



Submission on the
Review of the Corporate Governance
Principles and Recommendations 2013
For ASX Corporate Governance Council

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Introduction

Diversity Council Australia (DCA) is delighted to support and inform the ASX Corporate Governance Council on its consultation paper proposing a third edition of its Corporate Governance Principles and Recommendations.

The following submission reflects the views of our members who have been consulted regarding the changes to the diversity principle components of the consultation paper, specifically:

- Amending the diversity recommendations to give listed entities the option to report their *Gender Equality Indicators* under the Workplace Gender Equality (WGE) Act 2012 instead of reporting the respective proportions of men and women on the board, senior executive positions and across the whole organisation; and
- Strengthening the commentary on the meaning of *measurable objectives* in the diversity recommendations and on the steps a listed entity can take to measure its achievements against the diversity objectives set by its board, in support of greater representation of women in management and on boards.

We anticipate that outcomes from these changes will continue to progress the agenda for working women in Australia.

DCA's submission focuses on changes proposed in the ASX Corporate Governance Principles and Recommendations, Third edition, particularly as they relate to principle 1, recommendation 1.5.

About DCA

Diversity Council Australia (DCA) provides diversity advice and strategy to over 240 organisations, many of whom are Australia's biggest employers.

In partnership with our member organisations, our mission is to:

1. Lead debate on diversity in the public arena;
2. Develop and promote the latest diversity research, thinking and practice; and
3. Deliver innovative diversity practice resources and services to enable our members to drive business improvement.

A priority area of DCA's work is to provide member organisations with resources, networks, skills and tools, which assist them to progress workplace gender equality strategies in their workplaces. This is done through a number of methods, including:

- A regular Gender Reporting Network to assist organisations in their preparations to meet reporting requirements on gender diversity and associated gender equity programs, and providing members with a direct interface to organisations such as the WGE Agency and ASX;
- Leading practice face-to-face and teleconference events on a variety of diversity topics;
- Cutting edge research that directly impacts important areas to be measured as outcomes of the new Act, e.g. *Get Flexible!*, *Understanding the Economic Implications of the Pay Equity Gap in Australia*, *Older Women Matter*,

- Making information and leading practice case studies available through our website, fortnightly *Diversity Matters updates* and thrice yearly *Diversity Matters* and *Research Matters* publications;
- Advocacy through the voices of DCA staff, including Nareen Young, Chief Executive Officer (who was named by the Financial Review and Westpac Group as one of Australia's 100 Women of Influence and received the top honour in the diversity category, and was named one of the 'Twenty Most Influential Female Voices of 2012' by 'Daily Life'); and
- Advice and guidance from DCA staff, many of whom have extensive experience working with and in organisations that implement gender regulatory instruments.

ASX Corporate Governance Guidelines (Diversity) 2013

DCA welcomes the proposed changes to the present Corporate Governance Principles through its third edition recommendations, and anticipates these changes will assist organisations to deliver tangible improvements in gender equality across Australian industry.

Despite efforts to date, there remains substantial opportunity for improvement in gender equality as evidenced by key equality indicators such as the gender pay gap (17.6% in November 2012)¹, and the negligible change in executive ranks with women (e.g. women comprise 9.2% of executives in the ASX 500, only 12 ASX 500 companies have female CEOs, women hold 12.3% of directorships in the ASX 200 but only 9.2% in the ASX 500 women²).

In addition, women still face significant barriers to their inclusion in employment, either directly through discrimination or indirectly through the way employment is structured and how this interfaces with the role many women play as carers to children, the aged and family members with a disability.

Despite this lack of progress however, the introduction of the ASX Corporate Governance Guidelines has had a measurable impact on diversity disclosure and subsequently, progress for ASX listed organisations in this area. ASX-commissioned research conducted by KPMG, shows that Australia's listed companies now have a stronger focus on gender diversity and although slow, some improvements are evident in the representation of women executives and board members. This is great progress despite findings in the KPMG³ report that states there is a direct correlation between the size of a company and the adoption of a diversity policy i.e. the larger the company the more likely it is to have a policy.

