2023 BOARD DIVERSITY INDEX

Watermark SEARCH INTERNATIONAL

In partnership with

Governance Institute of Australia

Contents

The Watermark Search International/Governance Institute of Australia Board Diversity Index of 2023 is based on reported board statistics as at 1 January 2023. It is the only comprehensive analysis of Australian boards which measures diversity beyond the conventional dimension of gender. As such, our study offers a more holistic measure of diversity at the board tables of Australian businesses.

Our joint partner in this report, **The Governance Institute of Australia**, has long supported diversity in the upper echelons of business. Its highly successful **Effective Director Course – Women's Exclusive**, for example, represents the Institute's commitment to targeted action on boosting equality in boardrooms across Australia.

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Welcome

Welcome to the Watermark Search International/ Governance Institute of Australia Board Diversity Index for 2023. Now in its ninth year, the index provides a comprehensive investigation of diversity and inclusion among the top 300 ASX listed companies.

The Board Diversity Index is the only national report to take a forensic look at the whole spectrum of diversity including:

- Gender
- Cultural Background
- Skills and Experience
- Age
- Tenure and Independence

It's also the second year the Index has included data for Chairs, General Managers and First Nations Directors.

Over the past 12 months, there's been a small but positive improvement in Indigenous representation on boards – doubling from two in 2022 to four in 2023 across six seats.

It demonstrates that while change is happening, there's still some way to go before it falls in line with the proportion of First Nations people in the general population. In the year where Australians will participate in a referendum on an Aboriginal and Torres Strait Islander Voice to Parliament, it is perhaps timely for companies to consider how to boost Indigenous voices in the boardroom.

It's been **better news for women** with **the number of women in board seats rising from 32% to 35%** over the past year. This is an **80% increase since 2016** with our prediction of equal men and women on ASX 300 boards looking promising by 2030.

Concentration is still a key issue, although as more women take up board positions on smaller companies, it's expected that the talent pool will continue to expand.

Cultural diversity across the boards however remains static, with many companies still yet to address the issue. The overwhelming **majority of Australian boards are dominated by people of Anglo-Celtic or European ethnicity**. This is despite the fact that people with Chinese ancestry now make up the fifth largest group in the nation. It's clear that more rigorous advocacy and advancement in ethnic diversity on boards will be essential to provide a more accurate representation of our multicultural society.

Strong advocacy has proven that change can be made and made quickly when there is the will to act. There are now **calls to improve reporting and representation for other traditionally marginalised groups (including people with disabilities, members of the LGBTQ+ community and those from more diverse socio-economic backgrounds)** to ensure a more varied mix of lived experience in decision making, which is better for customers and better for business.

80%

Female board seats have increased 80% since 2016

This year, **Mark Baxter, co-founder of the Australian Association of LGBTQ+ Board and Executive Inclusion (ALBEI) provides additional context and research for our Board Diversity Index**, examining what to do when the diversity characteristics of a population aren't measured, or if the data isn't accurate. So far, his research has found certain minority groups are still very under-represented in the senior leadership levels of corporate Australia.

While so many gains have been made, and a lack diversity and inclusion is now taken as a serious economic and reputational risk for many organisations, it is evident that **we are still at the beginning of a long journey**. We hope you use this Index as your roadmap and guide, to keep these issues at the forefront of your boardroom agendas, despite the multitude of potholes and detours that unexpectedly appear.

We would like to thank Rose Mulcare and Oleh Butchatsky for their efforts once again in collating the data and providing insightful analysis of the more than 30,000 pieces of information that goes into this report.

Kind regards,

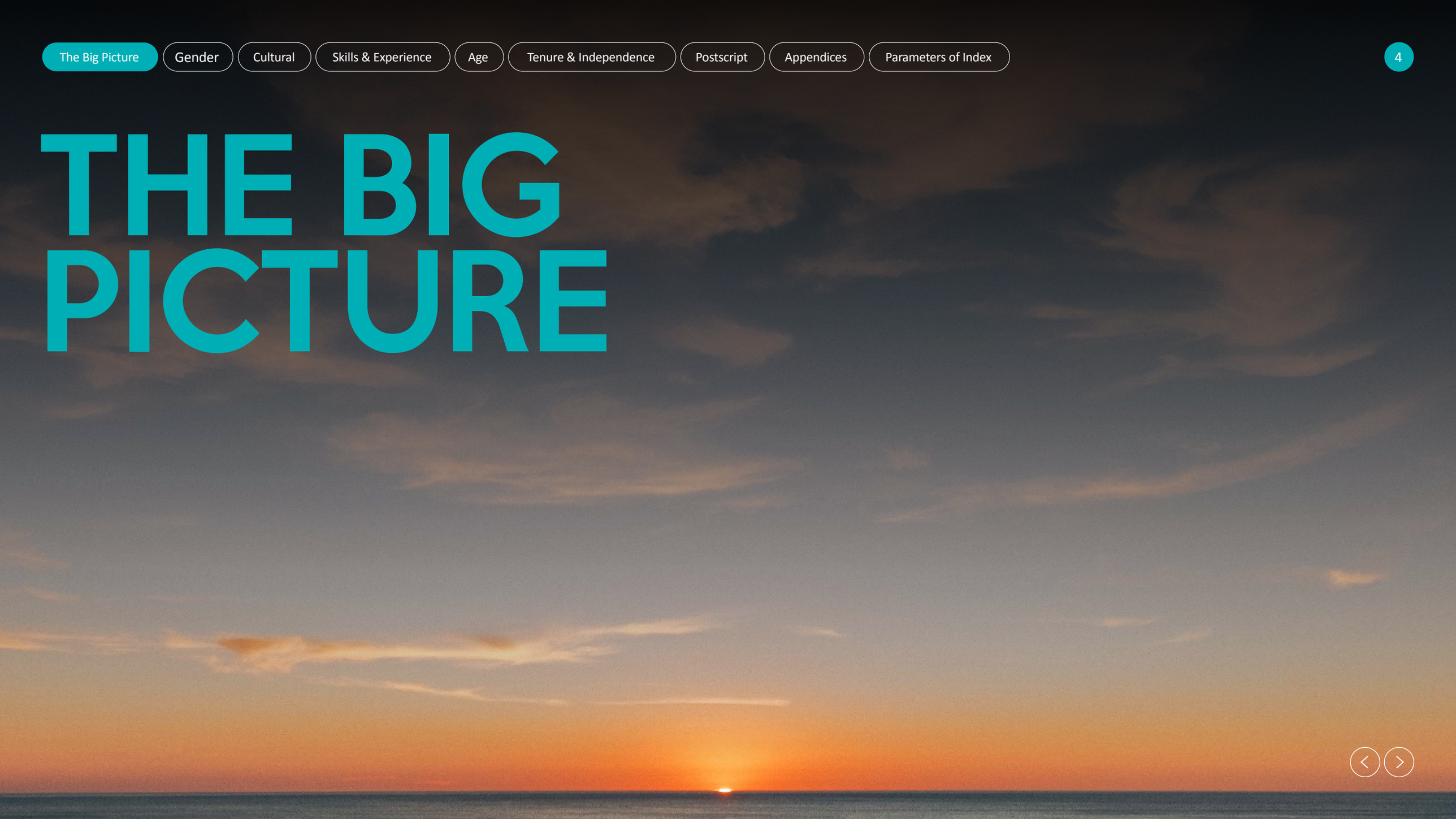
David Evans
Managing Partner, Watermark Search International

Watermark
SEARCH INTERNATIONAL

Pauline Vamos
Chair, Governance Institute of Australia

Governance Institute of Australia

THE BIG PICTURE



All aboard

Australian boards seem stuck. They're still generally "too male, too pale and too stale", despite plenty of advocacy for diversity on boards over the years – including this annual Board Diversity Index.

One widely reported reason[1] is that because many board members are typically older – or "stale" – they may be stuck in their old ways of promoting members from within their circles of influence (often described as "the boys' club").

Pleasingly, we're seeing strong momentum for change on the first issue – "too male" – though the struggle for **gender equality** on boards isn't over.

But we're not seeing much progress on the second issue – "too pale" – as many Australian boards are yet to address the issue of **ethnic diversity**.

Although there has been a welcome uptick in the number of **Indigenous** directors, their overall representation on Australian boards remains stubbornly unchanged. For now.

While there is still a way to go to achieve "optimal" diversity, as our detailed analysis shows, there is an undeniable, substantial and probably irreversible groundswell of change towards better representation of all Australians on boards. We believe this change is long overdue.

"In times of challenge and crisis, organisations need a diverse mix of views, problem-solving skills, lived experience and knowledge in the boardroom not just to survive, but to thrive. The Governance Institute is proud to be a joint partner in such important work as we support the push for greater diversity, inclusion and equality in the decision-making process of Australia's leading companies."

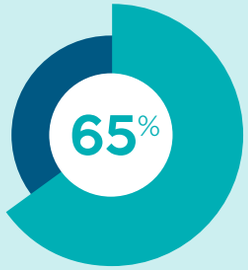
Megan Motto FGIA, CEO of the Governance Institute of Australia

[1] A simple online search of "male, pale, stale" uncovers hundreds of articles on the topic, including: Boards Remain Pale, Male And Stale – Old Boys Club Alive And Well, *Forbes*, 19 September 2013; and Why are boards still pale, male and stale? Shouldn't we have solved this years ago?, Reuters, 19 March 2019.

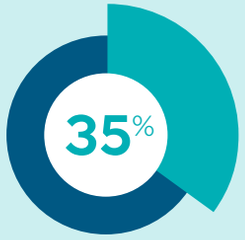
Highlights

Total number of Australian board seats reported **2068**

Roles filled by men **1350**



Roles filled by women **718**



6 roles filled by Indigenous directors

Roles filled by directors with non-Anglo-Celtic backgrounds **10%**

10% last year

Roles filled by directors seen as financial experts **32%**

Unchanged from 2021

28 Youngest director

91 Oldest director

Women directors exceeding 15 years of tenure **9**

8 last year

Directors who are not independent **383**

<1 in 5 directors

Directors with board governance qualifications **749**

36%

Total number of boards reported **300**

Boards with 30% or more women **64%**

Boards with 0 or 1 women **16%**

22% last year

Boards that were all men **5%**

5.3% last year

Women	Up
Indigenous	Up
Non-Anglo/European	No Change
Non-Accounting/Finance	No Change
Average Age	No Change
Age Range	No Change
Independence	Up

The typical Australian ASX 300 boardroom has two men to every woman. More than a third of the directors have an accounting or finance background. Virtually all the directors are educated to undergraduate level at least, are aged between 50 and 70, have Anglo-Saxon/European ethnicity, are independent in status, and have been on the board for less than 10 years.

New targets for women – and the need for greater inclusion based on all diversity factors

Momentum towards a gender ratio of 40:40:20 (40% men/40% women/20% of any gender) continues to be strong. Since the 30% watermark for women was achieved two years ago, we've seen increased representation of women on boards in the last twelve months from 32% of total board seats to 35%.

Our research shows a profound change in the inclusion of women on ASX 300 Boards:

- The number of companies with zero or one women directors has decreased by a factor of four since 2016
- The number of companies with at least 30% women directors has nearly quadrupled since 2016
- The total number of board seats occupied by women has increased by nearly 80% since 2016
- Smaller companies are now just as likely to have healthy female representation as the largest companies.

We maintain our prediction that 2030 will be a watershed year. By then it is quite possible there will be an equal number of women and men on ASX 300 boards.

Then again, we predicted in our last two surveys there may well be no ASX 300 boards without a female director by 2026. But that prediction is now in jeopardy as the number of zero-women boards has stubbornly remained in the vicinity of 15: as some repeat-offender boards fall off the list they are replaced by new boards without women. So this could mean we'll never see a zero for this metric.

Glacial pace to ethnic diversity

Diversity of **ethnicity** in the boardroom might be moving in the right direction over time, but glacially so, with Australian boards continuing to be dominated by people of Anglo-Celtic and European ethnicity.

Clearly, stronger business advocacy for ethnic diversity is needed to shift the dial meaningfully.

