
Subject: [EC] Re: Thank you for your valuable suggestions
Date: Wednesday, 19 February 2025 at 19:29:32 Australian Eastern Standard Time
From: Brewer, Jonathan
To: Kenny Huang, Ph.D.
CC: EC

Dear Executive Committee,

Thank you for your letter of 23 December 2024.

I first raised the idea of independent directors at the APNIC 55 AGM[1] in response to concerns about governance voiced by some community members. At the APNIC 57 AGM[2], I suggested that "the board might be complemented by the appointment of independent directors to help round out the diversity of the board." At the APNIC 58 Member Meeting[3], I noted the ongoing lack of gender diversity in the organisation's governance and reiterated my previous suggestion.

ICANN's bylaws require its nominating committee to ensure diversity in geography, culture, skills, experience, and perspective. Many western countries have legal requirements for diversity in corporate governance. That said, no other Regional Internet Registries (RIRs) currently have diversity mandates for their boards, making this a potentially new topic for the EC. This letter aims to provide you with an overview of the issue.

Financial Performance and Board Diversity

Reports from McKinsey, Credit Suisse, and Catalyst highlight strong correlations between board diversity and financial success, primarily based on analyses of companies in the U.S. and Western Europe. For example, an April 2012 McKinsey Quarterly study found that among 180 public companies in these regions, those with higher board diversity achieved significantly better returns on equity (ROE) and earnings before interest and tax (EBIT) margins.[4] Similarly, a 2012 Credit Suisse study of 2,360 companies found that firms with at least one woman on their board exhibited higher ROE, higher growth, higher valuations, and lower financial leverage.[5]

Peer-reviewed academic research however doesn't find a clear financial link. Katherine Klein of Wharton has been particularly direct on this issue, stating that multiple meta-analyses covering thousands of firms worldwide show no consistent relationship between board diversity and financial performance, either positive or negative.[6] Alice Eagly has been scathing in her criticism of the poor statistical methods used by the consultancy reports mentioned above. These authors have put serious effort into understanding the issue of board diversity, and their interpretation of the data has been far more rigorous than any of the consulting firm papers or popular media articles. There is no link between board diversity and financial performance of firms.

Non-Financial Benefits of Board Diversity

While financial impact may be nil, extensive research - through meta-analysis - supports diversity's role in improving non-financial outcomes. Klein briefly acknowledges the positive

link between board gender diversity and corporate social responsibility but dismisses it as non-causal. However, other studies provide a more detailed perspective.

Bernile, Bhagwat, and Yonker developed a board diversity index considering gender, age, ethnicity, educational background, financial expertise, and board experience. Their analysis, spanning 14 years and thousands of firms, found that greater board diversity was associated with lower firm risk and return volatility, and increased investment in research and development.[8] They claim a causal link in both cases.

Similarly, Post and Byron's meta-analysis on gender diversity found no significant financial impact but highlighted clear benefits in governance. Their meta-analysis concluded that gender-diverse boards are more effective at monitoring company performance and shaping corporate strategy—critical considerations for an organisation like APNIC, which has faced governance concerns.[9]

Diversity as an Organisational Goal

Promoting diversity, particularly increasing women's participation in our industry, has part of APNIC's strategic plans since 2020. Given the academic evidence showing that diverse boards foster innovation, improve governance, and reduce risk, ensuring diversity in APNIC's leadership should be a priority. One possible approach to achieving this goal is through the appointment of independent directors, a step I encourage the EC to explore in depth.

Best regards,

Jonathan Brewer

P.S. Please let me know if you'd like me to share any of the papers cited here.

References

- [1] APNIC 55 AGM Minutes. Available at: https://2023.apricot.net/assets/files/APPS314/apnic-agm-2_1678689895.pdf
- [2] APNIC 57 AGM Minutes. Available at: https://2024.apricot.net/assets/files/APIC378/apnic-agm-3_1709870460.pdf
- [3] APNIC 58 Member Meeting Minutes. Available at: https://conference.apnic.net/58/assets/files/APNZ606/0906230pmapnic58rong_1725663938.txt
- [4] "Is There a Payoff from Top-Team Diversity?" McKinsey & Company. Accessed February 19, 2025. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/is-there-a-payoff-from-top-team-diversity>.
- [5] Mary Curtis, Christine Schmid, and Marion Struber. "Gender Diversity and Corporate Performance." Credit Suisse AG Research Institute, July 13, 2012.
- [6] Knowledge at Wharton. "Does Gender Diversity on Boards Really Boost Company Performance?" Accessed February 19, 2025. <https://knowledge.wharton.upenn.edu/article/will-gender-diversity-boards-really-boost-company-performance/>.
- [7] Eagly, Alice H. "When Passionate Advocates Meet Research on Diversity, Does the Honest Broker Stand a Chance?" *Journal of Social Issues* 72, no. 1 (2016): 199–222. <https://doi.org/10.1111/josi.12163>.
- [8] Bernile, Gennaro, Vineet Bhagwat, and Scott Yonker. "Board Diversity, Firm Risk, and Corporate Policies." *Journal of Financial Economics* 127, no. 3 (March 1, 2018): 588–612. <https://doi.org/10.1016/j.jfineco.2017.12.009>.

[9] Post, Corinne, and Kris Byron. “Women on Boards and Firm Financial Performance: A Meta-Analysis.” *Academy of Management Journal* 58, no. 5 (October 2015): 1546–71.
<https://doi.org/10.5465/amj.2013.0319>.