

# Board Monitor Australia & New Zealand 2019

## Accelerating progress for women on boards

Public company boards in Australia have taken note of public and government pressure to increase diversity, prompting a surge in the appointment of women to boards. This year's report on new directors tracks the dynamic corporate governance changes underway in Australia and New Zealand and notes some upcoming challenges.





# About Board Monitor

## Australia & New Zealand 2019

This is the second year for which we have captured the key attributes of new board appointees—their demographics, functional experience, and other background; mapped how those attributes flowed onto boards; and identified trends. This report on Australia and New Zealand is one of a suite of annual Heidrick & Struggles reports that, together, cover most major global economies.

Data on appointments are tracked through BoardEx, proxy filings, and corporate websites. Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database. In tracking the experience of new appointees, the report takes into account all of the significant industry experiences of each director (for example, a new director who has worked most recently in the consumer industry may also have valuable experience in the industrial sector or in technology).

#### Acknowledgment

Thank you to **Guy Farrow**, Heidrick & Struggles' partner-in-charge for Australia, for his contributions to this report.

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# Australia: Quietly and quickly moving toward gender parity on boards

Prior to issuing its latest edition of *Corporate Governance Principles and Recommendations* in February 2019, the Australian Securities Exchange (ASX) Corporate Governance Council engaged in an extensive stakeholder consultation process.

Thus, the principles address issues of culture, values, and trust, against a backdrop of community skepticism toward business and a year marked by corporate scandals and governance failings highlighted at the Financial Services Royal Commission, according to the Australian Institute of Company Directors (AICD).<sup>1</sup>

The new edition sets forth eight principles intended to “achieve good governance outcomes and meet the reasonable expectations of most investors in most situations.”<sup>2</sup> They are voluntary, owing to what the council recognizes as differences in governance practices required depending on such factors as company size, complexity, history, and corporate culture.

A notable change from the previous edition that is intended to promote greater diversity, faster, is the inclusion of a target of 30% female directors on ASX 300 boards. This follows a year where the AICD’s target of 30% female representation on ASX 200 boards was nearly achieved (29.7%). A positive sign of how diversity is taking hold with

Australian companies is that, despite a lack of mandatory quotas or regulatory intervention, Australia is the first country in the world to achieve this level of gender diversity in its top boardrooms.

The ASX’s revised *Corporate Governance Principles and Recommendations* is one major force pushing Australia’s boards to change traditional board recruiting practices and, consequently, board composition. Another significant factor is social pressure from a generally liberal society that promotes diversity. Organizations such as the 30% Club, which promotes gender balance on boards and in senior management, continue to highlight inequities and report on progress.

## “Soft” ASX guidelines yielding significant success

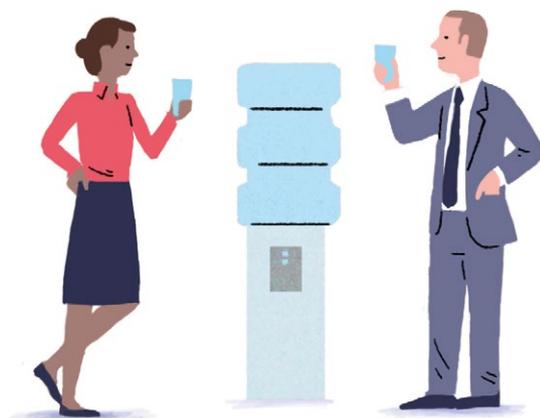
At Heidrick & Struggles, we tend to focus on the composition of the board as a whole, looking at the skills and expertise the board members possess collectively compared to the requirements of the company’s strategy. The new principles in the ASX report highlight this point specifically, saying that “the board of a listed entity should be of an appropriate size and collectively have the skills, commitment, and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.”<sup>3</sup>

Pursuant to this and other guidelines, Australian companies have this year focused even more broadly on achieving diversity on their boards in terms of not only gender but also relevant expertise and background. This year saw a significant jump in the number of women directors—49% of non-executive directors versus 39% last year—as well as a major effort to recruit directors with digital and social media expertise, with nearly a third of new directors having this experience, compared with just 3% in 2018.

<sup>1</sup> Christian Gergis, “Release of ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations*, fourth edition,” Australian Institute of Company Directors, February 27, 2019, [aicd.companydirectors.com.au](http://aicd.companydirectors.com.au).

<sup>2</sup> ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations*, 4th ed., February 2019, [asx.com.au](http://asx.com.au).

<sup>3</sup> ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations*, 4th ed., February 2019, [asx.com.au](http://asx.com.au).



### This year saw a significant jump in the number of women directors—49% of non-executive directors versus 39% last year

That said, in Australian companies, there is still a lack of indigenous and non-European people in the sort of business leadership positions from which board members are generally selected. However, that is likely to shift as diversity and inclusion efforts spotlight the issue and government support for programs designed to accelerate change produce results. In the meantime, boards can continue to find more diverse new members by broadening their criteria to include those with skills and experience that are relevant to the strategy, now and in the near future.

In addition, Australia has a significant handicap in competing for non-national directors: its location. The tyranny of distance—being so far removed from other global markets—presents an additional challenge in recruiting overseas-based directors. Including travel time,

it essentially takes a week to attend a board meeting in Australia plus additional time to get back on track after traveling such a distance. That represents a significant time commitment and is proving a difficult hurdle to overcome.

