



Board diversity disclosures in Singapore: From intent to outcomes

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Foreword

There is no denying that corporate boards have a responsibility towards society at large, beyond ensuring business success and stakeholders' interests. **Building trust and instilling a value-creating purpose is paramount.** This is even more so today as corporate boards steer their companies through uncharted territories due to mega-trends such as the impact of new technologies, new regulations, changing customer expectations and shifts in global economic power as well as the disruption caused by COVID-19.

Against this backdrop, the **case for inclusion and diversity (I&D)** takes centre stage. We know from our experience that this is not only the right thing to do, but when organisations actively put I&D at the heart of their businesses, it positively contributes to their business, people and communities. Different angles to important problems are continuously explored, defined and solutioned with fresh perspectives and creativity unleashed by the power of workplace diversity.

At PwC Singapore, inclusion and diversity (I&D) is embedded into our value system, as we emphasise building a culture of belonging for our people who come from over 49 nationalities and women representing 59% of our workforce. We are proud of our diverse workforce and strive to encourage new perspectives regardless of background, gender and abilities.

One key component of I&D is explored in this report – **board diversity and the quality of its disclosures in Singapore.**

A diverse board, with members representing different sections of society and skill sets, brings to the table unique perspectives based on varied experiences, capabilities and cultural backgrounds. It strengthens relationships with investors and other stakeholders, as well as enhances board performance. For example, PwC research shows female directors are more invested in environment, social and governance (ESG) issues than their male counterparts. Women are also more likely to support non-financial performance metrics to incentivise the appropriate executive behaviours.



Since the revision of the Code of Corporate Governance in 2018, all Singapore publicly-listed companies are required to adopt a “comply or explain” approach to disclosing their board diversity policy (including gender and age) and their progress made towards achieving self-set measurable objectives.

This report details Singapore's public - listed companies' progress towards board diversity disclosures. We studied the landscape of these companies' disclosures, while articulating why companies should take board diversity seriously and how having the right, diverse board will help create a competitive edge and long-term value for their organisations. We have also shared our perspective on best practices that companies could adopt in enhancing the quality of their board diversity disclosures.

Yours Sincerely

Yeoh Oon Jin
Executive Chairman
PwC Singapore

I. Introduction



Board diversity – what it means, why it matters and how it is put into action in Singapore

By definition, diversity includes two aspects: i) inherent diversity, i.e. traits individuals are born with such as age¹, race, gender and ii) acquired diversity, i.e. traits individuals gain through experiences.

The **Singapore Code of Corporate Governance (The Code)** provides a good contextualisation of what diversity means in the boardroom. The Code emphasises a board with “diversity of thought” - this means a mix of inherent diversity such as gender and age, with appropriate balance and mix of skills, knowledge, experience and other acquired diversity. In corporate Singapore, gender as a key element of diversity has received much needed attention and will continue to be the focus in the efforts to create more diverse and inclusive workforces and boards. However, the time has come to emphasise other elements of diversity as outlined by the Code above.

How much progress has Singapore made on board diversity?

“There has been an increasing level of awareness and action being taken by Singapore Boards on diversity which is promising. However, the notion of diversity has been rather one-dimensional, focusing mainly on gender... this could be because it's easy to identify and address. And there has rightly been significant effort on this front. In fact, a well-performing Board requires different functional areas and skill sets. We need to keep moving the needle on gender, but we should not neglect other areas of diversity.”

Su-Yen Wong, Singapore Institute of Directors,
Chairman of the Governing Council

From your experience, what is the key benefit of having a diverse board?

“I've been pushing for what I like to call “geographical diversity”, where we hire individuals who have worked in both their home country and in foreign countries. They are able to bring their experience and appreciation of other countries' business cultures and ways of working to support in cross-borders dealings. Not having this understanding of business cultures of different countries makes it challenging to work with international stakeholders.”

Board member of a large global REIT company

¹ <https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Corporate-Governance-of-Listed-Companies/Code-of-Corporate-Governance-6-Aug-2018.pdf>

Globally, policy-makers have put in place various measures to increase the diversity of boards. Whilst quotas have successfully been used in many countries in Europe, regulators of other countries such as the United Kingdom, Australia, Canada and Hong Kong have preferred to focus on mandatory comply-or-explain mechanisms.

In Singapore, the mandatory comply-or-explain mechanism applies to all publicly-listed companies. **This report explores how Singapore companies fare in their board diversity disclosures, whether having high quality disclosures, i.e., specific, action-focused objectives result in better diversity outcomes at the board level and how companies can further improve the quality of disclosures.**

In recent years, we have seen an enhanced focus on board diversity and its disclosures in Singapore. Several organisations, including the **Singapore Institute of Directors (SID)** and the **Corporate Governance Council (CGC) (the Council)** have been actively promoting companies' board diversity.

