indices and rankings allow companies to assess where they stand and how much they need to do to improve their gender diversity practices.

#### **6. To publish research on gender diversity; as well as establish a local resource on best practices.**

Possible research areas include:

- Research which examines the link between gender diversity and board effectiveness, corporate governance and long-term value creation;
- Research on potential pipelines of female directors in different industries and professions; and
- Case studies of companies which have successfully implemented initiatives to improve the participation of women in the boardroom and C-suite, such as through the setting of measurable objectives and monitoring progress, sponsorship and mentoring programmes, and flexible work arrangements and other workplace support. Such case studies can be useful for companies to learn from each other.

The industry could also consider setting up a body of knowledge or repository on initiatives that have been undertaken to successfully improve the participation of women in the boardroom and C-suite. This would serve as a local resource for companies to learn good initiatives and practices from each other.

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**7. To leverage on existing “board match” initiatives in corporate and non-profit sectors.**

In our survey of SGX-listed companies, 55% agree that initiatives to identify board-ready candidates should be one of the measures to improve gender diversity – this is the measure which received the highest level of support.

The Singapore Institute of Directors and the Centre for Non-Profit Leadership have been offering a “board matching” service for the corporate and non-profit sectors respectively. The industry could consider leveraging on these initiatives to develop a database of board-ready candidates (both men and women) that could serve on the boards of either the corporate or non-profit sector. Some could gain practical experience serving on non-profit boards or smaller corporate boards, before moving to serve on bigger corporate boards.

**Stakeholder: Companies and Boards**

**8. To develop gender diversity policy for the board and company; as well as discuss gender diversity at board meetings.**

Companies could consider developing a gender diversity policy, which could include measurable objectives. These measurable objectives may include targets for female participation at different levels and across functions. Progress could also be monitored and tracked.

In our survey of SGX-listed companies, only 12% reported that boardroom diversity is on the agenda of board meetings. Boards could consider discussing gender diversity in board meetings, e.g. when discussing the desired competencies as part of the search and nomination process.

**9. To adopt a formal search and nomination process for board appointments (including the use of search firms or professional associations where appropriate and necessary).**

The following is a formal search and nomination process which boards, assisted by the nominating committee, could consider in order to achieve the appropriate diversity of competencies and gender:

- Determine the desired competencies and diversity required for the board, given its business, strategies and needs;
- Assess the current competencies and diversity on the board and identify gaps between the desired and current competencies and diversity;
- Review the results of assessment of the board, committee and director effectiveness to determine gaps in board performance;
- Identify directors who may no longer meet the desired competencies and diversity requirements and could be considered for retirement;
- Develop profiles of new directors sought;

- Conduct a comprehensive search for new directors, which includes using external search firms or professional associations to source for potential candidates where appropriate and necessary; and
- Review reasons if the shortlist of director candidates does not include female candidates.

**10. To implement initiatives or programmes to help qualified women to take on senior management or board positions.**

Companies which aspire to improve female participation in senior management could consider implementing some of the following measures which are used by major international and SGX-listed companies:

- CEO/ senior management championing gender diversity;
- Having a gender diversity awareness programme;
- Having a function or a designated executive looking into gender diversity;
- Implementing initiatives to attract female ex-employees holding management positions back to work;
- Implementing a mentoring or sponsorship programme for women who are candidates for senior management or board positions;
- Helping women who are candidates for senior management or board positions to build their networks; and
- Tracking of gender representation, promotion rates by gender or attrition rates by gender, at different levels of seniority.

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# Conclusion

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**W**omen have been an under-utilised pool of talent who can provide different perspectives, knowledge, and insights to the board for a more holistic and well-rounded decision-making process. Institutional investors and shareholders around the world are placing increasing value on gender diversity. The current state of board gender diversity does not put Singapore and our companies in a positive spotlight. If SGX-listed companies intend to grow their long-term shareholder value and competitiveness, one of the possible measures is to boost the proportion of women on their boards.

The DTF would like to commend statutory boards for the relatively higher percentage of women-held directorships on their boards. The percentage of directorships of statutory boards held by females is almost 20%. Furthermore, statutory boards are more aware of the importance of gender diversity as compared to SGX-listed companies (see [Annex C](#) for more details).

Getting capable women on boards is not just the right thing to do but also the smart thing to do. If SGX-listed companies intend to grow their long-term shareholder value and competitiveness, it is a business imperative for companies to seriously consider and implement measures to improve the number of women on their boards.

# Annexes

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**Annex A**    **The Diversity Task Force regarding Women on Boards**

**Annex B**    **Methodology of Study**

**Annex C**    **Detailed Findings of Study**

**Annex D**    **Initiatives by Some Countries to Improve Gender Diversity on Boards**

The DTF comprises business leaders from the private and people sectors:

- **Mrs Mildred Tan**, Managing Director, Ernst & Young Advisory Pte Ltd – **Chairperson**;
- **Mr Patrick Ang**, Deputy Managing Director of Rajah and Tann LLP;
- **Ms Junie Foo**, Co-Founder and Co-Chairperson of BoardAgender; Board Member of Singapore Council of Women’s Organisations; Council Member of Singapore Institute of Management; and Deputy General Manager, Corporate Banking Asia Oceania, Headquarters for Asia Oceania of Bank of Tokyo Mitsubishi UFJ;
- **Mrs Laura Hwang**, President of Singapore Council of Women’s Organisation and Co-Chairperson of BoardAgender;
- **Mr Koh Juan Kiat**, Executive Director of Singapore National Employers Federation; and
- **Ms Yeo Lian Sim**, Special Adviser to Singapore Exchange Ltd.

Guiding the DTF is an Advisory Panel that comprises industry leaders from the private sector as follows:

- **Mr J. Y. Pillay**, Chairperson of Tiger Airways Holdings and Chairperson of the Council of Presidential Advisers — **Chairperson**;
- **Mr Magnus Böcker**, CEO and Board Director of the Singapore Exchange Ltd;
- **Ms Chua Sock Koong**, Group CEO and Board Director of SingTel;
- **Ms Euleen Goh**, Chairperson of Singapore International Foundation; Independent, Non-Executive Director of DBS Group Holdings Limited, CapitaLand Limited and SATS Limited; and
- **Ms Olivia Lum**, Executive Chairperson and Group CEO of Hyflux Ltd.

The DTF’s Terms of Reference are to:

- Promote and facilitate public and private networks for dialogue and exchange of information, ideas and leading practices to support the building of a gender-diverse culture across boards and senior management levels;
- Study the benefits of gender diversity on boards and impact on companies and societies through research; and
- Develop strategies to strengthen corporate governance and encourage greater transparency in nomination and selection processes for board and senior management appointments.

The Office for Women’s Development, Ministry of Social and Family Development is Secretariat to the DTF .

## Annex B Methodology of Study

Compared to other studies in Singapore on the state of gender diversity on boards, the DTF also examined gender diversity at the senior management level. Women who are in senior management positions are an important source of the pipeline for female directors.

The various components of the study as detailed below provided insights on the awareness, attitudes, causes and possible solutions to the issue of poor gender diversity on boards and in senior management in Singapore. Insights from business leaders allow for balanced and implementable recommendations.

### A) Literature Review

The DTF carried out a comprehensive review of the literature on the topic. The literature review looked at research that has been done globally and in the region. The main areas of interests included outcomes from better gender diversity; differences in leadership and decision-making style and other traits between male and female executives and directors; trends in gender diversity around the world; initiatives taken by the government, regulators, investors, industry and companies to improve gender diversity; as well as barriers and challenges in improving gender diversity. The literature review also served as input for the survey questionnaire, dialogue sessions and in-depth interviews with board Chairpersons, Directors and CEOs.

### B) Review of Annual Reports

Data on demographics, educational qualifications and professional background of board directors and senior management members was collected from annual reports of SGX-listed companies and statutory boards.

The collection period covered 679 companies<sup>26</sup> listed on the SGX for financial year ending January to December 2012. While all the companies provided data on board directors in their annual reports, the extent and quality of disclosure varied. Only about 90% of the companies disclosed data on their senior management members. Changes to the companies' boards and senior management members after the publication of the annual reports were updated using appointment/cessation announcements on the SGX and information from the companies' websites. The cut-off date for such updates was 1 April 2013.

The DTF also covered 55 statutory boards with their financial years ending March 2012 to March 2013<sup>27</sup>.

### C) Survey

A survey was sent out to the CEOs of 780 SGX-listed companies and 55 statutory boards. The survey took place from August to December 2013.

<sup>26</sup> The review excluded secondary listings on the SGX, Real Estate Investment Trusts (REITs) and Business Trusts (BTs).

<sup>27</sup> The review excluded 11 statutory boards as they operate mainly as committees and do not have the full functions of a statutory board.

