Effective 1 September 2013, all companies listed in Hong Kong are required to respond to Hong Kong Exchanges and Clearing Ltd’s (HKEx) new Code Provision on board diversity. Discussions around ‘complying or explaining’ have been taking place in boardrooms across Hong Kong, Mainland China and elsewhere.

We hope these discussions have been rich and insightful and that they will lead to the beginning of a journey of change towards boardrooms that will benefit from becoming increasingly diverse.

When we talk about diversity, what do we mean? In formulating the Code Provision, HKEx did not provide a definition for diversity, preferring to leave it to each individual issuer to decide what is most relevant for them. Nor did it suggest quotas or targets which other countries have done. In principle, this is a laudable approach and one that is in line with Hong Kong’s free market spirit.

However, it may have also left some issuers wondering where to start the conversation, what a board diversity policy should contain, and how best to establish appropriate measures and reporting mechanisms – which are also a requirement. In April, Community Business published a ‘how to’ Guide for this purpose, *Improving Governance through Board Diversity* and were pleased to have The Hong Kong Institute of Directors as a contributor and supporting organisation.

**Gender and beyond**

Much is currently being written and said about ‘board diversity’. Often the topic turns quickly (or even exclusively) to the subject of gender and the under-representation of women on boards. This is a real issue and one that does need addressing in Hong Kong and elsewhere. Indeed, Community Business has been leading the debate on this since 2009 when we first produced research in partnership with Standard Chartered Bank. We published updates in 2012 and 2013 (*Standard Chartered Bank Women on Boards: Hang Seng Index 2013*) that show minimal progress – from 8.9% in 2009 to 9.4% in 2013 – in the number of female directorships at companies on the Hang Seng Index and only a marginally better figure of 10.7% across all 1,550+ issuers listed in Hong Kong. We will continue to track and report on this important and visible element of diversity and we fully support initiatives such as the Hong Kong Chapter of the 30% Club – a group of chairmen and business leaders who are committed to bringing more women onto Hong Kong corporate boards and keeping the issue ‘top of mind’.

But diversity discussions need to go beyond gender and take into account other demographic factors such as age, ethnicity, nationality, as well as skills, experience and personal characteristics. The diversity ‘mix’ needs to be relevant for the specific company’s needs — today and into the future, and the board discussion needs to be about the desired impact
of evolving towards a more diverse board. As Dr Kelvin Wong, Chairman of The Hong Kong Institute of Directors, stated in our ‘how to Guide’, “Companies need to embrace diversity on boards because it should deliver more effective decision-making and better business performance. Each company will need to define what diversity means depending on its strategic and operating environment. For instance, risk control and management will be essential for a board that is steering a company through challenging economic times such as a recession.”

The benefits of board diversity
There is a growing body of research and thinking from around the world which indicates that having a diverse set of skills, perspectives and views lead to a range of benefits. These can include:

- **Making the company more attractive to current and potential investors** – recent reports from the UK and the US in particular indicate increased attention by investors to the make-up of boards.
- **Enhancing loyalty and reputation with customers and gaining stronger commitment of employees** – with increasing focus on business ethics and corporate scandals, stakeholders are becoming more discerning in their choices and expect those at the helm to be demonstrating the required leadership, ethical behavior, and control.
- **Making more informed and/or balanced decisions** – a board made up of too many similar or like-minded people runs the risk of ‘groupthink’ or ‘unconscious collusion’ where a board member doesn’t speak up to avoid rocking the boat.
- **Contributing to improved corporate governance** – through more independent thinking and asking tough questions as they relate to the business.
- **Minimising and/or managing exposure to risk** – diversity in experience and style contributes to deeper and more rigorous analysis.
- **Showing resilience and the ability to respond appropriately to crisis situations** – avoiding entrenched behaviours that may have led to complacency through a long-standing and ‘overly’ stable (or aged) board.
- **Driving creativity and innovation** – the source of new business growth and ideas that come from a diversity of backgrounds such as age, ethnicity or nationality as well as business experience.
- **Enabling more sustainable business results** – evidence is emerging from recent research that having women corporate directors helps companies to better serve their equity owners’ interests through enhanced environmental, social and governance (ESG) risk-positioning. This should therefore be of interest to issuers listed in Hong Kong following HKEx’s move last year to encourage ESG reporting.
- **Identifying new business opportunities** – by having a board that is more directly in tune with the markets and customer segments being served and/or targeted.
- **Promoting greater diversity at the organisational level** – leading from the top, a board sets the tone and example for the rest of the organisation to follow.