The percentage of directors who live **outside Australia** has dropped from 33% to 30% of the director pool, while the split by region is virtually unchanged, with NZ, North America and the UK dominating the locations of overseas-located directors. Again, directors located in Asia represent a relatively small proportion of the total, and somewhat surprisingly there is a decline in this number (from 13.9% in 2016 to 11.6% in 2022).

Positively academic

An undergraduate degree is a minimum standard qualification for most board members, with more than 80% of all directors qualified to this level, and a sizeable number of directors hold MBAs and/or finance-related degrees. There is no perceptible change in the **industry sector skills and experience** mix, with accounting/financial, resources/construction and technology sectors dominating, and an unsurprising continued decline in representation of directors with engineering/manufacturing/construction qualifications and experience.

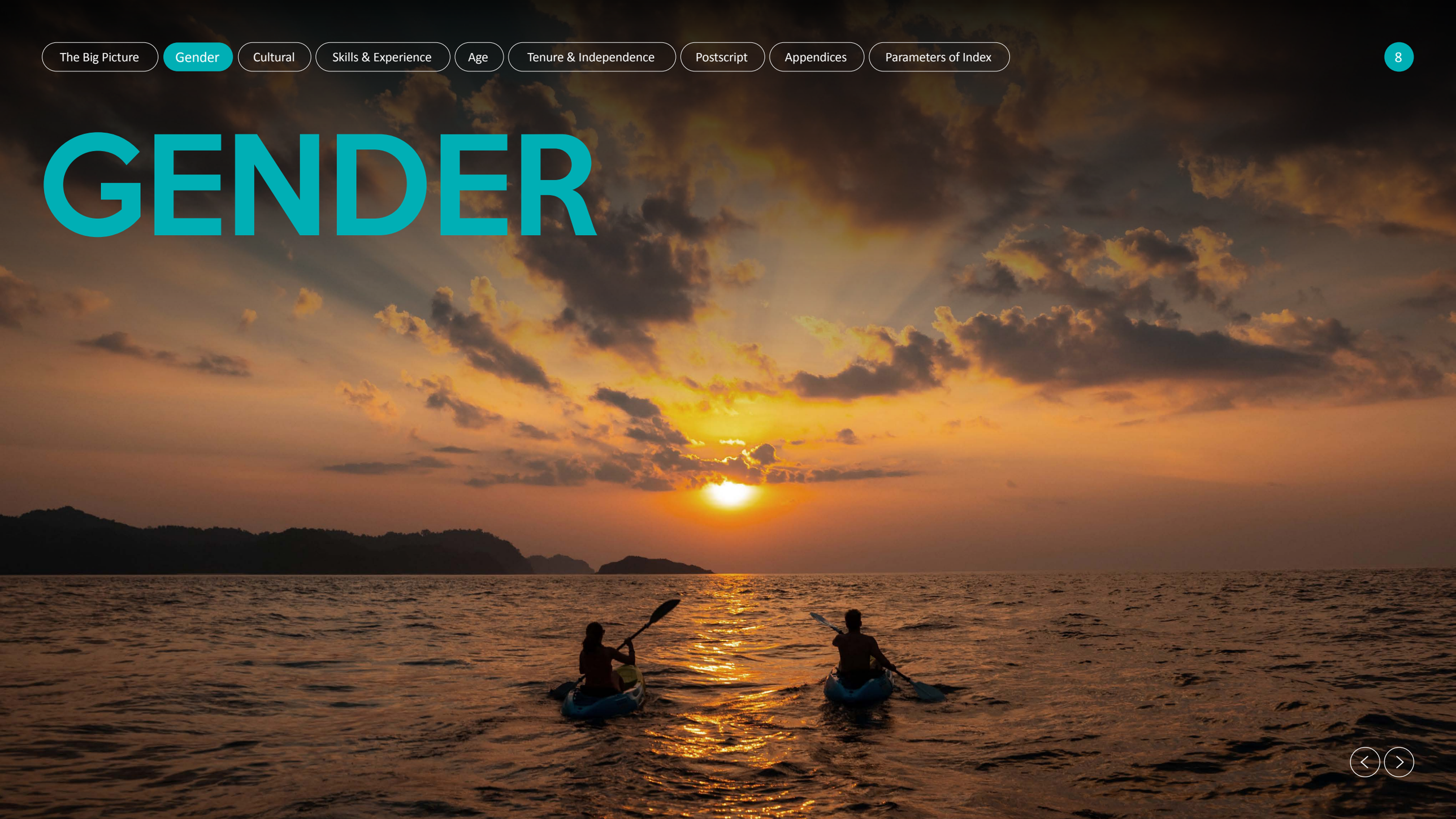
A question of balance

Average age of an Australian board director has remained remarkably steady at 60 for the past seven years, and the average male director continues to be slightly older than his female counterpart. There is conflicting data about a possible ageing profile of the typical ASX Board.

There has been no change in average **length of tenure**. The trend to cap tenure at no more than 10 years has consolidated and it continues to be very unusual for a director or chair to serve more than 14 years on the same board. This is particularly true for women, where the percentage of women serving on a board for more than 14 years is around 6% for directors and 7% for chairs.

Independence continues to be the status quo, with no more than one in five directors regarded as non-independent. This statistic is consistent with our previous analyses and represents an acceptable level of board independence across the ASX 300.

GENDER



Onwards and upwards for women

Progress towards the widely accepted **gender target of 40/40/20** (40% women, 40% men and 20% open) continues with a **3% increase** in this survey period.

Interestingly, our analysis is strongly consistent with the latest findings of the World Economic Forum in its 2022 Global Gender Report,[2] which states:

> “…the share of women hired into leadership roles worldwide has seen a steady increase, from 33.3% to 36.9% in 2022.”

Percentages of men and women on ASX 300 boards

The most striking numbers show the surge in the representation of women on company boards for smaller organisations, as previously, the larger the organisation the more likely a higher representation of women directors. Since 2016 the percentage of women directors on boards in the ASX 200-300 group has risen from 15% to 44%, outstripping ASX Top-50 companies.

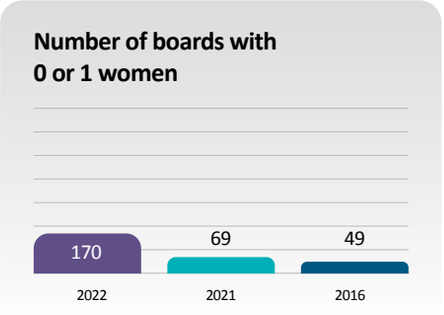
[2] Global Gender Report 2022, World Economic Forum, 13 July

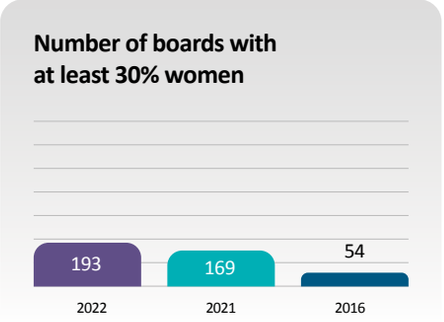
Women are gaining more seats at the board table

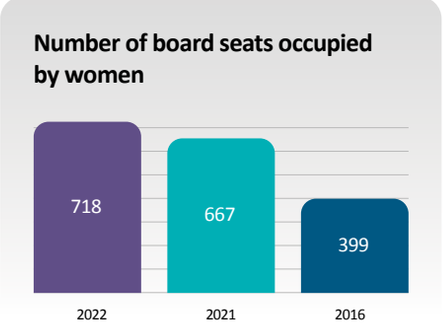
Other gender metrics in our survey reinforce the compelling momentum towards female equality.

There are significantly fewer boards with zero or one women directors and substantially more boards with at least 30% women directors. And the number of companies with female chairs has grown from 37 to 40 this past year, including nine newly appointed in 2022.

The number of ASX 300 boards with no women has stabilised around 15–16, with a sizeable proportion of "repeat offenders" in the resources sector. Although this is likely to change as more women pursue careers in the resources sector, which was traditionally male dominated. However, we have seen that as some repeat-offender boards fall off the list they are replaced by new boards without women.







The exclusive club: board concentration unchanged

The overall talent pool of women directors continues to grow steadily. Our current data records 55 women leaving boards and 105 joining – **a net increase of 50 female directors.**

However, this positive increase has been offset by a stubbornly unchanged "exclusive club" effect. In the current period, just 19% of all female directors prepared to serve on boards hold 46% of board seats occupied by women.

We reported similar numbers in 2019, when 19% of women directors held 47% of board seats occupied by women. The most experienced and prominent female directors continue to collect a disproportionate number of board seats, relegating many newcomers to single-board status.

This issue is not exclusive to female directors, however, and Australia is not alone in this aspect: a recent study of *Fortune 500* companies in the US by Mogul (a talent placement firm that shares Watermark Search International's commitment to improving career opportunities for women and minorities) revealed around 14% of all directors occupy 30% of 5400 available seats.[3]

We anticipate more opportunities for newer female directors will emerge as more women serve on boards overall. In Australia we have seen a similar reduction in board concentration among male directors, where the concentration factor is now much less pronounced: 12% of male directors hold 27% of board seats occupied by men.

Hopefully the issue of board concentration will be resolved for women soon. We were aware in the early stages of the rise of more women to board status that some organisations believed there was a shallow pool of potential women candidates for board appointments.

46%

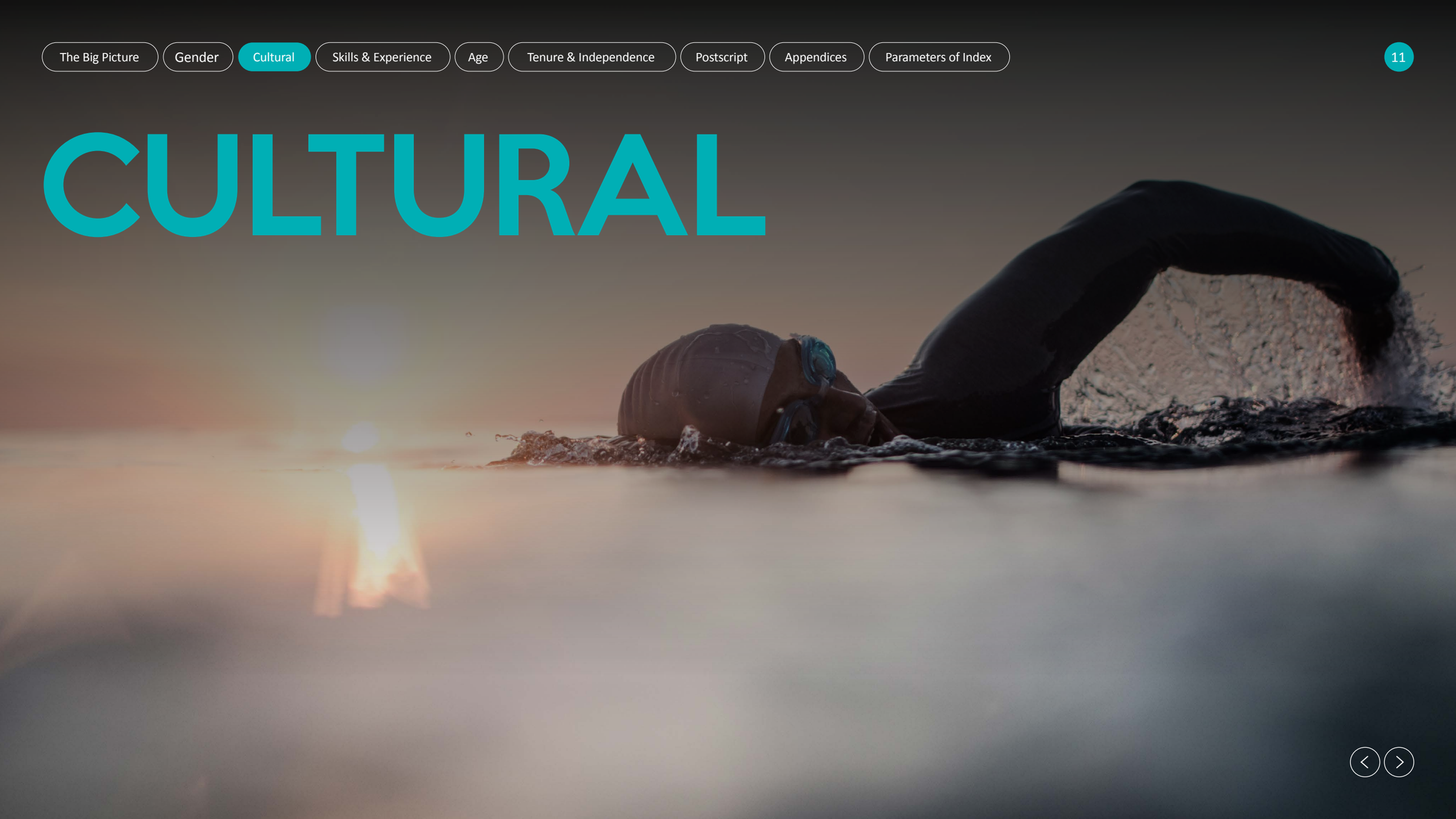
Currently 19% of all female directors prepared to serve on boards hold 46% of board seats occupied by women

The basic reasoning for this inaccurate belief was that organisations favoured "ready-made" candidates: people with a depth of c-suite experience and perhaps some board experience (for example, serving on boards of for-purpose organisations).

