

INTERNATIONAL **DIRECTORS** SUMMIT 2019

The Trust Compass: Resetting the Course

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MASTERCLASS #6:

Succession Planning: What Works, What Does Not

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TODAY'S AGENDA

1. Key Roles of the Board & Stewardship Skills Inventory
2. Principles for Board Composition and Refresh
3. Business Case for Diversity of Thought
4. Succession Planning for NEDs and CEO
5. Role of the Nomination Committee
6. Case Studies
7. Summary

Key Roles of the Board & Stewardship Skills Inventory

3 KEY ROLES OF THE BOARD



REGULATORY CONFORMANCE

*Regulatory and legal compliance,
sound governance*



ORGANISATION PERFORMANCE

*Long-term value creation
delivered by management
and key talent*



SUSTAINABILITY & FUTURE PROOFING

*Future-proofing the organisation
to ensure sustainable growth*

STEWARDSHIP SKILLS INVENTORY

REGULATORY CONFORMANCE

- Risk Management
- Integrity & Ethics
- Audit and Compliance
- Accountability
- Financial Literacy

ORGANISATION PERFORMANCE

- Strategic Visioning
- Developing People
- Cross-Cultural Sensitivity
- Change Leadership
- Global Perspective
- Organisation Ambassadorship
- Vaulting

SUSTAINABILITY & FUTURE PROOFING

- Sustainability Management
- Gig Economy Governance
- Technology Ethics
- Cyber Security & Data Protection
- Skills & Organisational Development

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Principles for Board Composition and Refresh

NED ROLES AND RESPONSIBILITIES



PROCESS & PRINCIPLES FOR BOARD REFRESH

1. DEFINE THE NEEDS

- Review **board and board committees composition matrix** to identify **gaps** to be filled immediately / in the near future.
- This includes **skills** which might not be traditionally sought by the sector.

2. MONITOR TERMS

- A board succession planning matrix should be used to **monitor** the Board Directors' and Board Committee members' **terms** and when they are **scheduled to end**.

3. SOURCING

- **Recommendations** from current/retiring Directors or Board Committee members should be considered to **identify qualified, dedicated individuals** for consideration.



6. BOARD EVALUATION

- There should be a **regular performance evaluation** of the Board, its Board Committees and the Board Chairman.
- Preferably be done annually to allow the Board to take a **critical look at the performance**.

5. BOARD TRAINING

- Board succession should be tied directly to a clear **Board education plan**.
- **Continuous education** opportunities for each Director and Committee member should be considered

