



2022 Board Diversity Index

Watermark
SEARCH INTERNATIONAL

in partnership with

**Governance
Institute**
of Australia

Welcome

FROM WATERMARK SEARCH INTERNATIONAL AND GOVERNANCE INSTITUTE OF AUSTRALIA

About Governance Institute of Australia

A national membership association, Governance Institute of Australia advocates for a community of more than 43,000 governance and risk management professionals, equipping members with the tools to drive better governance within their organisation.

As the only Australian provider of chartered governance accreditation, Governance Institute offers a range of short courses, certificates and postgraduate study to help further the knowledge and education of the fast-growing governance and risk management profession.

Welcome to the 2022 Board Diversity Index, a comprehensive investigation of diversity in the ASX 300, now in its eighth year.

This is the third year that Watermark Search International has partnered with the Governance Institute of Australia to bring you the Index, the only national report to put five types of diversity under the microscope, examining:

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

For the first time, the Index also includes data for chairs, senior managers and, wherever possible, Indigenous directors.

This year's findings show that while there have again been positive steps forward, particularly on gender diversity (albeit at a slower pace than last year) a focus on powerful advocacy and accelerated change is now urgently required for cultural diversity.

This year's Index shows that cultural diversity on Australian boards is stagnating – they continue to be dominated by those of Anglo-Celtic and European ethnicity.

At the same time, our nation grows increasingly multicultural – an indicator that Australia's boardrooms are becoming less representative of their communities.

This insularity is not only less reflective of society, it is also not optimal for business. **Greater diversity – of all types – boosts business opportunities and prompts better decision making.** It brings a richer diversity of thinking and immense potential for innovation and growth.

So what can be done to boost cultural diversity in our boardrooms?

In the same way as it did for gender diversity, there needs to be momentum on this issue, and it needs to be driven from many aspects, with the most impactful coming from the top down. **Your board needs to look around the table and ask what action is required to ensure cultural diversity is strong at all levels of the organisation.**

More generally, renewed energy is required on all aspects of diversity after COVID-19 delayed many worthwhile initiatives as organisations dealt with the urgent issues of the day.

We know that for many women, the pandemic – and the work from home and home-schooling environment – prompted a step backwards as many carried the highest household loads. **So the return to the office – and the boardroom – and any hybrid transitions need to be done thoughtfully and with flexibility and fairness in mind.**

A powerful component of this index is the layers of data and insights it uncovers. While a record number of women are becoming directors, if we dig one level deeper, we see that just 19% of female directors hold 48% of female-occupied seats. **This reverses the gains of last year when 29% of women directors held about 51% of female-occupied board seats.** More board seats are held by a smaller number of women.

We hope you use this year's Board Diversity Index to fine tune your organisation's diversity initiatives, to help ramp up efforts where they are needed, and to keep these imperative discussions high on the agenda in your boardroom.

The compiling of this index is quite an undertaking with over 30,000 pieces of discreet data being acquired, collated and interpreted. Thank you to Rose Mulcare for collating the data and to Oleh Butchatsky for analysing the trends and composing an insightful piece.

Kind regards



David Evans
Managing Partner
Watermark Search International



Pauline Vamos
Chair
Governance Institute of Australia



Executive Summary

Parameters Of Study

While equality of gender has been at the vanguard of the diversity movement, inspired and propelled by well-organised and prominent interest groups, there is more to be gained from further diversity at the board table.

ASX 300 – Five aspects of diversity:

Gender

Cultural Background

Skills/Experience

Age

Tenure & Independence

At the same time, those other measurements of diversity, such as ethnic origin and age, have more catching up to do. This is no accident, given the contrast between the vigorous advocacy of the women's movement in Australia and the markedly less visible attempts to promote multi-dimensional diversity.

The Watermark Search International/Governance Institute of Australia Board Diversity Index is the only comprehensive analysis of Australian boards which measures diversity beyond the single dimension of gender. By analysing five types of diversity – gender, cultural background, skills, age, and tenure and independence – our study provides a more holistic measure of diversity at the board table of Australian business. Indeed, the Watermark Search International/Governance Institute of Australia is more diverse than any other study of diversity in Australia.

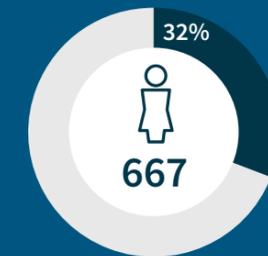
ASX 300 Companies Making Up The Index

Total number of board seats = 2053

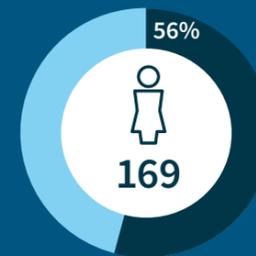
Roles filled by men



Roles filled by women



Boards with 30% or more women on their boards



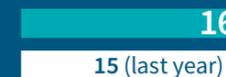
Directors with Non-Anglo-Celtic backgrounds



Boards with 0 or 1 women



Boards that were all male



Board roles filled by directors who would be seen as financial experts



27

Youngest



Director age

90

Oldest



8
Women directors exceeding 14 years of tenure

408 Directors who are Non-Independent



763 Directors with board governance qualifications



The Typical Australian Board Director

What does the typical Australian public-company board director look like in 2021/2022?

He (yes, it's still a he) is:

- Anglo-Celtic
- Aged 60
- Resident in Australia
- Degree qualified with possibly an MBA
- Steeped in accounting/finance/banking
- Independent of the executive team
- In his fifth year on the board

Doesn't this look exactly like the profile of a public-company director of 25 years ago? Has anything really changed?

The response to those questions is not simple. **Some things are changing rapidly and dramatically, others are evolving, and some others seem to be stuck.**

As our report shows, there is an undeniable, substantial and probably irreversible groundswell of change in the complexion of the boardroom. But there is still a way to go to achieve 'optimal' diversity.

Based on our analysis of trends over the past near-decade, 2030 could well be a watershed year.

In that year it is quite possible that there will be an equal number of women and men on ASX 300 boards, so the 'typical' director will be either a he or a she. If a female, she is likely to be tertiary qualified to a higher level than a male, if current trends are replicated. Whether male or female, the prototype director is probably going to be a little older and have a higher likelihood of coming from an ethnic background other than Anglo-Celtic. Not overwhelmingly more likely, but with greater probability than today.

And yes, degrees and MBAs are here to stay and so are the core disciplines of accounting/finance/banking.

Some things never change.

Some of this may disappoint those who are anxious for more rapid progress. Then again, **in contrast to the latest findings of the World Economic Forum (WEF) in its 2021 Global Gender Report, there is some room for congratulatory sentiment in Australia.** For example, the WEF predicts that, at current rates of progress, the achievement of global gender equity in the Economic Participation and Opportunity subindex (measuring labour force participation essentially) will take 267.6 years. This report comments that overall gender equity has taken a step back due to the COVID pandemic's disproportional negative impact on the wellbeing of women compared to men, "partially re-opening gaps that had already been closed".



2030 could well be a watershed year. In that year it is quite possible that there will be an equal number of women and men on ASX 300 boards."

Key Findings

The findings this year continue to depict a picture of ongoing improvement in gender diversity. While a comparison from one year to the next may demonstrate only modest positive change, there is no question about the persistence and strength of change, particularly if measured over multiple years rather than 12 months.

