

# SINGAPORE BOARDS & DIRECTORS

Of Those who Govern and Direct

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o provide insights into the important roles that directors play in the governance of firms, the Singapore Institute of Directors (SID) and Institute of Singapore Chartered Accountants (ISCA) – in partnership with Handshakes<sup>1</sup>; Nanyang Business

School, Nanyang Technological University; NUS Business School, National University of Singapore; Deloitte Singapore, and supported by the Singapore Exchange (SGX) – conducted a comprehensive study of the boards of 717 companies, business trusts and REITs listed on the SGX as at end-2013. The study examined the structure and composition of boards, director tenure, remuneration, meeting attendance, gender diversity, and multiple directorships. It also documented the state of compliance with relevant aspects of the Singapore Code of Corporate Governance 2012 (the Code).



By  
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<sup>1</sup> Handshakes ([www.handshakes.com.sg](http://www.handshakes.com.sg)) is a data analysis firm that provided data on the 717 SGX-listed firms for the study.







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**Overall, the current level of independence on boards appears to be healthy. There was also almost full compliance (97.7% of all firms) with the Code that there be a strong and independent element on the board, with Independent Directors making up at least one third of the board.**

The 717 firms had a total of 4,839 board seats, which were occupied by 3,670 individual directors. Fourteen per cent (14%) or 100 of the firms are large cap; 15.6% (112) are mid cap, and 70.4% (505) are small cap.<sup>2</sup> Generally, larger firms have more directors on their boards (Table 1). (\*Percentages

in Tables and Figures may not add to 100% due to rounding errors.)

Overall, the current level of independence on boards appears to be healthy. There was also almost full compliance (97.7% of all firms) with the Code that there be a strong and independent element on the board,

with Independent Directors (IDs) making up at least one third of the board. Some 55.1% of all firms have IDs occupying at least half of their boards. Firms incorporated overseas reported a lower total proportion of ID seats compared with Singapore-incorporated firms.

However, Independent Chairs are less common, with only 18.4% of firms having such an arrangement. Further, among firms that should appoint a Lead ID as recommended by the Code, only 54.4% have done so.

In general, IDs tend to be fairly highly educated, with 85% holding an undergraduate degree, a post-graduate degree or some form of professional qualification. Large cap firms appear to have a higher proportion of highly educated directors. The IDs' attendance at board meetings is

**Table 1** Number of Directors and Board Seats

Firms	Number	Directors	Board Seats	Average Board Seats/Firm
Companies	679 (94.70%)	3,505 (93.20%)	4,560 (94.20%)	6.7
Business Trusts	15 (2.10%)	99 (2.60%)	100 (2.10%)	6.7
REITS	23 (3.20%)	157 (4.20%)	179 (3.70%)	7.9
Total	717 (100.00%)	3,761 (100.00%)	4,839 (100.00%)	6.7

<sup>2</sup> Firm market capitalisation categorisation: Large cap (> SGD1 billion); mid cap (between SGD300 million and SGD1 billion) and small cap (< SGD300 million).



relatively high, with 85.5% of them attending over three quarters of the total number of board meetings.

The median board tenure of IDs for all firms is six years. Some 37.6% of IDs in the older firms have been on their boards for more than nine years. The majority of older firms have at least one ID who has been on its board for more than nine years. Multiple directorships are not as large a phenomenon as commonly

thought – only 17.8% of all directors hold multiple directorships. The highest number of board seats held by an individual is 10 while the highest number of ID seats held by an individual is nine. Directors with multiple directorships appear to have better board meeting attendance than single-seat directors, with over 90% of them attending more than three quarters of board meetings, compared to 80% of single-seat directors. This

suggests that directors with multiple directorships do dedicate sufficient time and attention to each directorship that they take on. Directors with multiple directorships also have higher educational qualifications than single-seat directors, with over 75% of them holding at least an undergraduate degree compared to 65.9% of single-seat directors.

The level of disclosure of precise remuneration of directors remains low. Only 31% of firms fully disclosed the remuneration of individual directors on a named basis in compliance with the Code. The size of directors' fees and remuneration appears to be positively correlated to the size of the firm. IDs and Non-Executive Directors (NEDs) in firms in the financial sector also appear to receive higher remuneration than those in other sectors.