CGC was established in 2017 to review the Code of Corporate Governance after it was last revised in 2012. In its recommendations to the Monetary Authority of Singapore (MAS), the Council advocated for enhanced board diversity, amongst other initiatives to enhance the effectiveness of boards and the state of corporate governance in Singapore². This led to the revision of the Code of Corporate Governance in 2018, to include requirements for companies to disclose their board diversity policy and progress made in their annual reports.

Extending Singapore's multiculturalism and diversity in society to the corporate world and its boardrooms, the Ministry of Social and Family Development established the **Council for Board Diversity (CBD)** in 2019³. It focuses on increasing the number of women on boards, through stakeholder engagement and enhancing public awareness.

The CBD adopts a multi-stakeholder approach in leading the charge for encouraging board diversity:

1. (Demand) Engaging stakeholders on the appointment of women onto boards.
2. (Supply) Working with partners to develop the pipeline of board-ready women.
3. (Eco-system/Partners) Working with existing organisations to undertake activities that

promote the importance of board diversity through having women directors.

4. (Government / Regulatory) Working with the Government on policies and programmes that support women on boards.
5. (Synergies) Leveraging on the synergies of its learnings and networks across the private, people and public sectors to further multiply its efforts while complementing individual organisations' efforts in diversifying their boards."

Global trends underpinning the significance of board diversity

The case for diversity both in society and the workplace has advanced significantly over the last few years, with 2020 being a watershed year for diversity and social justice movements across the world. The COVID-19 pandemic has exacerbated the role of diversity on boards, whose enhanced roles now require them to support their organisations and countries in rebuilding businesses and economies.

CBD has highlighted the key global shifts supporting the need for greater diversity:

- **Increased pressure from institutional investors:** ESG accountability has gained investors' attention worldwide. To accelerate the ESG agenda across organisations, investors from the US and UK⁴ have significantly increased AGM resolutions relating to ESG and opposed individual director reappointments. Singapore and its neighbouring countries are also likely to see an increase in stakeholder activism over the next few years.
- **Focus on new business models and digital transformation in the post-pandemic recovery phase:** Companies will require a different mix of talent, experience, and perspectives to harness new opportunities as business models adapt to changing world dynamics. Arising from these changing ways of doing business will be new challenges around data privacy, governance and technology risk which boards will need to provide guidance on.
- **Consumer activism around societal issues:** Societal concerns have shifted focus to conversations around diversity and representation at senior leadership and board levels, which has led to a change in expectations for boards to add new experiences, backgrounds and skill sets to widen board capabilities.

² https://www.mas.gov.sg/-/media/MAS/resource/news_room/press_releases/2018/Infographic--Corporate-Governance-Councils-recommendations-to-enhance-corporate-governance-in-Singapore.pdf

³ <https://www.councilforboarddiversity.sg/about/council-for-board-diversity/>

⁴ <https://www.ft.com/content/844783f8-c9c4-4cda-960f-bec2543a5e12>

II. Leveraging board diversity disclosures to achieve competitive advantage

With board diversity disclosures, businesses may potentially differentiate themselves as purpose-driven organisations and increase transparency for investors and other stakeholders with regards to board representation.

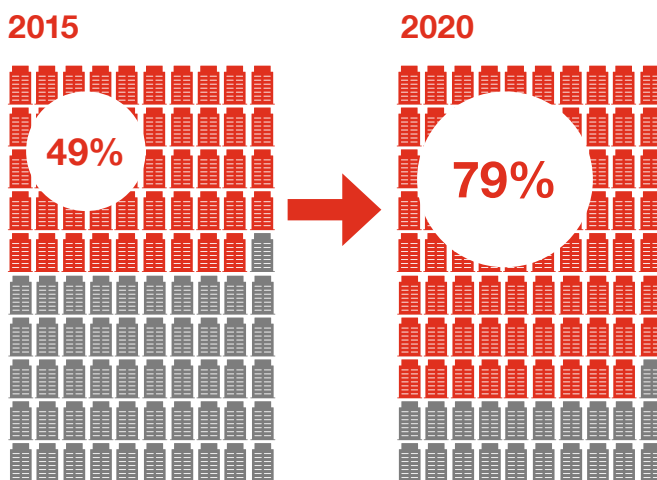
Mandatory enforcements of diversity disclosures have shown to contribute significantly to board diversity in various countries.

Canada

In Canada, the percentage of issuers who had at least one woman on their board increased from 49% in 2015, the year of enacting disclosure requirements, to 79% in 2020 (Exhibit 1). Corporations who have implemented mechanisms detailed within their disclosures have achieved a higher level of gender diversity than those who have not⁵.