We reiterate the magnitude of change over time:

The number of companies with at least **30% women directors** has tripled since 2016



Cultural diversity is stagnating: **90%** of directors are from Anglo-Celtic backgrounds (same as last year)

The number of companies with zero or one female director has **more than halved since 2016**



The total number of board seats occupied by women has increased by nearly 70% since 2016



Key Findings



With the 30% Club milestone conquered, **the next target – set by Women on Boards – is 40:40:20**. Along the way, **there may well be no ASX 300 boards without a female**

director by 2026, as we predicted in our last survey.

Progress in the other dimensions of diversity covered in our survey continues to be, however, patchy and unconvincing.

Diversity of culture in the boardroom is moving in the right direction but slowly, with the Australian business board continuing to be dominated by individuals 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 reside outside Australia remains relatively steady at around 33% of the director pool while the split by region indicates a move away from

directors resident in either the UK or Africa and towards New Zealand.

Again, Asia-located directors represent a relatively small proportion of total numbers and there is some evidence, probably not statistically significant, of a decline in this survey.



In relation to directors' skills/experience, an undergraduate degree is virtually a minimum standard with 80% of all directors qualified to this level. Moreover, MBAs

and/or finance degrees are held by a sizeable number of directors. The ascendancy of the resources and technology sectors continues, and there is a continued decline in representation of engineering/manufacturing/construction expertise. Financial skill continues to be the most valued though its gradual decline in comparison with other functional capabilities is ongoing.

The average age of directors has been a remarkably steady number in the past six years, and the male director on average continues to be slightly older than his female counterpart. Looking more deeply, there is further support to the trend which emerged in our last survey: the board profile is more 'senior' than ever.



In respect of tenure, there appears to be a consolidation of the trend to cap tenure at no more than 10-years. Certainly, it continues to be rare for a director to serve more than

14-years on the same board. **Gender differences are shrinking and this year for the first time there are female chairs and directors in the 15+ time frame.**

In regard to independence, no more than one in five directors would be regarded as non-independent, a statistic consistent with our previous analyses.

Debate

The positive case for diversity as an enhancer of business success is building day by day.

While diversity is not an end in itself, even though some may argue the merits of this point of view, every business, to optimise its success, needs to deeply understand its customers well beyond the demographic metrics conventionally applied to market-measurement. Those metrics are, though, a starting point for predicting customer needs and appetites, so what better way to mirror key demographics than to have a board of directors which is sufficiently diverse to represent the market and its ever-changing profile, both locally and, increasingly, internationally? It would seem to make sense that an **ethnically diverse board**, for example, would potentially bring a better understanding of the global population it serves, a diversity of problem solving and thinking styles, and a better appreciation of the mind-set of key trading partners.

Selection of directors based on filling a category to meet the skill composition desired without considering whether the director can fill the need for varied perspectives reduces the opportunity for robust discussions and well-rounded decision-making.



Boards are increasingly recognizing that those with members who represent a good mix of age, experience, and background tend to foster constructive debate and decision-making."

Hakovirta, M., Denuwara, N., Bharathi, S. et al. *The importance of diversity on boards of directors' effectiveness and its impact on innovativeness in the bioeconomy*. Nature.com – 6 October 2020

Consistent measurement of diversity in executive teams and boardrooms has only taken place for a relatively short time, say since 2010. So, the empirical evidence for proving the business case for diversity is somewhat limited. But what there is confirms an increasingly compelling case.

Some research is now dated, such as the 2012 Credit Suisse Research Institute report, Gender Diversity and Corporate Performance, which found that during the six-year period ending in 2011, companies with female representation had better share price performance, higher return on equity, and better average growth than did those with no women on their boards.

There are dissenting opinions as well.

Katherine Klein, a management professor at the University of Pennsylvania's Wharton School, disputes that gender diverse teams give companies a financial edge. *"Depending on which meta-analysis you read, board gender diversity either has a very weak relationship with board performance or no relationship at all,"* she wrote in an article published by Wharton in 2017. Klein analysed dozens of academic studies on the subject. She concluded that *"there is no business case for—or against—appointing women to corporate boards. Women should be appointed to boards for reasons of gender equality, but not because gender diversity on boards leads to improvement in company performance."*

McKinsey & Company begs to differ and argues a forceful case for the benefits of diversity. Further to McKinsey's 2015 and 2018 reports, the strategy firm published a new analysis in May 2020, tracing the trajectory of over 1,000 companies in 15 countries since 2014. Their overall finding: *"the business case remains robust... the relationship between diversity on executive teams and the likelihood of financial outperformance has strengthened over time."* While the study analyses executive teams rather than boards of management, the evidence in favour of diversity continues to strengthen. The report found that companies in the top quartile for gender diversity on executive teams were 25% more likely to have above average profitability than companies in the fourth quartile. Even more compelling results were found for ethnic diversity, where top quartile diversity was 36% more likely to out-perform the fourth quartile.



More diverse companies, we believe, are better able to win top talent and improve their customer orientation, employee satisfaction, and decision making, all that leads to a virtuous cycle of increasing returns.”

McKinsey & Company: Diversity wins: How inclusion matters – 19 May 2020

Boston Consulting Group’s Henderson Institute has focussed on the relationship between innovation and diversity. They ask: **does diversity really drive innovation**, or are innovative companies just naturally more diverse? And their answer? Correlation does not imply causation and the evidence for causal connection is not entirely clear.

Despite this healthy scepticism, BCG Henderson has found some evidence in its May 2021 report to back the case for causality. Its data revealed that companies that appeared in their ranking of the most innovative were much more diverse many years earlier. In other words, diversity in both gender and ethnicity preceded the companies’ innovative capacities, thereby demonstrating likely causality.

Deloitte has collaborated with the Alliance for Board Diversity in the 2016, 2018, and 2020 censuses of diversity, examining and chronicling the representation of women and minorities on public company boards of directors across America’s largest companies. The 2020 analysis of public filings (up till 30 June 2020) shows 200 companies with greater than 40% diversity, an initial percentage goal set by the ABD in 2004. This is nearly four times the number of companies a decade previously.



It is deeply human to accept insights that correspond with our worldviews without questioning them. ‘Diversity drives innovation’ has become a truism, but it continues to draw critics – and rightly so.”

Johann Harnoss and Anna Schwarz, A Fresh Look at Diversity and Innovation, bcghendersoninstitute.com – 17 May 2021

As evidence mounts, so does regulatory and legislative action, especially in some parts of the USA.

In December 2020, Nasdaq proposed new rules requiring most companies listed on Nasdaq’s U.S. stock exchange to have at least one female director and one who self-identifies as an underrepresented minority or LGBTQ+. If the companies can’t meet this objective, they are required to explain why they have been unable to do so.

Part of the rationale for the new rules, Nasdaq officials have said, was an analysis of over two dozen studies that found an **association between diverse boards and better corporate governance** and financial performance. *“Nasdaq’s purpose is to champion inclusive growth and prosperity to power stronger economies,”* Adena Friedman, president and CEO of Nasdaq said when the rules were proposed.

California has also been progressive in mandating board diversity. 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 gay, lesbian, bisexual, transgender, Native American, Native Hawaiian, Alaska Native, Pacific Islander, Asian, Latino, Hispanic, Black or African-American). And companies with nine or more directors need to have a minimum of three directors from underrepresented communities. Another California law, which took effect on 30 September 2020, requires the state’s **publicly traded companies to have at least one director from an underrepresented community.**

The California laws have boosted the number of women on corporate boards but have had minimal impact on the ethnic and racial diversity of board members so far.

