

---

## WOMEN STEP UP THE BOARDROOM LADDER

---

### **A research paper examining the participation and progression of female non-executive directors in the ASX 200 as publicly disclosed in 2005 Annual Reports and on company websites.**

*In June 2006 Boardroom Partners undertook an analysis of the participation and progression of female non-executive directors in the ASX 200. These findings build on previous research in this field in 2003<sup>1</sup>.*

*We focussed on two questions:*

- *What progress, if any, had there been in women's participation as non-executive directors in this period?*
- *To what degree do women 'progress' once appointed to a board, i.e are their skills appreciated and utilised through committee appointments and election to Chair or deputy Chair positions?*

*In the light of a number of studies on diversity of Australian boards, where the percentage of female directors remains inexplicably low, our research findings show that women, once appointed, are equal participants around the board table.*

*This paper also considers the participation and progression of female non-executive directors in an international context. Specifically we compare our findings to those of Carmen Li and Bob Wearing in their 2004 article 'Between Glass Ceilings: Female Non-Executive Directors in UK Quoted Companies' <sup>2</sup>.*

*In approaching this issue we analysed data from 198 boards from the ASX 200 as listed by Standard and Poors in June 2006.<sup>3</sup>*

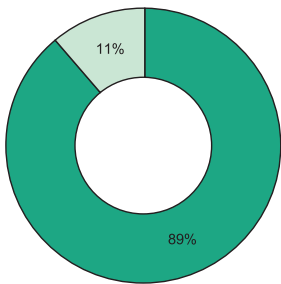
#### **Key Findings**

- 11% of non-executive positions in the ASX 200 are held by women, a proportion which is slowly increasing. (7.4% in 2003, 5% in 2002) This remains a low figure, and almost half of Australia's top company boards have no female non-executive directors.
- 3% of Chair positions in the ASX 200 are held by women – a lower proportion than we would expect if this role is to reflect the gender diversity of the board as a whole.
- 11% of non-executive committee members in the ASX 200 are women – in line with the gender diversity found on the board as a whole.
- 10% of committee chairs in the ASX 200 are women – broadly reflective of the gender diversity found on the board as a whole.
- There do not appear to be additional barriers to participation within the board at committee level for female non-executive directors – this is in contrast to the situation in the UK and the USA.

## PARTICIPATION – THE FACTS

It is well-documented that a low proportion of non-executive directors in ASX companies are women.<sup>4</sup> Most recently, the Equal Opportunity in the Workplace Agency (EOWA) launched the results of their 2006 Census which included the percentage of women holding board seats on the ASX top 200 companies. This research includes all executive directors on the board and produces a lower figure (8.7%) than this research where the focus is only on non-executive positions.

According to the 2005 Annual Reports there has been a small but significant increase in the number of female non-executive directors: 11% of non-executive directors were women.



*Proportion of Non-Executive Directors in the ASX 200 who are Women*

However, while the overall proportion of female non-executive directors is increasing, almost half of the companies considered have no female non-executive directors at all. A further 72 boards have only one female non-executive board member. Only three companies in our sample have three serving female non-executive directors (Coles Myer Ltd, Perpetual Ltd and QBE Insurance).

This pattern raises the issue of how well recruitment processes tap the available pool of talented women.<sup>5</sup>

The recruitment of non-executive directors to boards still tends to be a tightly held process, controlled by existing board members, who may be resistant to inviting 'unknown' or 'different' people to join them.

While the ASX guidelines advocate 'Structuring the board to add value' (Principle 2) the practice of recruitment of non-executives is still regularly approached in a less rigorous way than would be considered for an executive.

## PROGRESSION

The low proportion of non-executive directors who are women is one aspect of board composition; this paper also identifies the progress made by these women once appointed to the board.

Non-executive directors can engage with the board in a number of different capacities: as a member of a committee; as a chair of a committee; and as a chair of the board. At each of these levels non-executive directors are able to contribute more to the workings of the board.

Examining the number of female non-executive directors in these positions gives some insights into how women are utilised once appointed to boards.

