

SpencerStuart

HKEX
香港交易所

Corporate Governance Overview from a Global Landscape 企業管治的全球趨勢

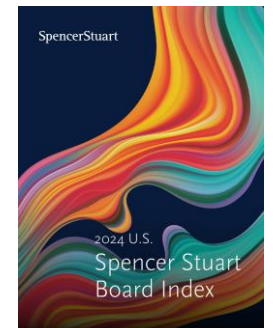
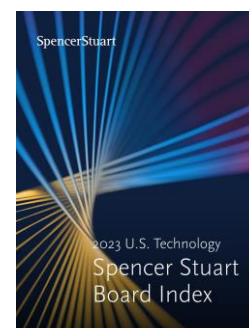
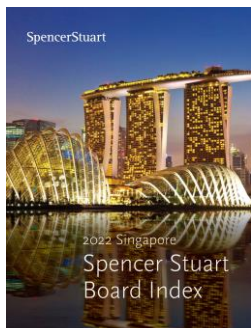
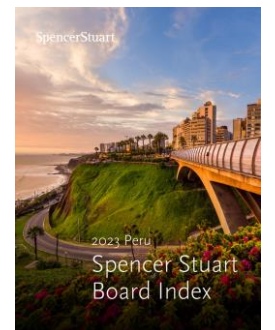
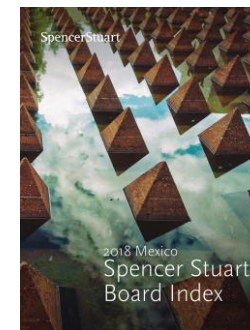
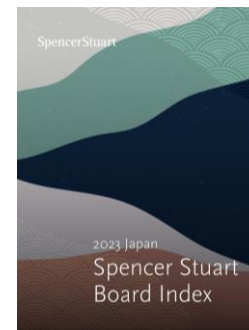
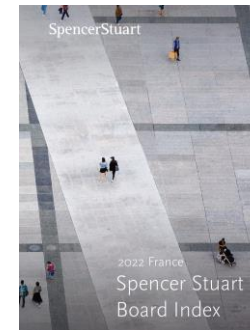
Prepared for: HKEX ESG Academy

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Asia Pacific, Spencer Stuart

October 2024



Spencer Stuart Board Indexes published in over 20 countries....



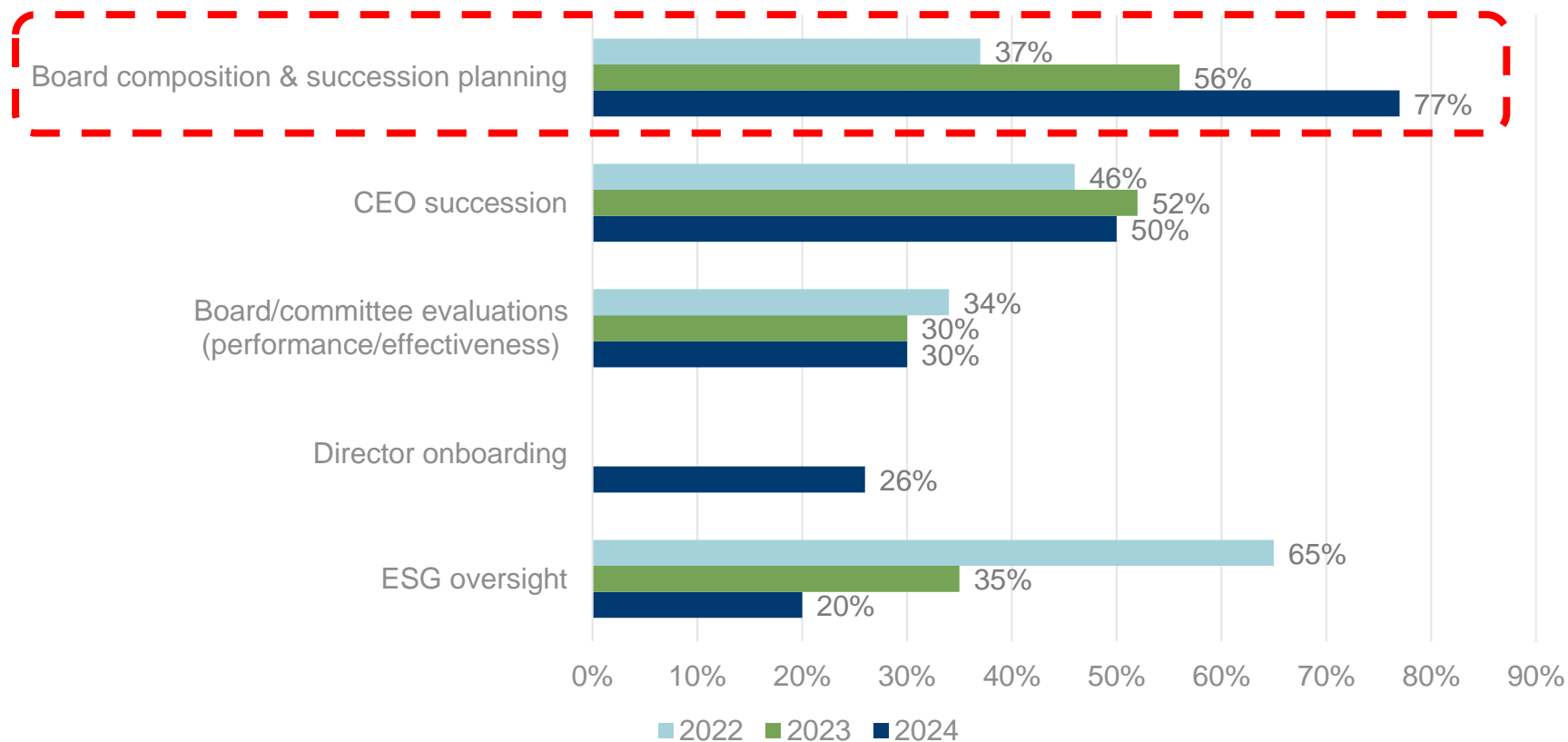
» Visit www.spencerstuart.com/BATW for more details on Boards around the world