The state of Washington passed a law, effective June 2020, requiring corporate boards to be at least 25% female. Other states, including Massachusetts and New Jersey, have considered mandating board diversity, and Illinois requires companies to disclose their female and minority board membership.

Countries including Iceland, Israel, Norway, Italy, France, Belgium and Finland have quotas for female directors that range from 33% to 50%.



Unless we actively and intentionally include women, the system will unintentionally exclude them.”

Elizabeth Broderick AO

Governance Institute of Australia, joint partner in this survey, has long supported the diversity cause. In February last year, it launched its flagship Effective Director Course for directors in a women’s exclusive format, saying targeted action is needed to boost equality in the upper echelons of business. Following strong interest from current and aspiring female directors, the course is set to run again this year.



With this launch, we are targeting the top tiers of an organisation, helping amplify senior leadership roles for women and encouraging a new generation of female directors. To thrive – especially in times of challenge and crisis – organisations need a diverse mix of views, problem-solving skills and knowledge at the boardroom table – and this comes best from having a diverse board.”

Megan Motto, CEO, Governance Institute – February 2021



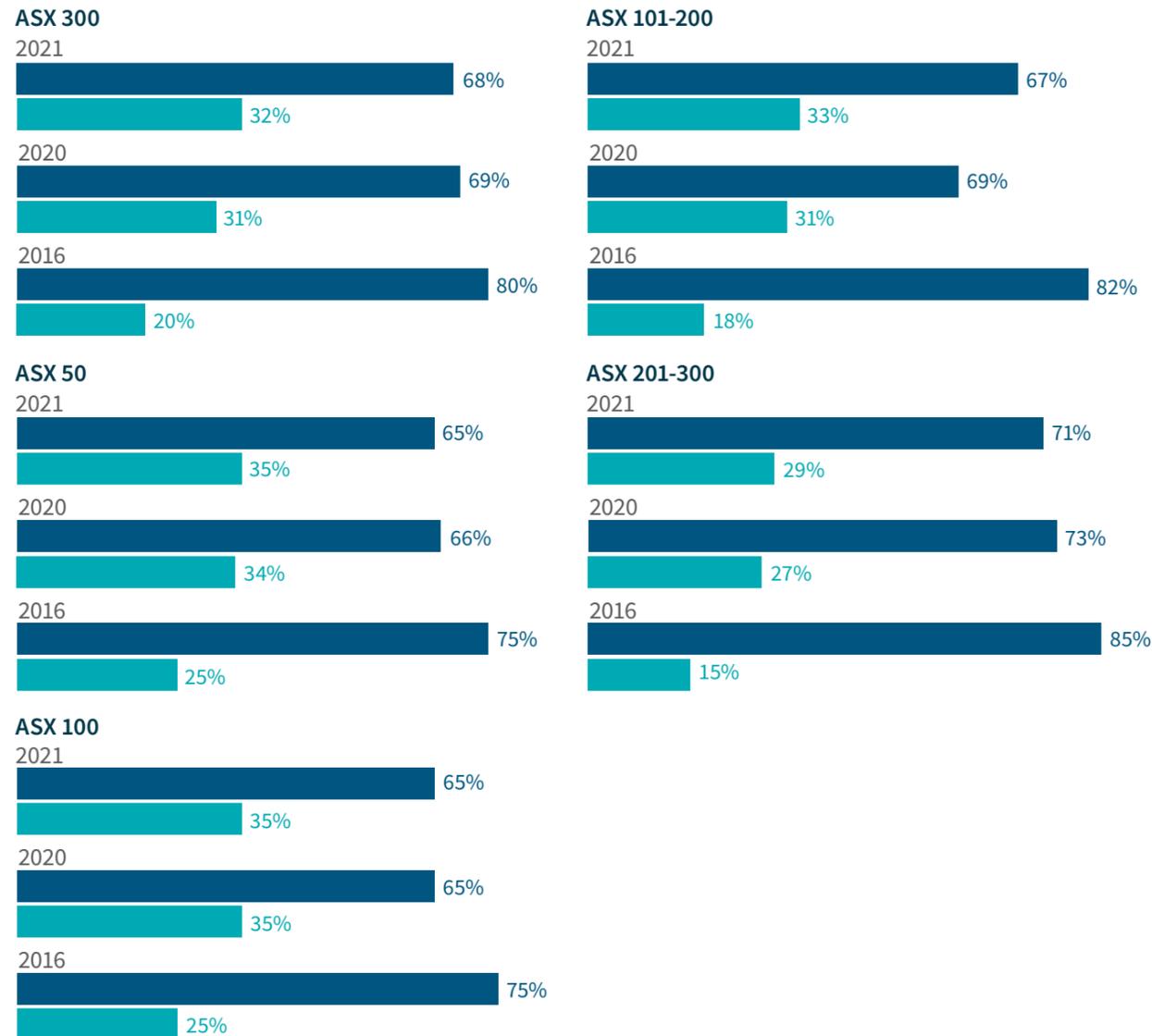
Gender

In last year's survey we declared The 30% Club had achieved its goal. The inexorable march, now towards the new target of 40:40:20 (40% women, 40% men and 20% open), continues, albeit by only a small (1%) upward movement in this survey period.

The pace of change may have slowed to some extent, with previous advances being more dramatic, but there is no stopping the momentum in Australian business. Male Champions of Change argue that 50/50 is the ultimate goal but accept that 40:40:20 is a more realistic target for the moment.

PERCENTAGES OF MEN AND WOMEN ON ASX 300 BOARDS

Men Women



As for our surveys in recent years, the larger the company the more likely that the percentage of women on the board is robust. However, there is a consolidating trend towards greater gender balance in companies of more modest size. They are not far behind now.

Furthermore our analysis is strongly consistent with other findings, such as the AICD's recently released Gender Diversity Report.

The increasing number (increasing by 5% this period), in absolute terms, of women occupying board seats is apparent in Watermark's Search Practice where it has been the case for some time that women candidates for board roles, and indeed CEO roles, are just as likely to be appointed as men.

Boards With No Women

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

There are again fewer boards with zero or one female director and more boards with at least 30% women directors.

NUMBER OF BOARDS WITH 0 OR 1 WOMEN



NUMBER OF BOARDS WITH AT LEAST 30% WOMEN



NUMBER OF BOARD SEATS OCCUPIED BY WOMEN



The number of ASX 300 boards with no women at all has stabilised around 15/16, with 'repeat offenders' from previous surveys being apparent. A sizeable proportion of these zero-players is in the resources sector, a traditionally male dominated sector... but changing rapidly of course.

The number of companies with female chairs has increased from 30 to 37 this past year, including 13 newly appointed in 2021. It is worth noting that 24 of the businesses with female chairs have at least 30% female board representation.

Comparisons With Other Data

A useful point of comparison is with the latest report of the Federal Government's Workplace Gender Equality Agency. Their report of February 2022, covering over 4 million employees (about 40% of Australia's workforce) in 4,474 organisations both private and public, states that from April 2020 to March 2021 female directors comprised 33% of all directors on boards and governing bodies. This is an increase of 3% from the previous census year. Further, the proportion of female chairs in that period was 18% (also up 3%). Further highlights include the **continued and significant decline of boards with no women** (from 30.2% to 22.3%) and an increase in boards comprising at least 60% women from 4.5% to 7.8%. A different time frame and data set, including government bodies and for-purpose organisations, but the trends are the same as those of our analysis.