While there are certain obstacles—particularly Australia’s remote distance relative to other global business centers—that are more difficult to tackle, increasingly sophisticated technology may be relied on as at least a partial solution in the future. Barriers to diversity notwithstanding, progress on Australian boards has been rapid and undeniable, especially the greatly increased percentage of women directors in a relatively brief time, and we are optimistic about future gains.

### Key findings for newly added non-executive directors

#### *Demand beyond former CEOs and CFOs*

- Of the 185 independent, non-executive director seats filled on the boards of ASX 200 companies, 59% went to current or former CEOs and CFOs versus 74% in 2018.
- Of the newly appointed director seats, 81% were filled by directors with previous board experience, and 56% had previous audit committee experience.
- Some 35% of new seats went to non-national appointees versus 36% in 2018.

#### *Increase in gender and industry diversity*

- Women accounted for 49% of new appointments versus 39% in 2018.
- Overall, the largest share of total substantial industry experiences lay in the financial services sector, at 28%, followed closely by industrial, at 23%, and business services, at 21%.
- Nearly a third of the seats went to those with digital or social media experience and 11% to people with cybersecurity experience.

# Australia: Key findings



## Overall findings

Of the 185 independent, non-executive director seats filled on the boards of ASX 200 companies, 59% went to current or former CEOs and CFOs, and 24% went to current executives.

- Women accounted for nearly half (49%) of appointments in Australia—the highest proportion since we started tracking board appointments in Australia in 2016—and 35% of seats went to individuals from countries other than Australia.
- In Australia, 81% of the newly appointed directors had previously served on a board, and 56% had previous audit committee experience.
- Nearly a third of seats in Australia went to those with digital or social media experience and 11% to people with cybersecurity experience.
- Looking at the collective career experience of appointments in Australia, the greatest proportion had substantial experience in financial services (28%), followed by 23% in industrial, and 21% in business services.

## Global comparisons

Juxtaposing the non-executive director appointments in Australia and New Zealand with those in the United States and the United Kingdom—other major markets with similar approaches to corporate governance and where English is the predominant language—Australia demonstrates an even stronger focus on traditionally sought-after experience (e.g., CEO and previous board experience) while also seeking diversity in broad terms.

- Though the United States had a record year for the appointment of women, at 40%, and the United Kingdom had even stronger representation, at 42%, boards in Australia appointed women to nearly half of its seats.
- At 35%, the share of seats that went to individuals from outside Australia was slightly above the proportion of non-nationals in the United Kingdom (32%) and well above that in New Zealand (20%).<sup>4</sup>
- In Australia, nearly a third of appointees (32%) had digital or social media expertise, compared to 31% in the United States, 26% in the United Kingdom, and 20% in New Zealand.
- Australia filled 24% of seats with current executives, while New Zealand had 20%, the United Kingdom had 38%, and the United States had 55%.
- Looking at CEO and CFO experience, Australia filled the lowest proportion of seats with this functional expertise, at 59%, while the United Kingdom had 61%, the United States had 78%, and New Zealand had 93%.

<sup>4</sup> In the United States, Board Monitor tracks ethnic diversity instead of nationality.

