



THE
LAW SOCIETY
OF HONG KONG
香港律師會

CONSULTATION PAPER ON BOARD DIVERSITY

Law Society's submissions

The Law Society supports the proposed amendments to the Code of Corporate Governance as set out in the *Consultation Paper on Board Diversity* issued by the Hong Kong Exchanges and Clearing Limited (HKEx) in September 2012. Hong Kong should align with international practices in promoting board [and workforce] diversity.

We believe each of the proposed changes to the Corporate Governance Code will encourage public debate on this issue and, as a result, direct the attention of nomination committees and boards to consider and take appropriate actions. We believe the voluntary “*comply or explain*” approach is preferable to binding rule requirements. [We also believe diversity ought to extend beyond the board to senior management.]

In relation to Question 4 in the Consultation regarding the proposed note on the meaning of diversity, there is a strong view that gender should be made the main criterion by which to judge board diversity since the proposed definition, which includes diversity of age, cultural background and professional experience etc. in addition to gender, would potentially allow companies to side-step or ignore completely the issue of gender diversity since the Code's requirements can be met by showing diversity as to matters *other than gender*.

Finally, in relation to introducing the proposed new mandatory provisions in the Code, we believe it will be even more effective to achieve the goal in board diversity by requiring issuers to disclose not just some vague “*progress on achieving the objectives*” but also the actual measurable achievements made as at the end of the reporting period through a “comply or explain” provision in the Corporate Governance Code,

We suggest implementation of the proposed amendments by 1 April 2013.

The Law Society of Hong Kong

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