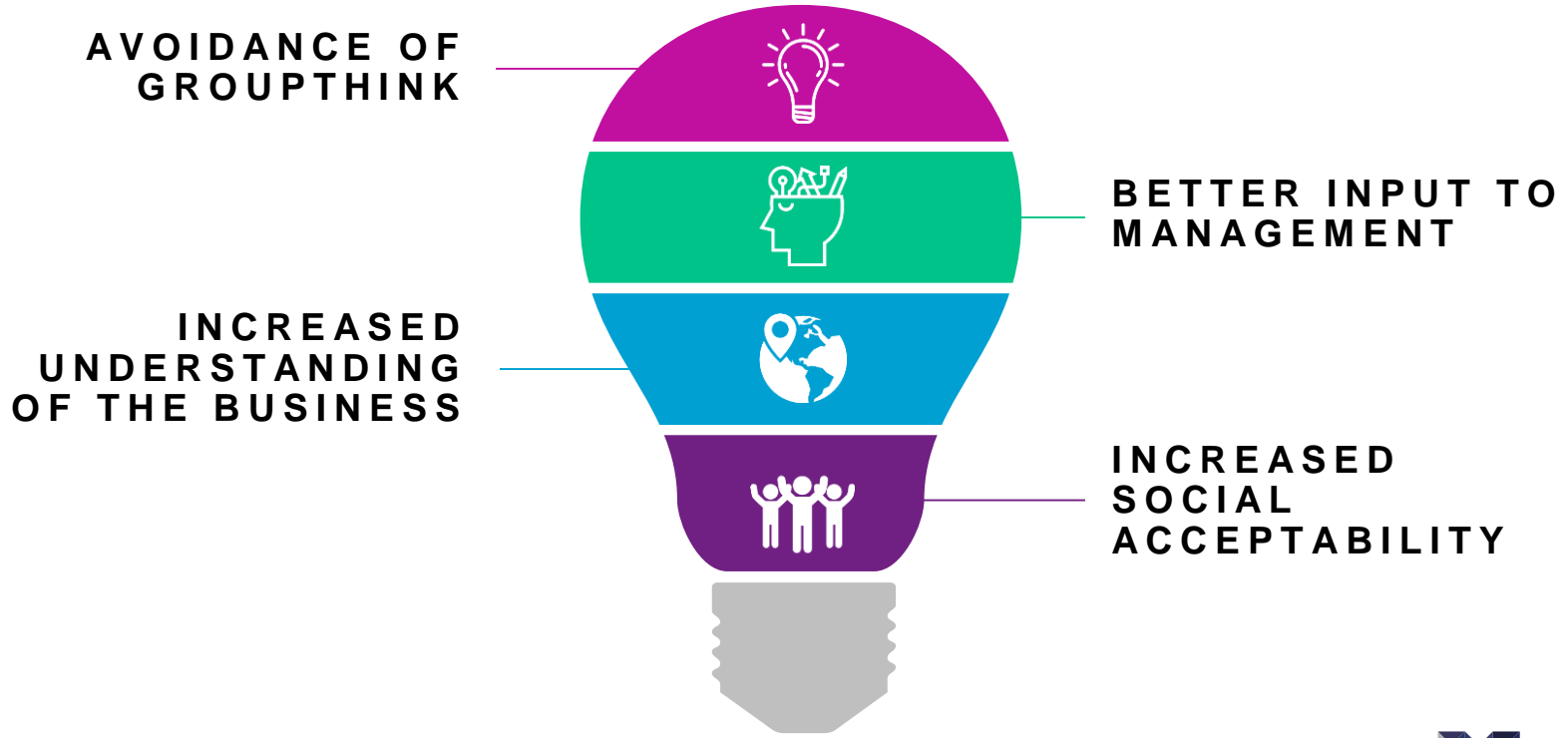
4. MAINTAIN PIPELINE

- Maintain several board members in the **leadership pipeline** to allow for flexibility in choosing the right leaders. The goal is to have a **pool of Board leaders** who have served long enough to demonstrate a strong understanding.