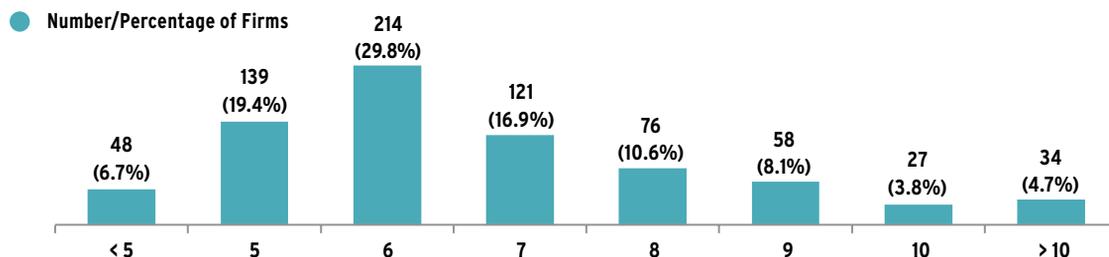
Another area of note is the lack of gender diversity on the boards of listed firms – men take up 90.3% of all board seats.

Let us look at further insights and details of our study.

## BOARD STRUCTURE AND COMPOSITION

The most common board size is six directors. The largest board has 20 directors and the smallest has three. The data shows that predominant board size differs among firms of different market caps. While most large cap firms have eight or more directors (78.0%), the majority of mid and small cap firms have five to seven directors (62.5% and 76.0% respectively) (Figure 1).

Figure 1 Number of Board Members (Board Size)



The 717 firms have a total of 1,649 Executive Director (ED) seats held by 1,615 individuals, 889 NED seats held by 774 individuals and 2,301 ID seats held by 1,508 individuals (Figure 2).