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The fact-based section of the survey asked about the company's current state of gender diversity; gender diversity policies, initiatives and practices; as well as search, nomination and recruitment processes in the company. Another section of the survey garnered views on gender diversity on boards and in senior management, representation of women on boards and in senior management, as well as strategies to promote gender diversity, so as to allow us to understand how companies view and address the issue of gender diversity.

An email with a link to an online survey was sent to all the CEOs of SGX-listed companies and statutory boards. To encourage participation, CEOs also had the option to participate in the survey via hardcopy or softcopy. The CEOs could nominate the Deputy CEO or the HR Director to complete the survey on his/her behalf, but with his/her personal attention to the responses provided<sup>28</sup>.

The survey achieved good response rates from both SGX-listed companies and statutory boards. Out of 780 SGX-listed companies that received the survey invitation, 297 valid responses were collected – a response rate of about 38%. Out of these, 66 (22%) were from those who hold the Chairperson role (i.e. Chairperson-cum-CEO and Executive Chairperson). Out of the 55 statutory boards that the survey was sent to, responses from 47 statutory boards were received – a response rate of 85%. Based on the response rates, the confidence interval and margin of error are 95% and 5% respectively for SGX-listed companies, and 95% and 6% respectively for statutory boards.

As the annual reports and websites for statutory boards generally did not include detailed information about their directors and senior management, a supplementary questionnaire survey of HR directors/managers of the statutory boards was carried out to collect detailed information on the demographics, educational and professional background of individual directors and senior management members. This survey was conducted between August 2013 and December 2013 and all 55 statutory boards responded to it.

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#### **D) Dialogue Sessions and In-Depth Interviews**

Based on company profiles collected from the annual reports and the responses from the survey, board Chairpersons, Directors and CEOs were invited to dialogue sessions and in-depth interviews to provide deeper insights into the issue of gender diversity.

Five dialogue sessions and twelve in-depth interviews involving 37 board Chairpersons, Directors and CEOs, representing 49 SGX-listed companies and statutory boards were conducted from September to November 2013. The dialogue sessions were organised according to different target groups such as board Chairpersons, Directors from all-male boards, female board Directors, etc. To solicit viewpoints from across the entire market, companies that were selected had a good distribution of market capitalisation and were from a good spread of industry sectors.

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<sup>28</sup> Some of the CEOs forwarded the survey to their Executive Chairpersons to complete.

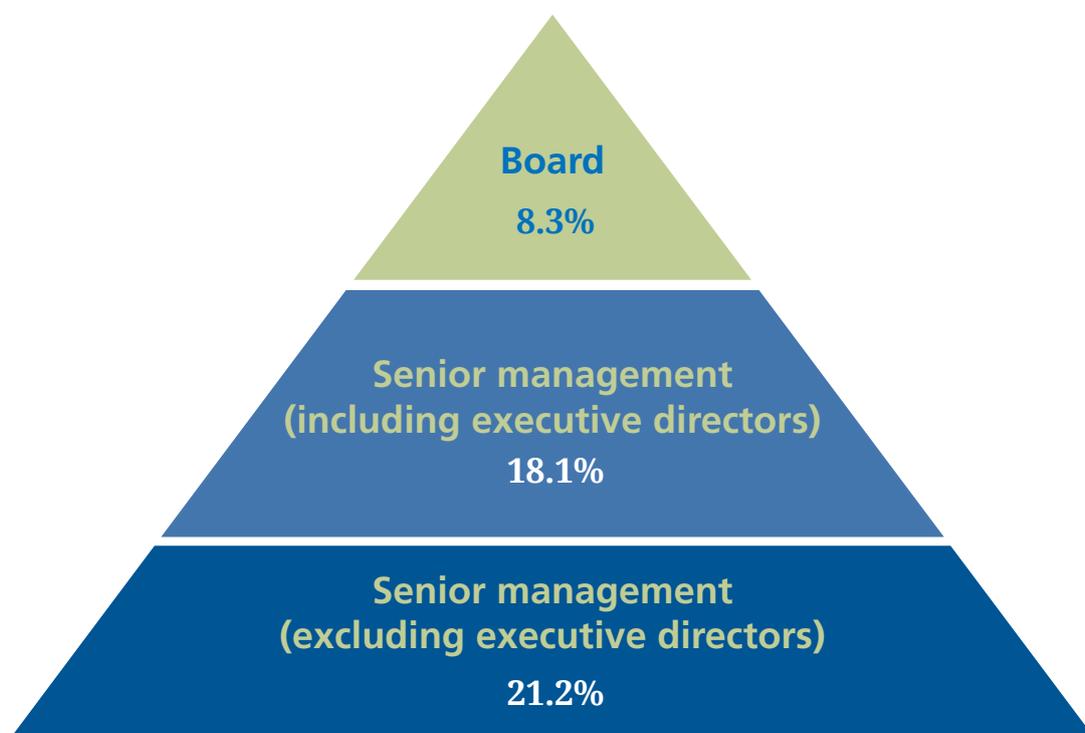
**Annex C Detailed Findings of the Study**

The findings of the DTF’s study centred on five key themes as follows. These are based on an analysis of data and information from annual reports, survey, dialogue sessions and in-depth interviews.

**Theme 1: Gender diversity on boards of SGX-listed companies is poor, but better at senior management level.**

- Among the SGX-listed companies, 57% have all-male boards. Mid market-capitalisation companies have a lower proportion of all-male boards (48%), compared to small (59%) and large market-capitalisation (52%) companies<sup>29</sup>.
- Only 3.7% of Chairpersons in SGX-listed companies are females.
- The percentage of directorships held by females is 8.3% and the percentage of senior management positions (excluding executive directors) held by females is 21.2%. See [Figure 1](#) below.

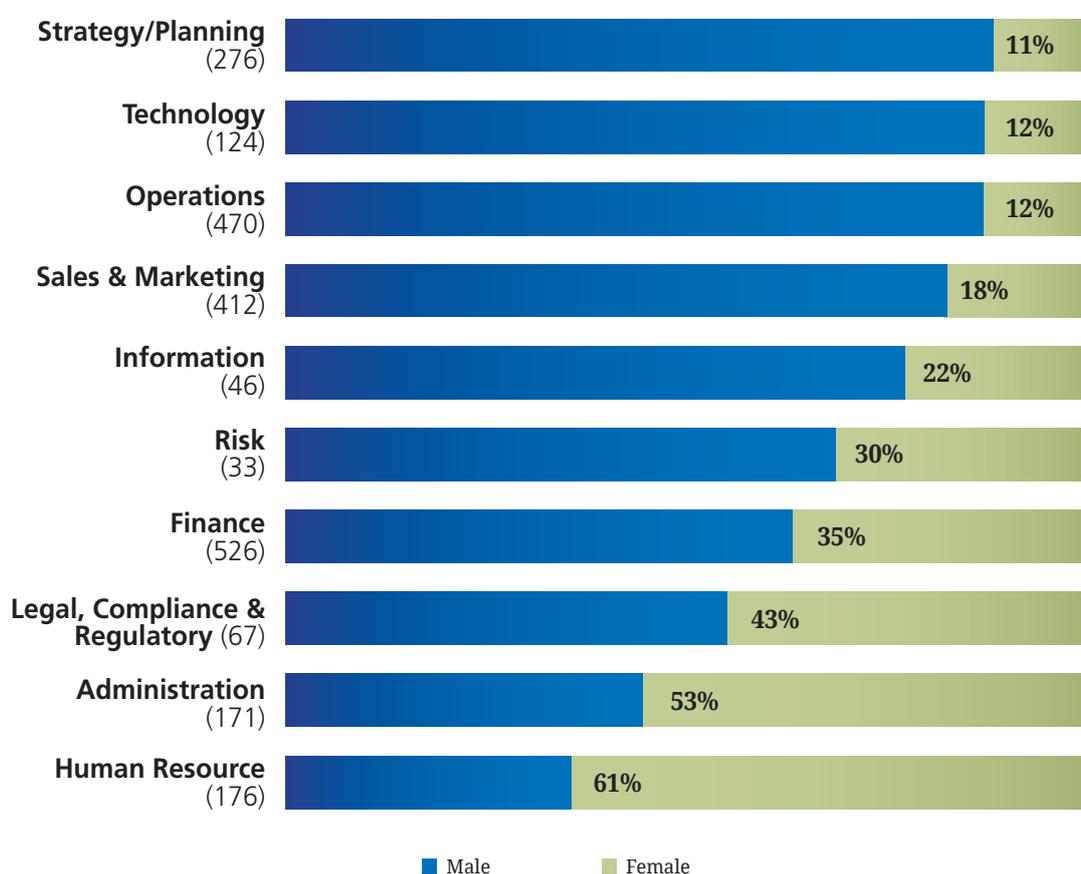
**Figure 1: Female Representation on Boards and in Senior Management Level of SGX-Listed Companies**



<sup>29</sup> Small market-capitalisation companies are those with market capitalisation of less than \$300m; mid market-capitalisation companies are those with market capitalisation between \$300m and \$1b; large market-capitalisation companies are those with market capitalisation of more than \$1b.

