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EXECUTIVE DEBRIEF

THE ROLE OF BOARDS – FIT FOR THE CURRENT TIMES

An initiative of the ECGI Patrons Council

Singapore Roundtable, 15 June 2026

ECGI PATRONS COUNCIL ROUNDTABLE

The Role of Boards — Fit for the Current Times

Monday, 15 June 2026
Hosted by Norges Bank Investment Management, Singapore
(Held under the Chatham House Rule)

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Executive Summary

The ECGI Patrons Council convened a roundtable on *The Role of Boards — Fit for the Current Times* in Singapore on 15 June 2026, bringing together academics, asset owners, and governance practitioners. The discussion addressed three interconnected themes: shareholder activism and the market for corporate control, the governance challenges posed by geopolitical upheaval and technological disruptions, and the types of directors' expertise and independence needed to address today's governance challenges.

Japan's Takeover Regime: A Borrowed Tool, Not Yet a Complete System

Japan's 2023 Guidelines for Corporate Takeovers set out to open a market long resistant to outside discipline, and the data confirmed they worked: hostile bids have risen sharply since 2023, with the Toyota Industries and Seven & i contests showing that legitimacy now turns on process and engagement rather than headline price. The harder question is what comes next. METI's draft June 2026 Q&A lets boards refuse higher bids on bidder credibility or their own prior value-creation efforts, meant to deter opportunistic bidders, but risking a re-legitimization of the entrenchment the 2023 rules were designed to dismantle. The deeper concern was structural: Japan has imported the language of board discretion without yet fully building the special-committee, disclosure, and judicial-review architecture that makes it accountable elsewhere, while cross-shareholding and lifetime employment continue to shift only slowly beneath the new rules.

Geopolitics and AI: Real Risk, No Single Fix

Geopolitics and AI were treated as a single governance challenge, since both raise the same question of whether existing board structures can absorb genuinely new risk.

The clearest conclusion was a negative one: a dedicated geopolitical or AI specialist is the wrong fix, since such an appointment narrows accountability to one person rather than building it across the board, and can itself become a liability in an environment newly sensitive to national affiliation. The more durable model was board-wide proficiency, every director reaching baseline AI fluency, much as financial literacy is expected today, backed by paid external expertise rather than a token appointment. AI compounded its own governance demands: platform choice is now a geopolitical decision, heavier AI-based risk monitoring can increase board workload rather than reduce it, and AI’s dual-use nature complicates life for investors whose exclusion policies were never built for sovereign defense choices.

Board Capacity and Independence: Beyond the Hard Numbers

The final session asked what actually limits board effectiveness once the standard boxes are checked. Two findings stood out. First, board capacity itself, not director quality, is the binding constraint: an unrelated string of regulatory mandates keeps adding to the board's oversight remit, while deliberation time has stayed flat, forcing boards to prioritize and let issues fall through the cracks. Second, the same label, independent director, conceals enormous variation across Asia: most jurisdictions broadened the definition to cover controlling shareholders without changing who appoints or removes the director, by the mid-2010s, Korea’s mandated independent-director seats were increasingly filled by ex-government officials as a lobbying workaround, and Indonesia has abolished the requirement altogether. The deeper reframing: the real flaw is not how independence is defined but who can appoint and remove the person holding it.

SESSION 1: BOARDS, ACTIVISM AND THE MARKET FOR CORPORATE CONTROL

Japan's Governance Reform Architecture: From Soft Law to a New Takeover Regime

Key points

- In Japan, regulatory soft law often functions as de facto hard law.
- METI's new guidance explicitly rejects a U.S.-style duty to sell to the highest bidder.
- That same guidance risks re-legitimizing the management entrenchment the 2023 rules tried to dismantle.
- The rulemaking process itself appears shaped by political lobbying from traditional big business.
- Japan's “no Revlon” framing may be solving the wrong puzzle, since U.S. board protection rests on a far fuller legal architecture than that one doctrine.

