

Board Monitor Singapore 2019

Accelerating board modernization

Singapore's public company boards have realized the need for more rapid change in corporate governance to meet new economic opportunities. This year's report tracks how a focus on issues such as board renewal and diversity is affecting director recruitment.



About Board Monitor

Singapore 2019

This is the second year for which we have captured the key attributes of new board appointees—their demographics, functional experience, and other background; mapped how those attributes flowed onto boards; and identified trends. This report on Singapore is one of a suite of annual Heidrick & Struggles reports that, together, cover most major global economies.

Data on appointments are tracked through BoardEx, proxy filings, and corporate websites. Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database. In tracking the experience of new appointees, the report takes into account all of the significant industry experiences of each director (for example, a new director who has worked most recently in the consumer industry may also have valuable experience in the industrial sector or in technology).

Acknowledgment

Thank you to **Alain Deniau**, regional managing partner of Heidrick & Struggles' Consumer Markets Practice in Asia Pacific and the Middle East and leader of the CEO & Board Practice in Singapore, for his contributions to this report.

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Revised listing requirements demand boards modernize along with Singapore's economy

Singapore's boards present a paradox in modern business: a modern global financial center that still holds fast to certain customs in corporate governance, customs that may be holding public companies—and the overall economy—back from achieving greater progress.

When it comes to places that are conducive for companies to do business, Singapore tops several high-profile lists.

According to the World Bank, “Singapore is a high-income economy . . . [which] provides one of the world’s most business-friendly regulatory environments for local entrepreneurs and is ranked among the world’s most competitive economies.”¹ In the most recent World Bank Human Capital Index, Singapore ranks as the best country in the world in human capital development.² Moreover, significant investment in the workforce, including continuing education to ensure needed skills, adds to Singapore’s attraction. And according to the World Economic Forum’s *Global Competitiveness Report 2019*, Singapore ranks as the world’s most competitive economy—ahead of the United States, Hong Kong, and the Netherlands.³

At the country level, Singapore has a vision—much like a multinational corporation—to set itself up for continued success in the global economy. Broadly, the strategy entails an international focus on niches with fewer competitors where the country, and individual companies, can expand into emerging economies, such as Indonesia, Malaysia, and Vietnam. Toward this end, Singapore will be able to leverage its educated workforce in specific sectors, including real estate, fintech, and biotech.

In order to make this vision a reality, companies must also have a complementary strategy at the board level to compete for opportunities beyond Singapore. One practice holding Singapore boards back from making further progress, faster, is unchecked board tenure, which has allowed far too many directors to serve on far too many boards for far too long. The net result is the same: a small ongoing pool of directors who, not surprisingly, lack needed diversity to address global business challenges and are generally much older, given the lack of infusion of new blood. The prevailing attitude is to wait for a natural evolution. Singapore—and the companies that operate there—have been highly successful, but, in our view, boards can accelerate progress by ensuring board membership aligns with the strategy and by embracing modern and proven board practices.

Another impediment to change in Singapore is the most prevalent company ownership structure: family-owned companies. The vast majority of companies in Asia overall, based on revenue—and half of the companies listed on the Singapore Stock Exchange—are family-owned, a far less common practice in the United States or the European Union. While they may be highly successful, these companies tend to adopt change slower, since their mission centers on long-term value creation for succeeding generations rather than on the short-term delivery to shareholders of public companies.

These traditional practices, which may present barriers to greater business progress and investment, will likely be changing as a result of new regulations.

New regulations to spur change

As of January 2019, large public companies are subject to a new Code of Corporate Governance adopted by the Monetary Authority of Singapore (MAS). Changes from the prior code focus on increasing director independence by capping board tenure at nine years; having a majority of independent directors on the board when the board chair is not independent; and disclosing criteria for selecting, appointing, and reappointing directors, including revealing director relationships and time commitments, such as outside board directorships and other professional obligations.⁴

Although compliance with these regulations is voluntary—as with Hong Kong boards and those in the United Kingdom and elsewhere⁵—media coverage and increased scrutiny are making companies now far more concerned with how they look to the investing public. This should help drive the transformation these companies and their boards require to remain competitive in a rapidly shifting economic environment.