- Only 4.3% of CEOs of SGX-listed companies are females.
- Females are fairly well-represented in senior management positions such as human resource management (61%); administration (53%); legal, compliance and regulatory (43%); finance (35%); as well as risk (30%). However, females are poorly represented in senior management positions such as strategy/planning (11%), operations (12%), technology (12%) and sales and marketing (18%). See [Figure 2](#) below. This may have led to a smaller pipeline of female candidates being considered for board director positions, as the type of skills and experience traditionally sought by boards are generally not from the functions dominated by females.

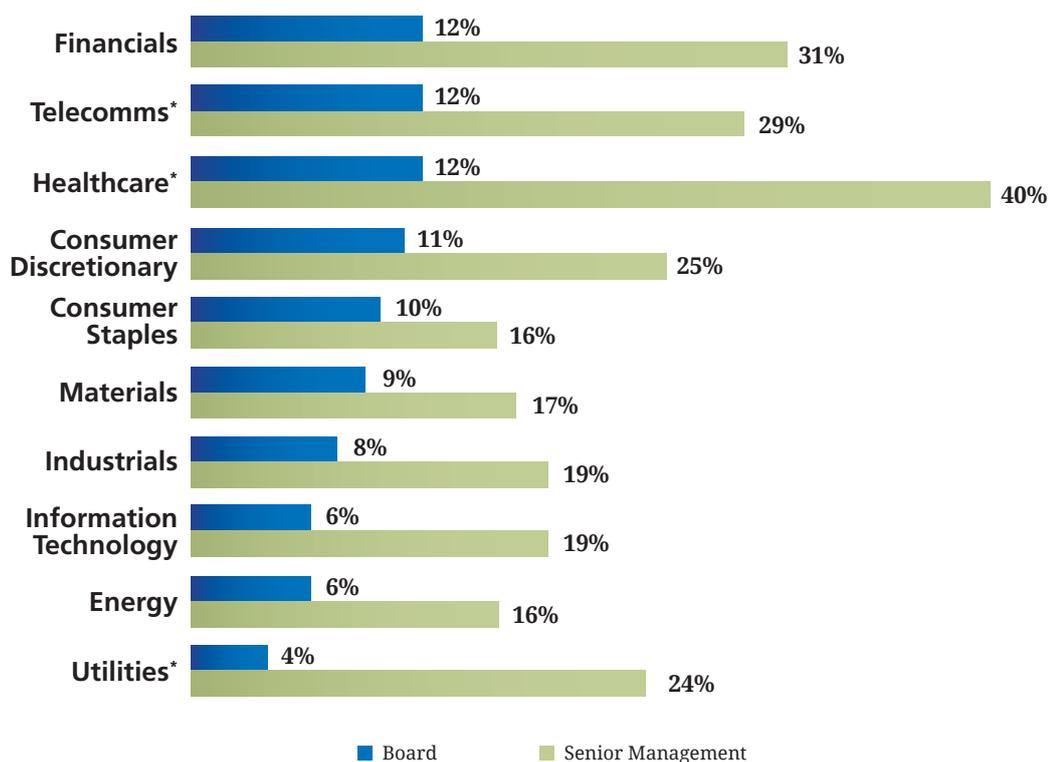
**Figure 2: Female Representation in Different Senior Management Functions Below CEO Level in SGX-Listed Companies<sup>30</sup>**



<sup>30</sup> Compiled from annual reports of 602 companies which disclosed information of their senior management team. Figures in parentheses indicate the number of individuals listed as a senior management member overseeing that function. An individual may be responsible for more than one function in a company.

- Board gender diversity is better in companies which are in industries closer to end consumers. See [Figure 3](#) below.

**Figure 3: Distribution of Women Across Industries in SGX-Listed Companies<sup>31</sup>**

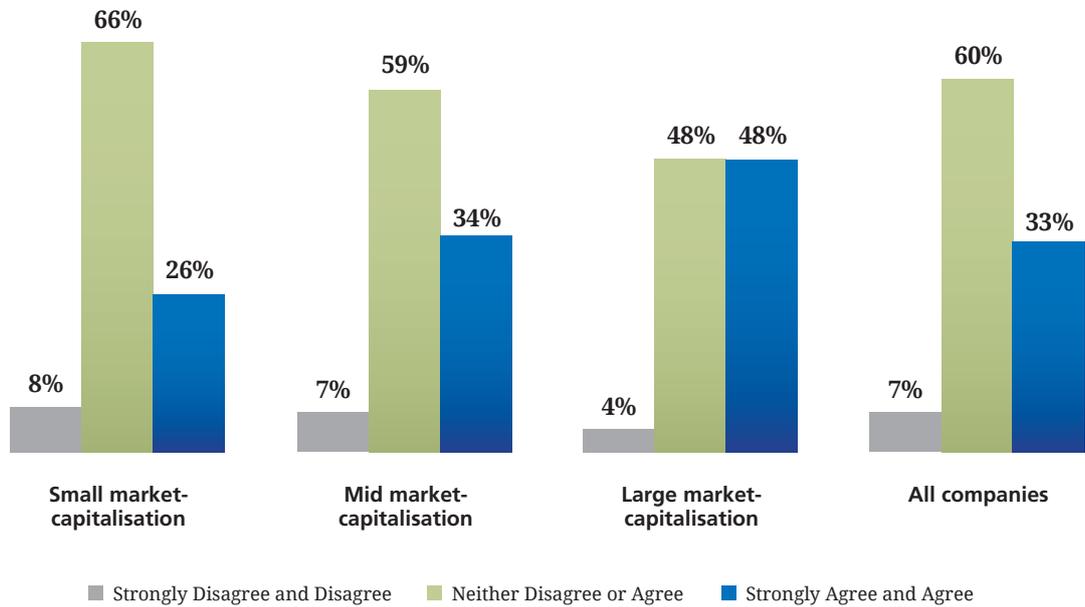


**Theme 2: There is low awareness about the importance and benefits of gender diversity among SGX-listed companies, and little is being done to improve gender diversity.**

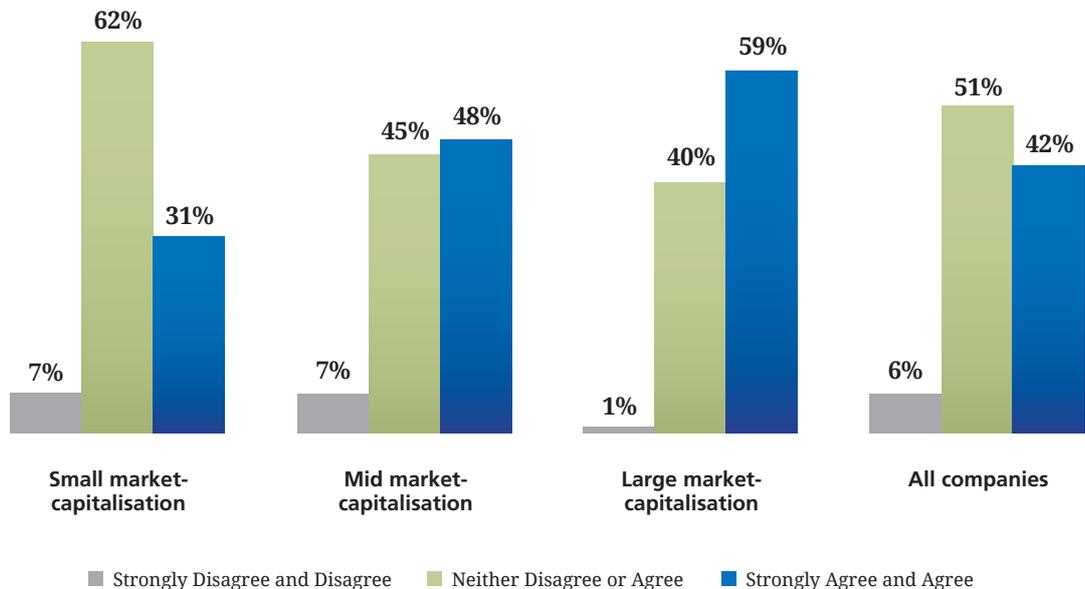
- Among the companies surveyed, 33% and 42% agree that gender diversity at board and senior management levels respectively is important. Large market-capitalisation companies (48%) are more likely to agree that board gender diversity is important, compared to small (26%) and mid market-capitalisation companies (34%). Likewise, large market-capitalisation companies (59%) are more likely to agree that gender diversity at senior management level is important, compared to small (31%) and mid (48%) market-capitalisation companies. See [Figures 4 and 5](#) on the next page.

<sup>31</sup> \* Denotes a sample size of less than 50. The sample sizes for each industry classification are as follows: Financials (including property companies) – 73; Telecommunication Services – 9; Healthcare – 18; Consumer Discretionary – 103; Consumer Staples – 53; Materials – 56; Industrials – 222; Information Technology – 99; Energy – 39 and Utilities – 7.

