



Chief Executive Women

Women leaders enabling women leaders

7th October 2010

The Honourable Jodi McKay
Minister
Office for Women's Policy
NSW Department of Premier and Cabinet
GPO Box 5341
Sydney NSW 2001

Dear Minister McKay

Consultation Paper on Strategies to Increase The Proportion of Women on NSW Government Boards and Committees ("Board Diversity Consultation Paper")

We refer to the Board Diversity Consultation Paper that you released on 16th September and thank you for inviting Chief Executive Women (CEW) to comment on it.

CEW is a not-for-profit organisation with 192 leading Australian business women as members. Our goal is to facilitate greater representation of women at senior levels of Australian business, government and not-for-profit sectors.

CEW supports initiatives to address gender diversity at board and committee level in business and in government. In the context of the Board Diversity Consultation Paper, we believe the focus should be on improving transparency in governance and the processes for appointing new directors. We also believe an agreed bi-partisan approach to good governance will be needed to deliver the required change, and therefore have sent a copy of this submission to the Leader of the Opposition.

CEW supports a merit-based process of selection to boards and committees and we believe that changes to gender imbalance at board level should be driven by the strategic, operational and service provision needs of the organisations over which each board and committee sits. Such a process firstly selects directors on the basis of balancing the core skills and competencies required for the board or committee, and then address any gender imbalance as an additional criterion.

We support the commitment of the NSW Government to increasing the proportion of women appointed to Government boards and committees. We believe it would be beneficial to understand on which of these gender is currently under- or over-represented. Global and Australian studies have repeatedly shown that gender balance for individual boards and committees will generate better performance outcomes arising from diversity of thinking. Therefore meaningful change needs to take place board by board, committee by committee, not just by looking at government-wide statistics.

Our comments on the Board Diversity Consultation Paper focus on recommending the adoption of a stronger governance process for the selection and appointment of members of individual boards and committees, particularly those which have oversight of significant NSW enterprises or "material" policy areas. Rather than specifically address each of the



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questions framed in the Board Diversity Consultation Paper, we believe that strengthening governance and improving the transparency around relevant board and committee composition and processes creates an environment that will enable an increase in the participation of suitably qualified women. We outline below how that could work. We accept that this approach may need to be tailored for smaller or remote regionally based boards or committees.

In response to the Board Diversity Consultation Paper, CEW recommends that the NSW Government:

1. Commits to a target for board and committee composition of no less than 40% of either gender by 2014 for every NSW Government board and committee of a significant enterprise or policy area.
2. Revises, adopts and publishes a transparent governance and appointment process for director/member selection and appointment.
3. Requires annual reporting on the composition and gender mix of each significant NSW Government board and committee, commencing in all reports of such boards and committees for the 2010 calendar year or 2010/11 financial year, including progress against the diversity targets in 1 above.
4. Once a transparent process is in place, encourages the use of existing databases with search and screening capabilities, as well as using executive search firms, professional bodies, such as the Australian Institute of Company Directors, CEW and general advertising as part of the director selection process. We understand that the NSW Government Register for Boards and Committees does not currently have candidate experience screening or skills matching capability, which severely limits its usefulness.
5. Communicates and requires the use by all Ministers and Portfolio Departments of a selection process based on, firstly, competency and skills and, secondly gender balance.
6. Communicates and educates, where necessary, participants in the selection process regarding the performance-based case for diversity and provides access to information, tools and processes to enable greater diversity to be achieved in board and committee composition.

CEW Recommendations in Detail

1. **Commitment by the NSW Government to a target for board composition of no less than 40% of either gender by 2014 for every NSW Government board and committee of a significant enterprise or policy area.**
 - 1.1. Each significant NSW Government board and committee should adopt a target to achieve a minimum representation of at least 40% of each gender by 2014. CEW emphasises that this ratio should be directed to each individual board and



committee rather than all boards in aggregate and should not be limited to new appointments.

- 1.2. CEW recommends the establishment and disclosure in the annual report of each board and committee of a full diversity policy, or a summary of the policy – this would be consistent with the new ASX Guidelines which are creating change in private sector boards. The policy should include requirements for the board or committee to establish measurable objectives for achieving gender diversity to a minimum of 40% for either gender. We recommend annual measurement and disclosure in the annual report to the Portfolio Department or Minister of the gender composition of the board or committee, relative to the targets and year on year.
- 1.3. If there is minimal progress achieved in gender balance for NSW Government boards and committees (taken individually) by 2012, the NSW Government should implement legislation for all boards and committees to adopt targets of no less than 40% of each gender for board composition, along with annual reporting of the progress made toward this target with an “if not, why not?” approach (along the lines of the ASX Guidelines).

