



30% Club

GROWTH THROUGH DIVERSITY

LEADING BY EXAMPLE

*Insights on board diversity from ASX 200 chairs
that have 30 per cent women on their boards*

This booklet has been compiled from interviews conducted with ASX 200 chairs of boards with at least 30 per cent female directors. Thirty chairs from the 53 ASX 200 companies with at least 30 per cent female directors (as of August 30, 2016) participated in face-to-face, phone or written interviews. Some of the chairs were appointed to boards that had already reached that target, but the majority were actively involved in appointing female directors or maintaining the representation of female directors due to the retirement of others. Many were also non-executive directors on these boards when female directors were appointed and thus involved in the selection and recruitment process.

The purpose of the interviews was to examine the commonalities in attitudes, commitment, practices, values and processes fostered by each of the chairs. The insights obtained have been grouped under five overarching themes:

1. The importance of board diversity;
2. Board recruitment, selection and appointment practices;
3. Boardroom dynamics;
4. Organisational impact and the relationship between the board and the executive team;
5. Environmental facilitators.

Chair leadership is necessary to ensure boardrooms and organisations adopt open and inclusive environments that cultivate and value diversity. Without chair commitment and active leadership, progress on diversity can be very difficult to achieve, even if fellow board directors are passionate and active in supporting the appointment of female directors.

THE IMPORTANCE OF BOARD DIVERSITY

A belief in the benefits of board diversity, in terms of gender and other forms, is cited by all the chairs as the starting point for any effective processes and practices to improve the representation of women on boards. Without true commitment to and belief in the benefits of diversity from chairs and other directors on boards, diversity becomes a tick-a-box exercise and the search process for new female directors perfunctory.

The reasons given by chairs for supporting board diversity focus on the performance benefits derived from having access to a variety of unique perspectives, expertise and knowledge of 50 per cent of the talent base. Fairness and equity are also considerations but the improved decision-making capacity of diversified groups and their ability to discuss issues from various angles are the primary reasons detailed by the chairs. Homogeneity and uniformity will ultimately contribute to the demise or limit the success of a business.

Diversity is the insurance policy against group-think. It is how we ensure we make the best decisions to take the organisation forward in an increasingly uncertain environment.

Catherine Brenner, AMP

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I couldn't think of anything worse than managing a mono-board.

Homogenous boards are very prone to make inadequately considered decisions and to miss opportunities that a more diverse group may identify.

Harvey Collins, Navitas

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Sameness is the most dangerous thing around a board table. I'm happy that we have reached the 30 per cent target as I feel we are much better for it. I'm not just increasing the number of women on the board because it is there as a goal, I actually think it is virtuous, correct and, indeed, very good business.

David Gonski AC, ANZ & Coca-Cola Amatil

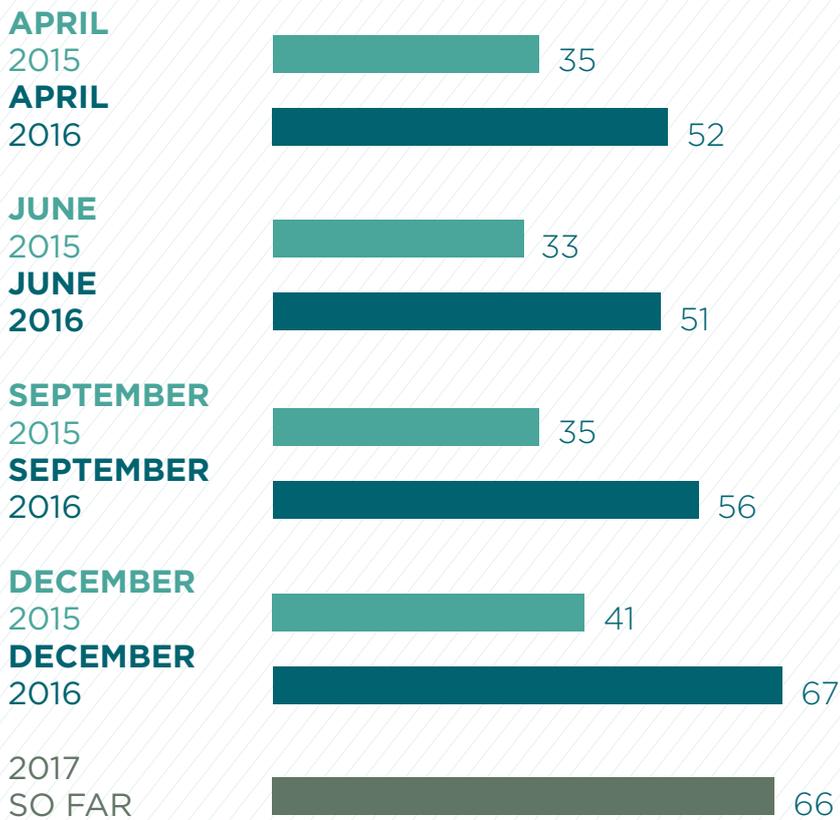
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There is general acknowledgment that the mere existence of a diverse board doesn't automatically lead to improved board performance without the fostering of respect for diverse views and the encouragement of robust debate by chairs. It is the responsibility of the chair to ensure that every director actively contributes to the work of the board, both individually and collectively, in a team environment to produce well thought-out, thoroughly-debated and soundly-based decisions. Dissent is encouraged, but division is not.

