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The Diversity Scorecard 2013: Measuring Board Composition in Asia Pacific

About Korn/Ferry's Asia Pacific Board Diversity Study 2013

The study was created in partnership with Associate Professor Mak Yuen Teen, a recognized authority in governance and board practices from the National University of Singapore's Business School. It examined composition practices and gender diversity of boards of the 100 largest listed companies in nine Asia-Pacific countries – Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, Singapore, and South Korea – and the extent to which female directors hold board leadership positions in these companies. The study also compared female and male directors on a number of key demographic attributes, such as age, qualifications, area of expertise and experience, and ethnicity, to assess if gender diversity also improves other aspects of diversity.

The markets chosen include a mix of industrialized and emerging economies. For each country, the 100 largest domestic companies by market capitalization on 31 December 2011 were included. The companies operate in a wide range of industries. Only domestic companies were included, as they were most likely to reflect local influences in gender diversity and director profiles. Data was obtained primarily from 2011 and 2012 annual reports, supplemented by other sources such as company websites. A total of 7,508 directors holding 8,521 directorships across the nine nations were included in the study.

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Introduction

As markets across Asia Pacific accustomed to heady growth downshift into varied rates of expansion, companies are confronting a tough set of challenges: increasing regional competition, consumer shifts, operating in a rapidly changing mix of mature and developing markets, regulatory uncertainty, and, in many locales, a shortage of key talent. In such a dynamic and complex business environment, a board that is diverse in expertise, experience, background, gender and culture will be more advantageous than ever.

I am pleased to share the findings of *The Diversity Scorecard 2012: Measuring Board Composition in Asia Pacific,* Korn/Ferry International's second comprehensive study of corporate boards at the 100 largest listed companies in key markets across Asia Pacific. This report builds on our findings from 2011 and adds new insight to the progress of Board Composition Diversity in Asia Pacific. As in 2011, it was created in partnership with Associate Professor Yuen Teen Mak, an expert in governance and board practices from the National University of Singapore's Business School.

Diversity will be an important factor in determining future winners in Asia Pacific, one of the world's most exciting and dynamic markets. The real question is whether boards and senior leadership are fully prepared to guide companies in this environment and to take Asia Pacific enterprises to the next level.

Our findings highlight that in a few countries, most notably Australia, companies are beginning to fundamentally reshape their boards to embody a diverse set of professional experience, personal background, expertise and gender. Conversely, companies in countries such as Japan and Korea have made little progress in this area, underscoring issues that could limit their prospects when squeezed between more progressive companies in the U.S. and massive players from China.

The Diversity Scorecard also highlights the ongoing need for good corporate governance, active outreach and development of future directors, policies that accelerate diversity on boards, and conscious leadership to transform the boardroom. We also discuss the urgent need for new boardroom talent and the great untapped value of women in leadership roles.

The opportunity in Asia Pacific keeps growing, and today's executives and directors are privileged to be leaders during one of the greatest market transformations in history. We are past questioning whether diversity is good for business. The real question is when—and most importantly for Asia Pacific where the rationale and promise is greatest.

I hope you enjoy our report and encourage you to carry on the discussion with your colleagues and us. In the meantime, I wish you my very best in your endeavours and great success.

Alicia Yi
Managing Director, Asia Pacific Consumer Market
Board & CEO Services
Korn/Ferry International

Executive summary

The debate on the necessity of diversity on company boards is ongoing, with more calls in recent years for a higher representation of women in board positions. While opinions on the impact of female directors on company performance remain divided, a recent study which analyzed the performance of 2,360 companies globally over the last six years, found that companies with one or more female board members have delivered higher average returns on equity, lower gearing, better average growth, and higher price/book value multiples.[1]

In this study, we added two new countries since our 2011 report[2] —Japan and South Korea— and established that these two countries fared considerably poorer than the other countries included in the previous survey. Our latest findings show that while there has been some progress in improving gender diversity on boards in most Asia Pacific countries, only Australia has shown advancement across a number of indicators such as a higher percentage of female directors, fewer all-male boards, more boards with multiple female directors, and more female directors holding leadership positions. In other countries, progress has been markedly slower.

The comparison of gender diversity across the nine countries reveals:

- **The number of women on boards remains low.** Female directors account for less than 10 percent of boards in all the countries examined, except in Australia, in which 16.7 percent of directors are female.
- **More than 50 percent of boards in five countries have no female directors** – India, Japan, New Zealand, Singapore and South Korea.
- **Only six of the 900 boards examined have more than three female directors.**
- Eleven out of the 900 companies have three female independent directors, and eight of those are Australian companies. **No company in the study had more than three female independent directors.**
- **Australia has the highest percentage of female directors** holding key leadership positions. South Korea has the lowest.
- **Less than 10 percent of board chairs and CEOs in each country are female.** None of the Japanese boards have a female chairperson or CEO.

Analyses of the demographic characteristics of female and male directors show a number of key differences including:

- **Female directors are younger** than male directors across all countries, by about three years on average.
- **Female directors have shorter average tenures** than male directors.
- **Female directors are more likely to have an accounting or law educational background** while male directors are more likely to have an engineering specialization.

[1] "Gender Diversity and Corporate Performance," Credit Suisse Research Institute, August 2012.
[2] The Diversity Scorecard: Measuring Board Composition in Asia Pacific," The Korn/Ferry Institute, March 2011.

- **Female directors are more likely to have public sector or not-for-profit sector experience** than male directors. India has the highest percentage of female directors with experience in the public sector while Australia has the highest percentage of female directors with non-profit sector experience.

In terms of other aspects of diversity:

- **China has the youngest directors on average, while Japan has the oldest.** Japan also has the highest percentage of boards (89 percent) comprising of directors from a single generation.
- **The majority of boards consist of a single ethnic group,** except in Hong Kong, Malaysia, and Singapore. Malaysia and Singapore have the highest percentage of boards with three or more ethnic groups.

Comparing the board structure and board diversity of companies in seven Asia Pacific countries —absent Japan and South Korea—to our previous study in 2011, we found the following incremental progress in gender inclusion on boards:

- All the countries, except Hong Kong, now have a higher percentage of female directors. Australian companies have shown the greatest improvement, with female directors accounting for 16.7 percent, up from 11.2 percent in 2011.
- All-male boards have decreased in all countries, except in New Zealand, where there has been no change.
- The number of companies with at least one female independent director has increased across all seven countries, with Australia now having eight companies with three female independent directors, compared to one company in 2011.
- All countries now have a higher percentage of female directors holding key leadership positions, except for China, which has seen a small decline.
- Only two countries, Hong Kong and New Zealand, have small increases in the percentage of female chairs. Other countries saw no change or a slight decline.

The lack of women on Asia's boards should sound an alarm bell for corporate leaders. Asian companies lag far behind their Australian, European and North American counterparts in the number of women on boards and the scope of their roles.

Regulators and stakeholders must continue to encourage companies to improve their nomination process for directors and to move away from the common practice of recruiting directors through personal contacts or networks. Having the best talent available and improving diversity across all aspects is the foundation to building a truly high-performing board.

Since the publication of our last report, more governments and regulators in Asia have taken action on board diversity. In June 2011, Malaysia announced that its cabinet approved a policy that women must comprise at least 30 percent of decision-making positions in the corporate sector, giving companies five years to comply.[3]

The Monetary Authority of Singapore in May 2012 approved a revised Code of Corporate Governance for companies listed on the Singapore Exchange. The code operates on a "comply or explain" basis[4] and for the first time, makes a reference to gender diversity, recommending that "the Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company".

In September 2012, the Stock Exchange of Hong Kong issued a public consultation paper specifically on board diversity[5] and proposed a code provision recommending that the nomination committee or the board should have a policy concerning board diversity.

On 18 December 2012, the Lok Sabha, the lower house of the Indian Parliament, passed the Companies Bill 2011 which states that prescribed classes of companies should have at least one female director.[6]

Globally, governments and exchanges are continuing to enhance corporate governance rules and guidelines to promote better diversity on boards. A number of countries, especially in Europe, have addressed the issue of gender imbalance on boards by changing corporate governance codes or implementing quotas. However, more can be done – such as requiring boards to set diversity targets and to disclose these targets and plans for achieving them.

Without greater intervention by regulators, women will continue to be significantly under-represented on boards in the foreseeable future, and other aspects of diversity are unlikely to improve.

While we believe that there are already many women who are qualified to be directors—and who would make better board candidates than some incumbent male directors—there is a case for initiatives to deepen the talent pool of female directors by identifying "board-ready" women leaders and to groom more female talent for board positions.

The composition of a board should reflect that company's target market – and its customer base. Companies that rely solely on men to make strategic decisions on products, innovation, and growth are short-changing themselves on the fiscal and cultural benefits that women in leadership bring.

