New Governance Guidelines Raise the Bar on Gender Diversity

The Australian Council of Superannuation Investors will consider recommending against the re-election of directors in companies which perform poorly on board gender diversity, a decision outlined in its new Governance Guidelines, released today.

In 2014, ACSI announced a policy target of 30% women on each ASX 200 board by the end of 2017. That target recognises that a properly structured board needs skilled directors who add diversity of thought to board decision making. This is more likely to occur when directors have sufficiently diverse backgrounds.

A decision to recommend against re-election would come where attempts by ACSI to engage at a senior level are ignored, or when the board is unable to articulate a strategy to address the issue in the near term. This is not unreasonable, as companies have two years notice to achieve the target.

“We’re pleased to see that since our policy launch and direct communication with more than half of the chairs of the ASX 200 this year, an additional seven companies have added sufficient women directors to meet our 30% target,” ACSI CEO Louise Davidson said.

There are now 40 companies who meet the target, and 25 more on the cusp of hitting it. “The speed of change appears to be accelerating – which debunks the old argument that sufficiently qualified candidates are in short supply,” Ms Davidson added.

Executive remuneration is also in the spotlight, with updates to the Guidelines reaffirming ACSI support for company boards with remuneration structures aligned to the delivery of company strategy, and designed to promote sustainable long-term performance. New issues highlighted include:

- Appropriate shareholdings or ‘skin in the game’ for directors and executives.
- Support for boards taking deferring bonuses in equity and maintaining the ability to ‘claw back’ award where necessary.
- An opposition to overly generous CEO ‘sign-on’ grants.

“We’re seeing more restraint from boards in the current AGM season, a sign that greater shareholder scrutiny and closer board oversight is making a difference,” Ms Davidson said.

ACSI’s best practice Governance Guidelines are updated every two years to take into account the evolving regulatory and governance landscape. Developed by ACSI in consultation with its members, the Guidelines represent a clear statement by a significant group of Australian investors of what they expect from governance practices at the companies in which they invest.

The Guidelines also underpin the voting recommendations ACSI makes to 30 Australian member-funds, who collectively manage over $450 billion in assets on behalf of 8 million Australians, as well informing its dialogue with ASX300 companies.
The ACSI approach is principles-based, reflecting a commercial approach to governance that avoids a ‘one-size-fits-all’ mindset or a ‘box ticking’ exercise.

One of the key foundations of the Guidelines, first published in 2001, is that effective corporate governance contributes to shareholder value creation and risk-reduction, creating the conditions in which long-term investment can prosper.

**For additional information or to seek comment, please contact:**

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**About ACSI**

The Australian Council of Superannuation Investors (ACSI) is a collaboration of Australian superannuation funds and international asset owners, bound together by their common interests as long-term investors in the capital markets. The focus of ACSI’s research, policy and representation is environmental, social and governance (ESG) investment risks and opportunities. ACSI currently has 29 Australian superannuation fund members, who collectively manage over $450 billion in assets on behalf of over eight million Australian superannuation fund members and retirees. ACSI also has six international members who are among the largest and most respected asset owners globally in terms of their approach to corporate governance.