Securing diversity of skills, ways of approaching issues, and experiences around the board table is the starting point for all discussions around future director appointments and succession planning. Seeking to increase the number of female directors on a board is seen as an important, overlaid means of securing diverse skills, approaches and experiences when seeking out and assessing prospective board candidates.

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CATHERINE BRENNER, AMP



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DAVID GONSKI AC, ANZ & COCA-COLA AMATIL

ASX 200 COMPANIES WITH 30 PER CENT FEMALE DIRECTORS

*There is no doubt in my mind that diversity, whether it be at the board, leadership, management or employee levels, delivers more effective problem solving, decision making, innovation and performance outcomes. **It has been my experience that having a wide range of experiences, expertise, knowledge and points of view at the table changes the dialogue, not only around risk, but also performance.***

Dr Brian Clark, Boral

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For me, diversity is about far more than just gender. *Getting the right gender balance is a good first step, but I believe it is absolutely critical to ensure you have the right mix of age, background, experience and skills around the table to ensure the effective delivery of the organisation's strategy.*

Catherine Brenner, AMP

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*The chair plays a crucial role in diversifying the board, but **the whole board has to take responsibility for the make-up of the board and addressing the mix.***

Robert Johanson, Bendigo & Adelaide Bank

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Despite universal agreement that increased female representation provides positive benefits to

the board, each chair expressed uncertainty as to what the 'right' gender blend should be. They do see a 30 per cent target as a tipping point mechanism for creating momentum that enables female voices to be heard around the board table. Several chairs view 50 per cent as more appropriate whilst others think the number should be determined by the particular skills, thinking and experiences required to complement other board members and the circumstances of the organisation.

*If gender diversity is supported, and it should be, then there is no doubt in my mind it is better to have more than one female director. It makes them more comfortable and ensures the board hears a range of views that are often different. Is 30 per cent right or wrong? I don't know. **If there are quality choices it can easily be more than 30 per cent.** But 30 per cent is a good aspirational target and it certainly ensures a better balance. I observe more valuable interactions when you have at least 30 per cent.*

Rick Holliday Smith, ASX

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What is the point where there are sufficient female directors on the board that it becomes what you do,

*rather than what you aspire to? **I'm convinced that 30 per cent is possibly the tipping point.** We shall see. That is why, on the boards I'm on, we happily aspire to get there and beyond.*

David Gonski AC, ANZ & Coca-Cola Amatil

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Spark aims to have 50 per cent representation of non-executive directors who are women.

Dr Doug McTaggart, Spark Infrastructure

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What is generally agreed by the chairs is that a minimum of 30 per cent appears to create optimum boardroom dynamics so that the organisation benefits from gender diversity.

“ IF THERE ARE QUALITY CHOICES IT CAN EASILY BE MORE THAN 30 PER CENT. ”

RICK HOLLIDAY SMITH, ASX

BOARD RECRUITMENT, SELECTION AND APPOINTMENT PRACTICES

Board recruitment, selection and appointment processes are highly dependent on the nature of the board, the life-cycle or stage of the organisation and the style and personality of the individual chair and board members. There are, however, a number of consistencies in the processes adopted by these chairs.

