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NUS National University of Singapore | Centre for Governance, Institutions & Organisations
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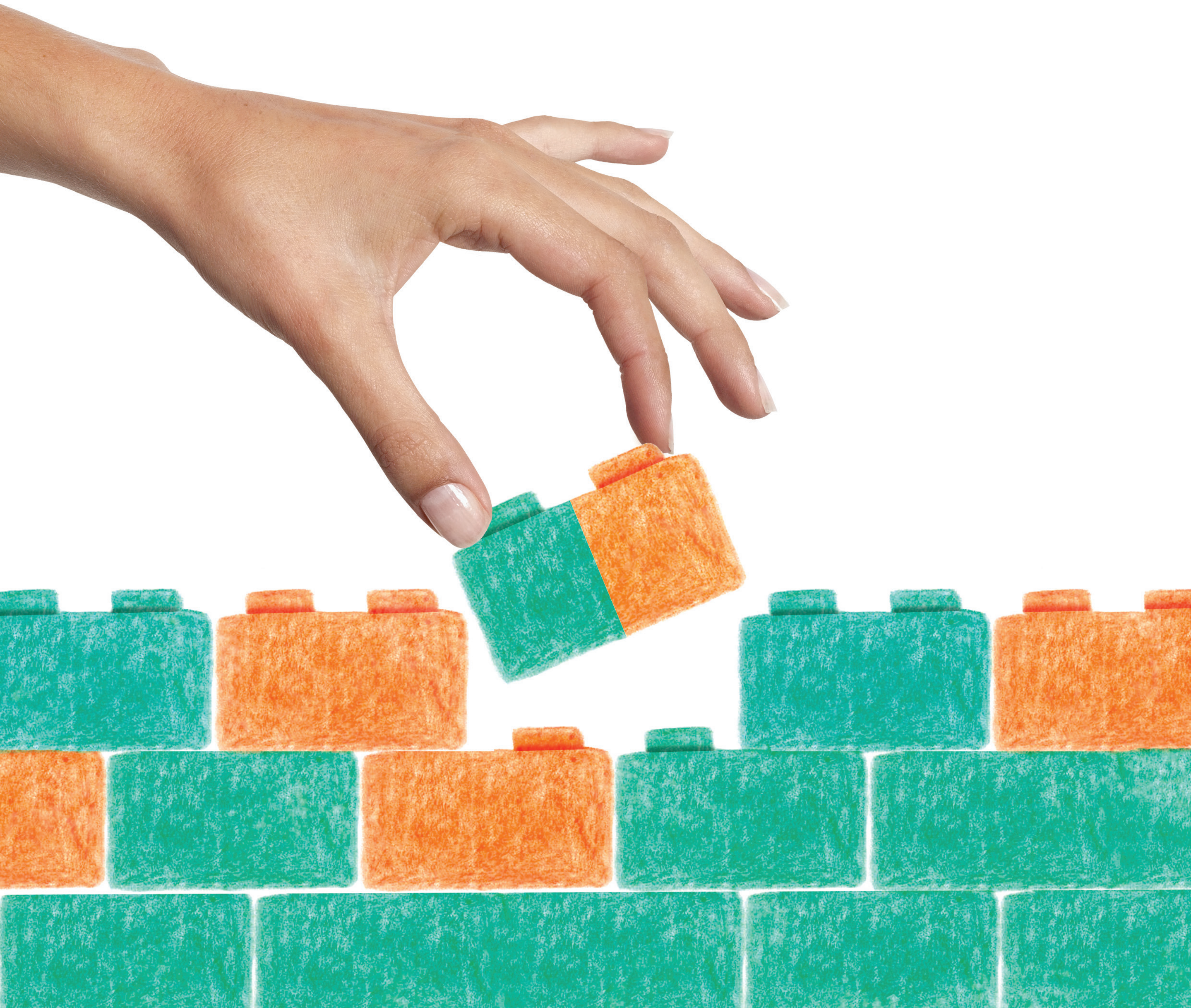
Korn Ferry Diversity Scorecard 2016

Building Diversity in Asia Pacific Boardrooms



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FOREWORD
from Korn Ferry

THE DIVERSITY CASE

Across the world, board diversity is becoming an intensely discussed issue both in private and public sector boardrooms. In the private sector and through the course of our work at Korn Ferry, the data shows a more gender-balanced board structure adds value and effects positive change on the bottom-line. Our recent study reveals companies with at least 10% female board representation averaged a 6.4% ROA (return on assets) and a 14.3% ROE (return on equity) over a three-year period. In comparison, companies with less than 10% female board representation averaged only a 5.2% ROA and an 11.8% ROE during the same period.

Our view of a progressive board is one that truly adopts diversity, has a broader perspective in an increasingly dynamic global market, possesses a wider set of innovative solutions and is better positioned to achieve outcomes and targets. In addition, a more diverse board is able to guide and advise its senior leadership in times of high volatility and risk which is a chief concern for all stakeholders and shareholders.

However, the diversity gap is still significant and still closing at a slow pace – particularly in the Asia Pacific region. In the same study, the Asia Pacific region has a year-on-year increase of women board members from 9.4% in 2013 to 10.2% in 2014, but still lags well behind developed Western economies such as the United Kingdom (26.1%), the European Union (20.8%) and the United States (18.7%).

The drive to embrace diversity needs a more concerted effort if we are to see results within a reasonable timeframe. At Korn Ferry, we have been actively educating and advocating diversity in leadership which we believe leads not only to competitive advantage to our clients' businesses but also long-term strategic value.

ASIA PACIFIC REQUIRES A FUNDAMENTAL SHIFT

In working with the NUS Business School (Centre for Governance, Institutions and Organisations) for this year's edition of the Korn Ferry Diversity Scorecard, we focused on how a culture of diversity at the top level can influence and initiate positive change for growth in human talent and, hence, throughout the organisation. This relationship between a culture of diversity at the board level and positive performance at the operational and financial levels is a powerful idea.

The Board Diversity Scorecard showcases outcomes of enterprises in the Asia Pacific region and was based on financial year-end

2014 annual reports and included boards of the top-100 listed companies by market capitalisation in each of ten economies across the region.

Beyond the statistical gap, we also observed that Asian boards seem to adopt a more systemic and collective "blindness" to the value of diversity based on a more traditional patriarchal approach. Without a fundamental change in attitude, the diversity agenda will continue to be hampered and discourage qualified women at the leadership and board level.

CALL FOR CHANGE AND THE GOVERNMENT ROLE

In an effort to encourage the recruitment of women leaders to the boards of enterprises, some national governments across the Asia Pacific region have implemented various degrees of legislation. Australia's efforts through the "If Not, Why Not" self-disclosure and censure programme have resulted in a significant rise in women board members, from 8.3% in 2009 to 21.9% in 2014. In addition, the Australian Security Exchange (ASX) had enacted policies requiring companies to establish and reveal a diversity policy, which includes guidelines on gender diversity.

Other similar programmes in India and Malaysia involving a quota-based system and strong legislative encouragement have seen both countries improve in our rankings year-on-year. While the myriad of tactics can be argued and discussed, we recognise and encourage the positive change that these policies seek to achieve and have started to deliver.

More work still needs to be done to shift the trend and bring about board diversity in the Asia Pacific region. I hope this report sheds more light on the need for leadership, the role of boards, and encourage meaningful steps forward.

Sincerely,
Alicia Yi
Managing Director, Board & CEO Services
Korn Ferry

EXECUTIVE SUMMARY

The fourth edition of the Korn Ferry Diversity Scorecard series tracks board composition of companies in ten economies across Asia Pacific including Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and South Korea.

Based on the top-100 listed companies in each economy, an increase in gender diversity on corporate boards continues, albeit at a slow pace. Overall, women now make up 10.2% of the directors, up from 9.4% in 2013 and 8.0% in 2012.

It is also encouraging to note there is a rapid decrease in all-male boards, from 44.7% to the current 39.0%. Most notably, companies in our study with at least 10% female board members on average have a higher return on assets (ROA) and return on equity (ROE) than companies with fewer than 10% female board members.

However, a closer look at the findings reveals that gender diversity is limited and uneven across Asia Pacific boards, and still lags substantially behind major economies such as the United Kingdom (26.1%), the European Union (20.8%) and the United States (18.7%). At the current rate of progress, it would take more than a decade for Asia Pacific to catch up with its intercontinental peers. Generally, women still remain under-represented across Asian boards.

Moreover, the proportion of female directors varies greatly among economies. Australia continues to lead the region with the highest percentage of female directors (21.9%), while South Korea and Japan ranked the lowest (2.6% and 3.3% respectively). Singapore (7.7%) and India (8.6%) also scored below the regional average.

Finally, most countries reviewed for this study show little or no improvement. The exceptions are Malaysia (+4.2%), Australia (+3.3%) and India (+1.3%), all of which have recently seen regulatory action or governmental support for promoting board diversity.

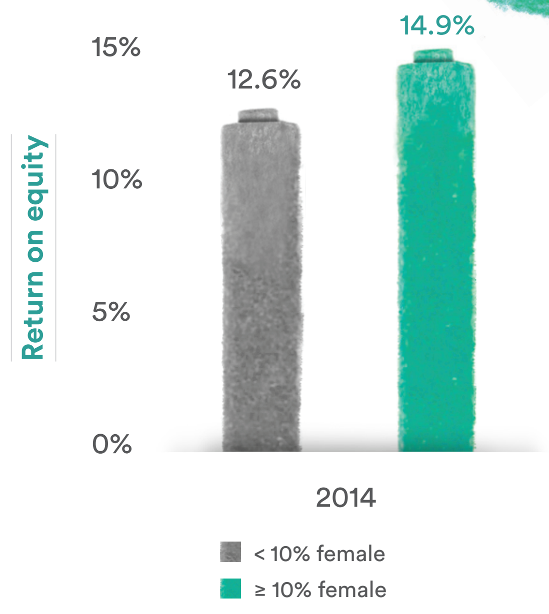
These mixed results and lack of progress are a cause for concern. Board diversity is recognised globally as being a best practice for corporate governance and has spurred proactive efforts by the leading companies worldwide and advocacy by key shareholders and stakeholders.

Targets and disclosure policies undertaken by governments and stock exchanges have also been effective in addressing this global priority. Without such impetus, greater board diversity may otherwise not reach expectations naturally in the Asia Pacific region.

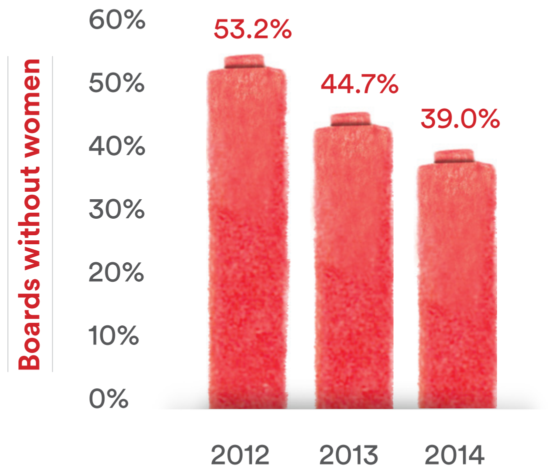
DIVERSITY AT A GLANCE...

Companies with more women

MORE PROFITABLE



All-male boards declining but still substantial



- In **Malaysia**, all-male boards decreased considerably from **52%** to **29%** (2013–2014)
- **India** saw a drop from **44%** to **29%** (2013–2014)

Overall, women now make up 10.2% of directors

Up from 9.4% in 2013 and 8.0% in 2012

LIMITED PROGRESS ACROSS ASIA PACIFIC

Percentage of female board members

ASIA PACIFIC STILL FAR BEHIND

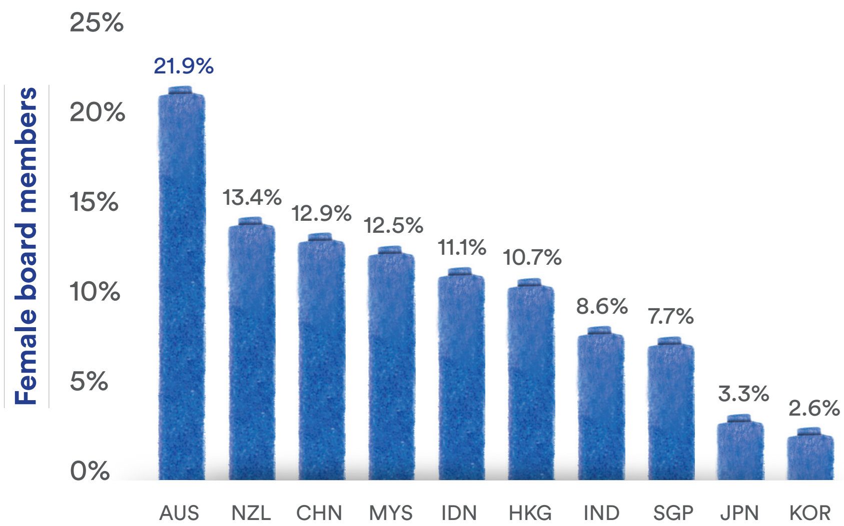
10.2% Asia Pacific

26.1% United Kingdom

20.8% European Union

18.7% United States

In Asia Pacific, Australia leads the pack with India, Singapore, Japan and South Korea trailing behind



Most countries reviewed show little or no improvement, except

India, Australia and Malaysia

all of which have recently seen regulatory action or governmental support for promoting board diversity

FEW COUNTRIES SEE PROGRESS

Change in female board members

MALAYSIA **+4.2%**

AUSTRALIA **+3.3%**

INDIA **+1.3%**

GENDER DIVERSITY IN ASIA PACIFIC BOARDROOMS

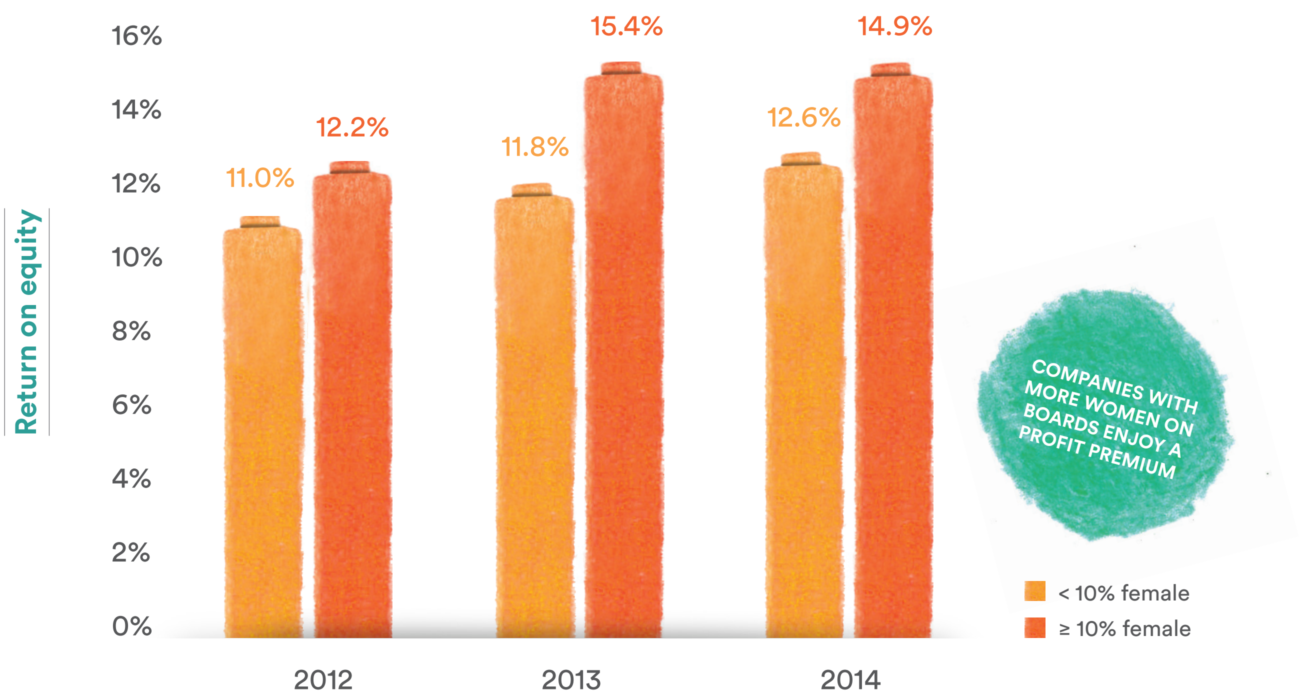
This report covers key findings from our survey of boards of the top-100 listed companies[1] in each of ten economies (Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and South Korea). Overall, these boards have a greater percentage of female directors compared to last year. Notably, more diverse boards reported higher profitability.

