



COMMUNITY BUSINESS



Board Diversity in Hong Kong

Directors' Perspectives 2013



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Community Business

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Steve Bertamini

GROUP EXECUTIVE DIRECTOR &
CEO GLOBAL CONSUMER BANKING
CHAIR, GROUP DIVERSITY & INCLUSION COUNCIL
Standard Chartered Bank

BOARD DIVERSITY INSIGHTS FROM THE SPONSOR

How do you think boardroom diversity affects board effectiveness?

Diversity affects overall board effectiveness by avoiding “groupthink” which tends to arise when the board members come from similar backgrounds and there is general consensus without consideration of fresh or different perspectives. Having a diverse board with members looking at a problem differently will help get to a much better and more grounded answer.

What are some of the potential benefits of boardroom diversity?

In a world where social responsibility and sustainability increasingly matter, investors are beginning to value diversity. An organisation is more likely to arrive at better business decisions when it has a diverse board with each member bringing different perspectives, reviewing problems and opportunities from diverse angles and constructively challenging each other. Ultimately this leads to better business outcomes and should help create a more sustainable business.

Rather than imposing quotas, the Hong Kong Stock Exchange has adopted a “comply or explain” approach towards increasing board diversity. What do you think of this?

In my view, creating the right environment for building diversity is a better approach than simply picking one element of diversity and saying that, as long as you meet the quota on this, you are diverse. Likewise, to ensure that the approach is sustainable, you need to develop the pipeline and talent pool that will contribute to that diversity. Ultimately, you need to look at board diversity holistically instead of simply using a number as a measure of success.

Does diversity lead to good corporate governance practices or does good corporate governance lead to more diversity?

I believe that diversity and good governance go hand in hand. At a minimum, diversity will mean there will be different levels of risk appetite and each member will see a problem and evaluate the risk differently. This will lead to better governance which can be further strengthened by diversity in leadership, leading to better decisions. You will need both.

Directors' Perspectives



Elaine La Roche, *Senior Advisor, China International Capital Corporation U.S., INED, China Construction Bank*

"In today's rapidly changing world, age is critical. When we think about convergence of technology and social media, it becomes critical to have younger voices on the board. Here is an example of how the age bias is negatively impacting the financial performance of some companies."



Sir C K Chow, *Chairman, Hong Kong Exchanges and Clearing Limited*

"Well-balanced diversity in the boardroom helps avoid group-think and promotes constructive debate and independence of views. As a result, decision-making capability and board effectiveness are enhanced. Board diversity also promotes the sustainable development of the company in terms of better governance and a more effective monitoring function."



Guy Look, *Executive Director and CFO, Sa Sa International Holdings Limited*

"Our company is a one stop shop for everyone; we cater for the young and the old, for men and women. That is why diversity means a lot more to us. We need to be diverse in the boardroom."



Dr Richard Wong, *Professor of Economics and Philip Wong Kennedy Wong Professor in Political Economy, The University of Hong Kong*

"An important issue is that, for many public listed companies in Hong Kong, there is pressure to focus on the short-term earnings, which is unfortunate. I think diversity could really help the board ensure that you take a longer view that sustainability of the business is far more important than short-term profits or earnings."



Dr Rosanna Wong, *Executive Director, Hong Kong Federation of Youth Groups, INED, Cheung Kong (Holdings) Limited*

"My understanding of diversity in business is that when there is diversity in personnel and leadership, performance is better. This is achieved as a result of stimulation and creativity that often comes from having a staff complement made up of a wide range of people and talents. This in turn has been shown to generate increased productivity and profit."



Jacky Cheung, *Chairman, Shinhint Acoustic Link Holdings Limited*

"The key is to spread awareness and educate. From the chairman's perspective, whether they understand the importance or even the essence of diversity will have a big impact on how they form their board. Historically, SMEs prefer more control than diversity, but for the new generation of CEOs and chairmen of family-owned businesses, it is likely that they may be more aware of corporate governance and diversity and therefore more likely to incorporate this onto their boards."



Balakrishnan Narayanan, *Executive Director and CEO, CY Foundation Group Ltd*

"Diversity of opinion is a cure to a dogmatic mindset and rigidity; it is not an aesthetic question and has positive implications on corporate governance by encouraging a balance of perspectives."



Christine Fang, *Chief Executive, The Hong Kong Council of Social Service, INED, MTR Corporation*

"The most important element of diversity is to be non-discriminatory; you don't exclude people because of their age, gender or disability given the members' possess skills required for the right composition of governance expected from the board."

* Holds multiple directorships
Refer to Appendix B for list of directorships for each interviewee

es on Board Diversity



Dr Raymond Ch'ien', Chairman, Mass Transit Railway Corporation Limited (MTRC), Hang Seng Bank Limited

"Hong Kong has taken the first steps toward gender diversity. I would like to see further breakdown of biases with Hong Kong making ethnic minorities feel more welcome."



Leonie Ki', Executive Director, New World Development Company Limited

"Board diversity is the diversity of gender. Women and men do have different perspectives, different ways of handling things. Women pay more attention to details and have a higher sensitivity to matters. This helps bring a more balanced view."