This misperception meant women with seemingly less-compelling credentials (though no lesser ability to contribute at board level) than some men were overlooked. Arguably, this issue was only publicly addressed as recently as 2019, when the appointment of two women to the board of an ASX-listed company was announced as the "milestone" moment the ASX finally met its gender target.[4]

[3] Diverse Boards Perform Better, Mogul, 28 July 2022; these findings were widely reported in the media, for example: An exclusive cohort controls one-third of all *Fortune 500* board seats. Here's why that's a problem, *Fortune*, 20 October 2022.
[4] Meet the women who helped the ASX finally meet its gender target, *AFR*, 13 June 2019.

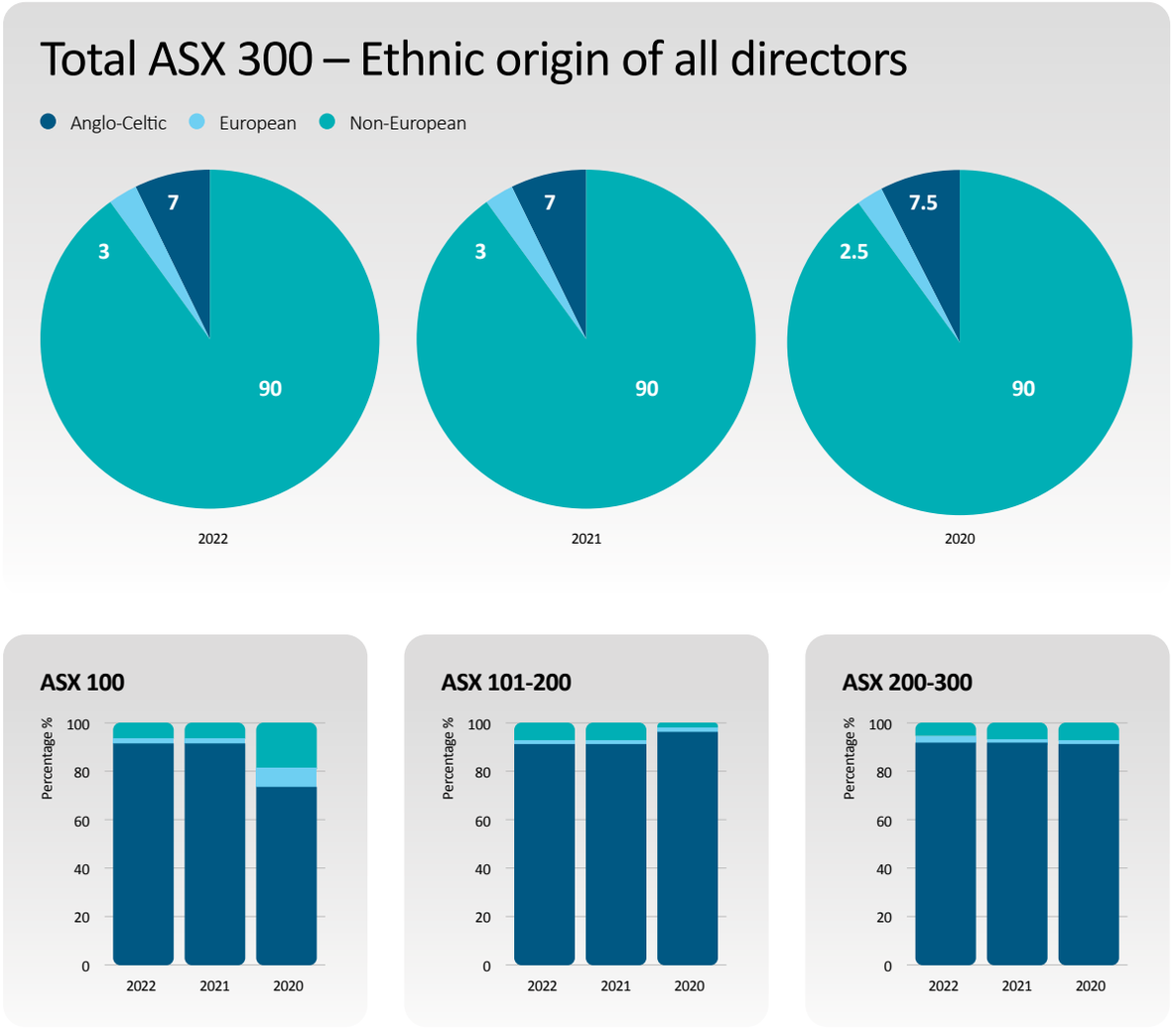
CULTURAL



Most board directors are still Anglo/European

In contrast to the emphatic trends emerging from our gender analysis, representation of **ethnic diversity** on boards has stalled.

That said, the current ethnic representation among directors is not much different to 2021 Census[5] data on Australia's population, where the proportion of people with Anglo and European ethnicity remains high. So, it may be a while until we see more boards with highly diverse cultural complexions overnight.



We can see a marked direction of change in Australia's population towards more people with Asian ethnicity, particularly as people with Chinese ancestry now make up the fifth largest group. However, the ASX boardroom is not yet shifting in this direction in any discernible way and perhaps may be drifting in the opposite direction. Without vigorous, muscular advocacy on behalf of ethnic groups, this situation is unlikely to change in the immediate future.

On the other hand, we can see some small movement in favour of Indigenous directors in the current period, increasing their representation from two to four, and occupying six seats. It's not a big number, but it shows change is happening. Still, there is still a long way to go until boards at least match the proportion of Aboriginal and Torres Strait Islander people in the total population, which the census measures as just over 3%.

[5] Cultural diversity: Census 2021, Australian Bureau of Statistics, 28 June 2022.

Australian boards lagging on diversity compared to US boards

Australian boards are trailing their US counterparts in championing diversity in all areas, particularly gender and ethnicity. This is partly due to increased legislative action in some parts of the United States to improve diversity on boards, as well as activism among institutional investors.

Recent examples of advocacy for greater diversity on US boards include:

- Investment management firm Blackrock expects to see at least two women directors on every company it invests in.
- Blackrock also encourages boards to disclose their view on diversity in relation to gender, race, age, experience and geographical location.[6]
- McKinsey reports chief investment officers of leading Institutional Investor companies say they would allocate twice as much capital to more gender diverse private equity firms, all other things being equal.[7]
- McKinsey claims Institutional Investors are increasingly asking for and receiving diversity data from Private Equity firms seeking to raise funds.

Progress towards genuine diversity is happening – but it's still slow

While there appears to be a greater push for diversity on boards in the US than in Australia, advocates such as talent placement firm Mogul say progress isn't fast enough. Mogul's recent investigation[8] of the board diversity for *Fortune 500* companies (the largest companies by revenue whether listed or unlisted) found:

78% of *Fortune 500* board directors are white

69% of *Fortune 500* directors are male

91% of *Fortune 500* boards are led by chairs who are white

82% of *Fortune 500* boards are led by chairs who are male

69% of new directors on *Fortune 500* boards are white males

7% of *Fortune 500* seats are held by Black men and 5% by Black women

Latin, Hispanic, Asian, Indian and Middle Eastern ethnic groups are barely represented

Mogul researchers could not find a single **Indigenous American** on a *Fortune 500* board

[6] Our 2021 Stewardship Expectations, Blackrock, 11 December 2020.
[7] The state of diversity in global private markets: 2022, McKinsey & Company, 1 November 2022.
[8] Diverse Boards Perform Better, Mogul, 28 July 2022.

A slightly more optimistic picture emerges in a separate study of the S&P 500[9] (listed companies in the US) by executive placement firm Spencer Stuart, which found:

Share of women directors on S&P 500 boards rose from 30% to 32% in 2021/2021.

93%

Reporting of racial diversity has jumped dramatically, with 93% of S&P 500 companies now disclosing their racial/ethnic makeup, up from 60% in the previous 12 months.

More than 70% of new directors appointed to S&P 500 boards in 2021/2022 represent one or more of the following groups: women, racial minorities and/or the LGBTI+ community.

70%

78%

78% of S&P 500 directors are white (exactly the same representation as on *Fortune 500* boards), but 11% are Black/African American, 5% are Hispanic/Latino and 6% Asian.

The US-based Alliance for Board Diversity (established in 2004) set a goal of 40% diversity on *Fortune 500* boards, which combines minority groups and women in its scope. Ultimately the Alliance wants to see optimally diverse board representation that mirrors the demographics of the US, with at least 50 % women, 13% African American/Black, 18% Hispanic/Latino and 6% Asian/Pacific Islander.

In its most recent *Missing Pieces* report,[10] the Alliance and its research partner Deloitte noted 200 companies in the *Fortune 500* have already achieved greater than 40% diversity.

The authors also noted analysis of the skills and experience of board members holding *Fortune 500* seats showed women and minority board members are more likely than white men to bring experience with corporate sustainability, socially responsible investing, sales and marketing, and technology in the workplace to their boards – all areas of expertise in demand as organisations navigate post-pandemic economies.

How can Australian boards improve diversity?

“Watermark Search is committed to helping Australian companies broaden the diversity of their boards ahead of targets. We regularly challenge chairs and boards to look beyond the initial tight criteria of just ‘experience on a similar board’ and really focus on what other people might add to the board’s conversation. Our role is also to introduce these great candidates to boards.”

David Evans, Managing Partner, Watermark Search International

When we look at the combined targets from the US and Australia we see a lesson here for Australian diversity proponents: while we might take some comfort that Australian boards have slightly more representation of women and Indigenous directors than US boards, more can be done here to advance the ethnicity cause.

Clearly, measurement and reporting are always a precursor to change. Such measurement, not only at board level but at employee level, is scant in Australian commerce. We believe targets are important – and perhaps to improve diversity we can add seats to a board for that specific purpose?

Likewise, investors and educators can advocate for change.

In the US, for example, the Wharton School at the University of Pennsylvania in the US now offers a Diversity, Equity and Inclusion major in its 2023 MBA program. So far, the closest we’ve seen in Australia is Charles Sturt University’s Graduate Certificate in Intersectionality, Diversity and Inclusion – how soon will more tertiary institutions in Australia broaden their offerings to prepare future leaders to champion diversity at the board level?

[9] 2022 S&P 500 Board Diversity Snapshot, Spencer Stuart, June 2022.
[10] 10 Missing Pieces Report: The Board Diversity Census, Deloitte and the Alliance for Board Diversity, 8 June 2021.

Asia under-represented again among overseas directors

The representation of directors who reside outside Australia has declined a little, from 33% to 31% (637 seats occupied by overseas-based directors).

The split by region of non-resident directors indicates a trend away from directors resident in either the UK or Africa and towards directors living in New Zealand. Again, Asia-located directors represent a small proportion and there is some evidence of a declining trend.