On an international level, the latest OECD data compiled in March this year ranks **Australia thirtieth in the world** for the female share of seats in the largest publicly listed companies. According to the OECD, in 2021 we had 34.8% of board seats occupied by women, with the top-ranked nations being Iceland (47.1%), France (45.3%) and New Zealand (43.5%). Whilst our performance on gender at the board table is roughly equivalent to our international ranking by GDP, **we have some catching up to do** with the leaders, including some countries much smaller than ours.

Gender

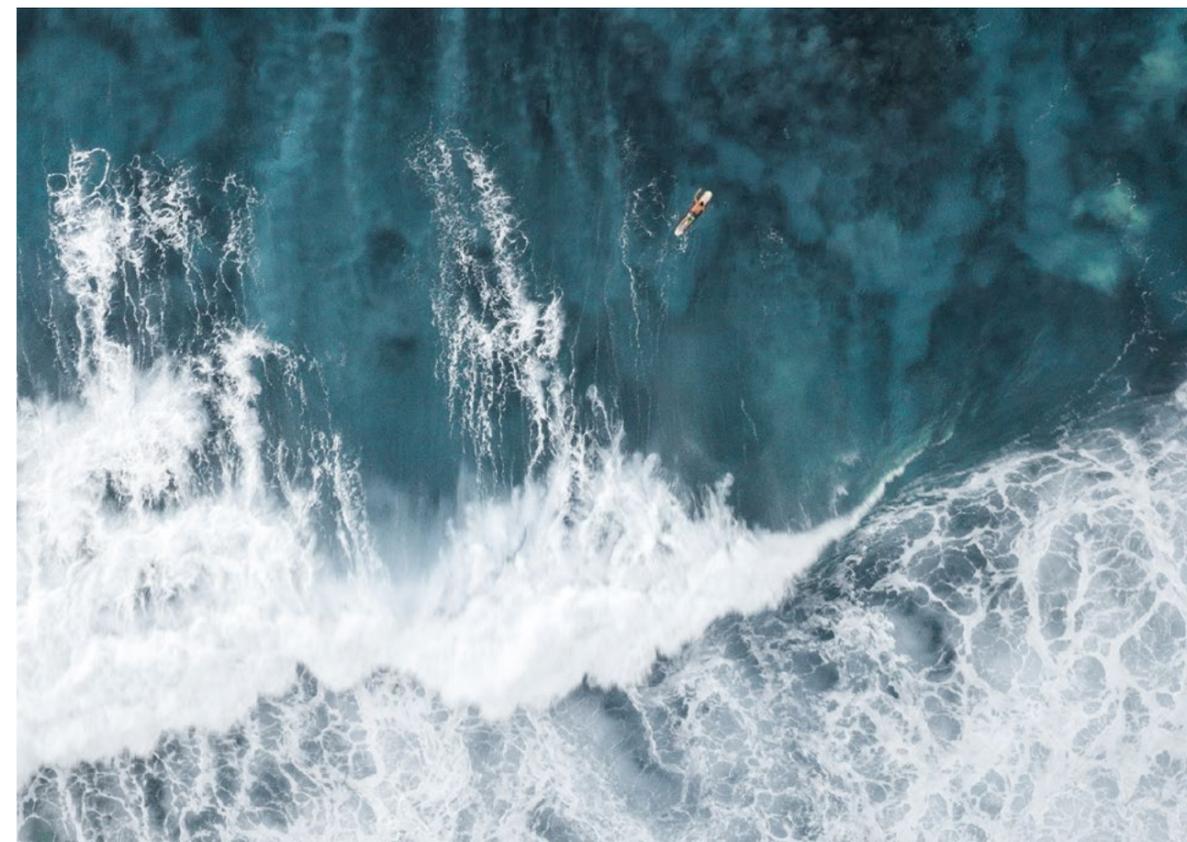
Board Concentration

The pool of women directors continues to grow steadily. Our current data records 162 women leaving boards and a record number of 194 joining, a net increase of 32 female directors. However, this positive increase has been offset by significant reversion to the 'exclusive club' of female directors, an effect that is, to some extent, a troubling aspect of the promotion of gender equality. In the current period, just 19% of female directors hold 48% of female-occupied seats.

This reverses the gains of last year when roughly 29% of women directors held about 51% of female-occupied board seats, and returns to 2019 status when 19% of women directors held 47% of female-occupied seats.

The most experienced and prominent female directors are collecting a disproportionate number of board seats, and relegating many newcomers to single-board status. This parallels the history of male board concentration in the past and is not a simple dilemma to solve in the short term. It goes to reason that **organisations want proven experience at the boardroom table**, however, it has been through a concerted focus that corporate Australia has shifted to make this positive change in appointing more diverse candidates, who at one point had limited experience.

The Watermark Search practice continues to influence where it can on encouraging organisations to be open to where diverse candidates could be and to focus the discussion on what diverse thinking or perspective they could bring to the board rather than solely focusing on the 'exclusive club'.



Cultural

In contrast to the emphatic trends emerging from our gender analysis, change in board composition on the measure of cultural diversity is moderate at best.

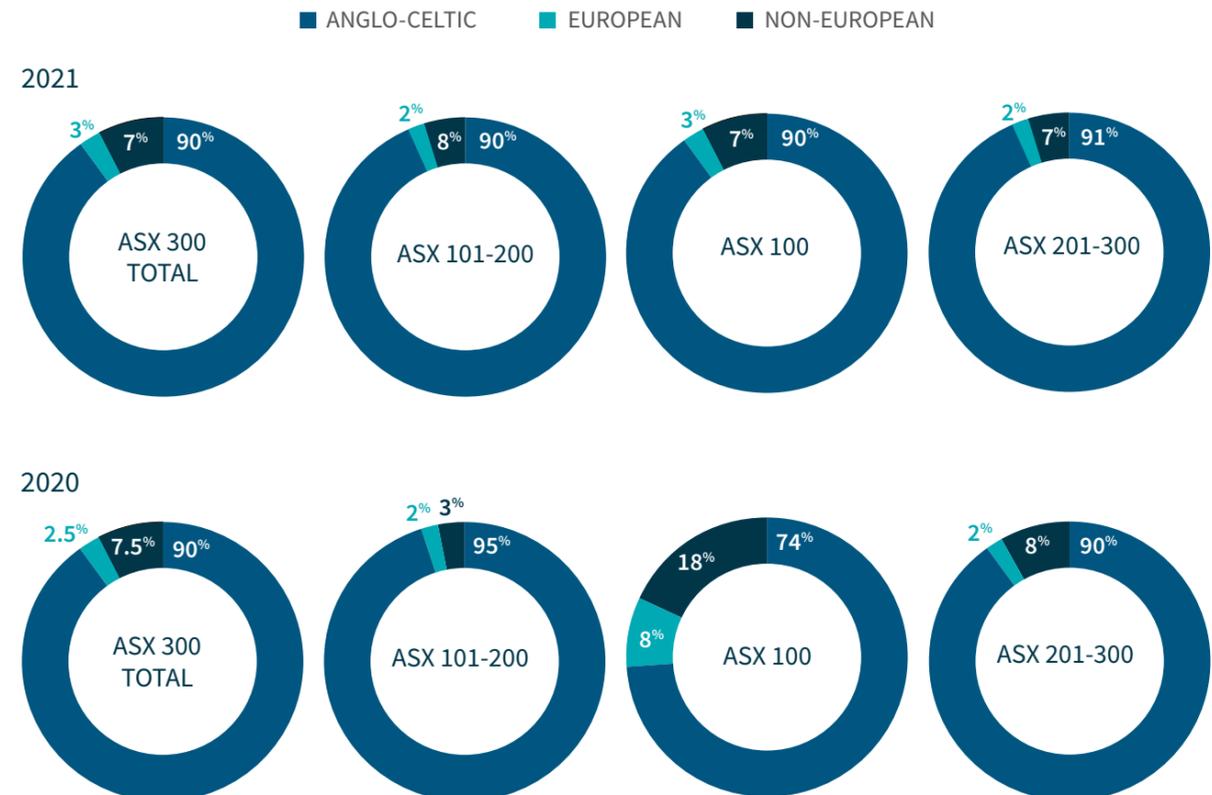
If anything, there is evidence of stagnation in this metric. Without vigorous, muscular advocacy on behalf of ethnic minorities, this situation is unlikely to change in the immediate future, despite the fact that the multi-cultural complexion of Australia's population continues to evolve rapidly.