James E. Thompson, Chairman, Crown Worldwide, INED, The Wharf (Holdings) Limited

"Good corporate governance is very much driven by the chair of the board and he needs to work closely with the CEO. Companies which recognise the benefits of the new code provision will have good governance."



Nicholas Sallnow-Smith', Chairman, The Link Management Limited

"Board diversity is significantly enhanced when there is a board where people around the table have a variety of different points of view and perspectives of the company. Indeed, the fact that board members come from businesses with different backgrounds, with varying expertise, and possibly of different ages and different genders, implies there is a much greater probability that the board discussion will provide a more rounded input into the decision-making process. Ultimately, this entails a situation of greater board diversity."



Irene Lee', Chair, Hysan Development Company Limited

"We require diversity because we need to listen to, be exposed to and accept that there are other views and ideas which can ensure a Company's long term survival and success. This allows us to better serve our stakeholders. Diversity is about broadening our views. Boards that embrace diversity will ensure their Company lasts the distance."



Elaine Young, Executive Director, ONYX Hospitality Group, INED, The Link Management Limited

"It is now known that diversity in the boardroom improves problem solving and helps the bottom line of a business, as differences, be it gender, skill set, ideology, race, or age complement one another."



Peter Jackson, Chief Executive Officer, PJSquare Ltd, INED, Asia Satellite, Telecommunications

"The important role of the chairperson is to ensure everyone gets their chance to give their opinion. If it's a diverse board, you will get multiple opinions. The board remains harmonious when the decision is made, and even if they disagree, they understand why a decision is taken."



Wang Xiao Bin, CFO and Executive Director, China Resources Power

"Board diversity is a core value of the organisation, it forms part of the organisational culture. The board plays a critical role leading by example, to have an inclusive policy, flowing down throughout the organisation structure. This inclusive policy also forms the HR policies to ensure employees are motivated with a sense of belonging, knowing they have a fair opportunity to be promoted because they are right for the role, regardless of their background, their race, religion or gender. This is a critical element of success for the organisation."

Background

This 'Board Diversity in Hong Kong: Directors' Perspectives 2013' study presents the views of serving directors on the boards of companies listed in Hong Kong. These were captured via a mixed-mode survey (online and postal) and a series of interviews.¹² Community Business distributed the survey to all Hong Kong-listed companies (receiving 101 survey responses from chairpersons / directors) and interviewed 19 chairpersons / directors.¹³ The presentation of these findings is on a topic by topic basis, with a discussion of the survey findings followed by a discussion of the interview findings.

- **Industry**¹⁵ – all industries were represented but the highest representation came from the financial sector (27%).
- **Location**¹⁶ – 69% of respondents were from companies based in Hong Kong, 17% from Mainland China-based companies and 14% from companies based overseas.

Profile of participants

SURVEY RESPONDENTS

Company demographics

- **Market capitalisation**¹⁴ – 57% of survey respondents were from large market capitalisation companies, 24% from mid market capitalisation companies, 18% from small market capitalisation companies

Figure 1 – Respondents by market capitalisation

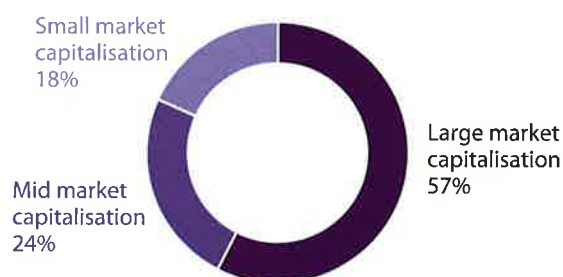
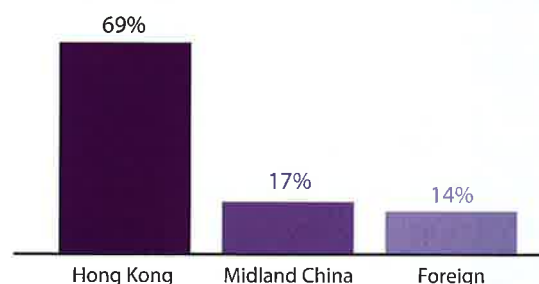


Figure 2 – Respondents by company headquarters



Board role

- **Role** – 43% of the respondents were executive directors and 57% were non-executive directors (of whom 43% were independent non-executives)
- **Tenure** – 41% of the directors had served on their board in their current capacity for a period of 1-5 years (this being the range that was most common).
- **Multiple directorships** – the majority (70%) of the directors surveyed held multiple directorships.

¹² Please refer to Appendix A – Survey and Interview Methodology for details.

¹³ Please refer to Appendix B – List of Interviewees for details.

¹⁴ Company size based on classification used by HKEx: Small cap (<=HK\$0.7bil), Mid cap (>HK\$.07bil and <=HK\$4.2 bil), Large cap (>HK\$4.2 bil).

¹⁵ Industry sector based on the Hang Seng Industry Classification System used by HKEx.

¹⁶ Company location based on classification used by HKEx: Hong Kong, Mainland China and Foreign.

