

The background of the entire page is a photograph of a modern building's facade, characterized by large, angular panels with a repeating geometric pattern. The image is overlaid with a semi-transparent blue filter. The text is centered in white.

GENDER DIVERSITY IN AUSTRALIA

THE LAND DOWN UNDER, UNDER THE MICROSCOPE

ABOUT CGLYTICS

CGLytics is transforming the way corporate governance decisions are made. Combining the broadest corporate governance dataset with the most comprehensive analytics tools in one system, corporations, investors and professional services are able to instantly perform a governance health check and indicate red flags in seconds, for effective governance oversight.

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With a dedicated team of specialised market research analysts, in combination with machine learning, all CGLytics data goes through rigorous checks to guarantee best quality data, and is standardized for clear comparisons and consistency.

With intuitive and cost-effective solutions, CGLytics provides access to the same powerful data and analytics used by leading proxy advisory firms and investors.

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It appears that the benefits of diverse leadership teams are gaining traction in the business world. There have been an increasing number of studies surrounding the debate whether a leadership team with gender diversity has a tendency to yield higher profits for companies.

One study showed that ASX 300-1000 listed companies with female CEO's showed average revenue growth rates of 9%.ⁱ Additionally, executive teams and boards with higher levels of gender diversity may lead to better branding and reputation, especially when investors realise that certain companies present more opportunities for women and respond to awareness in gender equality.ⁱⁱ

For this reason, among others, investors, as well as regulatory authorities, have put gender diversity on the corporate agenda. To this end, investors and regulators are also seeking to implement measurable targets for the number of women in board and senior executive positions.ⁱⁱⁱ In 2008, Norway became one of the first countries to implement legislation that required companies to have at least 40% of female representation on their boards.^{iv} Since then, several European countries such as Belgium, France and Italy have introduced similar legislation, setting targets for female representation in leadership roles with heavy repercussions for non-compliance. The United Kingdom's FTSE 350 has also been actively working towards a minimum of 30% of women on board and senior executive positions. Per CGLytics' data on gender diversity for the FTSE 350, we find that the average percentage of women on boards currently stands at 28%, not far from this 30% goal; however, the average of female executives falls a bit further behind at 19%.



19%

The total number of female executives in FTSE 350

An independent review body, the Hampton-Alexander review, has suggested that companies in the FTSE 350 maintain a

minimum of 33% of women in board and c-suite executive positions.^v

Australia is the first Organization for Economic Cooperation and Development (OECD) member country to set a 30% gender parity target without significant legislative intervention. This is an indication of the Australian market's confidence in achieving such goals without the need for enforcement.^{vi} In 2015, the Australian Institute of Company Directors (AICD) encouraged ASX 200 companies to maintain a minimum of 30% women in board roles by means of non-binding quotas.^{vii} Another driver of the push to increase female representation in board positions stems from the Australian Council of Superannuation Investors (ACSI). ACSI exhorted its members to refrain from investing in companies whose boards have 0% level of gender diversity. Since 2017, pressure from investors has brought a greater sense of urgency to companies in the Australian market to promote female recruitment for leadership positions. The ASX's Corporate Governance Council has been working on updating its principles and recommendations (the Code) to bring about change that better reflects investors' sentiments.

The fourth edition of the Australian Corporate Governance Code was released earlier in 2019, five years after the last update in 2014. A section of the code provides an exhaustive list of enforceable advisory actions centered around gender diversity due for implementation on January 1, 2020. The recommendation states, among other things, that a listed entity should have and disclose a diversity policy and set actionable goals to achieve gender diversity "in the composition of its board, senior executives and workforce generally". The latest edition also includes that "if the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors (both executive and non-executive) of each gender within a specified period."

This recommendation by the ASX Corporate Governance Council has stirred up much controversy in the Australian business environment. Many organisations such as the 30% Club Australia and the AICD agree with the targets enforced by the Council as it promotes the inclusion of new members in board positions. However, prominent women in the Australian market have criticised this new initiative for a lack of improvement and challenge to current board members, stating that women already take up 29.7% of board seats in the ASX 200 as of 2018 and the new 30% target lacks the drive for substantial change in Australian boards.^{viii} Therefore, the 30% Club Australia chair has taken to increasing the target to 40% by 2022.^{ix}

KEY TAKEAWAYS:

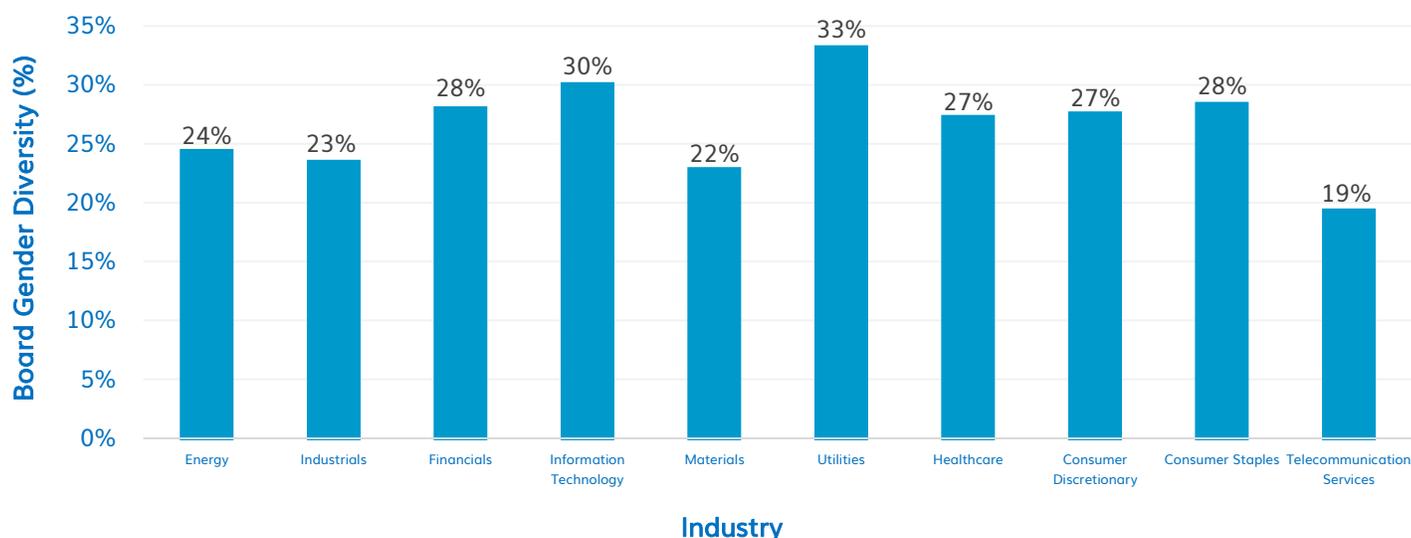
Australia is far from reaching the ASX Code target.