Having a specific gender target for the board does not, of itself, lead to increasing the number of women on that board. The commitment of the chair and directors is the main determinant in securing such an increase. Boards with committed chairs and directors are willing for the search process to take longer if necessary in order to find the right candidate, to engage in succession planning earlier and to strongly articulate their preference for a female candidate to the search consultants, when they are engaged. There can be a perception that finding female candidates can be harder at times when looking for particular operating experience in certain industries that have low numbers of women in senior operational roles. However, this was not perceived to be an issue in reality for most of the searches conducted by the interviewed chairs.

We had no difficulty in finding suitable candidates. It is interesting: once you have a board that is 50/50, gender is not an issue. It isn't

just gender-neutral; you also start focusing more on diversity in the broader sense.

Margaret Jackson AC, Spotless Group

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The view that they are not available, that there is not a big enough pool, is a furhpy. But you have to be intentional, which doesn't mean proscriptive. You need to raise the level of intentionality.

Harvey Collins, Navitas

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Succession planning, in terms of trying to understand the future strategic direction of the organisation several years into the future and deciding when it may be most appropriate for particular directors to retire in order to make way for different skills, thinking or experiences, forms the foundation of the creation of a skills matrix and the director search process. The skills matrix of a board should be regularly evaluated and adapted depending on the desired board composition at any point in time. It can't be an inflexible, inanimate document that is developed initially and then put aside. A skills matrix allows the board to have robust conversations about future director searches and can also shine a spotlight on the current directors and the value they bring to the table in the context of future strategies.

A skills matrix sets out the skills of an ideal candidate. However,

the board needs to decide on the non-negotiable criteria and where flexibility is possible. It is rare to find the 'perfect' candidate; there is usually compromise on one or two criteria. Sometimes a candidate will have one or two unique attributes that the board did not previously consider but which will add great value to the board and company.

You should always have an open mind and be prepared to go off the sheet for a certain person. If there is a particularly attractive candidate that doesn't quite fit into the box, we are open to that.

Peter Cosgrove, APN News & Media

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Boards often use search consultants, but not always. Chairs (and chairs of nominations committees) who are frequently engaged in identifying emerging director talent and board members that have extensive networks, sometimes approach individuals directly. Additionally, there are the opportunistic appointments that occur when a significantly qualified or unique candidate retires from executive life at the same time that a board is considering a new director. These candidates are quickly approached and invited to join the board. Serendipity plays a part in many director appointments.

*We have learnt that it is a lot harder than it would seem to find the right director at the right time if you leave it to the 11th hour. It is better to be working continuously on succession planning, talking to potential directors regularly and trying to fine-tune in our minds exactly the sort of skills we are looking for. **As the organisation changes and evolves, we need to ensure we find people that will add value and complement what is already there.***

Peter Warne, Macquarie Group

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Some chairs specifically ask for all-female long and short lists, others set out their expectations to search consultants in terms of an adequate representation or number of female candidates on the long or short lists, whilst others do this after receiving an initial long list and discovering that there are not enough female candidates to be properly considered. Several chairs understand the benefits of having a large enough group of female candidates on the interview slate in order to normalise the selection of a female director. Encouragingly, the chairs that felt the search process did not identify appropriate female candidates asked the search consultants to draft new lists or the

board revisited the selection criteria to ensure they were appropriate and achievable in bringing diversity to the board. In some cases, the chairs engaged different search consultants.

Searching off-script or outside the agreed criteria or requesting all-female long and short lists does not translate to less able or ‘meritorious’ female candidates being appointed over more qualified male candidates. Each chair stressed that eminently qualified female directors were appointed to their boards, each providing valuable skills and attributes for which their boards were looking. Skills were never sacrificed to appoint a female candidate; they were the best candidates on the day. Their gender was a primary factor but not the main factor in their appointments.

By focusing on board tenure, composition and renewal, we have also had two men retire and have appointed two men to the board during my time as chair so aiming for gender on a board certainly does not mean excluding qualified men from board appointments.