A focus on board renewal and diversity

To prepare for the future, leading Singapore boards are currently focused on renewal, although we are not yet seeing a great deal of turnover. Also included under the renewal objective is the goal of increasing

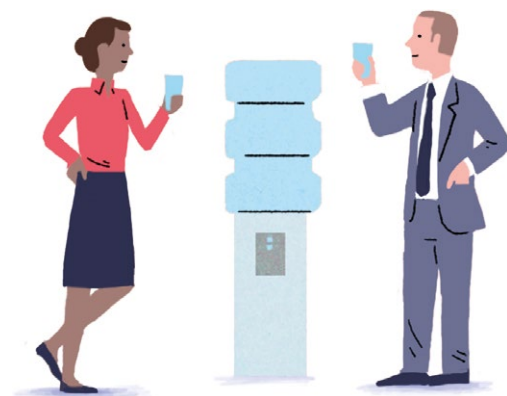
¹ World Bank, “The World Bank in Singapore: Overview,” April 9, 2019, worldbank.org.

² World Bank, *The Human Capital Project*, October 2018, p. 32, worldbank.org.

³ World Economic Forum, *Global Competitiveness Report 2019*, October 2019, weforum.org.

⁴ Jeff Jackson, “Singapore releases new Code of Corporate Governance,” Glass Lewis, August 6, 2018, glaslewis.com.

⁵ See Heidrick & Struggles, *Board Monitor Hong Kong 2019*, December 17, 2019; and Heidrick & Struggles, *Board Monitor Europe 2019*, September 25, 2019. Both reports are available on heidrick.com.



diversity, which has focused primarily on increasing gender diversity and relies on a name-and-shame approach to enforcement. As a result of a variety of efforts, including new regulations, in the past four years the proportion of women on the boards of Singapore's top 100 listed companies doubled, to 15%.⁶

Comparing this year's data on the new class of directors to last year's, we see some progress on Singapore boards. Boards are going beyond recruiting directors with the CEO and CFO experience they have relied on in the past, with 83% of last year's new independent, non-executive directors having this experience, but only 29% of the 2019 directors. In addition, the percentage of women has risen, from 24% to 32%. No new directors had digital expertise in our 2018 survey, but 19% of the current group do. Because Singapore boards have traditionally been so insular, drawing from the same small pool for multiple directorships, an infusion of international expertise, required by an increasingly global economy, is essential. Here, too, we see an increase from last year in the number of non-nationals appointed to Singapore boards, from 29% to 35% of new directors.

The best way to tackle all these challenges, as many boards in many parts of the world have done or are doing, is to approach board recruitment from a strategic, systematic perspective, assessing the entire board team and determining where there are gaps in needed skills and experience. Once those gaps are defined and directors recruited

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to fill them, the board may have to work on the culture change required to leverage the experience of newly added directors.

In recruiting, Singapore is in the fortunate position of serving as a financial headquarters for the region, with a ready supply of potential directors, including executive women, partners in professional services firms, and bankers. There are, however, cultural barriers that could make recruiting and integrating younger executives with digital skills and younger executive women onto a board entirely composed of men in their 60s challenging. Some time and work on board dynamics and operational norms will be required to ensure the effectiveness of new directors whose profiles differ significantly from traditional directors.

Creating and benefiting from greater diversity on the board is far from an impossible objective. Many boards in Singapore are already acutely aware of the need to change and adapt to shifting global business and governance standards, and we are confident that this awareness will

ultimately lead to needed change. It will, however, take more time—and time is not always on companies' side in this volatile environment. We anticipate boards will continue the progress we see in this year's report by ramping up efforts to recruit the directors who can guide their companies successfully in an increasingly complex and challenging global economy.

Key findings for newly added non-executive directors

Boards seeking greater diversity of background, gender, and ethnicity

- Of the 31 new non-executive director seats filled on the boards of the Straits Times Index (STI), 29% went to current or former CEOs and CFOs versus 83% in 2018.
- Boards also appointed a range of other C-suite roles—three appointments had chief information or technology officer experience, two had chief operating officer experience, and one had deputy chief executive officer experience.
- Women filled 32% of new director seats versus 24% in 2018.
- In terms of nationality, 35% of new seats went to non-national appointees versus 29% in 2018.