COMPANIES WITH MORE FEMALE DIRECTORS MORE PROFITABLE

Our study shows that companies are seeing benefits from improved gender diversity: companies with at least 10% female directors consistently report better financial performance than those without. In 2014, companies with at least 10% female board members delivered a return on equity (ROE) of 14.9% versus just 12.6% for those with fewer or no female board members (Fig. 1). These findings hold true by other measures of gender diversity, other measures of profitability, and across three years. Our results are in line with other global research that points to better performance in companies with greater diversity[2].

Fig. 1: Firm performance and gender diversity

Source: CGIO database



1 Companies actively trading as of 31 March 2015.

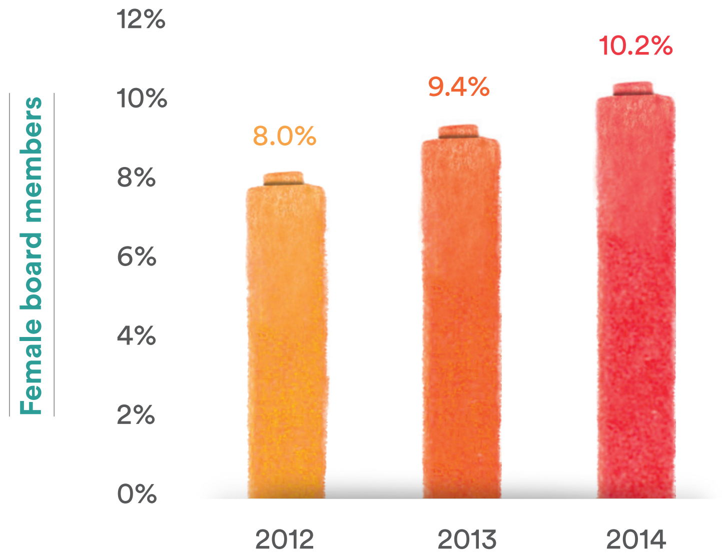
2 For instance, MSCI finds that "companies that had strong female leadership generated a Return on Equity of 10.1% per year versus 7.4% for those without" [MSCI (2015). Women on Boards: Global trends in corporate diversity on corporate boards.)]

INCREASE IN GENDER DIVERSITY IN ASIA PACIFIC

Our latest study shows that the percentage of women on Asia Pacific boards increased slightly from 8.0% in 2012 and 9.4% in 2013 to 10.2% in 2014 (Fig. 2).

Fig. 2: Gender diversity in Asia Pacific

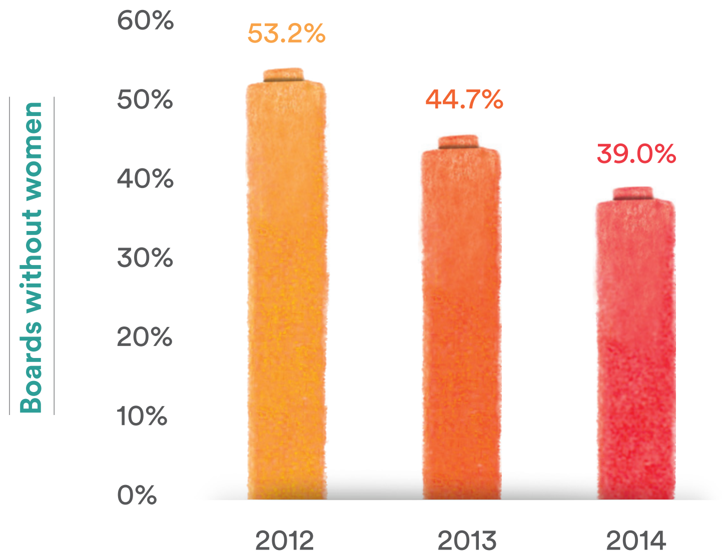
Source: CGIO database



Furthermore, the percentage of all-male boards decreased significantly by almost 15% in the past two years (Fig. 3). Alongside the slow growth of female representation, this decrease indicates that some companies are recognising the need to ensure gender diversity on their boards.

Fig. 3: All-male boards

Source: CGIO database

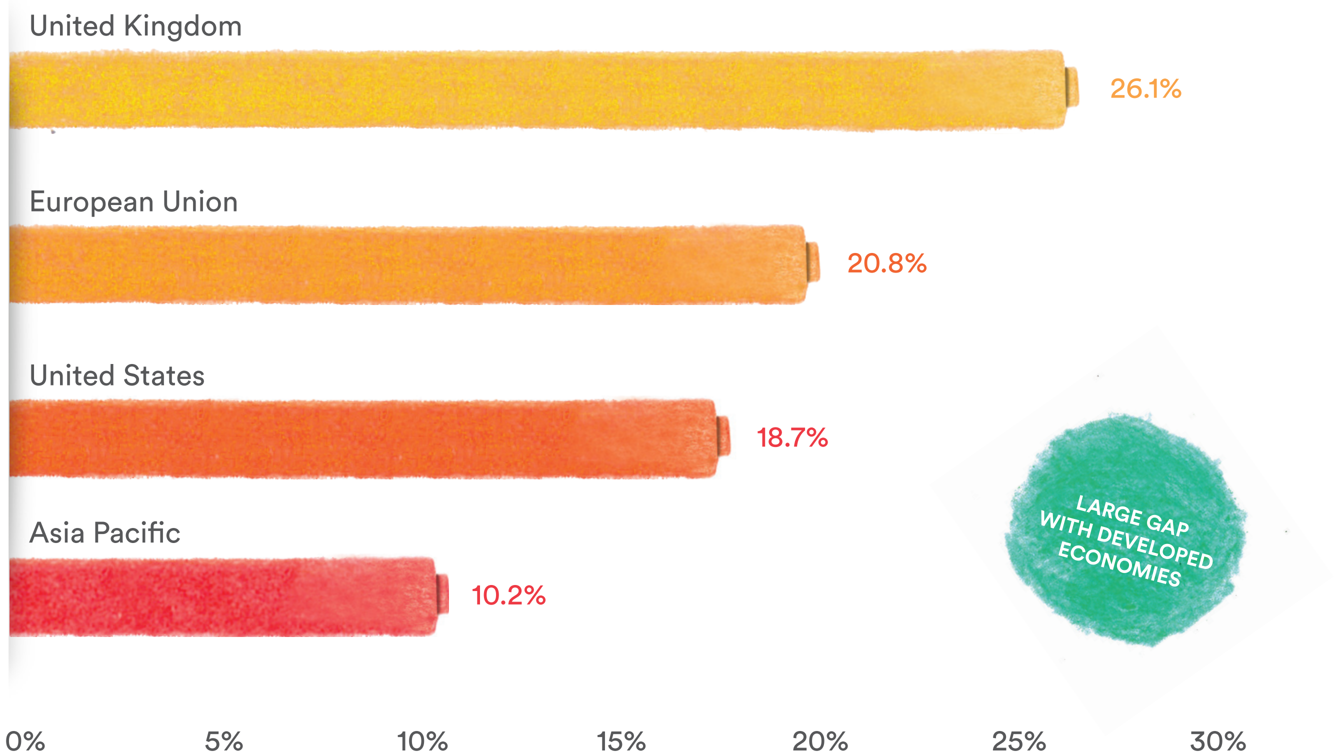


ASIA PACIFIC LAGS FAR BEHIND DEVELOPED ECONOMIES

Despite Asia Pacific's progress in recent years in appointing women to boards, the region still lags far behind global economies like the United Kingdom, the European Union and the United States (Fig. 4)[3]. For the region as a whole to reach parity with these markets, it would require another decade of growth at the current pace. The region also remains behind these markets in terms of all-male boards: only 4.6% of Fortune 500 companies have an all-male board[4] – lower than any economy in Asia Pacific. More strikingly, the Financial Times Stock Exchange (FTSE) 100 recently reported that it no longer has any all-male boards[5].

Fig. 4: Comparison with benchmark economies

Source: CGIO database



Female board members

[3] Data sources: CGIO database (Asia-Pacific); Gender Gap (2015). Gender Map. Retrieved from http://www.gendergap.com/gender-map/. Percentages based on S&P 500, EU large-cap 148; Davies report (2015). Improving the gender balance on British boards. Retrieved from https://www.gov.uk/government/ uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf.

[4] Fairchild, C (2015). The 23 Fortune 500 companies with all-male boards. Retrieved from http://fortune.com/2015/01/16/fortune-500-companies-with-all-male-boards/.

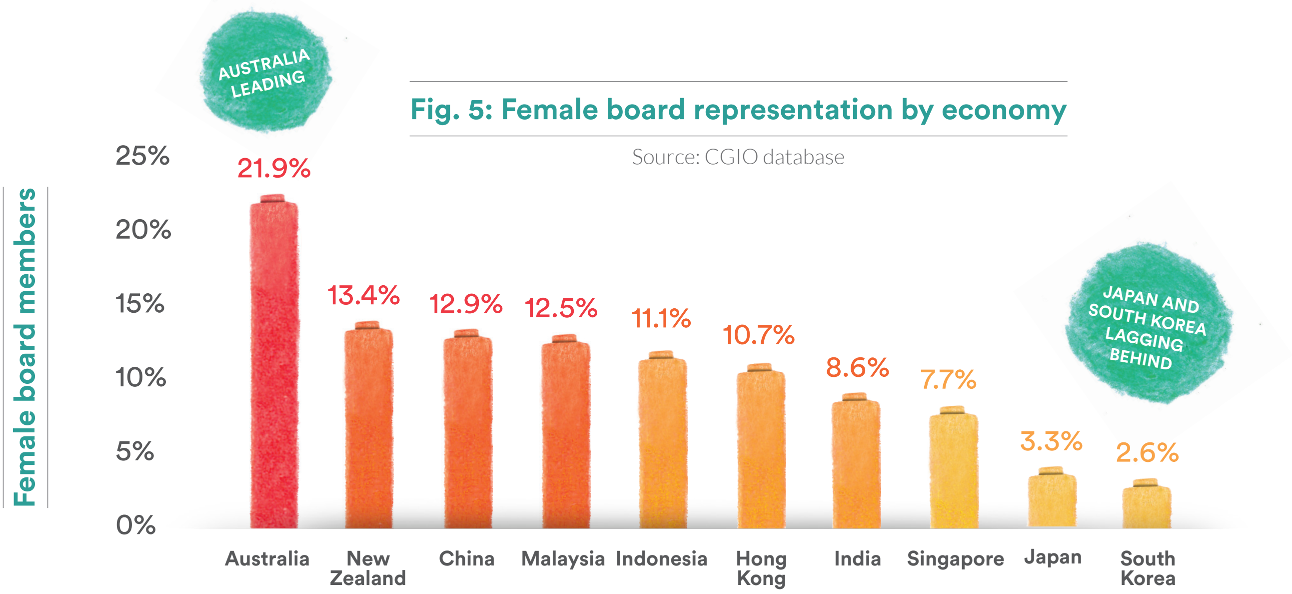
[5] BBC (2015). Davies report says no more all-male boards on FTSE 100. Retrieved from http://www.bbc.com/news/business-34663119.

LARGE DIFFERENCES WITHIN ASIA PACIFIC

Gender diversity varies greatly amongst the economies studied (Fig. 5). Australia continues to be the best-performing country in gender diversity, with 21.9% of its board members being women. Excluding this figure, the region averages 9.2%. At the bottom of the rankings, South Korea and Japan have 2.6% and 3.3% female board members, followed by the next lowest performers Singapore at 7.7% and India at 8.6%. All other countries have over 10% female board members on average.

Fig. 5: Female board representation by economy

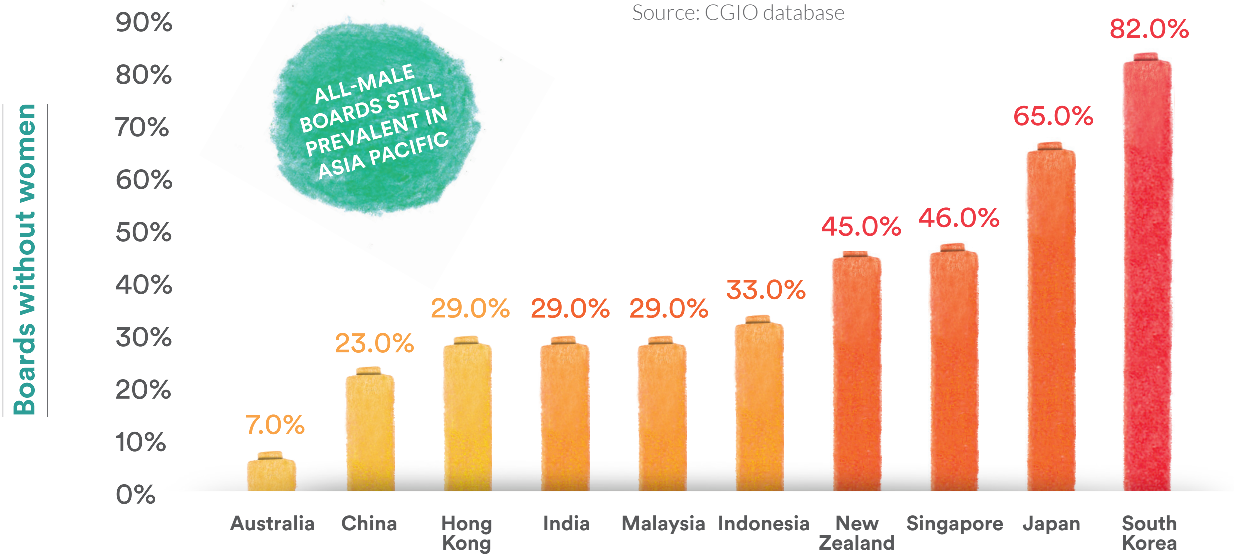
Source: CGIO database



The prevalence of all-male boards mirrors this gap (Fig. 6): 82 boards in South Korea have no women, whereas notable improvements are seen in Malaysia and India, now on par with Hong Kong in this regard with only 29 all-male boards amongst the top-100 listed firms. Australia continues to have the fewest all-male boards at seven.

Fig. 6: All-male boards by economy

Source: CGIO database



Though Japan remains second to South Korea in having the largest number of all-male boards, this figure has declined significantly from 79% in 2012, perhaps a reflection of the impact of Prime Minister Shinzo Abe's call for companies to each appoint at least one female board member[6]. A major outlier in this regard is New Zealand, which has the second highest percentage of female board members in the region (13.4%) but with 45% of its boards without a female member. On another note, no company in this study had an all-female board. Most firms that had any gender diversity typically only had one or two women on their boards.

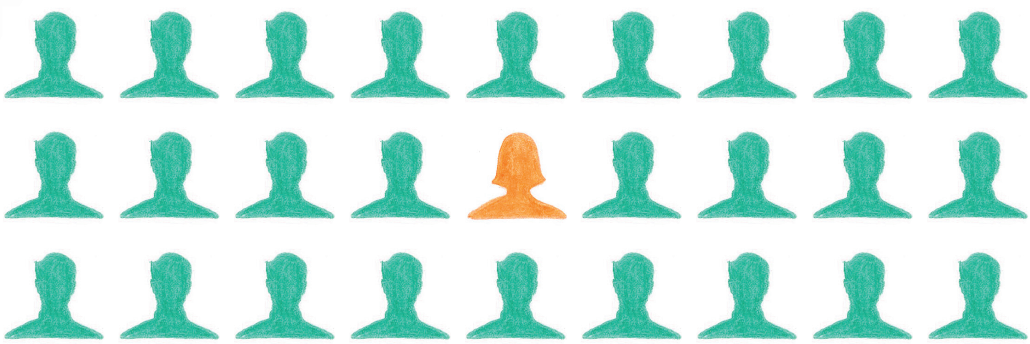
Major disparities also remain across various industries, mirroring global trends[7]. The utilities, health care and financials sectors have more than 13% female directors, whereas only 6.8% of board members in information technology companies and fewer than 8% in the energy and industrials sectors are women (see Appendix 1).

UNEVEN REPRESENTATION IN DIFFERENT ROLES

Our study shows that women form a higher percentage of independent directors at 12.8%. Among executive directors, female representation is just 6.8%. Female directors also tend to be younger than their male counterparts and they have shorter tenures, although age and director tenures vary considerably by country (Appendix 2).

