

Board Monitor

Singapore 2020

In 2019, Singaporean boards exhibited a strong preference for new directors with previous corporate governance experience, as well as those with experience in business services or financial risk expertise. Progress for women continued to be slow, and the majority of seats went to people from Singapore.



About Board Monitor

This is the third 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).

**Thanks to the following
Heidrick & Struggles colleagues for
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Welcome to Board Monitor Singapore 2020

4

Meeting growing
expectations of boards



6

Snapshot of
2019 findings



7

In 2019, boards in Singapore
sought trusted expertise



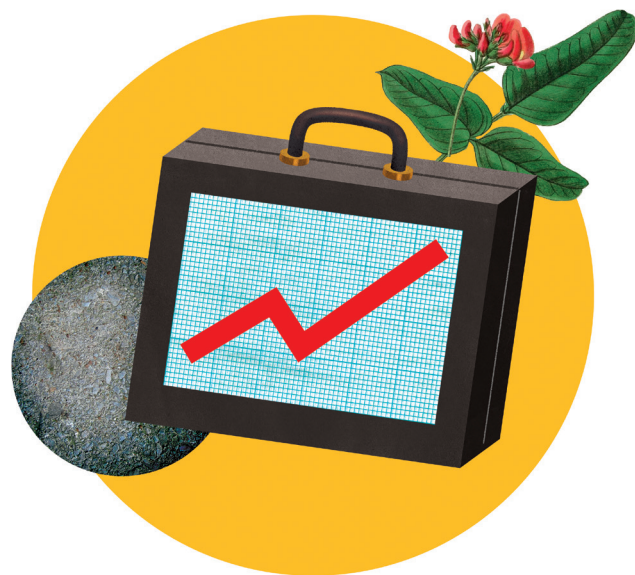
9

Looking ahead



Meeting growing expectations of boards

Boards in Singapore and around the world faced a range of competing expectations for the new members they would add in 2019.



Boards today are expected to possess significant expertise in areas as specialized and diverse as digital transformation, cybersecurity, corporate reputation management, sustainability, and social media, to name just a few, along with more robust soft skills and knowledge of human capital—all this while also increasing diversity in terms of gender and racial, ethnic, or social background, among other characteristics. This is all to improve decision making: combining board members with specific expertise with the benefits of diverse teams is widely seen to produce better decisions.

For boards in Singapore, all these factors are important as they continue to modernize and help their organizations grow. “Many organizations are facing tremendous challenges, with heightened uncertainties and risks,” says Swee Yeok Chu, CEO and president of EDBI, a Singapore-based global investor. “With this backdrop, organizations will want to have board directors with diverse experiences, knowledge, and backgrounds so that, as a whole, the board will be able to contribute holistically to the organization, since no one individual director will have all of the necessary skills.” John Lim, chairman of InCorp Global, a professional services

company, adds that “EQ is very important. IQ, competencies, knowledge, and skills may be important, but if you are not able to communicate and make yourself understood and share your values, you are not going to get a successful outcome.”

Most corporate boards in the 15 countries we study¹ made some progress in adding new members with diverse backgrounds and skills in 2019. Many boards around the world also continued to add more traditional directors. This includes people with prior board experience—almost all, 95%, of appointments in Singapore, for example—or prior experience as a CEO or CFO. Though such directors don’t as often add diversity in other areas, their experience is particularly valued by nominating committees when companies face significant enterprise risk.

¹ Australia, Belgium, Brazil, Canada, France, Germany, Hong Kong, Ireland, Netherlands, New Zealand, Portugal, Singapore, Spain, United Kingdom, and United States are included in our studies of boards.

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John Lim
Chairman, InCorp Global

Among the characteristics of new directors we have been tracking, we note a few trends among new directors globally, which are somewhat at odds with each other.

Some progress on diversity...

- Women continue to make significant gains among newly added directors compared to previous years.
- Progress on racial or ethnic, nationality, and age diversity has been disappointing, with little progress to report anywhere in the world.
- The range of functional experience on boards has increased, with a corresponding decrease in CEO experience. In particular, digital expertise, now essentially a given on boards, trended highest. With sustainability and cybersecurity rising as central concerns for companies, boards also focused on adding experience in these areas.

...and a continuing preference for traditional experience

- First-time directors are still not as common as experienced ones, despite boards' stated focus on increasing diversity.
- Financial expertise and experience in financial services sectors remained highly sought-after backgrounds.
- Though the proportion of directors with CEO experience has continued to decline annually, it remains the most common type of prior expertise, followed by CFO experience.