Exhibit 1:

Increased percentage of Canadian companies with at least one woman on their board



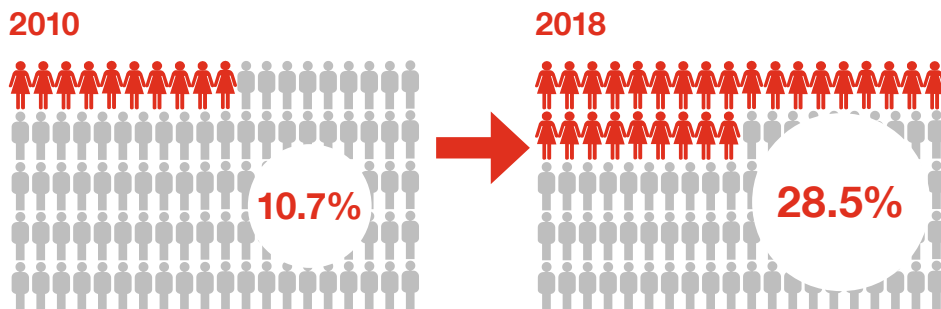
Source: Canadian Securities Administrators, Report on Sixth Staff Review of Disclosure Regarding Women on Boards and in Executive Officer Positions

Australia

Enhancing board diversity disclosure requirements in Australia has also led to an increase in the percentage of women directorships on ASX200 boards from 10.7% in 2010 to 28.5% as at August 2018⁶ (Exhibit 2).

Exhibit 2:

Increased percentage of women directorships on ASX200 boards



Source: Australian Institute of Company Directors, Gender diversity momentum continues on ASX200 brands

⁵ Canadian Securities Administrators, Report on Sixth Staff Review of Disclosure Regarding Women on Boards and in Executive Officer Positions

⁶ Australian Institute of Company Directors, Gender diversity momentum continues on ASX200 brands

Key benefits of strong board diversity disclosures:

1. Transparency about key personnel representing stakeholders

With increased disclosures of diversity of their boards, companies are able to communicate information to all shareholders and relevant stakeholders in a transparent manner. This allows for better understanding of the company and in turn, fosters increased trust between the board and shareholders.

2. Exemplifying commitment towards creating a fair and equal workplace

The disclosure of board diversity is one method of visible commitment of the company's leadership to creating a fair and equitable workplace for everyone. This not only translates to improved employee well-being and morale, it improves the company's ability to attract and retain top talent. Ensuring workplace inclusion is no longer a nice to have, but a necessity.

3. Conveying the company's strong value system and future preparedness

A 2019 research conducted by Oslo Metropolitan University, School of Business, observed a strong correlation between board diversity disclosure and firm value⁷.

Communicating the presence of a diverse board to shareholders and relevant stakeholders is imperative to demonstrate the company's values.



How can companies be motivated to be more transparent with their board diversity disclosures?

“The marketplace (i.e. investors, regulators, and other stakeholders) must clearly express their expectations on whether disclosures have been adequate, so that companies can continue to improve.

Companies which provide clear and transparent disclosures will stand out amongst their peers. Auditors and relevant advisors to the company could also help the organisation understand the benefits of having good disclosures, as well as the implications of not doing so.”

Loh Boon Chye and Mildred Tan, Co-Chairs,
Council for Board Diversity

⁷ <https://hal.archives-ouvertes.fr/hal-02956303/>

III. Our research and findings – How have companies in Singapore progressed?

About our research

This Board Diversity Thought Leadership is the result of an analysis of board diversity disclosures from 159 listed companies on SGX⁸. The data of these disclosures includes their board member details (i.e. tenure, age, gender).

Interviews were conducted between March 2021 and June 2021 with a number of esteemed individuals, consisting of Board Chairs, Nomination Committee Chairs, Independent Board Members and Corporate Governance Advisors of listed companies on SGX. Other sources of data include advisories from the Monetary Authority of Singapore (MAS), Council for Board Diversity, BoardAgender, National University of Singapore Centre for Governance and Sustainability.