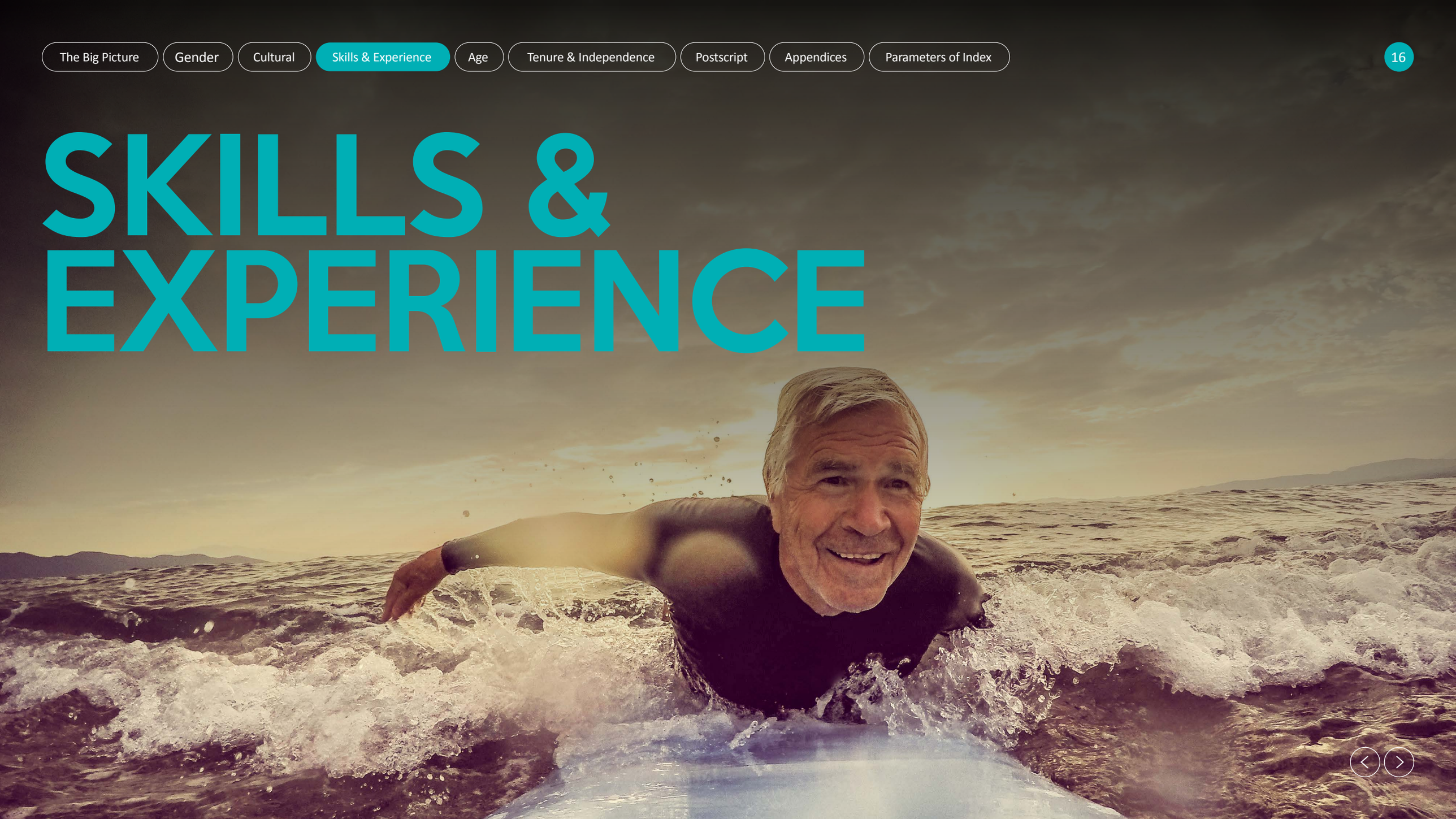
There are some differences among male and female directors living overseas. There are 236 seats occupied by women located overseas, which is proportionately consistent with the overall gender split of board seats; however, compared to male directors proportionately more female directors are from North America, Asia and the UK, while less women than men are from Africa, South America and Europe.

Directors resident outside Australia: Country/region of origin

2022
2021
2020
2016

North America	United Kingdom	New Zealand	Asia	Europe	Africa	South America	Other
28.3%	15.1%	27.5%	11.6%	7.1%	7.1%	1.9%	1.4%
27%	16.5%	25.5%	12.2%	6.8%	6.3%	2.5%	3.2%
26.6%	24.2%	15.2%	13.5%	9%	9.4%	2.1%	1.0%
27.5%	20.3%	17.6%	13.9%	8.1%	8.6%	2.1%	1.9%

SKILLS & EXPERIENCE



Standard qualifications for directors include at least one degree

For yet another year we have seen very little change in the baseline of tertiary qualifications among the director community.

The minimum standard qualification is an undergraduate degree, with 82% of all directors now qualified to this level and around of fifth of all directors hold an MBA and/or finance degree. Similar to our findings in previous years, more women directors than men have gained qualifications in some disciplines, notably PhDs, governance qualifications and masters degrees.

PhD

7%

♀ 10% — **9%** (2021), **8.4%** (2020)

♂ 6% — **5%** (2021), **5%** (2020)

MBA

19%

♀ 20% — **20%** (2021), **21.1%** (2020)

♂ 18% — **19%** (2021), **16.9%** (2020)

Masters (other)

18%

♀ 21% — **22%** (2021), **18.8%** (2020)

♂ 17% — **17%** (2021), **17.5%** (2020)

Undergraduate degree

82%

♀ 88% — **88%** (2021), **89.7%** (2020)

♂ 79% — **76%** (2021), **76.1%** (2020)

Finance (FCA/FCPA)

18%

♀ 18% — **19%** (2021), **20.5%** (2020)

♂ 17% — **18%** (2021), **19.5%** (2020)

Governance (AICD/GI)

36%

♀ 52% — **56%** (2021), **60.7%** (2020)

♂ 28% — **28%** (2021), **32.1%** (2020)

Other qualifications

28%

♀ 27% — **26%** (2021), **26.5%** (2020)

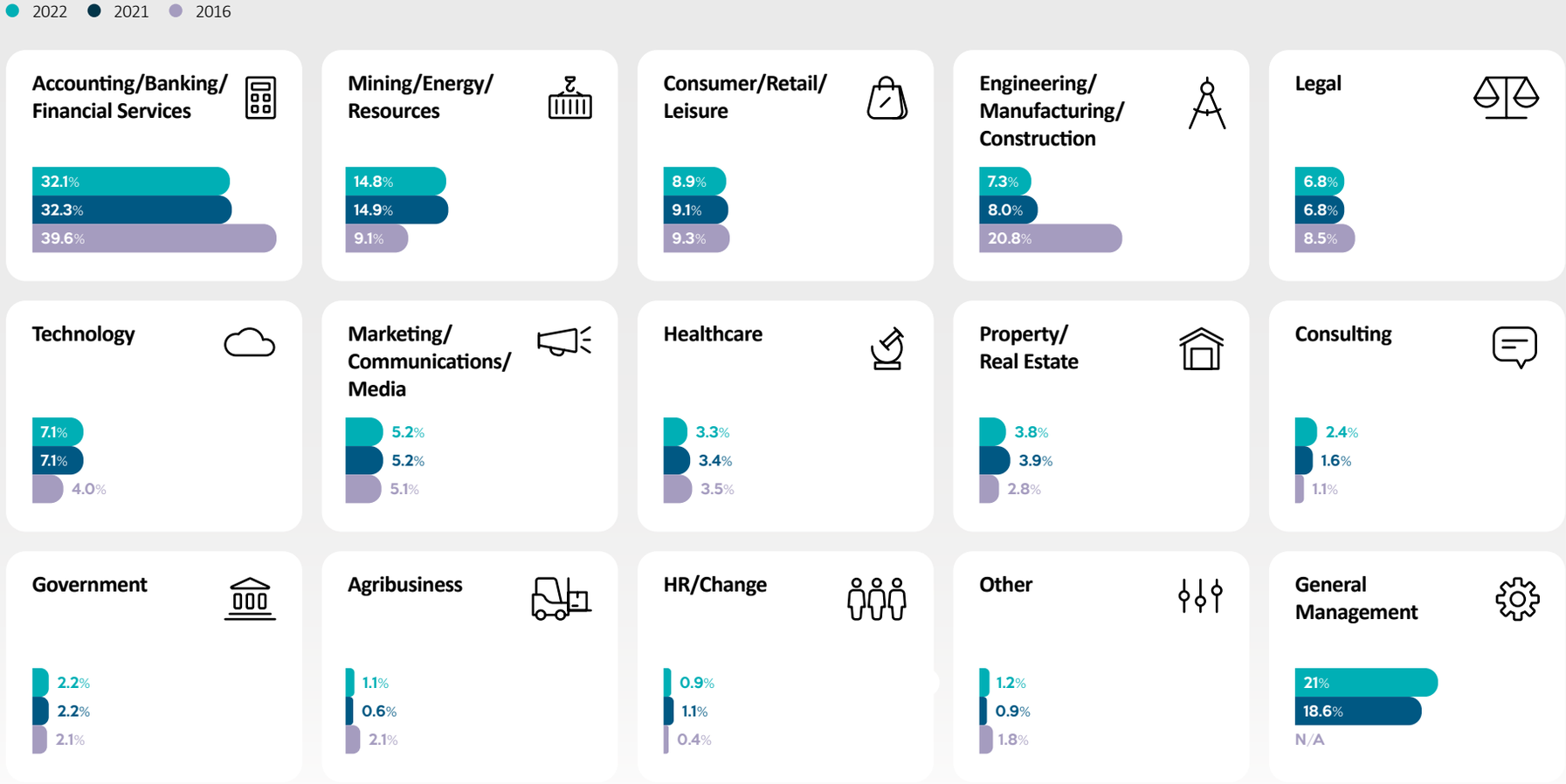
♂ 28% — **29%** (2021), **29.9%** (2020)

Sector experience: an equilibrium achieved

This year's findings on sector experience are almost identical to last year's, showing long-term trends are stabilising: we see a continued **decline** in the numbers of board directors with experience in accounting/banking/finance, engineering/manufacturing/construction, and legal sectors; and a **rise** in the number of directors with experience in the mining/energy/resources and technology sectors. The numbers for board directors with experience in other sectors have not significantly shifted one way or another since 2016.

