



Complying with Principle 3

Strategies for gender diversity

The following information has been developed to assist ASX-listed entities comply with the changes to the ASX Corporate Governance Council's (ASXCGC) *Corporate Governance Principles and Recommendations* which will commence on 1 January 2011.

Summary

Under changes to recommendations in Principle 3, listed entities will be required to disclose in their annual report:

- their achievement against measurable gender objectives set by their board and
- the proportion of women on the board, in senior management and employed throughout the whole organisation.

Under a proposed new Recommendation (3.2), listed entities will be required to establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

Some helpful information is provided to assist listed entities to formulate a diversity policy:

- commitment to diversity and articulation of the corporate benefits arising from employee and board diversity and the importance of benefiting from all available talent. This should promote an environment conducive to the appointment of well qualified employees, senior management and board candidates so that there is appropriate diversity to maximise the achievement of corporate goals. For example, the needs of a company may point to the need for directors with particular skills and experience
- commitment to and identification of ways to promote a corporate culture which embraces diversity when determining the composition of employees, senior management and the board, including recruitment of employees and directors from a diverse pool of qualified candidates
- identification of factors that should be taken into account in the selection processes and whether professional intermediaries should be used to identify or assess candidates
- identification of programs that assist in the development of a broader pool of skilled and experienced board candidates, including initiatives focused on skills development such as executive mentoring programs or more targeted practices relating to career advancement such as those that develop skills and experience that prepare employees for senior management and board positions
- articulation of a corporate culture which not only supports workplace diversity but also recognises that employees at all levels of the company may have domestic responsibilities
- transparency of board processes, review and appointments
- the extent to which the achievement of measurable objectives should be tied to key performance indicators (KPIs) for the board, the CEO and senior executives.

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Strategies

Women on Boards and Chartered Secretaries Australia support all of the recommendations issued by the ASXCGC and offer the following strategies for ASX listed entities seeking to comply with the ASXCGC *Corporate Governance Principles and Recommendations* and commit to increasing the percentage of women on their boards and in senior management and executive roles.

1. Set targets for gender diversity at board and senior management/executive level:

- 25 per cent of the under-represented gender by 2012
- 40 percent of the under-represented gender by 2015.

These percentages are based on research that shows that boards operate most effectively when at least three directors on a board of eight to ten are the least represented gender. Significant business and other benefits accrue when gender ceases to become a focal point and men and women are empowered to bring diverse technical and behavioural skill sets to the board of a company. In addition, companies where there are more women on the board are most likely to have a larger percentage of women at senior management / executive level. In quantitative terms the percentages equate to approximately 250 additional director positions on the ASX200 being filled by women based on figures as at 30 June 2010.

2. Review the selection process

- Ensure the director selection process is formal and transparent as set out in the ASXCGC *Corporate Governance Principles and Recommendations*.
- Advertise vacancies more widely and in sectors where women are more prevalent.
- Broaden the selection criteria to include a mix of skills, experience and attributes. Ensure that any statement as to the skills and diversity the board is seeking when appointing new members is meaningful and not generic. The benefit that is being sought will be undermined if this occurs. Selection criteria could include transferable skills from other sectors.
- Consider potential directors from non-traditional areas (for example, chief financial officers, chief operating officers and experienced company secretaries, chief executive officers and managing directors of mid-sized companies, heads of business units and subsidiaries of ASX200 companies, chief executive officers of large not-for-profit companies and local government entities, former partners in service firms).
- Seek input from other sources and require search consultants to provide a list of emerging women directors and emerging senior executives as part of any recruitment process.
- Require at least one serious female candidate to be present on every shortlist.
- Have at least one woman (possibly external) on the nomination / remuneration committee.

3. Develop the director pool

- Actively seek and support women who could be potential directors.
- Establish arrangements to increase the pool of women candidates known to chairs and directors, so they become available for selection when opportunities arise.
- Invite women to events and activities that will assist them to build business networks.
- Support and encourage women to join a board as a part of their professional development.
- Open subsidiary and joint venture directorships to a transparent/open process and earmark some of the directorships for women.

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4. Build the executive pipeline

- Ensure gender is part of your diversity policy.
- Review your existing gender statistics that are reported currently to the Equal Opportunity for Women in the Workplace Agency (EOWA).
- Collect the following data:
 - proportion of women in a company business unit at each level of employment
 - pay levels and attrition rates of men and women in comparable positions
 - remuneration of women top earners compared to male top earners.
- Circulate the data widely prior to its publication in the annual report
- Get feedback and set targets for gender diversity in consultation with the workforce.
- Add diversity indicators to senior management KPIs to ensure the issue gets traction.
- Require the percentage of shortlisted applications for all senior jobs to reflect the percentage of women coming through the company ranks.
- Look at and address the cultural impediments to women achieving senior management roles and implement interventionist programs to affect change.

References

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