**Figure 4: Views of SGX-Listed Companies About Importance of Gender Diversity on Boards<sup>32</sup>**



**Figure 5: Views of SGX-Listed Companies About Importance of Gender Diversity in Senior Management<sup>33</sup>**

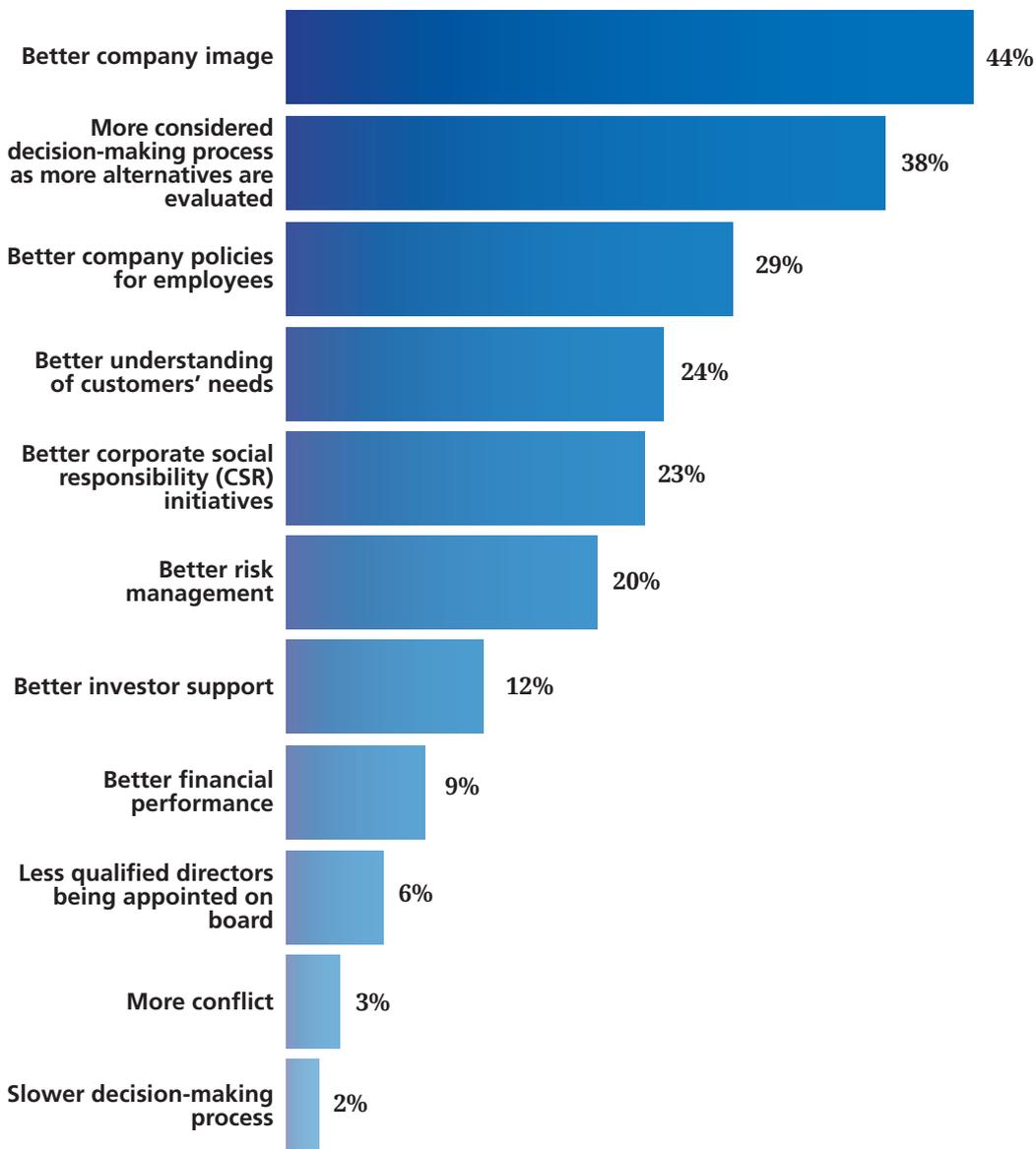


<sup>32</sup> Based on 293 valid responses: 155 small market-capitalisation companies; 71 mid market-capitalisation companies; and 67 large market-capitalisation companies.

<sup>33</sup> Based on 293 valid responses: 155 small market-capitalisation companies; 71 mid market-capitalisation companies; and 67 large market-capitalisation companies.

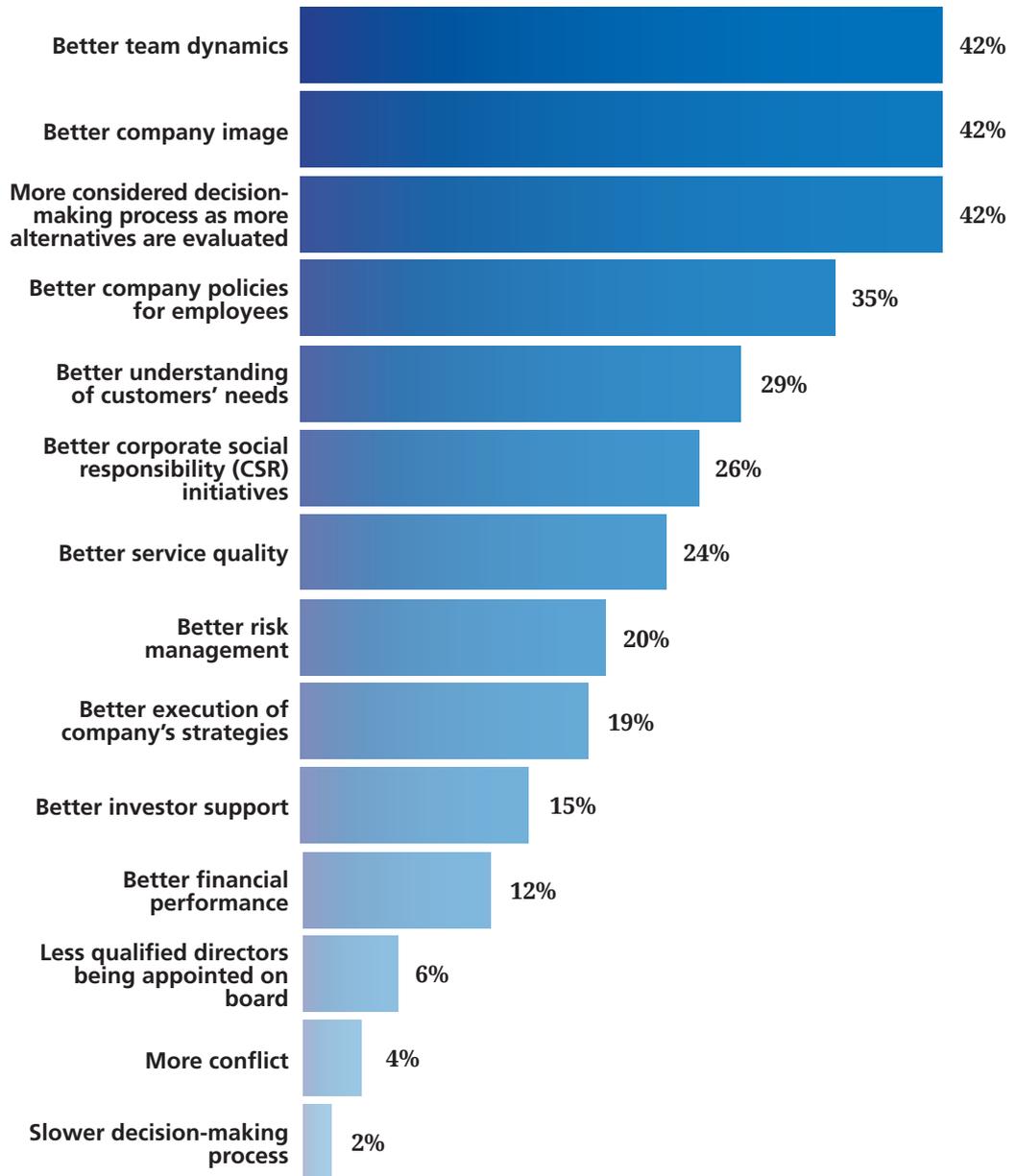
- Our survey showed that 44% and 38% of companies agree that gender diversity on boards would result in better company image and more considered decision-making process, respectively. In addition, 42% of companies agree that gender diversity at senior management level would result in better team dynamics, better company image and more considered decision-making process each. However, companies overall are yet convinced about the benefits of gender diversity at board and senior management levels. See [Figures 6 and 7](#) below and on the next page.