For example, in comparison to the Australian Bureau of Statistics split of ethnic origin in Australia where Asian countries occupy six of the top ten places of international sources of Australian migrants, the Australian business board continues to be skewed towards individuals of Anglo-Celtic and European ethnicity.

As described earlier, there is statutory momentum in some parts of the United States to increase cultural diversity. It might give some comfort to Australian boardrooms that, despite legislative action, USA progress has been slow as well. America's Society of Human Resource Management (SHRM) reports (ref 2) that change has been somewhat unconvincing thus far.

SHRM's good news is that almost all (97%) of the top 200 S&P 500 companies now have minority directors (defined as Black/African American, Hispanic/Latinos, and Asian) on their boards. In fact, 71% have two or more minority directors.

2021/2020 ETHNIC ORIGIN OF ALL DIRECTORS (PERCENTAGES)



Cultural

However, despite these numbers, white individuals account for about 60% of the population but hold **84% of Fortune 500 board seats**. Within the Fortune 500 between 2018 and 2020, 974 board seats were filled by directors new to those boards. Of those 974 board seats, 81% were filled by white directors, with 53.8% filled by white men. Of the directors new to the Fortune 100, 79.9% of board seats were filled by white directors, with 52.1% filled by white men.

Hispanic/Latinos, the country's fastest-growing ethnicity, make up 18.5% of the population but fill just 2.2% of board seats on Russell 3000 companies' boards.

Black individuals represent 12.5% of the population but hold just 4.1% of Russell 3000 board seats. In addition, 37% of S&P 500 companies had no Black board members in 2019.

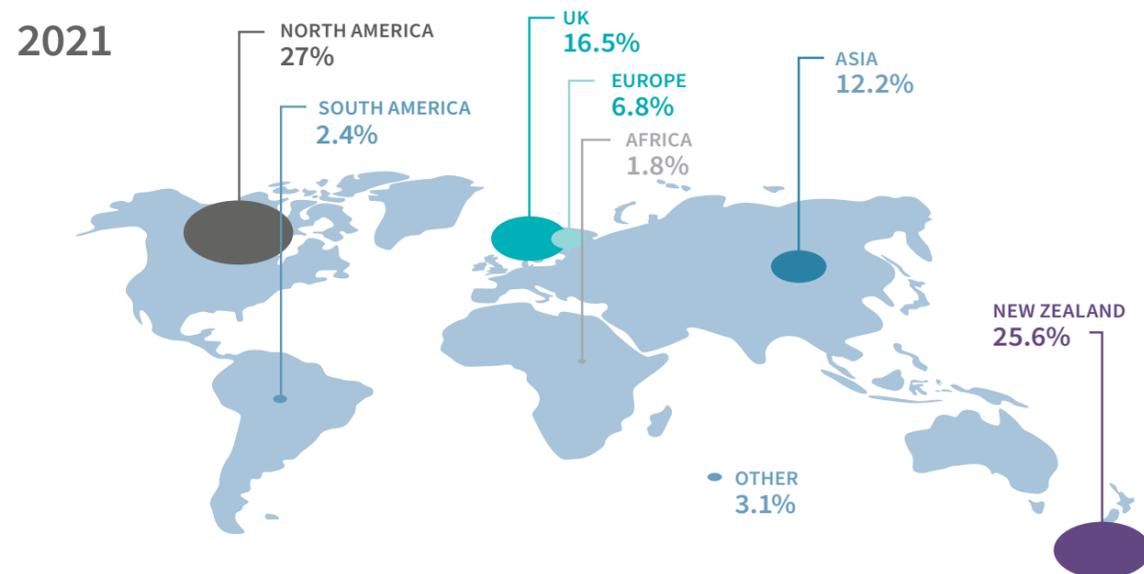
The percentage of directors who reside outside Australia remains relatively steady at around 667 directors (33%). Curiously, this percentage corresponds closely to the ABS count of Australian citizens who are born overseas. Maybe there is some consistency in all of this.

Some 230 of directors resident overseas are women, proportionately consistent with the overall gender split of board seats.

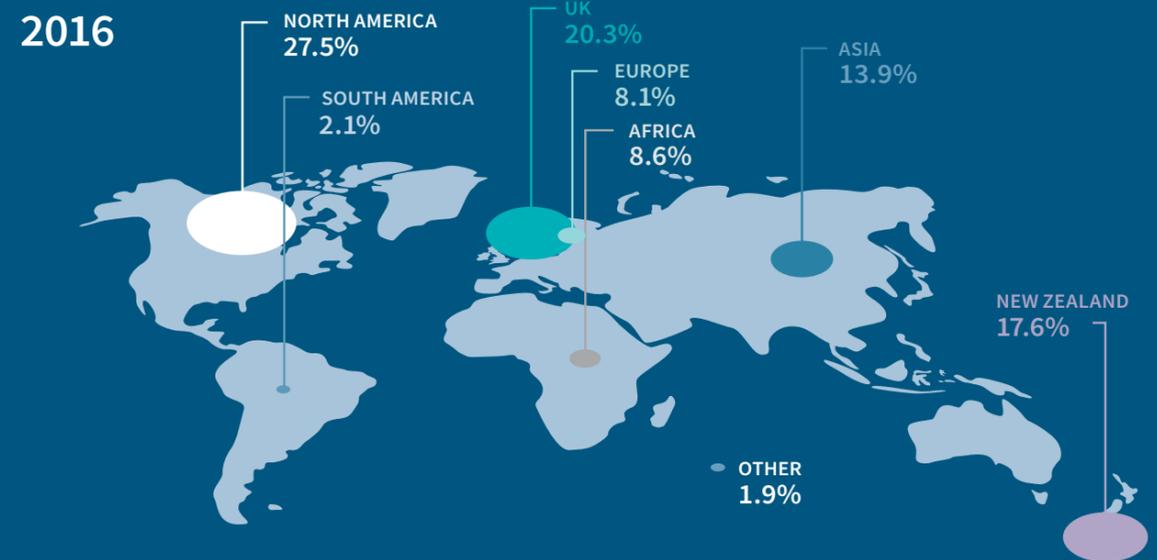
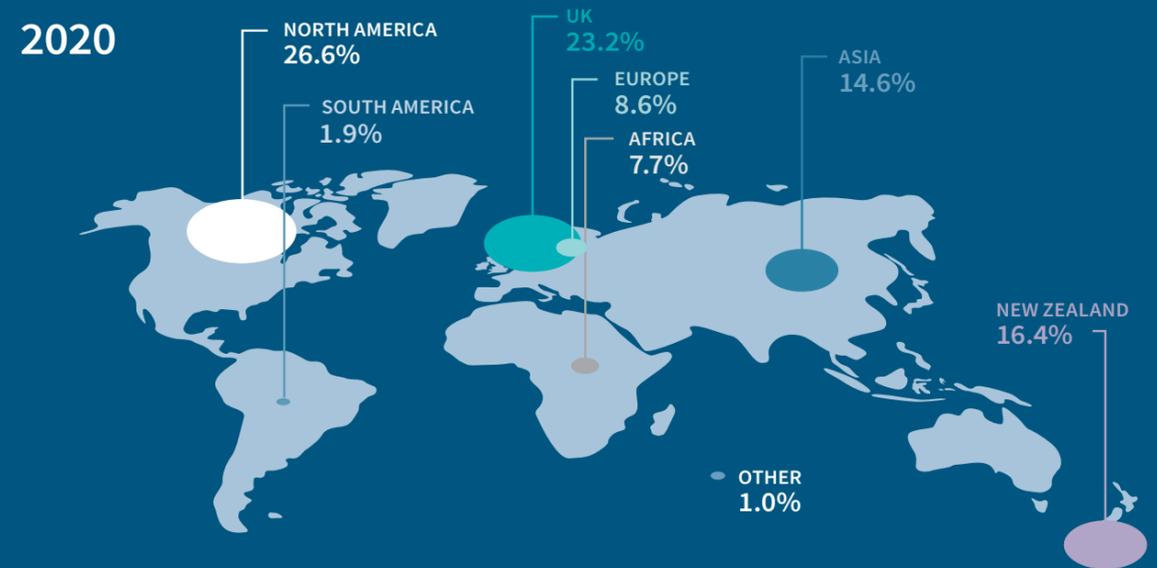
The split by region of non-resident directors indicates a move away from directors resident in either the UK or Africa and towards New Zealand. However, there are some gender differences in location with proportionately more women residing in North America and mainland Africa and less in South Africa, South America and Europe.

