

# Speech by Minister Grace Fu at SIAS' 4th Corporate Governance Week

## “Women on Board: Unlocking Potential With Gender Diversity”

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### Introduction

As we gather here this morning at the start of Corporate Governance Week, we have no lack of topics to discuss. In recent years, investors have been tossed to and fro in the sea of uncertainty, not knowing what new wave of financial instability will hit them next. We of course know that the storm started brewing in 2008, when problems with mortgage-backed financial products, inadequate regulatory supervision, and exaggerated performance-based bonuses, culminated in the global financial crisis which threatened the health of the world's economy. Since then, the world has been weathering through the contagion crisis in the Eurozone triggered by doubts over the fiscal sustainability of some of the EU countries.

Share-trading manipulation and the adequacy and accuracy of public disclosure had their share of hogging the headlines. Closer to home, wild swings in prices of penny stocks in Singapore left investors with many more questions than the companies' prospectus or press statements could answer. Investors in red chips and S-Stocks found themselves with a lot less assets in their companies, some of which were registered in countries that are known by conventional standards as tax havens.

This of course begs the question by regulators and investors on how directors can be made accountable to their stakeholders in specific jurisdictions where funds are being raised.

Besides corporate governance issues, investors have had to ride, and are still riding, the waves of several rounds of Quantitative Easing (QE). Investors around the world are watching as government treasuries play the game of musical chairs, while trying to guess when the music will end. Volatility seems to be the only certainty in the globally inter-linked world of business and finance. Superior risk management abilities are now crucial to the performance, or even on-going survival of companies - and if I dare say, of financial markets and governments too.

Investors riding the rough waves of investment have much to keep their eyes on. However, I have chosen a topic today which many would consider peripheral as companies and economies navigate through the choppy waters. Thoughts like these are precisely why I've chosen to speak

about the important, but oft-overlooked, issue of gender diversity in corporate performance. It's an area that I take great interest in, and I hope to convince you at the end of my speech that gender diversity, much like the other facets of diversity (e.g. age, experience, skills), is invaluable to your company.

Companies do not think about the strengths of their boards enough, or if they do, they are not talking about it strategically. Globally, the percentage of female representation in the boardroom stands only at a dismal 11%. Considering that female representation of the global workforce is 40%, there is a huge gulf to explain. Gender diversity is not about dressing up your board so as to be politically correct – a sprinkling of colour in the photo of your annual report is not the solution, nor the reason for diversity. My proposition to you is that gender diversity helps you access resources in 3 ways – first, financial resource; second, talent resource and third, sustainable human resource.

Financial resource in that companies with a diverse board will be rewarded by investors, thus giving you access to capital; talent resource in that a company that truly believes in tapping a diversity of talents will attract talents; and human resource in that a society that enables men and women to achieve their family goals will achieve a more sustainable population. This means access to more consumers, more workers, and a sustainable market place.

## **Financial Resource**

First, financial resource. Companies with greater diversity in the senior leadership level perform better.

Studies have established that having women on the board exerts a positive influence on board behaviour. Earlier this year, research by the Harvard Business School found that 57% of male directors say women bring fresh perspectives and diversity of thought. We all know about perils of “group-think” and “herd-mentality” - how they have led companies to make ill-advised business decisions. Companies should broaden their search and nomination processes out of their usual circles, to achieve greater diversity.

Another study published earlier this year analysed the decision making behaviour of male and female directors, and found that female directors are more inclined to use cooperation, collaboration and consensus building to make sound decisions. A 2010 academic study found that boards with higher female representation were more likely to conduct regular reviews of their own performances and experienced less conflict while having greater information sharing among their members. I am not for one suggesting that these studies conclude that women are better board decision makers or members. I am merely drawing to your attention that women do bring a different set of behaviours and skills, and thus add diversity to the board.

And is there a link between diversity and performance?

- A McKinsey study in 2012 found that companies where the executive committees had higher levels of female representation did significantly better than companies with no female representation - 47% higher return on equity and 56% higher earnings.
- A 2012 Credit Suisse study showed that the share prices of large-cap stocks with at least

one woman on their company board outperformed their peers by 26% over 6 years. For small-to-mid cap stocks, the basket of stocks with women on the board outperformed those without by 17% over the same period.

The research does not claim to have determined cause and effect. It may be that companies with diverse board are more progressive, more responsive to change in general and thus perform better. Or it could be that a diverse board leads to better and more robust decision-making. I am not an expert in investment but I think the studies show that the market is signalling a premium for companies with diverse boards that investors are prepared to reward with higher prices.

The key takeaway, therefore, is that having greater board diversity is a signal of a better-performing company, which makes this a financial incentive for corporate leaders and investors.