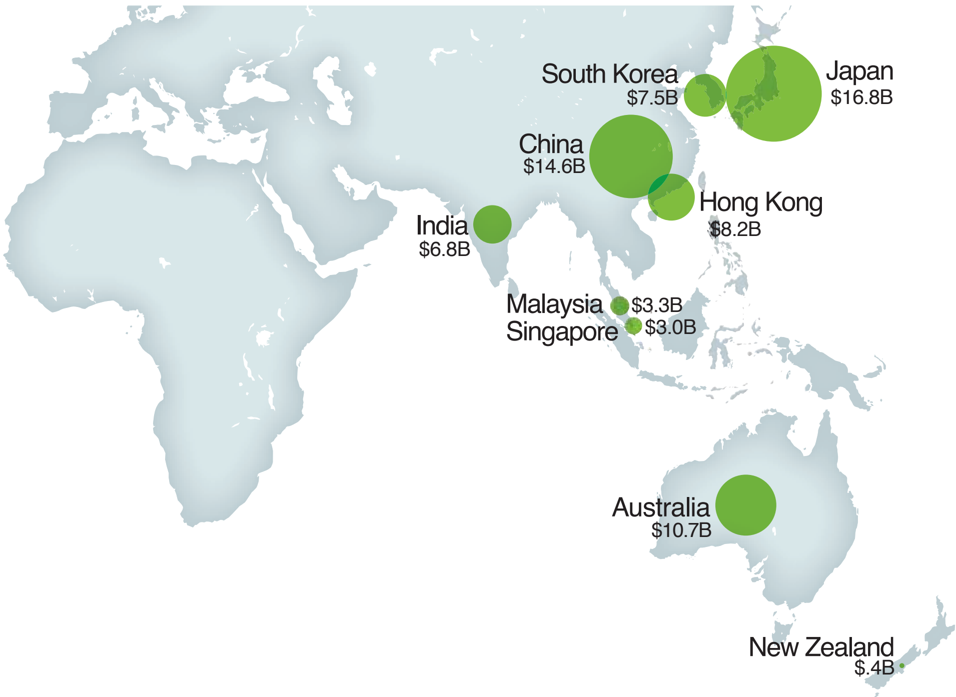
[3] "PM: 30% of corporate decision-makers must be women," The Star Online, 27 June 2011.
[4] Code of Corporate Governance, Monetary Authority of Singapore, 2 May 2012.
[5] Consultation Paper: Board Diversity, Hong Kong Exchanges and Clearing Limited, September 2012.
[6] The Companies Bill 2011, Ministry of Corporate Affairs, Government of India (http://www.mca.gov.in/Ministry/pdf/The_Companies_Bill_2011.pdf).

2012 boards: Current board composition and diversity in Asia Pacific

Korn/Ferry International examined composition practices and gender diversity of boards of the 100 largest listed companies in nine Asia-Pacific markets—Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, Singapore, and South Korea—and the extent to which female directors hold board leadership positions in these companies. For this latest study, we added two new countries—Japan and South Korea. We also compared female and male directors on a number of key demographic attributes, such as age, qualifications, area of expertise and experience, and ethnicity, to assess if gender diversity also improves other aspects of diversity.

The countries chosen include a mix of industrialised and emerging markets in the region. For each market, the 100 largest domestic companies by market capitalisation on 31 December 2011 were included. Only domestic companies were included, as they are more likely to reflect local influences in gender diversity and director profiles. Data were obtained primarily from 2011 and 2012 annual reports, supplemented by other sources such as company websites. A total of 7,508 directors holding a total of 8,521 directorships across the nine markets are included in the study.

Figure 1
Average market capitalisation (USD) in the nine markets

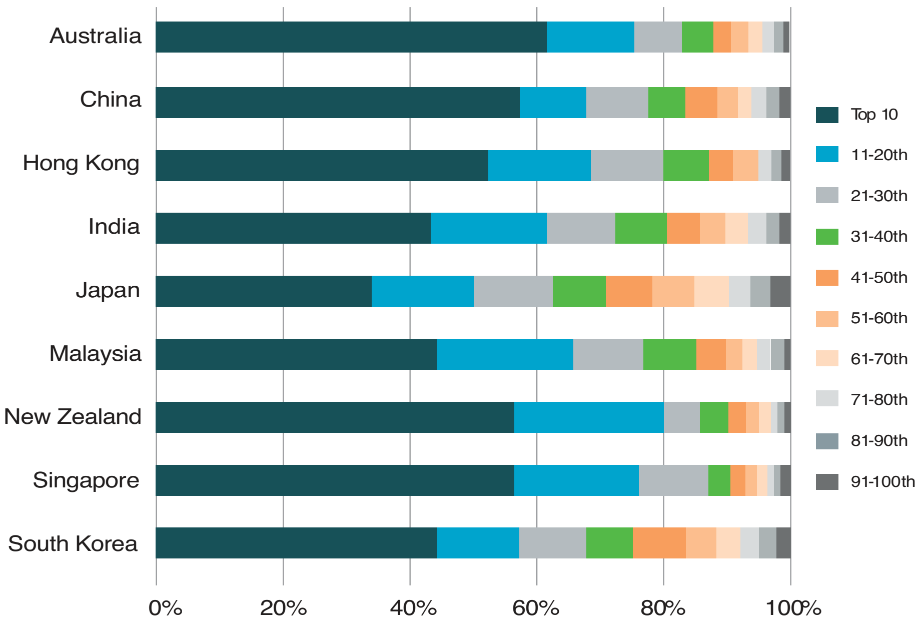


Profile of companies

As shown in Figure 1, Japan has the largest companies on average, while New Zealand has the smallest. Figure 2 shows that the largest 10 percent of companies account for more than 60 percent of the total market capitalisation of the 100 largest companies in Australia. In China, New Zealand, and Singapore the largest 10 percent of companies also account for nearly 60 percent of the total market capitalisation in their respective markets. In contrast, Japan has the lowest market concentration, with the top 10 percent accounting for 34 percent of total market capitalisation of the largest 100 companies.

The companies in each market operate in a range of industries. Metals & mining companies make up the largest number of companies in Australia and China. Real estate companies make up the largest number of companies in Hong Kong and Singapore, with around 20 percent in each market. Commercial banks account for the largest number of companies in Japan, while chemical companies account for the largest number of companies in South Korea. Metals & mining companies and commercial banks comprise 20 percent of the Indian companies. In Malaysia, food products companies account for the largest number of companies while, in New Zealand, retail and food product companies make up the largest segment, with 16 percent of companies.

Figure 2
Distribution of market capitalisation



Number and type of director

Table 1 shows the number of directors, board seats, and type of directorships for companies in each market. Some directors hold more than one board seat within the top 100 companies in the market. Some of the analyses in this report use directors and some use directorships (i.e., a director holding directorships in more than one company is included more than once). Since the data is based on information that is available in annual reports and websites, the number of directors used in each of the analyses may differ depending on the disclosure of information.

Table 1

Number of directors, board seats, and type of directorships

	Australia	China	Hong Kong	India	Japan	Malaysia	New Zealand	Singapore	South Korea
Total number of directors	699	1109	929	947	1146	730	505	696	745
Total number of board seats	838	1156	1123	1074	1200	874	583	847	807
Executive directors	133	253	474	307	970	219	92	199	337
Non-executive directors (non-independent)	91	482	241	216	17	254	147	188	N/A
Non-executive directors (independent)	614	421	408	551	213	401	344	460	470

Notes:
1. India has ten government nominee directors and nine other nominee directors in total who are not classified into any of the three categories of directorships.
2. Japan and South Korea use the term "outside directors" to refer to non-executive directors. For South Korea, we have classified all outside directors as independent directors since Article 382 (3) of Korea's Commercial Act sets out detailed criteria for outside directors that are broadly similar to criteria for independent directors in other markets. In the case of Japan, the Companies Act defines outside directors as non-executive directors, while the Tokyo Stock Exchange listing rules require companies to publicly disclose which of their outside directors are considered to be independent. We have followed this classification in our study.

Structure of boards

Board leadership

Board leadership is usually defined in terms of whether there is a separation between the roles of the board chairman who is responsible for running the board and the CEO who has executive responsibility for the day-to-day running of the company. Of the eighty-one Japanese board chairmen whose identities were disclosed by their companies, all have executive roles. South Korea and Hong Kong also have a large number of board chairmen serving in an executive capacity (see Table 2), with eighty-six and eighty-three companies, respectively, with either an executive chairman or a chairman who is also the CEO (for brevity, we will hereafter refer to them as executive chairmen).

In contrast, only eight Australian and five New Zealand boards have executive chairmen. China and Japan do not have any independent board chairmen, but 71 percent of the companies in China have a non-independent, non-executive chairman.

The relatively high percentage of companies in Asia with executive chairmen reflects the dominance of families and founders who own significant stakes and are also managing the companies. In contrast, most of the companies in China are state-owned enterprises where the separation of the roles may be easier to implement.

Table 2

Types of chairmen

	Australia	China	Hong Kong	India	Japan	Malaysia	New Zealand	Singapore	South Korea
Executive chairmen	8	29	83	54	81	21	5	37	86
Non-executive non-independent chairmen	12	71	4	36	0	44	28	37	N/A
Independent chairmen	80	0	14	10	0	35	67	26	13

Notes:
1. One Hong Kong company, one Indian company, and one Japanese company have two board chairmen each.
2. One Indian company, one South Korean company, and twenty Japanese companies did not disclose or have not designated a director as board chairman.

Board size

Figures 3 and 4 show the average board size and range of board sizes across the nine markets. Japan which has the largest market cap across the nine countries, has the largest boards on average, followed by China, Hong Kong, and India. New Zealand has the smallest average board size.