Summary

Japan's current reform cycle began with the 2014–15 Corporate Governance and Stewardship Codes, introduced after the collapse of “main bank” oversight, and continued through a 2019 METI guideline on fair M&A and the pivotal 2023 Guidelines for Corporate Takeovers. Although none of this is binding law, the discussion held that it functions close to hard law: visibly disregarding government guidance is costly in Japan's consensus-driven business culture, which is why a non-binding code or Q&A can still move markets and shape M&A outcomes nationwide. The 2023 guidelines directly preceded a jump in hostile activity, four bids in 2024 (two successful) and eight in 2025 (four successful), and markedly more aggressive hedge-fund activism.

METI's June 2026 draft Q&A regarding the interpretation of 2023 Guideline is the latest and most contested layer. It states that the highest price does not automatically define the “desirable” acquisition, explicitly rejecting a Revlon-style duty to maximize sale price, and that bidder credibility, regulatory uncertainty, and a board's own pre-existing value-creation efforts are legitimate grounds to refuse a higher bid. Concern was raised that this could simply hand entrenched management a respectable-sounding excuse to say no to almost anything, undoing the very shift toward openness the guidelines were meant to encourage, and that politicians, under pressure from traditional large corporates unsettled by the recent wave of hostile bids, are actively pushing METI toward this more protective stance. A sharper version of the same worry went further: that comparing Japan only to “no Revlon” is itself a misleading benchmark, since even in the U.S. that duty might not be triggered in many comparable scenarios, real board protection there rests on Unocal/business-judgment doctrine plus a fully built-out special-committee, disclosure, and judicial-review apparatus that Japan has not replicated. On this view, Japan has imported the rhetoric of board discretion without yet fully building the surrounding system that makes such discretion accountable.

Has Japan's Corporate “Ecosystem” Really Changed?

Key points

- A takeover's legitimacy should rest on fair process and genuine engagement, not just price.
- “Long-term value creation” is a rhetorically contested claim invoked by bidders and boards alike, not a neutral standard.
- There is no agreed answer to how many years “long-term” should mean, and patience varies sharply by investor type.
- Cross-shareholding can make ordinary takeover-price benchmarks meaningless.
- Japan's underlying social and economic structures — cross-shareholding, lifetime employment — are changing more slowly than the rules sitting on top of them.
- “Economic security” blocking is applied inconsistently enough to look like discretionary intervention.
- Tools built to discipline boards can take on a momentum regulators never intended.

Summary

Toyota Industries became a textbook “bumpitrage” case: news of the going-private plan leaked early, an activist hedge fund built a stake, and the price was pushed past an offer Toyota had already called “final” before a higher settlement closed the deal months later. Because most of Toyota Industries' value was itself a cross-shareholding stake in Toyota Motor, ordinary price benchmarks broke down, and what ultimately legitimized the deal, more than its price, was Toyota's 260 investor meetings and its CEO's admission that the company had learned to listen to investors rather than rely solely on logic. Seven & i followed a similar arc: a Canadian bidder's unsolicited proposal was raised and withdrawn within about a year as the debate shifted from price to U.S. antitrust and “economic security” concerns, prompting skepticism about whether either side's “long-term value” rhetoric was genuine or self-serving.

Seven & i's board backed a founding-family alternative and moved from an initial, financially engineered standalone plan toward a more fundamental cash-generation and ROIC strategy targeting 2030, fueling the session's sharpest disagreement, over how many years of “long-term value creation” investors should actually wait for: roughly three years for asset managers reviewed on that cycle, versus five-plus for patient, long-duration owners. The same tension ran through the wider roundtable: engagement is improving but still lacks a board-level counterpart, and investor types differ too much for one “stewardship” standard to apply; cross-shareholding has fallen from roughly 35% (1992) to roughly 10% today but unevenly, and lifetime employment is eroding only slowly, leaving open whether activist-driven restructuring is overdue discipline or unwanted disruption. Rising activist intensity also raised conduct concerns (alleged white-knight coordination, broken standstills) and a critique of formulaic capital-allocation responses, while roughly half of contested bids have succeeded and half failed, some blocked on inconsistently applied “economic security” grounds, prompting the closing “Sorcerer's Apprentice” metaphor: a regulatory tool meant to discipline boards that may now be hard to fully control, a tension also echoed in Germany.

