



ENHANCING BOARD EFFECTIVENESS THROUGH **DIVERSITY**

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MAIN THEMES

- Good governance by an effective board
- Diversity and good governance
- Strategies of enriching diversity in the board
- Experiences from the sports sector

WHAT IS GOVERNANCE?

- 'Corporate governance is the set of principles and practices adopted by a Board – whether in the private or social welfare sector – that assure its key stakeholders that the organisation is being managed effectively and with appropriate probity.'
- - Social Welfare Department's *Leading Your NGO Corporate Governance: A Reference Guide for NGO Boards* (June 2002)

ACNC: HOW TO ENHANCE BOARD EFFECTIVENESS?

- According to the Australian National Charities and Not-for-profits Commission:
 - 1. Know what your charity's charitable purpose is, and make sure you and your charity are working towards it.
 - 2. Be clear about your role, and make sure that all the people involved in your charity fully understand everyone's roles and responsibilities.
 - 3. Understand your charity's financial position and be familiar with the organisation's financial statements.

ACNC: HOW TO ENHANCE BOARD EFFECTIVENESS?

- 4. Keep your 'board member' responsibilities and legal duties in mind whenever you are making decisions as a board member.
- 5. Declare and manage conflicts of interest responsibly.
- 6. Understand and apply your organisation's rules.
- 7. Understand your charity's obligations to government agencies and make sure your charity is meeting the obligations.

ACNC: HOW TO ENHANCE BOARD EFFECTIVENESS?

- 8. Board members act as a group, but *do not simply 'follow the crowd'* - always do what you think is best for your charity, even if *your viewpoint differs from the other board members*.
- 9. Listen to the other board members, be a team member and consider your fellow board members to be colleagues, because *the board is collectively responsible for the organisation*.
- 10. *Always act in your charity's best interests*, because as a board member, you are responsible for putting its interests above your own personal interests.
 - - Acting Commissioner Deborah Jenkins , Australian National Charities and Not-for-profits Commission (October 2022).

WHY IS DIVERSITY KEY TO GOOD GOVERNANCE?

- 'An effective board has a balance of skills, experience and diversity of perspectives (多樣的觀點與角度) appropriate to the requirements of the issuer's business.'
 - *Hong Kong Corporate Governance Code*, Principle B.1
- 'The board has, and regularly considers, the skills, knowledge and experience it needs to govern, lead and deliver the charity's purposes effectively. It reflects this mix in its trustee appointments, balancing the need for continuity with the need to refresh the board.'
 - *Charity Governance Code for Smaller Charities* (UK), paragraph 5.6.1

WHY IS DIVERSITY KEY TO GOOD GOVERNANCE?

- The *Code of Governance* of Sports Federation and Olympic Committee of Hong Kong, China:
- 'The Board of Directors should comprise a mix of Board membership with consideration of diversity, experience, background and expertise required for effective governance and fair representation for the interests of major stakeholders.' (paragraph 1.4.3)
- 'NSA should include individuals from varied backgrounds, thoughts, skillsets, and experiences that can formulate independent perspectives and facilitate constructive debates between members, thereby helping to formulate effective decision making that would best align with the NSA's⁸ objectives and benefiting the community.' (paragraph 1.1.2)

WHY IS DIVERSITY KEY TO GOOD GOVERNANCE?

- Boards members with similar backgrounds and experience may suffer from **groupthink**, disallowing boards to “think outside the box” and benefit from new ideas, different perspectives and robust challenges.
- Board diversity is not just about age, race, gender, qualifications, backgrounds, skills and experience, but also less tangible factors such as personal convictions and attitudes.
- Nonprofits that have identified the desired mix of diversity, skills and diversity that the board needs found it easier to find the right director than those that did not - *Leading with Intent: BoardSource Index of Nonprofits Board Practices* (2021)

SUGGESTIONS ON BUILDING A DIVERSIFIED BOARD FROM THE NATIONAL COUNCIL OF NONPROFITS (US)

- 'Be proactive in recruiting board members who are "different from the existing board members. Pick a concrete, actionable goal and make a commitment to it as a board, such as:
 - *"We (one, two, or a small number of board members) will meet with (pick a number) people in the next 3 months who would bring diversity to our board, and introduce them to the nonprofit and its mission, and explore their interest in the nonprofit's work."*

SUGGESTIONS ON BUILDING A DIVERSIFIED BOARD FROM THE NATIONAL COUNCIL OF NONPROFITS (US)

- 'Have you considered posting a "position description" for your nonprofit's board of directors on career sites/job boards, just as you would for a paid staff position?'
- 'Ask the people who are served by your nonprofit who THEY recommend as board members. And when they make suggestions, ask for an introduction.'