# Snapshot of 2018 Australia findings

Director  
seats filled

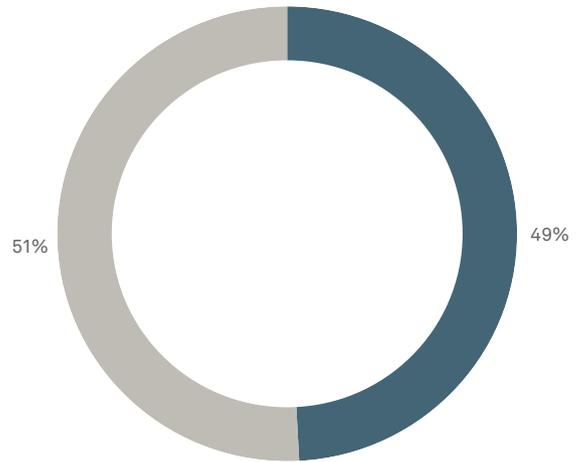
185

Average  
age

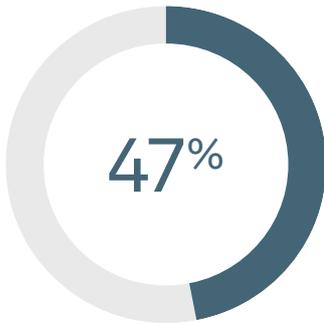
57

Gender

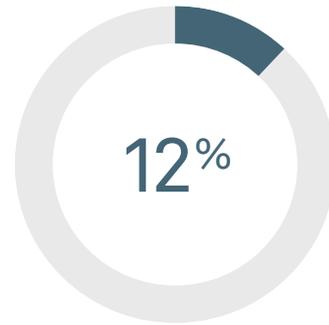
● Female ● Male



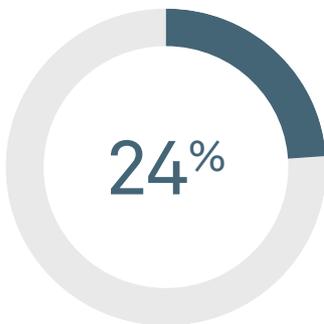
Current and  
former CEOs



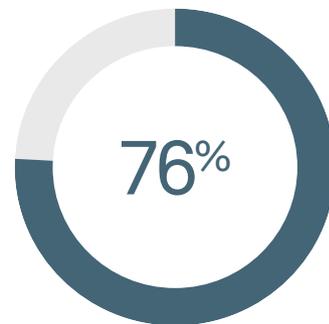
Current and  
former CFOs



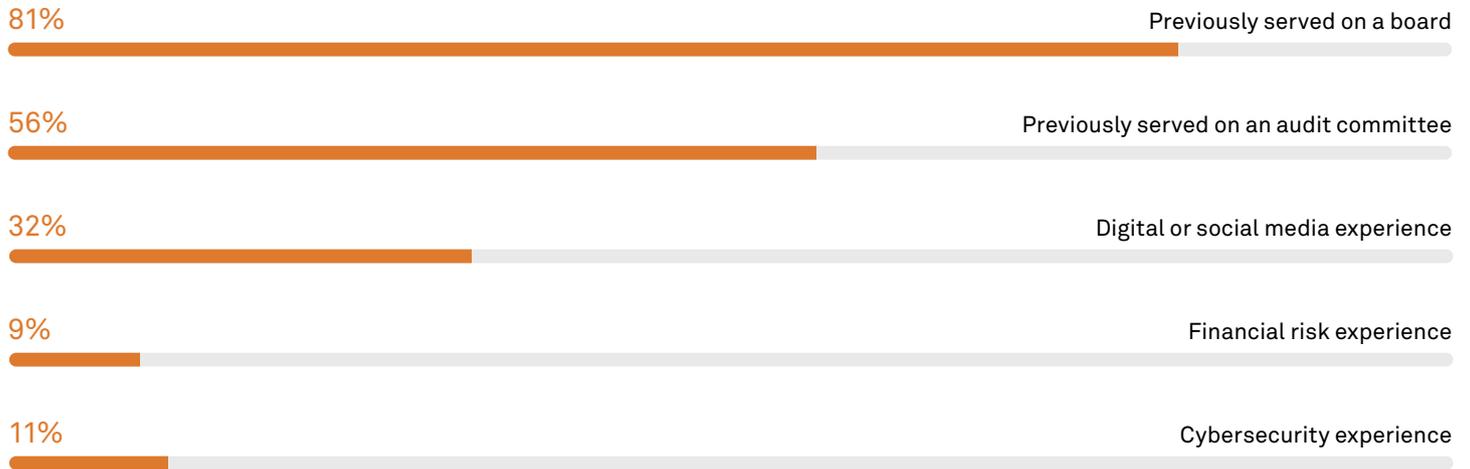
Current executives  
(n=45)



Former executives  
(n=140)

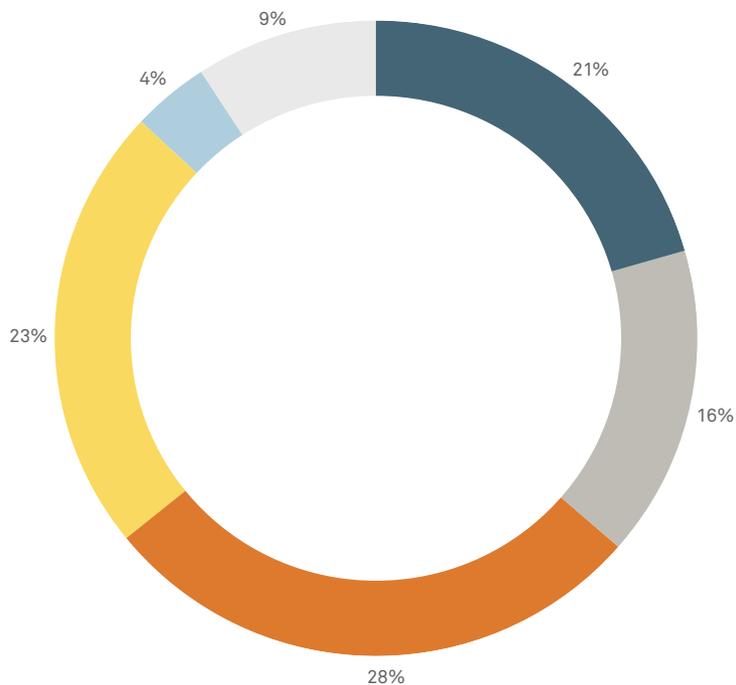


## Experience



## Distribution of directors' total career experience by industry (n=267)

- Business services
- Consumer
- Financial services
- Industrial
- Life sciences
- Technology