Latest corporate governance trends

Board composition and succession is a key focus area

Our 2024 survey of nominating/governance committees' chairs found:

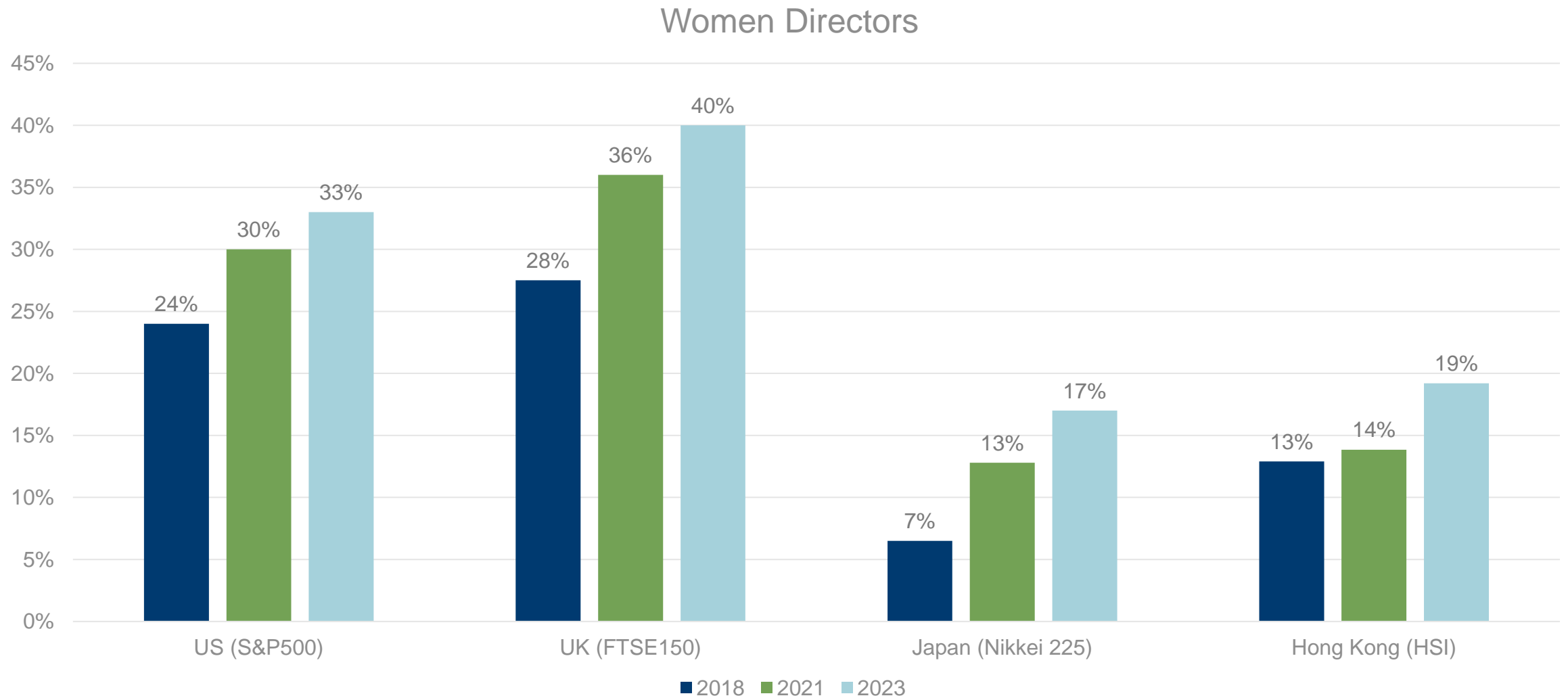
Top Five Nom/Gov Committee Priorities



Board composition and succession planning have been the overwhelming number-one priority for nominating/governance committees, selected by more than three-quarters (77%) of respondents—up from just over half (56%) last year.

