

ASX CORPORATE GOVERNANCE PRINCIPLES – Edition 5

Submission from the 30% Club Australia

1. INTRODUCTION

Australia is among only a few countries¹ in the world to have exceeded 30 per cent women on their top listed company boards in aggregate without legislating quotas. It is a remarkable achievement given Australia's general underachievement across many gender indicators and sectors of the economy.

Research² has shown that while there is no single institution or group of institutions that coordinated the changes and initiatives that led to the increase of female board members on ASX listed boards, there were some events which have been pivotal in reaching this milestone. The introduction of board diversity targets in the ASX Corporate Governance Principles by the ASX Corporate Governance Council in 2010 and the subsequent amendments and enhancements to those targets was one of these events.

There were also a number of other influencers, including the 30% Club Australia, the Australian Institute of Company Directors (AICD), investors, investor representative bodies including the Australian Council of Superannuation Investors (ACSI), industry superannuation funds, executive search firms, Chief Executive Women (CEW), Champions of Change, Women on Boards and individual chair champions, which drove both the equity and business case for having more women on boards.

2. 30% CLUB AUSTRALIA

The 30% Club Australia is part of a global movement to increase the gender balance on the boards and at senior executive levels in our key companies. The 30% Club Australia particularly focuses on companies listed on the S&P/ASX300. In addition to the critical recognition that better gender balance leads to better results, the following factors created a replicable formula the success in increasing the gender balance on listed and unlisted boards in Australia:

- A measurable and achievable goal with a defined timetable;
- Supportive public policy³ that acknowledges that the status quo was unacceptable;
- Change driven by those in power;
- Openness to collaborate;
- A concerted and consistent series of actions and programs;
- Quarterly reporting focusing on the statistics; and
- Continuous awareness building.

¹ The United Kingdom and Canada have also exceeded 30% of women on boards.

² Fitzsimmons, T.W., Yates, M.S. & Callan, V.J. (2021). Towards Board Gender Parity: Lessons from the Past - Directions for the Future. Brisbane: University of Queensland Business School - https://business.uq.edu.au/files/50882/Towards_Board_Gender_Parity_Report_Final.pdf

³ Including the diversity aspects of the ASX Corporate Governance Principles 4th Edition which require ASX300 companies to have at least 30% women on their boards.

The Australian Chapter of the 30% Club was established in May 2015 by Patricia Cross, AM. At the time of the launch of the 30% Club Australia, the target was set for 30% of female directors on the ASX 200 by the end of 2018.

To generate membership, the Chair and AICD CEO wrote to all ASX 200 chairs in 2015 asking them to become members of the club and to publicly commit to having 30% women on their boards by 2018.

The key statistics at the launch of the 30% Club Australia in **May 2015** were:

- 30 boards in the S&P/ASX 200 had no female directors
- Female directorship in the S&P/ASX 200 was 19.6%
- Female directorship in the S&P/ASX 100 was 23.8%
- Female directorship in the S&P/ASX 50 was 23.7%
- Female directorship in the S&P/ASX 20 was 24.2%

3. CURRENT S&P/ASX300 BOARD DIVERSITY STATISTICS⁴

There has been considerable positive change to the number of women on S&P/ASX300 boards since 2015. The current statistics (as at 30 April 2024) are as follows:

- **S&P/ASX 300** – female directorships 36.8%
- **S&P/ASX 200** – female directorships 37.4%
- **S&P/ASX 100** – female directorships 39.2%
- **S&P/ASX 50** – female directorships 42.4%
- **S&P/ASX 20** – female directorships 43.6%

The largest companies on the S&P/ASX300 are pulling up the rest of the ASX300. The number of ASX boards that have reached the 30% target are as follows⁵:

- **S&P/ASX 300** – 214
- **S&P/ASX 200** – 149
- **S&P/ASX 100** – 82
- **S&P/ASX 50** – 47
- **S&P/ASX 20** – 20

There are currently:

- No all-male boards in the ASX200
- 9 all male board in the ASX300
- 13 S&P/ASX200 boards with only one female director
- 30 S&P/ASX300 boards with only one female director

⁴ Please note that the statistics in this submission have been provided by OpenDirector – www.opendirector.com.au

⁵ OpenDirector

Interestingly, most of the companies in the ASX300 who have a female chair have 30% or more female directors. In 2019, the 30% Club Australia conducted research into whether ASX 200 companies that had a female Chair and/or a female CEO had higher numbers of female directors. The results showed that:

- Female Chairs - 14 out of 17 female Chairs (82%) have boards above 30%; and
- Female CEO's – 11 out of 12 female CEO's (92%) have boards above 30%.

Of the 18 companies who have a female Chair as at 30 April 2024;

- 7 have boards above 50%
- 8 have boards above 40%
- 2 have boards above 30%
- only 1 board is below 30%

4. HISTORY OF REACHING 30% OF FEMALE DIRECTORS IN AUSTRALIA

In May 2018, the S&P/ASX 100 reached 30% with the breakdown as follows:

- S&P/ASX 20 – 30.2%
- S&P/ASX 50 – 30.2%
- S&P/ASX100 – 30%

The S&P/ASX 200 was at 27.7%.

In November 2019, the S&P/ASX200 reached 30%. The 30% Club Australia announced at this time that it would shift its focus from 30% women on S&P/ASX 200 boards to 30% women on S&P/ASX 300 boards by the end of 2021. This was to align with the amendments made to the ASX Corporate Governance Principles & Recommendations, 4th Edition in 2019 to require that 30% would be the minimum expected measurable objective for achieving gender diversity on the boards of ASX 300 companies.

