

## ASX diversity requirements launched at CEDA function, 12 July 2010

[Click to open document in a browser](#)

On 30 June 2010, the Committee for Economic Development of Australia (CEDA) held a lunch event in Sydney which was attended by over 400 industry leaders and human resources (HR)/Diversity professionals. The function discussed the implications of changes made to the Corporate Governance Principles and Recommendations (Principles and Recommendations) of the ASX in relation to diversity and the presence of women on boards.

Barbara Holmes, Director of Managing Work|Life Balance International attended this event and reports that the changes have been introduced after considerable industry consultation. These changes will come into effect on 1 January 2011 and will include diversity requirements that aim to address the low levels of female participation at senior levels within organisations and at the board level.

The revised Principles and Recommendations will apply to an organisation's first financial year starting on or after 1 January 2011. The ASX Council believes that listed entities with a balance date of 30 June 2010 should be able to establish a complying diversity policy and report in respect of the financial year commencing 1 July 2010.

Whilst all listed companies will need to comply, employers would be advised to initially gain a better understanding of the new diversity requirements. Two positive things have been noted so far — namely that the new requirements will assist employers to establish a standard within organisations and they will contribute to attraction and retention initiatives.

The focus of the Principles and Recommendations is on disclosure. A company is required to disclose what it has in place, and if it does not comply with what is required, it must provide an explanation. Non-compliance with the Principles and Recommendations could result in a breach of the ASX Listing Rules.

Whilst the broad definition of diversity includes gender, race, age, cultural background and sexual preferences, the Principles and Recommendations concentrate on gender on boards and gender within the workplace.

The new diversity requirements of the Principles and Recommendations require listed companies to:

- provide greater transparency on the processes adopted by the board in **board member selection and succession planning**, including the steps it takes to ensure that a diverse range of candidates is considered and there is an appropriate mix on boards
- establish a **diversity policy** which includes requirements for the board to establish **measurable objectives for achieving gender diversity** (the Principles and Recommendations list some suggestions as to the content of this policy)
- establish **appropriate procedures** to ensure that the diversity policy is **implemented properly**, and includes an **internal review mechanism**
- **assess annually** the company's achievement of, or progress towards, the objectives
- consider **remuneration by gender** in the Remuneration Committee's regular review and recommendations to the board, and
- **disclose in its annual report** the measurable objectives for achieving gender diversity, together with the diversity policy or a summary of that policy and the proportion of women employees in the whole organisation, women in senior executive positions and women present on the board.

1

Keynote speakers at the CEDA event included Mr David Gonski AC, Chair of the Australian Securities Exchange (ASX), Ms Mairi Steele, Acting Director, Equal Opportunity for Women in the Workplace Agency (EOWA) and Ms Barbara Chapman, Group Executive, Human Resources and Group Services,

Commonwealth Bank of Australia (CBA). Mr Phillip Crawford, a Partner at Henry Davis York (HDY), introduced the session.

In his introduction, Mr Crawford (HDY) said: “This is an exciting and inspiring time for women in Australia ... it is timely that this function is being held to look at the role of women on boards in this country. Australia’s listed companies are the benchmark for economic activity, yet less than 10% of their directors are women. Why is this so? Is there a need for quotas?”

Mr Gonski (ASX) expressed his disappointment in the low number of women on boards in his opening remarks. He said: “I blame myself and other Directors for allowing this to happen.” He asked the question — if there is a significant trend for increasing the numbers of women involved at all levels of the workplace and at senior levels in business, then how is it that there are so few women on boards? He suggested that the old arguments of:

- there are insufficient women candidates
- women will not “fit in” on boards, or
- the Global Financial Crisis was a bad time to bring women onto boards

are not valid. He went on to say: “These are merely excuses and not acceptable. You don’t have to have been a CEO to be on a board — the whole board will be made up of many different people and we need diversity of thought and experience. Women have excelled in many aspects of life and business and their talent is needed on boards.” He indicated that the ASX Council had brought forward the policy on gender and this was intended to focus people’s minds on the importance of diversity and generate results. He also suggested that shareholders and superannuation funds should also have a say in who is on boards and they should be asking why there are so few women? He said: “We need to find a way to make it (ie the presence of more women on boards) happen faster.”