As directors engage in discussions around diversity and formulate their policies and action plans, they should make these (and other) potential benefits integral to their thinking. They should consider what mix of demographic, experiential and personal attributes will provide the diversity they need in the boardroom. Without such a discussion, the resulting policies may become a box-ticking exercise in order to comply, rather than a consideration about how the new listing requirement provides a basis to create competitive advantage.

Community Business recently organised a workshop with a leading corporate governance expert, Dr Donna Hamlin, who talked about the importance of a company doing what is right for them. Based on her experience she said that copying what another successful company has done generally does not work. Instead she urges boards to have deep dedicated conversations about what diversity really means for them. The answers could range from pure compliance to being good for business and shareholders, and will likely include recognition that they will learn some things that they didn’t know before. “And the root of that reasoning is the beginning of how you design your programme”, she said.

**From policy to implementation**
Articulating and publishing a board diversity policy is an important step as it signals a public ambition and a statement of intent. The next step is evolving the board to deliver on that intent. This may take time depending on an individual issuer’s own bylaws and/or terms of reference in relation to tenure, replacement process and so on.

An enlightened organisation will look upon this an opportunity rather than an obligation. For instance, it will review its current nominations and appointments practices and consider new and different ones that have clear and transparent criteria and processes that align with its policy. Evolving the board does not only mean appointing ‘new’ people, it can also mean training existing directors on areas identified as gaps in knowledge or skills.

**Staying on track**
Reporting is another requirement of the new Code Provision. It makes sense to plan this from the outset and put in place mechanisms that will help to track and enable long-term, sustained progress.

Where possible, specific goals and targets should be included – just as with any business case or proposition. Objectives can be measured through procedural and structural objectives (eg, setting up internal review and reporting procedures or a diversity committee, etc); targets (eg, specific diversity characteristics identified as priorities for future board composition such as language skills, geographical experience, gender, age,
The outcomes of this research will be shared on 19 November at an Executive Forum taking place at the Hong Kong Exchanges and Clearing Auditorium.

The analysis will take into consideration company demographics such as sector, market cap size, location of company headquarters as well as where the company operates and how it conducts its board meetings.

Measures may be a mix of what is tracked internally within the Board along with others that will be included in corporate governance reporting for shareholders and the general public.

An enlightened company will also approach reporting as a means to move beyond compliance to competitive advantage by seeing it as a strategic communications opportunity – not to be buried somewhere in a corporate governance report only, but to proactively signal and articulate a clear business and organisational differentiator to its different stakeholders.

Communication equals transparency – this was one of the key intentions of HKEx in introducing the Code Provision.

New and ground-breaking research underway

To support a meaningful adoption of the new Code Provision, Community Business is embarking on ground-breaking research, sponsored by Standard Chartered Bank, by specifically inviting serving chairs and directors of all listed issuers to share their opinions on board diversity, including:

- its importance and its benefits
- what they consider to be relevant diversity factors in general and for their own board specifically
- barriers and enablers for making diversity a reality
- thoughts on the importance of factors such as international experience, and 'cultural affinity' based on their own personal background (birthplace, education, work experience, language proficiency etc).

The analysis will take into consideration company demographics such as sector, market cap size, location of company headquarters as well as where the company operates and how it conducts its board meetings.

港交易及結算所有限公司（
港交所）有關董事會多元化
的新增守則條文已於今年9月
11日生效，香港所有上市公司
均須回應此項新規定。究竟是否要‘遵守’，
還是要‘解釋’？相信不論來自香港、中國
大陸，以至其他地方的許多企業董事會
都為此煩惱討論。

我們希望這些討論內容豐富、見解深刻，
能夠引領企業董事會踏上更邁進多元化的道
路，從而受惠於隨之而來的眾多裨益。

香港董事會多元化的意義

各界越來越重視企業社會責任
及巨大顯示出其重要性。

誠如香港董事會學會主席黃天佑博士在我
們發表的指南內所言：‘企業必須接納董事
會多元化的新理念，因為有助於促進多元
化政策的制定，提升業務表現，每家公司均須因應
自身的經營策略和環境，釐定多元化的方
式，並攻擊企業業務目標和業務方向。