Increased demand for financial services and digital experience

- Overall, the largest share of industry experiences was in the financial services sector, at 43%.
- Directors with digital or social media experience filled 19% of seats versus 0% in 2018.

⁶ Sue-Ann Tan, "New council aims to get more women on boards," *Straits Times*, January 17, 2019, straitstimes.com.

Singapore: Key findings



Overall findings

Of the 31 independent, non-executive director seats filled on the boards of the 30 Straits Times Index (STI) companies, 29% went to current or former CEOs and CFOs, a significant drop from 83% last year, and 68% went to current executives.

- This year, boards looked beyond CEO or CFO experience to appoint a broader range of C-suite and operating expertise—three appointments had chief information or technology officer experience, two had chief operating officer experience, and one had deputy chief executive officer experience.
- The average age of newly appointed directors increased slightly this year, to 60, two years older than last year's average.
- Women made some gains this year: 32% of available seats went to women, compared to 24% last year.
- In terms of the newly appointed directors' overall career experiences, the greatest proportion (43%) came from the financial services industry, followed by consumer and business services experience, both at 18%. Unlike last year, when boards added no digital or social media expertise, about 19% of the seats filled were with directors with this type of experience.

Global comparisons

Although boards of companies in Singapore are evolving at a different pace than those in other parts of the world or even in the region, a few comparisons will illuminate the ways Singaporean boards are seeking to improve diversity and director skill sets in broad terms and identify places they can improve.

In many ways, Singaporean boards look like boards in the United States and Europe a decade ago, when diversity started to become an increasing priority. However, appointments in Singapore appear more progressive in places now compared to other locations in Asia such as Hong Kong.

- The proportion of board seats that went to women in Singapore this year increased 8 percentage points, to 32%. Though this number is significantly lower than the percentage of female appointments in Australia (49%), it's only 6 percentage points lower than the average of seven countries in our Board Monitor Europe study (38%) and well above the figure in Hong Kong (5%).
- At 35%, the proportion of non-national appointments to boards in Singapore is on par with the average in Europe (36%) and slightly above countries such as Germany (33%), the United Kingdom (32%), Spain (32%), and Hong Kong (24%).
- The average age of newly appointed directors in Singapore is 60, on par with averages in other countries in our studies—the average age in Hong Kong is 59; the European average is 58, as is the average in the United States; and the average in Australia and New Zealand is 57. The consistency in age suggests that boards globally are putting a premium on long executive expertise before seeing an individual as board eligible.
- Even though Singapore had some of the lower proportions of new directors with CEO and CFO experience (29%, compared with Europe's 62%, Australia's 59%, and Hong Kong's 43%), it had one of the highest percentages of current executives (68%). This year, at least, Singapore's boards are seeking a broader range of operating and functional experience, beyond the traditional profiles.

