WHY CORPORATE AUSTRALIA'S GENDER POLICIES NEED TO BE WOUND INTO THEIR DNA

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EXECUTIVE SUMMARY

From the outside looking in, the past year has not been a good year for gender diversity in Australian public life. Australia's first female prime minister, governor general and attorney-general have left their posts, with the USA's former female secretary of state writing recently that Julia Gillard had suffered outrageous sexism[1]. Approximately 30% of the Commonwealth Parliament is female compared with the female representation in the Australian population of 50.5%[2].

This lack of diversity in Australian executive government is also apparent within the leaders of Australia's largest companies. Although a range of research has shown diversity, particularly gender diversity, accrues to shareholders in the form of higher returns on investment, and that it is an ASX requirement for listed companies to disclose active diversity policies[3] or a rationale for not having one, real embedded progress in promoting gender diversity is difficult to identify.

This, the third BlackRock review of gender diversity policies and disclosure, reviews the 2013 annual reports of Australia's 200 largest-capitalised ASX listed companies. In doing so we hope to improve diversity policies and reporting. Our research has revealed three key findings:

Finding 1 – Improvement in diversity at executive levels lags boards

At the very top of ASX200 companies, the underlying gender diversity in boards and at the crucial key management personnel (KMP)[4] level has risen. But progress has been slow for those in full-time executive roles supporting the view that corporate commitment to gender diversity policies is piecemeal and could definitely 'do better'.

Finding 2 – Disclosure is perfunctory

'Perfunctory' describes the most common approach to gender diversity disclosure and reporting of ASX200 companies. The general tendency was for disclosure to simply state a company had a diversity policy, list some measurable objectives and disclose some statistics. It appeared from the board down, gender diversity is not included in the DNA of most companies.

Finding 3 – Increased attention from stakeholders

The voting guidelines of the key proxy advisors refer to diversity and the issue may be taken into account when proxy advisors are making recommendations on how to vote on the election/re-election of directors.

1. http://www.smh.com.au/federal-politics/political-news/hillary-clinton-says-julia-gillard-faced-outrageous-sexism-20140610-zs2uf.html
2. http://rightnow.org.au/artwork/political-representation-in-australia-how-representative-is-our-parliament/
3. The ASX Corporate Governance Council recommends a company should have a diversity policy or must show cause why it does not.
4. Definition from AASB 1024 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

BACKGROUND

This investigation is the third BlackRock has undertaken into the gender diversity policies and disclosures of Australia's top 200 listed companies. The original paper, analysing the 2011 annual reports of the ASX 200 with year-ends between June and September 2011, was based on information revealed in response to new gender diversity disclosure and policy principles by the Australian Securities Exchange (ASX) in its 2010 Corporate Governance Principles. Disclosure of diversity polices in 2011 was not mandatory.

The report concluded that the response to the new standards had been lacklustre. It highlighted a gulf in the gender representation at board level within corporate Australia, but – perhaps more importantly – identified a yawning gap of awareness of the standard and the underlying case for gender diversity.

It found:

- 14% of non-executive directors were women
- 8% of Key Management Personnel (KMPs) were women
- 19% of companies who chose to report on diversity had complied with the ASX Corporate Governance Council's basic disclosure requirements

Our second report, based on 2012 annual reports found positive improvements in gender diversity to be generally glacial in nature.

This third report summarises and comments on BlackRock's analysis of annual reports of ASX 200 companies released in 2013.

WHY SHOULD INVESTORS BE CONCERNED ABOUT GENDER DIVERSITY?

A recent study by Ernst & Young[5] found "Australia could boost business productivity by driving greater female workforce participation with flexible work offered at all levels. When given the opportunity to work flexibly, women are our most productive employees, wasting $14 billion less than their male colleagues every year".

While presenting the opportunity for higher returns, gender diversity also presents investors with those returns at lower levels of risk. Research by Thomson Reuters[6] notes "Indices made up of companies with only mixed boards have low but generally positive tracking errors to another reference benchmark e.g.: MSCI World. In other words, very similar performance and marginally better than their benchmark index. Companies with no women on their boards on average underperformed relative to mixed boards and had slightly higher tracking errors, indicating potentially more volatility".