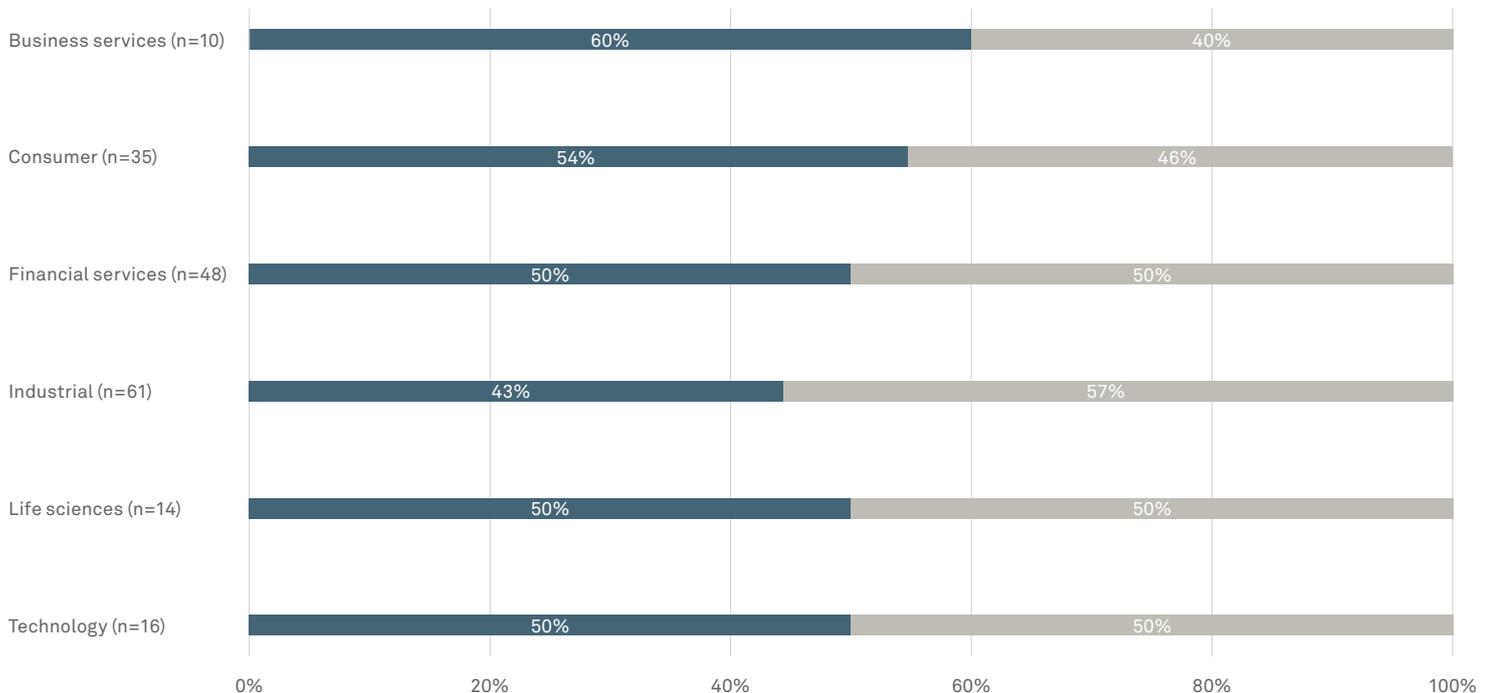
Note: Numbers do not sum to 100%, because of rounding.

# Appointing women with deep board experience

- After experiencing a decrease in female appointments, from 41% to 39%, between 2016 and 2017, Australia saw an increase of 10 percentage points in 2018, to a record 49% of seats (90) going to women, well above the shares of appointments in New Zealand, the United States, and the United Kingdom.
- Women appointed to boards in Australia less often had CEO and CFO experience than the overall group, 51% compared to 59%. However, they slightly more often had governance experience compared to the overall group—83% had previously served on a public board, and 69% had previous audit committee experience (compared with 81% and 56%, respectively).
- In terms of overall career experience of women appointed to boards in Australia, 27% had financial services experience, followed by 23% in business services and 20% in industrial.
- Women appointed to boards in Australia had slightly higher proportions of digital or social media expertise, 36% compared to 32% overall. Women had equivalent experience in financial risk and cybersecurity as the overall cohort, 9% and 11%, respectively.

## Proportion of new board seats in each industry by gender

● Female  
● Male



Note: Numbers do not sum to total number of seats, because the one education board seat is not included.

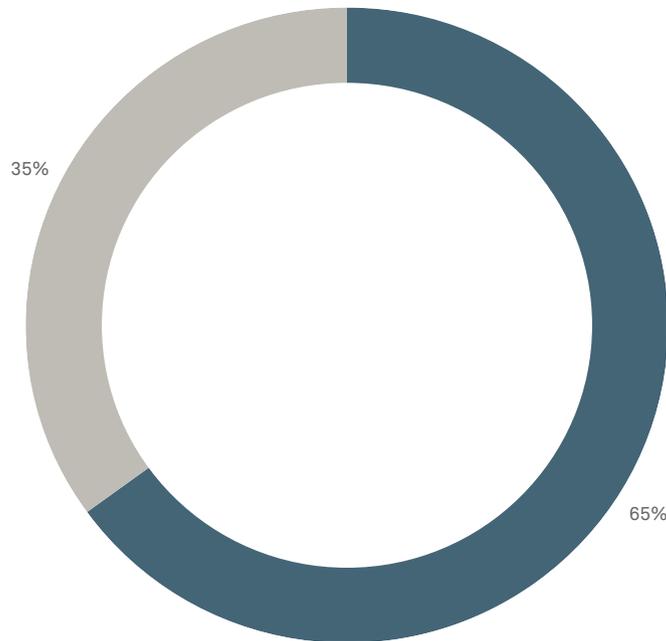
# Appointments from other countries often bring digital expertise



- Over a third (35%) of all appointments in Australia went to non-nationals, flat with last year (36%) and slightly above the share of non-national appointments in the United Kingdom (32%).
- Nearly a third (32%) of non-national appointments to Australian boards came from the United Kingdom, followed by 20% from the United States. The remaining half came from a diverse set of 16 countries, which includes Brazil, China, Germany, Japan, Malaysia, Mexico, and South Africa.
- In Australia, over half (55%) of non-national appointments are current or former CEOs, higher than the overall group, at 47%.
- In terms of past experience, non-national appointments in Australia slightly less often had previous board experience (69%) than the overall group (81%). However, this group did more often bring social media and digital expertise, at 43%, compared to 32% overall.