SESSION 2: BOARDS AND THE NEW GEOPOLITICS — GOVERNING IN THE AGE OF AI

Geopolitics and the Board: A New Risk Category Without a Ready-Made Owner

Key points

- Whether geopolitical risk is just another financial risk, or something qualitatively different, remains genuinely unresolved.
- Companies are increasingly expected to act as willing or unwilling partners of their home governments on national security.
- Almost no companies disclose where geopolitical-risk oversight actually sits inside the organization.
- A dedicated geopolitical or government-background director is widely seen as the wrong fix for this risk.
- Appointing a director for their political background can itself become a liability.
- Relocating away from a politically sensitive jurisdiction doesn't really erase a company's underlying exposure.
- Concentrated or family ownership may carry real advantages in a turbulent geopolitical environment.

Summary

After a globalization era when capital crossed borders with little thought for supply-chain or national-security exposure, a study of 10-K risk-factor disclosures from 2003 to 2024 found a sharp rise in geopolitical-risk language even though the underlying materiality standard never changed, though some of that rise likely reflects herd behavior in disclosure drafting as much as genuine new analysis. Board composition hasn't kept pace: independent directors with government or military backgrounds remain rare and are actually declining, even as their international exposure rises, and almost no companies disclose where geopolitical-risk oversight actually sits inside the organization. The general counsel's role is reportedly expanding to match, described as becoming 'secretary of state for the CEO'. This left one open question: is geopolitical risk just another category of enterprise risk, or something closer to ESG's 'G' requiring its own expertise and structures, not least because companies are increasingly expected to act as willing or unwilling partners of their home governments on national security, well beyond ordinary profit maximization.

On board structure, the discussion converged quickly against a dedicated geopolitical or government-background director: such a person may understand country risk but not the company's actual commercial risk, and installing them quietly shifts responsibility for geopolitics away from the board as a whole, the same logic Singapore's own governance review applied when it considered, then rejected, mandating a director with cybersecurity credentials. Worse, a director chosen for political background can become a liability in their own right, a politically exposed person in an environment newly sensitive to national affiliation, a risk flagged as especially acute for sovereign wealth funds and state-linked investors. The preferred model instead: the chairman briefs the whole board on the new environment, and management brings in paid expert consultants rather than treating a token director as free in-house expertise.

Examples ranged across geography: a Japanese trading house has dedicated advisory committee to monitor geopolitical issues, while an automotive manufacturer is investing in technologies to reduce its dependence on rare earth materials; an NGO board citing sharply higher insurance costs for climate-related fiduciary work amid political targeting of advocacy groups; and companies relocating away from China-linked identity (dubbed 'Singapore-washing' by critics), though beneficial-ownership rules typically still trace control back to its true source regardless of domicile. A further, more contrarian argument held that concentrated or family ownership, usually criticized for weak independent oversight, may carry real resilience advantages when a board must make fast, unpopular calls under geopolitical pressure.

AI and the Board: A Tool for Value Creation, a Source of New Judgment Calls

Key points

- Choosing an AI platform or ecosystem has become a geopolitical decision, not just a technology choice.
- Heavier use of AI for risk monitoring can increase the board's workload rather than reduce it.
- AI's value for board decision-making differs depending on whether it is used for creative analysis or for risk assessment.
- A company's real AI advantage lies less in adopting AI software than in integrating it with operational technology.
- Every director will likely need baseline AI proficiency within a few years, not just a single specialist.
- AI's dual-use nature creates a genuine dilemma for responsible investors with exclusion policies.
- Boards don't need deep technical expertise in AI, but asking pointed questions is itself meaningful oversight.