Further, a 2013 paper by PA Consulting[7] covering 50 private sector companies which are publicly listed, with global headquarters in the UK and North America concluded that gender diversity creates a virtuous circle, providing more future opportunities for diversity:

1. A high-performance culture is more likely to exist when there is gender diversity at the most senior level
2. Organisations with the strongest cultural and financial performance also have the highest proportion of women on their executive boards
3. High performance cultures could hold the key to creating the conditions for women to be more willing and able to rise to the top in organisations.

However, this "virtuous circle" can be difficult to break into. A paper released by the UK Department for Business Innovation and Skills[8] concluded that the business case for diversity is dependent on labour market context, organisational competitive strategies and the actions of team leaders and facilitators. They argue that the business benefits of increased diversity may only be secured when accompanied by appropriate policies and practices, including, for instance, appropriate training for team leaders.

BlackRock's conclusion is that gender diversity can have clear positive ramifications for return on investment over the medium- to long-term. However, some investment is required, backed by clearly explained and implemented policies, to kick start the virtuous circle of gender diversity.

5. Untapped opportunity: The role of women in unlocking Australia's productivity potential Ernst & Young July 2013.
6. Mining the Metrics of Board Diversity, Andre Chanavat and Katharine Ramsden. June 2013.
7. http://www.paconsulting.com/our-thinking/girls-allowed-how-a-renewed-focus-on-culture-can-break-the-diversity-stalemate/
8. UK Department of Business Innovation and Skills - The Business Case for Diversity: A survey of the academic literature. January 2013.

KEY FINDINGS OF OUR RESEARCH ON 2013 ANNUAL REPORTS

1. Improvement at executive levels lags boards

a. Board level

Annual report released	Women on ASX 200 boards (%)
2011	14.4%
2012	17.8%
2013	21.0%

In a pleasing trend, the representation of women on boards continued to improve in 2013. There were 33 (2012:35) female non-executive directors (NEDs) appointments during the year. While the board statistic is generally a positive one, closer examination reveals that it is the increased number of men leaving boards that is having the greatest impact on overall statistics. Our research showed that of the 106 NED resignations, only 10 were women, thereby leaving the above figure with something of a 'survivor bias'. The male resignations occurred after having served, on average, over nine years on the board.

Of those women appointed to boards, there remained a bias towards the appointment of women with ASX 200 experience – 59% (2012: 43%). This compares with male appointments where 47% (2012: 20%) had previous or current ASX 200 board experience. Our research also showed a bias towards appointees with previous ASX 200 senior executive experience, former partners of the 'Big 4' accounting firms and large law firms.

As an aside, of all NED appointments in 2013, 50% did not have previous experience as an ASX 200 NED. This may indicate a widening of the NED gene pool.

b. KMP (executive) level

Annual report released	Women as % of KMPs in ASX companies	Women as % of executive directors
2011	8%	2.6%
2012	8%	3.8%
2013	10%	5.6%

Despite the gains made over the past three years, diversity at the very senior KMP level remains very low. The current percentage of female executive directors is around 5.6%, comparing very poorly with a country such as Hong Kong where the level is 13%[9]. The overall level of female KMP's in Australia was 10%.

The level of female KMPs is highly important for the future. Seeing is believing. Women can't be what they can't see. This is why more women in senior executive roles are needed to demonstrate that it can be done.

2. Gender diversity – disclosure is perfunctory

'Perfunctory' describes the most common approach to disclosure. In other words, a significant number of boards are still applying a largely "minimal standard" mindset to the reporting of their diversity obligations. In the three years since our first report on diversity in Australia's 200 largest listed companies, there has been some improvement but there is scope for more. However, there are notable exceptions, such as Mirvac Group, that should be applauded for their continued commitment to disclosure.