In November 2020, the S&P/ASX300 reached 30%.

The focus on increasing the number of women on ASX listed boards has also led to an increase in female directors on other boards including large private company boards, government boards, sports and not for profit boards. When the 30% Club Australia was established in 2015, we commenced discussions with all State and federal governments to understand what targets they had for women on government boards. At that time, the federal and state governments were at different stages in relation to their targets for women on government boards. However, except for NSW, all of them had either announced or planned to announce targets and had commenced an overhaul of government board appointment practices. By 2020, the federal government achieved board gender parity on federal government boards and each state had either set a 40/40/20 or 50 per cent target. Every government in Australia has now achieved at least 40 per cent women on their boards.

5. ASX CORPORATE GOVERNANCE PRINCIPLES 2019 UPDATE

In February 2019, the updated ASX Corporate Governance Principals & Recommendations, which apply to all listed entities and must be reported against on an 'if not, why not' basis,

was updated and included a requirement that 30% would be the minimum expected measurable objective for achieving gender diversity on the boards of S&P/ASX 300 companies.

This change was supported by the ASX Corporate Governance Council and championed by the AICD, Australian Council of Superannuation Investors (**ACSI**) and other strong supporters of the 30% Club Australia. Reporting against the revised gender diversity guidelines commenced in 2020.

This change was significant in increasing the number of women appointed to S&P/ASX300 boards since 2020 and reaching and now exceeding the 30% target.

6. RECOMMENDATION 2.3 - PROPOSED AMENDMENT TO THE ASX CORPORATE GOVERNANCE PRINCIPLES

The diversity requirements in the ASX Corporate Governance Principles and Recommendations have been critical to the increase in female directors of S&P/ASX300 boards from 2010 to now where women now hold above 35% of all S&P/ASX300 directorships. The success in reaching and exceeding the 30% goal for the S&P/ASX300 was a tremendous result and was achieved without regulatory intervention or quotas.

Recommendation 3.2, which came into effect in 2010 and represented the first corporate sector institutional response to the issue of bringing more women on to publicly listed boards. This recommendation sent a clear message to the corporate community about community expectations in general and the expectations of investors and corporate sector representative bodies in relation to the importance and necessity of gender balanced boards. Further refinements to these Recommendations in 2014 and 2019 continued to define and reinforced these expectations.

“As many of those interviewed commented, the impact of the ASX Corporate Governance Principles and Recommendations in relation to board diversity has been considerable. The level and reach of the reporting recommendations have increased with each new edition of the Principles and Recommendations. The first recommendation in relation to diversity was issued in 2010 and further strengthened and defined in 2014 and again in 2019. The recommendations contained in the 2nd Edition (2010) represent the first corporate sector institutional response to the issue of bringing more women on to listed public company boards in Australia.”⁶

Recommendation 1.5 in the ASX Corporate Governance Principles, 4th Edition in relation to board composition, introduced in 2019, is as follows:

“A listed entity should:

- a) have and disclose a diversity policy;*
- b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*

⁶ Page 21, Fitzsimmons, T.W., Yates, M.S. & Callan, V.J. (2021). Towards Board Gender Parity: Lessons from the Past - Directions for the Future. Brisbane: University of Queensland Business School

- c) *disclose in relation to each reporting period:*
- 1) *the measurable objectives set for that period to achieve gender diversity;*
 - 2) *the entity's progress towards achieving those objectives; and*
 - 3) *either:*
 - A. *the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or*
 - B. *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

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 of each gender within a specified period. "

This requirement for companies in the S&P/ASX300 index to have a measurable objective for achieving gender diversity in the composition of its board to be not less than 30% of its directors was extremely significant in setting a minimum representation for women on S&P/ASX300 boards at 30%.

The current proposed change to this principle has the effect of removing this minimum requirement and instead having a goal of at least 40% women/at least 40% men/up to 20% any gender within a specified period. As demonstrated by the statistics in paragraph 3 of this submission, there are a many S&P/ASX300 companies who are yet to meet this target. There is also a risk that by removing the minimum target language, companies who are currently below 30% may find the new target of 40/40/20 either unattainable or unnecessary and that companies may drop below that target from time to time. This is of particular concern for companies with smaller boards of 6 directors or less.

With this background, the 30% Club Australia believes that Recommendation 2.3 should retain a 30% gender diversity target as a floor together with a goal of a 40/40/20 target within a specified period. Accordingly, we recommend that the proposed recommendation should be amended as follows:

"Recommendation 2.3

The board of a listed entity should:

- (a) Have and disclose a measurable objective and timeframe for achieving gender diversity in the composition of its board;*
- (b) Disclose the entity's progress in achieving the measurable objective in the reporting period; and*
- (c) If it is considering any other relevant diversity characteristics for its board membership, disclose those diversity characteristics.*

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 a gender balanced board (with not less than 30% of its directors of each gender and the goal of at least 40% women/at least 40% men /up to 20% any gender within a specified period)."

This proposed language would provide flexibility for those companies unable to meet a 40/40/20 target due to board size, while also setting an expectation for a minimum of 30% women on boards across the ASX 300.

In addition, we endorse the suggestion from the AICD that the Commentary acknowledge:

- the practical challenges for smaller boards of meeting a 40/40/20 target; and
- the timeframes and strategies to achieve these measurable objectives remain at the discretion of individual entities, noting that entities may specify a period within which they will seek to achieve a 40/40/20 target.

30% Club Australia

6 May 2024