

“Women in Governance” Series Global Conference

Event 3: Corporate Governance Policies that Support Women

Wednesday 11 August 2021 (Session 2)

Keynote Speech by Ada Chung, Privacy Commissioner for Personal Data, Hong Kong, China

4:30pm (20 minutes)

1. Carlye, distinguished guests, ladies and gentlemen, good morning, good afternoon and good evening.

I am very honoured indeed to be invited to give a keynote speech at this session hosted by The Hong Kong Institute of Directors. Although this is the last session of the series of conference, I believe that with the benefit of the insight and inspiration of the previous speakers and discussions, we will be able to have an in-depth discussion of corporate governance policies that support women, and hopefully come up with some practicable recommendations for organisations, directors and governance professionals.

2. As some of you may know, I retired from the civil service in Hong Kong in September last year to take up my present role as the Privacy Commissioner for Personal Data. Before that, I had served as the Registrar of Companies for about 13 years. As a woman who has been working closely with many directors, corporate

governance professionals over the years, I greatly appreciate the important roles and key contribution women have played and made in good corporate governance.

Gender Diversity in Corporate Governance

3. When we talk about gender diversity nowadays, it covers not only female presence on corporate boards, but also their participation in senior management, and in some cases and for some countries, gender diversity across the company or organisation itself.
4. Today, I would like to share with you my observations on the importance of gender diversity. As all of you are aware, gender is not a novel topic in the discussion of diversity. Rather, every now and again it is worth reflecting on how important it is, how far we have come in terms of gender diversity, and indeed, how far we still have to go, whether globally or in our respective jurisdictions.
5. In 1998, Spanish philosopher Victoria Camps published a book entitled *The Century of Women (El siglo de las mujeres)*, in which she asserted that the 21st century, then about to begin, would undoubtedly be the century of women. We are now about 20 years into the 21st century, and I trust that you would all agree that women are playing an increasingly important part not only in their traditional roles in the family, but also in corporate governance and

practically all spheres of life, including sports when we have about half of the athletes at Tokyo Olympic Games being women.

6. In terms of women on corporate boards over the past 10 years, the figures have more than doubled, from below 10% in 2010 to just over 20% in 2020¹, according to a study conducted by Morgan Stanley. The situation is even better in Europe, where women represented 34% of all board of directors in the 600 largest listed companies, and 9% of those boards were chaired by women in 2020².
7. Indeed, as pointed out by some speakers in the earlier sessions of this conference, a diverse boardroom provides wide-ranging benefits for a company. According to the OECD's Principles of Corporate Governance³, as a key responsibility a board should regularly assess whether its members possess the right mix of background and competences, in order to avoid groupthink and enable diversity of thoughts in board discussion. Having diversity from the top, in turn, would be key to fostering an inclusive culture and environment in a company that welcomes exchanges of different ideas and perspectives, as well as a diverse pool of talents.

¹ MSCI (2020), *Women on Boards: 2020 Progress Report*: <https://www.msci.com/www/women-on-boards-2020/women-on-boards-2020-progress/02212172407>

² European Women On Boards (2021), *European Women on Boards Gender Diversity Index 2020*: <https://europeanwomenonboards.eu/wp-content/uploads/2021/01/EWoB-Gender-Diversity-Index-2020.pdf>

³ OECD (2015), *G20/OECD Principles of Corporate Governance*: <https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf>

8. Plenty of research has pointed to a strong business case for gender diversity in corporate senior management and boards. According to a recent research by McKinsey, the most gender diverse companies outperformed the least gender-diverse companies by a substantial 48%⁴. Institutional investors have also shown a preference for investing in companies with diverse boards. Some of them (e.g. BlackRock⁵) have even voted against the re-election of directors at companies that failed to encourage gender diversity in boards. Put simply, gender diversity in boards is a ‘win-win’ situation for every stakeholder.

9. Over the years in Hong Kong, we have seen an encouraging trend of more and more women taking up senior leadership positions. For instance, according to a study published by The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) in March this year⁶, a majority (73%) of the leadership positions in human resources departments of Hang Seng Index companies, comprising the largest listed companies, were held by women. In legal (33%), sales, marketing and public relations (33%) departments, women were also reasonably represented in the leadership positions, with their

⁴ McKinsey and Company (2020), *Diversity wins: How inclusion matters*: <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

⁵ Wall Street Journal (2018), *BlackRock: Companies Should Have at Least Two Female Directors*: <https://www.wsj.com/articles/blackrock-companies-should-have-at-least-two-female-directors-1517598407>

⁶ HKGCI (2021), *Missing Opportunities? – A Review of Gender Diversity on Hong Kong Boards*: https://www.hkcgci.org.hk/files/publication/2462/HKICS_A%20Review%20of%20Gender%20Diversity%20on%20Hong%20Kong%20Boards%20Report.pdf

presence accounting for over 30% of the leadership positions in those departments.