Again, Asia-located directors represent a relatively small proportion of total numbers and there is some evidence, probably not statistically significant, of decline in 2021.

DIRECTORS RESIDENT OUTSIDE AUSTRALIA: COUNTRY/REGION OF ORIGIN

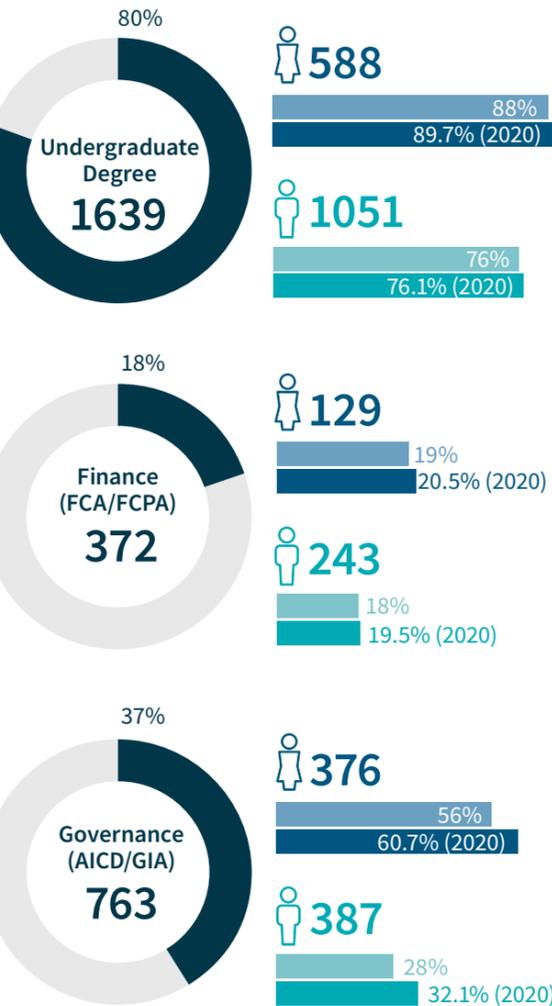
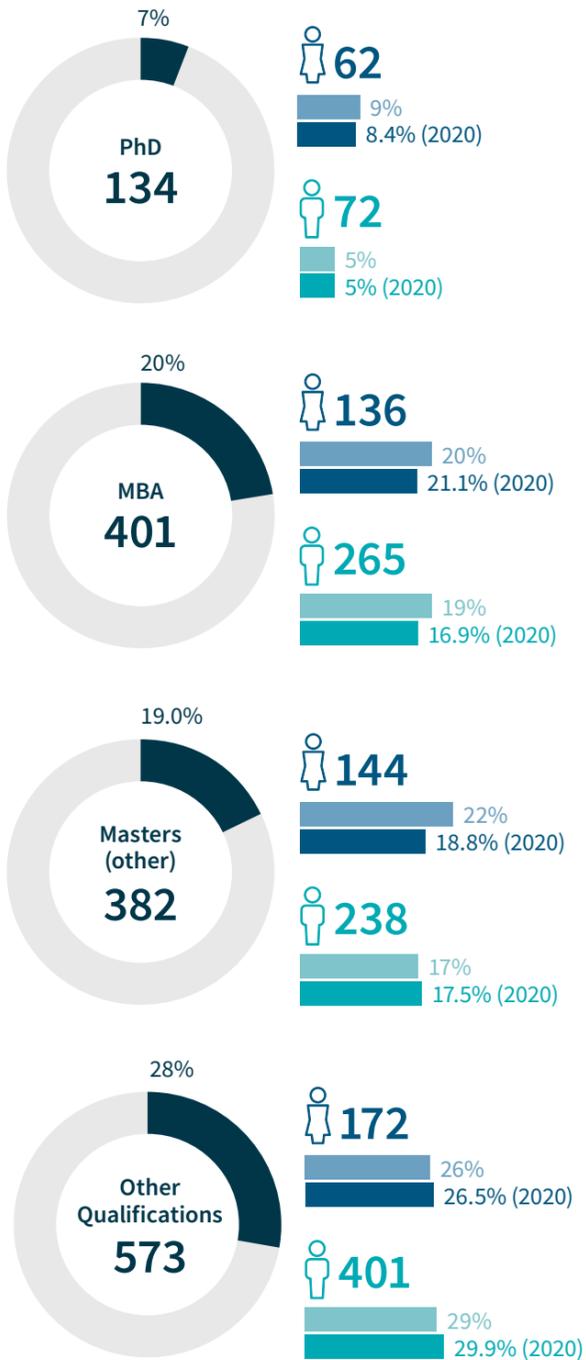


DIRECTORS RESIDENT OUTSIDE AUSTRALIA: COUNTRY/REGION OF ORIGIN



Skills/Experience

Qualifications



For another year, there has been **very little change** to the complexion of tertiary qualifications in the director community. Yet again an undergraduate degree is virtually a minimum standard with 80% of all directors qualified to this level. Moreover, MBAs and/or finance degrees are held by a sizeable number of directors. Further, as for previous years, there is a **higher proportion of women directors than men with additional qualifications**: PhDs, governance qualifications and masters degrees in particular.

Sector Breakdown

The consideration of directors' predominant sector experience provides a more nuanced analysis of diversity. There is some evidence of change, admittedly more subtle than revolutionary in most cases.