**Figure 6: Views of SGX-Listed Companies on Impact of Board Gender Diversity<sup>34</sup>**



<sup>34</sup> Based on 289 valid responses

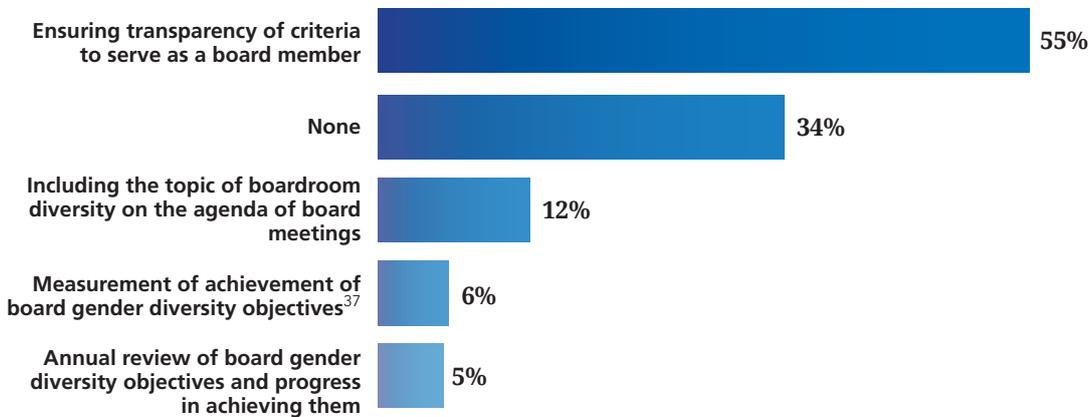
**Figure 7: Views of SGX-Listed Companies on Impact of Gender Diversity at Senior Management Level<sup>35</sup>**



- Little is being done by companies to improve board gender diversity. While 55% of companies say that they ensure transparency of criteria to serve as a board member, only 12% of companies include boardroom diversity on the agenda of board meetings; 6% measure the achievement of board gender diversity objectives; and 5% review annually board gender diversity objectives and the progress in achieving these objectives. See [Figure 8](#) on the next page.

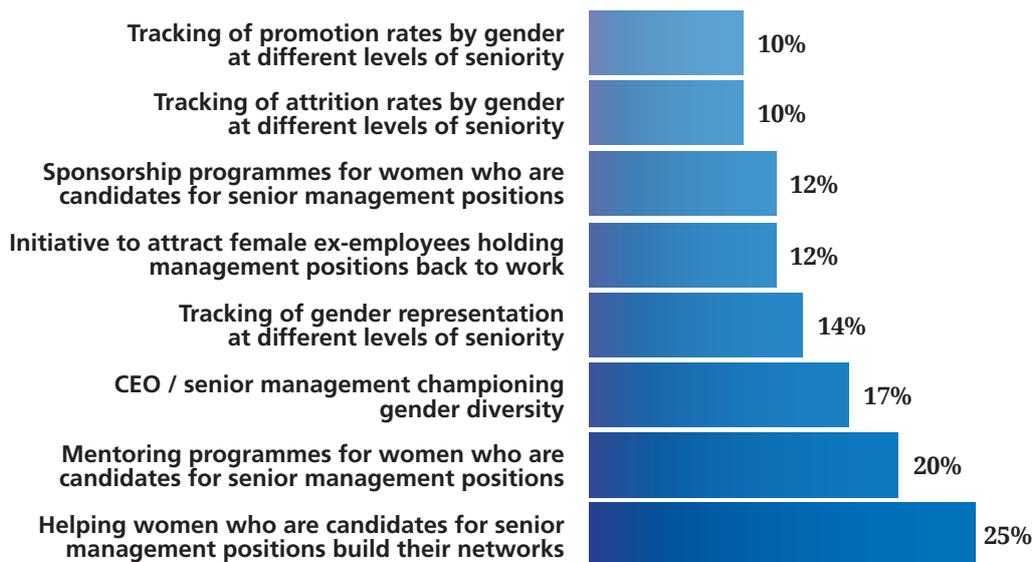
<sup>35</sup> Based on 289 valid responses

**Figure 8: Measures by SGX-Listed Companies to Improve Board Diversity<sup>36</sup>**



- More is being done to improve gender diversity at senior management level, compared to the board level. Companies indicated that they have initiatives such as helping women who are candidates for senior management positions to build their network (25% of companies); and mentoring programmes for women candidates for senior management positions (20%). These companies indicated that these initiatives have been effective. See [Figure 9](#) below.

**Figure 9: Initiatives Implemented by SGX-Listed Companies to Improve Gender Diversity at Senior Management Levels and Found Them to be Effective<sup>38</sup>**



<sup>36</sup> Based on 297 valid responses

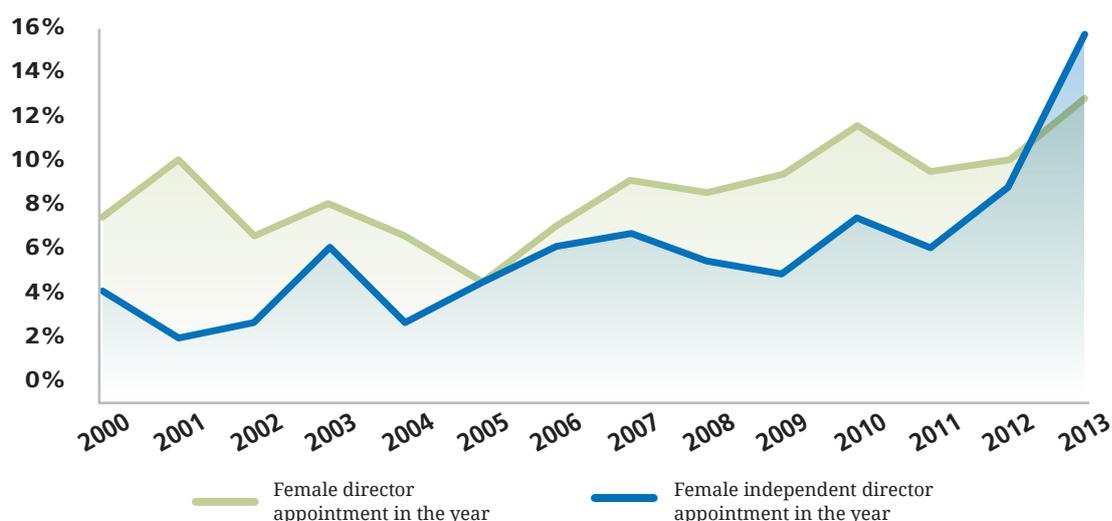
<sup>37</sup> E.g. including women in the shortlist for potential board candidates, proportion of women on board.

<sup>38</sup> Based on 297 valid responses

**Theme 3: Gender diversity on boards in SGX-listed companies is improving but will remain poor in the foreseeable future based on the current rate of increase and without any intervention.**

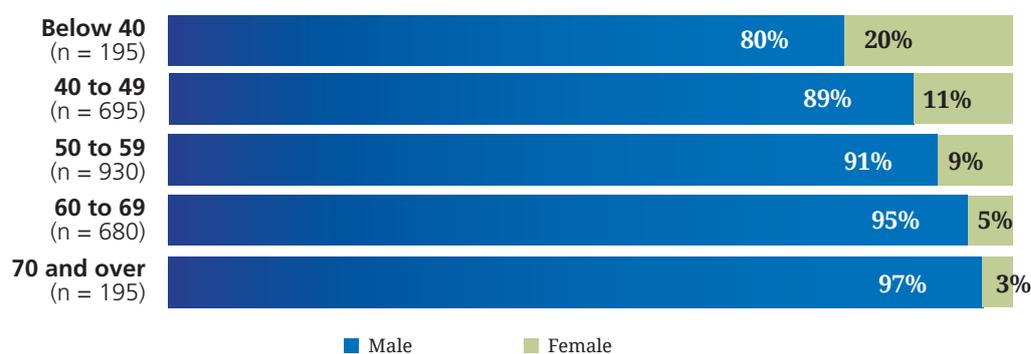
- There is a gradual upward trend of women being appointed to boards, albeit at a slow pace. See [Figure 10](#) below.

**Figure 10: Trend in Appointment of Female Directors on Boards<sup>39</sup>**



- The gradual upward trend is reinforced by the higher proportion of female directors in younger age brackets. See [Figure 11](#) below.