Bruce Brook, Programmed Maintenance Services

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Each chair understands their pivotal role in the recruitment process, from identifying potential candidates to articulating their value to their fellow directors, conducting effective interviews and subsequently shaping the boardroom culture and environment. Fellow directors are encouraged to question the inclusion of each candidate on the list and interview those on the short list. It is the ultimate responsibility of the chair to ensure the final candidate will work well with the board, be an active contributor and add value. The chair also sets the frameworks in which the new director will operate and thus should either lead the recruitment process as the chair of the nominations committee and board or be actively involved with the director/s leading it.

*If a prospective candidate is really good then I think it is my job to lay the groundwork. **Some people who will make great directors may not always interview well, particularly as they first transition into directorship.** In these instances, it can be useful to prepare your fellow directors and clearly articulate the value of the candidate and the skills they bring.*

Catherine Brenner, AMP

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PETER WARNE, MACQUARIE GROUP

“CULTURAL FIT IS A HUGE PART OF IT. I WOULD ALMOST PUT THAT BEFORE TECHNICAL SKILLS.”

JOHN MULLEN, TELSTRA

I think female directors add real value to a board. Of course, competency and understanding the business have to be core requirements, but there are many qualified females.

Rick Holliday Smith, ASX

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The interview process depends on the chairs' preferences, with some adamant that each candidate should be asked the same questions so that true comparisons can take place. Others believe that a general conversation is sufficient, with the questions asked dependent on the candidates' experience and background. The latter approach may suffice when the commitment of the interviewing chair and directors to having a diverse board is unwavering, but it can lead to excellent candidates not being selected because they weren't given the opportunity to display the quality of their thinking.

We structure interviews as discussions rather than as

'interrogations', if I might put it that way. That distinction aside though, we ensure that the discussions cover the same areas, irrespective of the gender of the candidate.

Richard Fisher AM, InvoCare Limited

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Each chair said that candidates would not be included on the search consultant's list or recommended by fellow directors if they did not possess significant skills and credible executive experience.

When you are being considered for a directorship, you don't generally get second or third interviews unless you've got the skills and capabilities.

It is about fit and how you are going to participate and behave in the boardroom.

Catherine Brenner, AMP

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Cultural fit, or the ability to contribute effectively to a team environment, challenge decisions yet maintain respect for others and behave appropriately, are significant attributes that chairs are looking for. A number of chairs spoke of the difficulty of affecting the departure of a director who has proven to be unsuitable after their appointment, so a strong element of caution is associated with each board appointment. This caution can mitigate against appointing the 'unfamiliar', thereby underlining how important the commitment of the chair is to securing increased numbers of female directors.

Cultural fit is a huge part of it. I would almost put that before technical skills.

There is nothing worse than a non-cohesive board or one where you get factions whispering in the corridor. You can't afford to have that. When I am interviewing someone, 60-70% of the feedback I'm trying to get is: what sort of person are they?

John Mullen, Telstra

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At Woolworths we have a value system that says as a director you have an obligation to dissent. That

means you can't sit there quietly and say nothing. If you don't agree with something you have to put your hand up. Technical skills are important, but so are personal qualities. It is more than an individual's fit with the board; you want someone that will make a difference.

Gordon Cairns, Woolworths

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The other behavioural aspects or personal characteristics the chairs are looking for include flexibility, agility of mind and problem-solving abilities. Desirable directors bring specific executive expertise, but they need to have the intellect and awareness to be able to consider issues from different perspectives and not just through the role they occupied and skills they developed in executive life.

Boards aren't just looking for a lawyer or an accountant; they are looking for a director. They are looking for a breadth of experience.

Leigh Clifford AO, QANTAS

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I think to be on the board you need to be a generalist but you have a speciality on top of that.

David Gonski AC, ANZ & Coca-Cola Amatil

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Each chair emphasised that if directors really want to appoint female directors to their boards, they can. There are plenty of well-qualified and eminently suitable female candidates in the market who will make highly effective directors.