Summary

Choosing which AI platform or ecosystem to build on has become a geopolitical decision, not just a technology choice, visible adoption of a Chinese platform complicates standing with the U.S., and vice versa. Smaller economies such as Singapore can straddle both ecosystems for now, but that optionality could disappear quickly if a major power restricted foreign access to its frontier models. Most companies discussed default to Microsoft's AI suite, already embedded and tied to frontier-model partnerships, over Chinese alternatives such as DeepSeek, largely on data-trust grounds; a few larger firms are building proprietary AI instead, though even that risks falling behind externally funded frontier models. This sits inside a wider loop: AI fuels geopolitical rivalry through AI sovereignty and possible techno-blocs, geopolitics fuels the AI race through fear of missing out, governance struggles to keep pace with either, and capital itself may grow scarcer as it is absorbed by AI investment.

On the board itself, AI's use splits in two: as a value-creation tool it can support the long-term valuation analysis boards are increasingly asked to evidence; as a risk-monitoring tool it tends to surface more anomalies, not fewer, adding to an already overloaded board's workload since deciding what to escalate still needs human judgment. The expected norm going forward is not that every director becomes an AI expert but that every director reaches baseline AI proficiency, much as financial literacy is expected today, with oversight of agentic AI built on a few pointed questions (what model it runs on, who is affected, what deploying it actually changes) that put technical teams on notice more than they test the board's own technical mastery. It was also argued that AI's real payoff depends less on adopting AI software than on how deeply it is integrated with existing operational technology, treated by some manufacturers as social infrastructure in its own right. A further dimension was AI's dual-use nature: the same technology can serve defense and offense alike, complicating life for responsible investors with exclusion lists once a government has made its own sovereign choice to pursue weapons capability, alongside a broader call for transparency in how AI is designed and tested, disclosure to users, proportionate risk management, and human oversight of effects on vulnerable groups.

SESSION 3: BOARD DYNAMICS — BEYOND THE HARD NUMBERS

Specialist Directors and Board Overload: Why Composition Isn't the Whole Answer

Key points

- Boards of large companies have been facing increased regulatory and societal demands. In response, companies have rethought the issue of board expertise (the specific skillsets and experience directors possess).
- Evidence shows that companies have been (1) putting heavier emphasis on disclosing directors' expertise to investors, and (2) increasingly appointing narrow subject-matter experts (such as "the cyber director" or "the climate director").
- This new emphasis on expertise disclosure, typically handled through a "skills matrix", too often leads to unverified "cheap talk" disclosurewhich lacks reliability and comparability (the same director can claim cyber expertise on one board and not on another).
- New additions of narrow subject-matter experts too often look like a hasty reaction to one-size-fits-all external pressures rather than an organic firm-specific response.
- Counterintuitively, adding new types of expertise to a board can backfire through authority bias: colleagues stop engaging with a topic once a named expert owns it, while that specialist tends to stay passive during core strategy discussions, contributing only when their specific domain comes up on the agenda.
- Subject-matter expertise adds genuine value when the risk is bounded, technical, and mission-critical.To illustrate, in the Boeing case a court required the addition of aviation and engineering-safety expertise to a board previously dominated by finance and marketing backgrounds.
- Beyond the issue of board composition (that is, even if all directors are genuinely experts and independent), a deeper constraint on board effectiveness in 2026 is the growing mismatch between the board's expanding remit and its fixed capacity.
- Each new regulatory mandate to "elevate oversight to the board" makes sense when viewed in isolation, but together they compete for the same limited agenda slots.

- Board Overload is a resource constraint rather than a mere knowledge problem; consequently, more director training alone will not fix it.

Summary

Skills-matrix disclosure has spread rapidly, from roughly 14% of S&P 500 companies in 2016 to about 80% today. Matrix categories expanded from about six to nine or ten, with a significant spike in appointing narrow subject-matter experts, adding cyber, AI, and geopolitics. The roundtable discussion urged caution regarding this trend for two reasons: first, the disclosure itself is unverified and incomparable. Second, much of the shift looks like a generic response to one-size-fits-all regulatory pressures rather than a genuine, firm-specific assessment of need.