Note: *the numbers in this section include some double-counting as some directors can validly claim more than one sector in their long-suit list. For example, many of those directors in the General Management list will have functional expertise elsewhere.*

Representation of sector experience

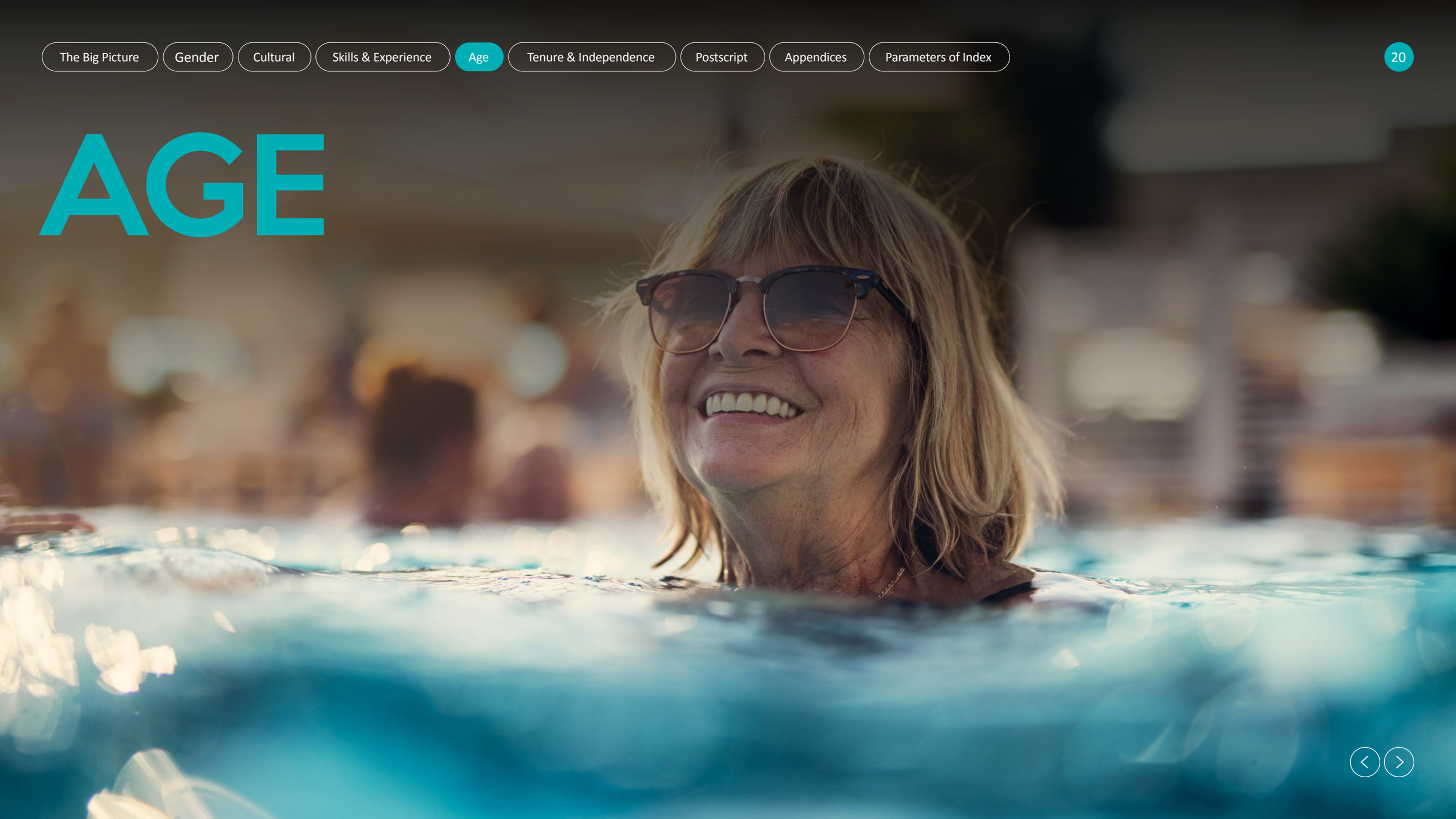


Gender differences: women more likely to have “soft skills”

Is it a coincidence that more women directors than men tend to come from sectors known for valuing “soft skills” typically taught in humanities degrees, such as skills in communication, collaboration and emotional intelligence?

Although women directors are equally likely as men to have sector experience in marketing/communications/media, healthcare and legal sectors, women are **more** likely than men to have experience in HR/change and consulting; and they are **under-represented** in sectors traditionally seen as male-dominated, including property, engineering/manufacturing, banking/financial, resources, agribusiness and general management.

AGE



Sixty is the new... sixty

The **average age** of directors hasn't changed in the past five years, with 60 being the magic number, regardless of the size of the company.

Still, male directors continues to be slightly older than female directors, though the gap is narrowing a bit. Across the sectors we some marginal differences, with more younger directors in the technology, telco and resources sectors, and communications and more older directors in healthcare.

While the overall average age of a board director remains rock-steady at 60, our research suggests the **ongoing ageing** of the ASX board. For example, the number of female directors under 50 continues to decline, narrowing the difference between the percentage of female directors aged under 50 compared to men under 50.

In our current survey only 7% of male directors are under 50, compared to 9% two years ago, while 11% of female directors are under 50 versus 17% two years ago. While the proportion of female directors over 70 remains stable, there is an uneven trend for male directors in this age group with the proportion bouncing around between 15% and 22% in the last two years.

Some of this data conflicts with the age range data (see next page), which suggests overall, board ages are in stasis, rather than trending older.

It's debatable whether Australian boards trending older is healthy. In the US we see a trend in the opposite direction to apparently more youthful boards. It can also be argued that as the population ages, more executives (retired or otherwise) might choose to remain participants in commercial life, bringing accumulated experience and wisdom to corporate governance and management. Then again, older directors may be seen as out of touch with trends in market competitiveness, regulatory conditions and ways of working.

Average age overall

60.5

60.1 years (2021)

Average age women

58.1

57.2 years (2021)

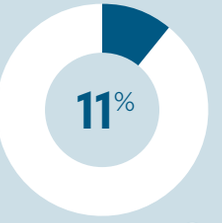
Average age men

61.8

61.5 years (2021)

Female directors under 50

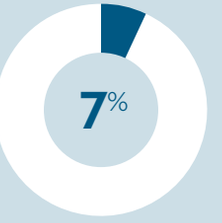
76 91 (2021)



14% (2021)

Male directors under 50

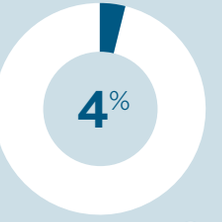
93 98 (2021)



7% (2021)

Female directors over 70

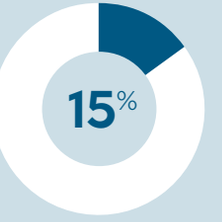
26 18 (2021)



3% (2021)

Male directors over 70

204 218 (2021)



16% (2021)

Youngest female director

28 ♀

27 years (2021)

Director age range

50

50 (2021)

Oldest female director

78 ♀

77 years (2021)

Youngest male director

32 ♂

31 years (2021)

Director age range

59

60 (2021)

Oldest male director

91 ♂

90 years (2021)

Age ranges: 50 to 70 makes sense

As for average age, this year's **age range** data suggests stabilisation rather than any trend towards youth or seniority.

The 20-year average age range is seemingly entrenched, represented by directors' ages of 50 to 70, with an average age of 60, right in the middle.

This age range of 20 years prevails regardless of the size of the company and its ranking within the ASX 300 list. There are some notable differences in age ranges across various sectors, with Resources, Telecommunications, Utilities and Technology showing greater age diversity than other sectors.

While there are exceptional individuals who defy the age odds (see youngest in image to the left), it is widely felt a director needs to have experienced varied economic conditions and organisational environments to bring true value to the board. Perhaps this means a notional minimum age of 50 is expected? And a notional retirement age of around 70 seems about right but still allows for the many directors with the vigour and intellectual capability to valuably contribute well beyond that age.

Age range ASX 100

20

20.4 years (2021)

Age range ASX 101-200

19

19.9 years (2021)

Age range ASX 201-300

20.2

19.2 years (2021)

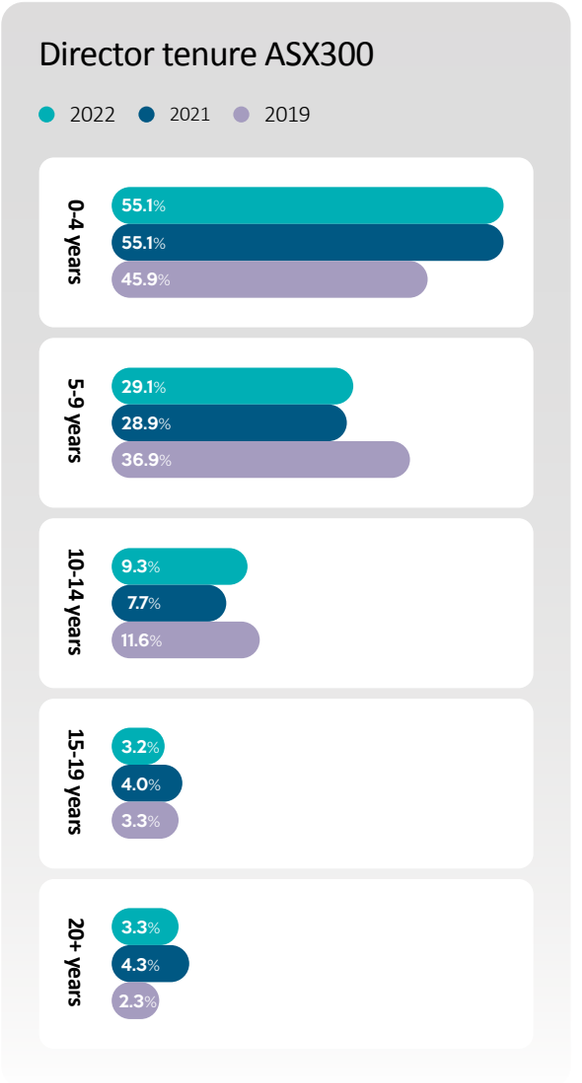
TENURE & INDEPENDENCE

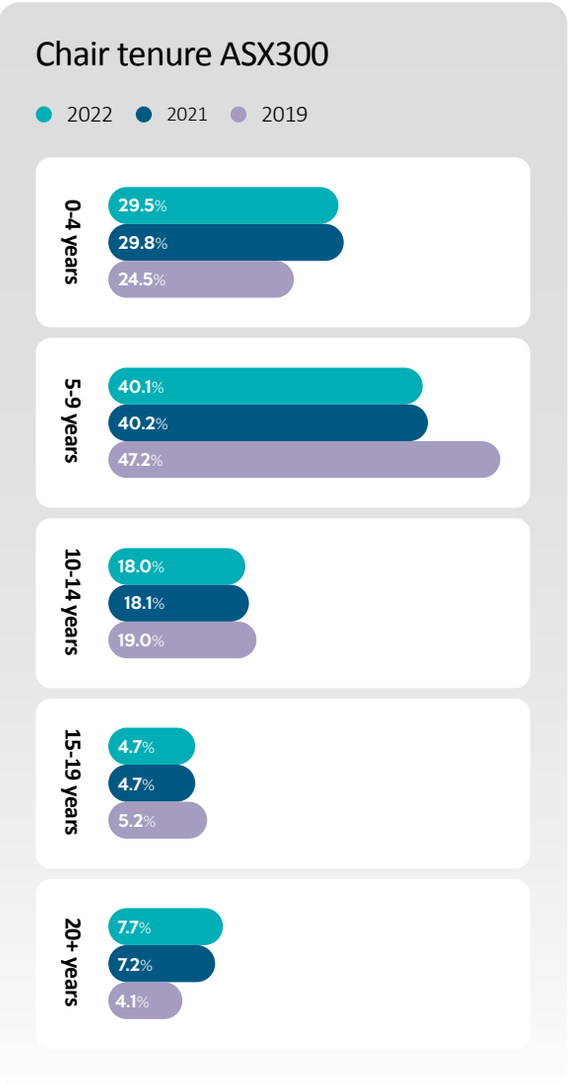
Tenure: 10 years and you're out?

Average number of years for **chair tenure** is persistent, with the breakdown being almost identical year-on-year, showing chairs are staying in place longer (20+ years).

We also see similarities for **director tenure** averages, with the most significant milestone being the 10-year cut-off. The percentage of directors who have served for less than 10 years has remained at 80% for some years now, which we argue is a healthy state of affairs for diversity and refreshment on the board. It is still rare for a director to serve more than 14 years on the same board, with only about 7% of directors in this category. These insights suggest companies should ask questions about the value of directors and chairs once they have exceeded 10 years of tenure, with a view to marking the milestone with a refresh.

Female board tenure, whether as directors or chairs, continues to be significantly shorter on average than for males. For example, 65% of female directors are in the zero-to-four-year tenure range compared to 50% of males. The male/female breakdown across all tenure ranges remains stubbornly unchanged over several years and we have yet to see the steady increase in overall female director numbers have any influence on average female tenure.