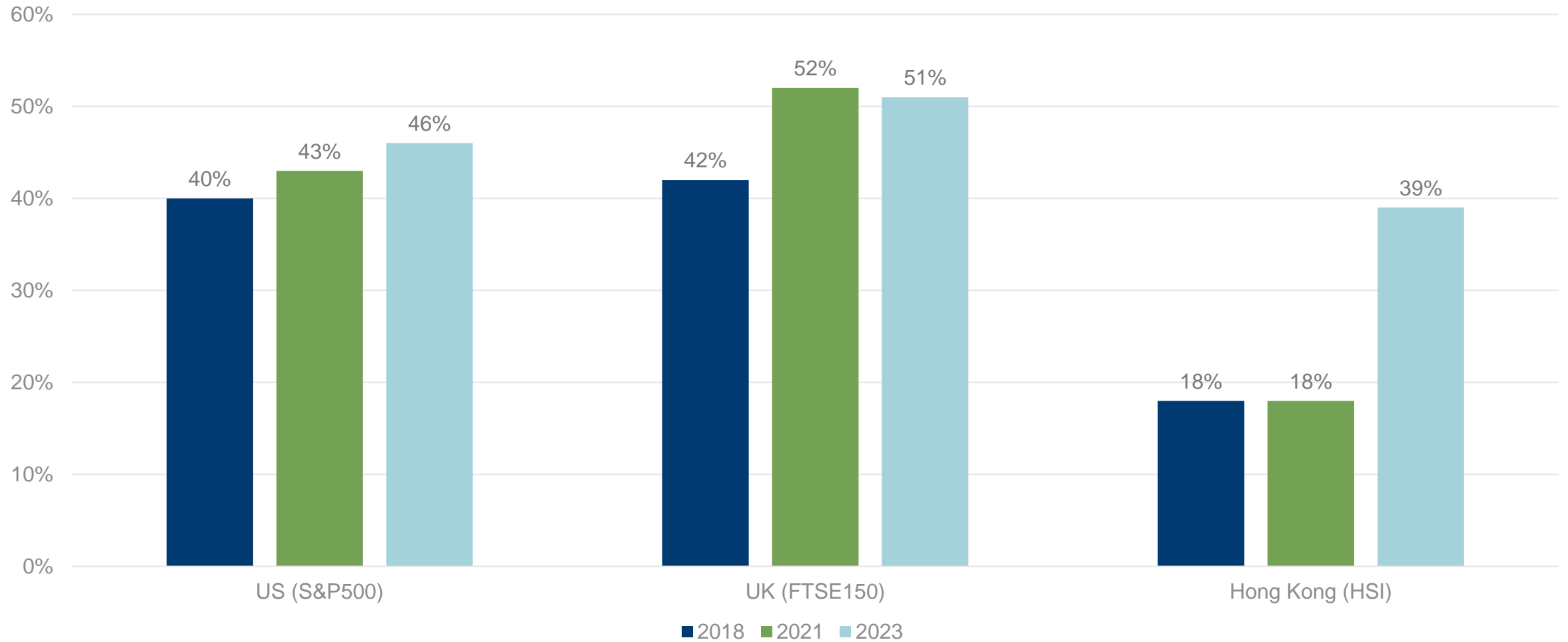
The result suggests committees are amping up their work on how their boards are constructed, and whether they have the right skills to be most effective.