"A lot of times, chairmen want normality, they want comfort. They feel people with different backgrounds will make board dynamics uncomfortable. But, if people of different backgrounds are united in the same aspiration or purpose, then there is a positive knock-on effect because you are united."

Junie Foo
President, Singapore Council
of Women's Organizations

As companies reshape themselves in the new environment 2020 is presenting, there will be many new opportunities for those who want to be best positioned to accelerate performance. Given the recently increased focus on racial injustice and social inequality around the world, many leaders are reconsidering and accelerating their diversity and inclusion efforts, including on boards. Most are finding they can do much better building representation internally and in supporting diverse communities both internally and externally. Junie Foo, president of the Singapore Council of Women's Organizations and a member of several boards, says, "We intentionally bring in board members of very different backgrounds to really try [to] have access to people with different mindsets so that when they contribute to the conversation, we always have an 'Aha!' moment. I think that is important for companies to go forward."

Beyond that, boards will also need to focus more broadly on building the most capable board tailored to each company's unique strategy. "A lot of times, chairmen want normality, they want comfort. They feel people with different backgrounds will make board dynamics uncomfortable," Foo adds. "But, if people of different backgrounds are united in the same aspiration or purpose,

then there is a positive knock-on effect because you are united."

Simply ensuring a board has an appropriate mix of perspectives is just the start. To be highly effective, a board must be clear on its purpose: what it stands for as an entity and whom it represents in a global society. Boards must also align on how they will work with management to serve as an underpinning for a purpose-driven, socially responsible organization that delivers value to a wide range of stakeholders. "If there are enough dialogues and the board and management work effectively together, both parties will understand each other's expectations," John Lim explains. "Effectiveness will follow."

Finally, boards must have a culture and processes that ensure directors can work well together. "I don't think enough boards spend necessary time with management to make sure that they are aligned on purpose and strategy," says Lim. "They spend a lot of time on budget, which is next year. What the board should do is really build sustainable value for the company, focusing on what it does well today and what it can continue to do well in the future."

In 2020, with added pressure from economic and societal volatility, fractured or dysfunctional boards present more risk

than ever before. The solution is inclusion broadly defined. Many boards think of inclusion particularly in relation to their significant efforts to add diversity, but as they seek to oversee responses to a fast-moving crisis and meet the calls for greater racial representation and equality, boards will benefit most from moving beyond diversity to ensuring that every member is able to contribute fully, regardless of the board's traditional norms or habits, varying personalities, inherent biases, or for any other reason.² While inclusion rests with all members of the board, the chairman has a particularly vital role to play. "The chairman's job is to extract optimal value from all board members, getting everyone to participate, to enhance the board dynamic," says John Lim. "The chairman is also a very important conduit between management and board members and between board members and key strategic stakeholders."

In the following pages, you'll find the data and our observations on the 2019 class of directors for the 30 companies in the Straits Times Index and some expectations for 2020.

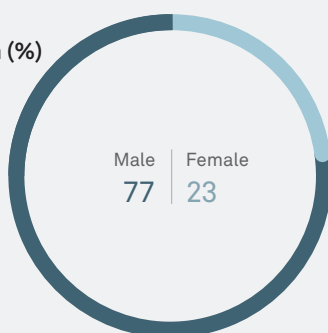
² For more on Heidrick & Struggles' thinking on board dynamics, see Alice Breeden, David Hui, and Anne Lim O'Brien, *Future-Proofing Your Board*, Heidrick & Struggles, May 29, 2020, heidrick.com.

Snapshot of 2019 findings

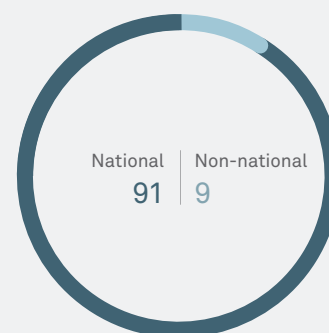
New director
seats filled

22

Gender
breakdown (%)



Nationality
breakdown (%)



Average
age

58

Current and
former CEOs



Current and
former CFOs

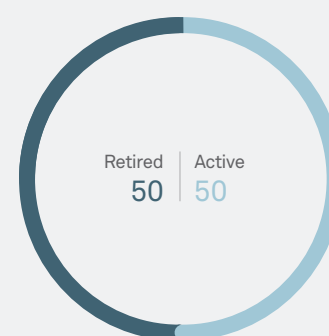


Work experience (%)

Experience

Previously served on board	95
International	36
Financial risk/compliance	32
Sustainability	9
Cybersecurity	5
Digital or social media	0

Active/retired
executives



Distribution of previous industry experience, by industry

	Business services	Consumer	Financial services	Industrial	Life sciences	Technology	Other
Business services	No new directors in business services						
Consumer		25		50		25	
Financial services	17		50	17			17
Industrial	18	14	23	32			14
Life sciences			50		50		
Technology	No new directors in technology						

Note: Numbers may not sum to 100%, because of rounding.

