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Women's Representation on Hong Kong's Boards Stalling Despite HKEx's Requirement for Boardroom Diversity

Community Business calls on Chairpersons to lead the change

Significant variation in gender diversity across industries on boards of HSCI

Hong Kong, 4 March 2014 - According to the latest research launched by Community Business, progress on the representation of women on the boards of Hong Kong's leading companies is stalling – despite increased attention on this subject. The overall number of women holding directorship roles in Hong Kong's 50 leading companies, as listed on the Hang Seng Index (HSI), has increased from just 9.4% to 9.6% in the last year. The overall picture for Hong Kong's broader pool of 356 companies listed on the Hang Seng Composite Index (HSCI) is worse, with women holding only 9.0% of board positions.

Community Business, a leading non-profit focusing on corporate responsibility and a thought leader on diversity and inclusion in Asia, today released an update to its industry-leading research, the **Standard Chartered Bank Women on Boards Hong Kong 2014** report. This is the fourth study of its kind with previous reports, also sponsored by Standard Chartered, published in 2009, 2012 and 2013. This update continues to look at the representation of women on listed boards in Hong Kong and extends the coverage from the 50 blue-chip companies on the HSI to the 356 constituents of the HSCI, representing about 95% of the total market capitalisation of the Main Board listed companies in Hong Kong. For the first time, the research also provides analysis by industry, including industry league tables ranking companies by the percentage of women on their boards.

- Download the infographics:
<http://www.communitybusiness.org/images/cb/publications/2014/WOB-2014-infographic-Eng.pdf>
- Download the Hang Seng Index 2014 Full League Table:
www.communitybusiness.org/images/cb/publications/2014/HSI_2014_League_Table.pdf
- Download the Hang Seng Composite Index 2014 Full League Table:
http://www.communitybusiness.org/images/cb/publications/2014/HSCI_2014_League_Table.xlsx
- Download the report cover image:
www.communitybusiness.org/images/cb/publications/2014/WOB2014_Cover.jpg

Fern Ngai, CEO of Community Business, said, "The latest research findings are frankly disappointing on various indicators. Despite Hong Kong Exchanges and Clearing's laudable efforts to promote board diversity with the introduction of the new code provision last September, international attention on this issue, and efforts on a number of fronts to increase the supply and visibility of female talent in Hong Kong, we are not seeing evidence that mind sets are changing or that companies are taking steps to ensure more women are given a seat at the top table."

Key Findings:

▪ **Top Ranking Companies on HSI 2014**

The report includes a **Women on Boards League Table: HSI 2014**, ranking companies in terms of the percentage of women on their boards. Hang Seng Bank Limited tops the league table with 28.6% women on its board. Two new companies are in the top 3 - MTR Corporation Limited in

second place with 26.7% women on its board and HSBC Holdings Plc in third place with 23.5%. Disappointingly however, the top ranking companies on the league table this year have lower scores than last year.

▪ **Progress on HSI overall is dismally slow, if not stagnating and stalling**

Out of 668 directorships on the HSI, only 64 directorships are held by women, representing an overall increase of only three new female directorships from 61 last year. With some women holding multiple seats, these directorships are held by 53 different women – this number has remained static since 2013. Worse still, the number of female executive directors has not changed since 2009, stalling at 15, indicating a lack of emphasis on building the pipeline of female executive talent within companies.

Of 83 new director appointments in the last year, just eight directorship roles were appointed to five different women. This means the rate of new female appointments is slowing, from 11.7% last year to 9.6% this year.

▪ **Overall picture for broader pool of companies is worse - HSCI performs more poorly than HSI on nearly every indicator**

Out of a total of 3,723 directorships on the HSCI, 336 are held by women. This represents just 9.0% and is even lower than the HSI percentage which stands at 9.6% in 2014.

Compared to the HSI, the HSCI has a lower percentage of companies with one female director (57.6% vs. 68.0%), a lower percentage of companies with multiple female directors (24.2% vs. 32.0%) and a higher percentage of companies with all male boards (42.2% vs. 32.0%) as compared to the HSI. However, the percentage of executive directorships held by women on the HSCI (9.0%) is higher than the HSI (7.1%), while the percentage of companies with female executive directors is slightly higher on the HSCI (29.5%) than the HSI (24.0%).

▪ **However, high level data on HSCI hides pockets of positive performance**

The top 10 ranking companies on the HSCI perform significantly better in terms of representation of women on their boards than the top 10 on the HSI - with ranges of 33.3%-57.1% as compared to 14.3%-28.6%. The top 3 ranking companies on the HSCI are Emperor Watch & Jewellery (57.1%) in first place, Powerlong Real Estate Holdings (44.4%) and Sa Sa International Holdings (44.4%) in joint second place and Emperor International Holdings (42.9%) in third place. With as many as five women out of 14 directors, Luk Fook Holdings (International) (35.7%) has the distinction of being the company with the highest number of women on its board – for both the HSCI and HSI.