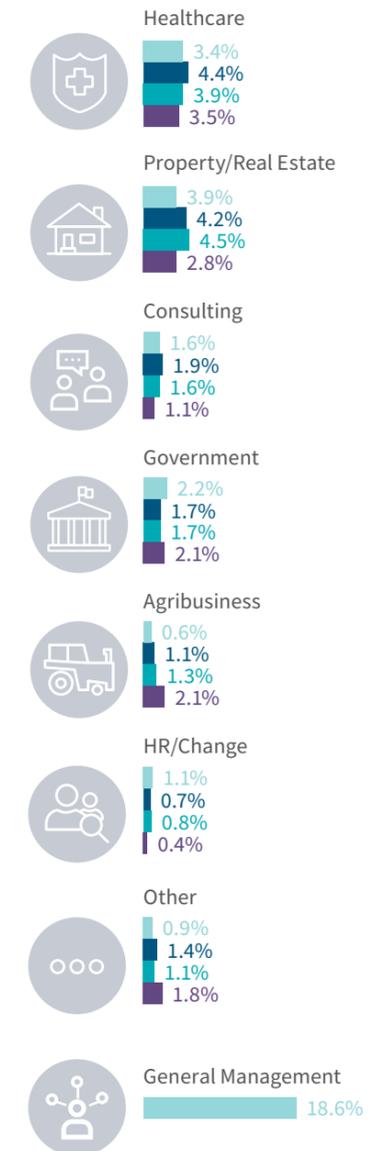
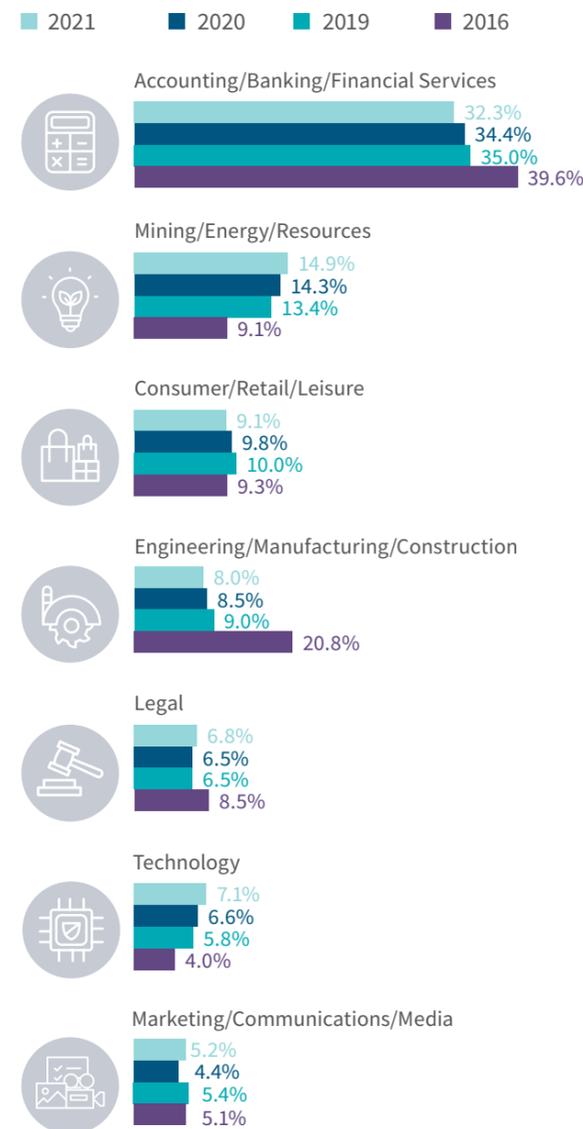
For the first time we have tracked **general management** (as defined by those who have held GM, CEO, COO and/or MD roles). In some cases, this has involved some double-counting as many of those directors with general management credentials would also validly have functional expertise elsewhere.

Some notable trends are:

- The ascendancy of the resources sector continues, reflecting its importance to the Australian economy

- The occurrence of engineering/manufacturing/construction expertise continues its decline
- Of more surprise, a declining trend in the representation of agribusiness expertise
- Technology expertise continues to grow in importance, with even more room to increase over time
- Women lawyers are commonplace on boards but continue to be significantly under-represented as property, engineering/manufacturing, education or agribusiness experts. The same metric is apparent in the general management category
- There are significantly more women experts in consulting and HR, both of which have miniscule representation at board level... a recurring finding.

Percentages of total



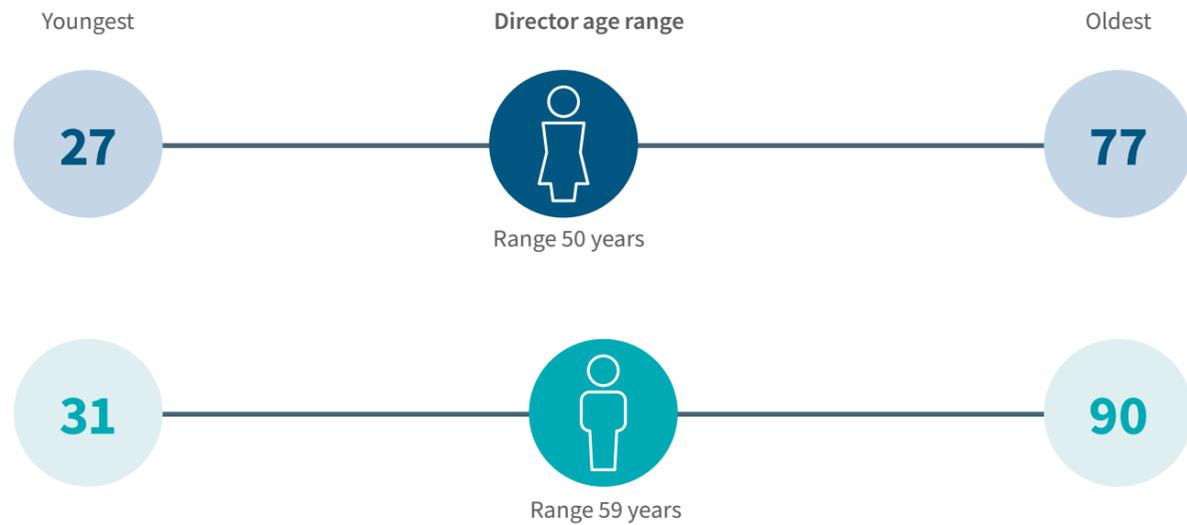
Age

Average Age

The average age of directors has been a remarkably steady number in the past five years, and the male director on average continues to be slightly older than his female counterpart. There is little evidence of differences in average age based on company size. There is some, relatively marginal, difference based on industry sector with technology and resources sectors demonstrating a younger profile.

Overall, however, youth at the boardroom table is still in the minority, even when defined as below 50 years of age. There is however a significant gender difference, with a much higher percentage of female directors being under 50. Looking more deeply, there is further support to the trend which emerged in our last survey. **A more 'senior' profile is emerging** at the board table as evidence of ageing increases. For example, in this current survey only 7% of male directors are under 50, compared to 9% last year. The comparable numbers for females are 14% this year and 17% last. While the proportion

of female directors over 70 remains the same as last year, there has been a significant increase, from 16% to 22%, for male directors over 70 in the same period. Whether this trend is healthy is debatable. As the population ages it might be expected that more executives, retired or otherwise, might choose to remain participants in commercial life. They will bring accumulated experience and wisdom to corporate governance and management. Then again, they may be seen as out of touch in rapidly changing markets, regulatory conditions and competitive environments.



The oldest male director last year was 89 and the oldest female 76.

Age Ranges

As for average age, a trend in increasing age range is also apparent, perhaps to a lesser extent than average age. As argued above, this may well be consistent with the ageing of the Australian population and ever-increasing life expectancy. Or other factors may be at play...but a trend is emerging nevertheless.