The KPMG report analysed compliance by 600 ASX-listed companies with the ASX Corporate Governance Council's gender diversity Principles and Recommendations, which were introduced in 2011 in the first full year (December 31, 2011 to December

¹ Workplace Gender Equality Agency: Gender Pay Gap Statistics 2012.

<http://www.wgea.gov.au/sites/default/files/2013-02-Gender%20pay%20gap%20statistics.pdf>

² 2012 Women in Leadership Census, WGEA

³ http://www.asxgroup.com.au/media/asx_diversity_report.pdf.³

30, 2012). The research showed strong acceptance of the recommendations. DCA is pleased to note that:

- 99 per cent of ASX 200 companies, 97 per cent of ASX 201-500 companies, and 92 per cent of ASX 501+ companies, had **adopted a diversity policy or explained why not.**
- 93 per cent of ASX 200 companies, 85 per cent of ASX 201-500 companies, and 58 per cent of ASX 501+ companies had a **diversity policy.**
- 82 per cent of ASX 200 companies, 59 per cent of ASX 201-500 companies, and 28 per cent of ASX 501+ companies has **set measurable diversity objectives.**

Member consultation on the review of the Corporate Governance Principles and Recommendations

DCA appreciates the invitation to make this submission, and looks forward to further consultation as a key stakeholder group.

DCA's members are representative of businesses that are committed to the emerging business principle of diversity management. Our members represent both ASX listed and non-ASX listed organisations, and both have been keen to contribute to any potential amendments to the governance guidelines.

DCA has specifically sought the views of its members on these proposed changes and this submission focuses on those areas most relevant to them, including the practical reality of diversity reporting in both Annual Reports and under the new WGE Act . Consultation has included an electronic member questionnaire followed by verbal feedback with interested members at the DCA *Gender Reporting Network* on 7 November 2013.

Further details of DCA's consultation process are contained in Appendix A.

DCA's position on the Issues Paper

Overall, DCA and its members support all recommended changes to diversity related matters as proposed by the ASX Corporate Governance Council in the Consultation Paper and Draft third edition of the Principles and Recommendations. We commend the Council for its continued focus on this important issue for Australian business.

We recognise that whilst the Corporate Governance Guidelines will continue to be an excellent tool to proactively encourage companies to take action in the area of gender diversity, this approach is only one part of the answer. Other factors including other government policy frameworks and legislative instruments; working arrangements for flexibility; removal of discriminatory structures and behaviours; improved and inclusive organisational culture; and leadership and senior management accountability are also critical to success in this area.

Response to Proposed Principles and Recommendations

DCA's position on the individual Principles and Recommendations relevant to our mission has been developed on the basis of DCA member feedback.

- 1) DCA supports the retention of ASX Corporate Governance Council Diversity Principles and Recommendations.

DCA members consistently indicated the Principles and Recommendations have been exceedingly useful for promoting greater gender equity within their own organisations, as well as in Australian workplaces more generally.

- 2) DCA supports moving the diversity recommendations from Principle 3: Promote ethical and responsible decision-making to Principle 1: Lay solid foundations for management and oversight.

Overwhelmingly, members viewed the move of the Diversity components of the guidelines from Principle 3 to Principle 1 to be a key step in placing diversity firmly in the economic and business context.

DCA's experience in working with businesses of all types and across a range of industries is that building a strong business case, with clear management accountability at the most senior level, is a critical lever for delivering greater workplace diversity.

- 3) DCA supports the proposed changes to the commentary on the meaning of *measurable objectives* in the diversity recommendations.

Overwhelmingly, members also supported enhancing the commentary in relation to measurable objectives.

Boosting the commentary to give greater guidance on the meaning of *measurable objectives* and the steps a listed entity can take to measure its achievements against the diversity objectives set by its board, can only assist organisations who are still in the early stages of developing their gender diversity policies and procedures.

Our members have indicated that it will be of particular assistance for organisations who have yet to establish diversity-related KPIs and the small number of ASX listed companies that are not covered by the WGE Act reporting obligations as it will provide more clarity around the sorts of improvements they can make to their own metrics.

- 4) DCA supports amending the diversity recommendations to give listed entities the option to report their *Gender Equality Indicators* under the WGE Act 2012 (instead of reporting the respective proportions of men and women on the board, senior executive positions and across the whole organisation).

