



婦女事務委員會
Women's Commission

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Corporate Communications Department
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Dear Sir / Madam,

Consultation Paper on
Review of the Code on Corporate Governance Practices and Associated Listing Rules

First of all, we wish to congratulate the Hong Kong Stock Exchange (“the Exchange”) on your initiative to publish the Consultation Paper on “Review of the Code on Corporate Governance Practices and Associated Listing Rules” (“the Consultation”). It is a timely action in line with international practices and we believe that the proposed reform will help to enhance Hong Kong’s position as an international business and financial centre.

In recent years, the Women’s Commission has, on different occasions, expressed its concern about the inadequate participation of women on corporate boards. The Consultation has given us a good opportunity to respond and propose that the Exchange consider adopting a Policy of Gender Diversity to increase the number of women on corporate boards. We believe that such a policy will promote the development of a higher level of corporate governance among the Hong Kong issuers. Allow us to elaborate below on our views and recommendations.

Women's Participation on Corporate Boards

According to a recent survey¹, women only take up 52 of the total 585 corporate board positions, representing 8.9% of board positions in Hong Kong's top companies as listed on the Hang Seng Index in 2009. The percentage compared unfavourably with some major stock indexes, such as UK's FSTE 100 (11.7%) and US' Fortune 500 (14.5%). In Norway, women board members now make up more than 40%, while it is well over 20% in Sweden and Finland. Strikingly, one-third of our Hang Seng Index companies have no women represented on their boards at all.

The apparent under-representation of women on leading corporate boards has raised considerable doubts on whether these companies are adequately utilising available talent and whether sufficient opportunities are given to women to participate in corporate decision making. Given that 53.9% of university graduates are female and that women make up 46.6% of our labour force², we should aspire to see more talented women in Hong Kong rising up within their organisations and reaching the highest positions.

Gender Diversity and Equal Opportunities Raise Level of Corporate Governance

Promoting equal participation of women and men in decision-making is one of the objectives of the Women's Commission. We believe that engaging more women in decision-making process benefits society by ensuring that the perspective and concerns of women are fully taken into account.

The composition of corporate boards is one of the fundamental elements that affect the quality of decision-making of a company. Increasing women's participation in senior management and decision-making level will not only advance the status of women, but also increase gender diversity in decision making which would develop a higher level of corporate governance for companies. A balanced board made up of individuals who are able to represent and reflect the diverse views of a company's stakeholders is critical to sound decision making and the ability to exercise objective judgement.

¹ Women on Boards: Hang Seng Index 2009, Shalini Mahtani & Kate Vernon, Community Business, and Dr Ruth Sealy, International Centre for Women Leaders, Cranfield School of Management, 2009

² Women and Men in Hong Kong: Key Statistics, Census and Statistics Department, 2010

In fact, a number of independent researches and studies have demonstrated a clear connection between gender diversity and corporate performance. Some of these studies suggest a positive relationship between greater board diversity and company performance in terms of organisational effectiveness and financial performance. A business case has been established by a research in 2007³ which found that companies with more women on their boards outperformed their rivals with a 42% higher return in sales, 66% higher return on invested capital and 53% higher return on equity.

International examples

The realization of the economic imperative of women in decision making, and the concern over the lack of women in senior decision making positions have rapidly become a global agenda. Over the course of the last ten years, international interest in women on corporate boards has grown significantly, with many countries introducing various forms of positive actions to increase the representation of women on boards. Some noteworthy examples include the application of gender quotas on the proportion of women on corporate boards. In 2008, Norway passed a law requiring corporate boards to have at least 40% women. Spain and France are adopting the same policy. Other alternative measures include revision of listing codes requiring formation of gender parity strategies and disclosure of number of women on the board as seen in **the United States, Australia and Sweden**, etc.. The report released in the UK last month entitled “Women on Boards” recommended a business-led approach in increasing the number of women on boards.

Women Participation in Hong Kong Public Policy Making

The Women’s Commission has been actively taking measures to enhance women’s participation in decision making. In the public policy arena, we have continuously worked with the Government which resulted in the introduction of a gender benchmark of at least 25% on appointment of Government advisory and statutory bodies (“ASBs”) in 2004. Women’s participation rate in ASBs reached the target of 25% in overall terms in December 2005 as compared with 17.5% in December 2000. After a review of the latest situation in early 2010, the Government decided to raise the gender benchmark target from 25% to 30% with effect from June 2010.

³ The Bottom Line: Corporate Performance and Women’s Representation on Boards”, Lois Joy, Nancy M Carter, Harvey M Wagener, Sriram Narayanan, Catalyst, 2007

Our Recommendations

Similar to the measures adopted by the Government to ensure gender diversity in public policy making, we believe that proactive measures should be taken to enhance the percentage of women on board positions in public listed companies in Hong Kong. With the objective of promoting the development of a higher level of corporate governance among Hong Kong issuers, we propose that the Exchange consider-

- 1) introducing a new Recommended Best Practice (RBP) for 25% of corporate boards of public listed companies to constitute women, in line with the Government's initial quota for ASBs, and with an aim of gradually increasing this percentage;
- 2) introducing a new Code Provision for issuers to establish a policy concerning gender diversity in the boardroom, including measurable objectives for implementing the policy, as well as disclosing the policy and the progress made in their annual reports; and
- 3) through the new Code Provision requiring listed companies to disclose in their annual reports the proportion of women on the board, women in senior executive positions and female employees in the whole organisation.

We look forward to receiving your response to our recommendations and would value the opportunity to meet with you to exchange ideas on this important matter.

We wish your Consultation every success.

Yours sincerely,


Angela Au
Chairperson, Women's Committee