Figure 3

Average board size across nine markets

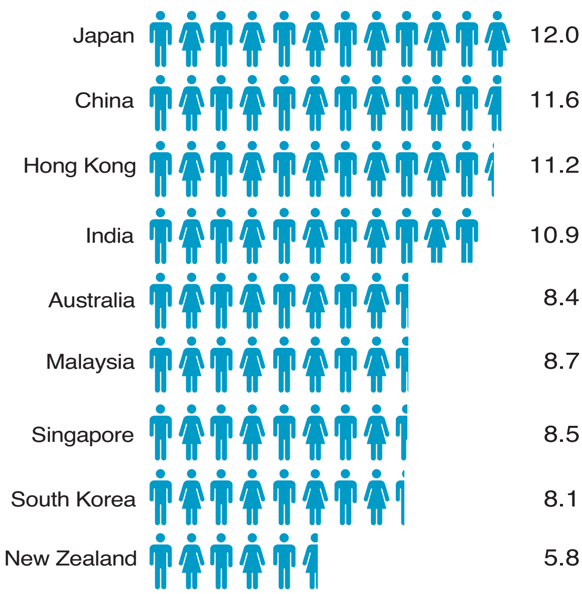
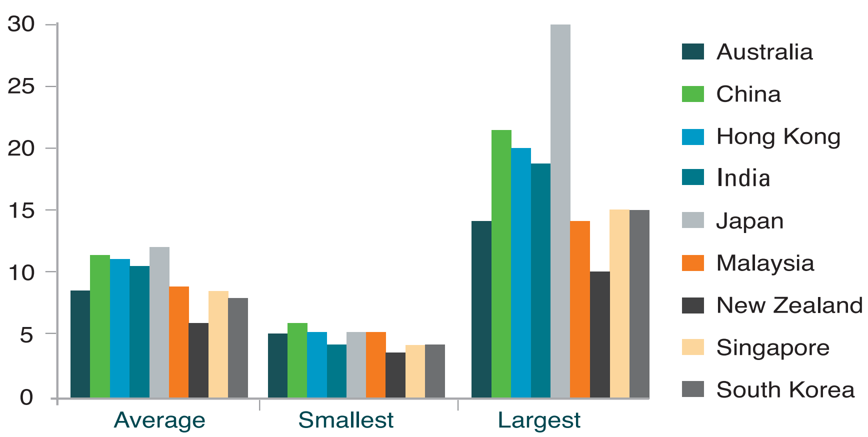


Figure 4

Range of board sizes



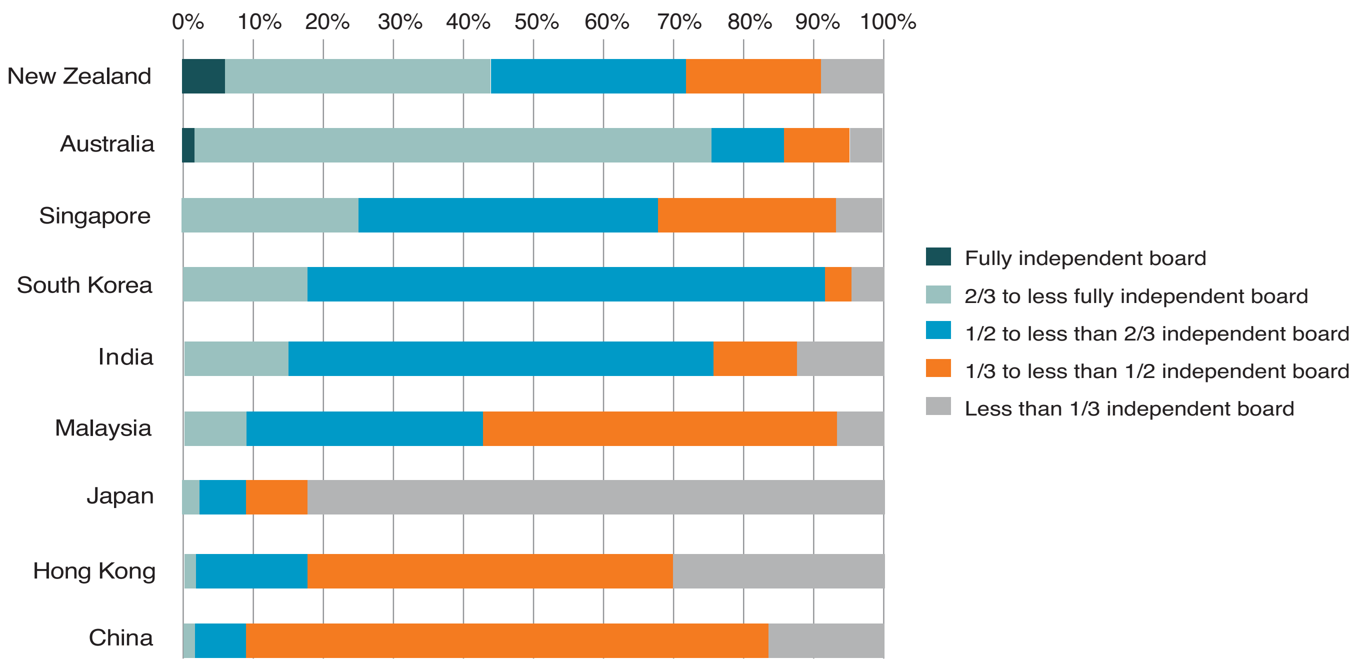
Proportion of independent directors

Figure 5 shows the proportion of independent directors in the boards across the nine markets. More than 90 percent of South Korean company boards have at least half independent directors, while Australia has 87 such companies. On 73 percent of Australian boards, independent directors comprise two-thirds or more of the board, while 82 percent of the Japanese boards have independent directors comprising less than one-third of the board. Five New Zealand companies and one Australian company have wholly independent boards.

The trend towards having more independent directors on the board has evolved into more boards with a majority or even super-majority (i.e., more than two-thirds) of independent directors in some countries, especially Australia and New Zealand. The ultimate separation has occurred in some companies in Asia Pacific where the entire board has become independent or at least non-executive, without a single executive director. This trend suggests a clearer separation between the board's and management's roles, in effect creating a structure comparable to a dual board—with a supervisory board and an executive board—which is the required model in some countries. While this leads to a clear separation between the board and management, there are different views as to whether this is desirable from a corporate governance standpoint. This is because in such situations, management does not participate at all in board decisions and hence does not have the clear accountability and liabilities that directors carry.

It should also be noted that different markets have different standards for determining independence of directors. Further, in most of these countries, companies usually have controlling shareholders, who may be management or related to management and who largely control the appointment of board members. Therefore, even though directors

Figure 5
Proportion of independent directors



may technically satisfy independence definitions and criteria, they may nevertheless have relationships with controlling shareholders or management that may affect their ability to act independently.

Gender diversity in each country

Australia has the highest overall percentage of female directors, with 16.7 percent of all directors being female (Table 3). Female directors account for less than 10 percent of all directors in the remaining countries.

Gender diversity varies among executive directors, non-independent non-executive directors, and independent non-executive directors. Malaysia has the highest percentage of female executive directors and non-independent, non-executive directors while Australia has the highest percentage of female independent non-executive directors.

Table 3

Women's representation on boards by country and by role

	Australia	China	Hong Kong	India	Japan	Malaysia	New Zealand	Singapore	South Korea
All directors	16.7%	9.0%	8.2%	5.8%	2.0%	9.4%	9.1%	6.8%	2.4%
Executive directors	3.0%	8.3%	8.4%	3.6%	0.3%	8.7%	3.3%	8.5%	1.8%
Non-executive directors	7.1%	8.2%	7.5%	8.8%	0%	12.2%	8.2%	5.3%	N/A
Independent directors	21.2%	11.2%	8.3%	5.6%	9.9%	8.0%	11.0%	6.7%	2.8%

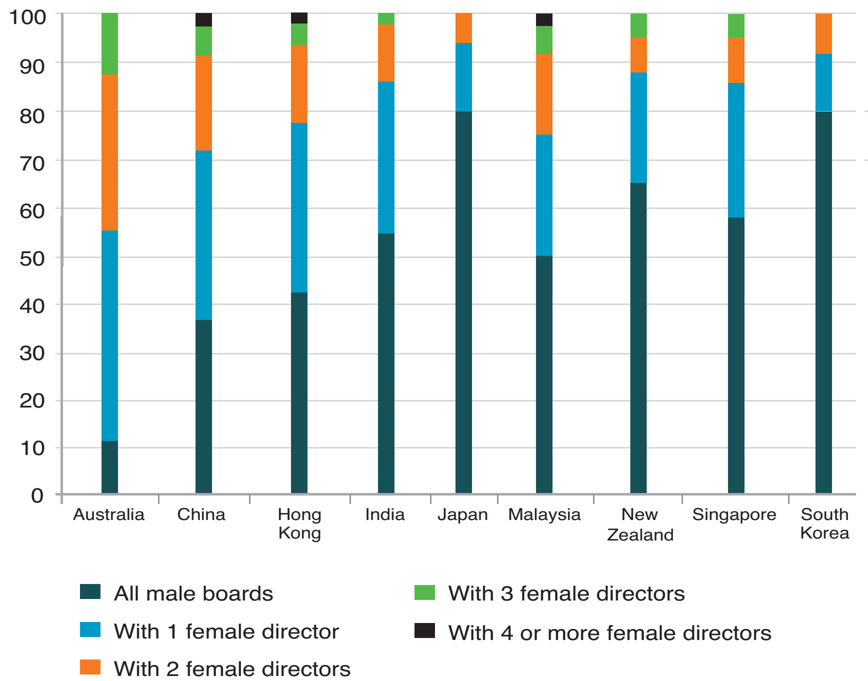
In our 2011 study, we found that India has the most scope for improvement in gender diversity. The two new countries in this report—Japan and South Korea—are now the two countries with the most room for improvement, with only 2 percent and 2.4 percent, respectively, female directors. The percentage of female executive directors in these two countries is even lower. In Japan, only 0.3 percent of executive directors are female. Of the 970 Japanese executive director appointments in our sample—by far the highest in all the countries—only three are held by women. Females account for around 10 percent of all independent directors on Japanese boards. However, when interpreting this percentage, it should be borne in mind that there are only 213 independent directors in the 100 Japanese companies in our sample, by far the lowest number of all the countries. This means that twenty-one of the independent director appointments are held by women. Added to the number of female executive directors, there are fewer than twenty-five women directors in the 100 Japanese companies in our sample.