Steady increase in overall representation of women on boards



Women dominates the percentage of new directors

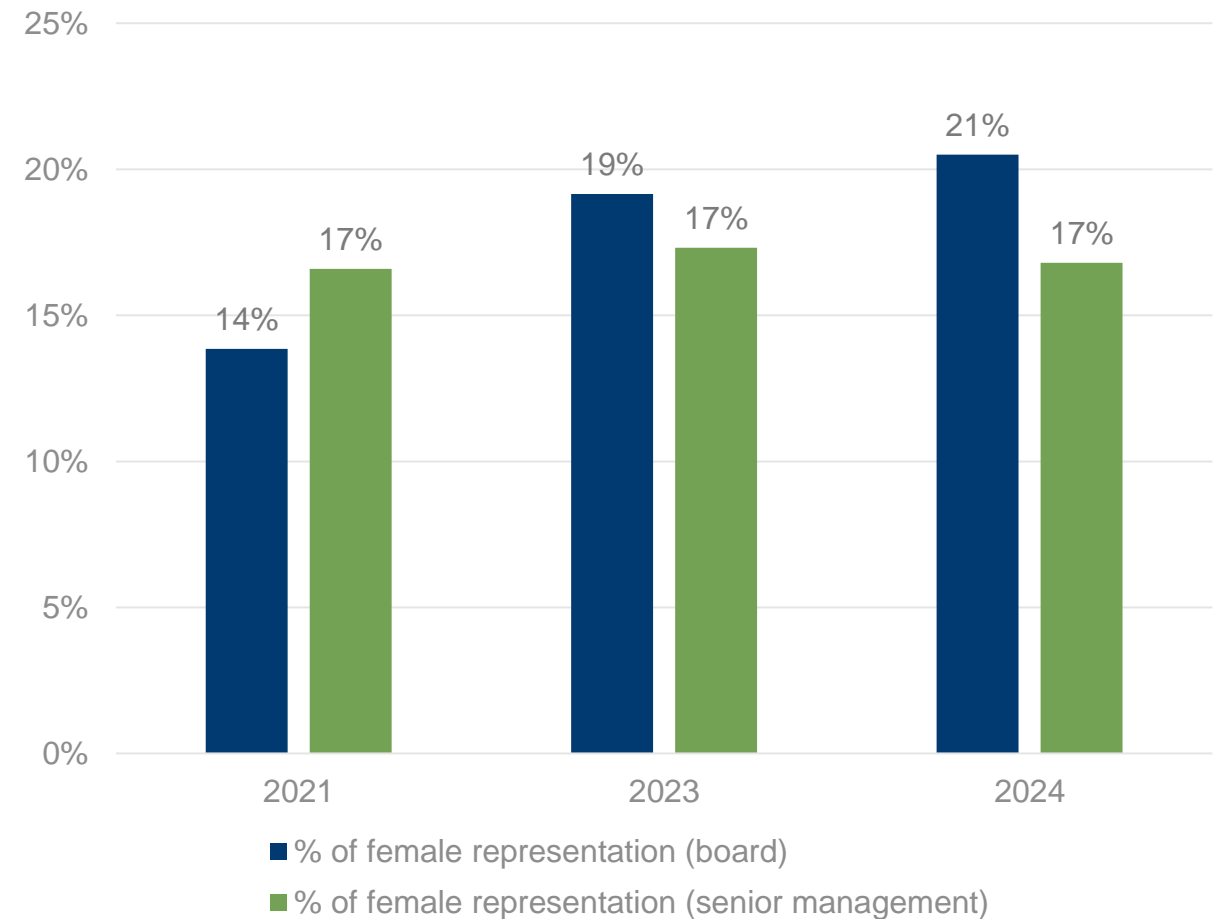
Female Representations among the New Directors



Some countries are mandating having women in certain key roles

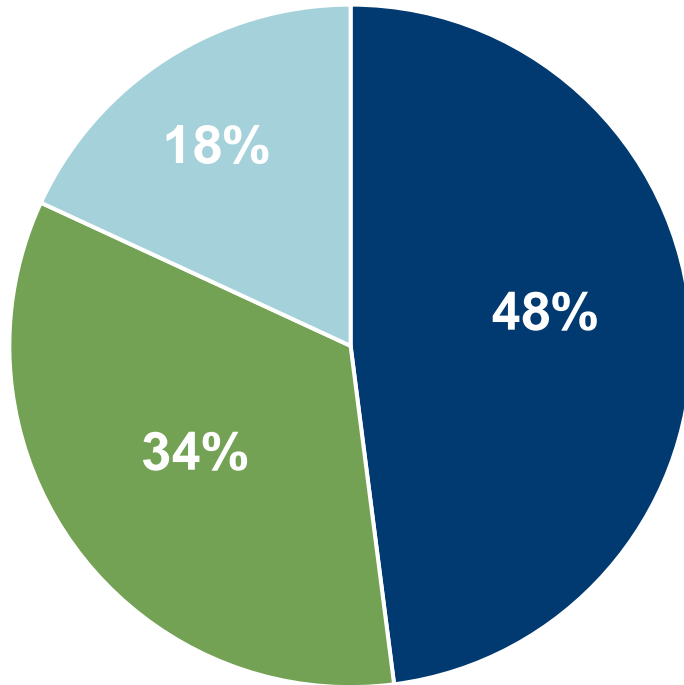
- » Abroad, a few jurisdictions have introduced quotas or targets underpinning women's representation on the executive committees:
 - **Germany** passed a law in 2021 mandating at least one woman on management boards of listed companies.
 - **France** adopted a similar law in 2022 which also mandates at least 30% of women among senior executives and management board members of companies with more than 1,000 employees.
 - In 2022, the Financial Conduct Authority of **the UK** mandated that women should make up at least 40% of a company board, and at least one of the senior board positions (chair, CEO, CFO or senior independent director) should be held by a woman.