The investor side of the roundtable largely agreed with these observations, noting that a board should emphasize industry-specific expertise, while finding ways to bring in outside perspectives. The ease of gaming these disclosures was illustrated concretely: at one AGM, directors were credited with legal experience based on nothing more than reviewing contracts. Most of Asia still uses simple yes/no skill checkboxes rather than the more granular self-assessment some other markets now apply.

On board overload, capacity has stayed roughly flat, about ten directors meeting eight times a year. At the same time, a long, unrelated string of regulations (anti-money-laundering rules after 9/11, cybersecurity rules after mid-2010s bank attacks, healthcare-fraud rules, EU climate and supply-chain-diligence rules, and so on) has each separately mandated board involvement in the oversight of multiple issues. While each mandate is sensible on its own, they collectively fight for the same fixed hours of boardroom collective deliberation.

Because the prioritization challenge stems from a resource bottleneck (rather than a specific task bottleneck), more director training cannot resolve it. Some boards respond to overload by drifting into micromanagement: adding constantly-updated dashboards and informal check-ins between meetings, in ways that veer away from the old boardroom adage of “noses in, fingers out.”

Independent Directors in Asia: Same Label, Very Different Function

Key points

- The same label, “independent director,” describes very different roles and people across Asian markets — what one participant termed “faux convergence”: convergence in form concealing divergence in function.
- The deepest unresolved problem with independence is who can appoint and remove the director.
- Most Asian jurisdictions broadened independence to cover controlling shareholders in definition only, not in who controls the seat.
- The diverse functions that independent directors have performed across Asia’s major economies are exemplified by Korea, where, by the mid-2010s, the mandated seats

were increasingly filled by ex-government officials as a workaround for strict lobbying restrictions — a function far removed from the monitoring role the concept was designed to perform.
- Singapore and several other major Asian jurisdictions have pushed independence toward real functional substance over time.
- Indonesia abolishing independent directors entirely shows that Western governance norms are no longer the only available template.
- Delaware's own recent reform arguably made independence determinations less clear in controlled companies — ironically, since the reform was ostensibly undertaken to make the definition of independence clearer.

Summary

A 2017 research project found that, on paper, Asia's leading economies do more to promote or require independent directors than many leading Western economies, even as the literature kept describing Asian boards as insider-dominated. The concept itself is a 1970s U.S. invention built for dispersed-shareholder problems, and is ironically now becoming more central in the U.S. itself as concentrated controllers move to the fore there, prompting new Delaware legislation on an issue Asia has lived with for decades. As the concept spread, the label traveled faster than the substance: a survey of 245 governance codes across 87 jurisdictions — drawn from ECGI's own code collection — found that every code referenced independent directors, yet nearly 15% never defined the term. Initially, almost every Asian jurisdiction except Singapore broadened the definition to cover controlling shareholders too, but almost none changed who actually elects or removes that director, so the controller typically still holds that power. Singapore adopted the broader definition only in 2012, then went further — tightening the shareholding threshold in its definition of independence from 10% to 5% in 2018 and hardening a once-soft nine-year tenure limit into a strict rule in 2023. In Korea, the role exists largely because the IMF made it a bailout condition, and by the mid-2010s the mandated seats were increasingly filled by ex-government officials as a workaround for strict anti-lobbying rules.