**Figure 11: Profile of Male and Female Directors by Age Group<sup>40</sup>**



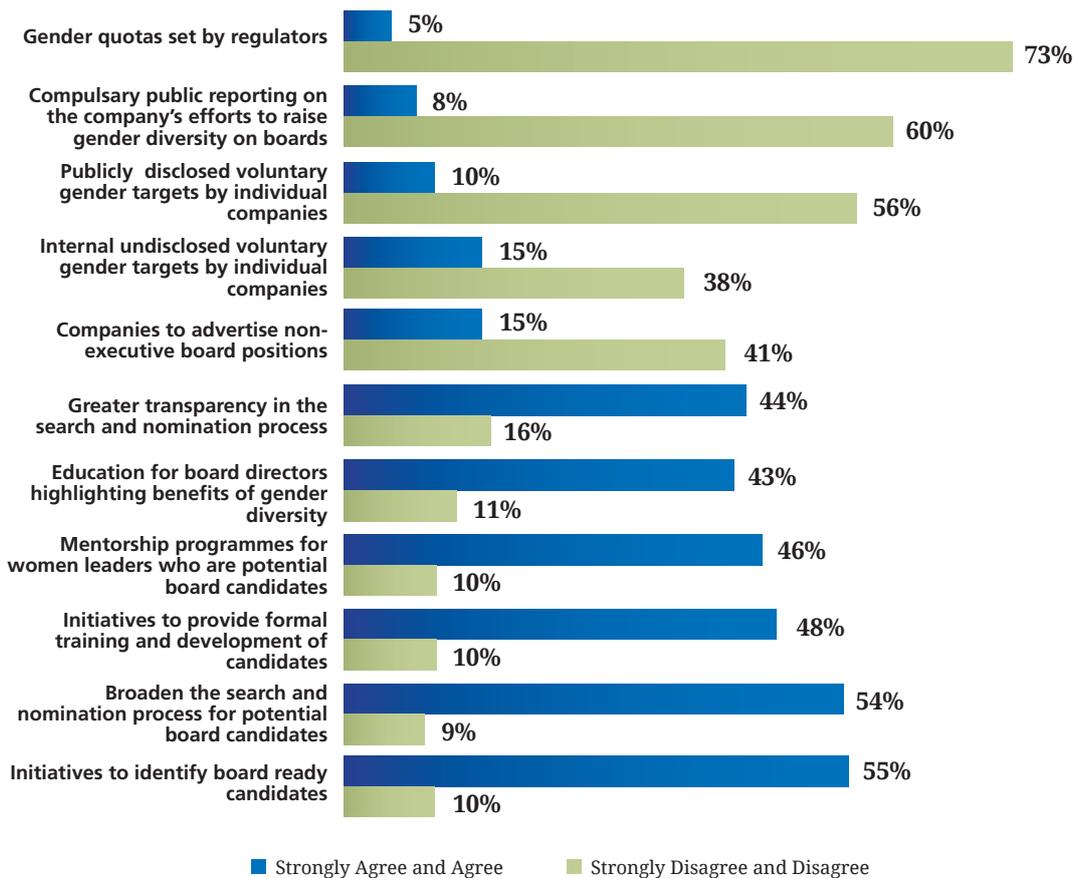
- Based on current rate of growth of female directorships, women will go from holding 8.3% directorships in 2013, to about 12% in 2020 and about 17% in 2030.

<sup>39</sup> Percentages in the chart are calculated based on appointment dates of directors collected from the annual reports from 2000 to 2012. For 2013, these are based on director appointment figures for the period from January to March 2013 only.  
<sup>40</sup> "n" refers to the total number of directors in each age group

**Theme 4: The causes of lack of gender diversity in listed companies are complex and intertwined and cannot be effectively addressed through the imposition of quotas or setting of targets at this point in time.**

- There are multiple causes of the lack of gender diversity, and these causes are complex and inter-linked.
- The survey showed that 73% of companies disagree with the imposition of quotas. See [Figure 12](#) below. This is also corroborated by the dialogue sessions with both female and male board Chairpersons, Directors and CEOs<sup>41</sup>. The main reasons were that women should be hired based on their skills and merits, with respect being earned. There was concern that the imposition of quotas may lead to existing capable male directors being replaced to meet the quotas, with less qualified females being appointed simply to meet the numbers.

**Figure 12: Views SGX-Listed Companies Surveyed About Measures to Improve Board Gender Diversity<sup>42</sup>**

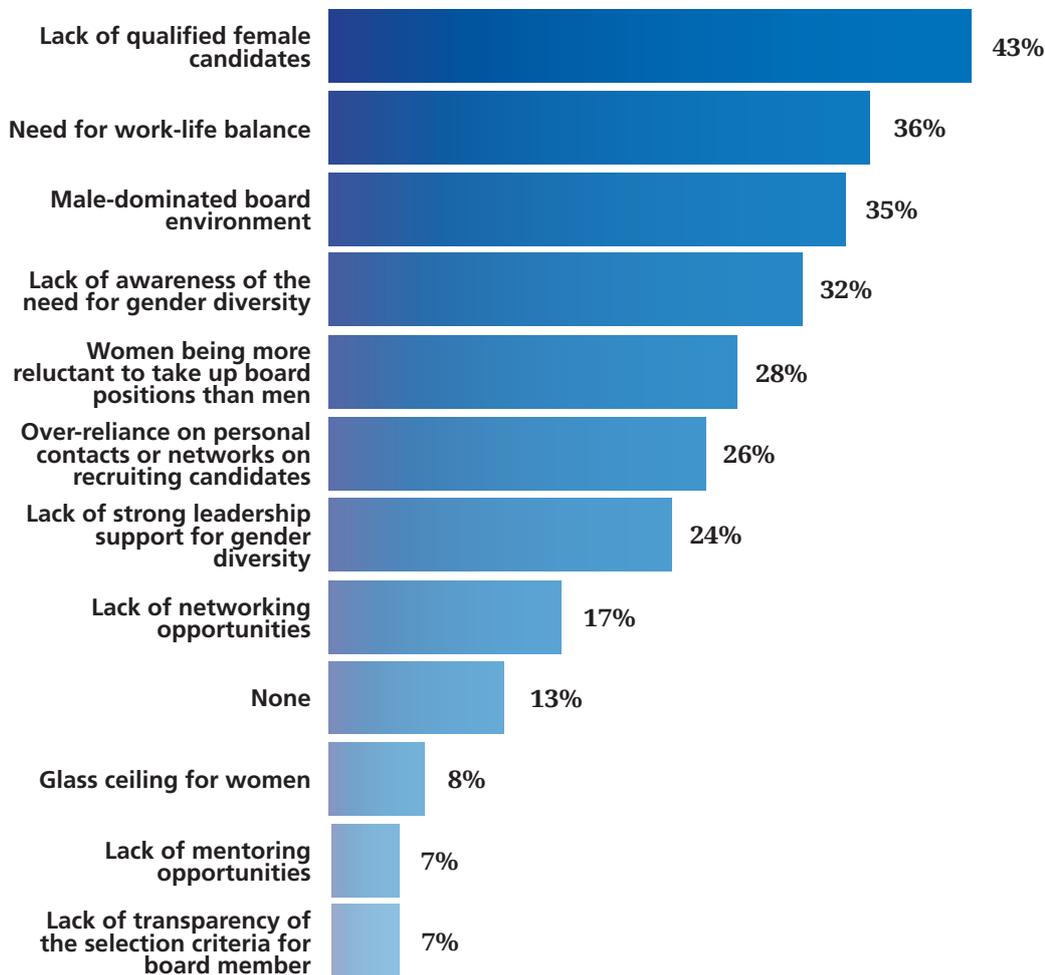


<sup>41</sup> However, there was also a small number of participants who felt that the situation would not improve much unless there are quotas or targets.

<sup>42</sup> Based on 287 valid responses. The percentages for each measure do not add to 100% as the option "Neither Disagree Nor Agree" is not shown.

- 
- The contributing factors to lack of board gender diversity include the following:
    - a) **There is low awareness and many companies are not yet convinced about the benefits of gender diversity**, and thus little is being done to improve this (as mentioned above). The survey showed that only 4% of companies ensure that shortlisted candidates include at least one female candidate.
    - b) Some boards **may not be comfortable** recruiting directors who are not known to them, or who may hold certain views on gender roles in family and business.
    - c) There is **over-reliance on personal networks**. 89% of companies indicated using personal networks, with 42% using *only* this method. *Only* 14% said that they use external search firms. Companies of larger market capitalisation are more likely to use external search firms, with 19% of large market-capitalisation companies indicating that they use external search firms, compared to 14% for mid market-capitalisation companies and 12% for small market-capitalisation companies.
    - d) There is a **perceived “lack” of qualified female candidates**. This may also be a function of the attributes that boards expect of director candidates. The survey indicates that the top three attributes sought in directors are board-level experience (85%), specialised skills (85%) and relevant industry experience (84%). Since there are so few women on boards in SGX-listed companies, this may “disqualify” women from consideration.
    - e) **Responsibilities for family** tend to fall mainly on women. Women are thus more likely to sacrifice work for family and this has an impact on the pipeline for board and senior management positions, especially when there are extensive travel commitments or inflexible work arrangements.
    - f) Women tend to be **more reluctant to take up board positions than men**. This was corroborated from dialogue discussions that some women are uncertain of how their skill sets fit the needs of the boards and are shy in putting themselves forward for board positions. Men are seen to be more assertive in putting themselves forward.
  - See [Figure 13](#) on the next page on the views of SGX-listed companies about the key challenges to women being appointed to boards.