Women Directors and Women Executives – HSI



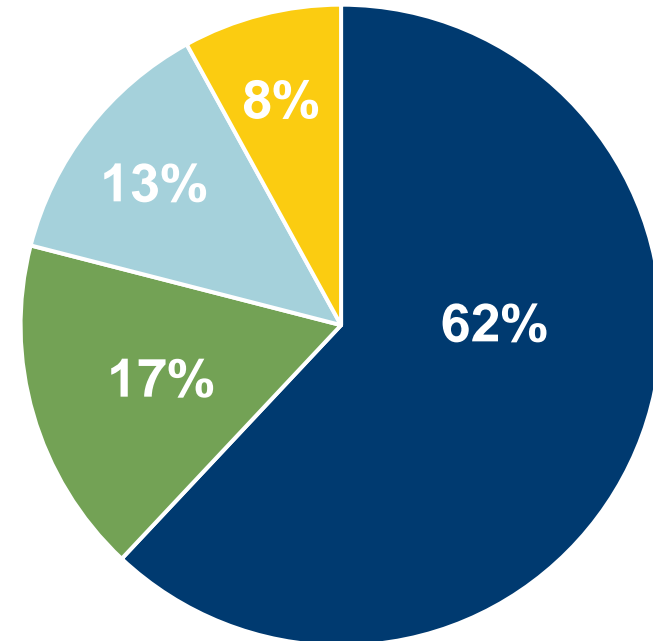
Continued emphasis on CEO/P&L and financial expertise

New Independent Director Experience –
S&P500 2024



■ CEOs / P&L Leaders ■ Financial Backgrounds ■ Functional Leaders

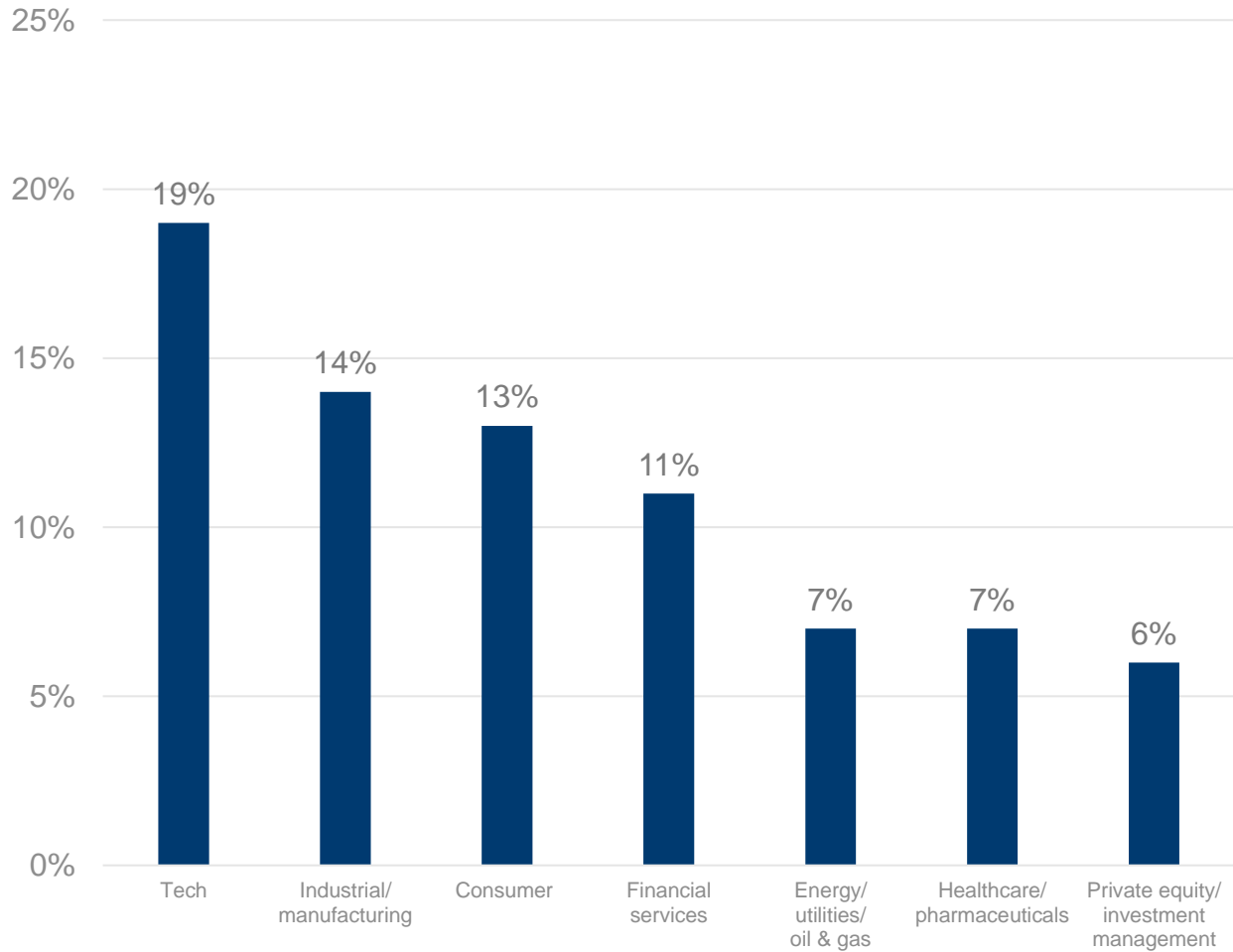
New Director Experience –
Hong Kong 2023