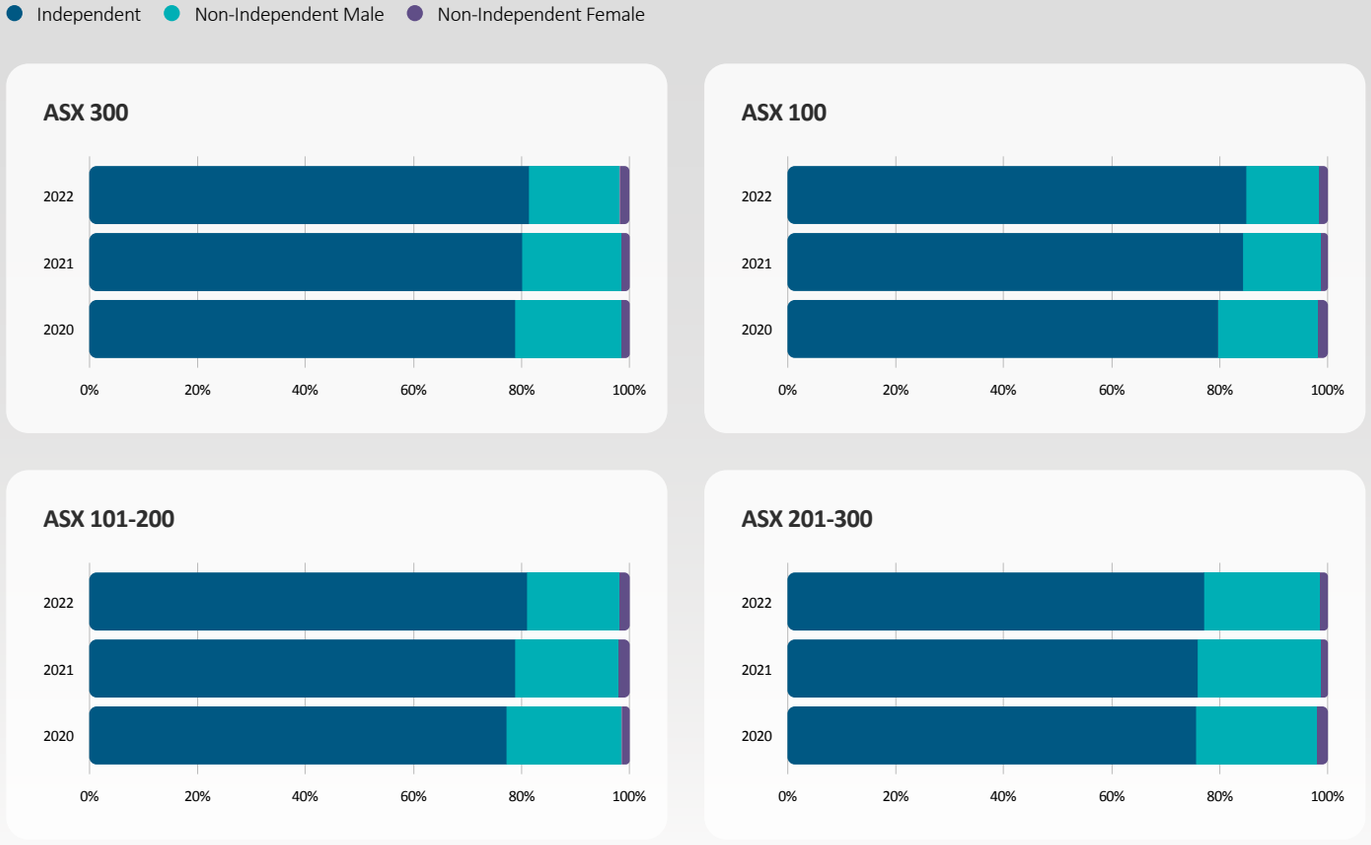




Independence: a healthy state of the nation

Independence continues to increase across all company size categories, but especially among the largest companies. This trend solidifies the notion that publicly-listed companies in Australia have a healthy independence profile.

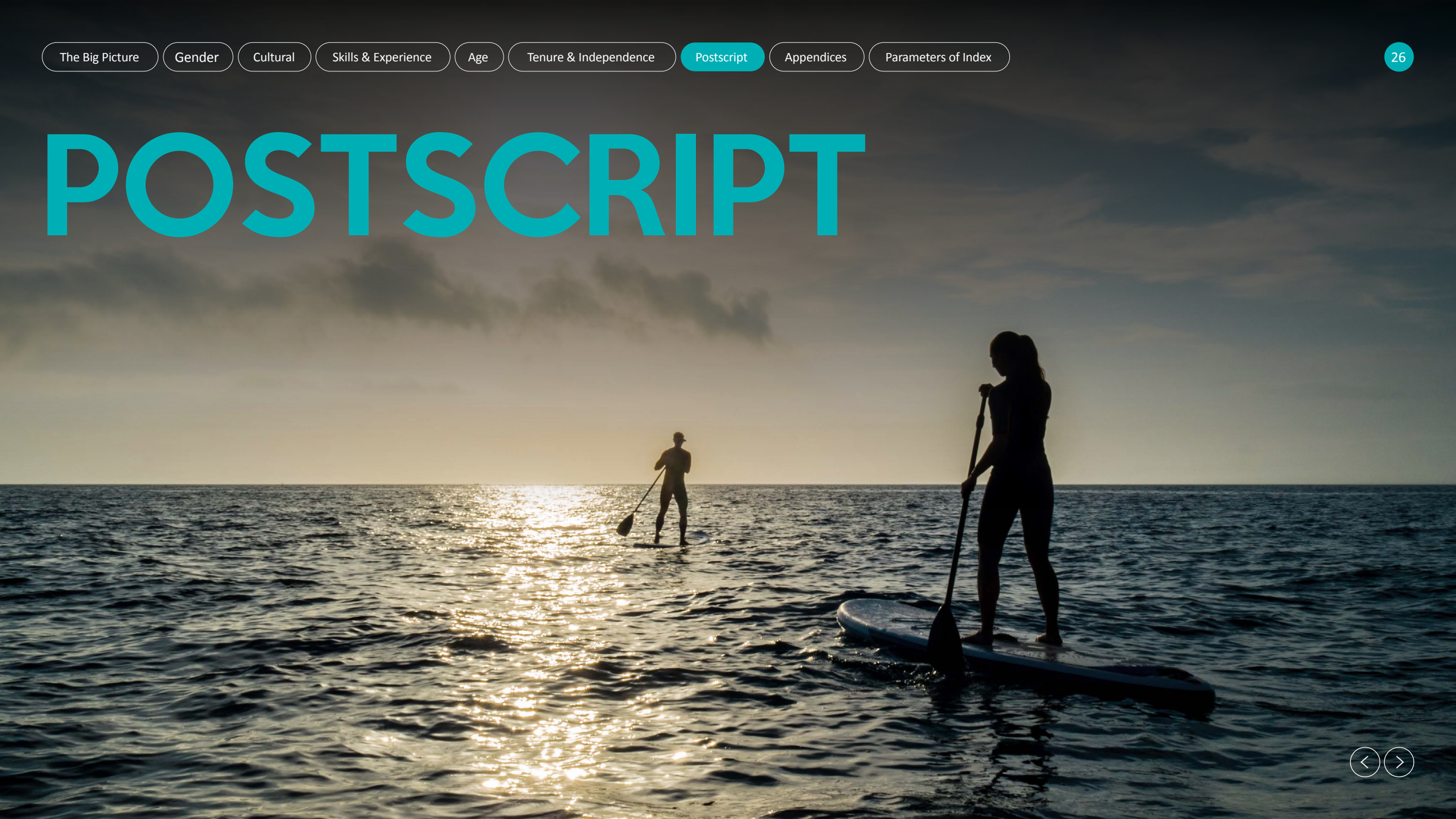
Independence ASX 300 Total



One contributor to this trend is the fact nearly all (95%) of female directors are regarded as independent. In other words, they are not "internal" appointments, occupying CEO/GM roles and sitting on **their own boards**. This is a stark difference compared with the percentages for men, with the equivalent representation of incumbent c-suite male directors at around 25%. This gap could possibly narrow as the proportion of women at c-suite level continues to climb, resulting in more women becoming "internal" appointments to boards, but we have yet to see this trend emerge.

At most, one in five directors is regarded as non-independent and this number falls dramatically to about one in 17 when those incumbent c-suite directors are extracted from the numbers.

POSTSCRIPT



Representing true diversity

While some of the representative numbers in our current Index show little movement, it's clear the business world is **increasingly aware** of the importance and **value of diverse representation**.

When we began our Index nearly ten years ago, we boldly thought we were venturing into dimensions previously unexamined and unmeasured. We were determined to promote the case for true diversity on Australian boards, perhaps for the first time in Australia. Yes, gender diversity is absolutely important, and so too is representation of people with different, such as ethnic backgrounds, skillsets, age ranges, board tenures, and independence.

In a short span of time, the make-up of the business world has evolved. **Minority groups are coming forward to promote the benefits of their inclusion and explain why it's vital they take part in the dance.**

The line of logic is that an **ethnically diverse board**, for example, will **have a better understanding of the population it serves**, along with **a diversity of problem solving and thinking styles**, and a better appreciation of the mind-set of key trading partners. In contrast, directors with homogenous characteristics risk blinding boards to emerging expectations in the market about ethical behaviour, sustainability, workplace practices and discrimination.

So the **Watermark/Governance Institute Board Diversity Index needs to evolve – and rapidly**. We have already added the Indigenous category under the ethnicity umbrella and are now tracking the quite dramatic growth in participation of First Nations people on listed boards. But we will not stop there. As other historically marginalised groups call for better representation our measurement matrix will inevitably expand. For example, we're already seeing strong advocacy for representation on boards by people with disability and members of the LGBTQ+ community in Australia.

Meanwhile, in some markets, such as the UK, there is also a push to engage individuals from lower socio-economic backgrounds on corporate boards to guide businesses on how they can connect better with customers, no matter where they fit on the income ladder.

Ironically, there is some British evidence emerging that as gender diversity has increased, the representation of lower socio-economic groups has decreased.

In the US, some regulators and supervisory bodies are driving adoption of diversity "quotas". As we reported in our last Index, NASDAQ proposed new rules in December 2020 requiring most companies listed on its US stock exchange to have at least one female director and one who self-identifies as an underrepresented minority or LGBTQ+. If companies can't meet this objective, they are required to explain why – and show they are committed to better representation.

Although Australian boards are lagging in some diversity measures compared to the UK and US, there is some hope: we've recently seen the formation of **ALBEI (Australian Association of LGBTQ+ Board and Executive Inclusion)** and the **Australian Network on Disability** has launched its Directing Change scholarship and mentoring programs to prepare a pipeline of potential directors among people with disabilities.

Measurement and advocacy drive change

As we have noted in successive surveys the progress of women in the boardroom has been impressive, if belated. When 50% or more of the population speaks with a concerted voice, we all listen.

But the challenge facing minority groups is much more daunting, as illustrated by the efforts of Out Leadership/OutQuorum in the US.

Out Leadership's 2022 *Visibility Counts* report on board diversity[11] highlights that when its OutQuorum program was launched in 2015 only two *Fortune 500* companies included sexual orientation or gender identity as a metric for board diversity.

Despite a vigorous and sophisticated advocacy campaign, the number of companies recording this metric has only risen to 23 in eight years. As Mark Baxter notes in his letter (*see next page*), one of the challenges is in asking existing directors and c-suite executives to openly identify as LGBTQ+ so they can be seen as role models for other LGBTQ+ people, as well as living proof their organisations take inclusivity seriously.

CASE STUDY

Legal challenges to OutQuorum's campaign for LGBTQ+ representation on boards

OutQuorum's push for LGBTQ+ representation on boards has been the subject of various legal challenges, one of which argues that white, male LGBTQ+ people have a head start over non-whites when board selection is considered. So, "leveling the playing field" to proportionately include all minorities becomes a complicated affair.

As a further blow, a recent finding by the Los Angeles County Superior Court that California's 2020 law on corporate diversity, which we also referenced in our last report, was unlawful.

(The Assembly Bill 979 of 2019 stated that by the close of 2022, corporations headquartered in California with more than four but fewer than nine directors must have a minimum of two directors from underrepresented communities, defined as people who are LGBT+, Native American, Native Hawaiian, Alaska Native, Pacific Islander, Asian, Latino, Hispanic, Black or African-American. And companies with nine or more directors must have a minimum of three directors from underrepresented communities. The Californian legislation of 30 September 2020 requires the state's publicly traded companies to have at least one director from an underrepresented community.)

LA County Superior Court Presiding Judge Terry Green wrote in his summary of the ruling:

> "Only in very particular cases should discrimination be remedied by more discrimination."

In Judge Green's opinion the 2020 statute violated the state's constitutional guarantee of equal treatment for individuals.