The percentage of female independent directors provides a better indication of the extent to which gender diversity is formally considered in the director appointment process, as boards search specifically for directors from outside the company or the family. In this regard, Australia has made by far the greatest progress, with its 21.2 percent of female independent directors almost double that of the two next best countries—China and New Zealand. The relatively higher percentage of female directors and the much higher percentage of female independent directors in Australia are likely to be due to gender diversity on boards being widely debated there over a number of years. In June 2010, the ASX Corporate Governance Council amended its corporate governance principles and recommendations to incorporate a stronger focus on diversity, especially gender diversity, under its "if not, why not?" approach to improving corporate governance standards. These developments have resulted in steady increases in the percentage of female directors, including female independent directors, over the last few years.

Interestingly, China has the second-highest percentage of female independent directors among the nine markets. As we explained in the last report, this may reflect the relatively prescriptive and strict rules on director independence making it more difficult for companies to satisfy independence criteria by recruiting independent directors based on closed personal networks, and the opening up of the market creating more equal opportunities to all. South Korea, followed by India and then Singapore, has the lowest percentage of female independent directors.

Figure 6

Number of female directors



Gender diversity within companies

All-male boards make up 50 percent or more of all boards in six of the markets—India, Japan, Malaysia, New Zealand, Singapore, and South Korea (Figure 6).

[13] "Appointments to ASX 200 Board," Australian Institute of Corporate Directors, http://www.companydirectors.com.au.

South Korea has the highest number of companies with all-male boards (83 percent), followed by Japan (79 percent). Half of Malaysia's boards comprise all-male directors.

Australia has 13 percent of companies with all-male boards, the lowest among the nine countries. Latest statistics published by the Australian Institute of Company Directors[13] indicate that 52 of the ASX 200 companies—or 26 percent—have all-male boards. Therefore, the lack of gender diversity is worse for smaller companies. This pattern has also been found in studies in other countries, such as Singapore.

Japan and South Korea do not have any companies with more than two female directors.

Only six companies among the 900 examined have more than three female directors: two from China, three from Hong Kong, and one from Malaysia.

Table 4 shows the distribution of female independent directors across companies. Australia has the highest number of companies with female independent directors (eighty-two companies) while South Korea has the lowest (eleven companies). Except for Australia, all other countries have fewer than seven companies with two or more female independent directors. Only four countries have boards with three female independent directors—Australia, China, India, and New Zealand. There is no board among the 900 companies with more than three female independent directors.

Table 4

Number of female independent directors

	Australia	China	Hong Kong	India	Japan	Malaysia	New Zealand	Singapore	South Korea
Companies with no female independent directors	18	59	70	74	81	72	69	73	89
With one female independent director	42	36	26	22	17	24	25	23	9
With two female independent directors	32	4	4	3	2	4	5	4	2
With three female independent directors	8	1	0	1	0	0	1	0	0

Female directors holding leadership positions

Table 5 shows the percentage of women serving as board chairs; CEOs; chairs of audit, remuneration, and nominating committees; and in all key leadership positions. Less than 10 percent of board chairs and CEOs in each country are female. None of the Japanese boards have a female chairperson or CEO. Similarly, none of the CEO positions of South Korean boards are held by a woman.

There are also fewer female directors holding committee chair positions. There are, however, exceptions in some countries. In Australia, almost 20 percent of audit committee and remuneration committee chairs are female. In China, 19 percent of nomination committee chairs are female.

Table 5 also shows that Australia has the highest representation of women in key leadership positions, with 11.1 percent of such positions being held by females. Japan and South Korea have the lowest representation, with 1.7 percent and 0.7 percent, respectively.

Table 5
Leadership positions held by female directors

	Australia	China	Hong Kong	India	Japan	Malaysia	New Zealand	Singapore	South Korea
Percentage of female chairs	4%	4%	4%	1%	0%	2%	6%	3%	1%
Percentage of female CEOs	3.2%	4.3%	4.2%	3.9%	0%	4.5%	1.6%	3.2%	0%
Percentage of female audit committee chairs	19%	8%	1%	1.1%	10%	7.9%	7.0%	6%	1.1%
Percentage of female remuneration committee chairs	19%	12%	6%	5.8%	5.9%	5.3%	15.4%	7.1%	0%
Percentage of female nominating committee chairs	9.6%	19%	4.5%	0%	0%	4.2%	16.3%	8.1%	1.2%
Percentage of all above-mentioned positions held by females	11.1%	6.4%	4%	2.5%	1.7%	4.8%	8.4%	5.5%	0.7%

Beyond gender diversity: age and ethnicity

The lack of gender diversity on boards has received the most attention because of the discrepancy between the percentage of women who are graduates, employees, and customers and their limited representation in key decision-making roles within companies. However, board diversity is more than just about gender diversity. The recent reforms introduced by the Stock Exchange of Hong Kong, for example, made it clear that diversity includes, but is not limited to, gender, age, cultural/educational background, and professional experience. In this part of the report, we examine two other aspects of diversity on boards—age and ethnicity.

Age diversity

Figure 7 shows the age diversity in boards across eight markets.[14] China and Hong Kong have the highest percentage of companies with directors from two or more generations. [15] Japan has the highest percentage of companies with single generation boards, followed by South Korea.[16]

Ethnicity

More than half of the companies in Australia, China, India, Japan, New Zealand and South Korea have boards consisting solely of board members from a single ethnicity (Figure 8). The majority of boards, other than those in Australia and China, are composed of three or more ethnic groups, with Malaysia and Singapore having the most.

Figure 7

Age Diversity in boards

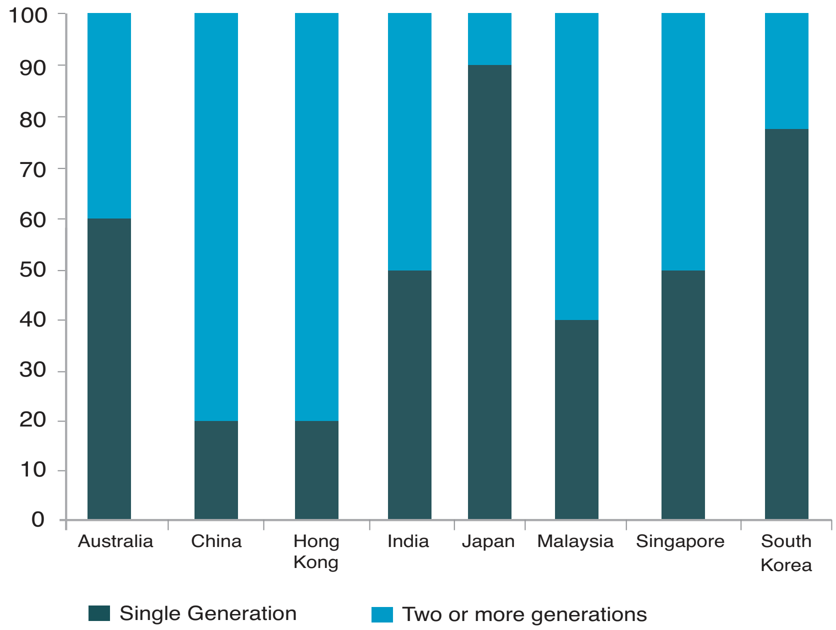
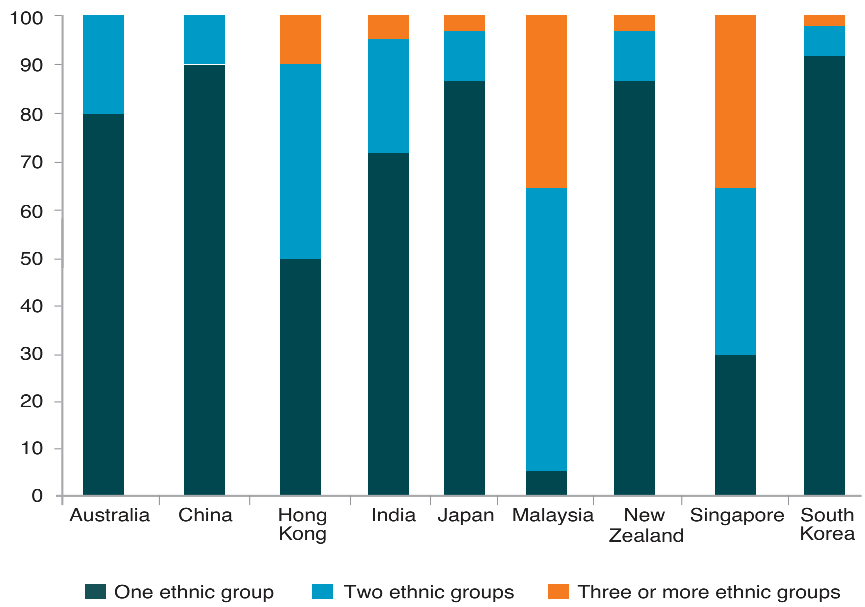


Figure 8

Ethnic diversity in boards



[14] As the disclosure of directors' age is not common in New Zealand, the data may not be representative and have been excluded in this analysis.