As noted above, evidence of the benefits of gender diversity in business continues to mount and the importance of diversity disclosure is increasing. What cannot be seen from the outside cannot be used to hold the company to account. The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations[10] (Principles) have been revised with disclosure on diversity being elevated from Principle 3 to Principle 1 (see Appendix). The revised Principles come into effect for a company's financial year commencing on or after 1 July, 2014.

General findings

Our ratings of companies' gender diversity disclosures are as follows:

BlackRock's ratings of disclosures surrounding gender diversity		
Rating	**Number**	**%**
Excellent	6	3
Good	38	19
Perfunctory	89	46
Poor	33	17
If Not Why Not	7	4
Non-complying	22	11

BlackRock identified the following companies as providing excellent disclosure of their approaches to diversity:

- Mirvac Group
- Perpetual Limited
- Graincorp Limited
- Telstra Corporation Limited
- Westfield Group
- Westpac Banking Corporation

The research again focussed on the quality of four key disclosures:

a. Overall standard of disclosure

b. Disclosure of the governance around diversity policies ie where responsibility for primary sponsorship lie and secondly who was accountable for the policy.

c. Disclosure of policies or processes in place to help improve diversity at senior executive ranks

d. Disclosure of policies around pay equity

9. Gender diversity among Hong Kong boards, BlackRock http://www.blackrock.com/corporate/en-au/literature/whitepaper/blk-hk-board-gender-diversity-final-2013.pdf
10. Third edition released on 27 March, 2014http://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf

a. Overall standards of disclosure

85% (2012: 81%) of companies provided reports incorporating all aspects of the ASX governance requirements. However, the gender diversity disclosures would seem no different from the development of the corporate governance statement disclosure which under the listing rules became a requirement for all listed entities from 1 July 1996.

After reviewing a few of the disclosures of corporate governance statements in 1996 annual reports, the first sentence seemed to be the same across a range of companies and could be correlated with the company's audit firm. Now, however, corporate governance statements have moved away from a boiler plate approach towards providing investors with meaningful information.

Such disclosures are important as they provide a window into the culture of the boardroom. Boards that are willing to communicate with shareholders on corporate governance issues such as diversity and go well beyond basic disclosure demonstrate a better understanding of their purpose and relationship with shareholders. BlackRock has observed that high quality disclosure of corporate governance practices tends to correlate with high quality boards.

Is the disclosure of corporate governance policies including diversity a proxy for corporate culture? Unless the CEO has accountability for implementation with meaningful reports regarding output of the diversity policy reported to the board, it is difficult to see how the policy will be really effective. In its latest *Women Matter*[11] research, McKinsey has confirmed corporate culture plays a critical role in gender diversity at the top of corporations. The survey reveals that corporate culture is twice as important as individual mindsets in determining whether women believe that they can succeed. These studies have pointed out that companies with a "critical mass" of female executives perform better than those with no women in top management; again pointing to a virtuous circle around gender diversity, reporting and shareholder returns.

A further point made in the McKinsey paper was that they reaffirmed the importance of implementing what they termed "the ecosystem of measures" which included:

- A strong CEO and top management commitment to gender diversity, expressed as a top priority on the strategic agenda, with progress closely monitored;
- Programs to develop women as leaders; and
- Collective enablers supporting gender diversity, including key performance indicators and human resources policies, to ensure that women are systematically included in recruitment and promotion pipelines.

By making it a requirement that something be measured, you are more likely to change the psychology around it and to gain acceptance of it as the norm.

Disclosure of policies to promote diversity at senior executive ranks

One way to address diversity at senior executive levels is the existence of programs aimed at identifying and progressing high potential women. Annual report disclosures were reviewed to see if companies offered programs to increase diversity at the senior executive level. Just over half of the companies reviewed disclosed they had programs in place to assist in promoting diversity at the senior executive ranks. This is the same level as for the study based on 2012 annual reports.

Disclosure of approach to pay equity

There was little improvement in disclosure on this issue. However, as an investor we do not require detailed disclosure of the outcome of pay audits or to even know that the company has a pay gap. What is important is that the board is aware of any issue and the issue has been or is being addressed.