Figure 2 Types of Directors

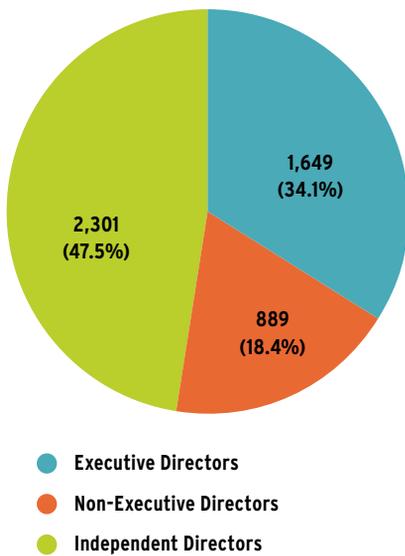


Figure 3 Types of Board Chairs

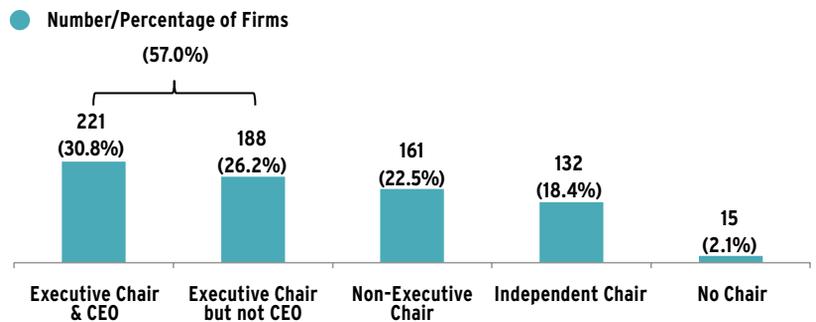


Figure 4 Compliance with Code Guideline 3.3: Presence of Lead ID<sup>3</sup>

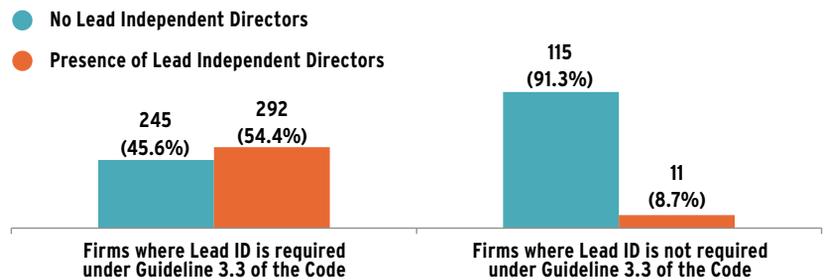


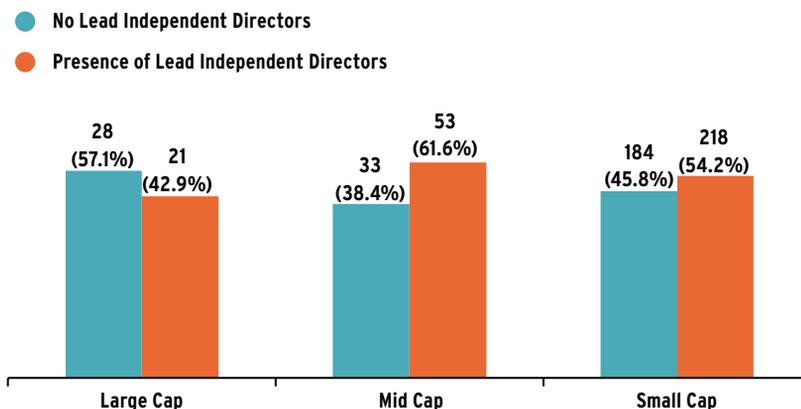
PHOTO: SHUTTERSTOCK

In total, 57.0% of firms have Board Chairs who are EDs. Of these, 30.8% have Board Chairs who are concurrently the firm's CEO while the other 26.2% have executive Board Chairs who are not concurrently the firm's CEO. It is likely that the latter group of Board Chairs comprise former CEOs who may be the founder/controlling shareholder of the firms (Figure 3).

According to Guideline 3.1 of the Code, the Board Chair and the CEO should in principle be separate persons so as to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision-making. Some 69.2% of firms adhere to this Guideline, and have separate Board Chair and CEO positions.

There are 304 Lead ID seats held by 246 individuals. According to Guideline 3.3 of the Code, every firm should appoint an ID to be the Lead ID when the Board Chair and CEO are the same person, Board Chair and CEO are family members, Board Chair is part of the management team, or the Board Chair is not an ID (Figure 4).

Figure 5 Compliance with Code Guideline 3.3: By Firm Size

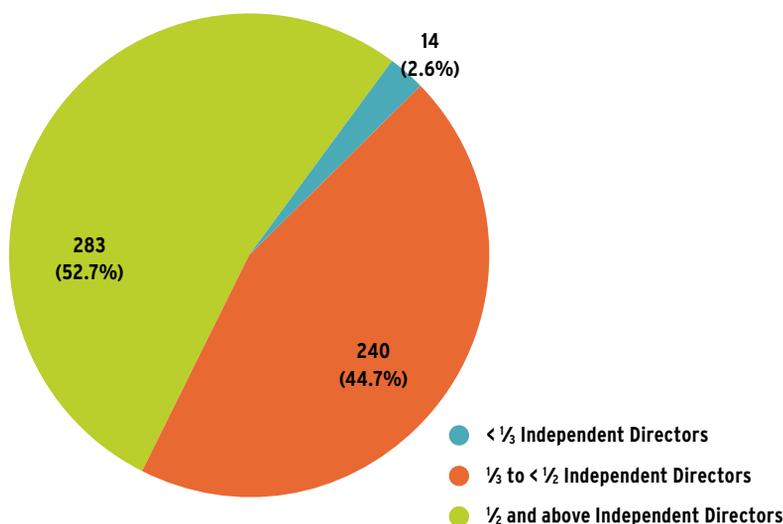


Among firms that fall under the Guideline recommending the appointment of a Lead ID, the data shows that mid cap firms have the highest percentage which have done so (61.6%), followed by small cap firms (54.2%), and then by large cap firms (42.9%) (Figure 5).

Code Guideline 2.2 recommends that IDs should make up at least half

of the board where the Board Chair and the CEO are the same person or are immediate family members, or the Board Chair is part of the management team or not an ID.<sup>4</sup> Among the 537 companies that have a Board Chair falling under these criteria, 52.7% have already met the recommendation to have IDs form at least half the board (Figure 6).

Figure 6 Compliance with Code Guideline 2.2



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**... directors with multiple directorships do dedicate sufficient time and attention to each directorship that they take on. Directors with multiple directorships also have higher educational qualifications than single-seat directors...**

<sup>3</sup> Sample excludes REITs, business trusts and secondary listings.  
<sup>4</sup> Companies have until their financial years beginning on or after 1 May 2016 to comply with this guideline, failing which they will need to explain why there is non-compliance. This is the only guideline in the Code which has not come into effect as of date.

Feedback from practitioners suggests that as large cap firms tend to have more established IDs on their boards, the relatively low proportion of such firms appointing a Lead ID could be due to the difficulty in selecting a lead from among such eminent IDs.

Although ID seats overall make up slightly less than half (47.6%) of all board seats, more than half (54.5%) of all firms have IDs forming at least half of the board (Figure 7).