Overall, women continue to hold few leadership positions in the corporate world, particularly in executive roles, such as CEO. Little progress in improving gender diversity in the C-suite has been made since 2011[8]: about 4% of companies in this study have female chairpersons or CEOs (Fig. 7). Notably, no woman had been appointed as chair or CEO in Japan, while South Korea had no chairwomen in the period reviewed. The lack of representation here accords with global findings that women's limited opportunities to assume high-level executive positions[9] have resulted in a dearth of role models for successful female leadership.

Fig. 7: Female board leadership



6 Speech to the Three Economic Associations, April 19, 2013.

7 For instance, women hold only 25% of STEM jobs in the United States [Economics and Statistics Administration (2011). http://www.esa.doc.gov/reports/women-stem-gender-gap-innovation]. Canada also found lowest levels of female board members in the natural resource and technology industries [Posadzki, A. (2015, Sep 28). http://www.660news.com/2015/09/28/representation-of-women-on-boards-varies-by-industry-company-size-report/].

8 No country in the 2011 study had > 5% female chairpersons.

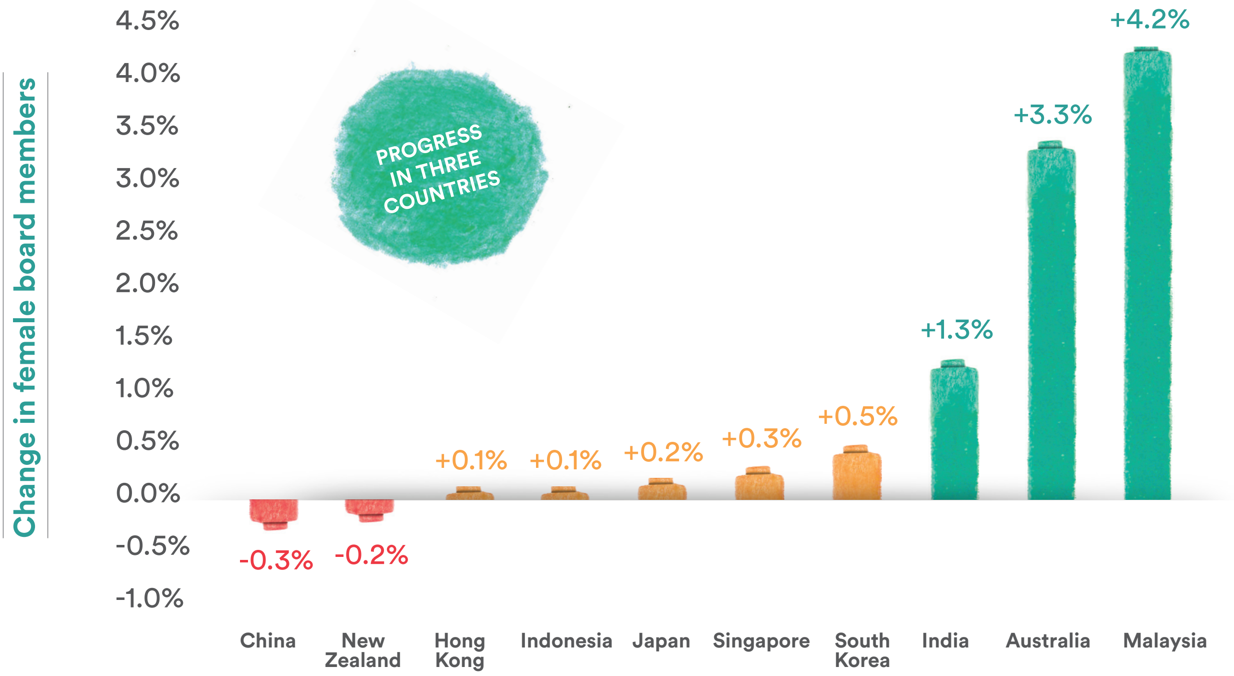
9 MSCI (2015). Women on Boards: Global trends in gender diversity on corporate boards.

MOST COUNTRIES SHOW LITTLE GAINS

Singapore, Japan and South Korea made very small gains, while female representation either remained static or declined in China, Hong Kong, New Zealand and Indonesia (Fig. 8). This differing pace of change points to a growing diversity gap; given their lack of policy action South Korea and other economies with few female board members are unlikely to catch up with India, Australia, and Malaysia. China, Indonesia and South Korea have yet to include boardroom diversity as part of companies' compliance with regulatory requirements.

Fig. 8: Change in gender diversity (2013-2014)

Source: CGIO database



IMPROVEMENT SEEN IN ONLY A FEW ECONOMIES WITH GOVERNMENT ACTION

Much of this year's increase in diversity came from the few countries (Fig. 8) which have introduced policies to increase gender diversity – Australia requires listed companies to establish a diversity policy, India's Company Act requires one woman per board and Malaysia has a target of 30% female board directors. Overall, the three-year trend shows some improvement but progress is slow and not consistent across economies or years (Appendix 3). Based on our findings, we believe that continued progress in gender diversity on Asia Pacific boards is not a given. Rather, it requires more consideration from companies, stock exchanges, regulators and investors.

CONCLUSION

Gender diversity has seen an upward trend since this series began, with the percentage of female board members now standing at 10.2% compared to 9.4% in 2013 and 8.0% in 2012; all-male boards (now at 39%) are no longer a majority.

However, this report's findings show Asia Pacific lagging behind global developed economies in gender economic equality. While the call for more gender diversity on boards has contributed to an increase in female directorships, it lacks momentum and velocity. Two countries still have fewer than 5% female membership on boards, and seem to be making little progress in improving this figure.

Furthermore, this slow pace of change has failed so far to prod governments and regulators into carrying out more proactive measures, with the exception of Malaysia and India. These two countries have seen significant increases in female board members in response to targeted government policies that have proven efficacious in bringing about change in board composition, without destabilising corporate governance. Indian companies, for instance, have been swift to respond to the Company Act by drawing on their existing networks. Such policies have also seen success elsewhere worldwide – for instance, female appointments are 10% higher in Fortune Global 200 companies in countries with quotas and gender diversity provisions in corporate governance codes[10].

With more experienced women on boards, companies in the region can improve their financial performance. The significant correlation between greater boardroom gender diversity and healthier corporate performance points to the power of progress in achieving a more balanced board representation with greater female participation, and adding value to the region's boardrooms. Countries like Singapore, Japan and South Korea have a long way to go before their approaches and performance in gender diversity reach parity with the rest of the region.

This gap in gender diversity (attributed to varying policy approaches) suggests that, if not for more concerted efforts, sustained and significant growth in female representation may not be achievable across the board to actively develop female talent in the corporate world. We hope that this report provides greater impetus to make a balanced composition a priority for board and brings diversity to Asia Pacific's corporate leadership.

10 CWDI found a figure of 25.3% in countries with quotas and 15.6% without quotas. See http://www.globewomen.org/cwdi/2015FG200KeyFindings.html.

HIGHLIGHTS FROM ASIA PACIFIC MARKETS

AUSTRALIA

Leader in Asia Pacific

Australia continues to be the best-performing country in terms of gender diversity in the boardroom. It also remains the only economy in Asia Pacific with over 20% female board members among the Australian Securities Exchange (ASX) 100, albeit still falling short of the ASX's 2010 target of achieving a minimum of 40% women on boards by 2015[11]. As a result, while it leads the rest of the APAC region in gender diversity, it remains behind leading countries such as Norway; seven of its top-100 boards still have no female directors. Australian Institute of Company Directors (AICD) has now established a target of 30% women on ASX 200 boards by 2018[12]. Although we found that companies with less than 10% female directors had higher performance, this finding was based on a very small sample, as the vast majority of boards in Australia now has more than 10% female directors.

Impetus from regulation and advocacy

Australia has made some of the largest improvements in gender diversity in the last decade, almost doubling the percentage of female directors since 2011. It also saw the largest increase last year. Such progress reflects ASX's inclusion of gender diversity policies in its corporate governance council reporting rules – the 'if not, why not' reporting requirement[13]. New standards went into effect this reporting period, requiring companies to establish a diversity policy. Advocacy continues with the establishment of an Australian chapter of the 30% Club spearheaded by Helena Morrissey[14].

Few female board chairs and CEOs

Australia has medium-sized boards, with an average of 8.4 members and the majority of directors (77.4%) are independent directors. While women form 26.4% of independent directors, just 5% of the board chairs and 5% of the CEOs were women. We also found fewer women in major industries like energy, materials, industrials and health care[15].

11 CSA and Women on Boards (2010). Complying with Principle 3. Retrieved from http://www.asx.com.au/documents/about/women_on_boards_principle_3_csa_july_2010.pdf.

12 Australian Institute of Company Directors (2015). Board should adopt 30 percent target for female directors. Retrieved from http://www.companydirectors.com.au/general/header/media/media-releases/2015/boards-should-adopt-30-per-cent-target-for-female-directors.

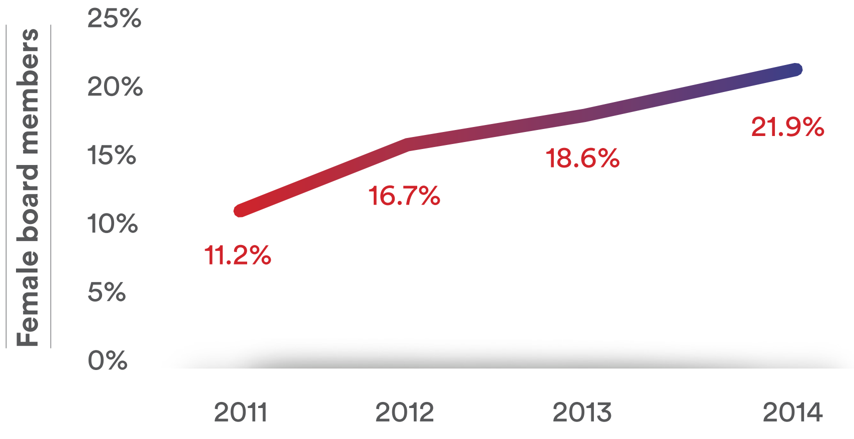
13 Companies are required to disclose "measurable objectives for achieving gender diversity set by the board". ASX Corporate Governance Council (2014). Corporate Governance Principles and Recommendations. Retrieved from http://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf.

14 Helena Morrissey is the CEO of Newton Investment Management. The 30% Club is a British-based initiative advocating a minimum of 30% female boards globally. For more information, see http://30percentclub.org.

15 Energy, materials, and industrials accounted for 39.4% of board seats in the sample.

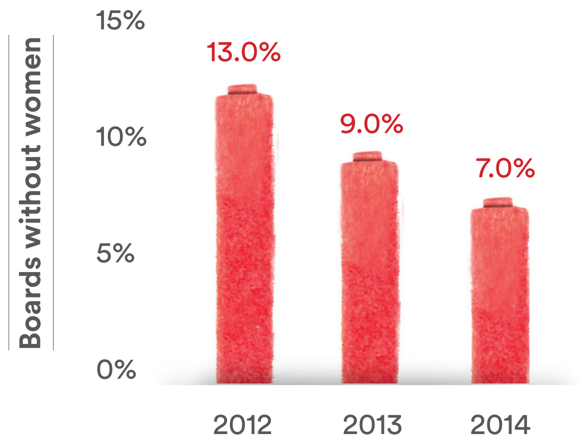
Continuous improvement in gender diversity

Source: CGIO database



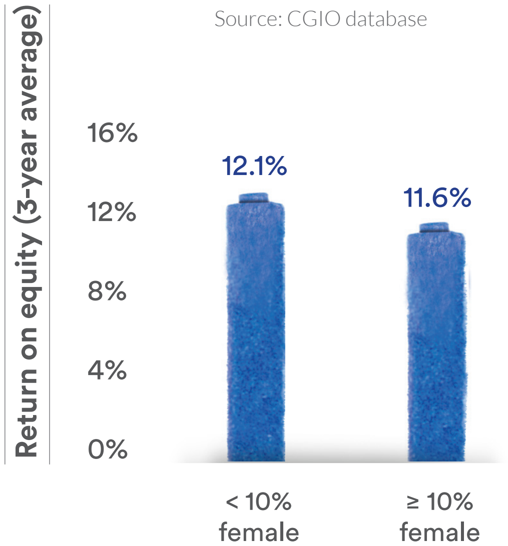
Very few all-male boards

Source: CGIO database



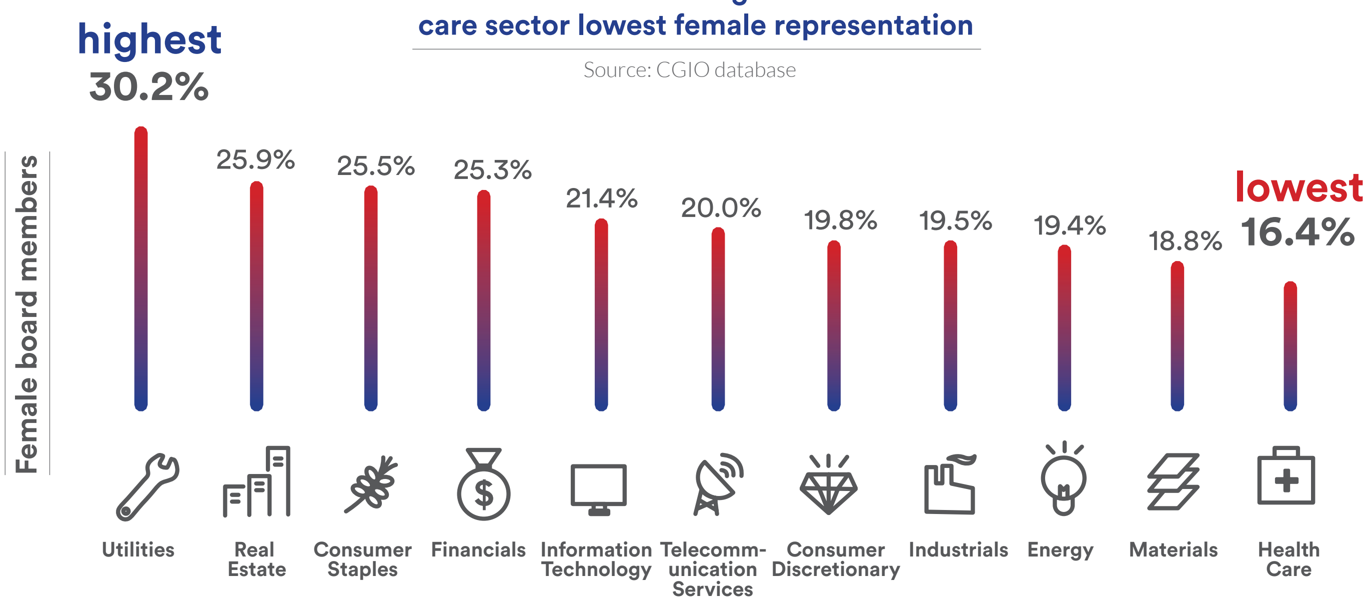
Boards with <10% female rare

Source: CGIO database



Utilities sector sees highest and health care sector lowest female representation

Source: CGIO database



CHINA

Slight decline

The percentage of female board members in China has declined slightly from 13.2% to 12.9%, placing it at the third-highest percentage of female board members in the region. This decrease is the largest in the region this year, and reverses the previous two years' trend of significant improvement. All-male boards remained the same as last year at 23%. Our study also found that companies with more women tend to be more profitable than those with less than 10% female board members.

No regulatory requirements

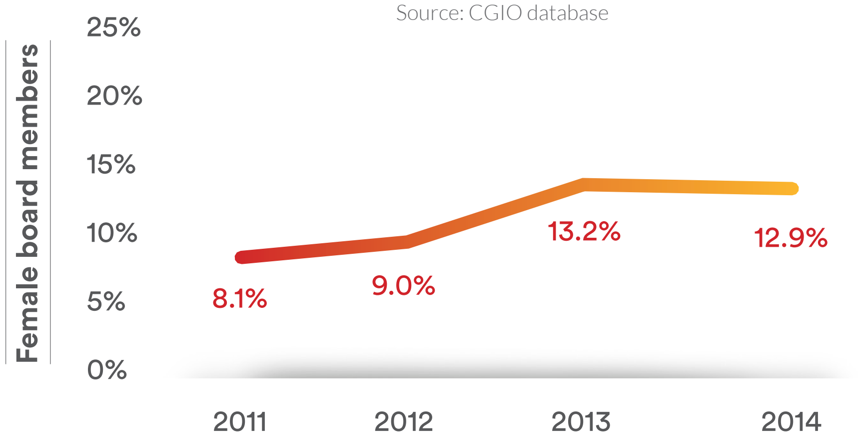
China lacks institutional support for board diversity: guidelines for corporate board composition only include requirements to disclose the makeup of the board and include at least one independent director. Diversity targets have been proposed, with the 2011 programs calling for "an increase in the participation by women on boards of all enterprises, public or private, by 2020"[16]. However, this call for action was not included in the corporate governance code. 23% of boards remain composed entirely of men and may lack the incentive to actively pursue appointing female board members in the near term.