According to research released in March 2014 by the Workplace Gender Equality Agency (WGEA)[12] the national gender pay gap is 17.2% and has hovered between 15% and 18% for the past two decades. WGEA cite a number of factors contributing to this statistic including the lack of women in senior positions and discrimination, both direct and indirect Pay equity is a key issue as if not managed well it can impact a company's ability to retain talented women, which potentially imposes significant costs on an organisation.

b. Governance of the diversity policy

The key aspect of disclosure where most companies failed was in the governance of the diversity policy. It is one thing to disclose a policy, disclose measurable objectives and have all the details on the website but unless there is accountability for the policy there is a risk that it will not be implemented. Unless the board sponsors the policy and accountability lies with the CEO there is little chance that the rest of the company will take the policy seriously.

Mirvac Group was the stand out entity when it came to disclosing the governance of the policy. Perhaps coincidentally, Mirvac is one of a handful of ASX 200 entities with a female CEO.

Mirvac's continued commitment to diversity extends beyond the programs and initiatives in place – the Group strives to create a culture in which both visible and tacit differences are recognised and valued. Mirvac's goal is to have a workforce representative of the communities in which Mirvac operates.

In its 2013 annual report, Mirvac focused on gender diversity and identified indigenous, disability, single-parent and ethnic diversity as future priorities:

11. McKinsey & Company Women Matter 2013 – Gender diversity in top management: Moving corporate culture, moving boundaries.
12. WGEA Gender pay gap statistics https://www.wgea.gov.au/sites/default/files/2014-03-04-Gender_Pay_Gap_factsheet_website.pdf

"Mirvac's commitment to diversity extends beyond the programs and initiatives in place; the Group strives to create a culture in which both visible and tacit differences are recognised and valued. Mirvac believes its competitive advantage lies in creating and maintaining a culture where all employees are able to contribute and fulfil their potential without artificial barriers. Mirvac's goal is to have a workforce representative of the communities in which Mirvac operates.

The Board has committed to measurable gender diversity targets and reports on progress each year. The HRC [Human Resources Committee] is responsible for the regular review of diversity-related activities.

The Board has appointed the Chair, James MacKenzie, as the diversity program sponsor. The CEO & Managing Director, Susan Lloyd-Hurwitz, chairs the Mirvac Diversity Council. The Mirvac Diversity Council regularly meets to coordinate diversity activities and reports to the HRC regarding diversity initiatives and progress.

Mirvac aspires to ensure diversity outcomes are integrated at every level of its business. With a priority focus on gender, Mirvac's approach to diversity demonstrates its strong commitment in supporting women entering the workforce, equity in promotion and initiatives to enhance female retention." [13]

In contrast, disclosures in other ASX 200 annual reports give an interesting window into the board's attitude towards stakeholders:

"The Company's overriding desire is to maximise the effectiveness of the Board and workforce by appointing the best candidate for each role. The Board does not believe that achievement of this objective requires a formal, publicly stated diversity policy, gender diversity targets or reporting of the gender percentages at various levels of the organisation (including to the exclusion of other indicators of diversity) and for this reason does not comply with Principle 3 and supporting recommendations of the ASX Corporate Governance Principles and Recommendations." [14]

While this board seems to be taking an attitude of "If you don't like our policies, don't buy our stock", this is not an option for large index funds, where due to the requirement to replicate the S&P ASX 200 index it is necessary to hold all of the constituent companies. Pursuant to this, most Australian workers would be shareholders in this company through their government-mandated superannuation funds.

If the company cited above has robust policies in place that ensures a balanced workforce and retention of quality people, why not disclose this to shareholders?

A different concern is when a company sees diversity disclosure as a compliance issue, as in the example below:

"In accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", the Company established a policy concerning diversity which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them." [15]

Again this raises questions regarding the board's approach and how effective the policy in this company will be in adding value for shareholders and also employees.