Mr Gonski said that he did not support the notion of quotas as he believed in the merit principle and that women should not be on boards simply to make up the numbers. They need to be there because it is the right decision for the organisation.

Ms Steele (EOWA) opened her presentation by commenting on the slow pace of change. She suggested that “whilst there are some good role models of companies promoting women into senior roles and onto boards, the overall progression of women in leadership is very slow — almost glacial”. She also indicated that the numbers of women in the pipeline is low and the 2008 EOWA Census<sup>2</sup> suggests that we are going backwards. For example, there were fewer women on boards in 2008 than in 2006. Similarly, there were fewer women in ASX 200 Companies in senior executive roles. Just 11% of ASX 200 Companies have more than two women board directors.

Ms Steele also emphasised the importance of addressing cultural issues within the organisation and the board. She said: “If we are serious about getting women onto boards, then in the longer term there needs to be a significant shift in culture within organisations”. She emphasised that men and women look at the world through different prisms and that they bring different experiences and views to the boardroom table. The new requirements will challenge the attribution of assigned roles and the expectations of what is considered to be a prerequisite (eg in terms of background/experience) for a board member. There is also a need to look at the selection criteria and to question the assumptions about women and their ambitions. In addition, HR/Diversity professionals need to report the results of the organisation’s diversity strategy to the Chief Executive Officer (CEO) on a regular basis.

Ms Chapman (CBA) spoke in some detail about what the Bank is doing to support and promote diversity within its workforce. However, she also questioned why, in 2010, we are still debating the importance of diversity. She said: “I think if in 2010 we are still posing the question as to why diversity is good, then as leaders we’ve got a lot of soul searching to do. That’s because diversity is about people — about everyone getting a fair chance — and I simply can’t understand why that could be up for debate.”

She indicated that increased diversity at executive and board levels will only come with culture change within organisations. CBA’s Diversity Council is chaired by the CEO. She said: “Our most senior executives own

our diversity strategy and together, we have personally set a diversity target for the whole group to achieve. One key target is to achieve 35% representation of women in senior leadership roles by December 2014. We are currently at 26%. This is a target that our most senior leaders are being measured against ... it means we have to increase by 50% our current rate of appointing women to senior roles.” Executives are appraised on their contribution to the achievement of this goal and their pay is linked to performance. There is also a requirement that interview panels and candidate pools for senior roles must, wherever possible, include both men and women.

To further assist in the development of “women in the pipeline” there are a number of important programs and options in place. These include mentoring, coaching, resilience training, and flexible working.

During question-time at the end of the function, there was much debate over the pros and cons of quotas for women on boards and in executive roles. Perhaps one of the most telling comments was that: “shareholders want board members and staff to be representative of the customers they serve and few businesses have nothing to do with the female consumer.”

### **About the author**

Barbara Holmes is the Director of Managing Work|Life Balance International — one of Australia’s leading consultancies in the area of work/life balance, flexible working and diversity. Much of Barbara’s work involves working with managers and employees in client organisations to create change in the workplace, enabling business to thrive and employees to achieve the balance and career goals to which they aspire. Barbara has worked extensively in Australia and around the Asia Pacific region, providing advice, consulting support and a range of practical tool kits and resources to government and private sector organisations.

Barbara can be contacted on telephone number 1300 131 126. For more information, please see: [www.worklifebalance.com.au](http://www.worklifebalance.com.au)

### **Footnotes**

- 1 Final ASX board diversity requirements released — Freehills <http://203.58.117.183/6456.aspx>
- 2 EOWA 2008 Australian Census of Women in Leadership