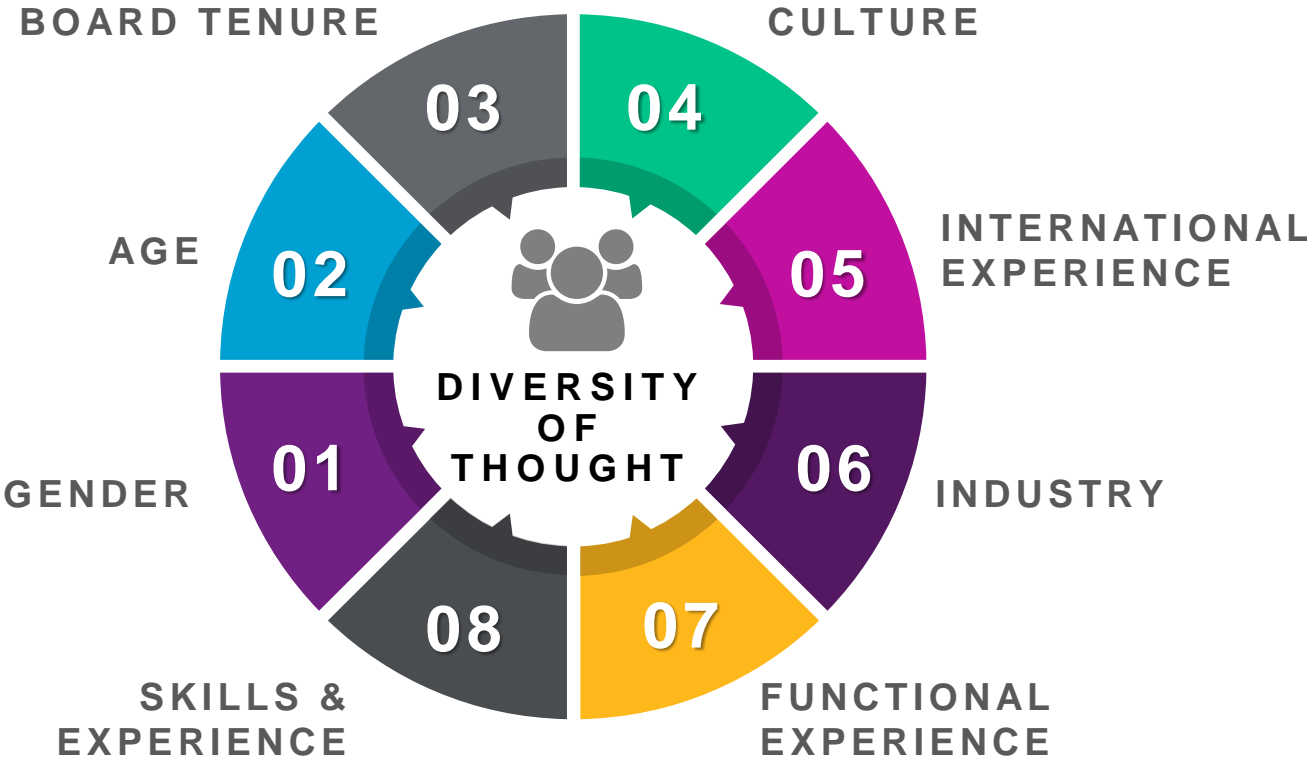


Business Case for Diversity of Thought

WHY BOARD DIVERSITY?



NED SELECTION: FOCUS ON DIVERSITY OF THOUGHT



FRAMEWORK TO ASSESS OVERALL BOARD COMPOSITION

INDEPENDENCE

Balance multiple perspectives from different stakeholders

* Companies with 75% - 80% Independent Boards outperformed others

GENDER

Diverse stewardship styles and more measured decision making

* Boards with 2+ women outperformed others

TENURE

Balancing institutional knowledge and new ideas

* Companies with 8+ years tenure spread outperformed

AGE

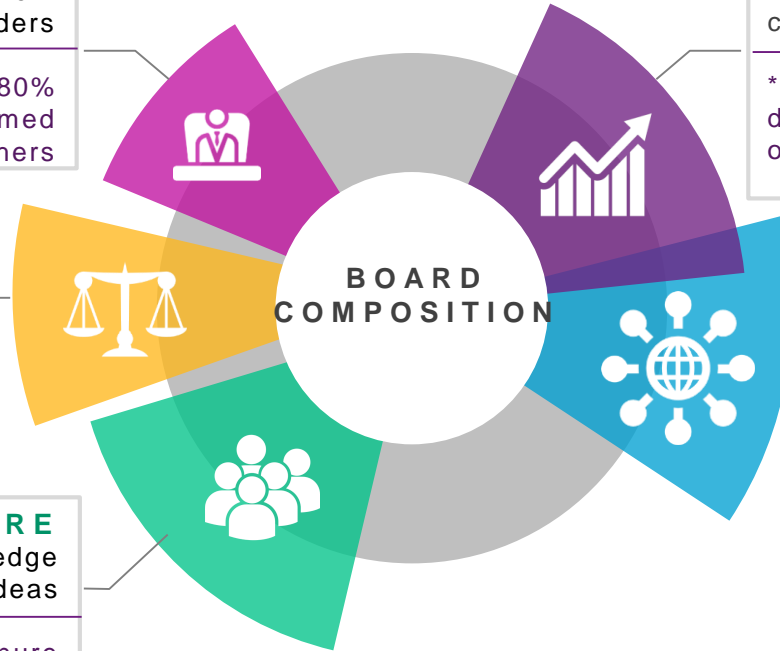
Represent interests of diverse customer demographics

* Companies with one generation difference between youngest and oldest director outperformed others

DOMAIN EXPERTISE

Having the right skills and expertise on the board

* Boards with 4+ domain expertise outperformed others



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Succession Planning for NEDs and CEO

SUCCESSION PLANNING FOR DIRECTORS

1. DEFINE THE NEEDS

- Consider change in **Code, Listing Rules**
- Identify current **gaps in skill, experience, expertise**
- Consider **new skills** and **diversity of thought**

2. MONITOR TERMS

- Maintain **board succession planning matrix / service tenure chart**
- Consider **outgoing Directors** or intent to **resign / retire**

3. SOURCING

- Obtain **referrals** from personal / professional networks
- Appoint advisors to **identify and evaluate candidates**
- **Evaluation considerations:**
 - Other principle commitments
 - Independence
 - Conduct background check

6. BOARD EVALUATION

- There should be a **regular performance evaluation** of the Board, its Board Committees and the Board Chairman.