Key findings:

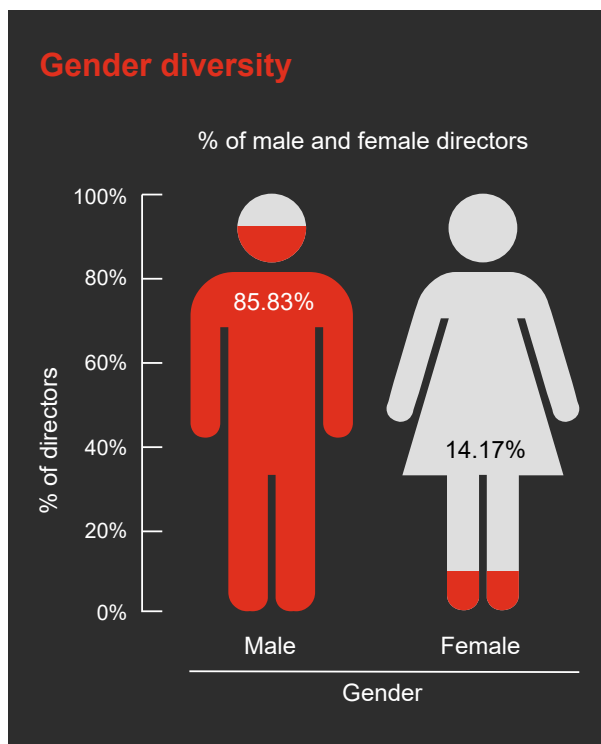
1. While progress has been made on gender diversity in boards, there is still some way to go before meeting targets

In 2017, targets were set to have more women on the boards of SGX-listed companies. The PAP Women's Wing and BoardAgender called for the boards of all SGX-listed companies to have at least 20% female board directors by 2020⁹. The Diversity Action Committee (now known as the Council for Board Diversity) also set a triple tier target of 20% by 2020, 25% by 2025 and 30% by 2030¹⁰ for the largest 100 primary-listed companies on SGX. In addition to this, the Council for Board Diversity set a target of 30% for statutory boards and the largest 100 Institutions of a Public Character in 2019.

Our study suggests that there has been a 57% increase in women board directors between 2015 to 2020, with 14.17% of board directors being females (Exhibit 3). While this indicates significant progress has been made in enhancing gender diversity, Singapore still falls short of the target of 20% female board directors by 2020.

This figure is particularly telling in Singapore, where there is a large discrepancy between the proportion of women on boards versus women being in executive positions. While our study shows that there are only 14.17% of board positions are held by women, we see that

Exhibit 3:
Gender diversity on Singapore boards



approximately 30% of Singaporean companies have female CFOs¹¹. In comparison to other countries' figures, Singapore lags in elevating females into board positions despite having a reasonably strong representation of females in executive positions.

⁸ The board diversity disclosures were provided by Handshakes a due diligence solution provider based in Singapore

⁹ <https://www.straitstimes.com/business/call-to-have-20-women-directors-on-boards-by-2020>

¹⁰ <http://www.councilforboarddiversity.sg/wp-content/uploads/2017/04/20170404-DAC-News-Rel-Singapores-Diversity-Action-Committee-sets-higher-targets-for-womens-representation-on-boards.pdf>

¹¹ <https://www.msci.com/documents/10199/29f5bf79-cf87-71a5-ac26-b435d3b6fc08>

How does your board successfully recruit female directors?

“In our board, the view is that we do not need gender diversity simply for tokenism. Skill sets and competencies are the primary factors that drive our search for candidates to join our board. However, we are conscious that female directors can bring a lot of value, and we are intentional in including female candidates in our search for potential directors. We do not adopt a checklist for diversity.”

