

Policy and strategy guidance: Gender composition of governing bodies

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About this guide

This guide refers to [Gender Equality Indicator \(GEI\) 2: 'Gender composition of governing bodies'](#). The GEIs represent the key areas where workplace gender inequality persists and where progress towards gender equality can be achieved through focused action. This guide is designed to help employers develop a policy and/or strategy for the gender composition of governing bodies that supports gender equality in the workplace.

Please see WGEA's [Reporting Guide](#) for general information on what is considered policies and strategies.

Key terms

Governing bodies

Types of governing bodies include:

- Boards¹ of Directors
- Trustees
- Management committees
- Councils

¹ Throughout this document, the terms "Board" and "Governing body" are used interchangeably.

According to the [Australian Institute of Company Directors \(AICD\)](#), the Board is responsible for the overall governance, management and strategic direction of the organisation and for delivering accountable corporate performance in accordance with the organisation's goals and objectives.

Gender-balanced governing body

Gender balance refers to representation between 40% and 60% of men or women. The gender composition of governing bodies refers to the number of women, men and other genders who are members of the body (including the chair). Aiming for a balanced gender composition means employers consider gender in the selection of Board members and take actions to drive change, such as instituting member term limits, diversity targets and policies.

Nomination committee

The [nomination committee](#) oversees and monitors board performance, succession planning, director selection, director development and the company's diversity policy. It may also overview CEO and senior executive performance, succession planning and recruitment. The focus, policies and decisions of the nomination committee can have a significant impact on board composition.

Why is a gender-balanced governing body important for workplace gender equality?

Gender equality is a complex issue related to societal norms and with causes and consequences at an organisational level. It is the Board's responsibility to understand the state and drivers of gender equality in their organisation and to demand and monitor progress on action to achieve workplace gender equality.

Gender balance in governing bodies can impact the following aspects of gender equality:

- **Gender pay gaps:** Increasing women's representation on Boards is associated with reductions in gender pay gaps. For example, an increase from no women to 50% (an equal proportion of women and men) has a significant impact on the gender pay gaps of full-time and part-time managers in that organisation, as well as part-time employees in non-managerial positions.
- **Gender balance in more junior levels:** The appointment of women to corporate Boards affects workplace gender equality, beyond just the top leadership teams. For example, moving from all-men to gender-equal representation on Boards increases the number of part-time and full-time managers who are women.
- **Perceptions of diversity and inclusion:** Gender diversity can help organisations overcome a broader cultural perception among younger women that Board positions are unattainable, and can positively impact the retention, promotion and pay of women staff.
- **Engagement with issues related to sexual harassment:** Gender-diverse Boards, in conjunction with access to relevant expertise, can contribute to stronger governance and effective oversight on issues related to sexual harassment, which has increased in importance with the introduction of Positive Duty.² They can increase Board members' engagement with these issues. In some cases, having just one Board member who is a woman can make a significant difference to the Board's level of engagement with issues related to sexual harassment, as they have greater interest in improving workplace culture, "ask different questions", "advocate for issues on gender equality" and "push the agenda forward."³

Find out more about the role of the Board in achieving workplace gender equality in [A director's guide to accelerating Workplace Gender Equality](#).

² See, for example: [The Positive Duty under the Sex Discrimination Act](#)

³ Australian Human Rights Commission (2021), [Equality across the Board: Investing in workplaces that work for everyone](#), p. 33.

Why is a gender-balanced governing body beneficial to organisations?

The evidence is clear – gender balance on Boards is good for business. Research shows that when women hold 20% or more Board seats, this is associated with broader effects on workplace gender equality outcomes and improved company performance.

Gender-balance on Boards can enhance:

- **The effectiveness of the Board.** Drawing from shallow talent pool is not good for governance and does not meet community and stakeholder expectations. Gender balance on Boards increases the effectiveness of the Board and facilitates innovation and high-quality decision-making, such as improved governance, monitoring and advice. Diverse teams are shown to make better decisions for the organisation than homogenous groups. Gender balance can also positively impact the Board group dynamic, by making it open and conducive to sharing information and bringing diverse perspectives. However, a Board that limits the voice or power of its women members may reduce the effect that a diverse Board can have on the organisation.
- **Financial performance**, including in profitability, stock value, and levels of fundraising. However, gender diversity on Boards is rarely associated with financial benefits when the workplace environment, itself is not inclusive.
- **Social performance**, including improving value for investors and recruitment and retention of staff.

Gender composition of governing bodies policy and/or strategy inclusions

The below table lists potential policy and/or strategy inclusions by topics relevant to a gender composition in governing bodies.

Topic	Inclusions
Accountability	<ul style="list-style-type: none"> → Responsibilities of the nomination committee⁴, where one exists, or those setting board policy and charters, such as to: <ul style="list-style-type: none"> ○ make recommendations to the Board regarding appointments, retirements and terms of office that are informed by gender equality objectives ○ assess and review directors' inductions, performance and development to improve literacy of workplace gender equality and the board's role in this ○ ensure proper succession planning for the Board and key executives that is informed by gender equality considerations

⁴Consider reviewing the [nomination committee charter](#) to include the requirement to directly address gender diversity.

