HKEx calls for more women and wider age spread on company boards

Stock exchange operator says there should be a diverse composition and wider age spread
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Su-Mei Thompson welcomes the HKEx's proposal. Photo: May Tse

The operator of the Hong Kong stock market has proposed that listed companies must have more diverse representation on their boards, because the present boards have too few women representatives and are mostly composed of middle-aged men.

Hong Kong Exchanges and Clearing yesterday issued a consultation paper to collect views on a proposal to require listed companies to ensure they have a diverse board composition. Companies not doing so would need to explain why.

It points out that this would be in line with similar requirements in Britain and Australia.

The consultation period will close on November 9.

In many stock markets around the world, companies are either mandated to have more women on their boards as well as a wider spread of ages for directors, or are encouraged to do so.

Norway introduced a law in 2004 requiring that at least 40 per cent of board members of listed companies should be women. Similar laws have been introduced in recent years in Belgium, France, Finland, Iceland, Italy and Spain.

In its consultation paper, the HKEx says only 10.3 per cent of current board members are women, and 40 per cent of listed companies do not have any female directors on their boards. Also, 67 per cent of directors are aged between 41 and 60, and only 10 per cent are below 40 years old.

The stock exchange did not set targets for gender or age representation on boards, and will leave companies to decide how to diversify their boards to fit in with their business needs.

"We believe diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural, educational background or professional experience," the exchange paper said.

The Women's Foundation welcomed the exchange proposal as a first step towards redressing gender imbalances on Hong Kong boards.

"Many family-controlled, male-dominated Hong Kong-listed companies are failing to tap into the wealth of qualified, diverse and independent board candidates," said Su-Mei Thompson, the chief executive of the foundation.

"Their networks - and thus their recruiting pipelines - have tended to be overwhelmingly male.

"We also hope shareholders will become more vocal about the benefits of having a diverse board comprising men and women, as well as a variety of ethnic backgrounds, global perspectives and ages."

A Credit Suisse Research Institute report showed companies with at least one woman on their boards achieved a 4 per cent higher average return on equity. The majority of the companies with more women on board performed defensively during falling markets and difficult economic times.