Youngest board members

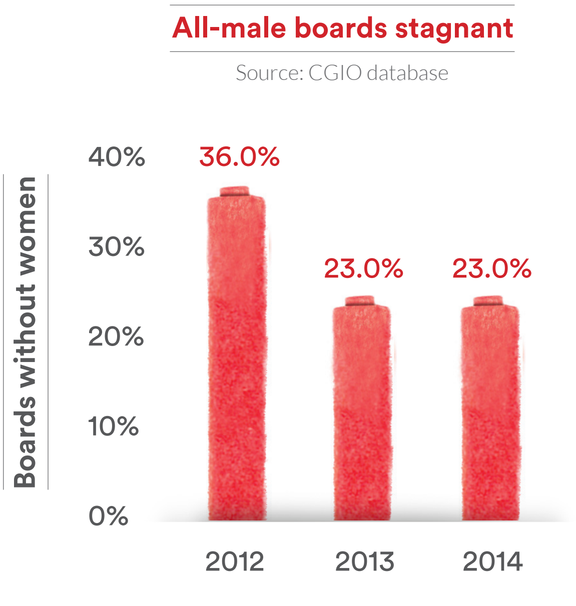
China has the youngest female board members in the region, with an average age of 50.4 years old (and 53.3 years for men). In terms of industry breakdown we find that the energy sector has the lowest proportion of female directors whereas the consumer staples sector has the highest.

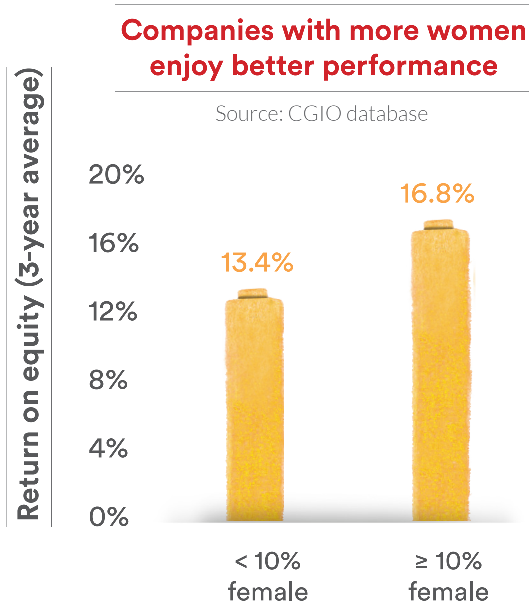
Slight decline in gender diversity

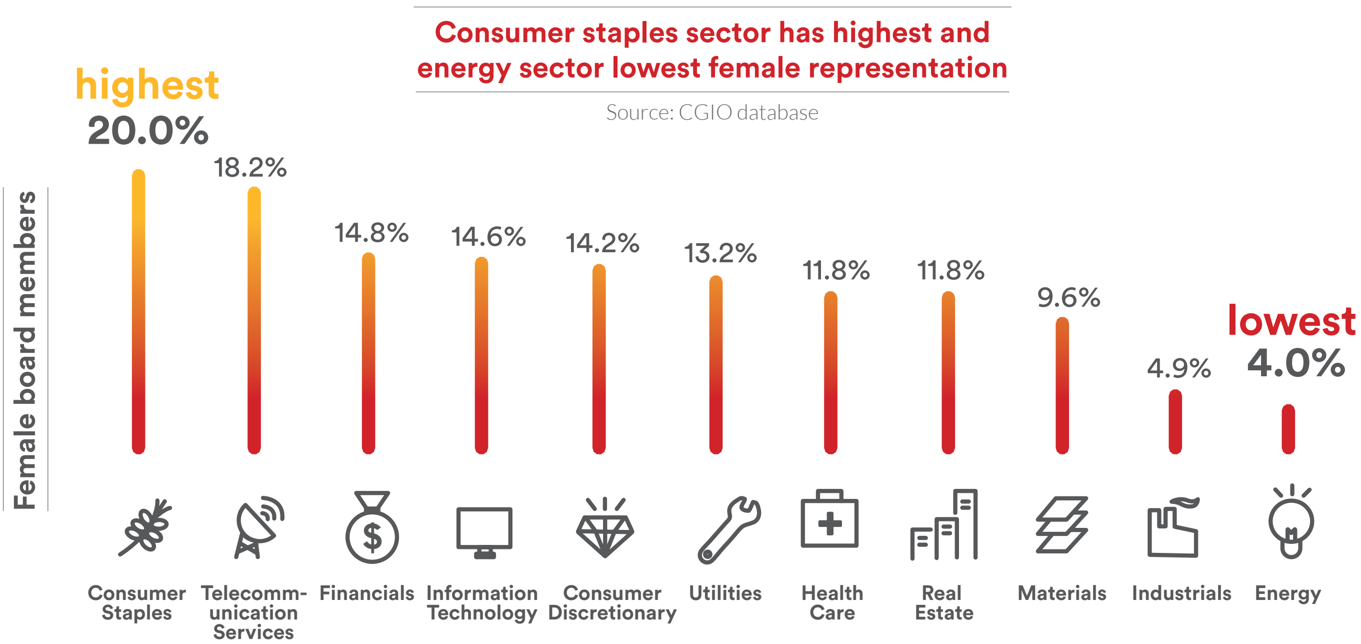
Source: CGIO database



[16] Ananda Martin (2015). Breaking the Glass Ceiling: China. Retrieved from http://www.paulhastings.com/genderparity/countries/china.html.


All-male boards stagnant
Source: CGIO database
Boards without women
40%
30%
20%
10%
0%
36.0%
23.0%
23.0%
2012
2013
2014


Companies with more women enjoy better performance
Source: CGIO database
Return on equity (3-year average)
20%
16%
12%
8%
4%
0%
13.4%
16.8%
< 10% female
≥ 10% female


Consumer staples sector has highest and energy sector lowest female representation
Source: CGIO database
Female board members
highest
20.0%
18.2%
14.8%
14.6%
14.2%
13.2%
11.8%
11.8%
9.6%
4.9%
lowest
4.0%
Consumer Staples
Telecomm-unication Services
Financials
Information Technology
Consumer Discretionary
Utilities
Health Care
Real Estate
Materials
Industrials
Energy

HONG KONG

Growth in diversity levelling off

The representation of women on Hong Kong's boards has increased incrementally to reach 10.7% in 2014, slightly above the regional average. 29% of boards still have no women, despite Hong Kong having the largest boards in the region with an average of 14 members. In particular, few women are being appointed as executive directors, who comprise 31.3% of directors (another 39.7% are independent board members and 29.0% non-executive directors). Our study also found that companies with more women tend to be somewhat more profitable than those with less than 10% female board members.

Initiatives on gender diversity need more specific targets

Hong Kong's Corporate Governance Code includes board diversity requirements that are aligned with the government's Gender Mainstreaming Checklist. Hence, companies have to either comply by formulating a diversity policy for the nomination committee and ensuring a balanced board composition or explain their failure to do so (similar to Australia's 'if not, why not' policy). However, this policy lacks specific language on gender diversity such as quotas or targets; Principle A3 only refers to broad compositional diversity in terms of board member independence, gender, age, education and experience[17] but has not articulated any clear target. Overall, companies' level of compliance with the exchange's recommendations remains inadequate. Leading advocates such as Community Business chairperson Mrs. Fern Ngai describe this year's improvements as "disappointingly slow moving"[18].

Some industries have very few female board members

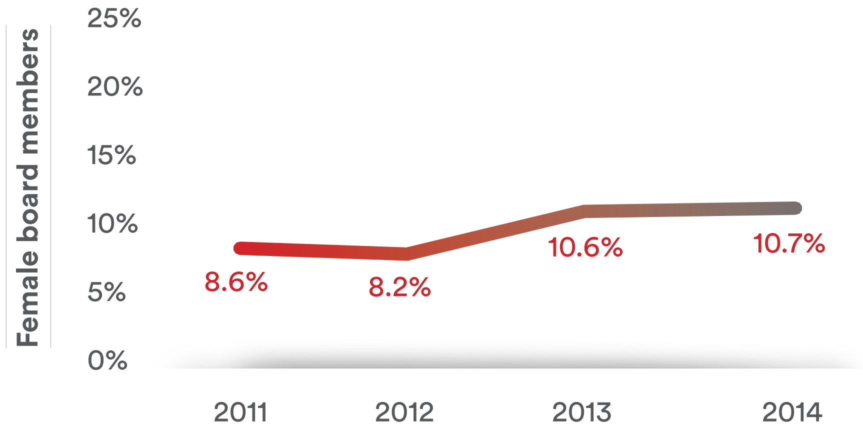
The energy and information technology sectors saw the lowest representation of female board members at less than 4%. Companies in the health care sector had 25% female board members, by far the greatest share.

17 "Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board." Hong Kong Exchanges and Company Limited Board Diversity Policy. Retrieved from http://www.hkex.com.hk/eng/exchange/corpgov/Documents/Board%20diversity%20policy.pdf.

18 Community Business (2015). Representation of Women on Boards Reaches Double Digits for the First Time. Retrieved from http://www.communitybusiness.org/library/News/2015/20150303_PressRelease-Women_On_Boards_Hong_Hong_2015.pdf.

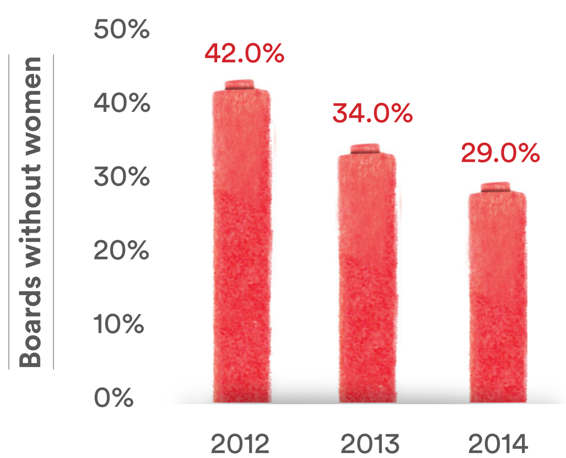
Growth in gender diversity levelling off

Source: CGIO database



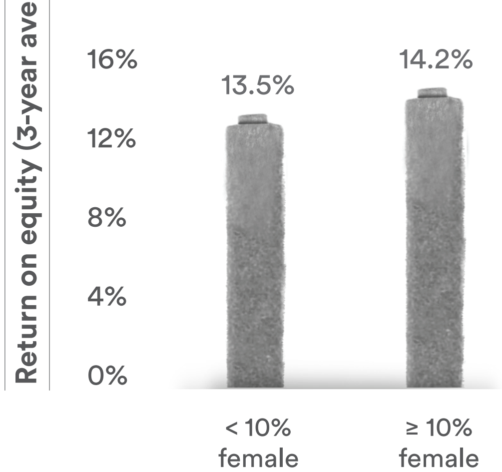
All-male boards declining

Source: CGIO database



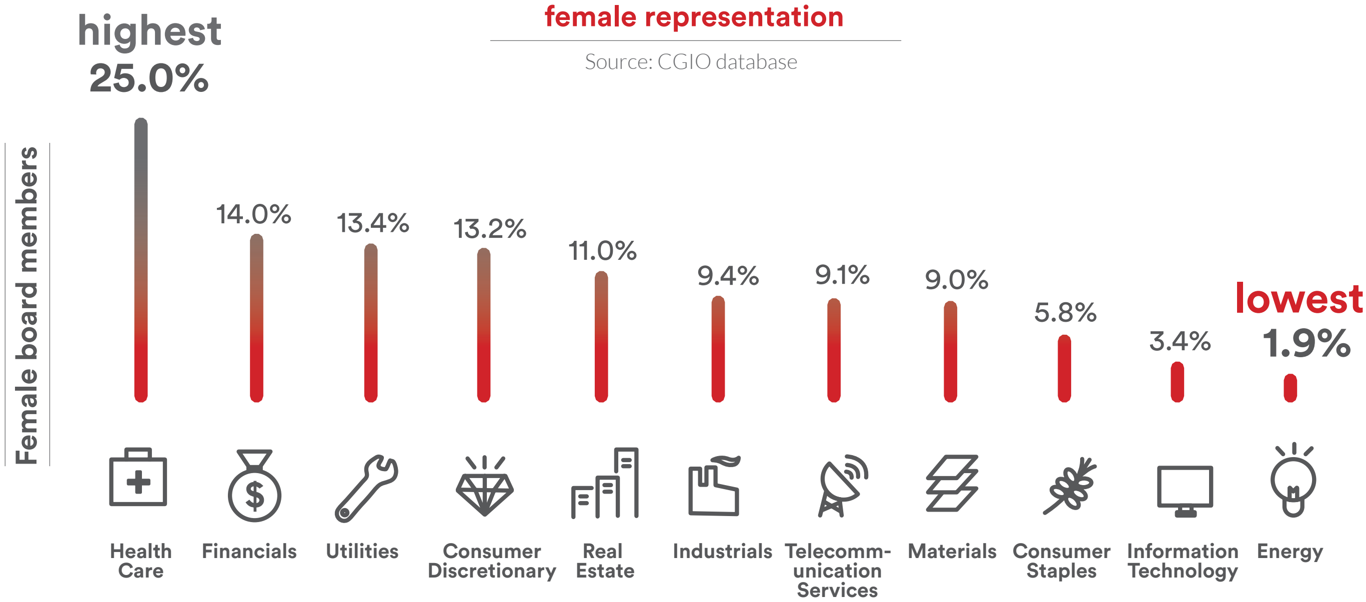
Boards with more women somewhat more profitable

Source: CGIO database



Health care sector has highest female representation

Source: CGIO database



INDIA

Significant improvement

Indian companies reported an increase in female board representation from 7.3% in 2013 to 8.6% in 2014. While slightly behind the regional average, India has made significant progress in broadening female representation across companies with the percentage of all-male boards decreasing significantly from 44% to 29%. Companies with more gender diversity had higher return on equity than those with less than 10% female board members.

Quota of one woman per board

India's steady progress appears more sustainable compared to other economies where female representation dipped after a year of strong progress. The 2013 passage of the Company Act required all listed companies to each have at least one woman on their boards, and the Securities and Exchange Board of India set a deadline of April 1, 2015 for internal compliance[19]. This recent policy shift may also have contributed to the appointment of newer and hence younger female directors, with Indian female directors being 6.2 years younger than their male counterparts. It has been suggested that many new appointments come from within the group or family, with fewer independent female board members, which "meets the letter but not the spirit behind the rules"[20]. Our figures do not fully support this: we also recorded strong growth in the share of female independent directors. Additionally, women are pulling their weight as company leaders, with India reporting the highest numbers of female CEOs in the region, particularly in the finance sector[21].

Larger talent pool needed

Moving forward, more mechanisms are needed to empower women in the workplace to broaden the pool of female board members, particularly as executive board members, amongst whom women remain heavily under-represented at only 4.7%. While high-profile women have served as corporate leaders in past decades, progress has been slow. Many companies have leadership programmes but they tend to target senior leadership ranks that remain male-dominated. This is particularly true in the energy and industrials sectors, where women are the least represented on boards.

---

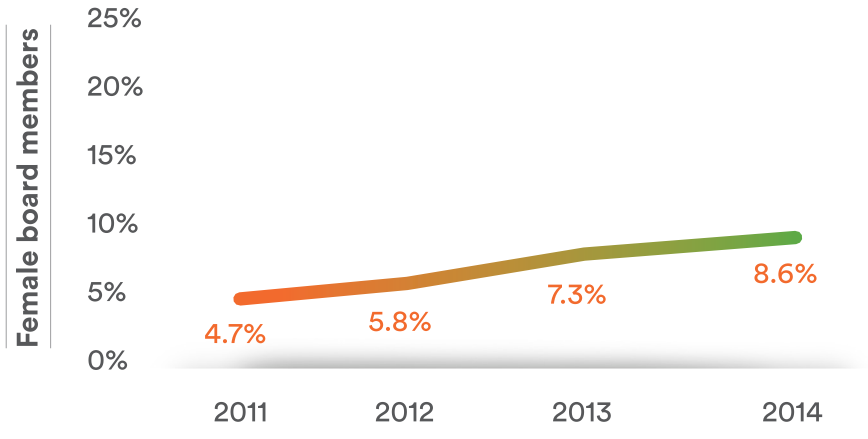
19 Securities and Exchange Board of India (2014, Sep 15). CIR/CFD/POLICY CELL/7/2014. Retrieved from http://www.sebi.gov.in/cms/sebi_data/attachdocs/1410777212906.pdf. 247 out of 1,498 companies missed this deadline. Singh, R (2015, Apr 1). 247 NSE firms miss Sebi deadline for appointing women directors. Retrieved from http://www.livemint.com/Companies/FJAChH3O4hfWp47trh4CgN/Last-minute-dash-for-women-directors-as-India-enforces-deadl.html.