[15] In this report, the generations have been defined as follows: The Baby Boomer generation refers to those born in or before 1964. Generation X includes those born from 1965 to 1982. Generation Y refers to the generation of people born from 1983 to early 1990s.

[16] A single generation can be a board comprising entirely directors from the Baby Boomer generation or Generation X.

Profiles of female and male directors

In this part of the report, we compare the profiles of female and male directors in terms of their age, educational qualifications, tenure, ethnicity, and public sector/not-for-profit experience. This allows us to examine whether gender diversity also leads to diversity in these other attributes, which could in turn further enrich board diversity. A word of caution is in order: in most countries, the number of female directors is quite small compared to male directors.

Age and education

Female directors in the nine markets are on average about three years younger than their male counterparts (Figure 9). There is a slightly higher percentage of female directors with bachelor's or master's degrees overall, while a higher percentage of male directors hold doctoral degrees. In Australia, Japan, and South Korea, there is a higher percentage of female directors holding doctoral degrees, although we should caution that there are very few female directors in the latter two countries.

Figure 9

Comparison of age and educational level by gender[17]

All Countries

	Female	Male
Average Age	56.4	59.5
Oldest	95	93
Youngest	24	26
PhD or D.Sc	12.3%	16.9%
MBA (or EMBA)	16.7%	15.1%
Master	20.1%	19.0%
Bachelor	43.8%	42.4%

Australia

	Female	Male
Average Age	55.6	60.8
Oldest	74	82
Youngest	40	26
PhD or D.Sc	9.2%	8.2%
MBA (or EMBA)	21.5%	19.2%
Master	21.5%	13.0%
Bachelor	47.7%	59.0%

China

	Female	Male
Average Age	53.5	54.5
Oldest	72	82
Youngest	30	28
PhD or D.Sc	23.8%	26.4%
MBA (or EMBA)	7.9%	8.0%
Master	28.7%	31.1%
Bachelor	39.6%	34.5%

Hong Kong

	Female	Male
Average Age	55.7	58.1
Oldest	95	91
Youngest	24	28
PhD or D.Sc	11.3%	22.7%
MBA (or EMBA)	19.7%	24.7%
Master	15.5%	23.5%
Bachelor	53.5%	28.9%

Figure 9 continued

Comparison of age and educational level by gender[17]

India

	Female	Male
Average Age	57.1	60.8
Oldest	76	93
Youngest	32	30
PhD or D.Sc	13.0%	14.0%
MBA (or EMBA)	18.5%	15.2%
Master	29.6%	24.5%
Bachelor	38.9%	46.3%

Japan

	Female	Male
Average Age	60.1	61.5
Oldest	74	86
Youngest	47	32
PhD or D.Sc	20.0%	8%
MBA (or EMBA)	25.0%	15.9%
Master	0.0%	1.1%
Bachelor	55.0%	74.0%

Malaysia

	Female	Male
Average Age	56.7	60.2
Oldest	90	84
Youngest	36	28
PhD or D.Sc	2.6%	10.5%
MBA (or EMBA)	15.6%	12.2%
Master	19.5%	12.2%
Bachelor	53.2%	54.0%

New Zealand

	Female	Male
Average Age	NA	NA
Oldest	NA	NA
Youngest	NA	NA
PhD or D.Sc	2.6	8.3%
MBA (or EMBA)	10.5%	12.0%
Master	18.4%	15.4%
Bachelor	65.8%	60.7%

Singapore

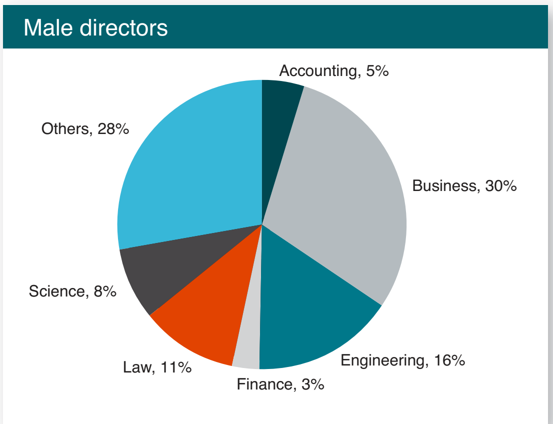
	Female	Male
Average Age	56.8	60.3
Oldest	74	90
Youngest	31	32
PhD or D.Sc	4.9%	8.9%
MBA (or EMBA)	17.1%	18.9%
Master	7.3%	20.3%
Bachelor	70.7%	51.5%

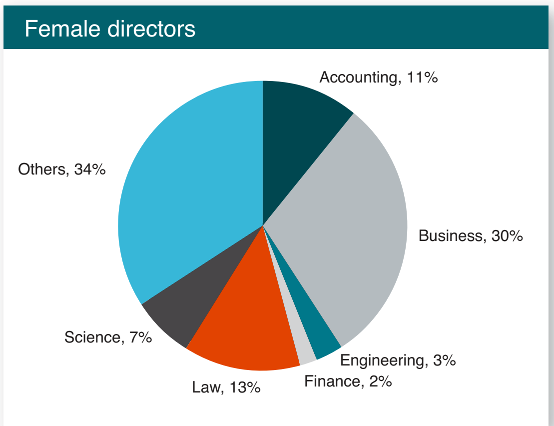
South Korea

	Female	Male
Average Age	55.1	58.8
Oldest	70	90
Youngest	38	36
PhD or D.Sc	42.1%	32.4%
MBA (or EMBA)	21.1%	12.5%
Master	10.5%	17.3%
Bachelor	26.3%	36.5%

Figure 10

Comparison of area of education by gender in nine APAC markets





Most codes of corporate governance specify that the board should have a mix of competencies, including technical areas such as accounting, finance, and law. Figures 10 and 11 compare female and male directors in terms of major area of educational specialization for all countries examined and for each country individually.

For the entire sample of directors included in our study, the main difference is that female directors are more likely to have an accounting specialisation, and to some extent a law specialisation, while male directors are more likely to have an engineering specialisation. However, there are some differences across countries.

In Australia, Hong Kong, Malaysia, New Zealand, and Singapore, there is a high percentage of female directors with a law specialisation (Figure 11). Nearly 70 percent of female directors on Japanese boards and nearly half of female directors on South Korean and Indian boards have educational backgrounds in the "others" category. These comprise mainly arts-related specialisations such as economics, literature, languages, sociology, and psychology.

