
Speaking with the Boards

*Achieving gender diversity is not merely about appointing more women to boards. The real issue is far more important as it goes to the heart of Singapore's reputation as a business and financial centre: **Governance.***

Chairmen of leading Singapore companies with diverse boards are united in their view that gender-diverse boards are simply better governed. This is not just because women frequently offer a different perspective to men, but because implementing proper processes for sourcing board candidates will inevitably result in more women being nominated and, ultimately, appointed.

Pru Bennett, Head of the Investment Stewardship Team for the Asia Pacific region at BlackRock, which manages US\$4.7 trillion in assets, agrees.

"If you have a robust process to get competent directors with the right mix of skills and expertise, the outcome will be a more diverse board. That should drive better decision-making, which will be reflected in returns," Bennett says.

Diversity is a standing agenda item when her 22-strong team visits investee companies.

"In our discussions with the chairmen we ask, how do you select directors? Do you use external search firms? How far out do you plan succession? Do you just wait for someone to decide they want to leave, and then start looking? Do you have a skills matrix?" she says. "And if the outcome is that you have a board with 100 per cent men, that raises questions around your process of selecting directors. If they are all from the same background, there is concern about groupthink, and that you don't have the right dynamics for the right decision-making. From an investor perspective, that's a concern."

Benefits of gender-diverse boards

Though intangible and inherently difficult to quantify, the qualitative benefits of having a diverse board are clear to the chairmen of leading companies interviewed for this report.

Stephen Lee, Chairman of Singapore Airlines (SIA), sums it up like this: "You need diversity at the board level to help management improve the thinking process. The more diverse the board is, the more comprehensive the discussion will be."

DBS Bank's Peter Seah adds, "If you are a chairman who wants board members that rubber stamp whatever you want to do, I think you're in the wrong century ... I

would be very uncomfortable chairing a board where everybody says 'yes, chairman' to whatever I say. In today's high regulatory risk environment, that is very dangerous."

Better consumer insights

Beyond governance, there are many sound business reasons to appoint women to boards.

"Why don't you start thinking about the fact that 50 per cent of your customers are women?" asks Singtel's Simon Israel.

SIA's Stephen Lee adds, "For a customer-facing industry like ours, where we serve a large number of female customers and employ a large number of female staff, we need that perspective."

"Over time, if you begin to see that gender-diverse boards tend to be better at reaching out to customers and engendering a better corporate culture within your organisation ... all these should lead companies that don't have women on their boards to think about: Why not? To put it very simply, what do they have to lose?"

Peter Seah, Chairman, DBS Bank

Speaking with the boards *continued*

Gender diversity vs meritocracy

Many boards claim that meritocracy should come before gender diversity, given that Singapore's economy was founded on the principle of meritocracy: that the best person for the job should be appointed, no matter who that person is. However, none of our interview guests sees any conflict between meritocracy and gender diversity. On the contrary, they say that if the director nomination process was truly meritorious, more women would be appointed.

"We shouldn't hide behind the shield of meritocracy when we have no diversity. I'm convinced that we can get diversity with meritocracy," says DBS Bank's Euleen Goh. "Too often, we say yes to meritocracy, but when we look at the slate of candidates, it's the same old, same old. And that's why we have to open our eyes and our perspectives to see if we can bring on more diversity, broaden our pool of candidates and look at talent with different eyes."

Are there enough female directors?

Our interview guests agree that there is tremendous female participation in senior management in Singapore. "Just look at the property sector," says Aberdeen's Asset Management Asia's Head of Corporate Governance David Smith. "It is dominated by incredibly talented females. I do think we could probably do more to get those females into the boardroom, not because they're females but because they're incredibly talented individuals who I think could add value to other boards and, for whatever reason, are not on other boards."

No need for women?

Some companies justify the absence of women at their board table by pointing to the number of senior female managers. But our interview guests are quick to dismiss this.

"People who say that do not understand the difference in the roles the board and management play," says Sumitri Menon, Chairman of Micro-Mechanics. Directors on a board serve a different strategic purpose to senior management. Governance by board members is a critical issue that requires a very different approach than the day-to-day execution of the business strategy by senior managers.

Some boards might also justify their lack of female directors because they operate in a male-dominated industry.

In response, Christina Ong points to her role as a director of SIA Engineering, "Companies in different industries can be as gender-diverse as they want to be. Even an engineering company gets involved in lot of things apart from day-to-day engineering. It goes into acquisitions, it goes into joint ventures etc. As a lawyer, I think I could add value. You don't necessarily want only engineers or people with an engineering background on the board."

Can we wait for the issue to correct itself?

There appears to be some optimism that the issue of gender diversity on boards will correct itself over time. The pool of candidates is growing as the number of experienced, tertiary-educated women grows. Also, a new generation of chairmen who are conscious of the issue of diversity will be taking over the leadership roles. But given the pace of change and the unpredictable business environment boards must deal with today, Singapore cannot wait.

"I think to say that it's going to improve over time is not good enough," says BlackRock's Pru Bennett. "If the board doesn't have the right diversity of skills – and that's gender and all the other issues

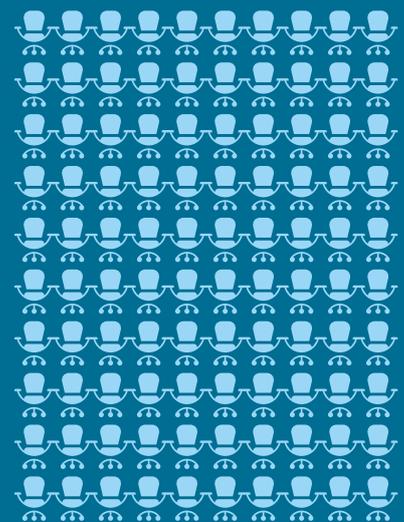
Big Pool of Female Talent in Singapore



Large proportion of women in senior management in Singapore, but few on boards.