10. The same study performed by The Hong Kong Chartered Governance Institute also showed that currently across listed companies in Hong Kong, only around 14% of the directors are women, and nearly one-third of their boards have no female members at all. The level of female representation on boards in Hong Kong remains relatively low when compared to that in other jurisdictions, such as the UK (33%), Australia (32%) and Singapore (18%). Moreover, the proportion of female directors on Hong Kong boardrooms has not been progressing quickly enough over the years. For the past ten years, female representation on boards has risen by only around 4%, and the year-on-year increases are less than half a percentage point.

Corporate Governance Policies that Support Women

Quota Laws

11. So, what can be done to increase gender diversity in corporate boardrooms? What policies can be implemented to support women?

There is much debate about how to encourage, or even enforce, gender diversity in boardrooms with regulatory approaches.

12. As I see it, policies to increase women's access and participation in corporate boards and in senior management positions can be driven by governments, regulators or companies themselves.
13. One of the most 'straightforward' measures, also arguably a highly effective one, is to set a mandatory gender quota for board composition.
14. Quotas and numerical targets can be very effective in increasing the number of women on boards in the short term. In some European countries, quotas were set by statutes a few years ago. As a result, female representation on boards has doubled or even tripled since then. For instance, in Germany, a quota of 30% was introduced in 2014; female representation on top German company boards increased from around 17% in 2013 to 35% in 2020⁷. The results of Italy's 2011 quota law were even more striking: women's representation on boards of listed companies have surged by over 35% since 2009, and stood at 39% last year⁸.

⁷ DIW Economic Bulletin (2021), *Momentum in sight for the executive boards of major German companies*: https://www.diw.de/documents/publikationen/73/diw_01.c.809498.de/dwr-21-03-1.pdf

⁸ CONSOB (2021), *Report on corporate governance of Italian listed companies*: <https://www.consob.it/documents/46180/46181/rcg2020.pdf/023c1d9b-ac8b-49a8-b650-3a4ca2aca53a>

15. Although currently in Hong Kong there are no legal requirements for companies to fulfil a gender quota for board members, we have a ‘quota-like’ policy in place in the public sector. In 2004, the Government of Hong Kong set a 25% gender benchmark for the membership composition of statutory boards and advisory committees⁹. This is one of many efforts by the Government to encourage and achieve gender diversity and encompass a variety of views and perspectives in shaping its policies. The benchmark has been rising incrementally since then, and a further target of 35% was set in 2015. The benchmark has proven to be very effective here because at the end of last year, 34% of appointed non-official members of statutory and advisory bodies were female. The gender benchmark resulted in far better female participation and representation in public bodies and public administration. This example can perhaps illustrate that so long as the government, an authority or a company sets a quota or a target to achieve, it may not be necessary for the quota to be made mandatory or imposed by law.

Transparency in Reporting

16. Another common step that jurisdictions take towards encouraging more female representation in corporate boards is to require transparency in the reporting of gender diversity by companies.

⁹ Home Affairs Bureau, *Advisory and Statutory Bodies*:
https://www.hab.gov.hk/en/policy_responsibilities/District_Community_and_Public_Relations/advisory.htm

Some mandatory disclosure is already commonly required in ESG reporting, and diversity itself is indeed a key ESG consideration. Although I believe that requiring companies to disclose their level of diversity and their diversity policies will help to boost the level of female representation on boards, I would appeal for companies themselves to increase their transparency in reporting gender diversity in order to show their commitment from the top. This is crucial when investors nowadays are attaching greater importance to gender diversity in a company's strategic planning, decision-making and problem-solving processes.