20 Financial Express (2014, Dec 9). Corporate governance better, women representation still abysmal. Retrieved from http://www.financialexpress.com/article/economy/corporate-governance-better-women-representation-still-abysmal/17078/.

21 Colgate-Palmolive (India), Hindustan Petroleum, ICICI Bank, Axis Bank, Lic Housing Finance, Lupin Limited have female CEOs. Consumer goods (23), financial (18) and materials (15) comprise the majority of top 100 listed companies.

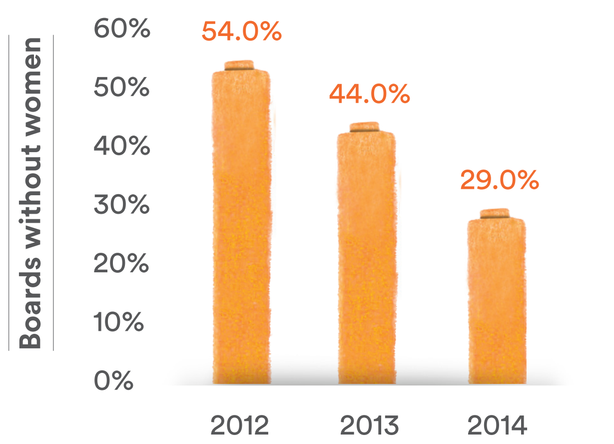
Continuous improvement in gender diversity

Source: CGIO database



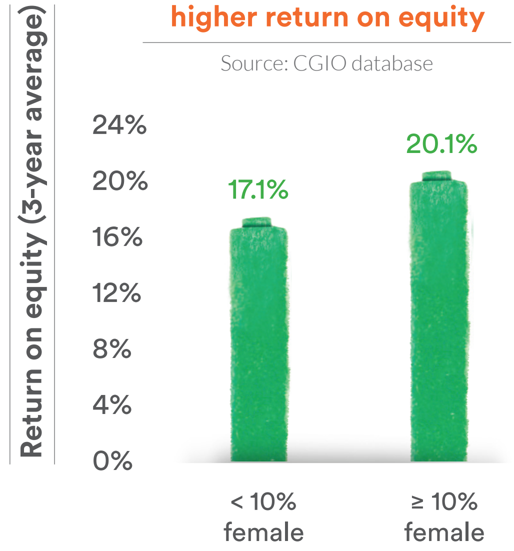
All-male boards decrease significantly

Source: CGIO database



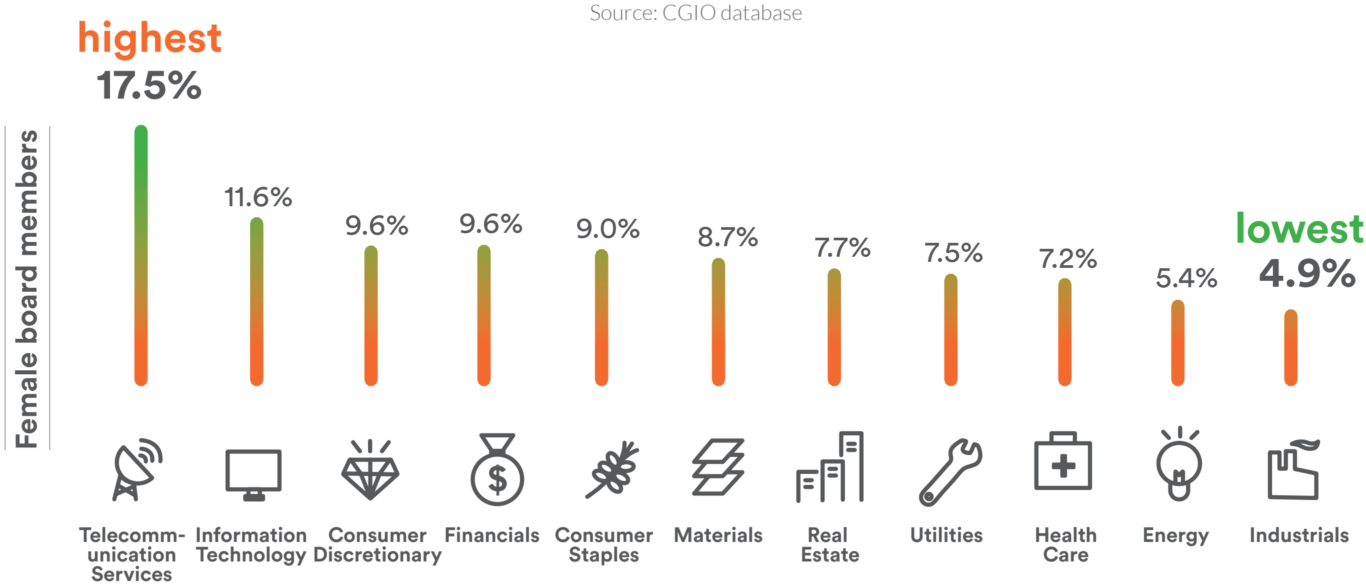
More diverse boards enjoy higher return on equity

Source: CGIO database



Few women in energy and industrials sectors

Source: CGIO database



INDONESIA

Hardly any change

The 2012 CGIO-GlobeAsia report[22] found that 11.4% of all board memberships in listed companies were held by women, a higher proportion than amongst the companies with the top-100 market capitalisations analysed in this report. This percentage has decreased slightly since to 11.1% of board seats. The number of all-male boards decreased slightly. Those companies that had more than 10% female board members enjoyed a 3.1% higher return on equity compared to companies with fewer women.

No board diversity requirements

Indonesia does not have corporate governance guidelines for gender diversity under the IDX stock exchange's code[23]. Despite this lack of institutional support, it has performed better in the study than other countries like Singapore and Malaysia for several years. However, progress is not evident over recent years, with the percentage of women in board seats in fact slightly lower than in 2012. In particular, notably fewer women serve in an independent role compared to executive roles (6.8% against 14.1%). Overall, many institutional barriers impede the improvement of the status of women at higher levels of management; Indonesia still lacks, for example, legislation against gender discrimination in hiring and remuneration[24].

Unique board structure

Indonesia has a unique two-tier system of corporate governance, whereby the Board of Commissioners oversees and advises the Board of Directors composed of company management. The latter has had consistently higher levels of gender diversity. With this large combined board (13.5 members on average), Indonesian boards have some of the highest number of women in the region (Tempo Scan Pacific Tbk has nine women on its board and PT Bank Maybank Indonesia Tbk has six), ten of which have at least four female board members. The health care and real estate sectors saw the highest proportion of female board members.

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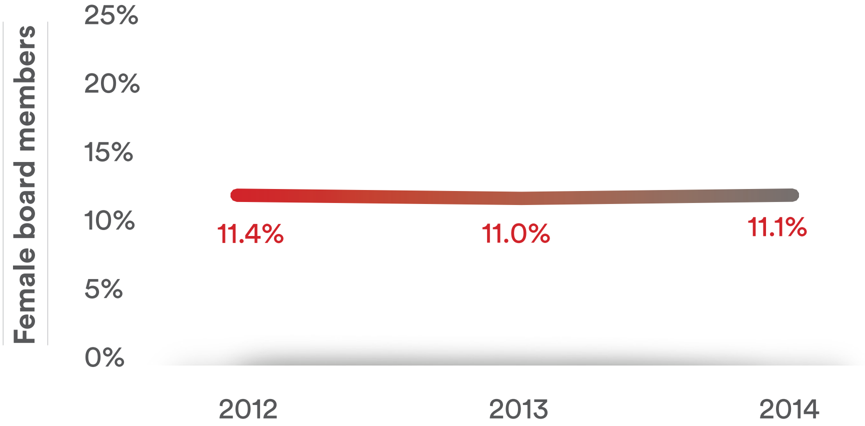
22 CGIO (2012). Indonesia Boardroom Diversity Report 2012. Retrieved from http://bschool.nus.edu/Portals/0/images/CGIO/Report/Indonesia%20Boardroom%20Diversity%20Report.pdf.

23 See http://www.ifc.org/wps/wcm/connect/64185f0042cc3ab0b145fd384c61d9f7/Indonesia_CG_Manual_Feb2014.pdf.

24 APEC (2015). Women and the Economy Dashboard. Retrieved from http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/~/media/2AA295B69D574F6B88ACCEB82032747B.ashx.

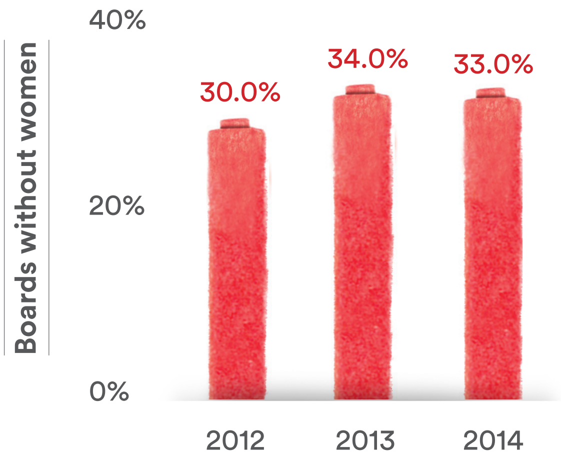
Little change in gender diversity

Source: CGIO database



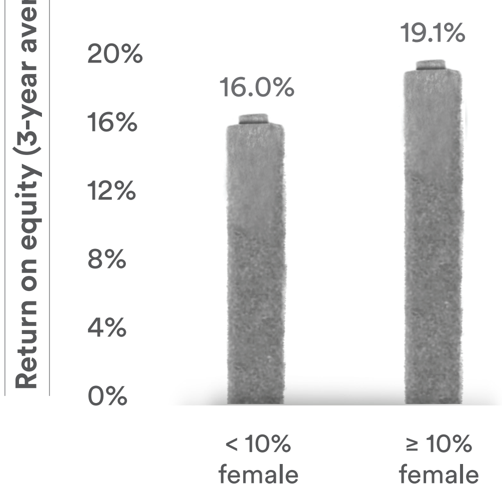
All-male boards make up a third of all boards

Source: CGIO database



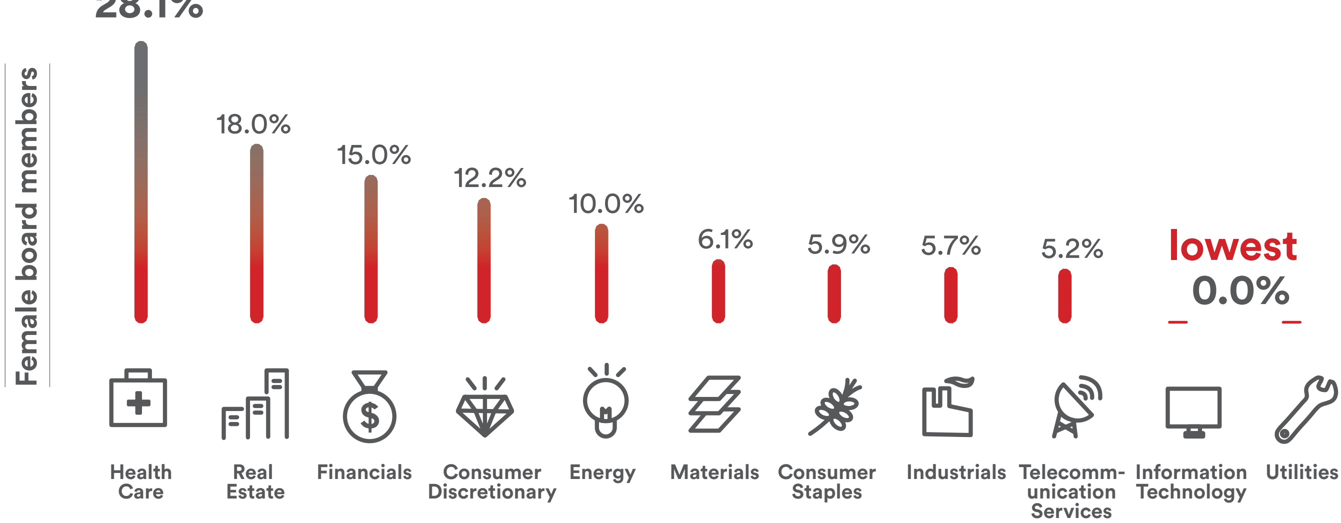
More diverse boards enjoy higher return on equity

Source: CGIO database



Health care and real estate sectors have highest female representation

Source: CGIO database



JAPAN

Lagging with little improvement

Japanese gender diversity remains low compared to other developed markets, with women occupying only 3.3% of board seats (the second lowest proportion in the region). Only five companies had more than one woman serving on the board[25] and 65 boards had no women at all. Those companies with at least 10% female directors enjoyed 13.4% return on equity compared with just 8.3% for companies with less than 10% women on the board.

Government support not matched by corporate action

Public and corporate sector policies have been a major driver of change in the past few years, particularly governmental efforts to increase gender diversity in the corporate sector. The government has set a target of having 30% women in senior corporate positions by 2020, with Prime Minister Abe encouraging companies to take voluntary steps towards appointing at least one female board member in 2013. The percentage of all-male boards has since decreased significantly from 79% in 2012 to 65% this year[26]. The Tokyo Stock Exchange has required the disclosure of female board representation since 2013. In addition, the 2015 Corporate Governance Code included a specific clause on gender diversity[27] and also required at least two outside board members to serve on each Japanese board, which may create more opportunities for women as companies move to comply with the code[28].

Women predominantly independent directors

The relatively higher percentage of women as independent directors points to a lack of senior female managers being identified for advancement and leadership roles as executive directors. This is a particularly pressing issue as executives form 77.8% of board members. Furthermore, only one woman holds a leadership position[29] on company boards, chairing the audit committee of her firm; female CEOs and chairpersons have yet to be appointed at the time of this study. The real estate, telecommunication services and energy sectors had no female directors at all.

25 Mitsubishi UFJ Financial, Bridgestone, Sompo, Resona, and Japan Airlines.

26 Hiroshi Okada (2014). Creating a society in which women shine. Retrieved from http://www.gender.go.jp/international/int_kaigi/int_apec/pdf/wef2014_05.pdf.

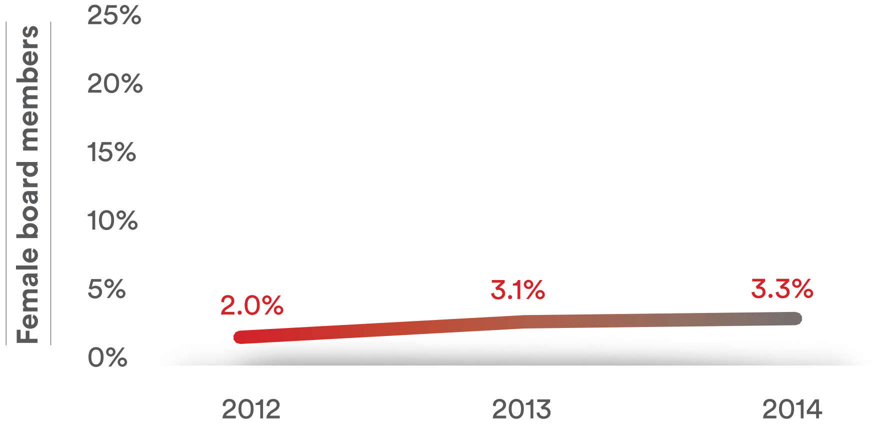
27 Principle 2.4 states: "companies should promote diversity of personnel, including the active participation of women". Corporate Governance Code (2014). Retrieved from http://www.fsa.go.jp/en/refer/councils/corporategovernance/20141226-1/01.pdf.

28 23 of 100 companies will be affected, requiring the appointment of 34 independent directors. The code encourages at least 1/3 independent boards compared to 21.5% independence at present.