Snapshot of 2018 Singapore findings

Director
seats filled

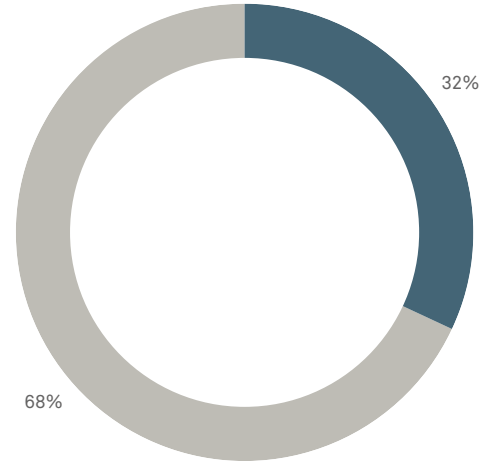
31

Average
age

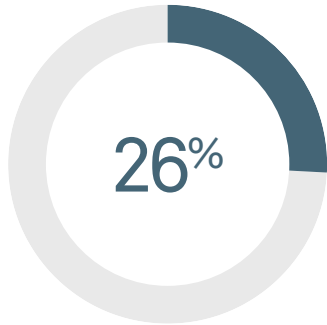
60

Gender

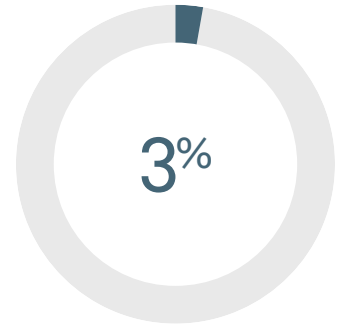
- Female
- Male



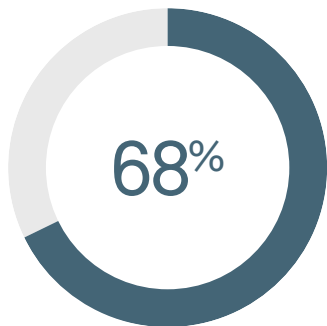
Current and
former CEOs



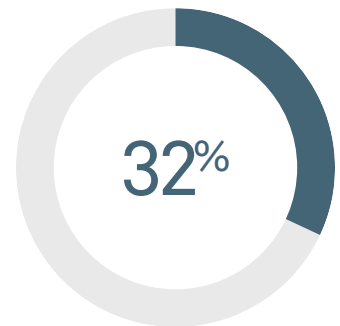
Current and
former CFOs



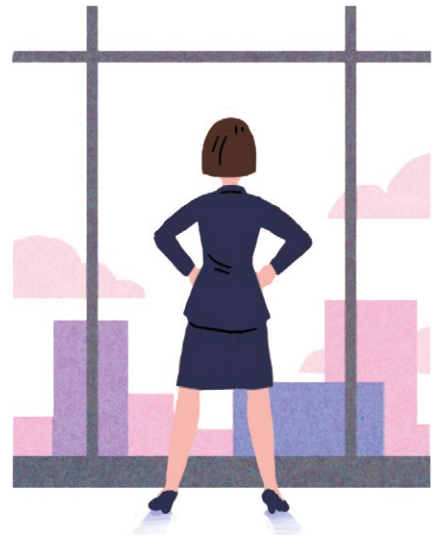
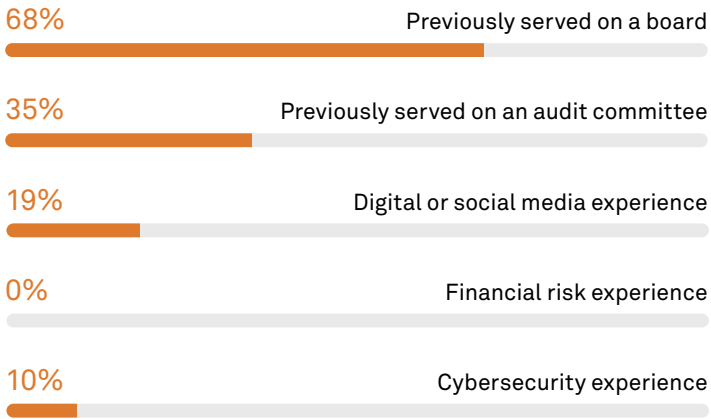
Current executives
(n=21)



Former executives
(n=10)

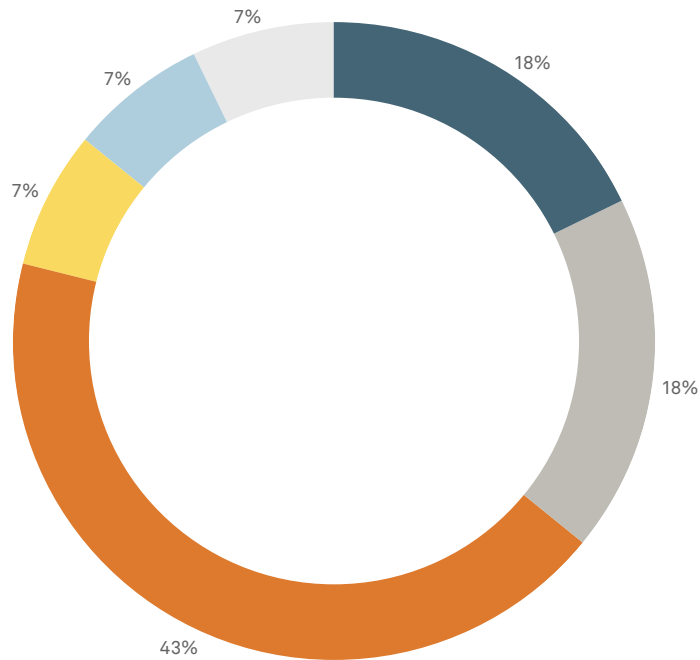


Experience



Distribution of directors' total career experience by industry (n=28)