3. Increased attention from stakeholders

Proxy advisors have entered the gender diversity debate

The 2014 proxy season may see, for the first time, key proxy advisors recommend that their clients vote against the re-election of directors to encourage gender diversity at the board level. All the key proxy advisors covering Australia – CGI Glass Lewis, ISS Governance, Ownership Matters and the Australian Council of Superannuation Investors (ACSI) – have now specified that that diversity is an area of focus.

The strengthening stand on diversity is made clear in CGI Glass Lewis' proxy voting guidelines:

"...CGI Glass Lewis is of the view that companies should incorporate policies for board diversity and related disclosures in their annual reports or in any other prominent public disclosure.

If a particular company has not yet formalised its diversity policy, or elements thereof, we expect a company to provide a cogent explanation on an "if not, why not" basis.

If in our opinion, a board has a poor record on the issue of board diversity and has not implemented these reporting provisions or has not addressed other major issues of board composition, including the composition and mix of skills and experience of the independent element of the board, we will consider recommending voting against the chair of the nomination committee, or the equivalent, at the company's AGM."

ISS Governance will not be making recommendations purely on diversity but will be taking it into account amid broader discussions:

"Our position going forward is an approach that examines diversity as part of board refreshment. We intend to include information on disclosure policies and diversity data as part of our board profile write ups in our research reports. ISS views it as an important topic for engagement with the Company, so that we can provide our clients with the best information on which to base an informed voting decision.

Diversity will continue to be an active topic of engagement however we are not proposing to add voting sanctions potentially akin to the global SRI approach that recommends against nomination committee members if there is not gender diversity on the board."

13. Mirvac Group Annual Report 2013, page 38.
14. From an unnamed company's 2013 annual report.
15. From an unnamed company's 2013 annual report.

Ownership Matters (OM) takes a slightly different approach. OM research diversity as part of their normal process, but don't make voting recommendations, purely on that basis. OM are investor-led on all matters influencing their policy and will change when their clients indicate they want change[16].

ACSI refers to diversity in the discussion of core principles of board composition in its guidelines[17]. According to ACSI, while the guidelines underpin their voting recommendations they are not used as a checklist. Diversity is a key element considered by ACSI when it reviews board composition ahead of making voting recommendations, but it sets no specific threshold or quota for each individual board. Diversity has been a long-running issue in ACSI's engagement work, and is always a factor in meetings to discuss board appointment, succession and renewal processes.

The role of institutional investors in the debate

Given the amount of evidence supporting the business case for diversity we believe that institutional investors should take an interest in the issue.

BlackRock's corporate governance team finds the most effective way to raise the issue is via direct and active engagement with members of the board, particularly the chairman. Discussion is generally focussed on the governance of the policy, programs designed to increase diversity at senior executive ranks, pay equity and the processes the board uses to identify candidates for board positions. Our discussions also encourage greater transparency in these areas.

Below is an extract from BlackRock's Corporate Governance and Proxy Voting Guidelines for Australian Securities[18]:

> *Appointment/Reappointment Procedure*
> *The company should have a formal and transparent procedure for the appointment and re-appointment of directors. The board should disclose in the annual report the required mix and diversity of skills, experience and other qualities, including core industry competencies that each director brings to the board, the process by which candidates are identified and selected including whether professional search firms have been engaged to identify and/or assess candidates, the procedures used to ensure a diverse range of candidates is considered and factors taken into account in the selection process.*
>
> *Diversity*
> *Diversity recognizes differences relating to gender, age, ethnicity, disability, sexual orientation and cultural background. It also includes other dimensions such as lifestyle and family responsibilities. While the definition of diversity is broad, a key area that requires focus relates to gender equality in the work place.*
>
> *When a company has a diversity policy BlackRock expects that in addition to the requirements set out in ASX Corporate Governance Principles and Recommendations the following information will be disclosed:*
>
> - *The governance structure;*
> - *The percentage of women on the board and whether the board sets any measureable targets for increasing the number of women on the board;*
> - *The percentage of women in senior executive roles and whether the board sets any measurable targets for increasing gender diversity at senior management;*
> - *Why the board believes the diversity policy is beneficial to the company, that is, an articulation of a compelling business case for gender diversity in the entity as part of the business strategy, and whether there are internal procedures to review the effectiveness of the diversity policy;*
> - *Initiatives the company has in place (if any) to address diversity in senior executive positions and whether those initiatives are measured and evaluated; and*
> - *Any work undertaken or policies on pay equity.*