DCA is hopeful that such streamlining will minimise unnecessary duplication and reduce the administrative burden on businesses, thereby maximising available resources to drive real diversity outcomes for women and other diversity groups. Some members did express concerns about the types of reporting indicators required, and these have been communicated back to WGE Agency and they are outside the ambit of the ASX. They mainly concern indicators for multinational companies with global reporting chains and large organisations who have matrix layered reporting lines.

Other Feedback

- Several members requested that the ASX consider extending the Corporate Governance Guidelines for Diversity beyond gender to include other diverse groups. In particular, people with a disability was repeatedly noted as a group that would benefit from this kind of reporting framework at a corporate governance level.
- DCA would suggest changing the terminology in box 1.5 'Suggestions for the content of a diversity policy', so that the words 'sexual preference' are changed to read 'sexual orientation and gender identity' in line with recent amendments to the federal Sex Discrimination Act.
- For more accurate (and less inflated reporting purposes) separate out responses for 'had either established a Diversity Policy, or for those who had not, provided an explanation for why they had not'. As one member noted, "Grouping these together is similar to saying 97% of the class handed in their assignments and for those who didn't do their assignments, they submitted a note."

Conclusion

DCA is strongly supportive of all the proposed changes made by ASX on the Corporate Governance Guidelines as they relate to diversity and is supported by our members in this regard.

DCA believes the changes will increase the corporate focus on diversity reporting and free up resources through minimizing duplication over the reporting cycle.

DCA is pleased that our regular and most heavily subscribed network, the *Gender Reporting Network* maintains a regular dialogue between members and the ASX, via the involvement of Giri Tenneti who communicates important updates, market evidence and other materials to our members and that this will enable our continued input into implementation.

Given the success to date of the Council's focus on gender diversity we would encourage future consideration of extending ASX reporting beyond gender diversity to be inclusive of other diverse groups.

Appendix A: Member Survey

DCA's Member Consultation Process

1. A questionnaire was developed and sent to members seeking views.
2. The questionnaire was sent on 26 August 2013 and responses due to DCA by COB 30 September 2013.
3. DCA consolidated member views and presented a summary to the *Gender Reporting Network* on 7 November 2013. It provided an opportunity for those who had not commented by return email to provide their input.
4. Comments were accepted by attending organisations via email until COB 10 November 2013.
5. DCA summarised feedback from member consultation and teleconference and developed this final submission.

Survey Questions

- 1) Is your organisation an ASX listed company?
- 2) If so please indicate: ASX20; ASX100; ASX200; ASX500; ASX500+
- 3) Has your organisation previously published information publicly responding to the original ASX Corporate Government Principles?
- 4) Do you believe moving the diversity recommendations from **Principle 3: Promote ethical and responsible decision-making** to **Principle 1: Lay solid foundations for management and oversight** is a positive change? Why or why not?
- 5) Do you support the changes to the commentary on the meaning of *measurable objectives* in the diversity recommendations? Why or why not?
- 6) Do you believe amending the diversity recommendations to give listed entities the option to report their *Gender Equality Indicators* under the Workplace Gender Equality Act 2012 (instead of reporting the respective proportions of men and women on the board, senior executive positions and across the whole organisation), is a positive development? Why or why not?
- 7) Do you believe the ASX Corporate Governance Council Diversity Principles and Recommendations are useful in promoting greater gender equity in
 - Your organisation?
 - The Australian workplace in general?
- 8) Do you have any other comments/suggestions?

General Questions

- 9) Do you believe initial ASX reporting obligations have had a positive impact on:
 - Diversity outcomes for women in your organisation?

- Diversity outcomes for women more broadly?
- Providing necessary competition to prioritise diversity as a business issue?
- Any other diverse group within or outside your organisation

10) Were there any negative outcomes that derived from the initial ASX reporting obligations?

11) What impact do you believe the new changes will have on:

- Your organisation?
- The Australian workplace in general?

12) Do you have any further comments?

Please save this document and email directly to DCA Programs and Development Director, Lisa Annese at Lisa.DCA@stockland.com.au

Thank you for your contribution to this important reform.