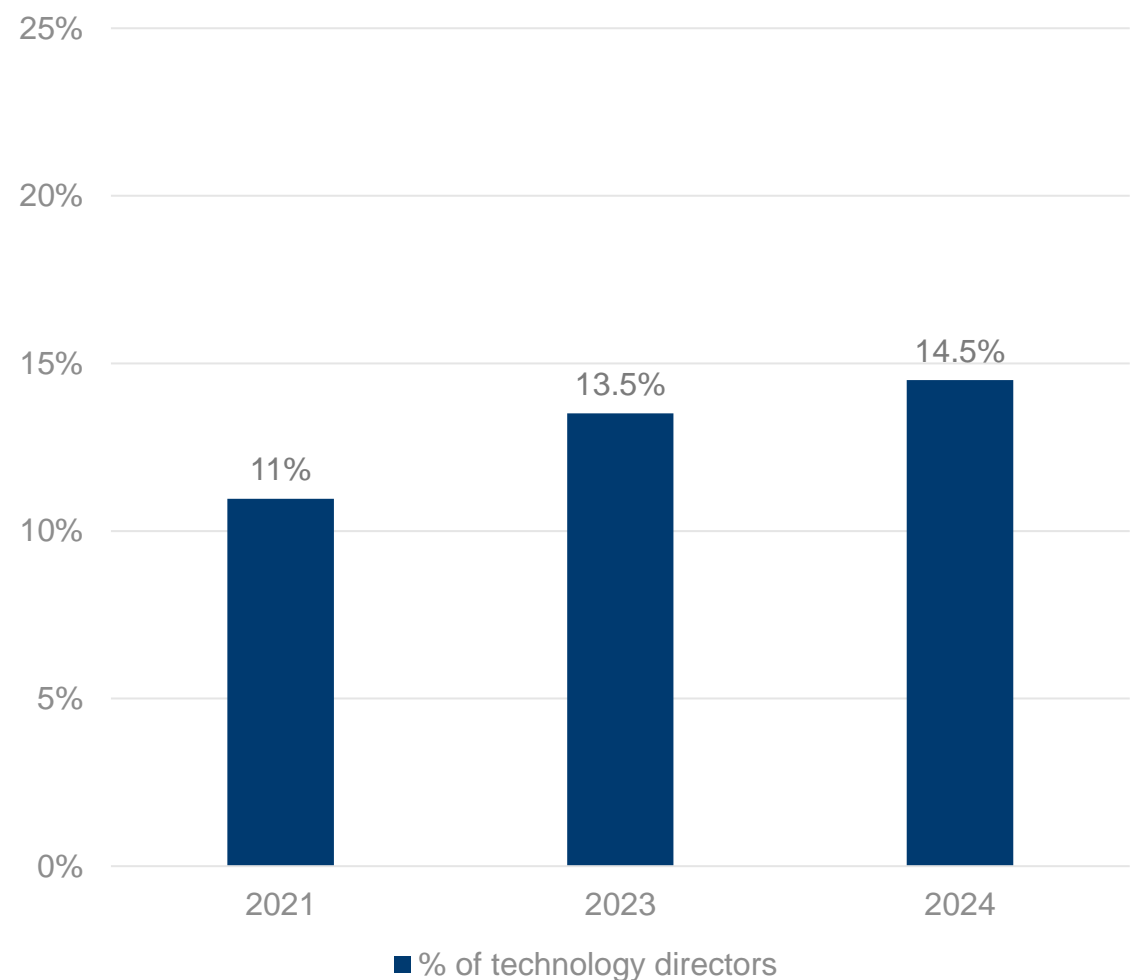
■ CEOs / P&L Leaders ■ Financial Backgrounds
■ Functional Leaders ■ Academic Professors