Figure 7 Proportion of Independent Directors

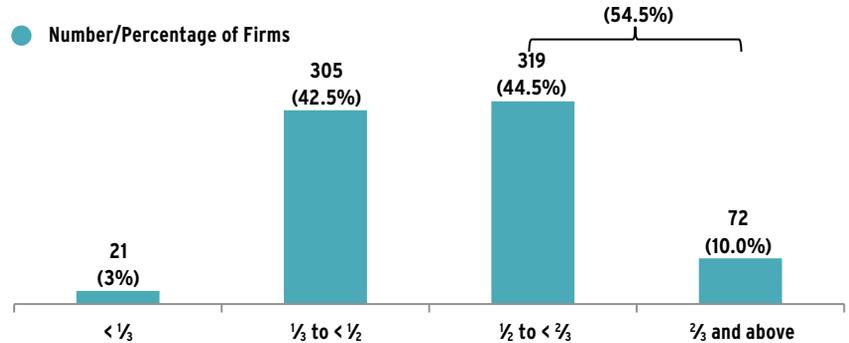


Figure 8 Various Proportions of Independent Directors

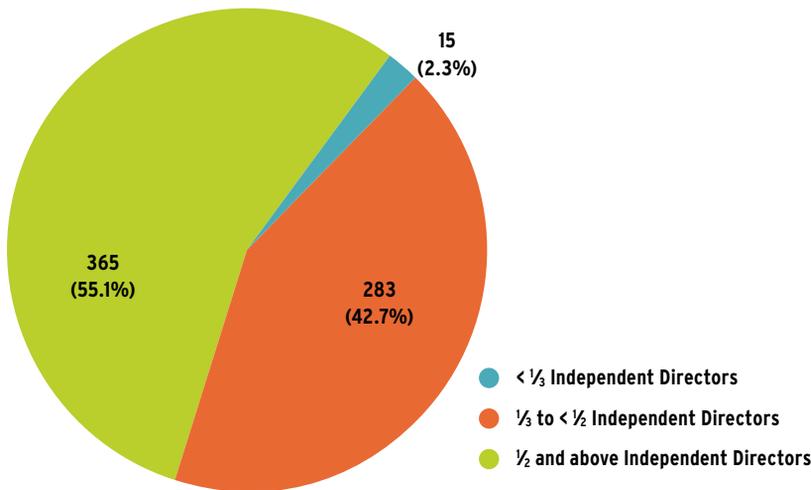
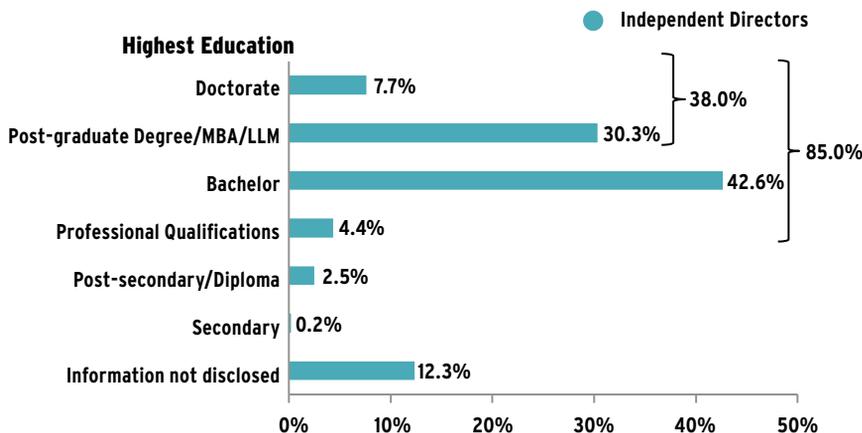