**Figure 13: Views of SGX-Listed Companies About the Key Challenges to Women Being Appointed to Boards<sup>43</sup>**



**Theme 5: Statutory boards fare significantly better than SGX-listed companies in most areas of gender diversity.**

- Females hold 19.5% of board directorships in statutory boards, compared to 8.3% in SGX-listed companies.
- 14.5% of the Chairpersons of statutory boards are females, compared to 3.7% for SGX-listed companies.
- Among the senior management positions (excluding executive directors), 35.8% are held by females, compared to 21.2% in SGX-listed companies.
- Only 13% of statutory boards have all-male boards, compared to 57% for SGX-listed companies.

<sup>43</sup> Based on 287 valid responses

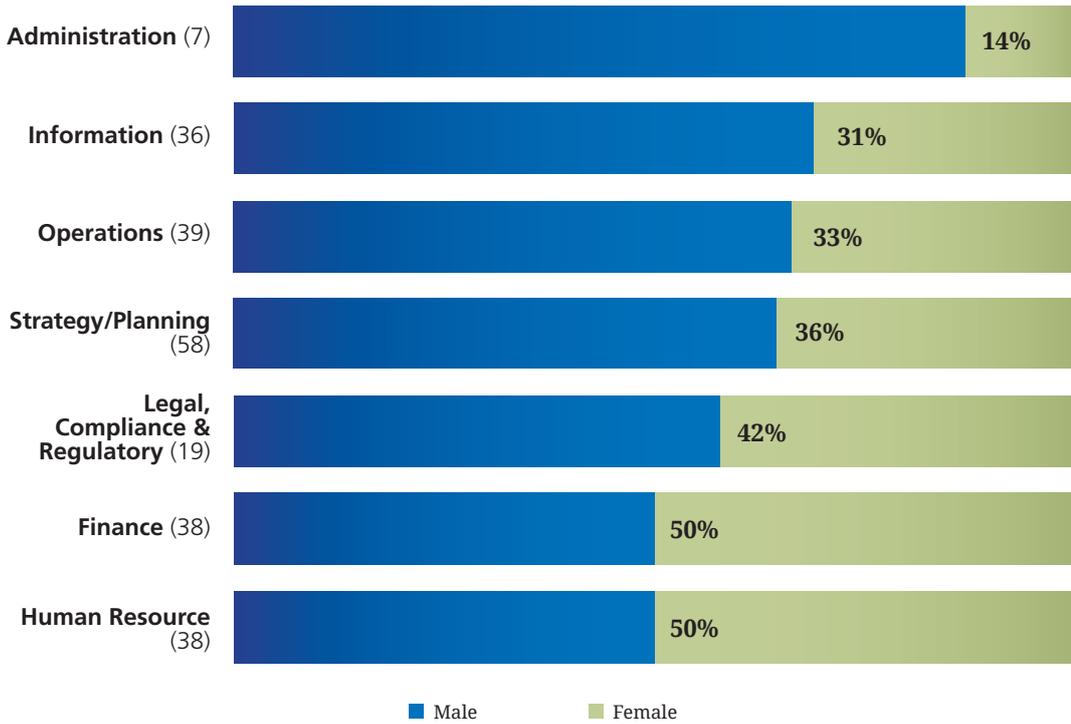
- Awareness of the importance of board gender diversity is much higher in statutory boards, compared to SGX-listed companies. Specifically, 78% and 80% of statutory boards agree that gender diversity on boards and at senior management level respectively is important, compared to 33% (board) and 44% (senior management level) for SGX-listed companies.
- See [Table 1](#) below.

**Table 1: Comparison of State of Gender Diversity between Statutory Boards and SGX-Listed Companies**

	Statutory Boards	SGX-Listed companies
Percentage of female directors	18.8%	9.7%
Percentage of directorships held by females	19.5%	8.3%
Percentage of all-male boards	13%	57%
Percentage of female chairpersons	14.5%	3.7%
Percentage of female CEOs	18.2%	4.3 %
Percentage of senior management positions held by females	34.7% (including executive directors)	18.1% (including executive directors)
	35.8% (excluding executive directors)	21.2% (excluding executive directors)
Importance of gender diversity on the board	78% strongly agree or agree	33% strongly agree or agree
Importance of gender diversity in senior management	80% strongly agree or agree	44% strongly agree or agree

- Females are better represented in senior management frontline roles such as strategy/planning (36%) and operations (33%), compared to SGX-listed companies (11% and 12% respectively). See [Figure 14](#) below.

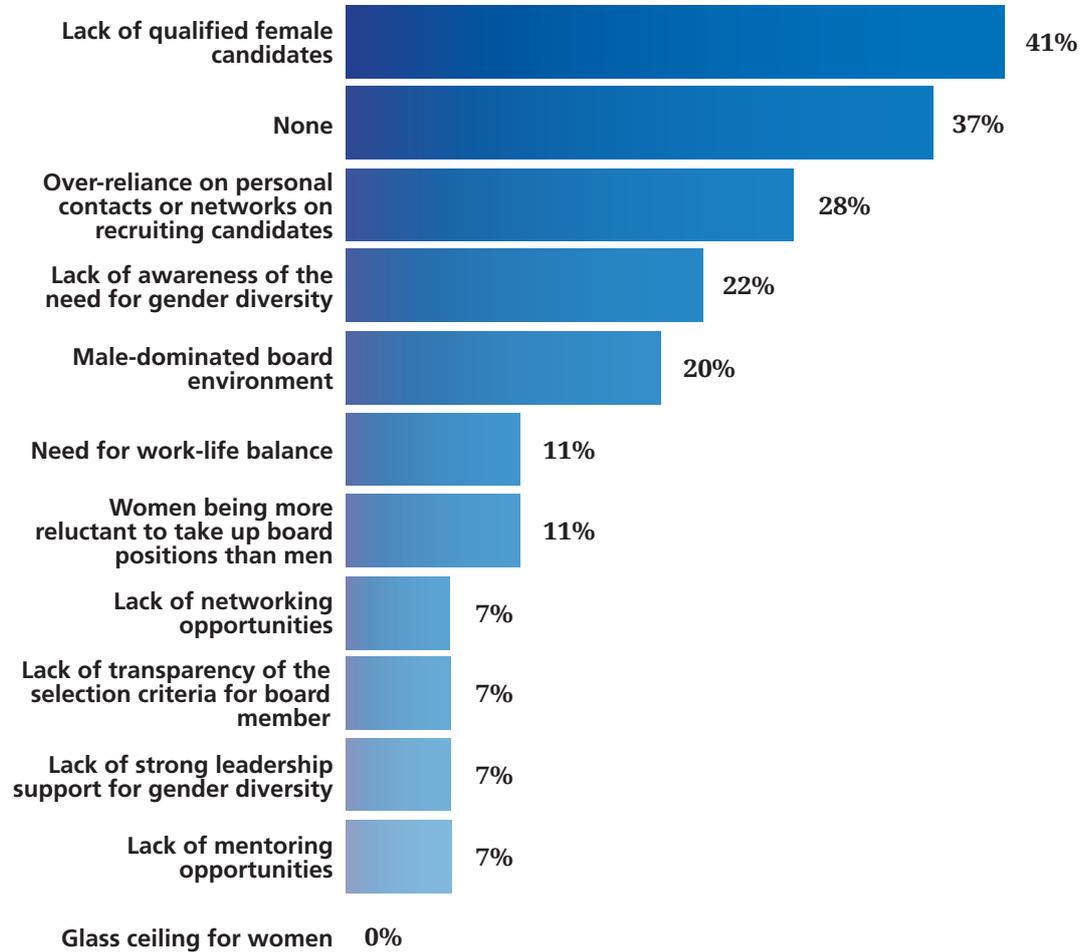
**Figure 14: Female Representation in Different Senior Management Functions Below CEO Level in Statutory Boards<sup>44</sup>**



- Statutory boards see fewer challenges for women to be appointed to boards. Specifically, 37% of the statutory boards see no challenges, compared to just 10% for SGX-listed companies. See [Figure 15](#) on the next page.

<sup>44</sup> Based on primary data collected from 55 statutory boards that participated in the supplementary questionnaire survey. Figures in parentheses indicate the number of individuals listed as a senior management member overseeing that function. An individual may be responsible for more than one function in a company.