Tech remains the most common industry background for new directors

New Director Background – S&P500 2024



Technology Directors – Hong Kong 2024



Boards are using mandatory retirement or term limit as a refreshment tool

Mandatory Retirement & Term Limits

US

69% of S&P 500 boards report having a **mandatory retirement age** for directors

UK

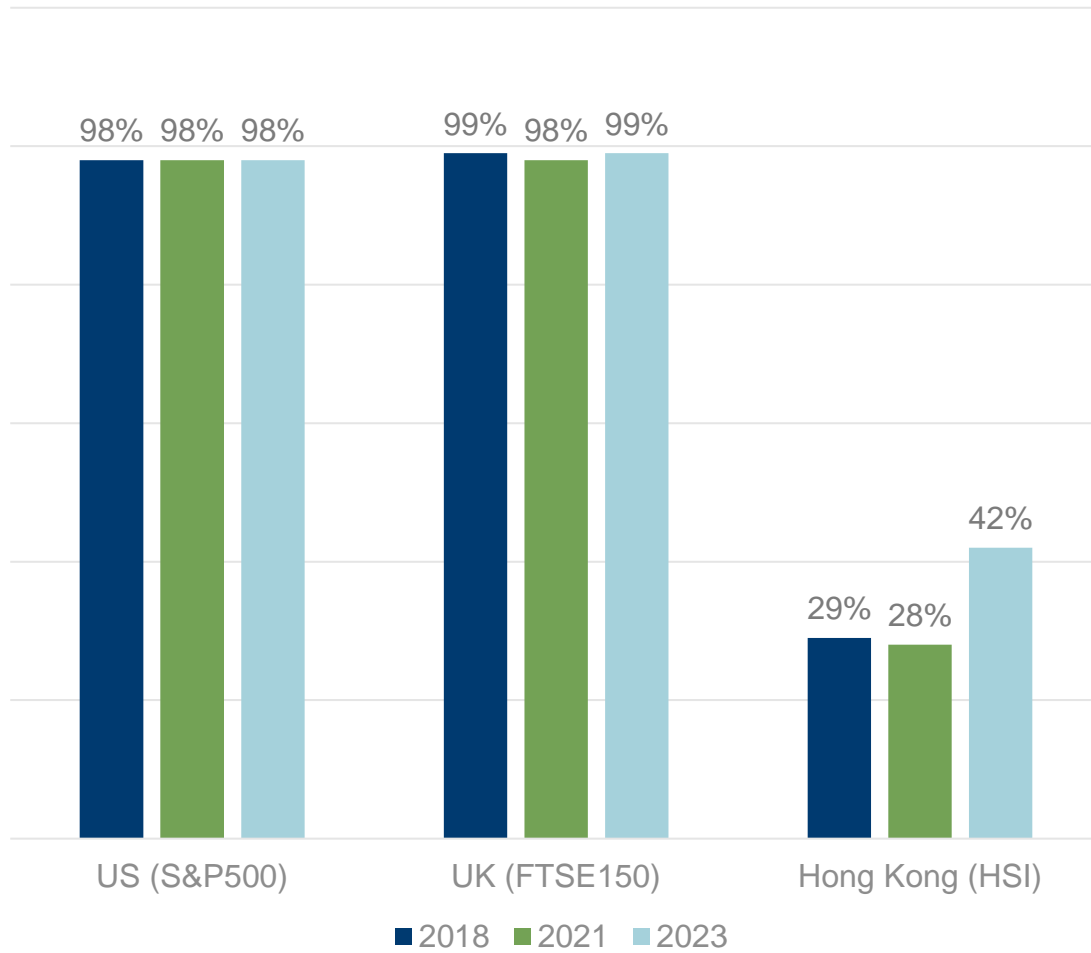
According to the UK Corporate Governance Code, NEDs who have been on the board for over **9 years** would no longer be considered independent

