

Press Release

LCQ3: Proportion of female members on boards of directors of listed companies

Wednesday, March 25, 2015

Following is a question by the Hon Emily Lau and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 25):

Question:

Early this month, I visited Germany with the Legislative Council delegation and learnt that the German parliament passed a bill early this month requiring that starting from next year, women must account for at least 30% of the members on the supervisory boards of listed companies. In this connection, will the executive authorities inform this Council:

(1) whether they have compiled statistics on the proportion of female members on the boards of directors of listed companies in Hong Kong; if they have, of the details; if not, the reasons for that;

(2) whether they will consult the public on the enactment of legislation to specify the proportion of female members on the boards of directors of listed companies; if they will, of the details; if not, the reasons for that; and

(3) given that in the 2015 Policy Address, the Chief Executive requires all bureaux and government departments to raise the appointment rate of women to government advisory and statutory bodies from 30% to 35% starting from 2015-2016, whether the authorities have any plans to set a target proportion of female members on the boards of directors of listed companies; if they do, of the details; if not, the reasons for that?

Reply:

President,

(1) The Stock Exchange of Hong Kong (SEHK) reviews regularly the statistics on the proportion of female members on the boards of directors of listed issuers.

The relevant statistics as at December 31, 2014 are set out at Annex.

(2) and (3) From September to November 2012, the SEHK conducted a two-month market consultation on "Board Diversity" which included the issue of gender proportion of members on the boards of directors. The SEHK received a total of 139 submissions from listed issuers, market practitioners, professional bodies, industry groups, non-governmental organisations, institutional investors and individuals.

The result of the consultation indicated that a substantial majority of market players supported the inclusion of board diversity as a new measure in the Corporate Governance Code of the Listing Rules. On the question of whether there should be a quota for the minimum proportion of female members on the board of a listed issuer, more than 98% of the respondents considered that the SEHK should not set such a target. The major reason was that board diversity should not be confined to gender. The board should be able to gain different perspectives through diversity of members in age, culture, educational and professional background, etc. Some respondents also expressed the view that a compulsory requirement on the gender proportion of the members on the board would pose practical operational difficulties to listed issuers.

Following the conclusion of the consultation, the SEHK amended the Corporate Governance Code in September 2013, suggesting that listed issuers should give adequate consideration to the principle that "the board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business" as a principle of good corporate governance. A listed issuer must include a Corporate Governance Report in its annual report and state whether it has complied with the Code provisions. If it deviates from any of the Code provisions, it must give considered reasons.

The SEHK has provided training to listed issuers on the new Code provision about board diversity. It also assigns speakers to seminars organised by industry groups, including the Chamber of Hong Kong Listed Companies and the Hong Kong Institute of Chartered Secretaries, so as to enhance listed issuers' understanding of board diversity.

Since the aforementioned consultation, the proportion of female

members on the boards of listed issuers increased from 10.3% in May 2012 to 11.3% in December 2014. The proportion of boards of listed issuers without a female member decreased from 40.3% in May 2012 to 37.8% in December 2014.

The SEHK will continue to monitor listed issuers' disclosures in their Corporate Governance Reports. It regularly reviews the overall position of listed issuers' compliance with the Corporate Governance Code, and plans to publish a report on its latest review before the end of 2015. The SEHK also closely monitors the international developments on board diversity.

Ends