Figure 11

Gender comparison of area of education by country

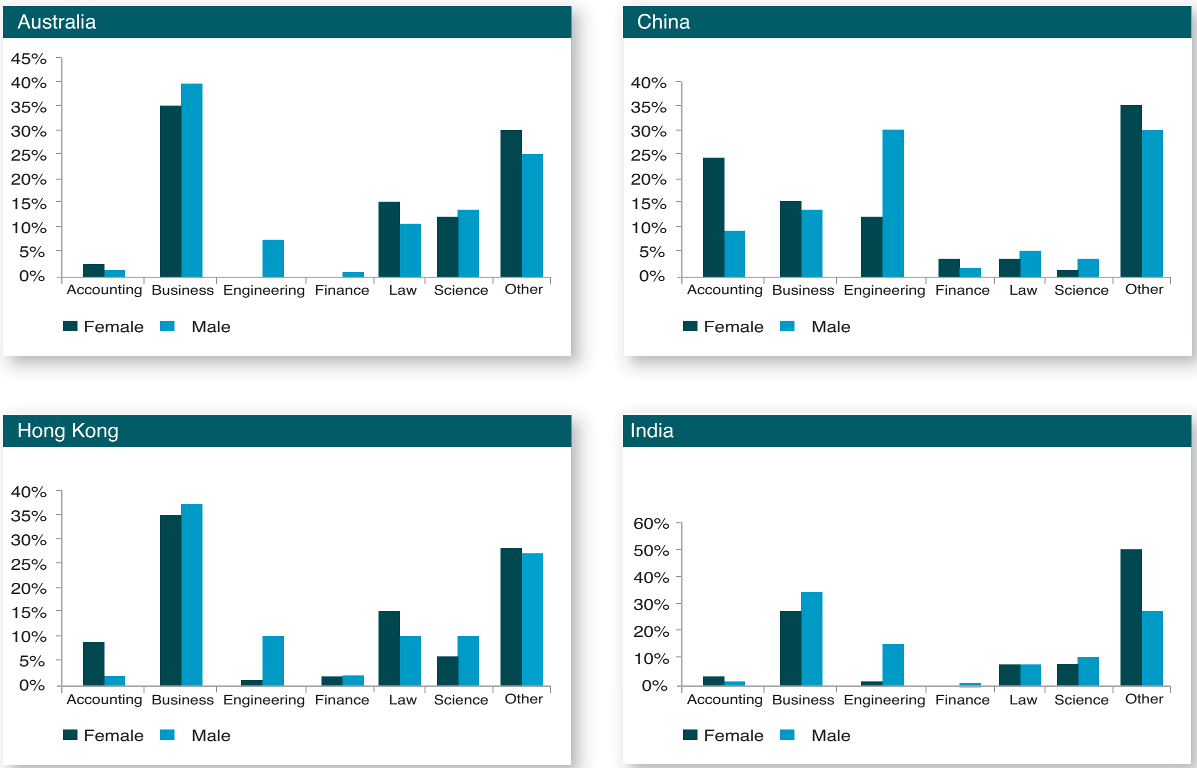
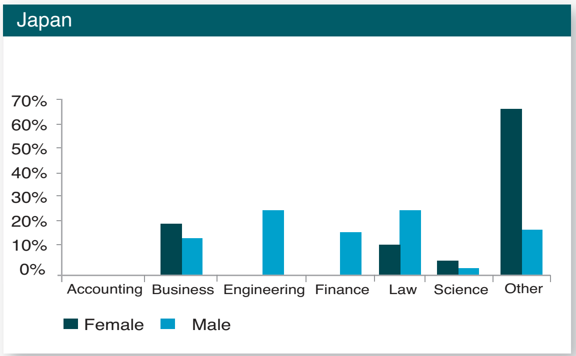
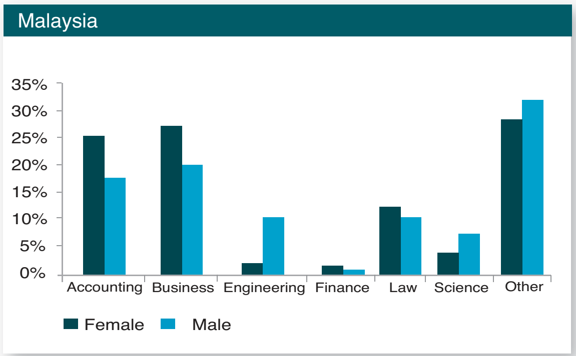
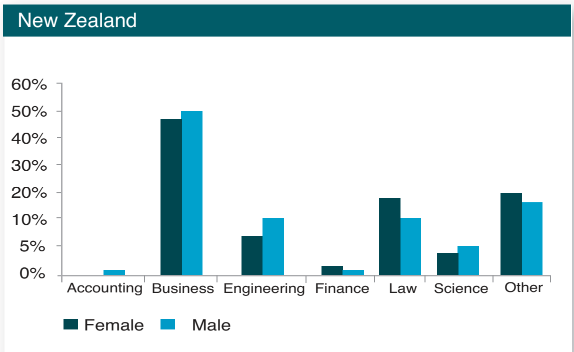


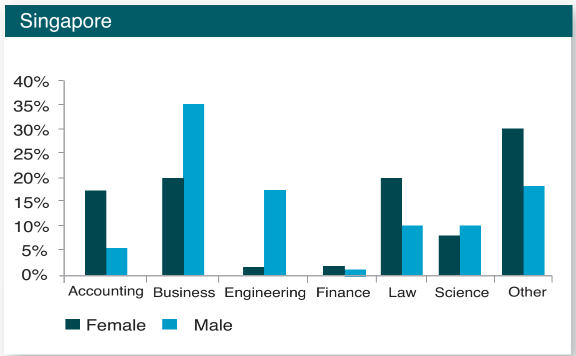
Figure 11 continued

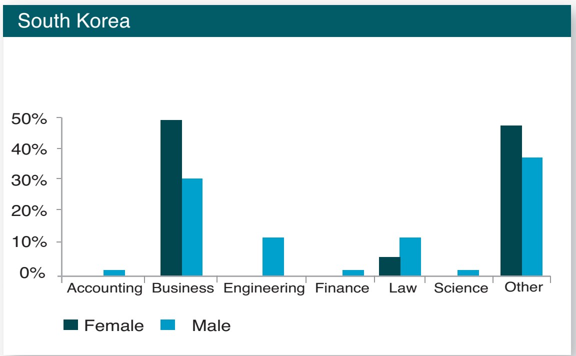
Gender comparison of area of education by country











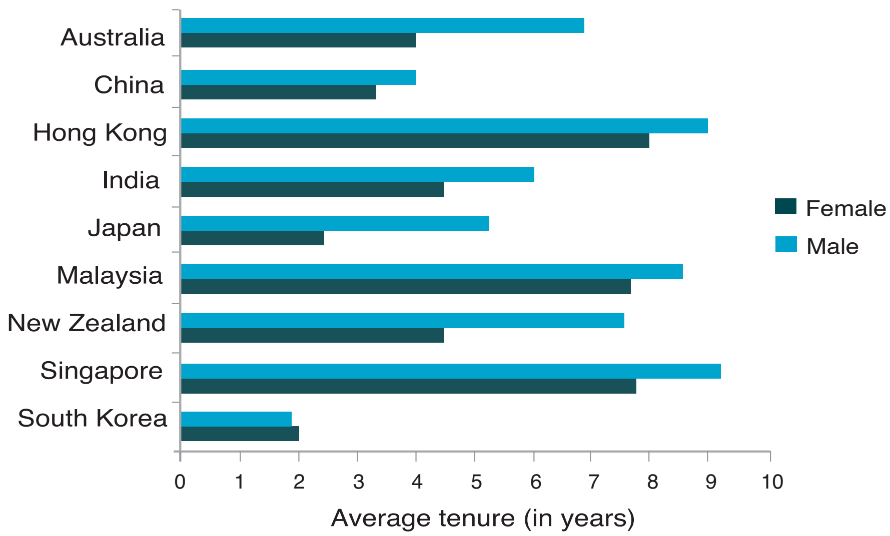
Tenure

The average tenure for all directors is longest in Singapore and Hong Kong, followed by Malaysia.

Female directors have shorter tenures on average than male directors (Figure 12), except in South Korea where both male and female directors have similar tenures.

Figure 12

Average tenure of directors by gender

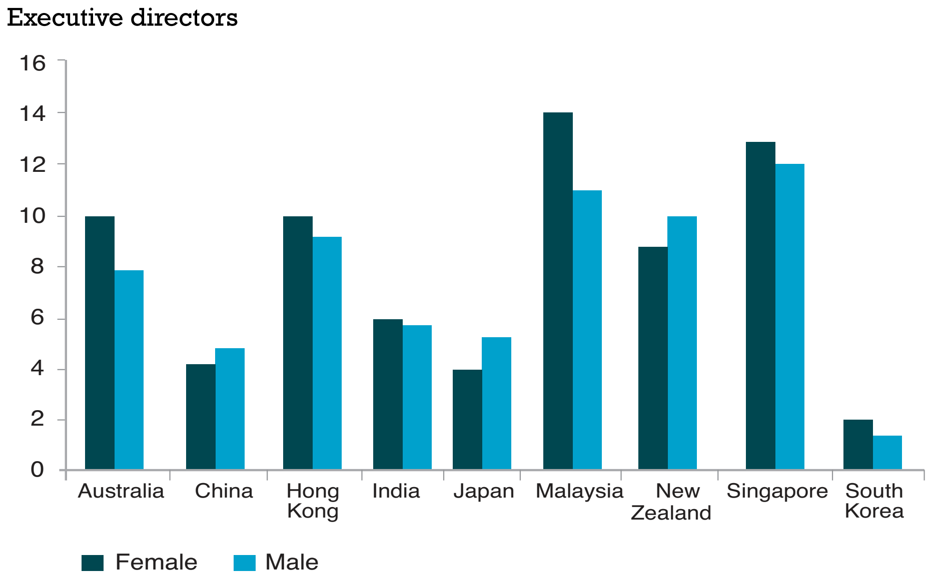


Tenure needs to be considered differently for different types of directors. Having an executive director serving for a relatively long time, provided the company continues to perform well and the executive's skill sets are still relevant, can provide stability in leadership for a company. Female executive directors in five of the nine markets—Australia, Hong Kong, Malaysia, Singapore, and South Korea—have longer average tenures than their male counterparts (Figure 13).

A long tenure for independent directors has increasingly been seen as a disadvantage because the director may become too close to the company and his or her ability to exercise independent judgment may be impaired. Therefore, more countries have been introducing limits on tenure for independent directors or requiring specific consideration of tenure when nominating committees or boards assess the independence of directors. In all nine markets, female independent directors have shorter tenures than male independent directors. We believe this is because there has been slightly more emphasis on appointing female independent directors in recent years—so new appointees are more likely to be females, even though the percentages of female directors remain low.

Figure 13

Average tenure (years) for different types of female directors compared to male directors



Ethnicity

In China, all female directors are from the majority ethnic group (Figure 14). Ethnic profiles of female and male directors differ markedly in Hong Kong, India, Japan, Malaysia, Singapore, and South Korea. In Hong Kong, Malaysia, and Singapore, female directors are more likely than male directors to come from the majority ethnic group. In India, Japan, and South Korea, female directors are less likely than male directors to come from the majority ethnic group, although we caution that the percentage of female directors is the lowest in these three countries.

Figure 14

Comparison of ethnicity by gender

Public sector and not-for-profit sector experience

In all markets except Singapore and South Korea, experience in the public sector is more frequent among female directors than male directors (Figure 15). India has the highest percentage of female directors with experience in the public sector. Japan has the lowest percentage of directors with public sector experience, both male and female.