CEO and executive director of a large Singapore hospitality company

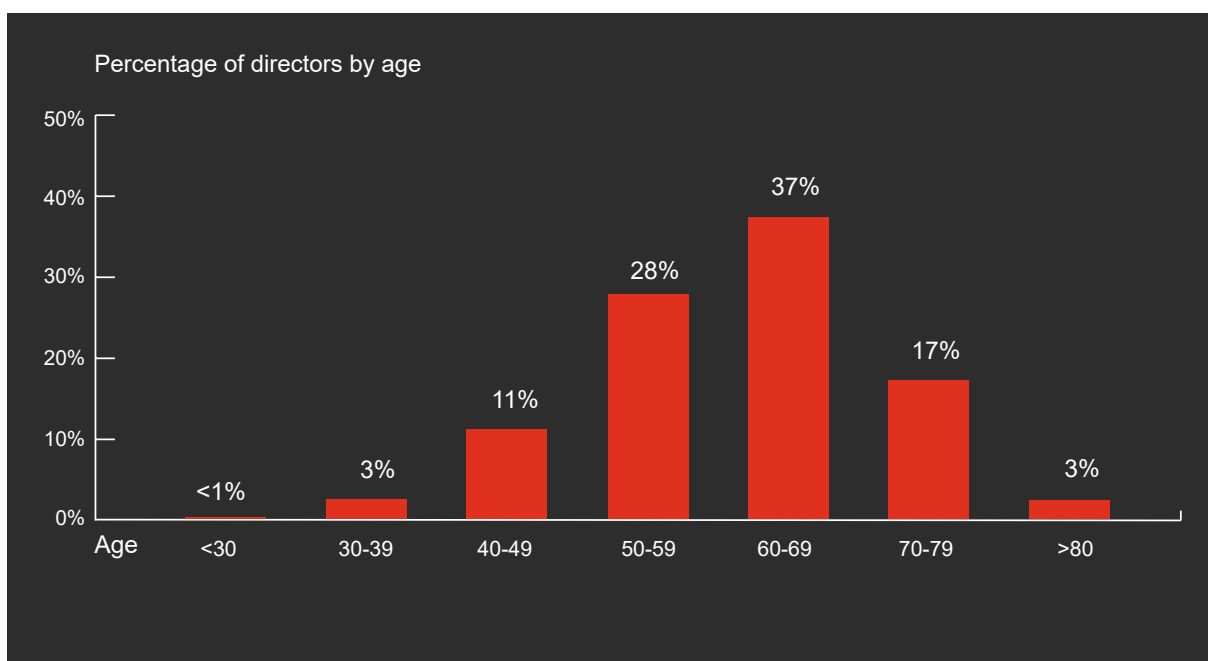


2. There is scope for greater age diversity on Singapore boards

Age is an important element of diversity to garner different perspectives, depending on the issues and concerns that are important to all age groups.

Our analysis revealed that approximately 65% of directors are between the ages of 50 and 69 years old (Exhibit 4). While directors may have the most corporate experience by this age, it is important to have diversity in age to avoid groupthink, and ensure better representation of both customers' and employees' age profiles on the board.

Exhibit 4: Age of directors in companies sampled



3. Singapore companies need to further strengthen their readiness for the '9 year rule' on tenure

Diversity in the tenure of directors promotes healthy debates. Newer directors bring fresh perspectives. This complements the experience of long-serving directors, who have a higher degree of familiarity and experience with the issues faced by their company and industry.

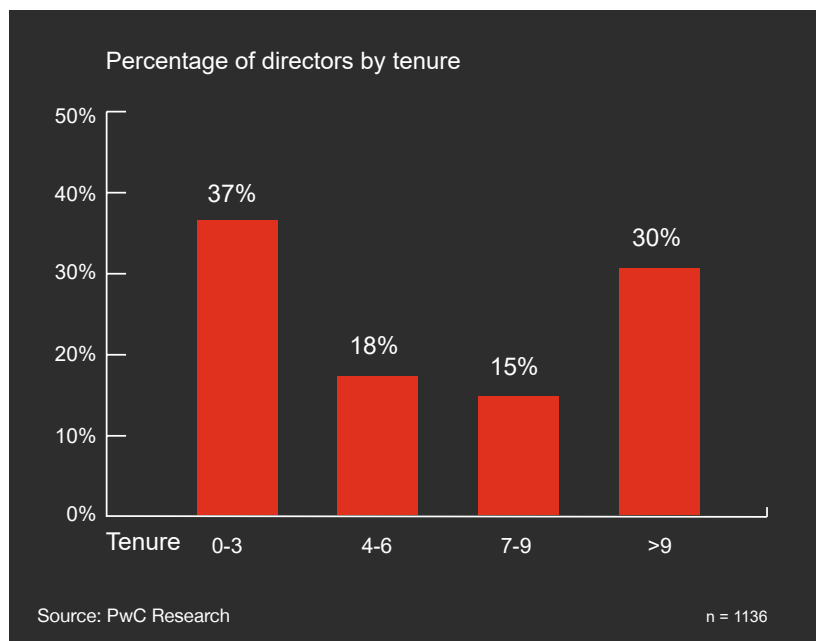
A thorough review of long serving directors' independence by the company's shareholders is imperative. They may be designated as non-independent directors following the outcome of the shareholders' vote. New rules¹² that take effect from 1 January 2022 include:

- SGX Mainboard Listing Rules¹³ Rule 210(5)(c) Independent directors must comprise at least one-third of the issuer's Board
- Rule 210(5)(d)(iii) Continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding directors, chief executive officer, and their associates

These rules previously existed as a guideline in the Code of Corporate Governance on a "comply or explain" basis.

We found that there is diversity in the directors who have a tenure of less than 9 years, with 37% being relatively new directors who have served for 3 years or less (Exhibit 5). However, there is a significant proportion of directors who have exceeded the 9 year threshold for independence. Boards should be mindful that long-serving directors should be balanced with independent directors who will be able to provide fresh perspectives, in accordance with Rule 210(5)(c) of the SGX Mainboard Listing Rules.