Figure 9 Education Level of Independent Directors: 717 Listed Firms<sup>8</sup>



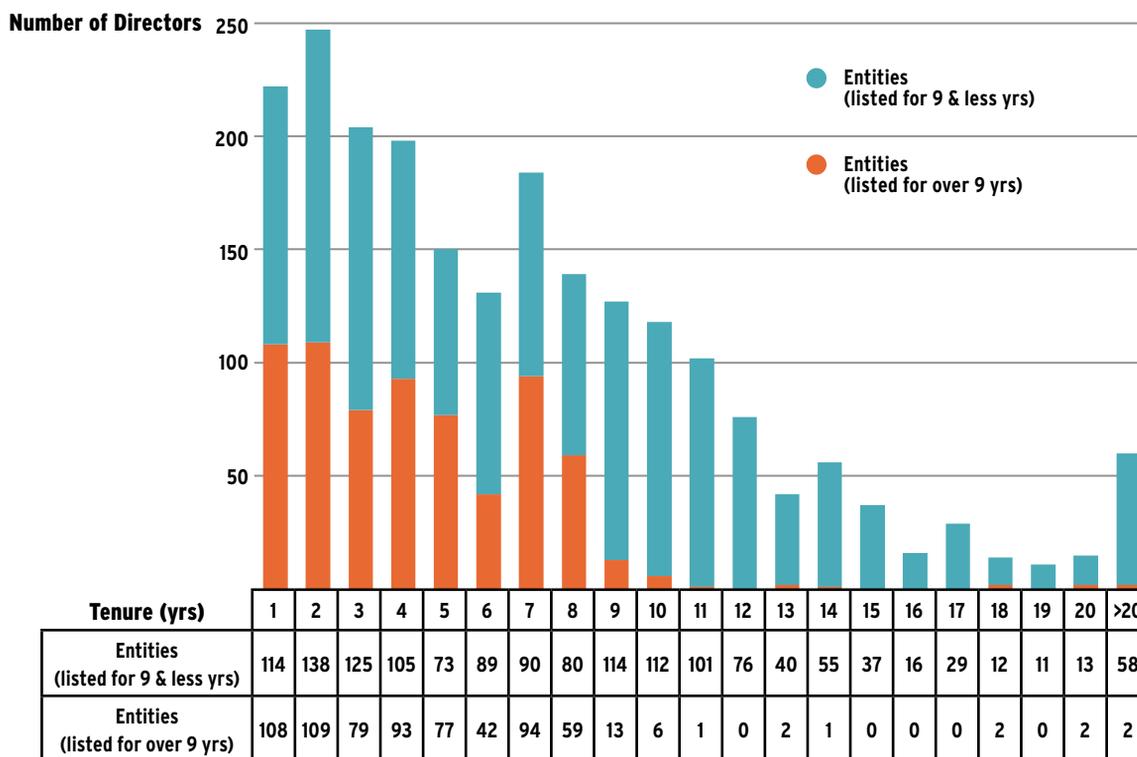
Looking at sectors, firms in the Finance, Real Estate and Transport/Storage/Communications sectors have the highest proportions of firms with at least half of their boards comprising IDs (78%, 50%, and 44% respectively).<sup>5</sup> Temasek-linked companies (TLCs) have relatively higher proportions of IDs, with our data showing 82.1% of TLCs having at least half of their boards comprising IDs, compared to non-TLCs (52.1%).<sup>6</sup>

Code Guideline 2.1 provides that “there should be a strong and independent element on the board, with Independent Directors making up at least one third of the board”. Some 97.7% of all companies are in compliance with this recommendation, with 55.1% going over and above the recommendation by having more than half of their board comprising IDs<sup>7</sup> (Figure 8).

Some 85% of the IDs in the 717 listed firms have a professional qualification, an undergraduate degree or post-graduate education. The data also shows that IDs of large cap firms generally have higher educational qualifications compared with IDs in mid and small cap firms. Some 42.0% of IDs in large cap firms have post-graduate education compared with 38.0% overall (Figure 9).



Figure 10 Tenure of Independent Directors



<sup>5</sup> Sample firms were grouped into seven major industry sectors; these sector classifications were consolidated based on the SGX's 12-category industry categorisation of firms.

<sup>6</sup> A firm is defined as a TLC if Temasek Holdings (Private) Limited has a shareholding of 20% or more in the firm as of FY2013.

<sup>7</sup> Sample here excludes REITS, business trusts, and secondary listings.

<sup>8</sup> Where information was not disclosed or was insufficient, directors were classified in the "Information not disclosed" category.

<sup>9</sup> The length of tenure may not necessarily refer to how long the director was appointed as a firm's ID. Some persons may, for example, have been first appointed as ED and subsequently relinquished his/her executive position and remained on the board for a number of years and may presently be regarded as an ID.

<sup>10</sup> This is to take into account the fact that firms which have not been listed for more than nine years generally do not have IDs serving on their boards for over nine years. This information is taken from 401 firms listed prior to 2005.