In 2019, boards in Singapore sought trusted expertise

The 22 independent, non-executive director seats filled on the boards of Straits Times Index companies in 2019 indicated a renewed preference for individuals with previous board, CEO, or CFO experience. There was also notable interest in people with experience in business services or financial risk expertise. In terms of diversity, progress for women continued to be slow, and the vast majority of seats went to individuals from Singapore.



Revived demand for CEO, CFO, and public board experience

CEO and CFO experience

55%
2019 ▲

29%
2018

Fifty-five percent of seats went to individuals with CEO or CFO experience—50% and 23%, respectively (some had held both roles)—a substantial increase from only 29% in 2018. Singapore's share is identical to that of the United States in 2019 and higher than Europe's. The strong, persistent demand across the globe for CEOs and CFOs highlights boards' need for people with strong operational and financial acumen, characteristics that certainly will be vital as they navigate through the economic downturn and reset for growth.

Public board experience

95%
2019 ▲

68%
2018

Previous public board experience was a higher priority in 2019 too: nearly all, 95%, of seats went to individuals who had previously served on a publicly listed company board. This is up 27 percentage points from 2018. Out of this group, 55% had served on an audit committee, up from 35% in 2018. The share of seats that went to people with previous board experience was higher in Singapore than in the United States (72%) or any of the European countries in our study. But, at 83% and 77%, respectively, Belgium and the Netherlands had notably high shares as well.

Slow progress for women and directors from other countries

Gender breakdown

23%
2019 ▼

32%
2018

At 23%, the share of seats that went to women in 2019 dropped to a three-year low, down from 32% in 2018. While most countries around the world made substantial progress appointing women last year, there were other notable exceptions. Germany, for example, had only 28% of seats in 2019 go to women, down from 31% in 2018. While Singapore has made progress with new governance standards³ and councils to address diversity,⁴ boards must make intentional and sustained efforts to nominate women as part of their succession planning in order to make substantial gains.

Nationality breakdown

91%
2019 ▲

65%
2018

Close to all, or 91%, of the seats in 2019 went to people from Singapore, up from 65% in 2018. This year's proportion is higher than the typical average of nationals on the European boards we study; last year that figure was 64%, essentially the same as last year's figure in Singapore.

New interest in financial risk expertise and business services experience

Financial risk and compliance experience

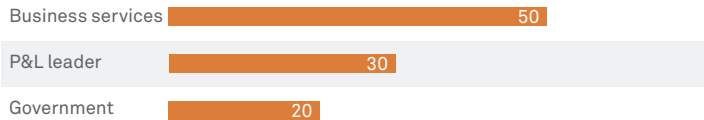
32%
2019 ▲

0%
2018

At 32%, Singapore's boards show notable demand for executives with financial risk and compliance experience in 2019, compared to 0% the previous year. The increase matches a similar trend in many countries around the world.