Australia has the highest percentage of female directors with experience in the not-for-profit sector [Figure 16]. Malaysia has a lower percentage of female directors with not-for-profit sector experience, while Japan has the lowest percentage of directors with such experience.

Figure 15

Comparison of public sector experience by gender

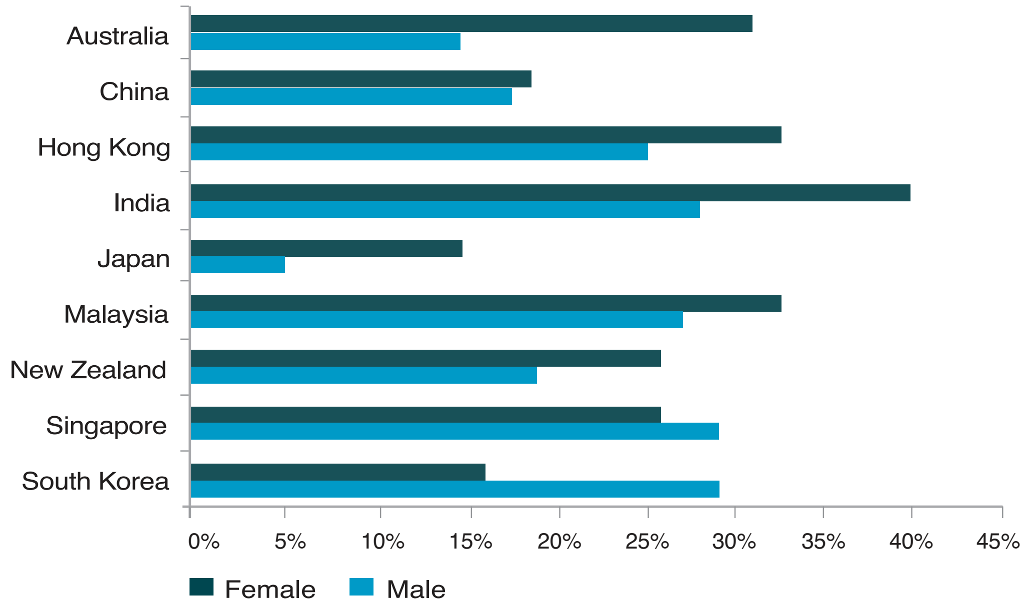
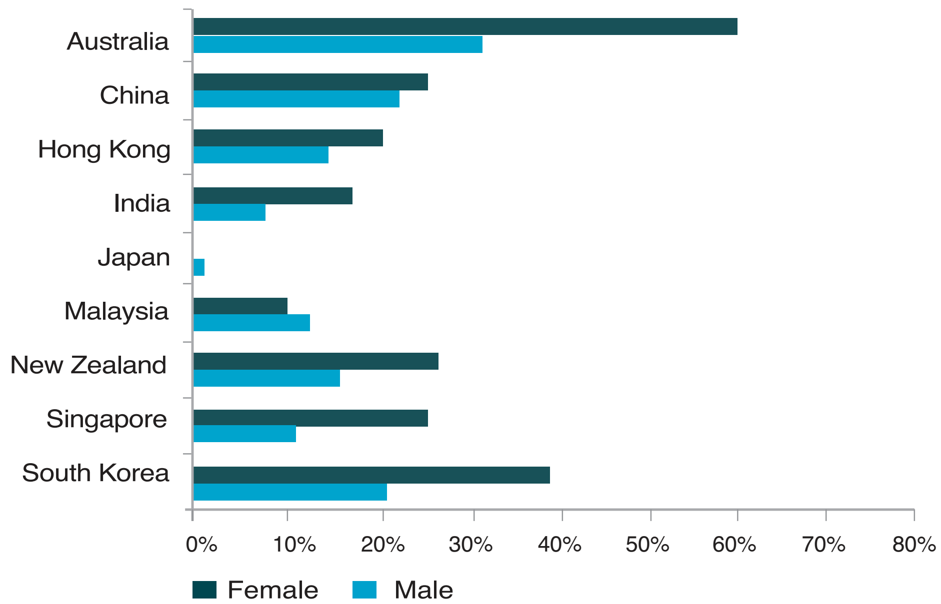


Figure 16

Gender comparison by not-for-profit sector experience



Summary of comparison of profiles of female and male directors

Overall, our comparison of female and male directors' profiles shows that they often differ in other attributes such as age, education, tenure, ethnicity, and public sector/not-for-profit sector experience. This suggests that companies that have increased their number of female directors have also managed to improve other attributes that can further enhance diversity of viewpoints on these boards.

2010-2012: Trends in board composition and diversity

In this section of the report, we analyse trends in board diversity for the companies in the seven countries which were included in our 2011 report—Australia, China, Hong Kong, India, Malaysia, New Zealand, and Singapore—in order to examine whether board diversity has improved in these countries. The 2011 report was based on data collected in 2010. After taking into account mergers/de-listings since that study, the final number of companies for each country is shown in Table 6. The analysis in this section of the report is based on the same companies for both the earlier study and this study.

Table 6

Number of companies in each country

Country	Number of companies
Australia	93 companies
China	100 companies (no de-listings)
Hong Kong	100 companies (no de-listings)
India	99 companies
Malaysia	90 companies
New Zealand	95 companies
Singapore	96 companies

Structure of boards

Board leadership

The percentage of companies with an executive chairman increased from 21 percent to 29 percent for China and from 80 percent to 83 percent for Hong Kong (Table 7). There has been no change in India, New Zealand, and Australia. In Malaysia and Singapore, this percentage has decreased, suggesting an improvement in the separation between the chairman and CEO roles.

Australia continues to have the highest percentage of independent board chairmen at 80 percent—the same as 2010. New Zealand continues to have the second-highest percentage of independent chairmen, but this has declined from 74 percent to 67 percent; Singapore has also seen a small decline in percentage of independent chairmen. However, the percentage of non-executive chairmen in these two countries has increased. China continues to have no independent chairmen,[17] while the percentage of independent chairmen in Hong Kong, India, and Malaysia has increased.

Table 7
Type of chairman

	Australia		China		Hong Kong		India		Malaysia		New Zealand		Singapore	
	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012
Executive chairman	8%	8%	21%	29%	80%	82%	54%	54%	25%	21%	5%	5%	40%	37%
Non-independent, non-executive chairman	12%	12%	79%	71%	18%	14%	40%	36%	44%	44%	21%	28%	30%	37%
Independent non-executive chairman	80%	80%	0%	0%	2%	4%	6%	10%	31%	35%	74%	67%	30%	26%

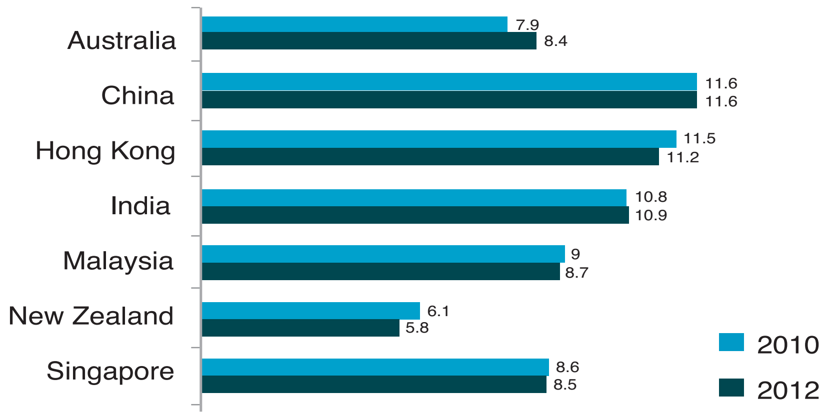
Board size

Figure 17 shows changes in the average board size across the seven markets. The average board size has remained the same or nearly the same in China, India, Malaysia, and Singapore. In Australia, average board size increased from 7.9 to 8.4. In Hong Kong, average board size has decreased from 11.5 to 11.2, and in New Zealand, the relatively small boards we found in 2010 have become even smaller on average—with a decline in average board size from 6.1 to 5.8. New Zealand, it should be noted, has the smallest companies in all the markets we covered.

[17] China has a system of a supervisory board and a board of directors. We used data from the board of directors in this study.