5. BOARD TRAINING

- **Continuous education** opportunities for each Director and Committee member should be considered

4. MAINTAIN PIPELINE

- Maintain several board members in the **leadership pipeline** to allow for flexibility in choosing the right leaders



SUCCESSION PLANNING FOR CEO

1. DEFINE THE NEEDS

- Clarify **processes and roles**
- Define **strategic context** for succession
- Usually derived by the Board's strategy development with Management

2. DEVELOP CRITERIA

- Develop criteria for candidate assessment
- Identify candidate pools

3. INTERNAL IDENTIFICATION

- Identify and evaluate **prospective candidates internally**
- Identify and implement **developmental actions**



6. TRANSITION

- Develop transition plans for CEO succession

5. ASSESSMENT

- Assess candidate criteria
- Make CEO selection decision

4. EXTERNAL SEARCH

- Conduct **external search** for candidates

ASSESSMENT OF STEWARDSHIP STYLES FOR INDIVIDUAL DIRECTORS

QUALITIES OF AN IDEAL CANDIDATE

- **attitudes and values** align with the organization's mission and vision;
- **skills align with identified gaps on the Board** and/or who are considered **complementary to the Board's strategic priorities**;
- have the ability to **interact positively and productively with others** on the Board, Board Committees and with staff; and
- have served as **volunteer on Board Committees** or projects

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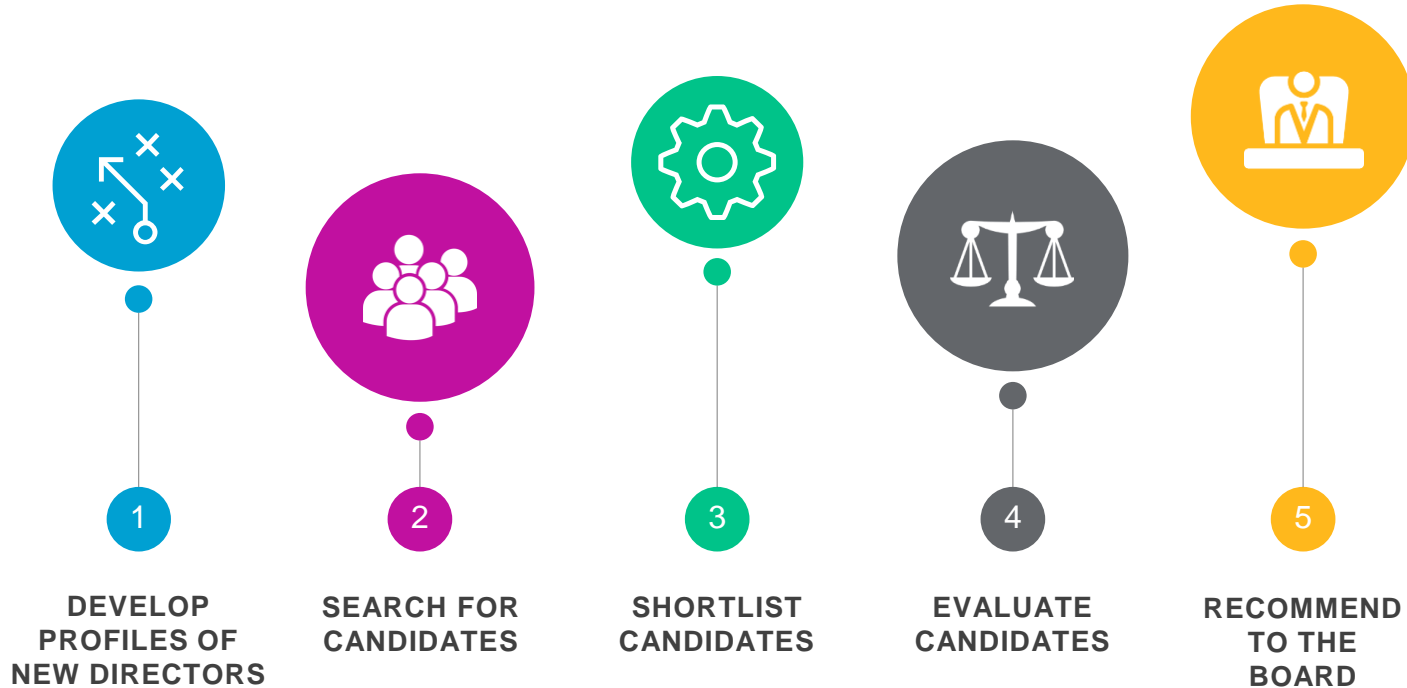
Role of the Nomination Committee



“The Board, and in turn, the Nominations Committee (NC) and Remuneration Committee (RC), must set the tone for the culture in the organization - by placing right people in the right jobs, determining what performance is valued, and which behaviours gets rewarded”