## COMMITTEES

Boards are increasingly using committees to deal with the volume of work to be done and therefore require a higher level of commitment from non-executive directors. In our study each board had around 3 committees (actual average 2.8) and all complied with the legal requirement to have an audit committee.

132 boards (40%) complied with the ASX Corporate Governance Council's (ASX CGC) recommendation 2.4, indicating that the board should establish a nomination committee.

102 boards (34%) had remuneration committees, although in several instances the nomination committee was combined with the remuneration committee.<sup>6</sup>

Boards also had various other committees performing varied functions. Examples of these committees include 'Occupational Health and Safety', 'Risk and Compliance' and 'Finance and Investment'.

Committee	Incidence of Committee Types in ASX 200
Audit	198
Nomination	132 (including 57 Nomination and Remuneration)
Remuneration	103
OH&S	23
Risk	23
Compliance	11
Corporate Governance	11
Investment	7

The proportion of committee members who are women is 11% and the proportion of committee chairs is 10%. This is broadly in line with the proportion of female non-executive directors as a whole who are women, and suggests that once women are appointed to board positions they are involved in the real work of the board and not left 'hanging out to dry' or excluded from further participation.

This is encouraging for both boards and aspiring women directors who can assume that there is a real contribution to be made once the hurdle of initial appointment has been overcome.

This situation contrasts with international experience where there is evidence of the under representation of women at committee level (especially as chairs of committees) in both the UK and the USA.

In the USA 14.7% of board seats in the Fortune 500 were held by women, where as only 11.2% of committee chairs were women.<sup>7</sup> Carmen Li and Bob Wearing also argue that there is under-representation of women at committee level in the UK in their paper ‘Between Glass Ceilings: Female Non-Executive Directors in UK Quoted Companies’.<sup>8</sup>

When we consider committees by their function we can also see that board diversity is broadly replicated in each of the three main committees (audit, nomination and remuneration). This finding is significant as it suggests that female non-executive directors are as likely as their male counterparts to be appointed to influential and important committees such as the audit committee and are not confined to subsidiary committees which are occasionally considered to be the ‘softer’ or less important committees.

Committee	% of Members who are women	% of Chairs who are women
Audit	11%	11%
Nomination	13%	9%
Remuneration	10%	12%

The role of the nomination committee is also significant in our study as the influence of women in determining the succession of the board may well impact on the number of female non-executive directors on the board in the future. It is therefore worth noting that 13% of nomination committee members are women, and that 9% of the nomination committee chairs are women. This is particularly interesting as almost half (43%) of nomination committees are chaired by the chair of the board – the vast majority of whom are male.

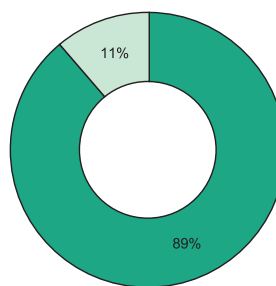
Responsibility for identifying new talent for the board rests with the nomination committee, and it will be important to watch the progress made over the next few years as the challenge to speed up the ‘glacial change’ has now been made to Australian boards.<sup>9</sup>

## CHAIRS

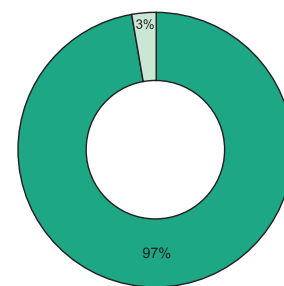
Our study found that of the 198 boards considered, 177 were chaired by a non-executive director and 21 boards (11%) were chaired by an executive director. Again, this is broadly in line with ASX CGC recommendations.

Of these non-executive chairs, only 3% were women. This means that five companies in the ASX Top 200 had boards chaired by women. These companies were ABC Learning, Adelaide Bank, Commander Communications, James Hardie and Qantas.

This figure is higher than in previous studies<sup>10</sup> and implies that female non-executives are more able to progress to the level of chair than previously. However, this improvement is from a very low base.