The role of government – proposed federal government response to reporting to the Workplace Gender and Equality Agency (WGEA)

In 2012 the Equal Opportunity for Women in the Workplace Act 1999 was replaced by the Workplace Gender Equality Act 2012 (The WGEA Act). The WGEA Act focuses on promoting and improving gender equality and outcomes for both women and men in the workplace. The Act introduced a new reporting and compliance framework for non-government businesses, requiring employers each year to report against the framework and submit a public report to the Workplace Gender Equality Agency (Agency). Under the Act, employers are required to notify, and make the report available to, employees and shareholders.

The Federal Government has announced that it may reduce the current disclosure requirements on gender to the WGEA due to what has been described by some interest groups as the red tape involved.

While there is scope for some streamlining of the reporting requirement, we believe wholesale changes are not required. If there is a significant reduction in the data that is required to be lodged, we hope that companies that see a well-functioning diversity policy as strategic and a competitive advantage will continue to disclose the data, rather than see it as an administrative burden.

Implications

Boards should be aware of the increased level of interest from stakeholders and respond accordingly. While there has been an increase in the level of women on boards from 17% to 21% in 2013, the level of women in executive roles needs to increase at a faster pace than is currently occurring to keep quotas off the agenda.

16. www.ownershipmatters.com.au
17. http://www.acsi.org.au/acsi-guidelines23/acsi-governance-guidelines.html
18. http://www.blackrock.com/corporate/en-us/literature/fact-sheet/blk-responsible-investment-guidelines-austrailia.pdf

APPENDIX 1

ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS[19]

Recommendation 1.5:

A listed entity should:

(a) have a diversity policy which includes requirements for the board:

(1) to set measurable objectives for achieving gender diversity; and

(2) to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period:

(1) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and

(2) either:

(A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.[20]

Commentary

Having an appropriate balance between the representation of men and women on the board, in senior executive positions and across the whole organisation can have important governance ramifications.

Research has shown that increased gender diversity on boards is associated with better financial performance.[21] The promotion of gender diversity can broaden the pool for recruitment of high quality employees, enhance employee retention, foster a closer connection with and better understanding of customers, and improve corporate image and reputation.

The measurable objectives the board sets in furtherance of its diversity policy should include appropriate and meaningful benchmarks that are able to be, and are, measured and monitored for effectiveness in addressing any gender imbalance issues in an organisation. These could involve, for example:

- achieving specific numerical targets (eg, a target percentage) for the proportion of women employed by the organisation generally, in senior executive roles and on the board within a specified timeframe; or
- achieving specific targets for the "Gender Equality Indicators" in the Workplace Gender Equality Act 2012.[22]

Objectives such as introducing a diversity policy or establishing a diversity council by themselves are unlikely to be effective unless they are backed up with appropriate numerical targets.

Reporting annually on an entity's gender diversity profile and on its progress in achieving its gender diversity objectives is important. It encourages greater transparency and accountability and, because of that, is likely to improve the effectiveness of the entity's diversity policy in achieving the outcomes the board has set.

A listed entity should tailor its gender diversity reporting to reflect its own circumstances and to achieve an accurate and not misleading impression of the relative participation of women and men in the workplace and the roles in which they are employed. In particular, when reporting the proportion of women in senior executive positions under recommendation 1.5(c)(2)(A), listed entities should clearly define how they are using the term "senior executive". This could be done, for example, by reference to their relativity in terms of reporting hierarchy to the CEO (eg, CEO, CEO-1, CEO-2 etc)[23] or by describing the roles that term covers (eg, leadership, management or professional speciality). Another alternative might be to show the relative participation of men and women at different remuneration bands.