BOARDROOM DYNAMICS

Once candidates are appointed, their ability and comfort in contributing straight away depends on their experience as directors and their understanding of the key issues impacting the organisation. Directors with prior ASX-listed board experience are also familiar with the obligations of listed companies. The chairs interviewed recognise that it can take between six to 18 months to contribute fully as a director on an ASX 200 board. They also see it as their role to support and encourage new directors regardless of their age, experience or gender and disagree with the notion that new directors must have prior ASX 200 board experience. Some chairs reported requesting that search consultants find individuals who have transitioned from executive life recently or are unknown in the board space.

In our most recent searches, we were particularly interested in females with the right industry experience.

Previous board experience was secondary.

Prof John Shine AO, CSL Limited

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I think for all of our last three appointments, it was the first ASX 100 company that any of the three were appointed to. They have gone on to other ASX roles, but we have found people who weren't well known and were outside the traditional networks.

Robert Johanson, Bendigo & Adelaide Bank

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The chairs are also aware how their own behaviour, style and preferences shape the boardroom environment and so are mindful to engage themselves and their boards in self-evaluation on a regular basis. They must encourage and challenge their fellow directors, create a respectful and inclusive atmosphere and ensure the boardroom dynamics are conducive to effective decision making.

One of the difficulties when you are chair is that you get to shape the other directors. I'm very conscious of it and question my objectivity as you end up creating environments that have similar characteristics. As chair, you are in a unique position; you can set the agenda, set the style. That can be good and bad.

Rick Holliday Smith, ASX

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There are divergent views concerning any differences between the contributions, style and decision-making processes of male and female directors. Most chairs feel that men and women are more similar than different and that the emphasis on women and men approaching and discussing issues with a gendered lens is overstated.

Women and men are more similar than different. Everyone acts much the same if they have had similar education, training, background, regardless of their gender. What

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RICK HOLLIDAY SMITH, ASX

you are trying to do is bring a mix of skills, of experiences, people that have come from different disciplines and approach issues from a unique perspective.

Neil Hamilton, Oz Minerals

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A lot of the boardroom dynamics are as much about the chair and how they run the meetings and the size of the board as they are about gender.

Linda Nicholls AO, Japara Healthcare

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A number of chairs interviewed said that in their experience, female directors they'd worked with did tend to bring alternate viewpoints to board discussions. Some chairs think that female directors in particular tend to bring an increased awareness of the needs of staff, employees and the general public to the board table. These chairs question whether it is actually the gender of the individuals that contribute to their increased emotional intelligence or whether it can be attributed to their personality or cognitive diversity.

Men and women do think differently often and it brings a fantastic balance.

Often women think of interpersonal issues better than men. It doesn't mean that both genders don't think of all issues, it is just the weighting that gender sometimes gives that is different and that is really good.

John Mulcahy, Mirvac

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My experience has been, and I know this is not everyone's, that men tend to be more set in their ways in terms of their decisions, in that the way they approach one issue is the way they will approach all issues. The women I have worked with are more ready to challenge their own assumptions.

John Mullen, Telstra

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Several chairs said female directors consider risk in more detail and will keep asking questions about risk issues until they are satisfied they can make an informed decision. Being more risk aware does not denote being risk averse, possessing a lower risk tolerance or appetite for risk. Each chair pointed to the individual's personality, executive experience, training and knowledge as forming the basis for their decisions around risk, not their gender.

Risk appetite is a combination of personality and experience. A lot of it depends on the nature of the decision as distinct from the quantum of the risk.

Linda Nicholls AO, Japara Healthcare

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Although the chairs often can't articulate specific differences between male and female directors, there is a general consensus that better board diversity through an increased number of female directors improves boardroom dynamics and the quality of conversations conducted around the table.

“ MEN AND WOMEN DO THINK DIFFERENTLY OFTEN AND IT BRINGS A FANTASTIC BALANCE.

JOHN MULCAHY, MIRVAC

ORGANISATIONAL IMPACT

The board is inextricably linked to the chief executive officer (CEO) and senior executives. Thus, any initiatives undertaken by the board are seen to have an impact on the initiatives and psyche of the senior executives. This pertains to board targets, board processes and director behaviour, but also to management's commitment to increasing the number of women within the organisation and in senior executive roles. Many chairs feel the board can't request senior management to set gender targets unless they already have targets or adequate representation of female directors on the board. The board should reflect the structure and culture of the organisation, but they should also demonstrate what the organisation should strive to achieve.

