

REVIEW OF THE CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

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RECOMMENDATION 1.5

Recommendation

1. Recommendation 1.5 should require disclosure of the listed entities diversity policy and how they have performed against that policy, and in the manner that the listed entity sees as appropriate and not as dictated by the draft recommendations. If the listed entity has obligations under the Workplace Gender Equality Act 2012, it should disclose its "Gender Equality Indicators."
2. Specific paragraphs referring to gender diversity including the commentary of two pages is far beyond what is warranted having regard to the importance of the issue for listed entities and inappropriately distracts from the much broader issue of diversity generally. The majority of the commentary should be deleted – much is shallow motherhood type statements. Companies need less regulation and disclosure requirements, not more. Much of the information can't be usefully used by readers.
3. Box 1.5 should remain as it, contrary to virtually all the two pages before it, refers to diversity generally (the main issue) and "gender " appears only once in the box. Very confusing.
4. The Council should at least recognize in Box 1.5 that listed entities directors (and officers) have Corporations Act obligations to act in the best interests of the company, including in recruitment of the best available employees, executives and directors, and also have obligations to comply with anti-discrimination laws in recruitment.

Comments

1. The pressure for entities to set numerical/percentage targets, I believe, is counter-productive and will not achieve significant increase in gender diversity. It appears also, that the Council has not considered the negative impacts on staff morale, and individuals who have been appointed to make up the numbers rather than because they are the best candidate for the position. Setting targets can drive inappropriate recruitment practices, especially when they are linked to KPIs and the annual bonus.
2. Entities should be focusing on developing employees management skills and consider family friendly employment policies, where possible, and not achieving numerical targets.
3. The reference to the 2007 Catalyst Report (page 11) should be deleted (and a more recent study used, if there is one). The Catalyst report shows a footnote that seems to be ignored by the Council – "Correlation does not prove or imply causation" which seems to negate the claim that "gender diversity on boards is associated with better financial performance." There must be better research than the unhelpful Catalyst report.
4. The Council should focus on achieving sustainable good governance outcomes and avoid the problems occurring in Europe with targets/quotas for gender diversity. For example, Spain set recommended gender quotas of 40% (both genders) in 2007 to be achieved by 2015. In 2013 they had edged to 12.3%, compared to the EU average of 16% and Germany on 18% which has no quotas. The EU stated that at the current rate it would take 30 years! Norway has achieved

quotas with heavy sanctions for breach (dissolution) , reduced value of companies and serious governance issues with quite a number of female directors having 16 directorships – this would be totally unacceptable in Australia. And now the governance issue is being raised – what is the outcome achieved. And yet the Council is pushing targets. Is there any evidence elsewhere that such target have resulted in good governance outcomes (not just increased percentages).

5. The Global Network of Director Institutes survey (by 96%) argues for diversity but that mandatory quotas is not the most effective way to improve board diversity. Again, why is the Council edging closer to the quota model?

Conclusion

As a supporter of diversity but not at the cost of good governance, I strongly recommend that Council members stand back and re-assess whether the two + pages on gender diversity requirements, especially the setting of numerical target, is really the way to achieve improved governance in listed entities and improved performance. I suggest that, if this goes ahead, in 3-5 years you will be wondering why we have only achieved 18% - 20% gender diversity.

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13 Nov 2013