**Figure 15: Views of Statutory Boards About Key Challenges to Women Being Appointed to Boards<sup>45</sup>**



<sup>45</sup> Based on 46 valid responses

## Annex D Initiatives by Some Countries to Improve Gender Diversity on Boards

### Legislative Action

Country (Year Implemented)	Gender Diversity Initiative
Norway (2005)	<p>First country to introduce board gender quotas, requiring nearly 500 firms, including 175 firms listed on the Oslo bourse, to raise the proportion of each gender on their boards to 40 percent by 2008. Listed firms which fail to comply by 2008 faced dissolution.</p> <p>The gender quota initially applied to the boards of public limited companies, inter-municipal companies and state-owned companies. It was later extended to cooperative companies in 2008 and municipal companies in 2009.</p> <p>A disclosure of the state of gender diversity within the company is also required under the Norwegian Accounting Act<sup>46</sup>.</p>
Spain (2007)	<p>Passed a "Law of Equality" to achieve a minimum of 40% of each gender for companies with more than 250 employees by 2015<sup>47</sup>.</p>
Iceland (2010)	<p>Effective 1 September 2013, publicly-traded companies, private limited companies and state-owned enterprises with at least 50 employees must have at least 40% of each gender on their boards<sup>48</sup>.</p>
Netherlands (2011)	<p>There must be at least 30% women directors on the supervisory or management board for companies that meet two of the following three criteria: (a) a balance sheet greater than €17.5m; (b) gross revenue greater than €35m; and (c) the average number of employees being at least 250. These companies need to attain the target by 2016. If target is not reached, companies have to address in their annual report why not, steps taken, and future steps to ensure compliance<sup>49</sup>.</p>
Belgium (2011)	<p>State-owned companies and publicly-listed companies must have a 33% share of women. Companies have 6 years to reach the target, with SMEs given 8 years. Efforts made to reach quota had to be disclosed in the company's annual management report from 2012-2013<sup>50</sup>.</p>

46 "Women in the boardroom: A global perspective", Deloitte, November 2011, p. 21, [http://www.deloitte.com/assets/Dcom-tanzania/Local%20Assets/Documents/Deloitte%20Article\\_Women%20in%20the%20boardroom.pdf](http://www.deloitte.com/assets/Dcom-tanzania/Local%20Assets/Documents/Deloitte%20Article_Women%20in%20the%20boardroom.pdf)

47 *Ibid.*, p. 22.

48 Teigen, M. Institute for Social Research, "Women in economic Decision-making, Norway, 10-11 May 2012", [http://ec.europa.eu/justice/gender-equality/files/exchange\\_of\\_good\\_practice\\_no/no\\_discussion\\_paper\\_no\\_2012\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/exchange_of_good_practice_no/no_discussion_paper_no_2012_en.pdf)

49 "Women in the boardroom: A global perspective", Deloitte, November 2011, p. 20, [http://www.deloitte.com/assets/Dcom-tanzania/Local%20Assets/Documents/Deloitte%20Article\\_Women%20in%20the%20boardroom.pdf](http://www.deloitte.com/assets/Dcom-tanzania/Local%20Assets/Documents/Deloitte%20Article_Women%20in%20the%20boardroom.pdf)

50 *Ibid.*, p. 16.

<b>France (2011)</b>	By 2014, 20% of the board must be women, rising to 40% by 2017. This applies to publicly-traded companies and private companies with more than 500 employees or annual turnover of at least €50m <sup>51</sup> .
<b>Italy (2011)</b>	Female representation in supervisory and management boards of listed and state-owned companies must be 20% by 2012 and 33% by 2015 <sup>52</sup> .
<b>Denmark (2012)</b>	On 14 December 2012 the Danish Parliament adopted legislation obliging around 1,100 of Denmark's largest companies to set voluntary targets for the under-represented gender on their boards. The law came into force in 2013 <sup>53</sup> . Companies get to declare their own targets, but these targets must be accompanied by the establishment and explanation of company policy to increase share of under-represented gender by 2013. This applies to large publicly-traded, large private and state-owned enterprises with at least 50 employees. A publicly-traded or private company is defined as large if two or more of the following apply for two consecutive years: (a) total assets of more than €143m; (b) turnover of more than €286m; or (c) more than 250 employees <sup>54</sup> .
<b>European Union (2013)</b>	In November 2013, the European Parliament approved the European Commission's proposed law to improve the gender balance of boards of European companies. The draft law requires companies that do not have females representing 40% of the non-executive directors to introduce a new selection process which gives priority to qualified female candidates. The draft law is yet to be approved by the member states <sup>55</sup> .

### Voluntary Measures

<b>Country (Year Implemented)</b>	<b>Gender Diversity Initiative</b>
<b>Australia (2010)</b>	In 2010, Australia set a target of achieving minimum 40% women on boards by 2015. The Corporate Governance Code was amended in 2010 to require companies to establish a diversity policy, with a specific focus on gender diversity, and disclose the policy or a summary of it. In addition, companies should establish and disclose measurable objectives for achieving gender diversity and assess and disclose annually both the objectives and progress towards achieving them. Companies that do not comply are required to explain the reasons for non-compliance <sup>56</sup> .

51 *Ibid.*, p. 17.

52 "Women in economic decision-making in the EU: Progress report", European Commission – Directorate-General for Justice, [http://ec.europa.eu/justice/gender-equality/files/women-on-boards\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/women-on-boards_en.pdf)

53 [http://ec.europa.eu/justice/gender-equality/files/womenonboards/womenonboards-factsheet-dk\\_en.pdf](http://ec.europa.eu/justice/gender-equality/files/womenonboards/womenonboards-factsheet-dk_en.pdf)

54 Legislative board diversity, Catalyst, [www.catalyst.org/legislative-board-diversity](http://www.catalyst.org/legislative-board-diversity)

55 "Cracking Europe's glass ceiling: European Parliament backs Commission's Women on boards proposal", [http://ec.europa.eu/rapid/press-release\\_IP-13-1118\\_en.htm](http://ec.europa.eu/rapid/press-release_IP-13-1118_en.htm)

56 Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd Edition, ASX Corporate Governance Council, pp. 4 and 9, [http://www.asx.com.au/documents/asx-compliance/cg\\_principles\\_recommendations\\_with\\_2010\\_amendments.pdf](http://www.asx.com.au/documents/asx-compliance/cg_principles_recommendations_with_2010_amendments.pdf)

Country (Year Implemented)	Gender Diversity Initiative
<b>Malaysia (2011/2012)</b>	<p>In 2011, the Malaysian Cabinet approved a policy that women must comprise at least 30% of those in decision-making positions in the corporate sector, with companies given five years to comply<sup>57</sup>.</p> <p>In March 2012, Malaysia issued a revised Code of Corporate Governance (to come into effect on 31 December 2012), which recommends that “the board should establish a policy formalising its approach to boardroom diversity and take steps to ensure that women candidates are sought as part of its recruitment exercise”<sup>58</sup>. The board is also encouraged to “explicitly disclose (or explain) in the annual report its gender diversity policies and targets and the measures taken to meet those targets”<sup>59</sup>.</p>
<b>United Kingdom (2011/2012)</b>	<p>Recommendations in the report titled ‘Women on Boards’ by Lord Davies of Abersoch (February 2011<sup>60</sup> and subsequent updates):</p> <ul style="list-style-type: none"> <li>• All chairmen of FTSE 100 and 250 companies should set targets for the percentage of women they aim to have on their boards by 2013 and 2015</li> <li>• FTSE 100 boards should aim for a minimum of 25% female representation by 2015</li> <li>• Chairmen should announce what they intend to do to increase female representation on their boards by September 2011</li> <li>• All chief executives should review the percentage of women they aim to have on their executive committees by 2013 and 2015</li> </ul> <p>In 2012, the UK Financial Reporting Council published two revisions to the UK Corporate Governance Code, which is subject to a “comply or explain” requirement. Under the revised Code, companies are to report formally on their boardroom diversity policy and to include gender diversity in their evaluation of the board effectiveness on an annual basis<sup>61</sup>.</p>
<b>Hong Kong (2013)</b>	<p>Listed companies are required to disclose whether they have any policies in place to encourage diversity and to disclose the reasons if they do not. As part of the governance code, companies will have to disclose their progress towards creating a more diverse board<sup>62</sup>.</p>

57 “Women in the boardroom: A global perspective”, Deloitte, November 2011, p. 11, [http://www.deloitte.com/assets/Dcom-tanzania/Local%20Assets/Documents/Deloitte%20Article\\_Women%20in%20the%20boardroom.pdf](http://www.deloitte.com/assets/Dcom-tanzania/Local%20Assets/Documents/Deloitte%20Article_Women%20in%20the%20boardroom.pdf)

58 Malaysian Code on Corporate Governance 2012, <http://www.sc.com.my/wp-content/uploads/eng/html/cg/cg2012.pdf>

59 Ibid

60 “Women on Boards”, February 2011, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31480/11-745-women-on-boards.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf)

61 FRC encourages better comply or explain disclosure and improved investor transparency, <https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2013/December/FRC-encourages-better-comply-or-explain-disclosure.aspx>

62 Corporate Governance Code and Corporate Governance Report, Appendix 14, Hong Kong Exchange, [https://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/documents/appendix\\_14.pdf](https://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/documents/appendix_14.pdf)

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