Chapter 3 – Diversity

- Diversity is an important driver of board effectiveness and quality decision-making. A high-performance board should have an appropriate balance of skills, experience and diversity of perspectives.
- Issuers are encouraged to adopt an inclusive mindset and consider different aspects of diversity - including but not limited to gender, age, cultural and educational background, and professional experience.

Board diversity

Gender diversity on the board

1. Issuers are required to have at least one director of a different gender on the board[68]. An issuer that fails to comply with this requirement (for example, where the sole director of a different gender resigns) must immediately publish an announcement containing the relevant details and reasons[69]. That issuer must then appoint appropriate member(s) to the board to re-comply with such requirement within three months after failing to meet it.

2. Issuers should continue to assess their own circumstances and needs; and strive to commit to gender diversity targets beyond the required minimum of one.

Role of the nomination committee

3. Issuers should have at least one director of a different gender on the nomination committee[70]. A nomination committee comprising members of diverse backgrounds and perspectives can help reduce cognitive biases, expand the committee's connections for recruitment purposes, and promote greater diversity in the boardroom.

4. The director nomination process should be appropriately structured so that a diverse range of candidates are considered. There should also be transparency in the consideration of diversity during such a process.

5. The nomination committee should use the board skills matrix and the periodic board performance reviews to assess the mix of competencies and diversity on the board, identify whether there are any gaps in the board's collective skillset, and formulate and/or revise the issuer's succession plans accordingly. It should take a holistic and strategic view of the closely linked issues of board composition, diversity commitments and succession planning.

[68] MB Rule 13.92(2) / GEM Rule 17.104(2).
[69] MB Rule 13.92(2) / GEM Rule 17.104(2).
[70] CP B.3.5.

6. To learn more about the role of the nomination committee, please see the section on Nomination Committee.

Diversity policy

7. Issuers should integrate diversity into their strategies and operations. Efforts to promote greater diversity and inclusion should extend beyond the boardroom to senior management and the wider workforce. Issuers are encouraged to consider different aspects of diversity - including but not limited to gender, age, cultural and educational background, and professional experience.

8. The Listing Rules require issuers to have and disclose a diversity policy for the board and the workforce (including senior management) [71]. The diversity policy can be a standalone document, or it can form part of an issuer's other firmwide / organizational document.

9. The board diversity policy should include measurable objectives (e.g. numerical targets and timelines) for the promotion of board diversity. The board is required to monitor the implementation of the policy and review it annually to ensure it remains fit for purpose. An annual review is required even if an issuer has achieved its current diversity objective.

10. Having a workforce diversity policy in place can assist issuers to set targets and objectives across the entire company, not just at the board level, and support the development of a diverse pipeline for succession. Since the demographics in a particular industry or country where an issuer operates may make it more challenging to formulate diversity targets at a workforce level, there is no requirement for issuers to set measurable objectives for workforce diversity.

11. Issuers are required to disclose the gender ratios of their (i) senior management and (ii) workforce (excluding senior management). For the workforce gender ratio, issuers may disclose by categories of employees e.g. by level (middle management and rank and file), and/or by function (technical, administrative, or production) [72].

[71] MB Rule 13.92(1) / GEM Rule 17.104(1) and MDR paragraph J.
[72] MDR paragraph J(c).

Practical considerations when formulating a diversity policy

- Articulate the benefits of diversity, including gender diversity, and the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent.
- Express the issuer's commitment to diversity at all levels, including gender, age, cultural and educational background, and professional experience.
- Assess the issuer's diversity profile annually, including the gender balance of directors and senior management and their direct reports, and its progress on achieving its diversity objectives.
- Ensure that the recruitment and selection practices at all levels (from the board downwards) are appropriately structured so that a diverse range of candidates is considered.
- Focus on the development of a diverse pipeline - identify and implement programmes that will assist in building a broader pool of skilled and experienced employees for future senior management and board positions, and report on the outcome of such programmes (e.g. their impact on improving diverse representation at the more senior levels).

Setting targets and objectives

Board level

12. Examples of diversity targets beyond the required minimum of one director of a different gender on the board include: (i) achieving specific numerical targets for the proportion of women on the board and in senior executive roles within a specified timeframe; and (ii) applying diversity targets to the key committees of the board.

13. Where an issuer revises a diversity target or deadline, or a new circumstance arises that makes it difficult for an issuer to fulfill their stated diversity commitments, the issuer should provide a reasoned explanation in the corporate governance report and set out its revised target or deadline.

Workforce level

14. While it is not mandatory for issuers to set measurable objectives for workforce diversity, when establishing their workforce diversity policy, issuers are encouraged to focus on how they can better improve diversity and inclusion beyond the boardroom.

Useful resources

15. Please refer to the Exchange's Board Diversity Hub for more resources on diversity and inclusion, including thought leadership publications, board diversity statistics, and practical tips for issuers and potential board candidates.