Exhibit 5: Tenure of directors in companies sampled



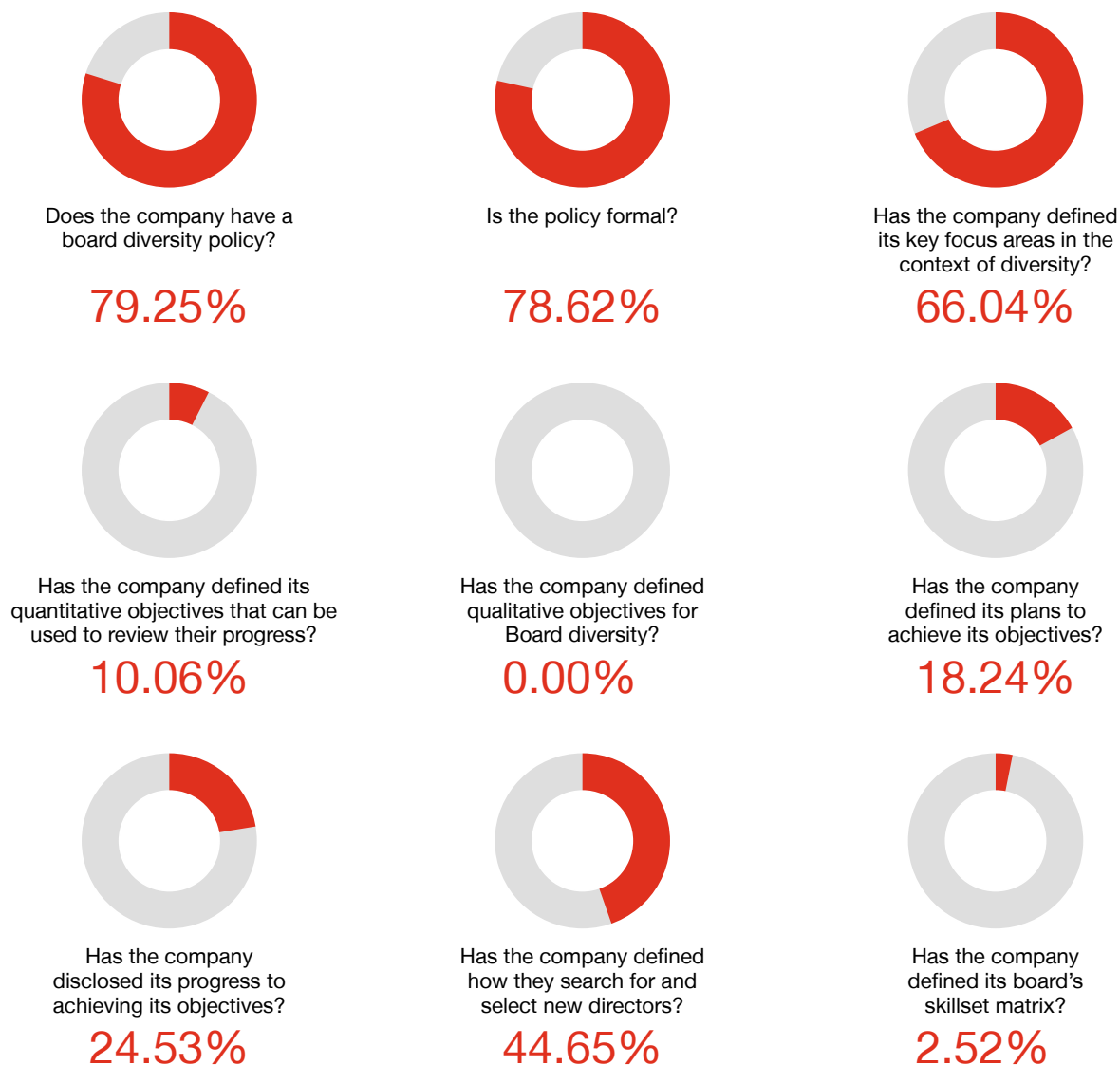
¹² & ¹³ http://rulebook.sgx.com/sites/default/files/net_file_store/SGX_Mainboard_Rules_Transitional_Practice_Note_3_1_January_2022.pdf

4. Quality of board diversity disclosures requires significant improvement

We reviewed the corporate governance sections of the FY20 annual reports of 159 SGX-listed companies. This was done in accordance with a 9-point scorecard on board diversity disclosures that PwC had produced to assess quality of board diversity disclosures.

The research revealed that despite the 2018 review of the Code of Corporate Governance, the quality of board disclosures on diversity still requires significant improvement (Exhibit 6).

Exhibit 6: 9-point scorecard to assess quality of board diversity disclosures



■ Companies that fulfilled set criteria

It is encouraging that most companies (nearly 80%) have formal board diversity policies and disclosed these in their annual reports (Exhibit 6). Most companies have also defined their key focus areas in increasing board diversity, in line with SID's Provision 2.4, with the majority of focus areas being the experience, gender and age of directors.