17. In Hong Kong, since 2018, there has been a requirement in the Listing Rules of the Hong Kong Stock Exchange¹⁰ that listed companies shall have a policy on board diversity, and shall disclose the policy in their corporate governance report. Companies with a single-gender board will also need to provide objectives for the implementation of gender diversity in the future. In April this year, the Hong Kong Stock Exchange (HKEX) went further by publishing a public consultation paper¹¹ to review the Corporate Governance Code and the Listing Rules concerned. The paper proposed a revision of the Listing Rules that would require all listed companies with single gender boards to appoint at least a

¹⁰ HKEX, *Main Board Listing Rules*:

https://en-rules.hkex.com.hk/sites/default/files/net_file_store/consol_mb.pdf

¹¹ HKEX (2021), *Consultation Paper: Review of Corporate Governance Code and Related Listing Rules*:

<https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/April-2021-Review-of-CG-Code-and-LR/Consultation-Paper/cp202104.pdf?la=en>

director of the absent gender on their boards within a three-year transition period, and that no IPO applicants would be expected to have a single-gender board. This is not quite a quota requirement, but it would still prevent single-gender boards.

Internal Supporting Policies

18. Apart from quotas and increased transparency, we should also consider what can be done internally by companies to ensure that there are women taking up senior roles on a sustainable basis. To develop a pipeline of potential successors to the board that could ensure gender diversity, many have suggested that companies should manage their human resources to meet certain gender diversity targets or gender balance KPIs. In fact, the HKEX paper which I have just mentioned also included a proposal that all listed companies would be required to set numerical targets and timelines for achieving gender diversity at both the board level and across the workforce, including senior management.

19. In this context, I believe that proper recruitment and promotion policies are crucial. Companies may implement recruitment and promotion policies which encourage the sufficient presence of women in top managerial positions as well as actively recruit qualified women to replace outgoing male board members. Companies could also develop leadership training programmes which equip women to take up senior managerial and board roles.

Mentorship programmes can be introduced for promising employees to nurture the next generation of female leaders. Such internal policies would not only fulfil the objective of enabling women to move up the career ladder, but would ideally also facilitate gender balance and diversity across all levels of the company.

Policies Supporting Working Mothers

20. Furthermore, in devising corporate governance policies that support women, we must not neglect the working mothers. Motherhood is frequently cited as a major issue that may hinder women from staying in senior roles and diminish their chances of moving up the corporate ladder. A family-friendly work environment would be crucial for retaining female talents. For example, flexible working hours and family-friendly work policies are some of the human resources policies that companies could implement. They may allow working mothers to more readily strike a balance between family and work responsibilities, and prevent them from leaving the workforce. Here in Hong Kong, we have had more labour policies supporting working women in recent years. For example, since December last year, the statutory maternity leave has been extended from 10 weeks to 14 weeks¹². More recently in June this year, amendments were made to our Sex

¹² Labour Department, Hong Kong SAR Government (2020) *Press Release: The Employment (Amendment) Ordinance 2020 Extension of Statutory Maternity Leave from 10 Weeks to 14 Weeks*: <https://www.labour.gov.hk/eng/news/EA02020.htm>

Discrimination Ordinance to protect breastfeeding women from discrimination and harassment, and this expressly covers discrimination of breastfeeding employees by employers in the workplace. The amendments do help create a more family-friendly environment for working mothers with a new-born, and enable them to stay in or re-join the workforce while breastfeeding.

21. The good news is, albeit slower when compared with some other jurisdictions, Hong Kong is making progress in gender diversity in the workplace. In 2020, we saw an encouraging 24% of open director seats in the top 50 companies on the Hang Seng Index being filled by women, where the numbers were just 6% and 5% in 2019 and 2018 respectively¹³.
22. Over the years, in its annual Directors of the Year Awards, the HKIoD has been giving special recognition and prizes for companies which excel in board diversity, and this has helped to create and promote a good culture of board diversity locally.
23. Female presence in leadership roles has also been on the rise in the public sector of Hong Kong in recent years. It must be mentioned that the current Chief Executive of the Hong Kong SAR, Mrs. Carrie Lam, is the very first female Chief Executive elected in Hong Kong. One of the three most senior officials in the

¹³ Heidrick & Struggles (2021), *Board Monitor Hong Kong 2021*:
<https://www.heidrick.com/en/insights/boards-governance/board-monitor-hong-kong-2021>

Government of Hong Kong, the Secretary for Justice, is also a woman. Incidentally, I note that the chief executives of the six Institutes hosting this series of conference are also women!

Closing

24. To conclude, companies nowadays have everything to gain by improving gender diversity on their boards. It is of crucial importance that governments, regulators and companies themselves give some serious consideration to corporate governance policies that support women, put those policies in place, and implement them effectively to achieve a “win-win” situation for everyone.

25. With that, may I wish you all a very fruitful and inspiring discussion for this session. Thank you!