Proportion of national vs. non-national appointments

- National
- Non-national



# New Zealand: Attracting global business while modernizing boards

Despite what may be considered a somewhat remote location—which makes logistics such as in-person board meetings difficult and, consequently, attracting directors a challenge—the New Zealand government has gone all out to promote the country as an attractive place to do business.

Sustainability and an appreciation of the land—a relatively new priority for global companies—is second nature in New Zealand, and the government has designed a generally business-friendly environment by “encouraging productive investment to support economic growth and sustainable development, contributing to the economic and social well-being of residents.”<sup>5</sup> The business-friendly environment includes an expansive network of Free Trade Agreements (FTAs) and a simple, low-rate broad-base tax regime.

New Zealand boards are following suit by adopting more modern corporate governance practices better suited to a changing business environment and in line with those of other countries, led by the New Zealand Stock Exchange (NZX), which is regulated by the Financial Markets Authority (FMA).

## NZX changing listing guidelines

The NZX’s Corporate Governance Code, released in May 2017, addressed the board-level gender gap—and was recognized as bringing New Zealand “one step closer to realizing the social and economic gains of a more diverse workforce.”<sup>6</sup> Regulations, which were not compulsory, included the expectations for listed companies to establish a diversity policy with measurable objectives and to assess their progress against these objectives each year and make this information public. Those companies opting not to articulate a diversity policy are obligated to explain why not. This was viewed widely as a major change and pressure to comply.

Strictly speaking, these guidelines are applicable only to publicly listed companies, but, in fact, they set the bar for best practices for all companies that wish to remain competitive.

## Added pressure from institutional investors

While compliance with the NZX Corporate Governance Code is not mandatory, guidelines issued by the Corporate Governance Forum (CGF), a group collectively managing 15% of New Zealand’s equity market of New Zealand institutional investors, has added to the pressure to conform to new governance practices.

Formed in 2015, the CGF released a set of best-practice guidelines for NZX-listed companies, covering such critical issues as board independence, director tenure, and an appropriate mix of skills and diversity on boards.<sup>7</sup>

## Playing catch-up

Considering—and to further—New Zealand’s ambitious plans as a center for global business growth, women’s organizations and others have been demanding the greater diversity on corporate boards necessary to bring companies into greater alignment with the skills and experience boards will require.

<sup>5</sup> NZ Story Group, New Zealand Trade and Enterprise, Ministry of Business, Innovation, and Employment, and Deloitte NZ, *New Zealand: Open for Business*, November 2019, investnewzealand.nz.

<sup>6</sup> Global Women, “NZX releases new diversity reporting guidelines,” May 11, 2017, globalwomen.org.nz.

<sup>7</sup> Glass Lewis, *Guidelines: An Overview of the CGI Glass Lewis Approach to Proxy Advice: New Zealand*, 2017, glasslewis.com.



## New Zealand boards are adopting more modern corporate governance practices better suited to a changing business environment

Like many other countries, New Zealand has some catching up to do on the diversity front, but it's been slow going. The NZX's January 2019 release of its *Gender Diversity Statistics* report noted a 6 percentage point increase in S&P/NZX 50 female directors since 2014, with the overall percentage of female directors in the S&P/NZX 50 projected to reach 30% by 2021, assuming the same rate of growth.<sup>8</sup>

The NZX diversity report shows that, overall, the percentage of women directors rose from 19% in 2017 to 22% in 2018, with a similar increase in female officers. In addition, 77% of companies now have a diversity policy. Despite these slight increases, 18% of listed companies have no female directors, and New Zealand lags far behind other developed countries.<sup>9</sup>

To greatly enhance the overall diversity that will contribute to board effectiveness and company value, we recommend a strategic approach to director recruitment. A diversity policy, like the one NZX recommends for listed companies, is a good start. But a recruitment process that dovetails with company strategy and elucidates skills the board needs to support the strategy is a more holistic approach likely to achieve greater, more relevant diversity. That may mean identifying more potential directors who are women or defining diversity as experience in a particular function or industry sector. Assembling the best board team should begin with a thorough understanding of the strategy—by all directors—and then identify both current skills on the board as well as gaps that need to be filled.

NZX guidelines and other external pressures appear to be pointing New Zealand boards in the right direction, and by borrowing practices boards in other parts of the world have adopted in tackling similar challenges, these boards should see a good deal more progress in the future.

### Key findings for newly added non-executive directors

*Reliance on CEO, CFO, and prior board experience*

- Of the 15 new non-executive director seats filled on the boards of the NZX 10, 93% went to current or former CEOs and CFOs, and 20% went to current executives.
- Of the newly appointed director seats, 73% were filled by directors with previous board experience, and 47% had previous audit committee experience.