Singapore

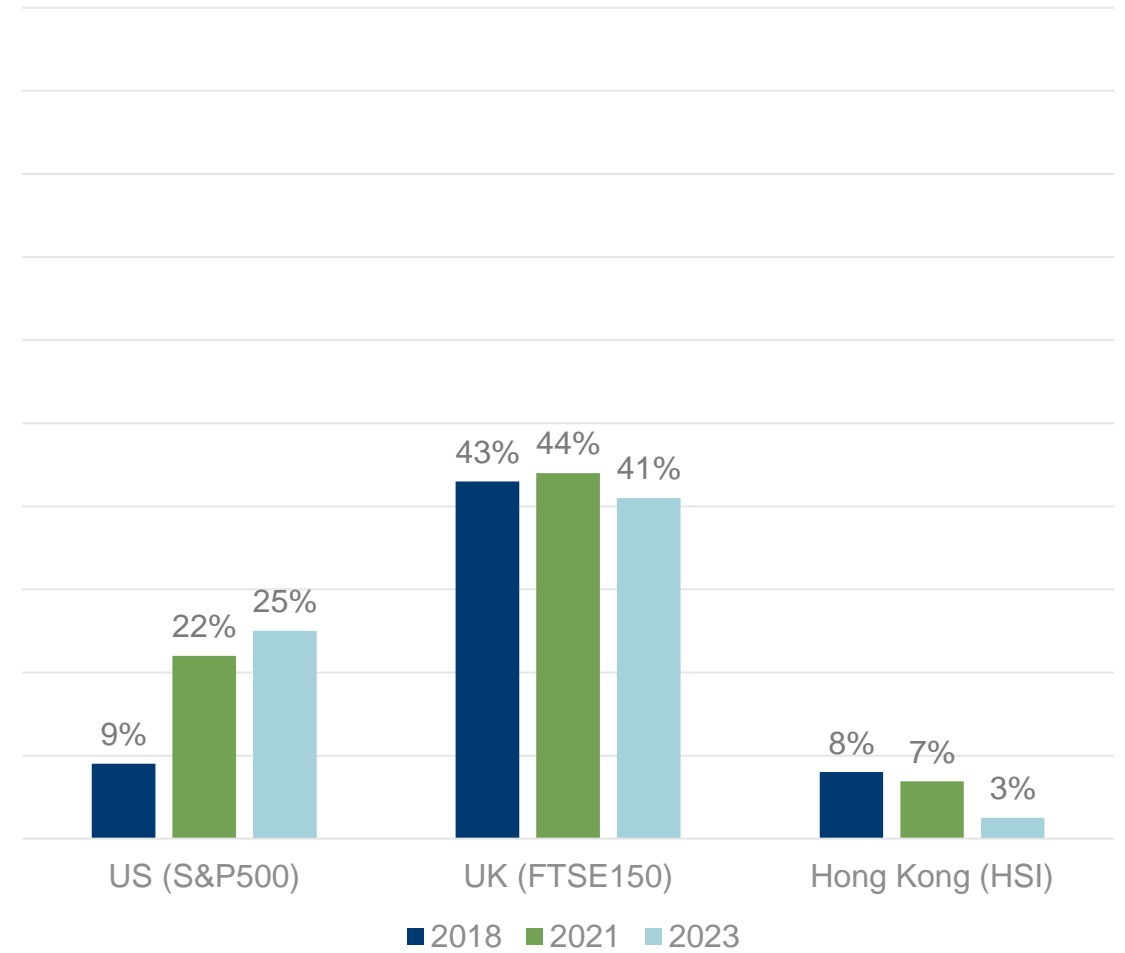
In 2023, Singapore Exchange Regulation (SGX RegCo) amended Listing Rules to limit tenure of independent directors to **9 years**

Rise in board evaluation

Companies conducted board evaluations



Companies conducted external board evaluations



What companies should / can do to get the right board members?

Suggestions for Boards and NomCos

- » **Continuously review the board's skill sets and performance relative to the company's strategy and direction.** The annual board valuation is a natural platform for the board to review its composition and future needs so that it is in the best position to oversee management as new challenges and market opportunities emerge.
- » **Develop a culture of board refreshment**
- » **Compare the skills and attributes of current directors with those that are critical to the company's long-term strategy to identify and address any gaps or overcapacity.** Tools such as board and director assessments and director skill matrices can be useful for evaluating whether the current board members are still the right ones to address the organization's strategy.
- » **Understand that boardroom diversity, defined broadly but with an emphasis on gender diversity,** is of growing interest not just to investors, but also to other key company stakeholders, including employees, suppliers and customers. A tangible commitment to boardroom diversity will be increasingly important, and a "one and done" mentality will be challenged more often in the future, particularly as boards plan for anticipated board vacancies. One approach is to strive to interview several qualified candidates for every open board seat.
- » **Carefully define the expertise** that is important for the board—for example, industry or functional knowledge, digital expertise or international experience. Be clear about the perspectives or expertise that the board is looking to gain. The selection process should cast a wide net and look for the best candidate—not just the one known to board members.
- » **Establish a robust new director orientation program.** All new directors—male and female, first-time and experienced—benefit from an orientation program that helps them quickly get up to speed on the business and the company's approach to governance.

Boards Around the World

Spencer Stuart publishes Board Indexes covering **more than 20 countries around the world**. The majority of these Board Indexes are published annually, with a few appearing on alternate years. We have compiled key data from all these countries into our Boards Around the World feature — an interactive data exploration tool.

The screenshot shows the 'Boards Around the World' interface. At the top, the title 'Boards Around the World' is displayed in white on a dark blue background with a world map. Below the title, a subtitle reads: 'Explore how the boards of publicly traded companies around the world compare on a series of governance measures.' The source is cited as 'Source: 2023 Spencer Stuart Board Indexes'. A navigation bar contains five categories: 'BOARD COMPOSITION' (highlighted with a green underline), 'DIVERSITY', 'NEW DIRECTORS', 'COMPENSATION', and 'ASSESSMENT / MEETINGS'. Below the navigation bar, a paragraph states: 'Board composition and board effectiveness go hand in hand. Multiple factors contribute to a balanced board, including the size of the board and the diversity, age, independence, tenure and expertise of directors. For our analysis of how boards of public companies around the world compare, read [Boards Around the World: A Changing Landscape](#).' Underneath, the section 'Board Composition Topics:' is followed by six buttons: 'All Topics' (green), 'Board Size', 'Independent Directors', 'Tenure of Directors', 'Age of Chair', and 'Age of Directors'.

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