WHAT IS A BOARD SKILLS MATRIX?

- It is a means of identifying the competencies and skills desired by the board as a whole to fulfil its role and in light of the organisation's strategic direction.
- It also reflects on any gaps in skills and competencies that may be created by the forthcoming retirement of a director or any change in the company's strategic direction.
- This process will inform the appointment of new directors and the design of the induction training, continuous professional development and board evaluation.

WHAT IS A BOARD SKILLS MATRIX?

- Note that the board skills matrix is not a report card on the competence of individual directors!
- It is required by the sports governance codes in the Australia and the UK.
- If allowed by articles of association, appointment of independent directors can help close the skills gap and bring in diversity
 - Such appointments are required by the sports governance codes in Australia and the UK.
- An example of board skills matrix of an Australian listed company can be seen on slide 15.

WHAT DOES A BOARD SKILLS MATRIX TELL US?

- Under the *Hong Kong Corporate Governance Code*, a board skills matrix sets out information including:
 - 1. Details of the mix of skills that the board currently has;
 - 2. An explanation of how the combination of skills, experience and diversity of the directors serves the issuer's purpose, values, strategy and desired culture; and
 - 3. As a good practice, details of any further skills that the board is looking to acquire, its plans to acquire such further skills, and how the plans made in the previous year(s) were achieved or progressed in the reporting year

The Company seeks to achieve a collectively “high” level of skill, professional experience or expertise across all of the categories identified in its matrix. Where there are gaps in the skills of the Board, these are filled through the employment of suitably experienced senior executives and/or the engagement of professional experts and consultants.

		Skills, Experience and Expertise												Diversity			
		Independent	Strategy	Corporate Governance	Risk & Compliance	Legal	Health/Safety/Environment	Investor / Public Relations	Industry			Finance			Ethnicity	Age	Gender
Name	Position								Technical	Product Development	Commercial / Operational	Financial/ Accounting	Mergers & Acquisitions				
Board of Directors																	
Peter Lancken	Non-Executive Chairman	Yes	1	2	2	2	2	1	1	1	1	2	1	1	Aust	63	M
Steven Boland	CEO and Executive Director	No	3	2	2	2	2	1	2	2	3	3	1	3	Aust	55	M
Michael Hill	Non-Executive Director	Yes	3	2	2	2	1	3	1	1	2	3	3	3	Aust	45	M
Josh May	Non-Executive Director	Yes	2	1	2	2	1	1	1	1	2	3	2	3	Aust	46	M
Gregg Taylor	Non-Executive Director	Yes	2	1	2	2	1	3	1	1	2	2	3	2	Aust	40	M
Average		80%															100% M 0% F

Skills Ratings:

- 3** High level of skill, professional experience or expertise
- 2** Competent level of skill, professional experience or expertise
- 1** Developing level of skill, professional experience or expertise
- 0** No skill, professional experience or expertise

CONCLUDING REMARKS

- 'An effective board has the following characteristics: *it is efficient, allows a respectful conflict of ideas*, is simple, is focused, is integrated and synergistic, *has good outcomes*, preserves community assets, and *leads to enjoyment and personal reward for the individual board members.*'
 - - Institute of Directors UK (2002)

The background is a solid dark blue. It features several faint, light blue circular and semi-circular patterns. In the top right, there is a large circular scale with degree markings from 0 to 210 and a dashed line with an arrow pointing clockwise. In the bottom right, there are concentric circles with arrows indicating a clockwise direction. In the bottom left, there are partial circular patterns with arrows. The text "Thank you very much" is centered in a white, sans-serif font.

Thank you very much