400+

experienced women directors on SGX-listed companies, most holding only 1 board directorship.



100

women attended DAC's conference in Sep 2015. They are all recommended by corporate leaders as suitable for board directorships.

Speaking with the boards *continued*

that we're talking about now – the nomination committee should be concerned and should be on the lookout for some competent directors to address the deficiencies on the board – right now."

Women must put themselves forward as candidates

Aptly put by Yoma Strategic's Wong Su-Yen, "There is a commonly held view that someone is going to show up one day and call on them. My experience is that it does not really work that way. Rather, as with any career, prospective directors need to build up a portfolio of experiences and take a series of steps that move them in that direction." This might include first joining a non-profit board.

DBS Bank's Euleen Goh has some advice to women: don't wait to be asked.

She says women need to network and decide what sector most interests them. They also need to be clear about what they can bring to the table. "It's not about saying, 'I'm available, bring me on board'. It's about 'Do I bring international perspectives? Do I bring experiences of a certain discipline. Do I bring a technical edge of some sort?' Women have to think through that for themselves and then say that for themselves as they put up their hands to ask."

The pros and cons of quotas

Despite the passion and commitment our interview guests express over gender diversity, few if any – including the women among them – were in favour of setting quotas for the proportion of female directors on a board.

But Singtel director and former Deputy Managing Director at the Monetary Authority of Singapore, Teo Swee Lian, says the door to quotas should not be closed.

"Having been a regulator, [I know that] before you come out with a policy or a rule, you will think whether or not there has been a market failure," she says. "And, usually, if the market can take care of this particular risk or this particular gap, that is actually the best solution. But sometimes the market might need a nudge. So while I'm not in favour of quotas, if it really takes too long or if there really isn't enough awareness in the minds of people, then possibly the threat of a quota might actually be a catalyst that's needed."

And while Pru Bennett from BlackRock is "not a real fan of quotas", she refutes comments that quotas only bring token appointments. Her response is that it's unlikely all current male board directors were appointed on merit. "But having said that, I would prefer to see boards make these decisions on merit, skill sets and the overall balance of diversity on the board," she says.

What if boards ignore diversity?

If boards do not try to balance diversity, a lot of talent is wasted or not fully utilised, says Micro-Mechanics' Sumitri Menon. "We won't know how much better we could be," she says.

What have you got to lose?

DBS Bank's Peter Seah says that this discussion of diversity should lead companies that don't have women on their boards to ask themselves 'why not?'. "To put it very simply, what do they have to lose?" he says.

Singapore's reputation as a regional financial centre could be drawn into question by this lack of gender diversity on boards.

Singtel's Simon Israel aptly says, "It's shocking. It's an embarrassment. It's quite challenging that we want to hold ourselves up as a financial centre and yet on gender diversity we are so far behind our neighbours. For me, it's a black eye, not a black mark. It's something that needs to be addressed."

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Euleen Goh, Independent Director, DBS Bank

How boards can increase their gender diversity

1 Cast the net wider than personal networks

"Boards without women don't necessarily discriminate against them. Maybe they have not made the extra effort, and most of the candidates they come across are men. Boards have to actively seek out capable women professionals to take on board seats, because they believe having women on boards helps enrich board discussions and gives a better understanding of their audience or customer base," says DBS Bank's Peter Seah.

2 Focus on the relevant skill set, regardless of prior board experience

Work with the company's matrix of skills and experience requirements, making sure it is relevant as the company's strategy changes. Chairmen should proactively look for directors who match the needs matrix, even if candidates have little or no experience in serving on boards.

Chairmen and nominating committees might not be excluding women deliberately from their search for candidates. They may simply need to review their search criteria.

"You could have progressive boards which are looking for talent say they can't find the right people because their profiles, just maybe, are too narrowly defined," Singtel's Simon Israel says. "If you're prepared to have a much wider profile of what could bring diversity to the board, the gene pool is much bigger than boards probably think it is."

3 Specifically ask for women candidates

Boards committed to searching for female candidates should specifically ask for women candidates, regardless of whether they engage a search firm or seek referrals from personal contacts.

Singtel's Simon Israel says, "Search firms are required to present female candidates alongside males. Don't come back to tell us there's no women out there. The Nominations Committee is required to consider the female candidates along with all the others."

Yoma Strategic's Serge Pun adds, "We do indicate that, all things equal, if we can get a female on the board we would prefer it because we do need one. We would like to have one, or even more."

4 Appoint women to nominating committees

The chairmen of leading companies interviewed for this report suggest that women should be appointed to nominating committees.

"Perhaps having a female heading the nominating committee can help with gender diversity," says Singapore Airline's Stephen Lee.

5 Refresh the board regularly

Both Aberdeen and BlackRock advocate for boards to consist of roughly equal numbers of directors with short-term, medium-term and longer tenures. This creates opportunities for new directors to contribute and gain experience, while retaining corporate knowledge and providing continuity.

6 Develop the executive pipeline for board roles

To start this virtuous cycle, companies looking to develop their star executives could permit them to take on one board position.

David Smith from Aberdeen Asset Management Asia says, "In a place like Singapore you can't afford to exclude half the workforce. In other markets, senior managers are allowed or even encouraged to serve on one external board. If a push is made to encourage women to serve on an external board as part of professional development, we could see more female participation."



Extracted from Diversity Action Committee's Report
'Women on Boards: Tackling the Issue'.
Get the full report online: www.diversityaction.sg