APPENDIX B – LIST OF INTERVIEWEES

List of interviewees and their directorships within listed companies in Hong Kong.³⁰

NAME	COMPANY NAME	ROLE
Chairpersons: (in alphabetical order by first name)		
Sir C K Chow	Hong Kong Exchanges and Clearing Ltd AIA Group Limited	Chairperson INED
Ms. Irene Lee	Hysan Development Company Limited Cathay Pacific Airways Limited CLP Holdings Limited Noble Group Limited	Chairperson INED INED NED
Mr. Jacky Cheung	Shinhint Acoustic Link Holdings Limited	Chairperson
Mr. Nicholas Sallnow-Smith	The Link Management Limited Wynn Macau, Limited	Chairperson INED
Dr. Raymond Ch'ien	MTR Corporation Limited Hang Seng Bank Limited China Resources Power Holdings Company Limited Convenience Retail Asia Limited The Wharf (Holdings) Limited	Chairperson Chairperson INED INED INED
Directors: (in alphabetical order by first name)		
Mr. Balakrishnan Narayanan	CY Foundation	ED
Ms. Christine Fang	MTR Corporation Limited	INED
Ms. Elaine La Roche	China Construction Bank Corporation	INED
Ms. Elaine Young	The Link Management Limited	INED
Mr. Guy Look	Sa Sa International Holdings Limited	ED
Mr. James E. Thompson	The Wharf (Holdings) Limited	INED
Ms. Leonie Ki	Clear Media Limited New World Development Company Limited Sa Sa International Holdings Limited	INED ED INED
Mr. Peter Jackson	Asia Satellite Telecommunications Holdings Limited	NED
Dr. Richard Wong	CK Life Sciences Int'L, (Holdings) Inc. Great Eagle Holdings Limited Industrial and Commercial Bank Of China (Asia) Limited The Link Management Limited Orient Overseas (International) Limited Pacific Century Premium Developments Limited Sun Hung Kai Properties Limited	INED INED INED INED INED INED INED
Dr. Rosanna Wong	Cheung Kong (Holdings) Limited The Hongkong And Shanghai Hotels Limited Hutchison Telecommunications Hong Kong Holdings Limited	INED INED INED
Mr. Steve Bertamini	Standard Chartered PLC	ED
Ms. Wang Xiao Bin	China Resources Power Holdings Company Limited	ED

(Two interviewees preferred to remain anonymous)

³⁰ Information based on David Webb's database (<http://webb-site.com>)

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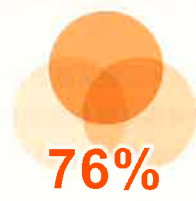
Community Business calls for critical examination on board diversity in Hong Kong

What are the benefits of board diversity?

Note: Percentages reflect Hong Kong directors' rankings of top benefits of board diversity



more balanced decisions



improved corporate governance



enhanced business performance



employee loyalty and commitment



loyalty and reputation with customers

A Chairman's perspective – board diversity leads to competitive advantage

“ Conscious attempts to enhance diversity on the board can raise the level of board deliberation on strategic issues and increase the depth of board insights on the shifting market landscape to improve a company's competitiveness. ”

Dr. Raymond Ch'ien, Chairman, MTR Corporation

What leads to diverse perspectives?*



Functional experience



Industry background



Personal attributes



Geographical experience



Network/ Relationships



Academic qualifications



Age



Gender

*Hong Kong directors' ranking by importance

Meritocracy above all else but demographic elements are important to remain competitive

Women representation on boards – Hong Kong lags behind



9.4%
(HSI, Mar 2013)



16.6%
(ASX 200, Oct 2013)



16.6%
(FORTUNE 500, 2012)



19%
(FTSE 100, Oct 2013)

The search for digital directors

“ In the rapidly changing world of today, age is critical... When we think about convergence of technology and social media, it becomes critical to have those younger voices on the board. ”

Elaine La Roche, INED, China Construction Bank

What are the key barriers to making boards more diverse?

“We don't see how the board can benefit from being more diverse.”

“We believe our board is already diverse.”

“We can't replace our existing board directors.”

“It's hard to find diverse board candidates.”

Have you considered



Engaging a search firm for an independent assessment of diverse talent.



Selecting from a pool of 1,293 experienced HK female directors – 90% currently sit on only one board.



Building a pipeline of talent via directors training programmes available in Hong Kong.



Enhancing diversity through a board review. Refer to “Guide for Improving Governance through Board Diversity”.

A Call to Action



“The breadth of insights revealed in this report is an impetus for companies to consider board diversity in a fresh light, and, where necessary, to take relevant action that will result in positive change within their organisations.”

Steve Bertamini
Group Executive Director & CEO Global Consumer Banking
Chair, Group Diversity & Inclusion Council
Standard Chartered Bank



“Listed companies in Hong Kong should look to build the best teams of diverse talent, through approaches that encourage meritocracy. The new code provision is a tremendous catalyst for change. Companies should not just ‘tick the box’, they should seize the opportunity to evolve their boards and organisations to ‘future proof’ their business.”

Fern Ngai
CEO
Community Business

For more information see and the full report, please visit <http://www.communitybusiness.org/DOB> or call +852 2152 1889.

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