However, on further study, we see that the majority of these policies are worded in a general manner. Approximately 90% of companies sampled do not indicate their quantitative objectives in their disclosures, and no company qualitatively described their board diversity objectives. A minority of companies sampled described their plans, progress in achieving their board diversity objectives and how directors are selected, albeit in a general manner (Exhibit 6).

Companies that seek to do well should increase the clarity and specificity of their board diversity-related disclosures as this helps shed light on their decision-making processes and provide assurance to investors on the efforts that are being taken to increase their board diversity.

Exhibit 7: Top 15 focus areas of board diversity



Source: PwC Research

“ We see that there isn't a very strong culture of working with external advisors on the nominations process. Invariably when I've been a part of the nomination process working with an external party, many candidates that we wouldn't have had on our radar are surfaced”

Su-Yen Wong, Singapore Institute of Directors,
Chairman of the Governing Council

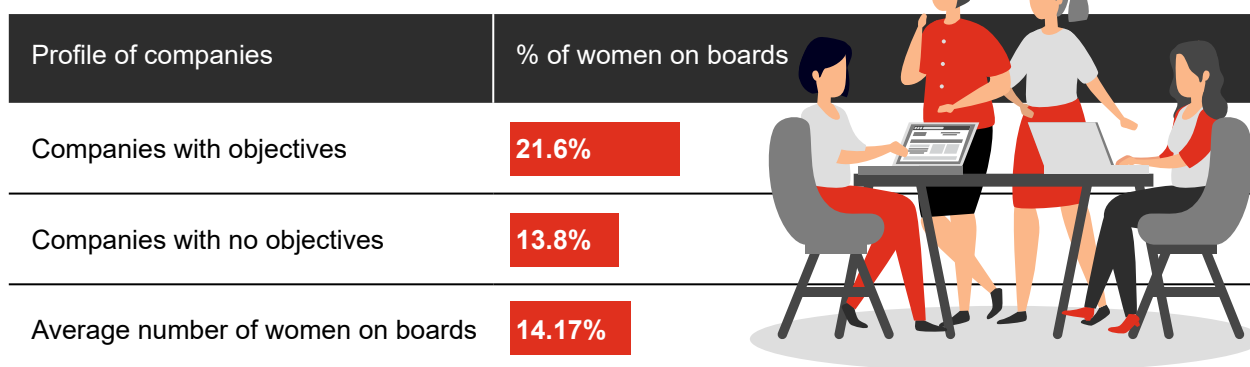
5. Companies with established board diversity-related objectives have a larger proportion of women on their boards

It is essential for companies to establish formal objectives on board diversity matters. This provides transparency and enhances their accountability to their stakeholders on their progress in achieving these objectives.

As shared previously, only a small number of companies identified quantitative objectives on their board diversity, and we were unable to identify instances of companies with qualitative objectives (Exhibit 6). Additional analysis revealed that companies with established board diversity-related objectives had a larger proportion of women on their boards. They outperformed their peers with no objectives (over 55% more proportion of women on boards) (Exhibit 8) and the industry target of having 20% of women on boards by 2020.

For such companies, formalising their diversity-related objectives was an important first step in achieving the increase in women on their boards.

Exhibit 8: Women on boards based on profile of companies



Source: PwC Research

In other countries, there is a requirement for a separate section describing the nomination committee work on (i) the process it has used in relation to board appointments; (ii) an explanation if neither external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director and details of any external search consultants appointed. What are CBD's views' on applying this same practice for Singapore?

“We support practices which promote transparency on the company's board appointment process and guide companies to adopt a disciplined approach to diversify the board for value creation. The use of professional search firms is an important avenue to overcome a common refrain from companies that there is a shortage of qualified women, or where boards continue to prefer to search for board candidates beyond personal networks. We have partnered with five of the largest executive search firms to develop a [Statement of Good Practice](#) which they commit to adhere to whilst conducting board member searches. Companies can also consider expanding their definition of suitable board candidates to include those with “current” relevant know-how, and be open to female candidates without prior board experience.”

Loh Boon Chye and Mildred Tan, Co-Chairs,
Council for Board Diversity

IV. The way forward: What Singapore companies can do to enhance quality of board diversity disclosures

1. Set measurable diversity goals and targets

90% of listed companies sampled do not have quantitative goals for board diversity. None of the companies sampled has a qualitative goal either. This may be due to companies preferring to retain flexibility and not committing to a certain timeframe. This, however, further advances the idea that board diversity disclosures are simply a token to meet the Code of Corporate Governance requirements.