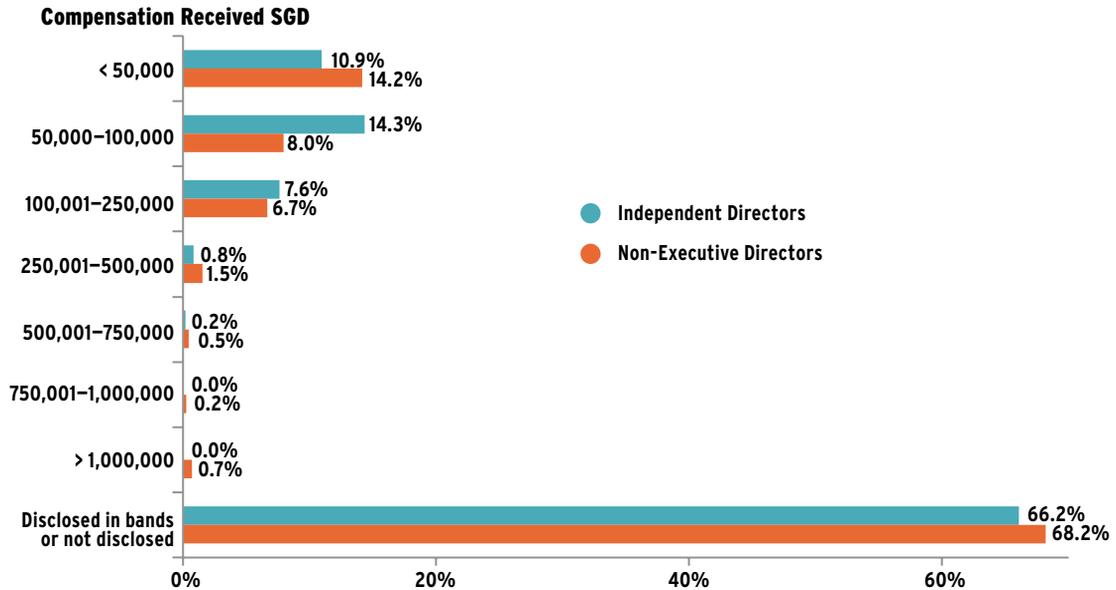
### BOARD TENURE

Information was collected on the tenure of 2,178 IDs, representing 94.7% of ID seats in the sample.<sup>9</sup>

The median board tenure for IDs for all firms is six years while for firms that have been listed on the SGX for more than nine years, the median board tenure for IDs is eight years. Guideline 2.4 of the Code recommends that "the

independence of any director who has served on the board beyond nine years from the date of his first appointment should be subject to particularly rigorous review". Presently, 26.4% of ID seats for which tenure was reported reflect tenures of more than nine years. This proportion increases to 37.6% if only firms listed for over nine years are considered<sup>10</sup> (Figure 10).

**Figure 11** Remuneration of Independent and Non-Executive Directors: Firms with Precise Disclosure



## DIRECTOR REMUNERATION

Guideline 9.2 of the Code recommends that companies fully disclose the remuneration of individual directors on a named basis.<sup>11</sup> Overall, 31% of firms had precise disclosure of directors' annual fees and remuneration. Across sectors, Finance (37.0%), Real Estate (37.1%) and Manufacturing (32.2%) had higher proportions of

firms making precise annual fees and remuneration disclosures.

Some 14.3% of ID seats are remunerated in the range of SGD50,000 to SGD100,000. There are more occurrences of NEDs than IDs having higher levels of remuneration, with 2.9% of NEDs having remuneration of SGD250,000 and above, compared to 1.0% for IDs (Figure 11).

## ATTENDANCE AT BOARD MEETINGS

Some 85.5% of IDs have attendance rates of more than three quarters of the total number of board meetings held (Figure 12). This is comparable to EDs (86.6%), and relatively higher than NEDs, who like the IDs, do not have a daily executive role.

<sup>11</sup> This took effect for firms with annual reports relating to financial years commencing from 1 November 2012.

**Figure 12** Attendance at Board Meetings: 717 Listed Firms

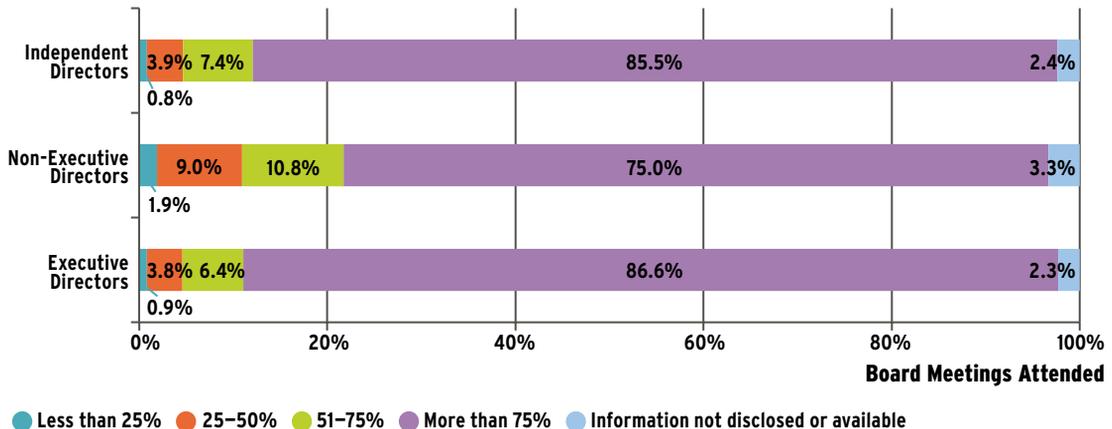
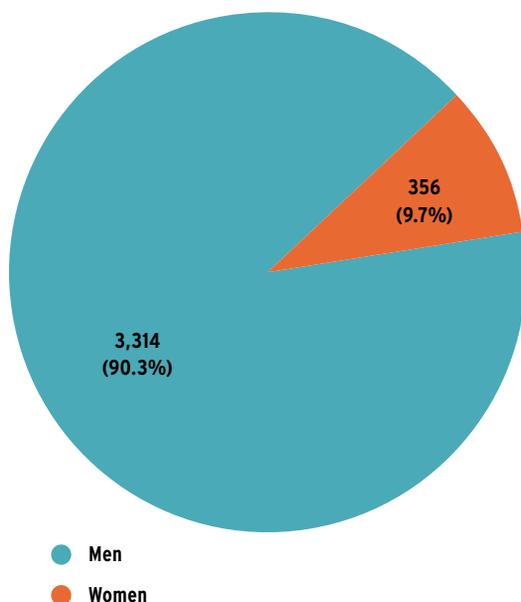