We now do have a policy of appointing at least a third female NEDs. This wasn't particularly driven by the board numbers; it was driven by the board signalling that we were

taking on the same targets and aspirations that we wanted the rest of the organisation to have. We took on the target after we had female directors on the board.

Robert Johanson, Bendigo & Adelaide Bank

We must hold ourselves to the same standards as we hold management in terms of development, individually and as a group, and as to how we show up.

Catherine Brenner, AMP

The CEO or managing director (MD) needs to believe in the value of a diverse organisation in order to commit to creating an environment that promotes diversity and is inclusive of different people. As one of the main roles of the board is to hire and fire the CEO, the board demonstrates their commitment to diversity by hiring a CEO that will implement and drive diversity policies and initiatives.

*You need an MD/CEO that is on board and when I say on board, I mean really on board. **They need to be really committed to it, not just reading the lines.***

Neil Hamilton, Oz Minerals

Create a culture that champions talent and capability, not gender, in the first instance. Then the organisation needs good processes that reveal any unconscious bias and understands that the opportunity for merit to be recognised is often more difficult for women and other minorities. The best way for the board to encourage this is to appoint a CEO that 'gets it' and to discuss the issues regularly with her or him.

David Kirk, Trade Me Group

If organisational targets are set, they need to be accompanied by proper communication, support and structural change. It is essential that men and women working within the organisation understand the

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DAVID KIRK, TRADE ME GROUP

reasons for setting the targets and their individual roles in ensuring women have access to promotions and equal benefits. Once targets are set, the board should be involved in the effective monitoring of progress towards achieving the targets, honest evaluation as to the efficacy of organisational initiatives and then subsequent adaptation of the strategy. It is not only the board's role to set the desired culture of the organisation, but also to identify specific nuances that contribute to the effectiveness of any initiatives launched.

You can get caught up on targets. You need to be genuine in setting them and articulating the virtues of setting them. *You also don't want candidates feeling tokenistic. Every senior position should have a broad slate of candidates to be considered. Targets should never drive outcomes where the best candidate gets overlooked.*
Ilan MacDonald, Genworth Mortgage Insurance Australia

I don't think you can expect management to have a diversity target that is aspirational unless the board has. That would be like saying "do as I say, but not as I do". The other thing is, if you believe that the management is a high-performing team, in the same way then the board team should be a high-performing team. You need to role model the standards of high-performing teams.
Gordon Cairns, Woolworths

Board members are also perceived to be role models for women within the organisation when there are higher numbers of female directors. Many female directors are actively engaged in initiatives to promote women

within their organisations, such as speaking at internal events and training, mentoring senior executives or coaching female employees before and after board meetings. Female employees believe opportunities will be available to them when they see women at the top.

The board is the lighthouse for the executive. Unless you have a diverse board you can't put too much pressure on the CEO for diversity. When you have a diverse board you can say, okay, what about the executive and the executive, can say, what about the organisation?

Margaret Jackson AC, Spotless Group

Yes, I believe women on the board are role models to women working within the organisation. *I do know that it makes a difference. It means the company is inclusive and there are no rules on who you need to be and that opportunities are available to everyone. Also, at least two women on boards is important; one is not enough.*

Peter Cosgrove, APN News & Media

My sense is that sometimes boards underestimate the influence they have on organisations, at many levels.

Brian Schwartz AM, Scentre Group

The chairs recognise that having women on boards is part of a broader conversation around diversity, in terms of the environments and structures that need to be created or changed in order to ensure women and individuals from different backgrounds are able to thrive and perform at their best in the workplace. Issues such as flexible working practices, access to childcare and

pay equity fundamentally impact the ability of women (and increasingly, men) to stay and progress within companies. For most chairs, the real challenge lies in promoting women into senior executive roles, particularly as CEOs. They are all passionate about this and concerned that progress in this space is virtually non-existent, unlike the board space. Some are also concerned that although there are many qualified female candidates available for board roles now, if the next generation of female leaders aren't encouraged or enabled to reach their potential as executives, then boards won't have access to a wider pool of talent in the future.