29 Defined as chair, CEO, or chair of the audit, remuneration and nominating committees.

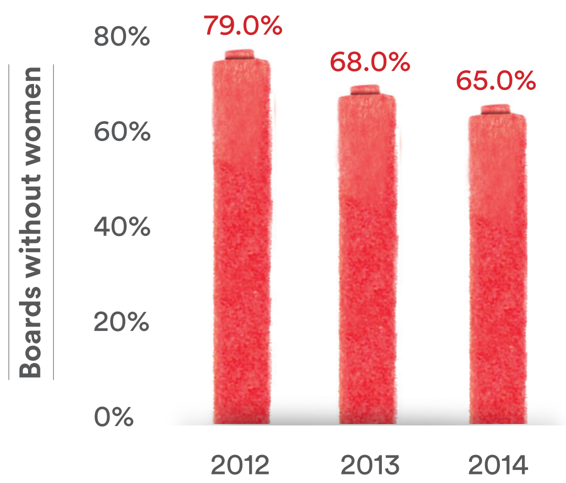
Little improvement in gender diversity

Source: CGIO database



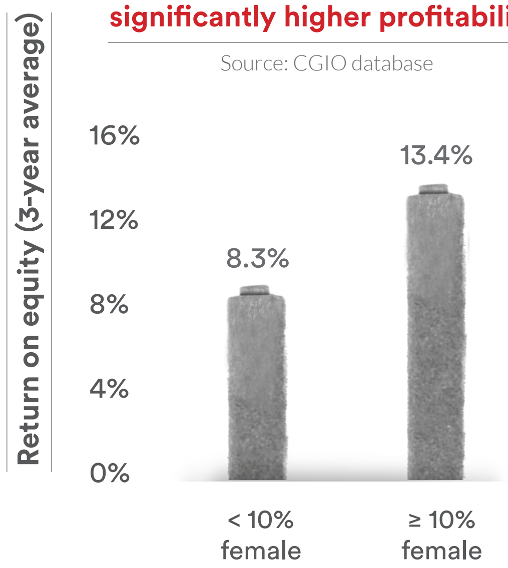
All-male boards dominate

Source: CGIO database



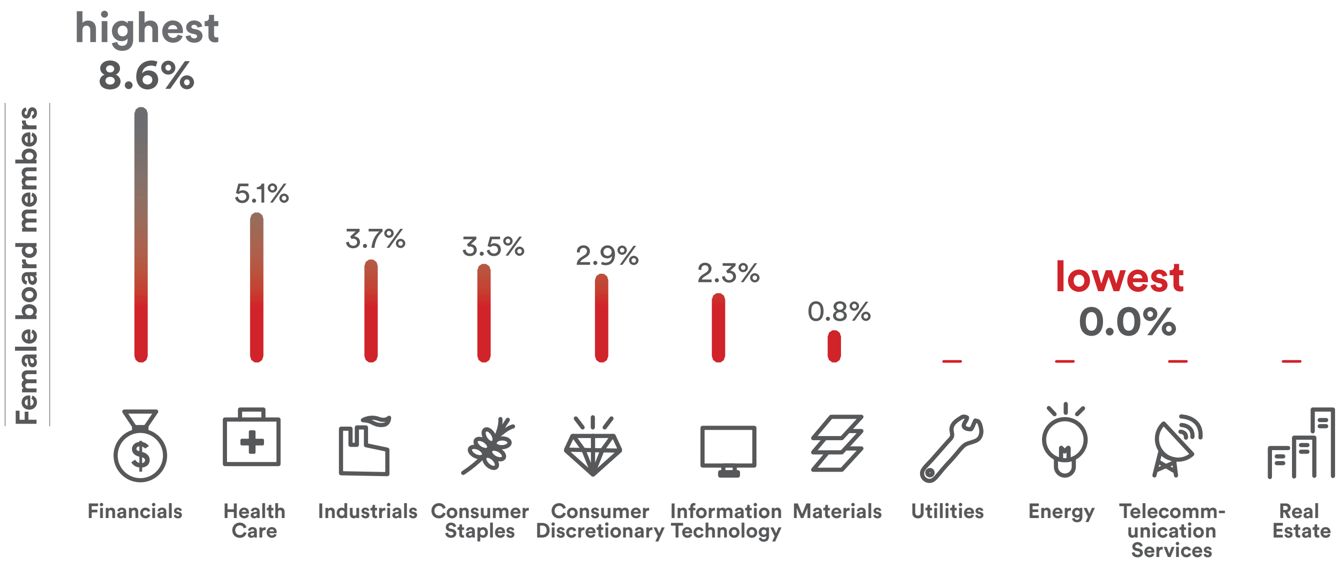
Boards with more women report significantly higher profitability

Source: CGIO database



Financials sector sees highest female representation

Source: CGIO database



MALAYSIA

Largest improvement

Malaysia saw the largest year-on-year increase in female representation (8.3% to 12.5%), reflecting the success of its governmental programmes to increase gender diversity. In the past year, the number of all-male boards has also decreased significantly from 52% to 29%, the largest decrease to date. Companies with more women enjoyed a slightly higher return on equity than those with 10% or less female board members.

Government leads the way

Malaysia has seen specific improvements in government-linked companies that form many of its top listed companies. These companies' boards are now 17% female versus 11% for other listed firms[30]. This is despite it falling short of its target of having 30% female representation by 2016, which will require further substantial increase. Malaysia is the only country in this study to have implemented such a target, and has also provided active support for companies to reach this goal, with Korn Ferry, LeadWomen and Malaysian Directors Academy (MINDA) training over 800 board-ready women. The NAM Institute for Empowerment of Women continues to be the primary organisation in advocating this cause, alongside the stipulated RM2.26 billion in the 2015 budget to improve female participation in the workforce[31].

More remains to be done

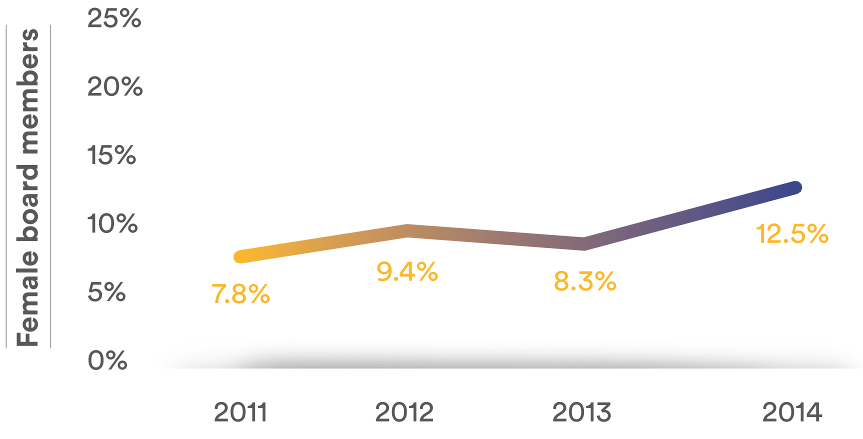
However, progress still falls behind the government's goals, with the timeline for gender diversity targets having been extended by an additional 5 years from 2011 to 2016 already. A notable limiting factor is the lack of female executive directors, with only 20 (9.6% of executive directors) in the companies studied. More positively, the percentage of female independent directors (46.7% of board members) has increased consistently from 7% in 2011 to 13.5% this year. Our study recorded the highest share of women on Malaysian boards in the utilities and energy sectors.

[30] Government-linked companies are based on the Khazanah Nasional Berhad report.

[31] APEC (2015). Individual Action Plan: Malaysia. Retrieved from http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Policy-Partnership-on-Women-and-the-Economy/PPWE-IAPs.aspx.

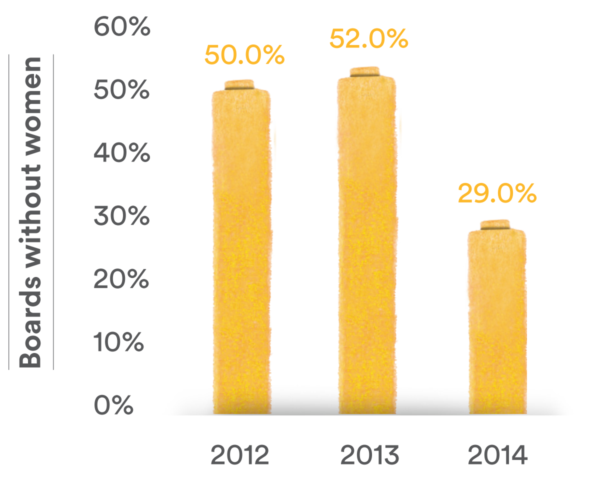
Substantial increase in gender diversity

Source: CGIO database



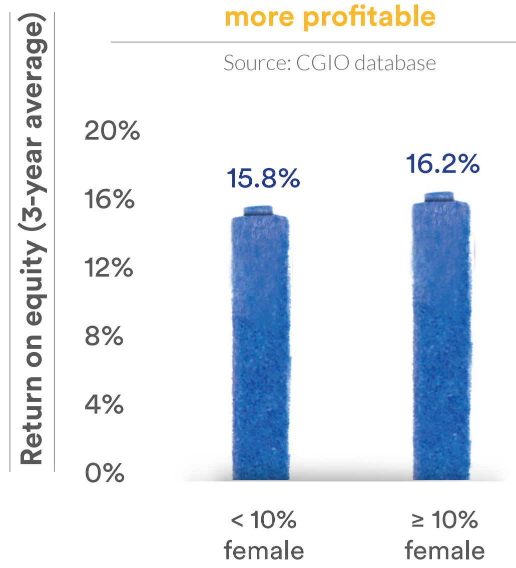
Significant drop in all-male boards

Source: CGIO database



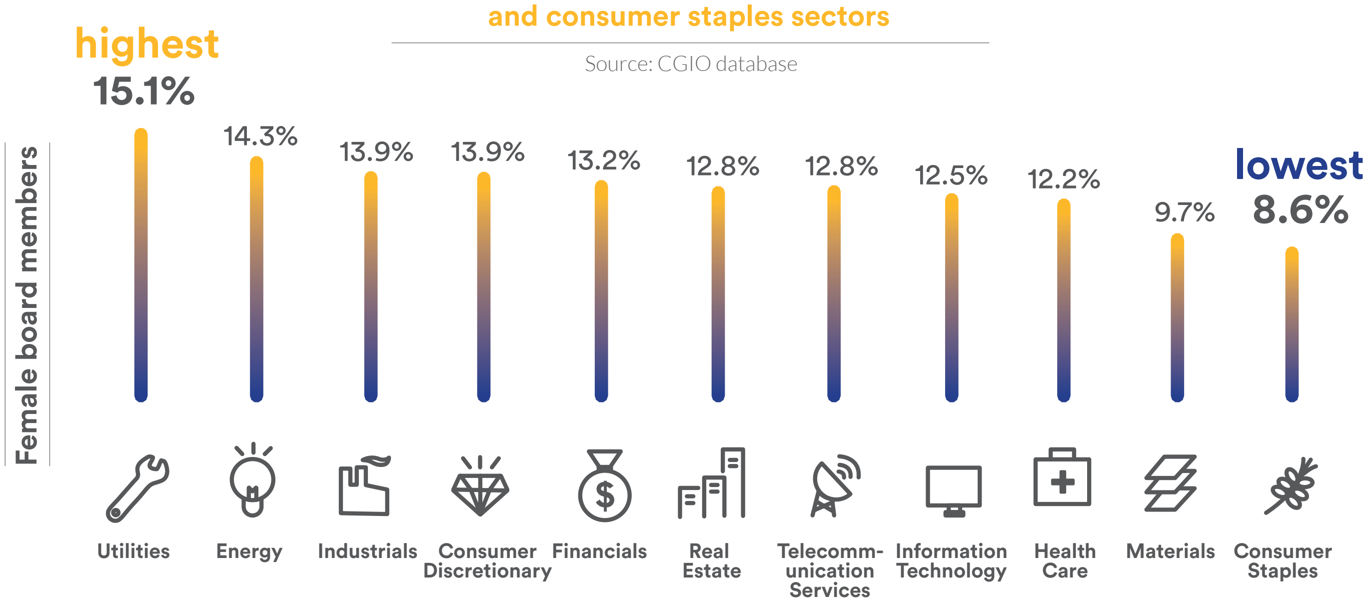
Companies with women slightly more profitable

Source: CGIO database



Lowest female representation in materials and consumer staples sectors

Source: CGIO database



NEW ZEALAND

No further improvements

New Zealand has increased its proportion of women on boards substantially since 2011 with 13.4% of board members being women compared to 7.5% in 2011. However, it saw a slight decrease this year of 0.2%. New Zealand has the smallest boards in the region with an average of 6.5 members, with 45% of them not having appointed any women directors. There is one company in the survey which has a majority of female directors[32]. Those boards with at least 10% female directors enjoyed a significantly greater return on equity of 9.9% compared to just 4.7% for those with fewer women.

No regulatory requirements

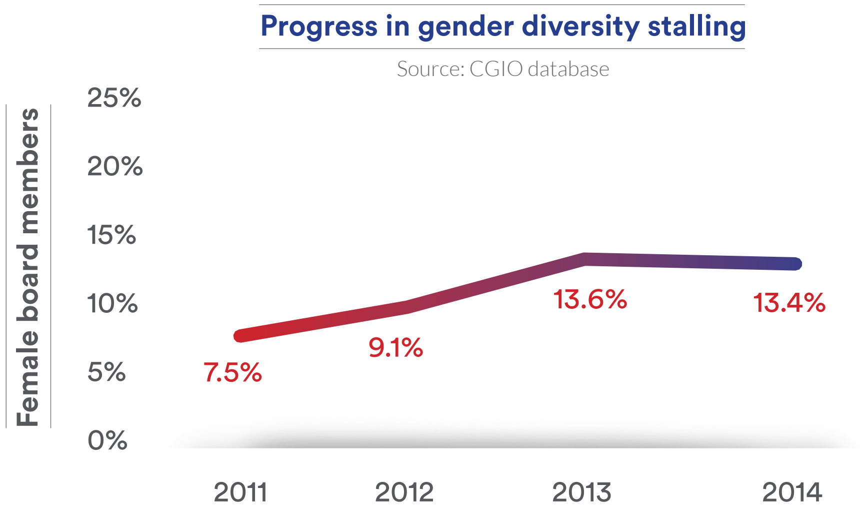
New Zealand remains second behind Australia in gender representation across the region, but unlike the latter, it lacks a strong pro-diversity corporate culture. The New Zealand Exchange code added a Diversity Listing Rule in 2012, but has not instituted any requirement that companies have diversity policies or gender diversity targets (they only need to report such policies where present).

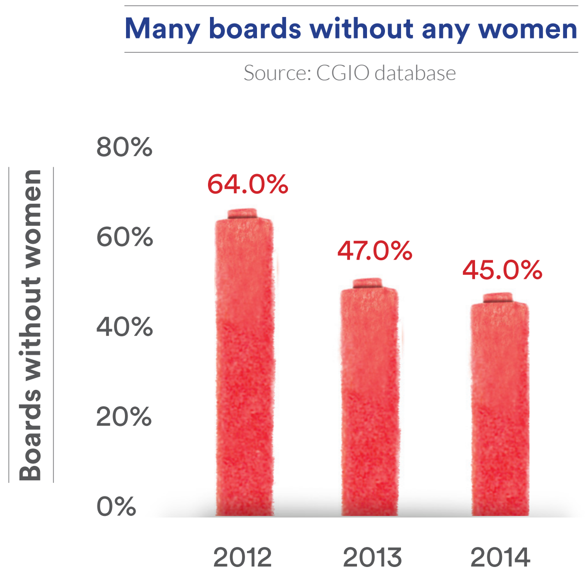
Lack of women in executive board roles

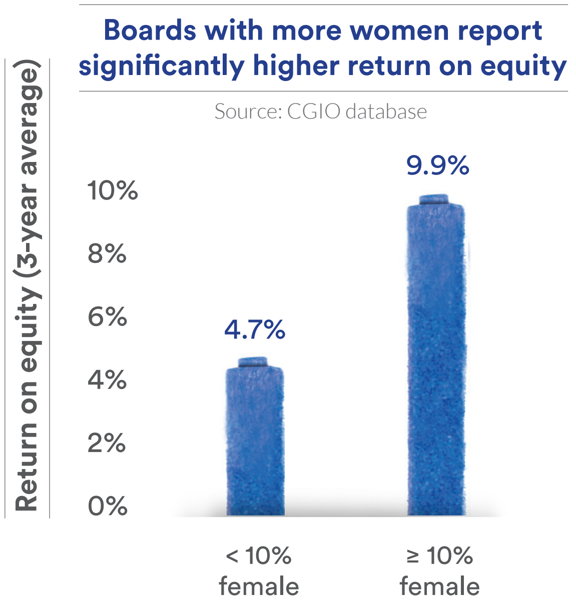
One major area for growth is in the representation of women in executive directorships – New Zealand has only one female executive director across its largest companies. Independent directors form the majority of board members (62.9%), which is where most female directors are seen. The sole area of strong performance relative to the region is in its number of chairwomen, which is the highest in the region[33]. Telecommunication services and consumer staples sectors had the largest share of female directors.