[11] Visibility Counts: Board Diversity Research, Out Leadership, 30 November 2022.

Diversity issues are invisible if they're not measured

Mark Baxter, Co-founder of the Australian Association of LGBTQ+ Board and Executive Inclusion (ALBEI), explains why more data on diversity is needed.

Australian boards are now used to sharing data on five key aspects of diversity in this report: gender, cultural background, skills/experience, age and tenure/independence. As these aspects are easily measured and monitored, the data is mostly robust.

But what should be done when other diversity characteristics of a population aren't measured, or if some data exists, it's not accurate?

Do we just assume because some minority groups aren't counted, they aren't experiencing problems with representation? Or do we start collecting the data to develop an accurate evidence base for their inclusion?

I've recently chosen the latter approach. I'm now involved in research into the diversity of boards, which focuses on under-represented groups, such as First Nations, LGBTQ+, people with disability and people from lower socio-economic backgrounds.

The lack of data does not mean a problem with representation for these groups does not exist – it probably means the problem has not been actively considered.

The data we have collected so far hints at some diversity challenges but without dedicated central data collection it can only be approximate. What our research does show is that certain groups are extremely underrepresented in the senior leadership levels in corporate Australia.

ASX 200 Directors who identify as ...

LGBTQ+	First Nations
12	2
Disabled	**Working class**
No Data	No Data

Total number of directors

1464

Source: Australian Association of LGBTQ+ Board and Executive Inclusion

A conversation has started in many countries on how boards can be more diverse – in other words, more representative of the community. The main arguments for diversity on boards are that it promotes more constructive debate by considering the needs and expectations of all people outside the board room and avoids groupthink at the board table.

> "The lack of data does not mean a problem with representation for these groups does not exist – it probably means the problem has not been actively considered."
>
> **Mark Baxter**, Co-founder of the Australian Association of LGBTQ+ Board and Executive Inclusion

There is also some useful evidence that greater diversity on boards improves business performance:

48% differential likelihood of outperformance by companies with 10-30% women executives compared to companies with fewer or no women executives.[12]

36% difference in profitability between US companies whose leadership teams ranked in the top 25% for cultural diversity compared to companies with low cultural diversity.[13]

78% of Australian workers support or strongly support their organisation taking action to create a diverse and inclusive workplace; and workers in inclusive teams are 10 times more likely to innovate than workers in non-inclusive teams.[14]

[12 & 13] Diversity wins: How inclusion matters, McKinsey and Company, 19 May 2020.
[14] Inclusion@Work Index 2021–2022 Diversity Council Australia, January 2023.

First Nations

The 2022 data appears to show there are only two directors on ASX 200 boards who identify as Indigenous, which suggests significant work is needed to promote First Nations representation on boards. Part of the problem is there is still a dearth of First Nations people gaining c-suite and senior executive roles in ASX200 companies who could become directors. While there are several mentoring programs being developed – and we have seen a few years' worth of Reconciliation Action Plans – these activities can only push the dial so far.

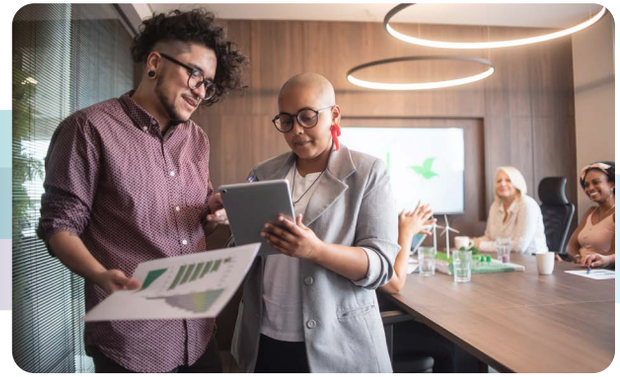
LGBTQ+ community

Companies and governments have only recently begun to even think about counting LGBTQ+ people. In Australia, ALBEI estimates between 10-15 people who identify as LGBTQ+ are currently on ASX200 boards, though we don't have enough data to work with yet.

Unfortunately, I have also noticed a disinclination of male LGBTQ+ directors and c-suite leaders in Australia to be public because they may fear career repercussions if they come out. There is some evidence supporting their concerns: a recent Sydney University study found male leaders with "traditional masculine" traits were preferred over male leaders with "feminine' traits".[15]

After the 2021 Australian census didn't count LGBTQ+ people properly, Equality Australia and other advocacy groups launched a campaign to improve the questions in the 2026 census.[16] This data will help paint a better picture of LGBTQ+ representation in the general population though we need more data from companies too.

We can safely say though the representation of the LGBTQ+ community on boards is far less than the representation in the wider populations here and overseas.



In the UK, the Financial Conduct Authority is currently looking at the diversity of the firms it regulates, including representation of LGBTQ+ people across all levels of an organisation and consideration of similar representation among customers.[17]

In the US, NASDAQ recently changed its listing rules to require all companies to publicly disclose board-level diversity statistics using a standardised template and have or explain why they do not have at least two diverse directors (this includes LGBTQ+ people). This quickly changes how data will be collected! Meanwhile, Out Leadership estimates only 30 (or 0.5%) of 5760 board seats in *Fortune 500* companies are occupied by LGBTQ+ people.[18]

[15] Gay and Straight Men Prefer Masculine-Presenting Gay Men for a High-Status Role, University of Sydney research paper by Benjamin Gerrard, James Morandini and Ilan Dar-Nimrod, 27 December 2022.
[16] ABS admits new recommendations are required to count LGBTIQ+ people properly in Census, Equality Australia, 28 September 2022.
[17] Understanding approaches to diversity and inclusion in financial services, Financial Conduct Authority, 13 December 2022.
[18] Visibility Counts: Board Diversity Research, Out Leadership, 30 November 2022.

Socio-economic background

In the UK, the City of London's socio-economic diversity taskforce has called for half of the senior leaders across UK financial services to come from working class backgrounds by 2030.[19] Further, the Financial Reporting Council and the London Business School released research showing that as gender diversity has increased on FTSE boards, the representation from lower socio-economic groups has decreased.[20]

In considering the pipeline of potential directors, several major organisations in the UK have carried out longitudinal studies that found employees from lower socio-economic backgrounds struggle to get to senior leadership positions and board roles.

A recent study by the University of Technology of three Australian companies perceived to have robust diversity and inclusion policies found that socio-economic background created significant barriers to reaching senior executive roles (and therefore the pipeline for board roles). Further, people from lower socio-economic backgrounds were treated quite differently by their peers from higher socio-economic backgrounds.[21]

Disability

People with disability remain almost entirely unrepresented on boards in Australia and the Australian Network on Disability has developed scholarships and mentoring programs to help create a pipeline of potential directors. In September 2022, the government appointed three directors to the NDIS with lived experience of disability, including the chair of the NDIS. This is a significant move as it creates leadership role models for the disability community.

[19] Breaking the Class Barrier Recommendations Report, City of London, 21 January 2023.
[20] Board Diversity and Effectiveness in FTSE 350 Companies, Financial Reporting Council and London Business School, July 2021.
[21] Leadership Diversity Through Relational Intersectionality in Australia: Research Report, OPUS at UTS report by C Rhodes, A Pullen and C McEwen, 9 January 2023.

Improving diversity on boards: possible solutions

Lack of data about the diversity of an organisation's leadership, workforce, board and customers means underrepresented groups risk being invisible – and therefore problems of representation aren't fixed because they're not identified.

The current lack of data creates a smoke screen. Good data will lead to KPIs, effective monitoring and measuring of progress.

There seems to be a systemic bias against collecting data on underrepresented people. But lack of data should not be seen as an excuse for nominations committees and chairs to fall back on instead of actively seeking talented diverse candidates. The net needs to be cast wider when seeking new directors.

We know within each underrepresented group there are talented people who could take up board roles, they just need to be identified, explained Ben Wyatt, the first indigenous director of an ASX board in a February 2023 interview with *Company Director* magazine.[22]

> "Over the past 20 years, you have seen the emergence of a cohort of Aboriginal people with significant commercial and governance experience, particularly in the governance of service providers. That is not irrelevant to the experience and skill set of a commercial board. So there are people around. You don't actually need affirmative action on this, because if you look, you will find them."
>
> **Ben Wyatt**, former WA Treasurer and current Non Executive Director

Boards need to reflect Australian society because their organisations don't just represent shareholders – they also represent end customers and clients of these companies. Therefore, it's not acceptable for boards to be stacked with overwhelmingly white, straight and upper-middle class people while overlooking the many talented diverse people in our community.

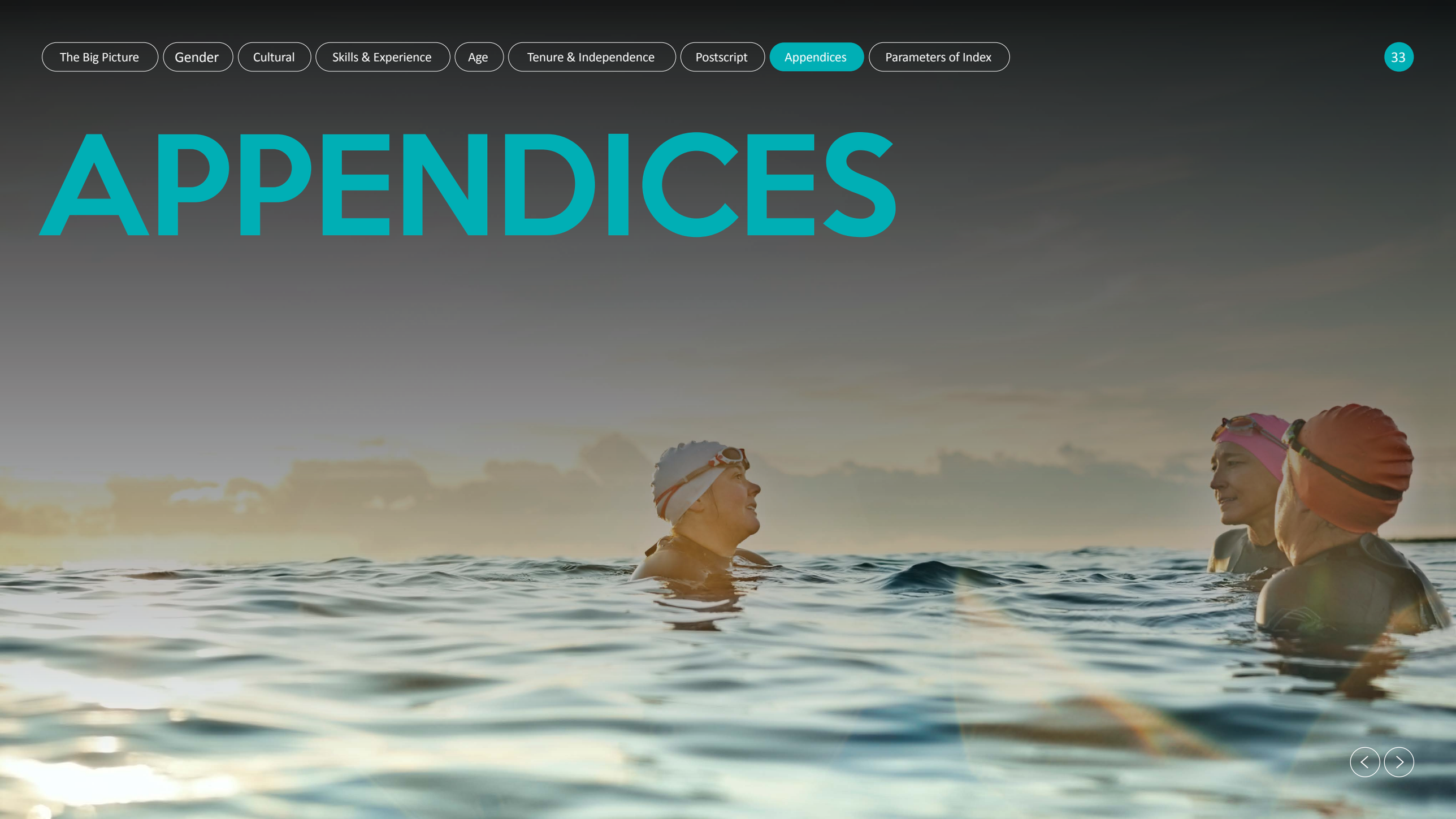
There is enough data to show diversity at all levels of leadership improves business performance – and accountability – now we need to see boards become more representative of our diverse society.