	<ul style="list-style-type: none"> ○ set targets for Board composition where a gender(s) is under-represented⁵ ○ set term limits for directors to facilitate board renewal, review policies around gender balance on the Board, including their effectiveness, and make recommendations to the Board on how to continually improve ○ report to the Board on progress towards board gender composition and diversity targets → Responsibility of the Board to disclose to the organisation (and to the public): <ul style="list-style-type: none"> ○ the policy for diversity in governing bodies, and how it has been implemented ○ the composition and structure of the Board ○ outcomes of Board reviews and evaluation ○ how Board members are appointed ○ the actions taken to promote diversity on the Board ○ how Board members are appointed (in annual reports) → Responsibility of the Board to be accountable to stakeholders for meeting composition targets, such as by reporting progress in Annual General Meetings
<p>Recruitment</p>	<ul style="list-style-type: none"> → Responsibilities of the Board to attract diverse candidates, through: <ul style="list-style-type: none"> ○ targeting under-represented gender(s) ○ publishing the role early and publicly across a range of channels to widen the pool of applicants⁶ ○ using formal search processes and not relying on personal networks and word-of-mouth recruitment⁷ ○ gender-balanced candidate lists for new members, as well as briefing executive search firms on providing gender-balanced candidate lists⁸ ○ ensuring that search firms understand the organisation's approach to diversity, equity and inclusion, and apply those values when identifying candidates ○ ensuring that firms are asked about their history of finding diverse applicants, and how they use positive action to find diverse applicants ○ considering <u>the inclusion of external independent experts on the panel</u> → Requirement for the nomination committee (or others involved in Board succession planning and recruitment) to

⁵ Note that women's representation on Boards must be more than tokenism: having *one* woman on the Board may not be enough to promote change, but having two or more directors who are women (or having women in more than 20% of Board seats) can be effective in reducing gender segregation.

⁶ Not advertising a role could also lead to unlawful discrimination if candidates with certain protected attributes are seen to be excluded from applying, and the exclusion cannot be justified.

⁷ Relying on personal networks and word-of-mouth can limit who can apply. Word-of-mouth recruitment can also reinforce the current gender composition.

⁸ Working closely with executive search firms on gender equality has been one of the drivers of improvement in women's board representation in the UK.

	<p>consult with industry bodies to encourage those of under-represented genders to apply for membership⁹</p> <ul style="list-style-type: none"> → Requirements for selection criteria for appointing members to the Board, such as that they must: <ul style="list-style-type: none"> ○ include measurable skills, experience, knowledge and personal qualities ○ avoid <u>protected attributes</u> such as age range or sex ○ attract the widest possible pool of candidates, through avoiding unspecified concepts such as 'chemistry' and 'fit'¹⁰
Succession planning	<ul style="list-style-type: none"> → Processes in place for succession in appointments to the Board and senior management which ensure diversity
Training and development	<ul style="list-style-type: none"> → Diversity, equity and inclusion training required for all Board members

Better practice in achieving gender balance in governing bodies

Organisations can go beyond ensuring the inclusions above are in their policy and/or strategy for gender balance of governing bodies. See below for some examples of more complex policy and/or strategy inclusions:

Victorian Public Sector Commission

The Victorian Public Sector Commission has committed to a 50/50 representation of women and men on their Advisory Board within a one-year timeframe. They also aim to ensure that the advice of their Advisory Board considers the gendered impact on customers and community and supports progress on gender equality.

UK experience (FTSE companies)

In Britain, Women on Boards succeeded in reaching a target of 25% women on Boards¹¹ in the FTSE companies (the largest companies on the London Stock exchange), with the percentage increasing from 12.5% in February 2011, to 26.1% in October 2015. Voluntary and inclusive action, which drew all stakeholders together, as well as the setting of realistic and stretch targets, has driven this progress.

Women on Boards recommend the following actions to achieve better gender balance on Boards:

- **voluntary approach:** A national voluntary, business-lead approach

⁹ For women, this could include networks for executive women aspiring to be Board members or women's organisations.

¹⁰ This type of criteria risks the Board recruiting new members which mirror the current members, and when this occurs, it can lead to poor judgements and homogenous thinking.

¹¹ Women on Boards is a thriving network in Australia and the UK, aimed at improving gender balance on boards and in leadership roles. Women on Boards' Boardroom Gender Diversity Index is the most comprehensive publicly available data measuring female participation on the boards of Australian organisations in several sectors.

- **increased targets:** Increasing the voluntary target for women's representation on Boards to a minimum of 33%
- **stakeholder cooperation:** Stakeholders working together to ensure the increasing numbers of women appointed to roles of Chair, Senior Independent Director and Executive Director roles
- **assessment of and action towards addressing Board composition**
- **focus on the Executive level:** Extending best practice at Board level to the executive and leadership levels and improving the gender balance of women in these levels
- **an independent steering body:** A body made up of business and subject matter experts who support the organisation's efforts.

US experience (S&P 500 companies)

Within the S&P 500 (the largest companies on stock exchanges in the United States), the [employers performing best in Board diversity commit to the following](#) within their recruitment and selection processes:

- **changing their mindset** through visible commitment to diversity and sustained action to achieve it throughout the organisation
- **expanding their criteria** by looking beyond CEOs and the C-suite and considering candidates with the right expertise, not just those with previous Board experience
- **maintaining an active pipeline** by expanding their network to include more women, asking recruitment firms to seek candidates who are women, and cultivating long-term relationships with prospective candidates.

To learn more about how organisations can make an active commitment to workplace gender equality and to become a WGEA Employer of Choice for Gender Equality, visit the Employer of Choice citation program [application page](#).