▪ **Significant variation in gender diversity across industries on boards of HSCI**

Breaking the HSCI data down by industry reveals some significant variations in performance, with the average percentage of women on boards by industry ranging from 3.0% to 11.9%.

○ **Top ranking industries on HSCI League Table – Consumer Goods and Properties & Construction**

The Consumer Goods and Properties & Construction industries dominate the top 10 ranking companies on the HSCI. The industry with the highest representation of women on boards in its top three is the Consumer Goods industry with a range of 40.0%-57.1%. The Conglomerates industry stands out as performing well across a range of indicators, including average percentage of women on boards (11.9% vs. 9% on HSCI), companies with multiple female directors (55.6% vs. 24.2% on HSCI) and new appointments in 2013 to women (25.0% vs. 8.4% on HSCI).

The Telecommunications industry is worthy of mention as over 85% of its companies have at least one women on their boards, far exceeding the performance of the HSCI as a whole (57.6%).

- **Worst performing industry on HSCI - Energy**

Energy stands out as performing poorly against all indicators in this study, particularly in terms of the percentage of companies with all male boards (76.2%).

In reflecting on the challenge facing Hong Kong in terms of achieving greater gender diversity in Hong Kong's boardrooms, the report concludes that Chairpersons have a key role to play. "There is a risk that, by defining diversity in its broadest terms, companies may be excusing the need for greater gender balance or a more critical examination of their board composition, thereby overlooking the many business benefits that gender diversity brings, including more informed decision making and better understanding of customers and key stakeholders. We urge Hong Kong's Chairpersons to make themselves accountable for bringing about change – to share this data with their board, reflect on the strategic implications for their company, and take positive and proactive steps to evolve their board into one which is more relevant and effective in today's marketplace," said Mrs Ngai.

"A diverse workforce leads to greater innovation, wider market reach, and ultimately better business performance. However, to tap into the full capabilities of a diverse workforce, there needs to be commitment from the top. Having a diverse board underlines this commitment," said **Steve Bertamini**, Group Executive Director & CEO Global Consumer Banking, and Chair, Group Diversity & Inclusion Council, of Standard Chartered Bank, the report's sponsor. "If companies in Hong Kong want to do more than read with interest about gender equality in the workplace and on boards, and are ready to embrace all the benefits that greater board diversity brings, then this report will help them take concrete and measurable steps that will result in positive change within their organisations."

Call to Action

Specifically Community Business urges Chairpersons to:

- Review the numbers in this report, share them with your board and consider the implications for your company.
- Set specific goals and targets with an aim to build a pipeline of female talent to address the representation of women not just on your boards – but at mid and senior management levels.
- Ensure that women are included on the candidate slate for every board appointment, casting the net wider than traditional channels to identify these women. Consider for example the 1,522 women on the broader list of 1,634 listed companies in Hong Kong.
- Aim to appoint one additional female director in the year ahead.
- Consider giving two female candidates from senior management the opportunity to serve as a non-executive director at another company.
- Refer to Community Business' *Improving Governance through Board Diversity: A Guide for Companies Listed in Hong Kong* to formulate a relevant board diversity policy and to create the right environment and mechanisms for impactful and sustainable change.

The full **Standard Chartered Bank Women on Boards Hong Kong 2014** report has been published in English and Chinese and is available for download on the Community Business website at <http://www.communitybusiness.org/library/publications.htm>.

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About Community Business

Community Business is a non-profit organisation whose mission is to lead, inspire and support businesses to improve their positive impact on people and communities. As a thought leader in corporate responsibility in Asia, Community Business conducts research, facilitates events and networks, leads campaigns and provides consultancy and training. Its major areas of focus include: Corporate Responsibility Strategy, Diversity & Inclusion, Work-Life Balance and Community Investment. Founded in 2003 and based in Hong Kong, Community Business works with leading organisations across the Asia region. For more information, visit www.communitybusiness.org.

About Standard Chartered

Standard Chartered is a leading international banking group. It has operated for over 150 years in some of the world's most dynamic markets and earns around 90 per cent of its income and profits in Asia, Africa and the Middle East. This geographic focus and commitment to developing deep relationships with clients and customers has driven the Bank's growth in recent years. Standard Chartered PLC is listed on the London and Hong Kong stock exchanges as well as the Bombay and National Stock Exchanges in India.

With 1,700 offices in 70 markets, the Group offers exciting and challenging international career opportunities for 88,000 staff. It is committed to building a sustainable business over the long term and upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. Standard Chartered's heritage and values are expressed in its brand promise, 'Here for good'.

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