## **Talent Resource**

Board diversity and talent resource. In a world where there is global competition for human capital, coupled with an ageing workforce, companies have to seek out new ways to attract and retain a talented workforce. Women as a talent pool cannot be overlooked. 51% of our student cohorts in our publicly funded universities are women. Even disciplines that are traditionally thought to be more suited to men are now seeing women as a significant part of the class, such as natural, physical and mathematical sciences, architecture, medicine and dentistry. Women in Singapore have made tremendous progress in education and workforce participation through the years, but remain significantly underrepresented in top senior management positions.

If you recognise that it is unwise to ignore half of the workforce as a source of potential leaders in your company, start by asking if you have the suitable HR policies and practices to effectively tap this pool.

Companies would do well to develop human resource policies to better attract, retain and groom female talent. One company that has done well in this area is the Singapore Office of UBS. Among its efforts in supporting female employees, UBS has a mentoring programme to groom women leaders and workshops specifically targeted at supporting the development of female employees. It also has programmes for former employees who wish to return to the workforce, to help refresh their skills and get them up to speed on the latest in the finance industry. The company was given an Outstanding Workplace for Women award last year by the Tripartite Alliance for Fair Employment Practices.

Attention to board diversity is important for companies seeking to nurture female talent. Promises to develop women employees will sound hollow when the board does not see the benefit of having women's views. Having a diverse board signals to women employees and potential recruits the commitment the company places on developing female talent.

As a society, we hope to encourage companies to do more to improve their gender diversity. Mdm Halimah Yacob, as former Minister of State in the Ministry of Social and Family Development, initiated the Diversity Task Force which comprises business and industry leaders. The task force examines the state of gender diversity in senior management and its impact on corporate performance and governance. The Singapore National Employers Federation, as part of the task force, has launched a survey covering over 700 listed companies here. It is expected to produce a

report next year, with recommendations for businesses and government.

I am happy to note that last year, Singapore's Code of Corporate Governance was revised to mention that corporate boards should "provide for diversity, including that of gender diversity". This is a step in the right direction, but I believe we can do better. I would like to urge MAS to consider requiring companies to adopt and publicly disclose a diversity policy in their Annual Reports. This should include measurable objectives for implementing their policy, and for companies to report the progress on achieving their objectives. Such an initiative would be similar to the approaches already undertaken by the jurisdictions of Hong Kong, Australia and the UK, and it will further spur our companies to achieve diversity at the workplace.

### **Sustainable Human Resource**

Recently, we announced the Fair Consideration Framework. This does not mean that Singapore is closing its door towards foreigners. No society can generate all the skills, experiences and talents needed on its own. We will continue to welcome those who can complement the Singapore workforce and generate opportunities for Singaporeans. The Fair Consideration Framework is fundamentally about upholding Singapore's societal ethos of meritocracy and fairness, by requiring that companies give fair opportunities to all Singaporeans who are qualified for the job.

This consideration extends to women as well. Societies and countries that treat women more equally or more fairly do better, not just economically, but also in terms of social and personal well being – for instance, countries that scored in the top quintile of the UNDP's Gender Inequality Index had an overall life satisfaction score of 6.4, higher than the world average of 5.3. Women in Singapore, having been well educated, do aspire to have a meaningful career. It is imperative for us as a society to consider, and reconsider, women's role in our family, our workplace and our society. If the family and the society do not facilitate the balancing of demands from the workplace and from the family, women will be forced to choose, with great reluctance, one over the other. Either way is not ideal for the women, nor the society.

I believe that with better sharing of responsibilities in the family, and a more conducive and supportive workplace, women can have both – a good family and a good career. A supportive husband will also assure their wives and make them better parents. The Government has signalled the need for better sharing of parental responsibilities. Under our enhanced Marriage and Parenthood Package 2013, fathers of newborns now have a week of paternity leave and the option of another week of shared parental leave, in addition to existing child care leave and infant care leave. It is crucial that we encourage fathers to play a bigger role in parenting responsibilities, as it is only through a friendlier home and work environment – and a harmonious one, I dare say – that women can fulfil both family and work commitments.

Companies are encouraged to adopt more family-friendly workplaces and practices to help employees balance between their work and family commitments. Family-friendly work practices are important in supporting men too, as they assume more responsibilities in the family and in parenting roles. Companies that have made the effort to adopt family-friendly practices have found that it improves their workplace morale, boost productivity and retains their talent.

BusAds, a local SME which received the Exemplary Employer Award by TAFEP in 2012, decided to give its employees the choice of working from home at least two days a week. Many of its employees appreciate this arrangement, which allows them to manage their work and family

commitments more effectively. The company found that the positive impact translated into greater productivity and lower turnover rates.

When we as a society encourage both young women and men to start families of their own, and still enable them to pursue a meaningful career; when the tone in the society towards pursuit of family and career is seen as positive and interdependent, rather than opposing goals; then Singapore society will truly thrive. Women in Singapore have the same aspirations as our men, to pursue both family and career goals. Surely that is not too much to ask?

I applaud the Securities Investors Association Singapore (SIAS) for putting together this important conference and for improving corporate governance in Singapore.

Thank you.