

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.

The quality of board level decision making is impacted by the rigour to which proposals are subjected prior to their agreement. Where the range of perspectives represented on the decision making body is narrow, that can mean that proposals regarding strategy, or individual operational matters, may not be subjected to an appropriate level of examination and evaluation, and hence the result may be that a board makes decisions which are not in the best interests of the company and its stakeholders. It is in our view right that guidance on corporate governance affirms the importance, for the quality of decision-making, of boards being constituted in such a way as to ensure that there is an adequate balance of skills, experience and perspectives which ensures that decision-making is not disproportionately influenced by one person, group or perspective and, where necessary, ideas are able to be challenged effectively.

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.

Corporate governance guidance is the right place for any new measures on diversity since it is important that individual boards remain in a position to determine how to reflect diversity in their own contexts. Legislation is too rigid a tool and would not be able to provide the flexibility that we consider to be appropriate.

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 agree that each company should have a policy on this matter and that stakeholders are entitled to know what that policy is. In relation to the wording of A5.6 though, it might usefully incorporate a reference to the policy being designed to promote diversity on the board (rather than simply refer to a policy ‘concerning’ diversity). Otherwise, the guidance would risk being ineffectual in terms of achieving real improvements in board diversity.

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.

i) We agree that users should be aware that diversity is to be interpreted so as to encompass all relevant contributory factors.

ii) It might usefully include a first sentence to the effect ‘The policy statement should explain how the company plans to ensure an appropriate balance of skills, experience and perspectives as referred to in principle A3.’

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.

Details of the policy will be of material interest to some stakeholders and thus should be disclosed. We suggest however that the passage 'if the issuer has a policy regarding diversity' should be dropped: all issuers should have such a policy.

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.

- End -