The Council would urge larger listed entities with significant numbers of employees to show leadership on gender diversity issues and to provide more granular disclosures of the relative participation of women and men in senior executive roles than the base levels set out in this recommendation. This includes:

19. As at 2014.
20. The Workplace Gender Equality Act 2012 applies to non-public sector employers with 100 or more employees in Australia. The Act requires such employers to make annual filings with the Workplace Gender Equality Agency disclosing their "Gender Equality Indicators".
    For those entities which choose to follow recommendation 1.5(c)(2)(B) and publish their "Gender Equality Indicators" in preference to the statistics on diversity mentioned in recommendation 1.5(c)(2)(A), publication of their "Gender Equality Indicators" by the Workplace Gender Equality Agency on its website will be taken to meet this recommendation.
21. See Catalyst, The Bottom Line: Corporate Performance and Women's Representation on Boards (October 2007), available online at www.catalyst.org
22. This act applies to non-public sector employers in Australia with 100 or more employees. For further information about the Workplace Gender Equality Act 2012, see the Workplace Gender Equality Agency website: http://www.wgea.gov.au/
23. CEO – 1 refers to the layer of senior executives reporting directly to the CEO, CEO – 2 the next layer of management reporting to those senior executives, and so on.

- where they define "senior executive" for the purposes of recommendation 1.5(c)(2)(A) to include more than one level within the organisation (eg, CEO, CEO-1, CEO-2 etc), reporting the numbers of women at each level rather than, or as well as, cumulatively across all levels; and
- reporting the relative participation of women and men in management roles immediately below senior executive (eg, down to CEO-3 and CEO-4).[24]

Each of these measures will allow readers to gain a better understanding of the progress of women in the organisation through the different levels of management and of the "pipeline" of candidates potentially available for higher management roles.

The Council would also encourage listed entities to benchmark their position on diversity and to undertake gender pay equity audits to gain an insight into the effectiveness of their diversity policies.

The board may charge an appropriate board committee (such as the nomination or remuneration committee) with the task of setting the entity's measurable objectives for achieving gender diversity and annually reviewing those objectives and the entity's progress towards achieving them. If it does, this should be reflected in the charter of the committee in question.

If the board of a listed entity decides to alter its measurable gender diversity objectives, it should explain that fact in its gender diversity report and clearly indicate which set of objectives it is reporting against.

It should be noted that while the focus of this recommendation is on gender diversity, diversity issues extend beyond gender to matters of age, disability, ethnicity, marital or family status, religious or cultural background, and sexual preference. To garner the full benefits of diversity, an entity should ensure that its recruitment and selection practices at all levels (from the board downwards) are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain types of candidates.[25]

A listed entity may find the suggestions helpful when formulating its diversity policy:

Suggestions for the content of a diversity policy

1. Articulate the corporate benefits of diversity in a competitive labour market and the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent.
2. Express the organisation's commitment to diversity at all levels.
3. Recognise that diversity extends beyond gender and includes (but is not limited) to issues of age, disability, ethnicity, marital or family status, religious or cultural background, and sexual preference.
4. Emphasise that in order to have a properly functioning diverse workplace, discrimination, harassment, vilification and victimisation cannot and will not be tolerated.
5. Ensure that recruitment and selection practices at all levels (from the board downwards) are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain types of candidates.
6. Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees and that, over time, will prepare them for senior management and board positions.
7. Recognise that employees (female and male) at all levels may have domestic responsibilities and adopt flexible work practices that will assist them to meet those responsibilities.
8. Introduce key performance indicators for senior executives to measure the achievement of diversity objectives and link part of their remuneration (either directly or as part of a "balanced scorecard" approach) to the achievement of those objectives.

24. Listed entities interested in understanding best practice in diversity reporting should refer to the release entitled 'Male Champions of Change Raise the Bar on Gender Reporting' available online at https://www.humanrights.gov.au/male-champions-change-raise-bar-gender-reporting
25. In recent discussions with the Council, the government and others have highlighted that candidates with disability, in particular, face real and significant barriers in being accorded equal and fair treatment in recruitment and selection processes.

Further information
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