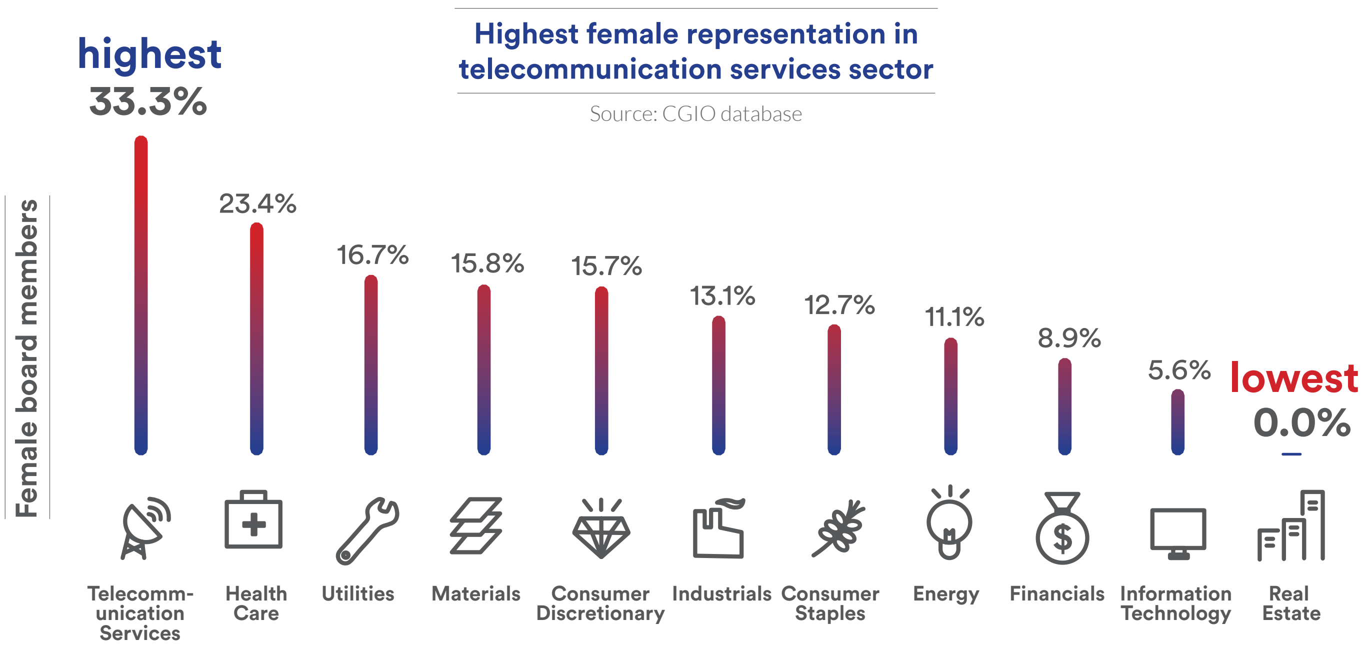
32 Summerset Group Holdings, a health care company, has the only >50% female board in the survey.

33 6 companies have female chairs: Briscoe Group, Evolve Education Group, Genesis Energy, Freightways, Chorus, and Mighty River Power.


Progress in gender diversity stalling
Source: CGIO database
Female board members
25%
20%
15%
10%
5%
0%
7.5%
9.1%
13.6%
13.4%
2011
2012
2013
2014


Many boards without any women
Source: CGIO database
Boards without women
80%
60%
40%
20%
0%
64.0%
47.0%
45.0%
2012
2013
2014


Boards with more women report significantly higher return on equity
Source: CGIO database
Return on equity (3-year average)
10%
8%
6%
4%
2%
0%
4.7%
9.9%
< 10% female
≥ 10% female


Highest female representation in telecommunication services sector
Source: CGIO database
highest
33.3%
Female board members
23.4%
16.7%
15.8%
15.7%
13.1%
12.7%
11.1%
8.9%
5.6%
lowest
0.0%
Telecomm-unication Services
Health Care
Utilities
Materials
Consumer Discretionary
Industrials
Consumer Staples
Energy
Financials
Information Technology
Real Estate

SINGAPORE

Lagging further behind regional average

Singapore fell behind India this year in gender diversity: women hold 7.7% of board seats, an increase of 0.3% from 7.4% in 2013. This figure places Singapore as the third lowest in terms of gender representation, ahead of only Japan and South Korea. All-male boards lead 46% of companies, a slight decrease from last year's 52% but still having the third highest percentage in the region. Companies with at least 10% female board members recorded slightly higher return on equity than those with less.

No targets or diversity requirements

Gender diversity has been included in the MAS code of corporate governance, but there are no mandatory requirements for gender diversity[34]. In relation to this, the Diversity Task Force[35] on gender diversity found that Singapore has a board culture that does not place emphasis on gender diversity, with only 33% of boards surveyed considering it an important attribute. Furthermore, over 80% of board search committees use criteria[36] that tend to favour managers already within the pool of directors on boards. This makes it difficult for women to break into this network of directors seen as having the right skills, experience and contacts to serve on boards.

Long tenures limit board renewal

While the percentage of women as independent directors has increased (from 6.7% in 2012 to 8.7% in 2014), the rise has been balanced by a decrease amongst executive directors (from 8.5% to 6.7%). Another major limiting factor is the tenure of Singapore directors, with an average of 9.4 years amongst male directors and 7.2 for female directors. Both figures are the highest in the region (see appendix 2). This low turnover limits the opportunities for women to obtain directorships. There are still several sectors in Singapore where women make up less than 5% of board members.

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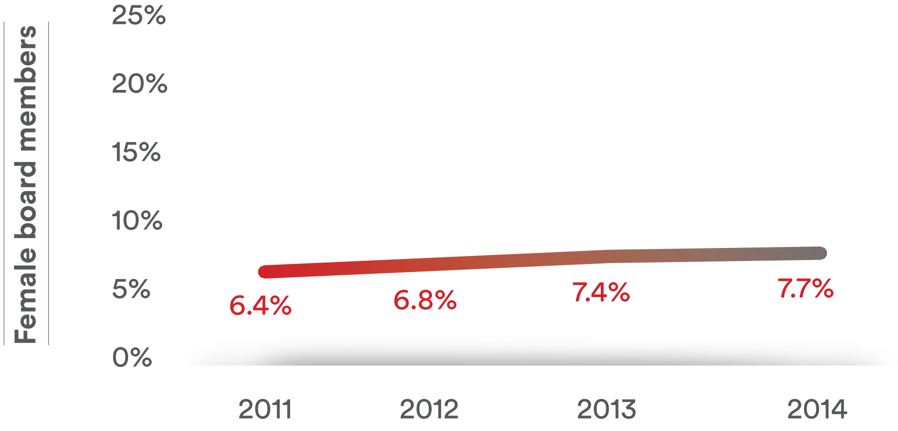
[34] Guideline 2.6 of the code specifies that boards should include directors with a "diversity of skills, experience, gender and knowledge of the company".

[35] DTF (2014). Gender Diversity on Boards. Retrieved from http://www.boardagender.org/files/Gender-Diversity-on-Boards-A-Business-Imperative_DTF.PDF.

[36] The top four criteria being personal networks, board experience, specialized skills and industry experience.

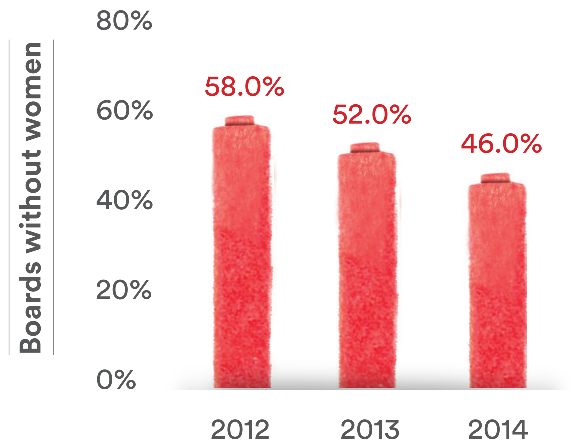
Marginal improvement in gender diversity

Source: CGIO database



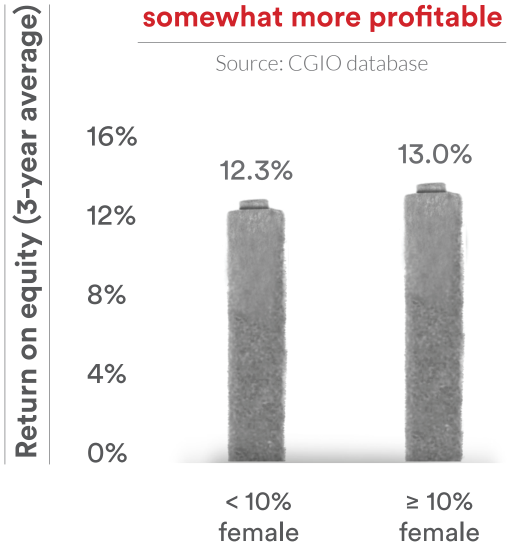
Many boards without any women

Source: CGIO database



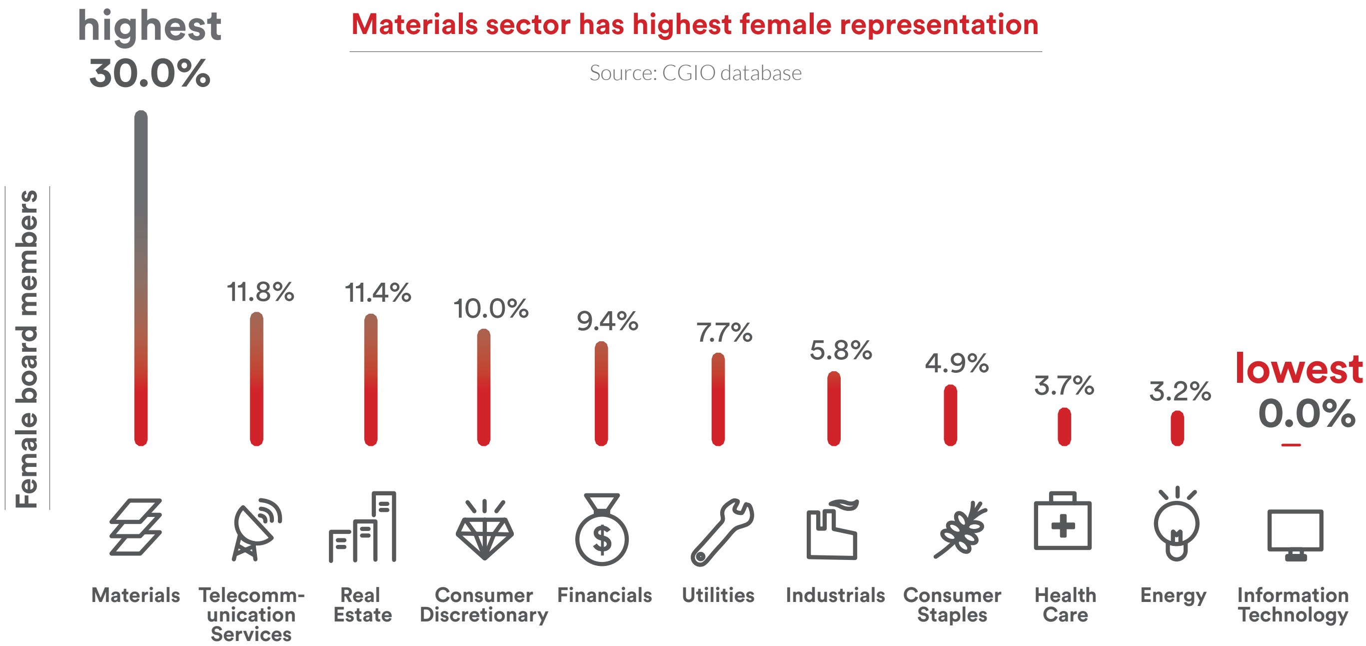
Boards with more women somewhat more profitable

Source: CGIO database



Materials sector has highest female representation

Source: CGIO database



SOUTH KOREA

Lowest performer

South Korea remains the lowest-performing economy in terms of overall gender representation, with only 2.6% of its board members being women and holding seats in 16% of the boards in 2013 and 18% in 2014 - both the lowest numbers across the economies studied. Overall, South Korea's female representation remains at a similar percentage level as in 2013. Those few boards with more than 10% female directors recorded a somewhat lower return on equity compared to those with more women.

No government push for gender diversity

This tendency may reflect a lack of gender diversity in leadership roles across the Korean economy. Its government has taken initial steps towards encouraging greater gender diversity in corporate sectors with the 2014 Framework Act on Gender Equality and Lifecycle Career Management Support Plan for Female Workers. It also continues to support the Academy for Promising Women to cultivate potential female leaders in the public and corporate spheres[37] under its Task Force on Gender Parity and Empowerment of Women[38]. This task force has set broad targets for progress by 2017, including encouraging a higher representation of women on boards. However, it has not set any determinate targets for corporate boards. Apart from a provision requiring majority independent boards (59.5% of members are outside directors), the South Korean corporate governance code has no other requirement for diversity in board composition. Given the lack of progress in gender equality across all levels of the economy, board diversity would appear to be predicated on South Korea's ability to broaden female participation in the workforce and prevent them from dropping out over the course of their career lifecycles.

No women found in various industries

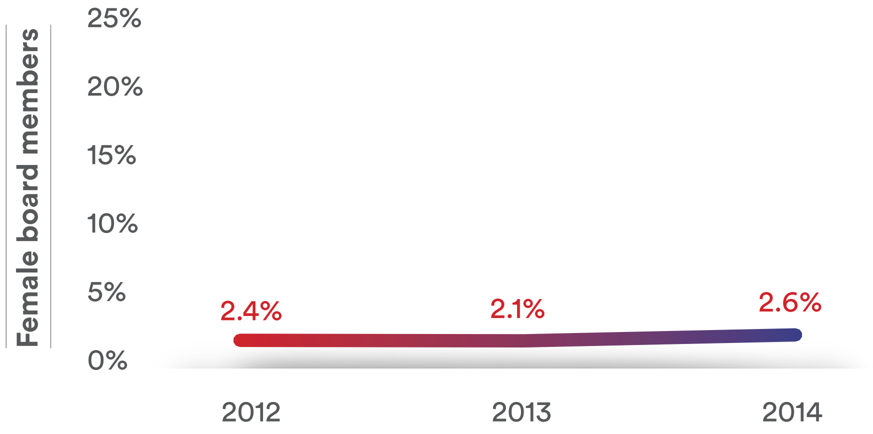
Only four sectors – financials, telecommunication services, health care and discretionary consumer goods – have more than 4% female representation. On the other hand, in the consumer staples, energy and utilities sectors all boards consist of male directors.

[37] APEC (2015). Individual Action Plan: Republic of Korea. Retrieved from http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Policy-Partnership-on-Women-and-the-Economy/PPWE-IAPs.aspx.

[38] Retrieved from genderparity.go.kr.