~ CEO of one of Singapore's largest listed Banks

ROLE OF THE NC IN DIRECTOR NOMINATION PROCESS



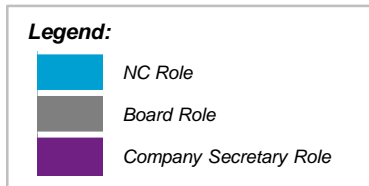
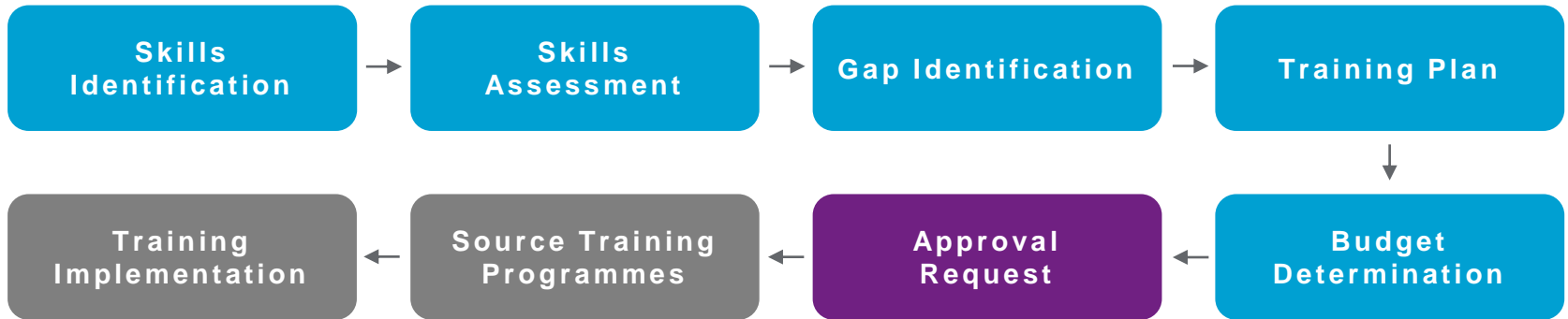
ROLE OF THE NC IN ONBOARDING NEW DIRECTORS

1. Design Onboarding Policy
2. Implement Onboarding Programmes

Element	Onboarding Programmes
Company-specific	<ul style="list-style-type: none">▪ Orientation to company & businesses▪ Face-to-face meetings with key executives▪ Seasoned director mentor▪ Company documents
Industry-specific	<ul style="list-style-type: none">▪ Industry forums / trade organisations▪ Changes in regulations impacting industry
Directorship	<ul style="list-style-type: none">▪ Formal training on governance, enterprise risk, regulatory compliance▪ Committee memberships and participation

3. Monitor & assess new directors' progress and development

ROLE OF THE NC IN DIRECTOR DEVELOPMENT



Case Studies

CASE STUDY 1: CONSTRUCTING A DIVERSE BOARD

! CONTEXT

- Unprecedented **disruption** and **blurring boundaries** in the industry
- Business model **diversification**
- Board of Directors needed the **right skills and experiences**



OUR SOLUTIONS

- Identified **necessary competencies and expertise** and **Board composition** from high-performing global peers
- Provided considerations for **diversity of thought**



- Recommended **considerations** for Board composition
- Perform **current state assessment** on incumbents
- Identify **key gaps** and provide final **recommendations**

CASE STUDY 1: CONSTRUCTING A DIVERSE BOARD

LENSES WHILE LOOKING AT BOARD DIVERSITY



Stewardship Styles

CASE STUDY 1: CONSTRUCTING A DIVERSE BOARD

TOP 5 CONSIDERATIONS IN SOURCING NED CANDIDATES, BASED ON STRATEGIC DIRECTION, COMPARATOR COMPANIES & BEST PRACTICES



Domain Expertise

1. Finance/Audit & Risk Management
2. Marketing/PR
3. Supply Chain/Distribution
4. Organisation Development/Transformation
5. Consulting



Industry Knowledge

1. Retail/FMCG
2. Food & Beverage
3. E-Commerce/Internet Sales
4. Investment Banking/M&A
5. Logistics/Trading



Diversity of Thought

1. At least 1 Non-Independent
2. 2+ women
3. 1-2 NEDs below 45
4. At least 1 Director with 8+ years
5. Multiple domain and industry expertise



Functional Experience

1. Digital transformation
2. Large-scale change
3. Customer centricity
4. New business model
5. P&L/Operations

Stewardship Styles

(Individual candidates to be assessed for their stewardship profiles. It is also important to assess the fit within the board and whether the Board can function well together.)