Figure 13 Gender Breakdown of Directors



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**The level of disclosure of precise remuneration of directors remains low. Only 31% of firms fully disclosed the remuneration of individual directors on a named basis in compliance with the Code.**

#### GENDER DIVERSITY

Of the 3,670 directors, 3,314 (90.3%) are men and 356 (9.7%) are women (Figure 13). This finding is generally consistent with other studies on the strong gender bias on boards towards men.

#### MULTIPLE AND CROSS DIRECTORSHIPS

The number of directors with multiple directorships on listed firms are not particularly high. From the full sample, only 17.8% of directors hold more than one board seat (Table 2).

Table 2 Multiple Directorships: Number (% of Total Number of Directors) of Board Seats Held by Individual Directors

	Full Sample	Main Board	Catalist	REITS	Business Trusts
No. of directors with 1 board seat	3,016 (82.20%)	2,369 (79.00%)	495 (69.50%)	89 (56.70%)	63 (63.60%)
No. of directors with 2 board seats	391 (10.70%)	364 (12.10%)	111 (15.60%)	29 (18.50%)	20 (20.20%)
No. of directors with 3 board seats	132 (3.60%)	131 (4.40%)	43 (6.00%)	18 (11.50%)	8 (8.10%)
No. of directors with 4 board seats	63 (1.70%)	64 (2.10%)	34 (4.80%)	11 (7.00%)	5 (5.10%)
No. of directors with 5 board seats	37 (1.00%)	37 (1.20%)	18 (2.50%)	4 (2.50%)	1 (1.00%)
No. of directors with 6 board seats	21 (0.60%)	23 (0.80%)	7 (1.00%)	6 (3.80%)	1 (1.00%)
No. of directors with 7 board seats	2 (0.10%)	2 (0.10%)	1 (0.10%)	0 (0.00%)	0 (0.00%)
No. of directors with 8 board seats	5 (0.10%)	5 (0.20%)	1 (0.10%)	0 (0.00%)	0 (0.00%)
No. of directors with 9 board seats	2 (0.10%)	2 (0.10%)	1 (0.10%)	0 (0.00%)	1 (1.00%)
No. of directors with 10 board seats	1 (0.00%)	1 (0.00%)	1 (0.10%)	0 (0.00%)	0 (0.00%)
Total number of directors	3,670 (100.00%)	2,998 (100.00%)	712 (100.00%)	157 (100.00%)	99 (100.00%)

It is further observed that directors in the finance industry hold the highest proportion of multiple directorships, with 49.5% of them holding more than one board seat. This could be due to the specific financial skill-set required of these directors and the relative shortage of such directors in the finance sector.

Guideline 4.4 of the Code provides that “(w)hen a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company”. However, it should be recognised that different individuals have differing capacities in regard to the number of board seats which they can each hold while still continuing to fulfil their directorial obligations effectively.

One indicator of a director’s participation on boards is his/her attendance at meetings. A low attendance rate could be an indication that a director is unable to devote sufficient time and effort to the board directorships. Surprisingly, the findings show that directors holding multiple directorships have better attendance at board meetings than directors holding only one seat. While only 81.4% of directors holding one

**Table 3 Attendance at Board Meetings: Directors Holding Multiple Directorships<sup>12,13</sup>**

% of Board Meetings Attended	No. of Board Seats Held by Director				
	Overall	1	2 to 4	5 to 7	8 to 10
< 25%	1.20%	1.50%	0.20%	0.00%	0.00%
25% to 50%	5.10%	5.90%	1.20%	0.00%	0.00%
51% to 75%	8.10%	8.30%	7.20%	5.10%	0.00%
> 75%	83.30%	81.40%	91.30%	94.90%	100.00%
NA/ND	2.40%	2.90%	0.20%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

seat attended over three quarters of board meetings, over 90% of directors holding multiple directorships recorded an average attendance of over three quarters of board meetings.