2. Revision, adoption and publication of a transparent governance and appointment process for director selection and appointment for all significant NSW Government boards and committees.

- 2.1. CEW recommends the adoption of a Director Appointment Process that is overseen by the Chairman of each NSW Government board or committee. The process should reflect the corporate governance practice recommended by the ASX Guidelines. Where possible, the details of this process should be published on the organisations website for the relevant board, committee or Portfolio Department or, for the top 200 statutory corporations.
- 2.2. The Chairman should consider the appropriate skills mix for the board or committee as well as the nature of the core purpose of the organisation, the current environment in which it operates and the current composition of the board (including diversity), when performing a director/member search. Each board and committee should also undertake an annual performance assessment process, in line with best practice governance.
- 2.3. For the top 200 boards or committees of significant NSW Government enterprises, CEW recommends the establishment of either a Director Selection Advisory Panel or a nomination committee, being a committee of the board or sub-committee of the committee. A Director Selection Advisory Panel could be comprised of the relevant Chairman of the board or committee, representation from the Portfolio Department and, where appropriate, a relevant industry expert. The Panel would be charged with producing a shortlist of candidates for consideration (see below). Alternatively, a nomination committee made up of the Chairman and some of the existing directors of the relevant Board could be



established for this purpose. The preferred approach may depend upon the level of involvement the relevant portfolio department wishes to have in the short list process for a particular board or committee. If the selection is of the Chairman, then the Panel should consist of a mix of external members and existing directors, with at least one independent member with relevant expertise.

- 2.4. For each board and committee, the Chairman of the nominations committee or the Director Selection Panel should compile a shortlist of suitably qualified candidates drawn from credible databases, search firms or through advertisements (see below), in accordance with the current and sought after skills mix of the existing board or committee, the charter and the target of 40% minimum representation of each gender.
 - 2.5. The Panel or nomination committee should then consider the shortlist, having regard to the current skills mix of the board or committee, the gender ratio and the Chairman's recommendation. The Panel or nomination committee would then provide a shortlist to the relevant Minister who will select the preferred candidate from that list.
 - 2.6. It is imperative that the shortlist of candidates should reflect not only the core skills and competencies identified by the Panel or nomination committee but also the appropriate gender mix in accordance with the diversity targets. A statement of impact on achieving gender targets for each board and committee should be included with the list when recommended to the Minister.
 - 2.7. The Portfolio Minister should then select the preferred candidate having regard to the Panel's and Chairman's recommendations and to achieving the given target of 40% minimum representation of each gender. By 2014 a similar target for the position of Chairman (i.e. 40% female Chairmen for significant NSW Boards and Committees should also be considered).
- 3. Requirement for annual reporting on the composition and gender mix of each significant NSW Government board and committee, commencing in all reports of such boards and committees for the 2010 calendar year or 2010/11 financial year, including progress against the diversity targets in 1 above.**

CEW is committed to transparency in corporate governance and suggests that the composition and gender mix of all significant Boards and Committees be reported on the organisation's website and disclosed in their annual report.

- 3.1. CEW recommends each NSW Government board or committee of a significant enterprise is required, under the leadership of its Chairman, to establish and report annually a board skills matrix and identify any 'gaps' (as per 2.4 ASX Guidelines, 2010).
- 3.2. CEW recommends reporting of the renewal of terms for existing directors/members at least four months' before the end of their term. The renewal of the term of an existing director should not be automatic and should be



examined in line with the board's or committee's charter and the skills and gender mix identified by the Chairman.

- 3.3. CEW recommends every board and committee of a significant NSW Government enterprise adopt transparency around tenure of current directors and the timing around upcoming vacancies and to publish this information on the business' or relevant Portfolio Department's website.

4. Once a transparent process is in place, encouragement of the use of existing databases with search and screening capabilities, as well as the use of executive search firms, professional bodies, such as the Australian Institute of Company Directors, CEW and general advertising as part of the director selection process. We understand that the NSW Government Register for Boards and Committees does not currently have candidate experience screening or skills matching capability which severely limits its usefulness.

Presently CEW Members tend not to use the NSW Government Register for Boards and Committees for the purpose of identifying non executive director opportunities. By and large, CEW Members will support and use established registers that have screening facilities, search capabilities and that match individual skills with board positions and board needs.