*Working toward increasing gender and other diversity*

- Women accounted for 27% of new appointments, and 20% went to people from outside of New Zealand.
- Overall, the largest share of total substantial industry experiences lay in the industrial and business services sectors, both at 30%.
- Some 20% of newly appointed directors had experience in digital or social media and 13% in cybersecurity.

<sup>8</sup> NZX, *Gender Diversity Statistics*, January 2019, [nzx.com](http://nzx.com).

<sup>9</sup> Global Women, "Global Women calls out NZ's embarrassing boardroom gender results," February 1, 2019, [globalwomen.org.nz](http://globalwomen.org.nz).

# New Zealand: Key findings



## Overall findings

Of the 15 independent, non-executive director seats filled on the boards of NZX 10 companies, 93% went to current or former CEOs and CFOs, and 20% went to current executives.

- Women filled 27% of seats in New Zealand, and 20% of overall appointments went to individuals from outside of New Zealand.
- Roughly three-quarters (73%) of newly appointed directors had previous board experience, and 47% had previous audit committee experience.
- In New Zealand, 20% of seats went to those with social media or digital experience and 13% to individuals with cybersecurity expertise.
- In terms of overall career experience, the greatest proportion of newly appointed directors had substantial experience in industrial and in business services, both 30%.

## Global comparisons

Juxtaposing the non-executive director appointments in Australia and New Zealand with those in the United States and the United Kingdom—other major markets with similar approaches to corporate governance and where English is the predominant language—New Zealand this year generally adhered to the traditional non-executive director profile.

- New Zealand had the lowest proportion of female appointments among the four countries, at 27%. In comparison, the United States appointed a record 40% of seats to women, the United Kingdom appointed 42%, and boards in Australia appointed women to nearly half of its seats.
- New Zealand had a lower proportion of non-nationals, at 20%, compared to 32% for the United Kingdom and 35% for Australia.<sup>10</sup>
- In New Zealand, 20% of appointees had digital or social media expertise, compared to 26% in the United Kingdom, 31% in the United States, and 32% in Australia.
- New Zealand filled the lowest proportion of seats with current executives, at 20%, while Australia had 24%, the United Kingdom had 38%, and the United States had 55%.
- Looking at CEO and CFO experience, New Zealand filled the highest proportion of seats with this functional expertise, at 93%, while the United States had 78%, the United Kingdom had 61%, and Australia had 59%.

<sup>10</sup> In the United States, Board Monitor tracks ethnic diversity instead of nationality.

