

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201209q.doc>.

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree that the Exchange should promote board diversity?

Yes

No

Please give reasons for your views.

As a major international bank with dual primary listings, it is our responsibility both to practise high standards of corporate governance, and to proactively contribute to promoting an environment where such standards operate globally.

We are supportive of board diversity and the principle-based approach suggested by HKEx. The initiative is a positive step towards promoting board diversity as well as good corporate governance. In addition to our own efforts within the Bank, we are committed to helping policy-makers recognise the importance of a diverse and inclusive workplace.

2. If your answer to Q.1 is “yes”, do you agree that our Corporate Governance Code and Corporate Governance Report is the appropriate place for the new measures on board diversity?

Yes

No

Please give reasons for your views.

As one of the main goals of the Exchange is to promote good corporate governance, containing both mandatory and voluntary measures in the Listing Rules and Corporate Governance Code would enhance corporate governance standards. As a dual listed company in Hong Kong and the UK, the incorporation of the new measures on board diversity in the Corporate Governance Code and Corporate Governance Report aligns with the recent revision of the UK Corporate Governance Code to include board diversity as a Code Provision, which is also subject to “comply or explain”.

3. Do you agree with our proposal to introduce CP A.5.6 (*the nomination committee or the board should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report*)? Please give reasons for your views.

Yes

No

Please give reasons for your views.

We note that the “policy” on board diversity should be interpreted in a broader sense. We believe that disclosure of our diversity “approach and practices” should serve the same purpose as disclosure of a “policy”.

4. Do you agree (i) with our proposal to introduce a note under CP A.5.6 to clarify what we mean by diversity; and (ii) with the content of the note? Please give reasons for your views.

(i)
 Yes

No

(ii)
 Yes

No

Please give reasons for your views.

The additional note would give issuers more clarity on the meaning of diversity. We support the contents of the note in such a way that it assumes a broad definition of diversity. It would provide the issuers the flexibility to consider diversity in various ways, by taking into account their own business model and specific needs. This offers the issuers the opportunity to ensure the best fit for all board positions and absolutely ensure that all board appointments are based on merit.

5. Do you agree with our proposal to introduce a new mandatory disclosure provision in the Code stating that if the issuer has a policy concerning diversity, it should disclose details of the board’s policy or a summary of the policy on board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives? Please give reasons for your views.

Yes

No

Please give reasons for your views.

With regard to the disclosure of policy on board diversity, please refer to our comments in Q.3.

With regard to the requirement to disclose measurable objectives and their progress update for implementing the diversity policy, we are generally supportive but note that this should not turn into a quota based approach. Each issuer should be afforded the opportunity to ensure the best fit for all board positions and that a meritocracy based approach should prevail.

For example in the context of gender diversity, a quota system to address female representation on boards is not the answer and could create unintended adverse consequences, including:

- **Diminishing opportunities for boards to embrace other forms of diversity;**
- **An influx of inexperienced directors onto the boards to adversely affect overall board effectiveness and corporate performance**
- **Experienced female directors stretched to sit on a greater number of boards and diluting their time commitment and meaningful impact**
- **Tokenism which would create misperception for existing or incoming female directors as mere beneficiary of a quota system rather than being appointed based on merit**

Instead, it is necessary to address the root cause of the issue and develop a credible supply of board-ready women through a variety of means including leadership and development programs, networking and mentoring opportunities and flexible working practices.

6. Which of the following would you prefer as the implementation date of the amendments set out in this paper?



1 January 2013



1 April 2013



1 June 2013



1 September 2013



Other, please specify and give reasons.

We will be including a description of board diversity, including gender diversity, in the nomination committee report, in line with UK Corporate Governance Code effective from 1 October 2012.

- End -