Figure 17

Average board size

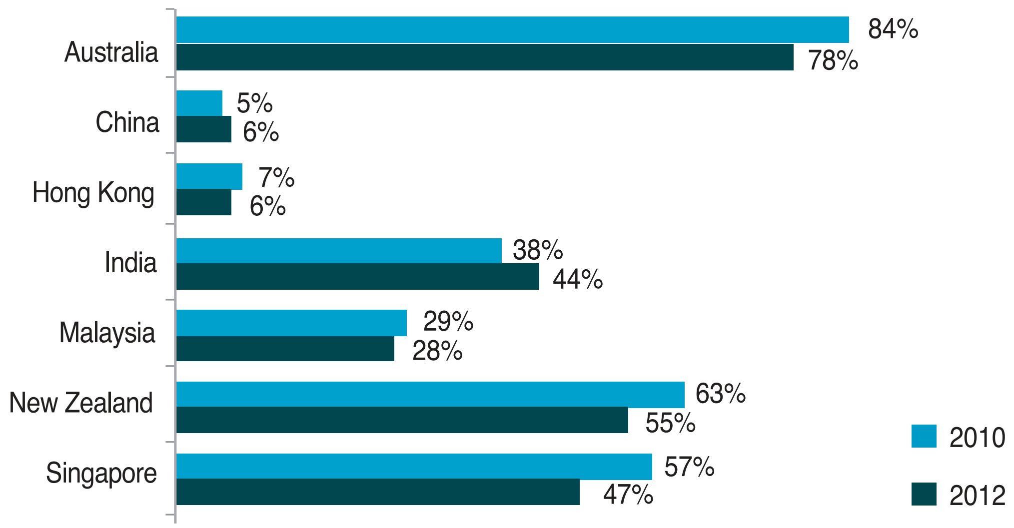


Proportion of independent directors

Figure 18 shows the percentage of companies that have a majority of independent directors in each of the seven markets. Other than China and India, all countries studied have a lower percentage of companies with a majority of independent directors in 2012 as compared to 2010. This trend is disappointing, given the increasing expectations of investors regarding board independence and codes of corporate governance increasingly advocating a majority or at least half the board to be independent—especially where the chairman is not independent of the CEO. However, what is more important is whether those who are classified as independent directors are truly independent. If regulators continue to strengthen the criteria for independence, this may lead to fewer directors being classified independent, which may in turn cause a fall in the percentage of independent directors. It will be interesting to see if this trend is reversed in future, for example, if companies bring new independent directors on board to replace those who are no longer considered independent.

Figure 18

Proportion of companies with majority of independent directors



Gender diversity in each country

Australia continues to have the highest overall percentage of female directors, with 16.7 percent of all directors being female compared to 11.2 percent in 2010 (Table 8). India, which had the lowest percentage of female directors in our previous study, shows a very slight improvement, increasing from 4.7 percent to 5.8 percent. Except for Hong Kong, all other countries now have a higher percentage of female directors than in 2010.

Table 8

Women's representation on boards by country and role

	Australia		China		Hong Kong		India		Malaysia		New Zealand		Singapore	
	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012
All directors	11.2%	16.7%	8.1%	9.0%	8.6%	8.2%	4.7%	5.8%	7.8%	9.4%	7.5%	9.1%	6.4%	6.8%
Executive directors	3.3%	3%	4.9%	8.3%	9.4%	8.4%	2.1%	3.6%	7.6%	8.7%	3.4%	3.3%	8.7%	8.5%
Non-executive directors	2.6%	7.1%	7.6%	8.2%	10.9%	7.5%	8.2%	8.8%	11.6%	12.2%	11.4%	8.2%	9.9%	5.3%
Independent directors	17.7%	21.2%	12.3%	11.2%	8.4%	8.3%	4.5%	5.6%	7.0%	8.0%	8.5%	11.0%	5.2%	6.7%

Within the different categories of directorships, the percentage of female executive directors increased in Australia, China, India, and Malaysia.

Australia continues to set the pace in the percentage of female independent directors, further increasing its gap compared to the other countries. The percentage of female independent directors has crossed the 20 percent mark at 21.2 percent, up from 17.7 percent in the previous study. New Zealand, and then Malaysia, follow Australia in terms of improvement in percentage of female independent directors. India and Singapore show very slow improvement, while China and Hong Kong have actually seen a drop or stagnation in percentage of female independent directors.

Overall, apart from Australia, progress in improving gender diversity in boards is disappointing.

Gender diversity within companies

The percentage of companies with an all-male board has decreased in all countries, except in New Zealand, where there has been no change (Table 9). Again, Australia has widened its gap over the other countries, with a decline in all-male boards from 29 percent to 14 percent. More significantly, the percentage of Australian boards with three female directors has shot up from 1 percent in 2010 to 11 percent in 2012. All other countries, except Hong Kong, also have a higher percentage of boards with three female directors.

Table 9

Number of female directors

	Australia		China		Hong Kong		India		Malaysia		New Zealand		Singapore	
	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012
All-male boards	29%	14%	39%	36%	43%	42%	57%	55%	56%	53%	65%	65%	59%	58%
One female director	44%	46%	39%	35%	31%	35%	30%	31%	26%	22%	23%	22%	30%	30%
Two female directors	26%	29%	14%	19%	20%	16%	13%	12%	13%	17%	11%	11%	10%	9%
Three female directors	1%	11%	7%	8%	4%	4%	0%	2%	4%	7%	1%	2%	1%	3%
Four or more female directors	0%	0%	1%	2%	2%	3%	0%	0%	1%	1%	0%	0%	0%	0%

Table 10 also shows that an increase in the number of companies with at least one female independent director across all seven countries, with healthy increases in Hong Kong, India, and Malaysia. In the other four countries, this trend is less evident. Australia has eight companies with three female independent directors (compared to one company in 2010).

Table 10

Number of female independent directors

	Australia		China		Hong Kong		India		Malaysia		New Zealand		Singapore	
	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012
Companies with no female independent directors	32%	18%	61%	59%	80%	70%	84%	74%	78%	72%	73%	69%	77%	73%
With one female independent director	44%	42%	33%	36%	17%	26%	14%	22%	18%	24%	24%	25%	20%	23%
With two female independent directors	23%	32%	5%	4%	3%	4%	2%	3%	4%	4%	3%	5%	3%	4%
With three female independent directors	1%	8%	1%	1%	0%	0%	0%	1%	0%	0%	0%	1%	0%	0%

Female directors holding leadership positions

Table 11 shows the percentage of female board chairs; CEOs; chairs of audit, remuneration, and nominating committees; and directors with at least one leadership position.

Only two countries, Hong Kong and New Zealand, have small increases in the percentage of female chairs. Other countries saw no change or a slight decline.

The percentage of female CEOs has fallen in China, Malaysia, New Zealand, and Singapore. The other three countries now have around 4 percent female CEOs.

All countries, except India, saw an increase in percentage of female remuneration committee chairs. In the case of female nominating committee chairs, all countries saw an increase in percentage except for India. The trend is less clear in the case of female audit committee chairs. Overall, we are seeing more female directors as committee chairs; this is reflected in the increased percentages of women taking on leadership positions. However, it is still rare for women to hold board chair or CEO positions.

Table 11

Leadership postitions held by female directors

	Australia		China		Hong Kong		India		Malaysia		New Zealand		Singapore	
	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012
Percentage of female chairs	4.3%	4%	4%	4%	3%	4%	2%	1%	2.2%	2%	4.3%	6%	3.1%	3%
Percentage of female CEOs	2.3%	3.2%	5.5%	4.3%	2%	4.2%	2%	3.9%	5.9%	4.5%	2%	1.6%	4.4%	3.2%
Percentage of female audit committee chairs	17.8%	19%	13.2%	8%	1%	1%	1%	1.1%	4.3%	7.9%	3.8%	7%	7.3%	6%
Percentage of female remuneration committee chairs	11.8%	19%	11.8%	12%	4.0%	6%	5.8%	5.8%	2.4%	5.3%	13.6%	15.4%	5.3%	7.1%
Percentage of female nominating committee chairs	9.3%	9.6%	5.2%	19.0%	4.5%	8.1%	7.7%	0%	2.4%	4.2%	5.3%	16.3%	4.2%	8.1%
Percentage of female directors who hold at least one leadership position as chair, CEO or committee chair	9.0%	11.6%	6.7%	6.4%	2.7%	4.5%	2.3%	2.6%	3.5%	4.4%	5.4%	7.2%	4.9%	5.6%

The journey ahead

Companies across the globe are starting to recognize that successful boards should reflect the markets they serve and that homogenous leadership teams will be less equipped to meet the challenges of fast-changing markets.

By ensuring sufficient diversity, high-performing boards can be assured that board decisions will be vigorously debated by individuals with different perspectives leading to improved board monitoring, better board meeting attendance rates, and causes boards to be more stakeholder focused – boosting shareholder value and representing customers, employees, and business partners.

A diverse group of directors is more likely to raise questions, challenge the status quo, or spot new opportunities. Appointing directors from different ethnic, age and educational backgrounds can immediately add multiple perspectives to the oversight lens.

Recruiting more female directors also helps address the frequently-cited shortage of qualified directors in many countries, and can alleviate other corporate governance problems such as directors serving on too many boards, having an overly-long tenure, and interlocking directorships.

Women are big business drivers, both as consumers and workforce talent. Companies that fail to bring women onto their boards to provide advice and direction risk overlooking qualified director candidates in a shrinking talent pool; they risk missing an opportunity to improve corporate governance by expanding points of view, and they risk the opportunity to connect with the very group fuelling much of the economic growth in the region.

The changes are already taking place, albeit at a sluggish pace – driven in part by new regulations, but mostly from a growing awareness that Asia's boardrooms need to keep up with market transformations.

The key to increasing diversity, and also addressing other demands for directors to be independent, competent, and committed, is to have a robust and transparent board nomination process. Prevailing practices of recruiting directors through personal networks or selecting corporate leaders who already sit on other boards need to be phased out in favor of a more formal, professionally managed selection process designed to gather the widest variety of candidates. Gaps and weaknesses in the current board need to be identified and a framework of competencies and attributes desired in new directors developed.

The diversity issue will only continue to accelerate. In the meantime improvements require unwavering attention to the subject by regulators, policymakers and investors, and a mindset shift on the part of boards of directors.

The world has changed but Asia's boardrooms have not caught up. To thrive and ride the wave of Asia's growth trajectory, the most effective boards will be the ones that are international, multi-skilled and with varied points of view. The time for action is now.

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