# Snapshot of 2018 New Zealand findings

Director  
seats filled

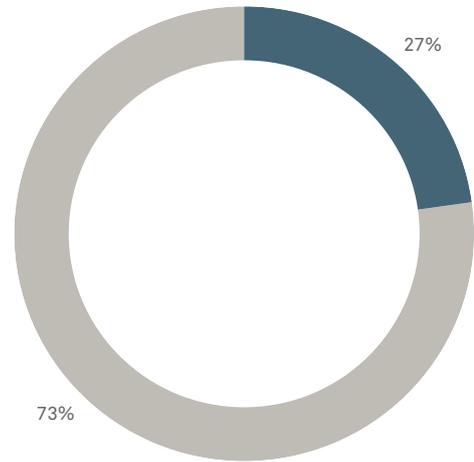
15

Average  
age

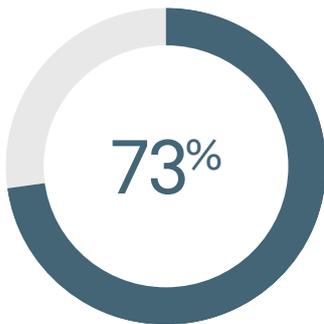
57

Gender

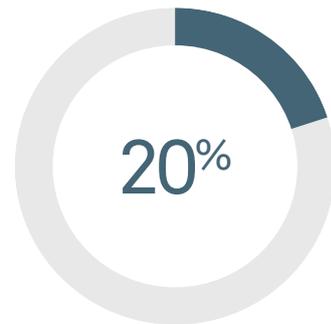
● Female ● Male



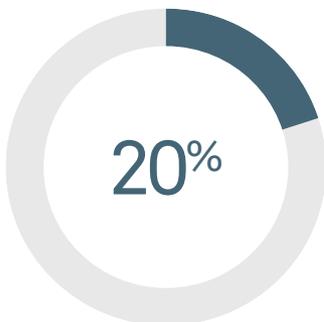
Current and  
former CEOs



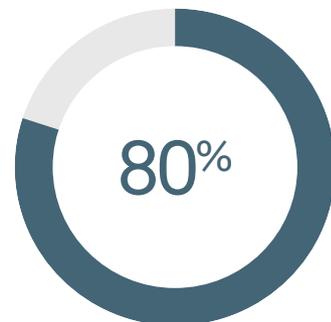
Current and  
former CFOs



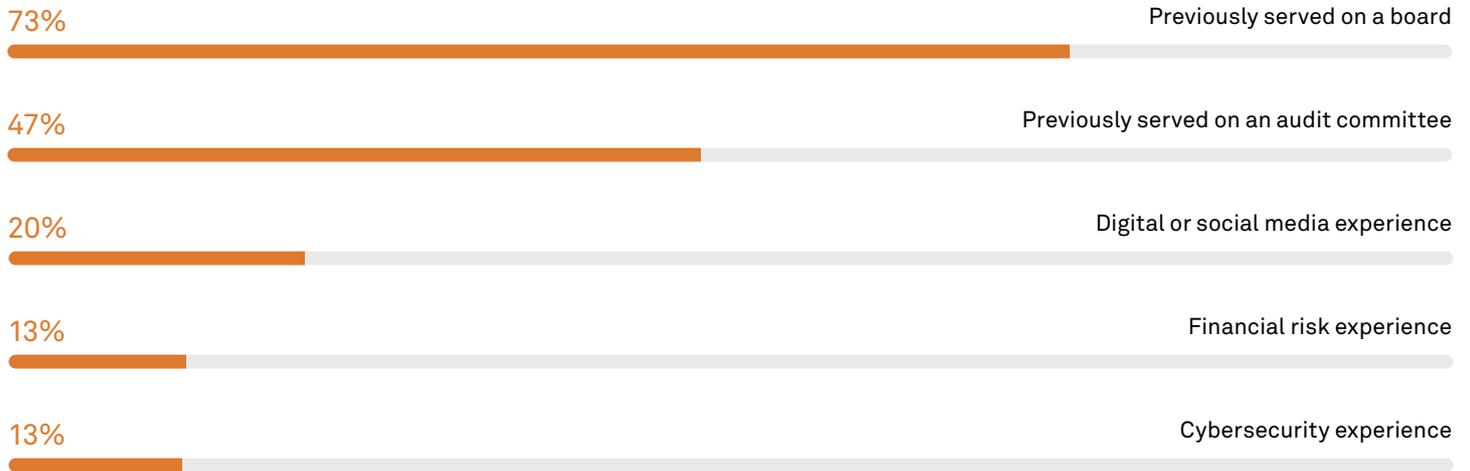
Current executives  
(n=3)



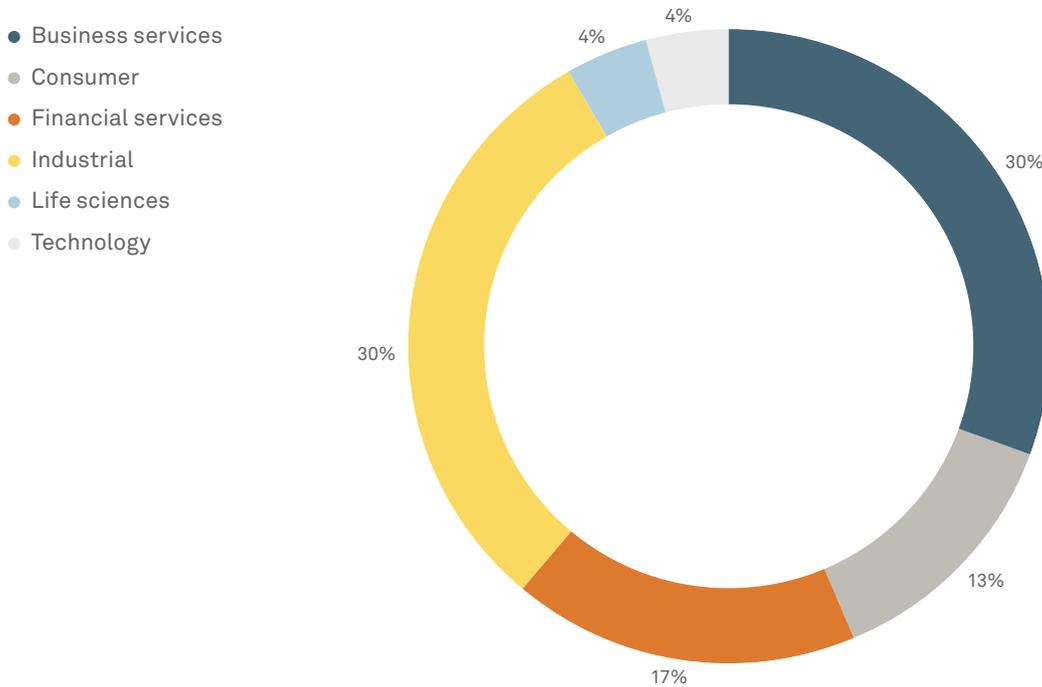
Former executives  
(n=12)



## Experience



## Distribution of directors' total career experience by industry (n=23)



Note: Numbers do not sum to 100%, because of rounding.