Proportion of Boards with Executive Chairs



Proportion of Female Non-Executive Chairs

Of the 198 boards, 45 also had a non-executive deputy chair. Of these 45 companies, 6 (13%) had a female deputy chair – these were Babcock and Brown Ltd, Baycorp Ltd, Healthscope Ltd, Hills Industries Ltd, Iluka Resources Ltd and Pacific Brands Ltd.

However, whilst the position of deputy chair is a role of some responsibility, it does not come with the influence or authority of the position of chair, a fact reflected in the remuneration rates for these different positions. Nor is it always clear that a deputy chair will succeed a chair so it is not possible to assume that there will be a higher proportion of female chairs in the future. It is a situation to watch with interest.

## CONCLUSIONS

We are able to draw broadly positive conclusions from our analysis. The number of women on boards in the ASX 200 is increasing slowly.

At 11% the proportion of non-executive positions held by women is higher than previous studies have found. Once appointed to the board, female non-executive directors in Australia do not appear to face additional barriers to progression.

Rates of participation both as committee members and as committee chairs, are on par with the proportion of non-executives as a whole who are women. This is in contrast to findings in the UK and USA, including the findings of Li and Wearing.

There are still very few female chairs of the board in the ASX 200, but at 3% this proportion is increasing. The number of female deputy chairs is promising, and may indicate that the number of female chairs of the board may increase in future.

The UK findings concerning the ‘glass ceiling’ for female non-executives are a reminder that non-executive careers continue after appointment to a board, and women can either be assisted or stifled in this progression. This adds another dimension to our understanding of the evolution of board diversity in this country and warrants continued interest and scrutiny.

---

<sup>1</sup> 'Board Composition and Performance' published by Boardroom Partners in April 2003.

<sup>2</sup> 'Between Glass Ceilings: Female Non-Executive Directors in UK Quoted Companies' by Carmen Li and Bob Wearing *International Journal of Disclosure and Governance* October 2004.

<sup>3</sup> We used information listed on each company's websites (correct as of 20th June 2006); in their 2005 annual reports; and in 31 instances we contacted companies for further information. We excluded four companies from our study because of their long delays in disclosing the information requested. The 196 companies considered represented 198 boards as Macquarie Infrastructure Communications Group has three separate boards, each with different committees.

<sup>4</sup> See EOWA Australian Census of Women in Leadership (2002, 2003, 2004) and previous research by Boardroom Partners including 'Board Composition and Performance' (April 2003). Boardroom Partners found that 7.4% of non-executive directors in 2003 were women.

<sup>5</sup> A phenomenon described by Z. Burgess and P. Tharenou in 'Women Board Directors: Characteristics of a Few' *Journal of Business Ethics* April 2002.

<sup>6</sup> In these instances the committee has been considered as a nomination committee primarily as this function is highlighted by the ASX recommendations.

<sup>7</sup> 'The 2005 Catalyst Census of Women Board Directors of the Fortune 500.' By committee women held 10.2% of audit committee chairs, 14.2% of nominating/governance committee chairs and 9% of compensation (remuneration) committee chairs.

<sup>8</sup> 'Between Glass Ceilings: Female Non-Executive Directors in UK Quoted Companies' by Carmen Li and Bob Wearing *International Journal of Disclosure and Governance* October 2004.

<sup>9</sup> The term "glacial" was used by EOWA director Anna McPhee at the launch of the 2006 Australian Census of Women in Leadership (31/8/06).

<sup>10</sup> The 2004 EOWA Census of Women in Leadership found that 1% of companies in the ASX 200 were chaired by a woman.



October 2006

**We welcome comments on our findings & would be happy to discuss any aspect of this report with you.**

[mail@boardroompartners.com.au](mailto:mail@boardroompartners.com.au)

**Look out for details of our next Research Paper on our website**

[www.boardroompartners.com.au](http://www.boardroompartners.com.au)

P O Box R633 Royal Exchange Sydney NSW 1225

Level 7, 234 George Street Sydney NSW 2000

Tel: 02 9241 6311 Fax: 02 9124 6181