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## Global Network of Director Institutes (GNDI)

# Board diversity: GNDI policy perspective

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The Global Network of Director Institutes (GNDI) was founded in 2012. It brings together member-based director associations from around the world with the aim of furthering good corporate governance.<sup>1</sup> Together, the member institutes comprising the GNDI represent more than 100,000 directors from a wide range of organisations.

This paper describes the global perspective of the GNDI in relation to boardroom diversity. For details in relation to particular initiatives, programs, activities, publications and statistics in each jurisdiction, see the website of each director association comprising the GNDI.<sup>2</sup>

### I. Board composition and diversity

1. Board appointments should always be made on merit with the best-suited person selected, having regard to the attributes of the person and the needs of the board as a collective, and considering the organisation's size, needs, and strategic imperatives.
2. All individual directors on a board should possess certain common attributes such as intelligence, diligence, honesty, integrity, independence of mind, and the ability to learn and deeply understand the dynamics of the company's business and marketplace and to bring a savvy business judgement to the board's deliberations.

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<sup>1</sup> The director associations comprising the GNDI are:

Australian Institute of Company Directors (AICD)  
Brazilian Institute of Corporate Governance (IBGC)  
European Confederation of Directors' Associations (ecoDa)  
Institute of Corporate Directors (Canada) (ICD)  
Institute of Directors in New Zealand (IoDNZ)  
Institute of Directors in Southern Africa (IoDSA)  
Institute of Directors (United Kingdom) (IoD)  
Malaysian Alliance of Corporate Directors (MACD)  
National Association of Corporate Directors (United States) (NACD)

<sup>2</sup> See the following website links for board diversity information from each jurisdiction:

AICD: <[www.companydirectors.com.au/boarddiversity](http://www.companydirectors.com.au/boarddiversity)>  
IBGC: <[www.ibgc.org.br/Secao.aspx?CodSecao=89](http://www.ibgc.org.br/Secao.aspx?CodSecao=89)>  
ecoDa: <[www.ecoda.org](http://www.ecoda.org)>  
ICD: <[www.icd.ca/diversity](http://www.icd.ca/diversity)>  
IoDNZ: <[www.iod.org.nz/default.aspx](http://www.iod.org.nz/default.aspx)>  
IoDSA: <[www.iodsa.co.za](http://www.iodsa.co.za)>  
IoD: <[www.iod.com](http://www.iod.com)>  
MACD: <[www.macd.org.my](http://www.macd.org.my)>  
NACD: <[www.NACDonline.org/DiversityBRCsummary](http://www.NACDonline.org/DiversityBRCsummary)>

3. However, other attributes of directors – such as skills, knowledge, expertise, experience, personality, communication styles, and interpersonal skills – may be varied in their nature and complementary to enhance board effectiveness. A board so composed may foster a broader range of perspectives, insights, and views in relation to issues affecting the organisation (including its strategies, risks, and policies) within a unified structure that facilitates robust discussion, cooperation, and mutual respect.
4. If all individual directors on a board view issues in a similar way, there is a risk that the board will approach issues too narrowly, suffer from “group think”, or fail to adequately consider and evaluate alternative ideas or options in relation to the organisation.
5. Board diversity helps to ensure that boards are composed of directors who have a variety of complementary attributes (in addition to important common attributes) and offer a range of perspectives, insights, and views in relation to issues affecting the organisation; that is, they provide diversity of thought.
6. The meaning of board diversity varies around the world. While some countries and organisations have traditionally focused on gender diversity, diversity encompasses a much wider range of dimensions. It includes, but is not limited to, gender, ethnicity/race, nationality, religious beliefs, cultural or socio-economic background, and age.

## II. **Significance of board diversity**

7. Board diversity is an important governance issue. However, it is a means to an end, not an end in itself.
8. A diverse board, which duly considers different perspectives, insights, and views in relation to issues affecting the organisation, may contribute to better problem solving and decision-making, foster greater innovation, and enhance board effectiveness and performance.
9. By selecting diverse individuals, boards are drawing on the largest talent pool possible, rather than limiting themselves to a narrower class of individuals.
10. A diverse board may also create a competitive edge, protect and improve an organisation’s image and reputation, and have a positive effect on internal and external stakeholders.
11. Ultimately, the extent to which the potential benefits of diversity translate into a genuinely effective board will depend on the attributes of individual directors (including the Chair and/or Lead Director) and of the board collectively, as well as the dynamics

and culture of the board and its key committees (notably the committee in charge of director nominations).

### III. **Improving board diversity**

12. Not all boards are cognisant of the importance and benefits of board diversity and there is room to improve the diversity of boards around the world.
13. Improvements to board diversity should be driven by a recognition of the benefits of diversity, and the opportunity for improved governance which having a diversified board may bring to the company.
14. Because systems of organisational governance vary significantly around the world, the approach that each organisation takes to diversity will vary; all organisations are different and there is no “one size fits all” formula.
15. Boards should take into account the policies, practices, and customs in their country that seek to improve board diversity. These may include regulatory and/or listing rule requirements, “if not, why not” or “comply or explain” reporting requirements, mandatory quotas, voluntary diversity targets, diversity policies, non-binding shareholder recommendations, stakeholder pressures, and mentoring programs.
16. There is a marked difference of views and initiatives around the world in relation to mandatory quotas. There are both advantages and disadvantages of mandatory quotas. On balance, however, the GNDI does not support mandatory quotas – there are many other effective mechanisms to improve board diversity.
17. Initiatives and practices which may be employed to increase board diversity include:
  - a. discussions of which attributes would be valuable additions to the board;
  - b. diversity policies and objectives;
  - c. varied recruitment processes to consider a wider pool of candidates (eg. beyond chief executive officers and other senior executives) and identify diverse candidates;
  - d. engagement of search consultants to suggest people who may be useful additions to the board;
  - e. greater transparency in board selection and appointment processes;
  - f. a nomination or governance committee that by its composition demonstrates a commitment to diversity;

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- g. encouraging diversity throughout the organisation – especially in middle and senior management (the “executive pipeline”) – and long-term board succession planning;
  - h. board evaluation processes that assess the board’s performance and the potential contribution of diversity to board effectiveness; and
  - i. emphasising collegiality and respect to bring out the best in every board member.
18. Shareholders and/or members of the organisation also have a significant role to play in communicating their expectations on diversity and holding boards to account.