Directors could also take on multiple directorships due to their better ability or talent. One possible gauge of a director’s ability or talent is his/her education level. Overall, the data shows that directors with

multiple directorships have a higher level of education compared to directors holding only one board seat. While only 65.9% of directors holding one board seat possess an undergraduate degree or above, over 75.0% of directors with multiple directorships possess the equivalent qualifications (Table 4).

A director interlock occurs when a firm’s director(s) also sits on the board of another firm which is listed on the SGX. While director interlocks create a network of firms that facilitate the diffusion of organisational practices that may be of value to interlocked firms, director interlocks represent a potential concern as these may expose the company and the relevant directors to potential conflicts of interest. Some 93.2% of firms have at least one director interlock with other SGX-listed firms, and only 6.8% of firms have no director interlocks with other SGX-listed firms.

**Table 4 Directors’ Highest Education Level<sup>14</sup>**

Highest Education	No. of Board Seats Held by Director			
	1	2 to 4	5 to 7	8 to 10
Doctorate	5.40%	5.70%	5.10%	25.00%
Post-graduate Degree	26.60%	28.70%	28.80%	25.00%
Undergraduate Degree	33.90%	47.70%	40.70%	50.00%
Professional Qualifications	2.70%	4.00%	8.50%	0.00%
Post-secondary/Diploma	6.80%	3.20%	3.40%	0.00%
Secondary	1.00%	0.20%	0.00%	0.00%
Insufficient Information	23.60%	10.60%	13.60%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>12</sup> Note for Tables 2 and 3: Attendances figures are average attendance figures. For example, the attendance of a director holding 2 board seats is calculated by taking his average attendance at board meetings held by both boards. This average computation equally weights a director’s attendance at each company’s board meetings regardless of firm or board characteristics (for example, number of board meetings per firm, firm size, etc).

<sup>13</sup> A director may have been reported as not having attended a meeting not only because the director was unable to attend, but also because the director may not have been appointed to the relevant board as yet at the time that the meeting took place.

<sup>14</sup> Where information was not disclosed or insufficient, director was placed in the “insufficient information” category.

<sup>15</sup> Please read more about the full report on the ISCA Research website.



Figure 14 Cross Directorships: Director Interlocks

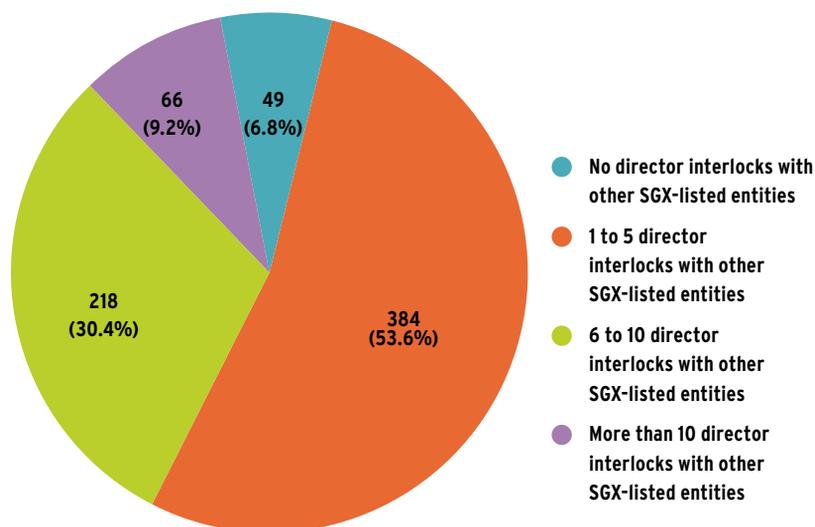


PHOTO: SHUTTERSTOCK

Not only do large cap firms have a higher proportion of firms with interlocks, they also have a higher proportion of “6 to 10” and “more than 10” interlocks than mid and small cap firms. This is likely due to the larger board size of large cap firms (Figure 14).

### CONCLUSION

This study provides a comprehensive snapshot of the state of affairs concerning directors serving on SGX-listed firms. The study can serve as a baseline reference for future studies on trends in corporate governance practices and compliance with the Code, as well as assist in the evolution of policies and practices to enhance Singapore’s corporate governance framework and environment.<sup>15</sup> ISCA

The full report is available at the ISCA Research website at <http://research.isca.org.sg>.

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