CEW membership is by invitation and is targeted at the most senior and established women leaders in Australian business. The CEW membership base has slowly grown over the past 25 years and the list of Members is publicly available on CEW's website (www.cew.org.au). That membership list is currently used by executive search firms and businesses looking for non executive directors and we understand it is regarded as a good database as there is, in effect a screening based on certain levels of experience and achievement by means of the membership selection process. Other registers and databases are maintained by search firms and industry groups such as the Australian Institute of Company Directors (AICD). We understand that the AICD, for example, is investing significant resources in establishing and maintaining a register of AICD course qualified directors that can be searched electronically.

Chairmen of NSW Government boards and committees have a range of options currently available to identify potential board candidates who are women. These include engagement with organisations such as CEW or the AICD, using search firms and advertising roles.

- 4.1. Identifying appropriately qualified potential candidates could become a "two way" process, if information around current tenure and likely timing of Board renewal, together with contact information and relevant information regarding the role and required skills and competencies were published on the website for the relevant business or enterprise.
- 4.2. At a minimum for each significant organisation or key policy area (top 200 statutory corporations), each board and committee should publish on its website the renewal of terms for existing directors/members at least four months before



the end of their term and publish annually on the its website expected vacancies over the next 12 months.

- 4.3. Annual disclosure of board and committee appointments and how the candidate selection process was conducted by the relevant Portfolio Departments would also facilitate accelerating the rate of change.

5. Communication and requirement of all Ministers and Portfolio Departments to use a selection process based on, firstly, competency and skills and, secondly gender balance.

Recruitment processes and procedures need to reflect the needs of all stakeholders of an organisation. Stakeholders such as shareholders (represented through Ministers or Department Heads), employees, customers/clients, voters and the wider community need to be considered when searching for the optimal candidate to represent them at board or committee level. This candidate should possess the core competencies and experience relevant to the specified role as well as the strategic direction of the organisation. No selection and appointment process should be conducted to the detriment of appropriate skills and expertise. As such, clear criteria for competence need to be established and communicated to selection committees and external search firms.

- 5.1. CEW recommends that a competency/skills matrix be required by the NSW Government to be established and regularly assessed to identify 'gaps' in the skills mix for each NSW Government board and committee.
- 5.2. Any list of potential candidates should consist of a mix of suitably qualified men and women.
- 5.3. The gender ratio of each board and committee should be taken into consideration as a criterion for selection after the competency based list of candidates has been established.
- 5.4. The Minister or Portfolio Department should consider the board and committee composition target of at least 40% of each gender before the final selection is made.

6. Communication and education where necessary, of participants in the selection process regarding the performance-based case for diversity and provision of access to information, tools and processes to enable greater diversity to be achieved in board and committee composition.

The performance-based case for diversity and increasing the number of women in leadership roles is well documented (see for example CEW discussion paper "The Business Case for Women as Leaders: One woman is not enough." (2009 – Copy enclosed). However, unless there is a critical mass of women in leadership and board positions, the impact from diversity is unlikely to be influential in driving cultural change.



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It is well accepted that:

(1) Employers who continue to attract and retain talent will have a business and policy edge. They will be able to plan for change effectively, they will lower turnover costs and they will reap the returns from investment in their employees rather than have talent go elsewhere.

(2) There is a positive correlation between higher percentages of women at board and executive level and improved performance.

CEW CEO Toolkit

As well as the recommendations regarding board and committee level appointments, we have enclosed a copy of "The CEW CEO Kit for Attracting and retaining Female Talent ". CEW developed the Kit to facilitate discussions of the issues surrounding diversity, understanding the business case and understanding the issues to be tackled by individual organisations to increase the retention and attraction of women at a senior level. The CEO Kit provides the tools for a useful analysis to inform a strategy to attract and retain female talent in all levels of an organisation. Ultimately, increasing the number of women coming through into senior management will also create a larger talent pool of female Directors.

Conclusion

CEW welcomes the initiatives by the NSW Government to increase the number of women on NSW Government boards and committees and CEW supports a merit-based process of selection to boards and committees. We believe in a performance driven case for change to gender imbalance at board and committee level, one that selects directors/members on the basis of core skills and competencies and then takes into account targeted gender balance. CEW agrees that a commitment to a target of 40% of each gender for each significant Government board and committee by 2014 is appropriate and that a number of changes to the governance and transparency around board appointments and processes will facilitate this. This outcome will benefit NSW and, for this reason, CEW seeks bi-partisan support for its recommendations – focusing on best practice corporate governance.

Yours sincerely

Christine McLoughlin
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Chief Executive Women

Naseema Sparks
President
Chief Executive Women

cc: Barry O'Farrell – NSW Liberal Leader