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23 April 2024

Dear ASX Corporate Governance Council,

Re: Submission to background paper and consultation questions  
Consultation Draft for a 5th Edition of the ASX Corporate Governance Council's Corporate Governance  
Principles and Recommendations (Principles and Recommendations).

Thank you for the opportunity to participate in the consultation process. I am writing to you as a sessional academic at QUT in the Faculty of Business and Law.

As an academic who teaches corporate governance to the next generation of leaders I am grateful to my students for the many times we have openly and honestly discussed diversity matters and in particular the aspiration of a more balanced approach to gender diversity.

The ASX principles represent the world's best practice and provide a model by which companies should set their corporate governance mechanisms. It is pleasing to see the ASX principles revisited, improved and revised in line with community standards and expectations. This feedback is related to recommendation 2.3:

“Recommendation 2.3 in the *Consultation Draft* proposes that S&P/ASX300 entities' measurable objective for board gender diversity should be for a gender balanced board (at least 40% women / at least 40% men / up to 20% any gender), within a period specified by the entity.

4. Recommendation 2.3: Women hold approximately 35% of all S&P/ASX300 directorships. This exceeds the existing measurable objective of at least 30% of each gender for those boards. Do you support raising the S&P/ASX300 measurable objective to a gender balanced board?”

Diversity is one of the key indicators of a high performing board. Over the last 5 years when I have discussed this particular issue with my students, there is a current theme in their approach. This theme is a concern that an aspiration of a model such as 40-40-20 may perpetuate tokenism or the perception of quotas over merit-based selection.

My students make the point that, although this is a very optimistic thought, perhaps we are getting closer to a point in society where all aspects of diversity such as age, ethnicity, education, qualifications, skills, gender identity and background are each valued and placed in the mix needed for effective board governance. Favouring one aspect of diversity in the selection process may encourage companies to overlook other aspects of diversity.

Ultimately, a gender split which is appropriate for a board depends on various factors, including the cultural context and specific values and goals of the organisation. A merit based approach which maintains diversity in the selection process should be the most important goal. Drawing on my conversations with many students from an incredibly diverse group across the School of Accounting and the School of Law I do not support raising the S&P/ASX300 measurable objective to a gender balanced board.

Further educating Boards on the advantages of diversity for the company, and what diversity means in 2024 and onwards is to be preferred. Areas such as remuneration and diverse representation in the position of chair and chief executives, are both now key areas for Board consideration. Whilst the literature is mixed in this issue, I will highlight comments from Klettner et al who argue:

“Mandatory quotas may achieve early and significant results in terms of female board representation. ...) [but] evidence suggests that voluntary targets for women's participation on boards and in executive ranks, set by the companies themselves may in some circumstances promote more effective cultural and practical change.”<sup>1</sup>

Thank you, once again, for the opportunity to provide feedback.

Regards

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<sup>1</sup> Klettner, A., Clarke, T., & Boersma, M. (2016). Strategic and regulatory approaches to increasing women in leadership: Multilevel targets and mandatory quotas as levers for cultural change. *Journal of Business Ethics*, 133, 395-419. See also, Mensi-Klarbach, H., & Seierstad, C. (2020). Gender quotas on corporate boards: Similarities and differences in quota scenarios. *European Management Review*, 17(3), 615-631.