Candidates for NED roles need to be given the opportunity to get broad experience whilst in middle management roles, i.e. 10 years or so before they are in the frame.

Leigh Clifford AO, QANTAS

The real game is not about an extra seat or two or three for women in the board room, it's about the manifest embrace of diversity throughout the organisation and the practical ramifications of that - inclusiveness and opportunity for all, at all levels.

Reframing of work practices to make jobs family-friendly for both women and men - job sharing, part-time work, work from home. *Equity in conditions and competitiveness in the market. These are all conversations that thrive in a diverse boardroom with a diverse management team, but would wither in a monoculture. This is why it matters.*

Bruce Brook, Programmed Maintenance Services

ENVIRONMENTAL FACILITATORS

External facilitators, such as quotas, regulation and legislation, can increase the number of women on boards rapidly and significantly impact the board environment. Quotas have been employed by several countries, most notably Norway, to remedy the lack of women on boards. The introduction of quotas to the listed space in Australia is perceived quite differently by the chairs, with many vehemently opposed to quotas and enhanced government regulation of the board space. Often-cited reasons against quotas include the potential unintended consequences that can arise with regulation, the ability of organisations to circumvent regulation when enacted and the early enticement of women from their executive careers to sit on boards. There are also concerns that quotas would make people recalcitrant, defensive, less inclined to support women onto boards and more critical if female appointments

were unsuccessful. Behavioural change should come from within, not be forced on to people.

There are two other camps regarding quotas. Some chairs are ambivalent towards quotas, as such quotas don't apply to their boards. These chairs understand the rationale behind them, yet are cautious of the potential negative side effects. Other chairs signal the slow rate of change and make the point that if numbers don't improve significantly then there may be no other option but to introduce them. A small number of chairs are supportive of their introduction. In all cases, the chairs emphasised that it is preferable that people come to the party of their own volition and believe in the importance of board diversity themselves. The chairs believe that the best way to engender this belief is for other companies to demonstrate the competitive benefits of having more women on their boards.

I'm not a believer in quotas, however I'm on the record as saying, if we don't improve the numbers then there is no other option. But we should give ourselves to 2020 – if we haven't achieved the appropriate number then we deserve quotas.

Gordon Cairns, Woolworths

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Are quotas the be all and end all? No, they aren't. Would it serve to push things along at a much faster rate than we are moving now? Yes. I'm not suggesting implementing quotas forever, but for a period of time to get us there, maybe. I think it is worth a proper debate.

Brian Schwartz AM, Scentre Group

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*I never used to believe in quotas, but now I say why not? **If you turn it around the other way, what would be wrong to say that 30% of board positions should be occupied by men?** Does that sound offensive? It sounds quite reasonable actually. I think you should go further and say*

“ ARE QUOTAS THE BE ALL AND END ALL? NO, THEY AREN'T. WOULD IT SERVE TO PUSH THINGS ALONG AT A MUCH FASTER RATE THAN WE ARE MOVING NOW? ”

BRIAN SCHWARTZ AM, SCENTRE GROUP

why shouldn't it be 50/50?

Margaret Jackson AC, Spotless Group

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Additionally, strict term limits requiring directors to resign after serving nine or ten years is legislated in some international jurisdictions. Most chairs agree that term limits are beneficial and support the idea of most directors retiring at a certain stage, with the caveat that there should be flexibility around a director's tenure. If a director is still contributing effectively, is independent and endorsed to remain on the board by their fellow directors, then they should be able to remain past the nine or ten years. Corporate knowledge and history is also lost when directors of long tenure resign.

I think as a general rule ten years is good as a line in the sand where people question your independence. It is good to question this, but you need to take each case on their merits.

Is the individual adding value, engaged and can demonstrate independence?

Peter Cosgrove, APN News & Media

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My strong view is that you don't necessarily need strict term limits.

What you need is to make sure that not all the directors have been there for a long time. You need diversity of term, a couple that have been there a long time, the bulk that have been there a medium time and a couple that are starting out. That would be the best.