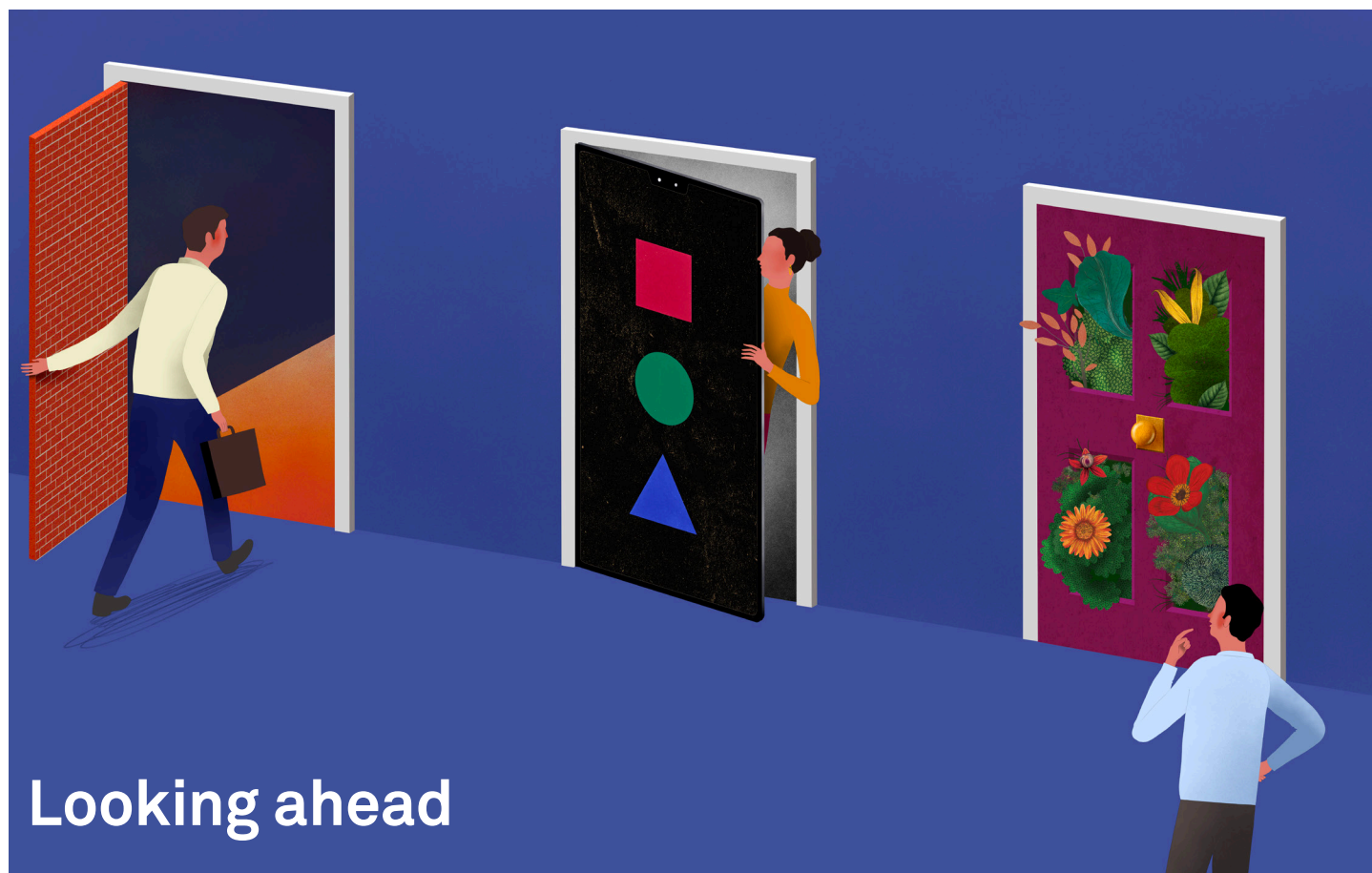
Business services experience

Of the 10 seats, or 45%, that went to individuals without CEO or CFO experience, half went to people with substantial leadership experience at business services firms, with the other half divided between people with government or other P&L experience. In 2018, 18% of seats went to individuals with business services experience.



³ Jeff Jackson, "Singapore releases new Code of Corporate Governance," Glass Lewis, August 6, 2018, glasslewis.com.

⁴ Sue-Ann Tan, "New council aims to get more women on boards," *Straits Times*, January 17, 2019, straitstimes.com.



Looking ahead

Looking ahead, as organizations seek long-term value creation through stability and financial resilience, we expect to see continued interest in directors who have C-suite experience and financial and operational expertise. We anticipate areas of expertise tied to innovation and meeting broad stakeholder interests—such as digital and sustainability—to increase in importance, particularly as Singapore’s boards continue their modernization efforts. However, we also expect a renewed interest in directors with experience in restructuring and capital markets, to

advise as companies seek increased liquidity. In addition, as Swee Yeok Chu mentioned, “Ethics and governance have also become increasingly important in recent years, and it would be useful to have directors knowledgeable in these subject matters to guide the organization.”

This mix of trusted experience, newer and specialized expertise, and diverse backgrounds will help companies rise to the economic and social challenges the next few years will bring.

“Ethics and governance have also become increasingly important in recent years, and it would be useful to have directors knowledgeable in these subject matters to guide the organization.”

Swee Yeok Chu
CEO and President, EDBI

Acknowledgments

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Singapore Council
of Women’s
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John Lim
Chairman
InCorp Global

Swee Yeok Chu
CEO and President
EDBI

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.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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ONE LEADERSHIP TEAM AT A TIME®

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