Mark Baxter is a co-founder of the Australian Association of LGBTQ+ Board and Executive Inclusion (ALBEI). He is an experienced non-executive director and c-suite executive who has served in leadership roles with several major insurance, banking and wealth management companies in Australia, the UK, South Africa and Hong Kong.

In 2018 Mark was recognised as an OUTstanding LGBTQ+ Top 50 executive role model in Australia by Deloitte and Google. Mark has a working class background, was orphaned as a teenager and is a proud member of the LGBTQ+ community. Mark's illegitimate grandmother was brought up in an infamous convent near Albury and he is still trying to discover her heritage.

[22] Alone in the boardroom, *Company Director* magazine interview with Ben Wyatt GAICD, 1 February 2023.

APPENDICES



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Global Gender Gap Report 2022, World Economic Forum, 13 July 2022

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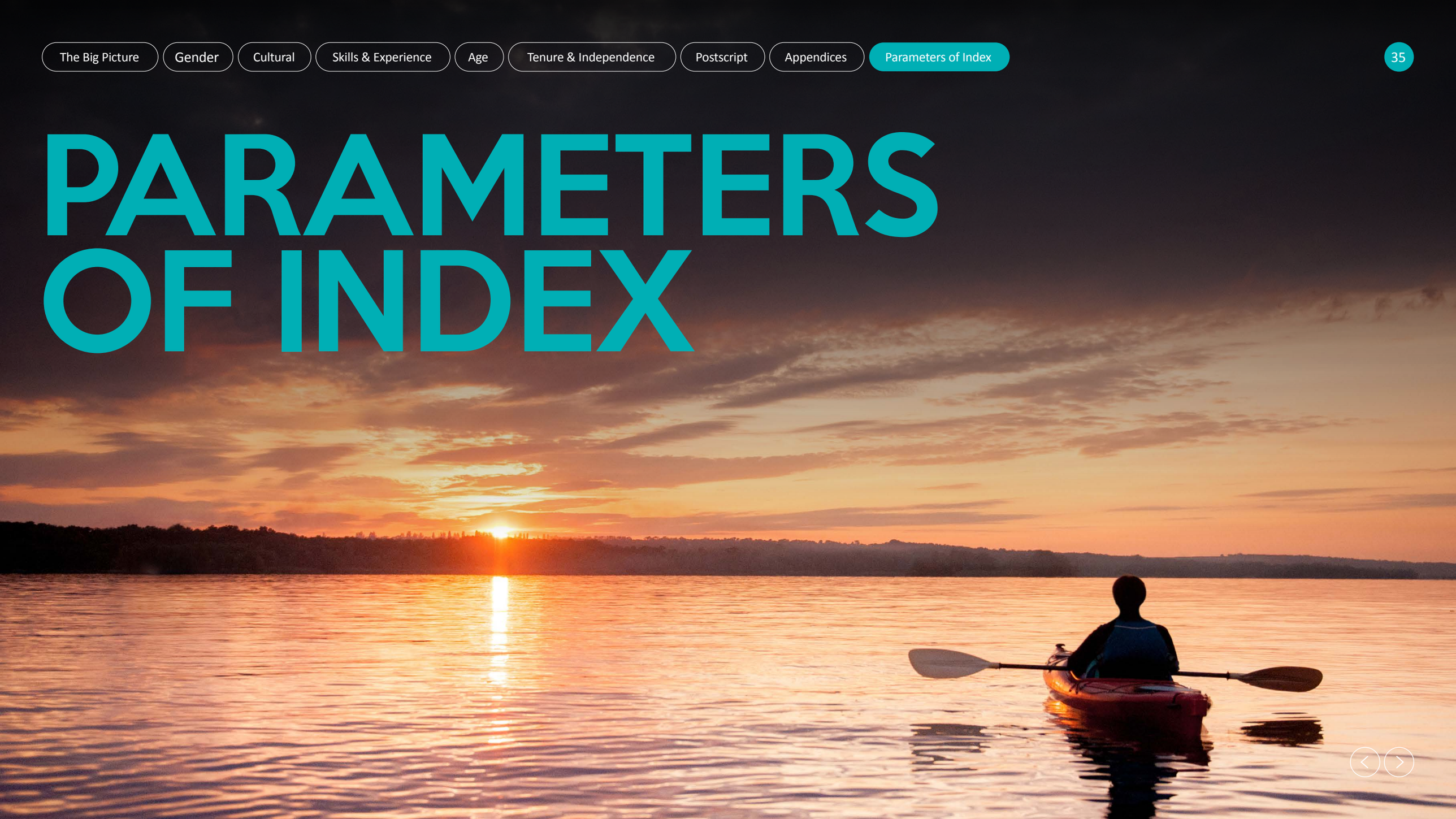
ABS admits new recommendations are required to count LGBTIQ+ people properly in Census, Equality Australia, 28 September 2022

Alone in the boardroom, *Company Director* magazine interview with Ben Wyatt GAICD, 1 February 2023

PARAMETERS OF INDEX



The 2023 study is the ninth in the series of the Index

To be consistent with our previous surveys we have again analysed data from ASX300 companies. This year's Index draws on data from 300 companies and all data was current as of 1 January 2023.

Since launching the Index in 2015 we have collected and analysed a substantial body of information about Australian listed companies and the diversity profile of their boards.

The data collection parameters have evolved over time as the study has been fine-tuned and previously unavailable sources of information have come to notice. While there is a strongly consistent set of data across the years, there are some subtle differences year to year. Therefore, it has not always been possible to compare longitudinal trends.

Wherever possible in the commentary we have compared the 2016 results with the current findings to paint a picture of trends over a more significant period than a single year.

In considering the number of board members/seats, we have included the managing director but not the chief financial officer or company secretary as members of the board. This is potentially a small source of difference with some other studies.

We generally assume a director brings **one major area** of skill and experience to a board. We recognise this is an oversimplification and does not properly acknowledge the range of skills and experience directors build over their executive careers.

Based on our accumulated board search expertise, we know specific areas of core experience are often the reason a director is invited to join the board. For example, a director who has been a partner in a law firm is unlikely to be invited to join for their mining experience, though it does not necessarily follow that they do not have any. Equally, just because a director may have mastered the analysis of P&L, balance sheet and cash flow reporting, this experience does not necessarily make them a financial expert.

When analysing postgraduate **education**, we note those holding PhDs have sometimes recorded a masters qualification and sometimes not. We have not assumed those who did not record a masters hold one, given one can progress through and obtain a PhD without undertaking a masters. We have, however, counted both a PhD and a masters as separate qualifications where they are clearly listed in a director's qualifications.

When analysing **cultural background** in some cases a degree of judgement has been applied. For some people, cultural background is quite clear; in other cases, for example where an individual has been educated in Australia but is of a different cultural background, it is less clear. Just as we have determined, for example, that someone with exposure to but not qualifications in the "financials" is not a financial expert, an Australian who has worked in Asia for a period is not the same as a director who was born and educated there. When it comes to the terminology of ethnic background, Anglo-Celtic, European, etc., we have used the same terminology used by the Australian Human Rights Commission in its publication *Leading for Change*.

When defining the independence of directors, we have considered executive chairs, CEOs/managing directors, previous CEOs/managing directors, large shareholders, nominees of large shareholders and founders as **non-independent**. We have also looked back in time, prior to a listing event, to determine if the same people have been on the board for an extended period, and if they have, we have also counted them as being non-independent.

Companies with no women on the board

Argosy Minerals Ltd
Australian United Investment Company Ltd ●
AVZ Minerals Ltd ●
Capricorn Metals Ltd ○
Carlton Investments Ltd
Core Lithium Ltd ●
De Grey Mining Ltd
Diversified United Investment Ltd ●
L1 Long Short Fund Ltd ●
Maas Group Holdings Ltd ●
Mader Group Ltd
Objective Corporation Ltd ●
Sayona Mining Ltd ●
Terracom Ltd
Tietto Minerals Ltd

● No women on board last year
○ No women on board last two years

Companies with 50/50 gender split

Adbri Ltd
ASX Limited
Auckland International Airport Ltd
Bluescope Steel Limited
BWP Trust
Centuria Industrial REIT
Charter Hall Long Wale Reit
Commonwealth Bank
Contact Energy Ltd
Deterra Royalties
Elders Limited
Healius Ltd
Hotel Property Investments
Iluka Resources
Inghams Group
IPH Limited
James Hardie Industries Plc
Jumbo Interactive
Lifestyle Communities
Lynas Rare Earths Ltd
Meridian Energy Ltd
Mirvac Group
Omni Bridgeway Ltd
Pendal Group Limited
Pinnacle Investment Management Group
Region Group
Sandfire Resources Ltd
Sims Ltd
Skycity Entertainment Group Ltd
Spark New Zealand
Steadfast Group Limited
Unibail-Rodamco-Westfield
Ventia Services Group Ltd
Vulcan Energy Resources Ltd
Whitehaven Coal

Companies with more than 50% women

Bank of Queensland
Blackmores Limited
Dexus Industria REIT
Dicker Data Ltd
Fortescue Metals Group
G8 Education Limited
GPT Group
KaMacquarie Group Limited
Pushpay Holdings Ltd
Tourism Holdings Rentals Ltd
Tyro Payments
Woolworths Group Limited

Women chairs

Including vice/deputy chairs:

Cecile Cabanis ●
Annebelle Chaplain
Barbara Chapman
Giselle Collins
Kathleen Conlon
Elizabeth Coutts
Alison Deans
Prue Flacks
Susan Forrester
Alison Gerry
Debra Goodin
Vanessa Guthrie ●
Teresa Handicott
Margaret Anne Haseltine
Debra Hazelton
Jacqueline Hey
Julie Hoare ●
Jennifer Horrigan
Yan Jia ●
Phillippa Kelly
Helen Kurincic
Anne Lloyd
Michelle Li
Jenny Macdonald
Vickki McFadden
Patricia McKenzie
Christine McLoughlin
Rosanne Meo
Sue Murphy ●
Helen Nash
Sally Pitkin
Deborah Page
Cathy Quinn
Justine Smyth
Jennifer Seabrook
Wendy Stops
Myra Salkinder
Dame Therese Walsh
Karen Wood
Megan Wynne

● Deputy/Vice Chairs

Youngest female
Jialei Tang (28)

Oldest female
Kerry Schott (78) &
Brenda Shanahan (78)

Youngest male
Jack Teoh (32)

Oldest male
Rupert Murdoch (91)

Watermark capabilities

Executive Search

Founded in 1979, we are one of the longest established Australian executive search firms. Even though we are, above all else, an Australian based firm, we have an established track record in attracting and then securing, overseas candidates. We have considerable expertise in senior executive appointments across a broad range of public and private sector organisations. Our firm has been built on a substantial body of work undertaken for publicly listed companies, private companies, professional services, state owned corporations, government agencies, departments and advisory boards.

Interim Executive

We provide immediate and high-level specialist executives with the experience to bring stability to and provide guardianship for a company during a period of change, executive absence or performance turnaround. We also assist with providing executives who deliver on projects, programmes or specialist reviews. When clients are ready to appoint an executive, we complete the assignment within one week.

Board Appointments

We believe that strong boards make for better organisations and improved business performance. In conducting searches, we do not simply look for "a name" but rather search for candidates with the relevant skills to add real value to a board. We often start our board search by working with the client to produce a Board Skills Matrix, which then informs the specific brief. Our track record ensures familiarity with the specific, and often sensitive, challenges involved in appointing Non-Executive Directors and Chairs with the right skill, personal and cultural fit.

Thought Leadership

As thought leaders, we undertake various pieces of research and market analysis to form our Agile Leadership Lessons Podcast, Annual Interim Executive Survey and Board Diversity Index. To view our current reports please click here.

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