



FINANCIAL
SERVICES
INSTITUTE
of Australasia

30 May 2012

Ms Megan Mcluskie
NZX Limited
PO Box 2959
Wellington
New Zealand

Dear Ms Mcluskie,

Consultation on market rules for the main board/debt market

The Financial Services Institute of Australasia (Finsia) welcomes the NZX consultation on market rules for the main board/debt market. Finsia's membership includes individuals working in the financial services industries of Australia and New Zealand. Finsia is a founding member of the ASX Corporate Governance Council, and assisted to develop the Corporate Governance Principles.

In this submission Finsia wishes to comment on the proposed diversity listing rule outlined in Part II of the consultation document.

For a number of years Finsia has researched the gender divide in the financial services industry, and has been a vocal advocate for policies to improve the gender composition of industry companies, particularly at the senior executive level. While the percentage of women on boards is a valuable measure of the industry's progress to improve gender diversity, Finsia is also interested in the question of how to improve the percentage of women holding senior executive positions. Finsia sees that this is critical to develop the pipeline of women ready for board appointments.

Significance of the gender divide in the financial services industry

Finsia has recently released new research about the significance of the gender divide in financial services. The research is based on a survey of 962 individuals working in financial services in Australia and New Zealand. Of these, 272 respondents indicated that their primary place of work was in New Zealand.

The survey instrument was first released to Finsia members in 2010. At that time, over 800 Finsia members provided their views about the effectiveness of workplace policies to promote gender diversity. The survey was run again this year to capture a snapshot of:

- > What changes were evident since the ASX's adoption of Corporate Governance Principle 3, requiring listed companies to disclose the proportion of women organisation-wide, at senior executive and at board level.
- > Whether there is strong appetite among New Zealanders for the NZX proposal to require listed companies to report about their organisational diversity as outlined in Part II of the consultation document.

Finsia's findings are reproduced below:

Respondents were asked: 'The views below regarding job roles, level of pay and opportunities for the promotion of women in financial services have been expressed in the public domain. To what extent do you agree with the following statements?'

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Respondents		Male	Female
The new requirement under the ASX Corporate Governance Principles that companies develop measurable objectives to improve organisational diversity that are reported against will improve the percentage of female appointments at executive level.	Strongly agree	5.7%	4.4%
	Agree	36.8%	36.8%
	Neutral	41.5%	47.8%
	Disagree	14.2%	8.8%
	Strongly disagree	1.9%	2.2%

Respondents		Male	Female
The NZX should adopt a similar reporting regime to that enacted by the ASX Corporate Governance Council (above).	Strongly agree	4.7%	12.5%
	Agree	24.3%	35.3%
	Neutral	42.1%	45.6%
	Disagree	22.4%	5.1%
	Strongly disagree	6.5%	1.5%

While the highest percentage of male and female respondents neutrally viewed both the reforms to the ASX Corporate Governance Council Principles (♂ 41.5%, ♀ 47.8%) and the proposal to reform the NZX reporting regime (♂ 42.1%, ♀ 45.6%), a higher percentage of female respondents agree or strongly agree that reform is necessary (♂ 29%, ♀ 47.8%).

These findings tell the industry and regulators that there is strong appetite for reform. While there is a gender disparity in the findings related to the NZX proposal, there is strong agreement among men and women that the ASX Corporate Governance Principle 3 will improve the percentage of female appointments at executive level (♂ 42.5%, ♀ 41.2%). The development of measurable objectives by companies covered by the listing rule is a central plank of the ASX reform.

Rule 10.5.5 — general comments

Finsia supports the addition of Rule 10.5.5 to the NZX Listing Rules. The quantitative breakdown of a company's gender composition at the board, senior management and subsidiary board levels is crucial for the market to make clear and comparative assessment of listed companies. The inclusion of senior management in the proposed measure, Finsia believes, is important because senior executive experience is vital to cement an individual's readiness to secure a board appointment.

Finsia notes that the quantity of dual listed companies on the ASX and NZX exchanges means that many companies are now subject to the ASX requirements. Because of this, Finsia believes that adoption by the NZX of similar reforms is timely.

Rule 10.5.5 — disclosure of diversity policy

Under the proposed Rule 10.5.5 'An issuer may also choose to disclose in its annual report any general or wider diversity policy'. Under the ASX principle, companies are required to disclose the contents of their diversity policy on an 'if not, why not' basis. Finsia argues that there is a lot to be commended in that approach, because:

- > Companies are compelled to think about the connection between company policies and the improvement (or otherwise) of gender composition at senior executive and board level.
- > If a company does not have a diversity policy, it is to supply an explanation to the ASX. This requirement allows differing circumstances to be taken into account. Additionally, this approach provides the regulator with comparable information about companies by size and industry sector.

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In the absence of emulating the ‘if not, why not’ measure, Finsia notes the footnote to Rule 10.5.5:

- > *An Issuer may also choose to disclose in its annual report any general or wider diversity policy or any other matter relating to its diversity practices or position (including in particular in relation to diversity other than gender) if it considers the disclosure of that information to be beneficial to Security holders or stakeholders.*

Finsia encourages the NZX to educate listed companies about the benefits of disclosing their diversity policies or other matters relating to their diversity practices. Companies that provide this information will send a strong signal to the market that they have articulated the business case for improving the representation of women at senior executive and board level.

Rule 10.5.5 — specific alternatives

Two specific alternatives mentioned in the consultation document are paralleled in the ASX Corporate Governance Council Principle 3:

- > *require Issuers to disclose whether or not they maintain a diversity policy, and if so to describe the content of that policy;*
- > *require Issuers to maintain a diversity policy that includes measurable objectives and to include in their Annual Report a description on progress against such objectives.*

Finsia appreciates that the NZX proposal involves lower compliance costs, and empowers companies to develop and report on diversity policies in a manner appropriate to their circumstances. Finsia supports policy developments that foster industry-based engagement with issues of diversity. Much has been written about the necessity of diversity being championed from the top: support of company executives and boards is critical to improving organisational diversity at all levels.

Finsia welcomes NZX’s proposed reforms, and believes that they are vital to insure that listed companies improve their diversity at executive, board and subsidiary board levels. In instigating these reforms, Finsia notes that a fine balance that must be struck between mandating reform and transparent reporting, and creating the conditions for organisations to take the lead in developing innovative solutions to this complex and business critical issue.

Yours sincerely,



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