The average percentage of women in board positions of ASX 300 companies is approximately 23.1% across all industries. Consequently, companies may find themselves scrambling to meet the designated target of 30% by the January 1, 2020 deadline stipulated by the Code.

Based on data gathered by CGLytics, the industry with the highest percentage of women in board positions is the

Utilities Industry with 33% gender diversity on average as of early 2019. The Telecommunications Services industry presents the lowest average number of female board members at 19%, of which two companies have no representation of women in board roles at all. Companies in the Telecommunications industry have been heavily critiqued by investors for their lack of female representation, driving them to make the appointment of female board members a top priority in the near future.^x

Board Levels of Gender Diversity in Australia By Industry (%)



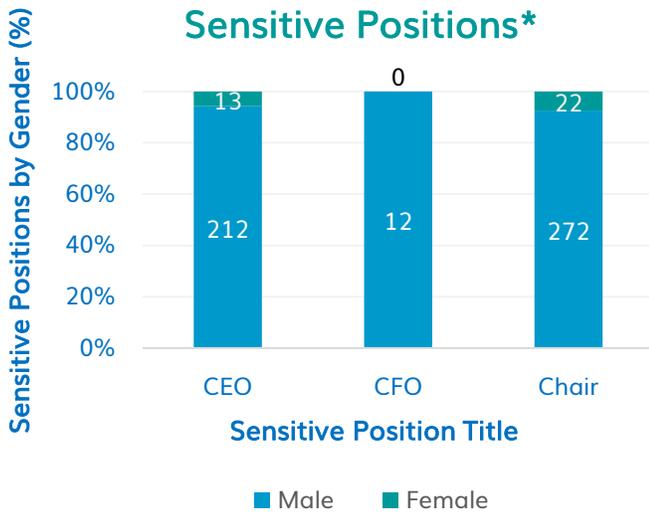
Source: CGLytics Data and Analytics

Women comprise less than 15% of all CEO and chair positions.

While there are significant efforts being made to increase gender diversity in board roles, there still exists a substantial gap between the number of men and women in CEO or chair positions.^{xi} Although the ASX Code emphasises the number of women on boards, the AICD claims that there must be a greater push for companies to appoint women in more influential roles such as CEO or chair of the board. A research study performed by CGLytics shows that, despite the fact that women make up 23.1% of board positions in the ASX 300, of those,

women hold only 6% and 7% of CEO and chairmanships, respectively.

It goes without saying then that the vast majority of CEO and chairpersons are male, leading some to postulate that it would take many years for women to achieve a significant presence in executive ranks.^{xii} This has led some companies to argue that meeting the Code's quota while ensuring the quality of candidates will be difficult given the talent gap of women in such roles. One potential remedy can be the implementation of measurable and achievable succession plans for executive roles. Such plans can further promote a high-performance culture for mid-level management.^{xiii}



Source: CGLytics Data and Analytics

*Sensitive Positions defined as C-suite members on the board.

companies, thereby preventing one from fulfilling the responsibilities as a board member. While it can be disputed that there are great advantages to having board members working across different companies and industries, overboarding can potentially prove to be a hindrance to new hires, specifically women, as a few directors may end up occupying the available board roles. As shown in the CGLytics market research, 13.9% of male and 14.1% of female board members hold three board positions across different companies. Furthermore, the data shows 10.7% of male and 9.3% of female board members holding four board roles across different companies. However, the data displays a significant disparity between male and female board members by stating that 69.7% of women hold more than four positions in board positions across various companies, as opposed to the 10.1% of men who do the same.

The Issue of Overboarding

Australia, unlike other countries, does not have strict guidelines on how many board positions a single director can hold. Therefore, it is not uncommon to see a single director hold board positions for several companies. However, market standards limit the number of such roles held by a single director to three or four at most.^{xiv} An obstacle to gender diversity is overboarding, or the act of overcommitting oneself as a director to too many



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Number of female CEOs also serving as executive directors

Conclusion

Investors expect companies to embrace change and respond to their proscriptions with regards to gender diversity. Leadership teams may be able to show more compliance by not only proposing their own plans to reflect the 30% target set by the ASX Code, but to also regularly review internal policies around diversity and inclusion. There exists a sense of urgency for Australian companies to address the issue of gender diversity, as this trend will likely expand in scope to include other areas such as ethnicity and age. In this increasingly global market, a continued proactive approach to the issue of diversity should not only remain the trend, but but also a necessity in order for Australian companies to keep the pace with their international peers.

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Learn more about how CGLytics's data and analytical tools can help you evaluate your board composition compared to your industry peers', and increase board diversity. Contact getintouch@cglytics.com

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