

BRIEF COUNSEL

From Chapman Tripp

NZX gives diversity a shove along

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NZX, responding to what it describes as “considerable variability” in the content and format of listed issuer diversity policies, has given the issue a shove along by sharpening its requirements.

It has issued a [ruling](#) and a [new guidance note](#).

The new rule

Rule 10.4.5(j) provides only that issuers include in their annual report a quantitative breakdown as to the gender mix on their board and senior management team.

NZX has published a ruling requiring that the gender composition be “reported numerically and not solely on a proportionate or a percentage basis”. At a minimum, this means disclosing:

- the number of male and female directors
- the number of male and female officers, and
- in each case, comparative figures for the previous balance date.

NZX would prefer this information to be communicated in tabular format with an explanation of how the definition of “officer” applies in the organisation – either by reference to reporting lines to the CEO or by describing the nature of the roles included.

It is not compulsory to have a diversity policy and the reporting requirement applies only to issuers on the Main Board. Debt only issuers, and NZAX or NXT issuers, can choose to report or not, as they wish.

Towards more meaningful diversity policies

The guidance note sets out what an effective diversity policy might look like. It says that boilerplate language that offers little or no insight into the company’s approach should be avoided and emphasises the importance of setting measurable objectives.

These might take the form of specific targets, such as:

- to have X number or proportion of women directors by X date
- X percentage of new Board appointments to be women for X period of time, and
- X percentage of senior managers/officers to be women by X date.

NZX has also suggested a number of non-numerical objectives. These include:

- establishing a diversity working group or committee
- establishing training programmes for employees on the benefits of diversity or conducting surveys to obtain employees’ views on diversity
- establishing recruitment procedures to encourage diversity
- ensuring there is pay equity at all levels of the organisation, and/or

- establishing a diversity scorecard.

And NZX provides examples of what a diversity policy might contain, including:

- a statement of the issuer's commitment to diversity and an outline of the perceived benefits to the organisation
- a requirement on the Board to set measurable performance objectives
- provision for a senior management team or officer to be appointed with authority to lead the policy and accountability for its successful implementation
- a requirement for the Board to conduct regular reviews to identify opportunities to improve diversity through succession planning
- provision for a regular review of diversity metrics at all levels of the organisation
- regular training of Board and management in recruitment and selection, with an emphasis on assessing merit and avoiding discrimination
- programmes which encourage diversity - e.g. by supporting work/life balance or enabling valued staff to maintain/resume their employment
- a summary of the issuer's participation in wider diversity initiatives or in organisations which promote diversity
- a statement of the types of behaviour that will not be tolerated and a reference to any associated whistle blower policy
- a process for regular reporting to the Board on the implementation of the diversity policy and progress achieved.

Chapman Tripp comments

We consider that this is a useful and welcome intervention by NZX as the quality and transparency of diversity reporting to date has been mixed and, in some cases, very poor.

NZX could also improve disclosure and provide a much clearer overview of progress, both at the company level and across the listed sector, if it made its own communications around this issue fuller and more informative.

To date the summary reports [published by NZX Operations](#) are limited, particularly when compared with the much richer reports [published by ASX](#), and KPMG's [independent analysis](#), on the ASX diversity rules.

We would like to see NZX provide comparative datasets over time, include a section on diversity reporting in the website overview pages it maintains for each issuer, and greater qualitative commentary.