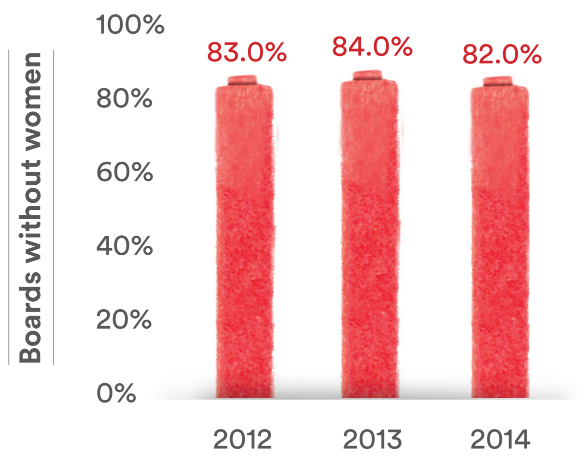
Lowest gender diversity in Asia Pacific

Source: CGIO database



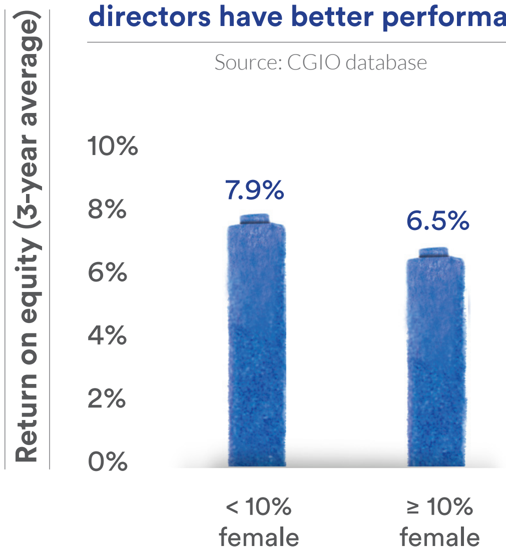
All-male boards dominate

Source: CGIO database



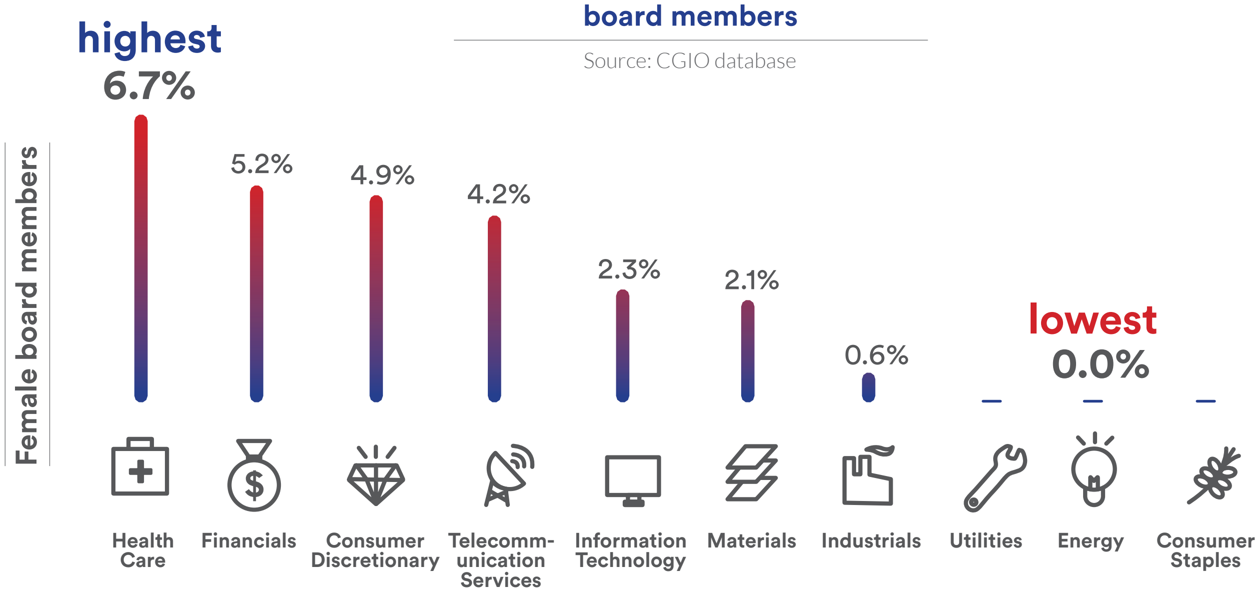
Companies with fewer female directors have better performance

Source: CGIO database



Several sectors without any female board members

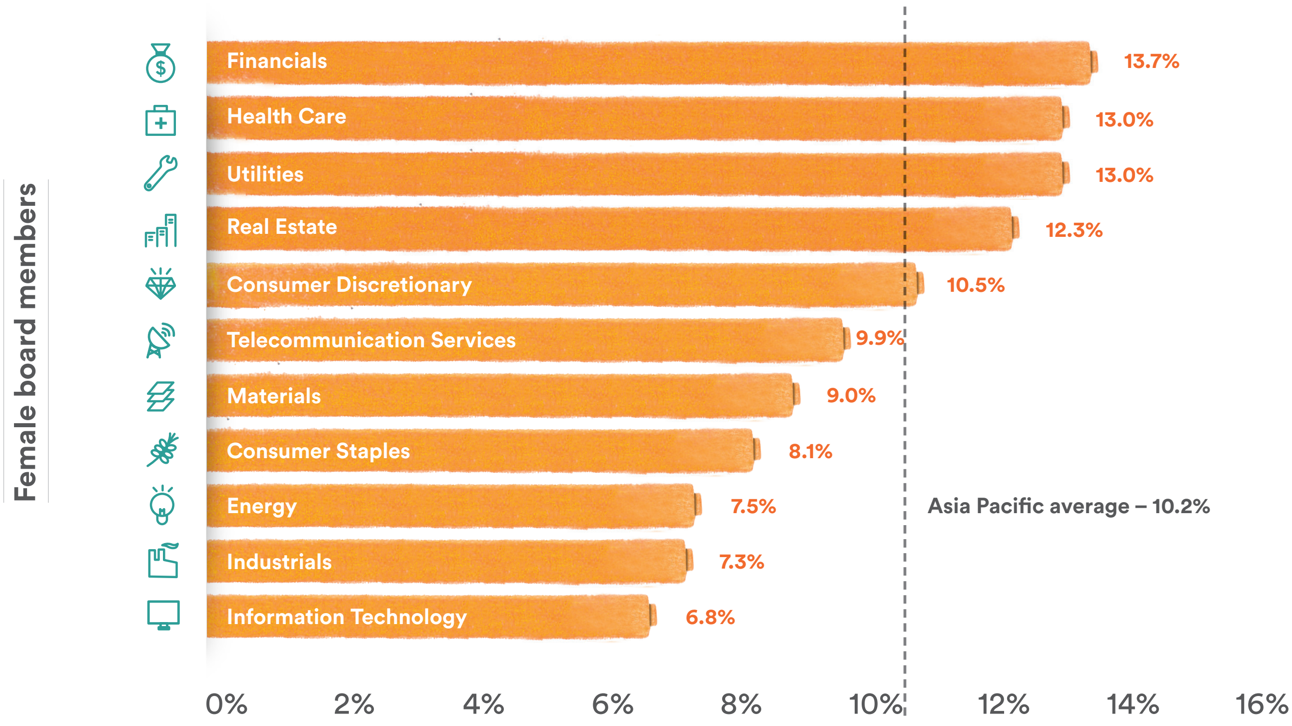
Source: CGIO database



APPENDIX 1 : INDUSTRY

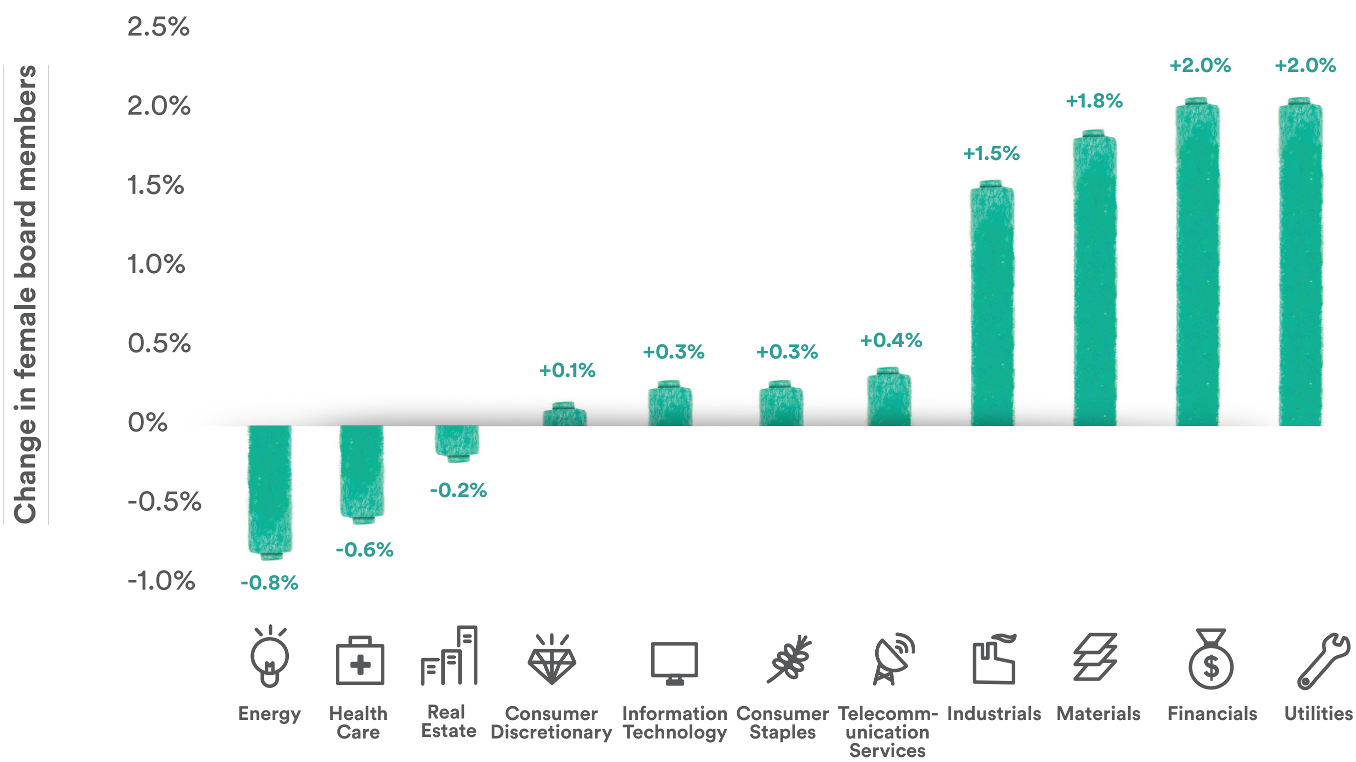
Financials, health care and utilities sectors have greatest gender diversity

Source: CGIO database



Improvements in four sectors: Industrials, materials, financials and utilities

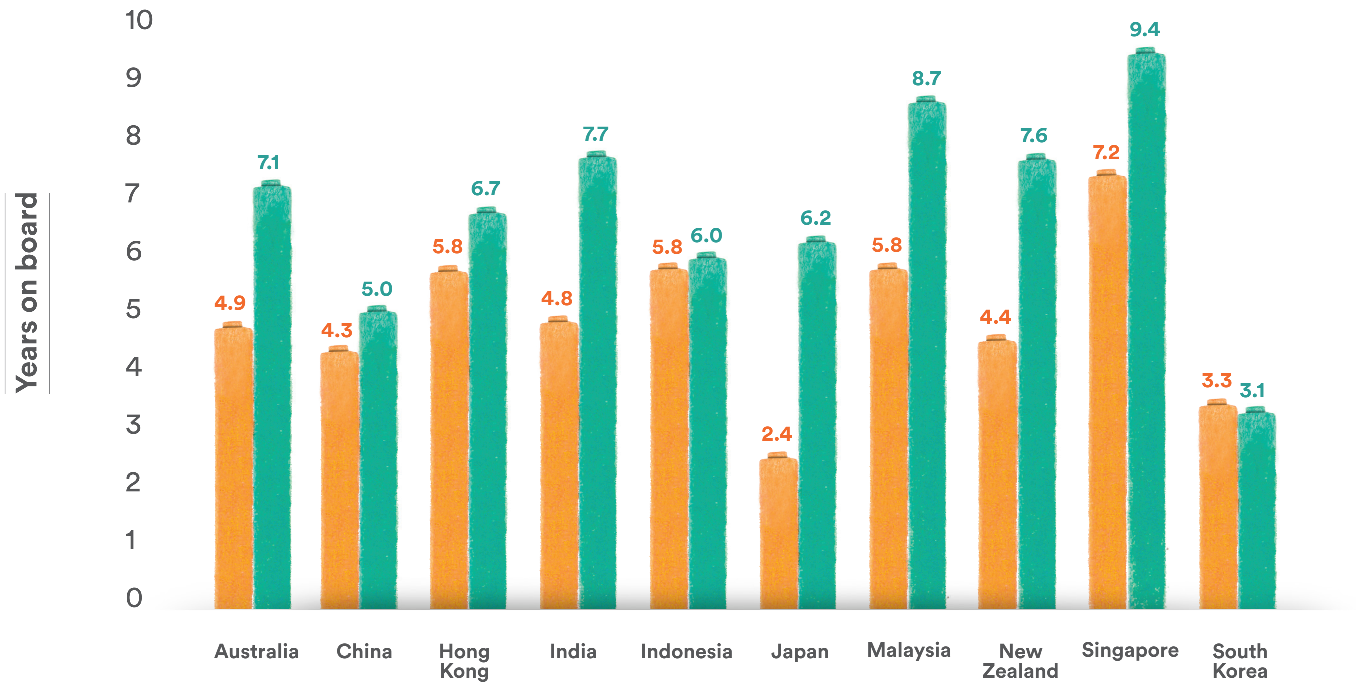
Source: CGIO database



APPENDIX 2 : TENURE

Male directors have longer tenures; Singapore sees slowest board renewal

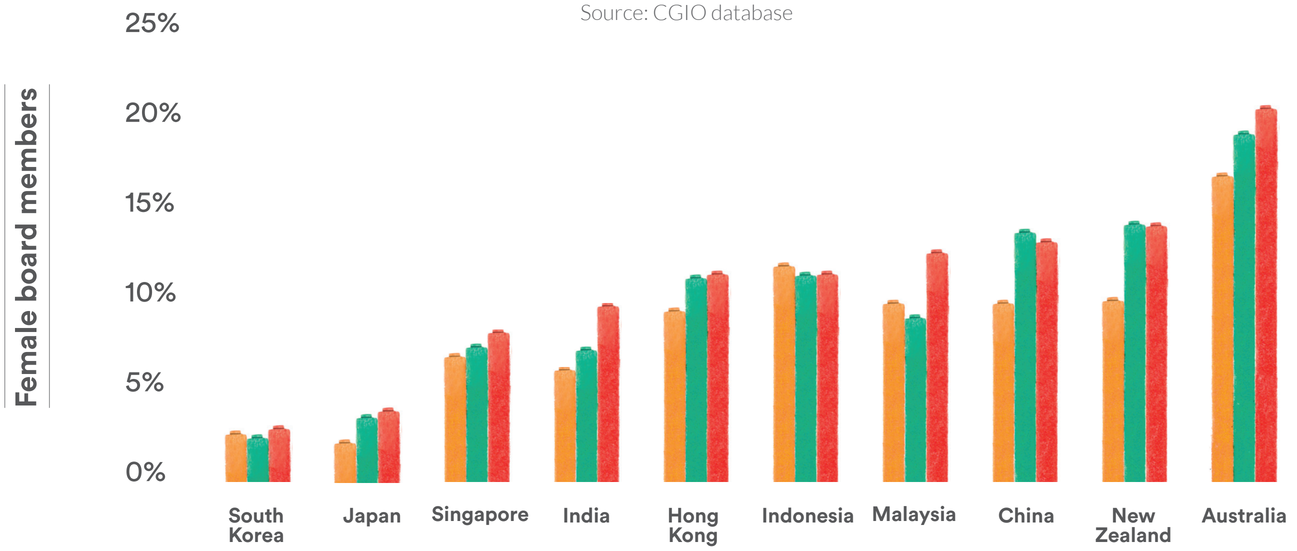
Source: CGIO database



APPENDIX 3 : ASIA PACIFIC GENDER DIVERSITY TREND

Slow improvement in most Asia Pacific economies

Source: CGIO database



	South Korea	Japan	Singapore	India	Hong Kong	Indonesia	Malaysia	China	New Zealand	Australia
2012	2.4%	2.0%	6.8%	5.8%	8.2%	11.4%	9.4%	9.0%	9.1%	16.7%
2013	2.1%	3.1%	7.4%	7.3%	10.6%	11.0%	8.3%	13.2%	13.6%	18.6%
2014	2.6%	3.3%	7.7%	8.6%	10.7%	11.1%	12.5%	12.9%	13.4%	21.9%

ABOUT THE REPORT

The 2016 report on boardroom gender diversity in Asia Pacific is the fourth in the Korn Ferry Diversity Scorecard series. The report covers the boards of the top-100 listed companies by market capitalisation in ten economies across the Asia Pacific: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore and South Korea. It is based on annual reports with financial year-end 2014.

ABOUT CGIO

The Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010. It aims to spearhead relevant and high-impact research on governance issues that are pertinent to Asia, including corporate governance, governance of family firms, state-linked companies, business groups and institutions. CGIO also organises events such as public lectures, industry roundtables, and academic conferences on topics related to governance.

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