Setting measurable diversity goals and making a visible commitment will reinforce trust and accountability in companies' promise to enhance board diversity and spur further actions to meet the targets set. Through our study, we see positive correlation between companies that have board diversity objectives and the number of women on boards.

2. Include definitive action plans towards meeting diversity goals and targets

Only 18% of companies have disclosed a detailed action plan to reach intended targets. Including information such as how the goals contribute to the firm's overall strategy, how goals are managed and the specific actions taken is crucial in supporting companies in increasing the diversity of their boards. As emphasised by many senior board members we spoke to, and evidenced in other countries that have put into place support mechanisms to identify and onboard new board members (for example, through the use of third party advisors), companies need to expand their search zones by breaking out beyond their existing networks.

3. Review system for monitoring progress and development of diversity within the company

Consider how progress has been monitored over the past years by the relevant committee and if objectives set out by the board have been met.

4. Review and enhance company's board diversity policy on an annual basis

With rapid changes in societal diversity, it is imperative for companies to continually review their board diversity policy and ensure it remains relevant with the companies' overall I&D strategies. Several key areas for review include:

- Ensuring the objectives of the board diversity policy are still relevant and fit-for-purpose.
- Ensuring the policy clearly explains the diversity types the company is focusing on in the given socio-economic climate, and how the company intends to achieve its targets. For instance, only 2.5% of companies studied go as far as defining the type of skill sets the board requires.

5. Expand the disclosure of company's diversity beyond the board

Over the years, we have seen an increased demand for companies to provide sustainability reports. Despite the Code not requiring companies to disclose its I&D progress in its filings, therein lies an opportunity for companies to do so. Companies should consider integrating board diversity disclosures and policies with the company's wider I&D initiatives.

6. Explain in a clear and transparent manner why a company does not have a board diversity policy

- Due to different circumstances, companies may choose to take the "explain" approach; approximately 20% of listed companies sampled do not have a board diversity policy
- Companies would need to be straightforward and address the board's direction and reasoning on why it is not appropriate to put forth a board diversity policy
- Lack of clear answers will risk aggravating investors and stakeholders' sentiments that the company is not investing in attracting a diverse set of board directors for the betterment of the company

V. Conclusion



While Singapore companies have made some strides in increasing the diversity of their boards, there is still a way to go before diversity is truly embodied in the DNA of these companies. The mandatory “comply-or-explain” approach towards board diversity disclosures, as introduced by MAS and SGX in 2018, appears to have provided a fillip to companies’ efforts in this direction. However, companies now need to move from intent to outcome by making visible commitments to their diversity targets and channeling organisational energies towards this.

With rapid business transformation, increased stakeholder activism and increasing demands from civil society for just and equitable organisations, Singapore companies will need to rapidly step up to ensure that they move away from a compliance mindset in response to regulatory requirements, and instead embrace the real spirit of diversity. It is only when they achieve this mindset shift that they will be able to reap the full benefits of diversity, starting with their boards and ultimately flowing through their organisations.

The I&D story at PwC Singapore



At PwC, inclusion and diversity (I&D) is core to our values and the way we do business. It is a priority across our network of firms. There's also a strong business case for having a diverse talent pool, perspectives and thinking in order to bring value to our clients, people and communities.

PwC's global I&D vision:

To position PwC as the leading and most innovative company for I&D, we are turning diversity from a business challenge into an opportunity.

PwC adopts the **2+1 Approach**. All firms in the network focus on two common dimensions of diversity and at least one dimension of diversity locally.

Our two common dimensions of diversity are:

1. **Valuing differences:** Each of us are different, not just in our inherent manners such as the way we look but in our experiences, perspectives and thinking.
2. **Gender:** Approximately half of our global workforce are females, yet this proportion is not reflected in our leadership.

At PwC Singapore, in addition to the two common dimensions of diversity, we focus on building cultural diversity. This is reflective of the country and culture our firm is embraced in. Singapore is a multi-racial country, with its culture mixed in a blend of language, religion and ethnicity. As a small country, we rely heavily on our status as an international hub, which brings in many visitors from many different parts of the world.

It is thus necessary for Singapore to embrace cultural diversity. With team members from over 49 different nationalities and constant inward and outbound global mobility, we strive to create a culture where all our people embrace and appreciate the diverse culture our company is composed of.

“Every person in PwC is unique and different. Our diversity allows us to create value for our clients and stakeholders. The ability to work well with people who are different from us is one of the most important business skills today and in the foreseeable future. For us to remain as the #1 professional services firm in Singapore, we need to be inclusive and make the most of the very best talent in the world.”

Yeoh Oon Jin, Executive Chairman,
PwC Singapore

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