- Business services
- Consumer
- Financial services
- Industrial
- Life sciences
- Technology



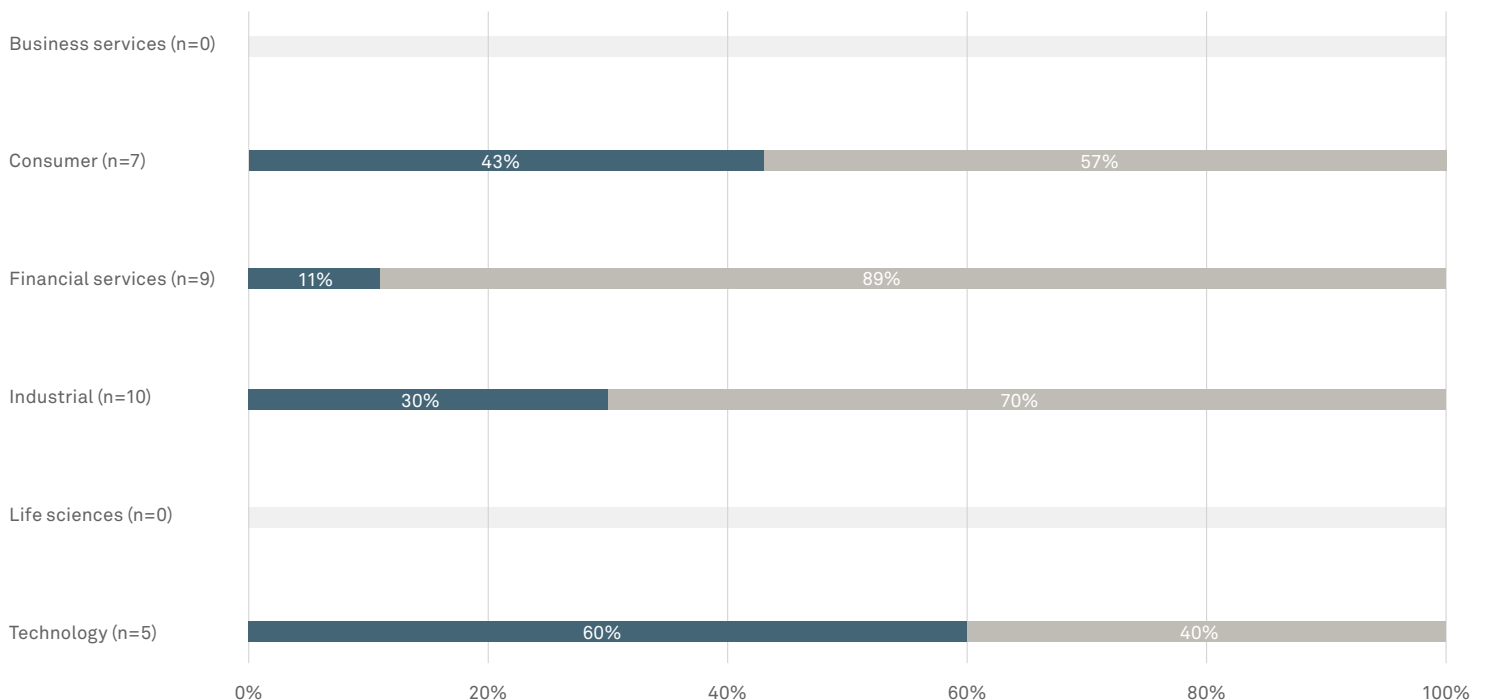
A rise in the share of female directors



- The relatively large share of newly appointed women to boards this year in Singapore brought a mix of experience.
- Half of the female appointments are current executives, lower than the overall share of 68%. Of these female directors, 60% had previous board experience, and 20% had audit committee experience, lower than the overall share of 68% with previous board experience and 35% with audit committee experience.
- Women and men had equivalent proportions of digital or social media expertise, at 20%. A slightly greater proportion of the women appointed had cybersecurity experience (20%) compared to the overall group (10%). As a point of comparison, the European group overall had only 12% cybersecurity experience.
- The overall career experience of women appointed to boards in Singapore was fairly equally distributed, with 30% in business services, 30% in consumer, 30% in financial services, and 10% in industrial. In comparison, half of the male cohort's overall career experience was in financial services.
- Nearly all of the women (90%) appointed are Singaporean, with the remainder from Australia. All of the female appointments in Hong Kong are Chinese, and 69% of women appointed in Australia are Australian.

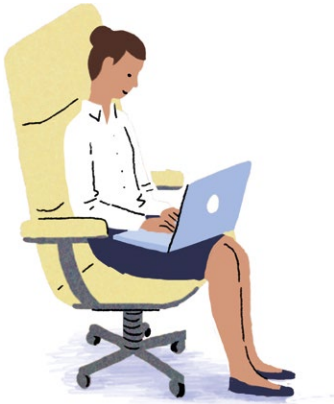
Proportion of new board seats in each industry by gender

- Female
- Male



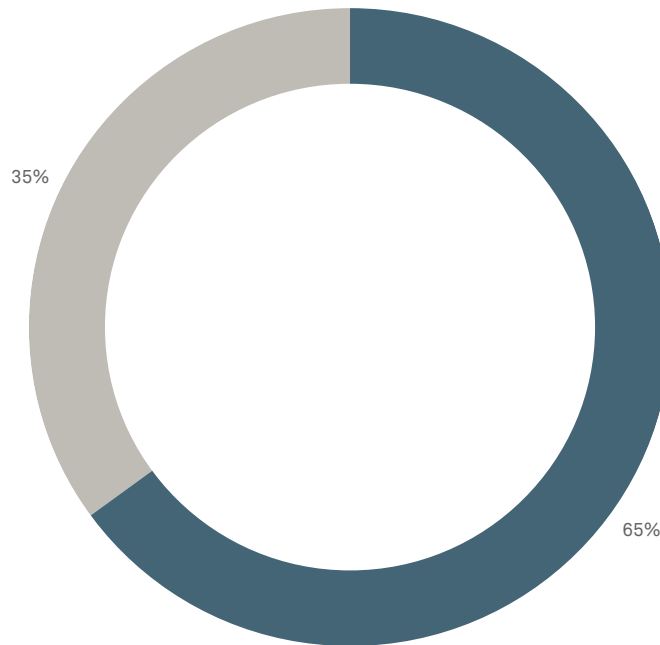
Directors from other countries bring a broad mix of expertise

- Over a third (35%) of all appointments in Singapore went to non-nationals, up 6 percentage points compared to last year and up 20 percentage points compared to two years ago.
- China, the United Kingdom, and the United States have the biggest representation in the non-national group, each with 18%. The remaining new directors come from a global mix of countries including Australia, Canada, France, and India, highlighting the growing international reach of many Singaporean businesses.
- At 63, the average of age the non-national group is even older than the Singapore group overall (60). This group also has more previous board experience (73%) and audit committee experience (55%) than the broader cohort (68% and 35%, respectively).
- In terms of overall career experience of the non-national appointments, the majority was in financial services (64%), and the remainder in business services, consumer, industrial, and technology (all 9%). Additionally, the non-national group notably more often had CEO experience compared to the entire group, 36% versus 26%. In terms of digital expertise, this group had more experience as well, 36% compared to 19% overall.
- Seeking more experienced directors outside of Singapore seems to signal a dual need for diversity and specific skill sets to help boards confront increasingly complex, global challenges.



Proportion of national vs. non-national appointments

- National
- Non-national



CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

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ONE LEADERSHIP TEAM AT A TIME®

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