CASE STUDY 1: CONSTRUCTING A DIVERSE BOARD

GAP ANALYSIS FOR CURRENT BOARD OF DIRECTORS



Domain Expertise

Finance/Audit & Risk Management	High
Marketing/PR	Medium
Supply Chain/Distribution	Low
Organisation Development/Transformation	Gap
Consulting/Professional Services	Medium



Industry Knowledge

Retail/FMCG	Low
Food & Beverage	Gap
E-Commerce/Internet Sales	Low
Investment Banking/M&A	Low
Logistics/Trading	Medium



Diversity of Thought

At least 1 Non-Independent Director	Low
2+ Women	Medium
1 -2 NEDs below 45	Low
At least 1 NED with 8+ years	Gap
NEDs with multiple domain and industry expertise	Medium



Functional Experience

Digital transformation	Gap
Large-scale change	Gap
Customer centricity	Low
New business model	Gap
P&L/Operations	High

CASE STUDY 2: SINGTEL

DIGITAL TRANSFORMATION

1. DEFINE THE NEEDS

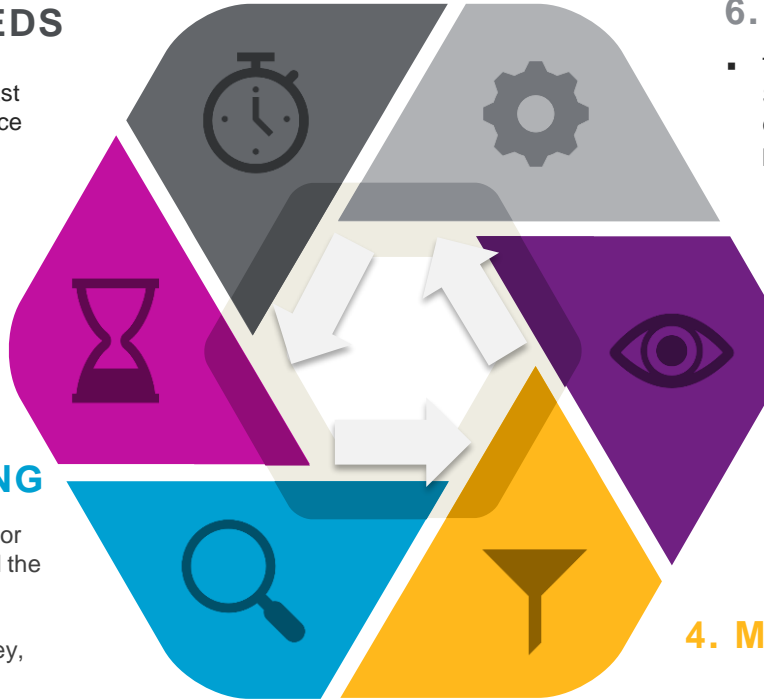
- Singtel wanted to drive their digital transformation strategy and stay abreast with the developments in the telco space
- Identified new **digital** skills required on Singtel's Board

2. MONITOR TERMS

- Maintain guidelines on tenure of the Chairman and Directors (initial term of 3 years)

3. SOURCING

- Sourced for candidates which are suitable for Singtel based on the strategic direction and the needs for new skills
- Sourced for Mr Venky Ganesan, a skilled executive who is well-known in Silicon Valley, the Venture Capital and tech industry



6. BOARD EVALUATION

- There is an annual Board Evaluation for Singtel done by an independent consulting firm to assess the Board's performance

5. BOARD TRAINING

- Directors were briefed on **developments in the markets** which Singtel operates and introduced to **new technologies and advancement** at an annual workshop
- Directors met the **Technology Advisory Panel** and were updated by companies in the digital/technology space on **emerging trends and technology**

4. MAINTAIN PIPELINE

Note: Singtel's case study is solely based on research from Annual Reports and public domain information

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Summary

KEY QUESTIONS THE BOARD SHOULD BE ASKING...

- Is there a structured, rigorous and objective process in place to ensure business continuity related to leadership, and critical roles?
- Am I confident in the tools available to assess potential successors? Do these tools have demonstrated validity/reliability in predicting performance at the executive level?
- Do we have contingencies for both planned and emergency succession?
- Are we clear on the different risks associated with succession and emergency replacements?
- Do we have a clear line of sight into the executive ranks below the executive committee?

How a board handles succession management is viewed as a proxy for the competence and care it brings to its governance responsibilities

Thank You

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