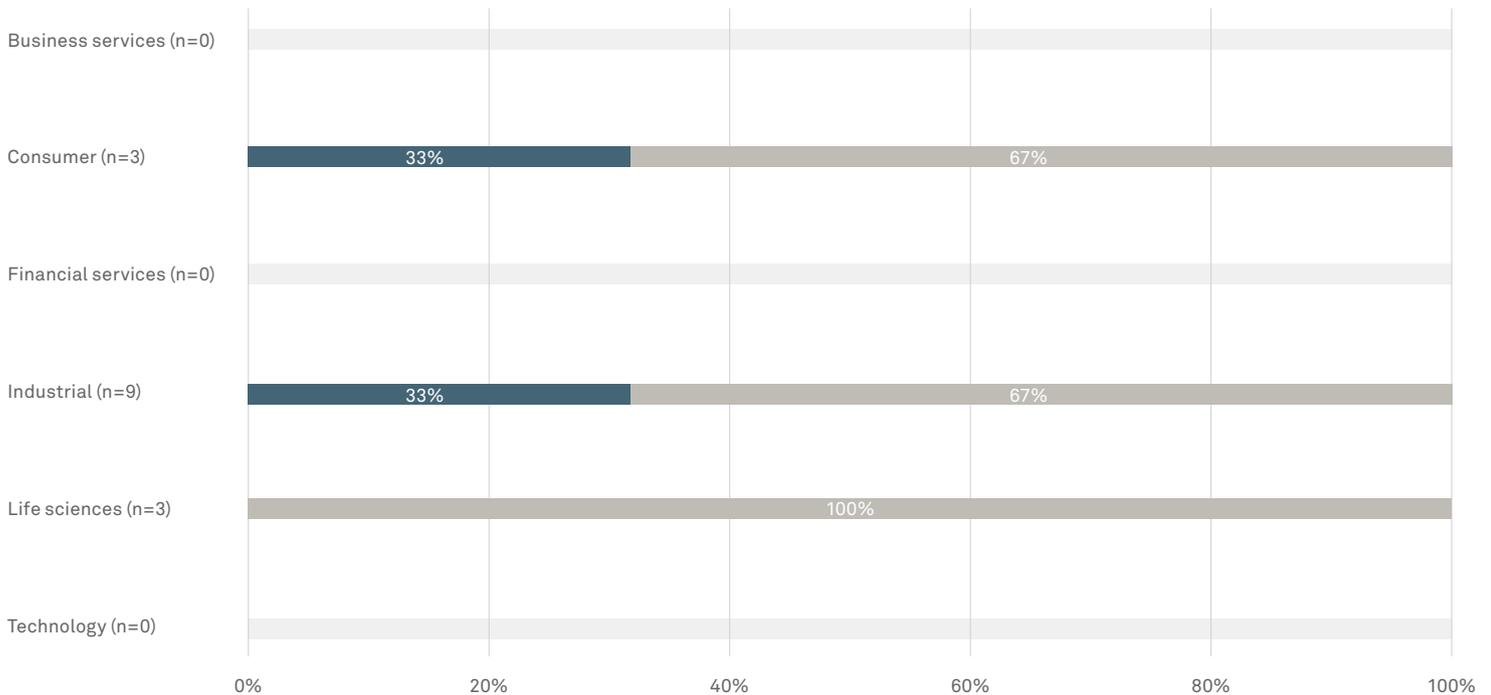
# Appointing women with digital and social media expertise

- New Zealand maintained the same proportion of seats that went to women, at 27%, from 2017 to 2018 (4 seats). In comparison, women were appointed to a record 49% of seats (90) in Australia.
- In New Zealand, three-quarters of the seats filled by women were by those with CEO and CFO experience, which is lower than the overall group in New Zealand but significantly higher than the overall group in Australia. All female appointments in New Zealand had previous public board experience, compared to 73% for the overall cohort.
- A majority of overall career experience for female appointments in New Zealand was in business services, at 67%, and the remainder in financial services.
- In New Zealand, women had high proportions of digital or social media experience and cybersecurity experience, both 25%, but no financial risk experience.



**Proportion of new board seats in each industry by gender**

● Female  
● Male

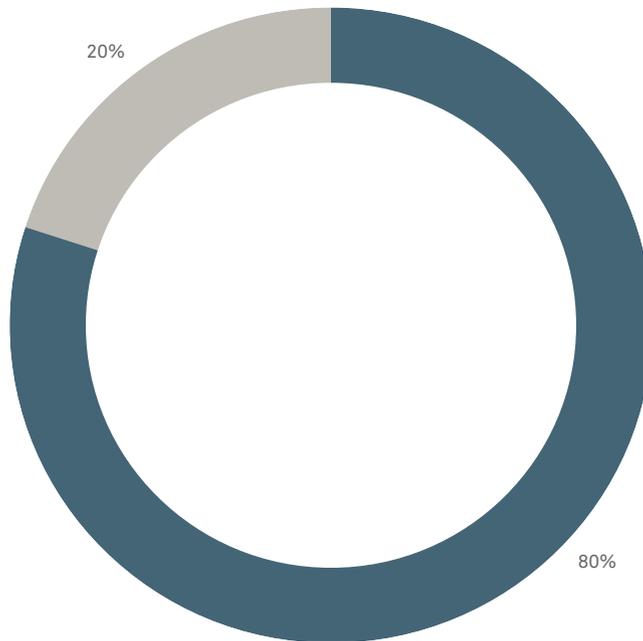


# Directors from other countries more often bring financial risk and cybersecurity expertise

- In New Zealand, 20% of appointments went to non-nationals (down from 30% last year), which is below the share of non-national appointments in the United Kingdom (32%) and in Australia (35%).
- Non-national appointments to New Zealand boards ranged less widely in their origin compared to Australia: the majority (67%) were from Australia, and the remainder were from the United Kingdom.
- In New Zealand, 67% of non-national appointments are current or former CEOs.
- Non-national appointments in New Zealand slightly less often had previous board experience (67%) than the broader cohort (73%), and more often brought experience in cybersecurity and financial risk (both 33%) compared to the overall group (both 13%).

Proportion of national vs. non-national appointments

- National
- Non-national



# CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

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ONE LEADERSHIP TEAM AT A TIME®

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