Indonesia went further still: in 2018 it did what had previously seemed unthinkable and formally abolished the requirement altogether. The original transplant had been an IMF-era imposition on Indonesia's civil-law, two-tier board tradition, and the requirement came to be seen domestically as functionally redundant; with its repeal, independent commissioners on the separate supervisory board — rather than independent directors — became the focal point for board independence. Within a year of the abolition, 81% of Indonesia's largest listed companies that had previously reported independent directors had none; today, not one of the largest Indonesian listed companies reports having any — a shift linked to a more multipolar world in which Indonesia no longer depends on a single Western standard-setter. The roundtable's deeper reframing was that the real flaw isn't the definition of independence but who can appoint and remove the director, since that power still usually sits with the controller. Italy and Israel have experimented with letting minority shareholders appoint their own director, and Malaysia is reportedly considering something similar, though adoption elsewhere remains rare. The closing synthesis tied this back to board dynamics generally: a good board is a functioning team,

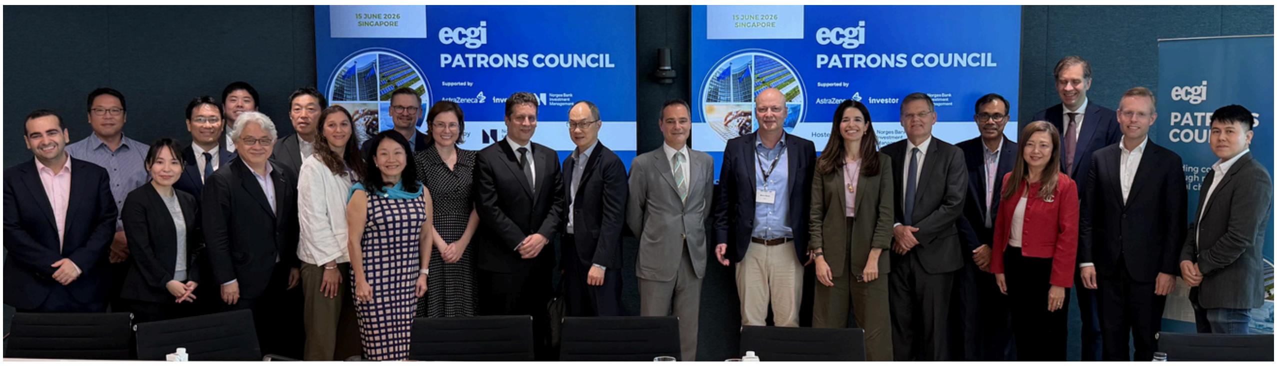
not a checklist, shaped by the chairman's style and personal chemistry, which is also why some active owners now seek direct board representation rather than relying on engagement alone. Even Delaware’s recent reform — ostensibly undertaken to make independence determinations clearer — has arguably made them less clear in controlled companies, a reminder that this confusion is no longer confined to Asia.

CONCLUDING REMARKS

Japan's takeover framework has opened the market, but legitimacy in contested deals now turns on process and engagement rather than price. METI's June 2026 Q&A risks reversing that by giving boards grounds to refuse higher bids before the institutional infrastructure — special committees, disclosure standards, judicial review — to make such refusals accountable actually exists. The rules have moved faster than the system built to support them.

On geopolitics and AI, appointing a specialist director was challenged as shifting rather than building accountability, and introducing its own risks for state-linked investors. In practice, the expanding role of the general counsel, increasingly a de facto "secretary of state for the CEO", reflects how companies are actually absorbing geopolitical risk below board level. At board level, wide proficiency backed by external expertise was the preferred model. On AI, its value splits between a creative analytical function and a risk-monitoring one that generates more work rather than less; platform choice has become a geopolitical decision; and its dual-use nature creates dilemmas for responsible investors that existing exclusion frameworks were not built to handle.

On boards, skills-matrix disclosure has expanded but remains largely unverified.And deliberation time has not grown to match the expanding remit, a structural problem that specialist appointments cannot fix. On independence, broadening its definition to cover controlling shareholders across Asian jurisdictions has not changed who controls nominations and removals. The Temasek model, where a significant shareholder consults other institutional investors before acting on nominations, was held up as more functional, and some active owners are moving toward direct board representation as a result. The session's closing point was the simplest: an effective board is a functioning team shaped by the chairman's style, and no skills matrix captures that.