董事會多元化的精神

世界各地越來越多研究和分析顯示，董事會
若能匯集多元化的技能、觀點和見解，將有助
於創新和創造性的解決問題，其中包括：

- 加強企業對現有和潛在投資者的吸引力
  - 英國和美國最近的研究報告均特別
    指出，投資者日益重視企業社會責任的組

- 提高顧客的誠信度和企業聲譽，並且令
  僱員更投入工作

- 社會今日日益關注營商環境和企業社會責任，持不同觀點或
  頭腦的企業時，往往更為嚴謹，並且

- 好和創新人才，並且

- 作出更智慧及/或更平衡的決策
  - 董事

- 助力企業社會責任
  - 各董事若能擁有

- 充分減輕及/或管理經營風險
  - 各董事若

- 提高有效應對危機、隔離風險的能
  - 避免長期管理企業的董事會，都

- 激發創意
  - 從不同年齡、種族、國
籍，至以商業經驗的人才，可以促進多元化的新意念，開創新的業務增長點。

強化企業於可持續發展範疇的表現

最近的研究指出，企業若將有新鮮董事，有助強化企業在環境、社會及管治（ESG）範疇的精神，從而更符合股東的利益。

這一點將能提升香港上市企業的關注，因為港交所去年已採取措施，鼓勵企業就ESG進行匯報。

物色新商機

董事會若能直接緊貼所服務及／或渴望進軍的市場和顧客類別，便會開拓新商機。

推動機構上下更趨多元化

董事會以身作則，有助上行下效，推動整個機構跟隨多元化的步伐。

企業董事局展開多元化範疇的討論，並且制訂相關策略和行動計劃時，應該以這些（及其他）潛在利益為思考中心。他們應

該考慮如何匯聚具備合適背景、經驗和個人特質的董事人才，提供董事會所需的多元文化要素。若缺乏這種方面的討論，董事會

制訂多樣政策時，就可能流於按清單打勾的心態，只是為遵守而遵守，而非考慮這項新的上市規定能否提供基礎，協助企

業建立競爭優勢。

社會賢達最近舉辦一個工作坊，邀請

了享負盛名的企業管理專家Donna Hamlin
博士，講述企業行事正確的重要性。根
據她的經驗，以猴字過紙的方式，全盤
仿效另一家成功企業的作法，一般來說

難以奏效。她反而勸導企業董事會為此
深入討論，討論多元化對他們來說的真
義，答案可以是純粹為遵守規定，以至
為了企業和股東的利益不等，在過程
中企業董事很可能會認識到，這樣的討
論會為他們帶來新的啟發。Hamlin博士
指出：「經過理性推導所獲得的原因，就
是制定多元化計劃的開端。」

由制訂政策邁向實際執行

傳達和發表董事會多元化政策，是重要的一
步，糧以公開彰顯企業在多元化範疇的
抱負和意向。接下來，企業應該推動董事
會演講，實踐多元化的意向。這或許需要
一點時間，長短因應上市公司本身的里程細
則及／或有關董事任期、更換程序等領域的
職權範圍而定。

開明的企業會視新增的守則條例為機遇，
而非責任。舉例，這些企業可能會審視現
有的董事提名和委任方式，再破舊立新，
制訂更清晰和具透明度的準則和程序，以

配合本身的董事會多元化政策。董事會的演
進，不但包括委任「新」人選，亦包括針
對技能和才幹不足之處培訓現任董事。

維持正軌

匯報董事會多元化政策，是新增守則條文的
另一項要求，因此企業從一開始就妥
善籌劃，並且設立合適的機制，幫助跟蹤
政策成效，以確保可以得到持之以恆的

發展。

董事會多元化政策，應該盡可能包含具體的
目的和目標，就如執行任何業務計劃和建
議一樣。執行工作是否達標，可以透過設
立程序目標和結構目標（例如有否制訂內
部檢討和匯報程序，或成立多元化委員會
等等）；對象目標（例如為董事會的未
來組成，優先物色具備特定多元化特質的
人才，包括語言技能、地域經驗、性別、
年齡等）；以及專屬的措施或計劃（例
如在相關的多元化範疇或其他主題為董事
安排名知意願培訓），並予以有效量化，
以便評估成效。

匯報措施可以包含向董事會報告內部追蹤
成果，配合在實務管理報告內加入向股東
和公眾匯報內容的內容，兩者相輔相成。

研究結果的分析，會將企業的背景資料納
入考慮，例如為屬行業、市值規模、公司
總部所在地，以及公司營運地點、董事會
舉行會議的方式等等。

這項研究的結果，將於11月19日在我們所
舉辦的行政人員論壇上發表，活動屆時會
假座香港交易及結算所有有限公司的會議廳
舉行。

斷新的突破性研究正在進行

為了協助企業以有意義的方式履行新規定，
社會賢達在澳打銀行贊助下，正進行一
項突破性的研究，邀請香港所有上市公司的
現任主席和董事，分享他們有關董事會
多元化的主要意義、當中包括：

董事會多元化的重要性和可以帶來的誘
力；

認為哪些多元化要素與商業整體經營息息
相關？哪些多元化要素特別符合他們
本身董事會的需要？

實現董事會多樣化的障礙和驅動因素；

如何看待國際經驗、自己所屬的文化群組
等元素的最重要性；其個人背景（出生地點
、教育、工作經驗、語言能力等等）會影
響每個人認為最接近自己的文化群組。