David Gonski AC, ANZ & Coca-Cola Amatil

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If a director's skills and attributes are no longer the right ones in the context of the organisation's

future strategy or the board's mix criteria, this will increasingly require chairs to use tenure flexibility to plan for a departure before a term limit is reached. The chairs are also concerned with directors that aren't performing and the removal of these directors before they reach nine or ten years. This demonstrates the importance of the search and selection process. Some good directors can outgrow the board due to the changing nature of the organisation; it is not always a case of non-performance.

What is wrong with our system at the moment is that the term limit tends to become a fixed term, that is, a minimum and a maximum. I don't think that is great for the company. People shouldn't automatically think they will be on the board for nine or ten years, or three terms. Reappointment to the board at the end of a term, be that 1, 2 or 3 years, should be based on the director's performance and the particular skills and experience which are needed on the board at that time. I think we have too many going on to complete the full term and not enough that go an extra 50 per cent.

Peter Warne, Macquarie Group

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Some chairs are open with new directors that they may not last three terms and have both formal and informal performance reviews and evaluations on a regular basis. The evaluation process is seen as an effective mechanism for the board as a collective and as individuals to discuss their performance, contribution and value to the board. A rigorous board evaluation negates the need for strict term

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limits as issues are broached through evaluation and unsuitable directors are encouraged to engage in development opportunities or resign.

We changed the appointment letter at AMP to make it clear that every year the board has a conversation as to what skills, experience and attributes are needed around the table to deliver on the future strategy. That may mean that some directors only serve two terms, some may serve three.

Catherine Brenner, AMP

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You should really deal with term limits and director performance by having genuine, honest performance reviews. *I think that is the crux of it, not the length of service of the board members. You need to be genuine in your assessments of the performance of your colleagues, the chairman and the operation of the board.*

Stephen Johns, Brambles

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The chairs are supportive of external organisations, industry groups and investors engaging with them on diversity. They see the value in individuals working together to persuade those chairs and directors with less than 30 per cent females on their boards to appoint female

directors. There has been progress, particularly in the last five years, and thus the momentum is there and hopefully will not be reversed.

*The role of regulators, governments, investors, academics, bodies such as AICD and champions within the director community to challenge the ‘demand paradigm’ has been instrumental in changing the criteria for NED selection to “diverse, capable, experienced, challenging, strategic, emotionally intelligent” and so on. **Annual board assessments, board competency reviews, tenure consideration and board succession planning have all informed and enriched the demand side.***

Bruce Brook, Programmed Maintenance Services

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“ WE CHANGED THE APPOINTMENT LETTER AT AMP TO MAKE IT CLEAR THAT EVERY YEAR THE BOARD HAS A CONVERSATION AS TO WHAT SKILLS, EXPERIENCE AND ATTRIBUTES ARE NEEDED AROUND THE TABLE... ”

CATHERINE BRENNER, AMP

WRAP UP

Most of the chairs are optimistic that the number of women on ASX 200 boards will surpass the 30 per cent target in the next few years. They feel that most directors support the cause because they see the real benefits for their boards and organisations and will inevitably win over detractors.

If everyone is pushing in the same direction, you will get a result.

Neil Chatfield, SEEK

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Due to the gender balance on the boards of the interviewees, many chairs are now focusing their attention on organisational gender diversity and on appointing directors from diverse cultural backgrounds. Diversity encompasses many different aspects and creating the right balance of these elements on any board is a challenge. There can be discomfort in working with diverse individuals, hence the absolute necessity of strong commitment and leadership from the chair. Ultimately, the challenges, discomfort and effort leads to better results. Through their examples and conversations with their peers, each chair demonstrates the value and benefits of board diversity and how other chairs can work to increase the number of women on their boards.

Why are you limiting the ability of your business to be more successful?

Gender is a lead indicator of whether you are employing the best talent.

You are limiting the ability of your business if you are not really serious about diversity.

John Mulcahy, Mirvac

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“ I DON'T THINK OF FEMALE DIRECTORS AS GOOD FEMALE DIRECTORS, I THINK OF THEM AS GOOD DIRECTORS. ”

IAN MACDONALD, GENWORTH MORTGAGE INSURANCE AUSTRALIA

FOR MORE INFORMATION PLEASE CONTACT

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