SUGGESTED RESOURCES

Session 1 — Boards, Activism and the Market for Corporate Control

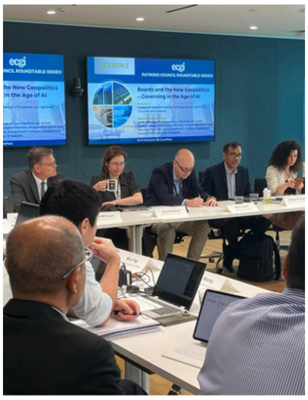
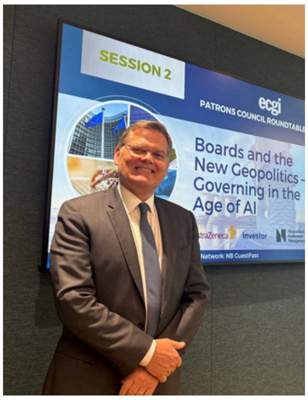
- METI, Guidelines for Corporate Takeovers (2023)
- METI, Draft Q&A on the Guidelines for Corporate Takeovers (June 2026, open for public comment until early July 2026)
- Tokyo Stock Exchange, Institutional Investor Interviews.
- Dan W. Puchniak and Masafumi Nakahigashi, "The Enigma of Hostile Takeovers in Japan: Bidder Beware" (2018) 15(1) Berkeley Business Law Journal 4.

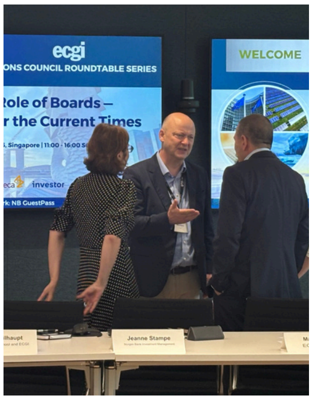
Session 2 — Boards and the New Geopolitics — Governing in the Age of AI

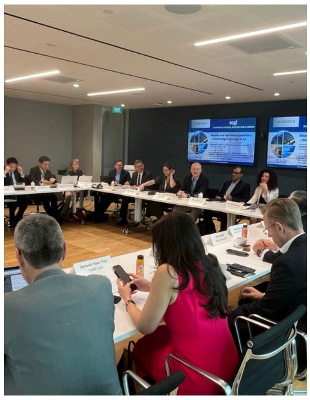
- Curtis J. Milhaupt, Corporate Governance in an Era of Geoeconomics, J. Corp. L. Stud. (forthcoming 2025).
- Yuelin T. Yang, SECURITY framework presentation.
- The Conference Board, Governing AI 2026: S&P 500 Board Preparedness (April 2026).

Session 3 — Board Dynamics — Beyond the Hard Numbers

- Shapira, Roy and Eckstein, Asaf and Shillo, Ariel, Board Overload. Forthcoming, Washington University Law Review, European Corporate Governance Institute - Law Working Paper No. 911/2026.
- Shapira, Roy and Nili, Yaron, Specialist Directors. 41 Yale Journal on Regulation 652 (2024), European Corporate Governance Institute - Law Working Paper No. 742/2023, Univ. of Wisconsin Legal Studies Research Paper No. 1790.
- Dan W. Puchniak, Harald Baum and Luke Nottage (eds.), Independent Directors in Asia: A Historical, Contextual and Comparative Approach (Cambridge University Press, 2017).
- Dan W. Puchniak and Luh Luh Lan, Independent Directors in Singapore: Puzzling Compliance Requiring Explanation, 65 American Journal of Comparative Law 265 (2017).
- Royhan Akbar, Nathaniel Mangunsong and Dan W. Puchniak, The Abolition of Independent Directors in Indonesia: Rationally Autochthonous or Foolishly Idiosyncratic? (ECGI Working Paper N° 802/2024, 2024)
- Gen Goto and Dan W. Puchniak, Faux Convergence in Asian Corporate Governance: Unmasking the Illusion of Anglo-American Transplants, in Inter-Asian Law 25 (Matthew S. Erie and Ching-Fu Lin eds., Cambridge University Press, 2026).





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