In the broad context of the diversity debate it is easy to argue that the **greater the age range on a board the better**. Possible advantages of age diversity include varied perspectives, the contrast between youth/modernity and the wisdom of age, differences in assessing emerging technologies, and the richness of connections to both new customer bases and traditional markets

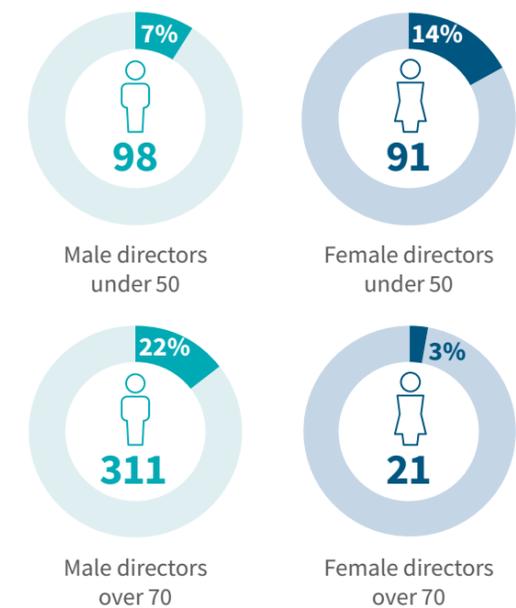
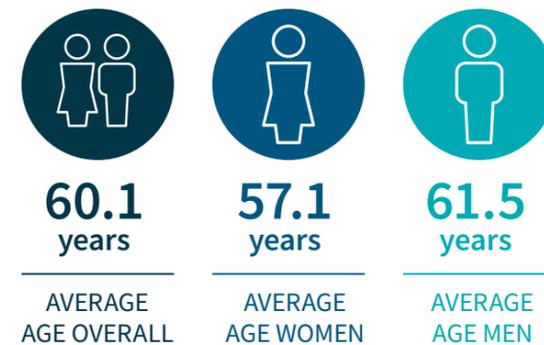
But statistical distortions can cloud the argument. When an age range on a board is wide simply because there is a long-standing, dominant chair (often from previous family-owned structures), does this represent a best-case board environment?

So, it's best to view the analysis below in the context of all other diversity dimensions. Age diversity might well be a potent force but will be more so if accompanied by diversity in other ways.

The age range within an Australian ASX listed company board is around 20 years on average no matter whether you are company Number 300 or company Number 1. True, the larger the company the wider the age range, perhaps as a consequence of more 'senior' directors in the Top 100, but the differences are minor.

If 60 is the sweet spot for the age of an individual director, it might follow that the typical age range for an ASX board is: youngest 50 to oldest 70. Intuitively that sounds right. Is it optimal?

While there are exceptional individuals who defy the age odds (see youngest above), it is widely felt that a director needs to have been through varied economic conditions and organisational environments to be of true value at board level. Does this set a notional minimum of 50? And a notional retirement age of around 70...but still allow for the many directors with the vigour and intellectual capability to continue to valuably contribute well beyond that age.



Tenure and Independence

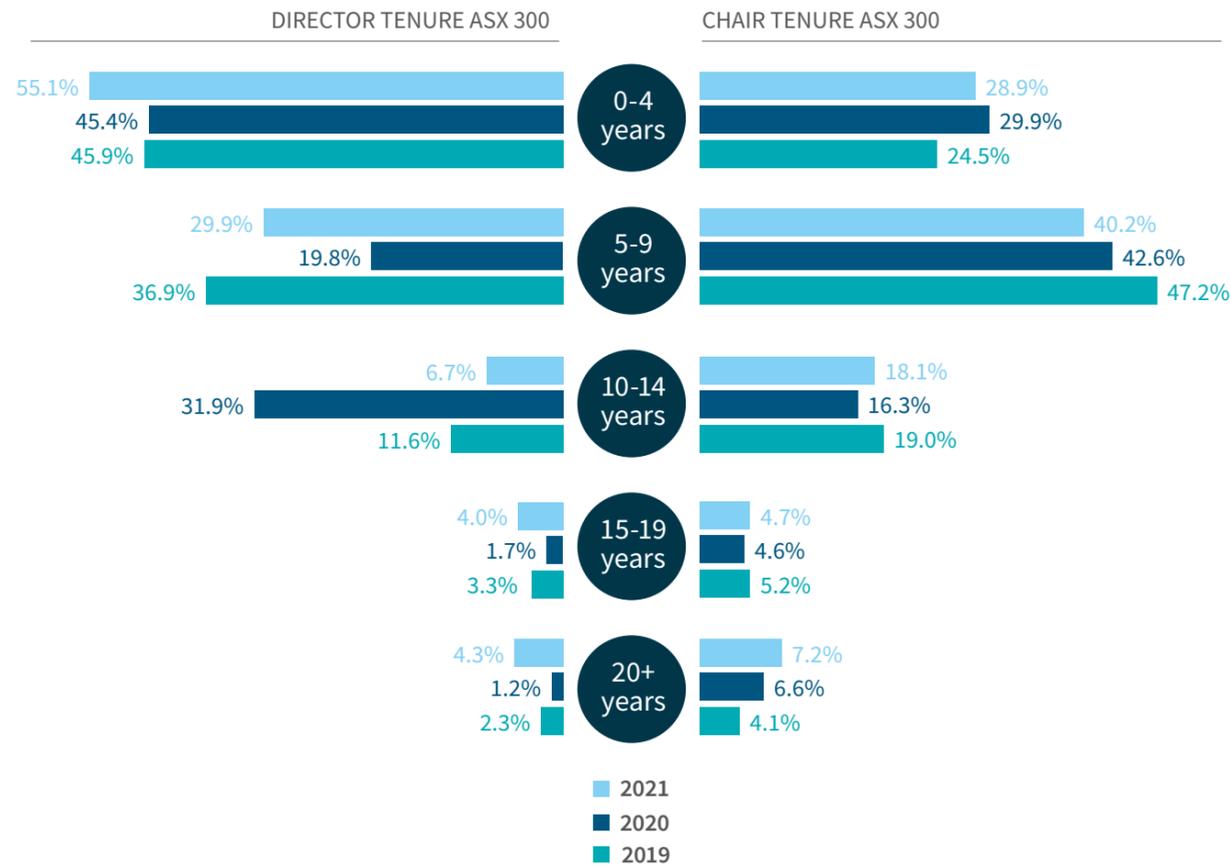
Tenure

As for previous surveys, female board tenure, both for directors and chairs, is **significantly shorter** on average than for males. But they are 'catching up', as the greater numbers of female board members over recent years and now decades make an impact. This year for the first time there are female chairs and directors in the 15+ time frame.

The total chair statistics, as presented above, are highly consistent with the breakdown being almost identical year-on-year.

For total numbers of directors, the picture is not quite so clear. The numbers have bounced around over the last three surveys, with a re-arrangement of the deckchairs being apparent. The percentage of directors who have served for less than 10 years has reverted to the 2020 figure of over 80%. This is probably a healthy

trend, increasing refreshment on the board and being consistent with **ASX Corporate Governance Council** guidelines which suggest companies should ask questions about the value of directors and chairs once they have exceeded 10 years of tenure. What is certain is that it continues to be **rare for a director to serve more than 14 years** on the same board, with only about 8% of directors in this category. Chairs are slightly more likely to be in the 15+ category but still decidedly in the minority with about 12% in this category, a number likely to be skewed by the prevalence of older chairs in companies that have converted from private to public, as referenced in the discussion on average age.

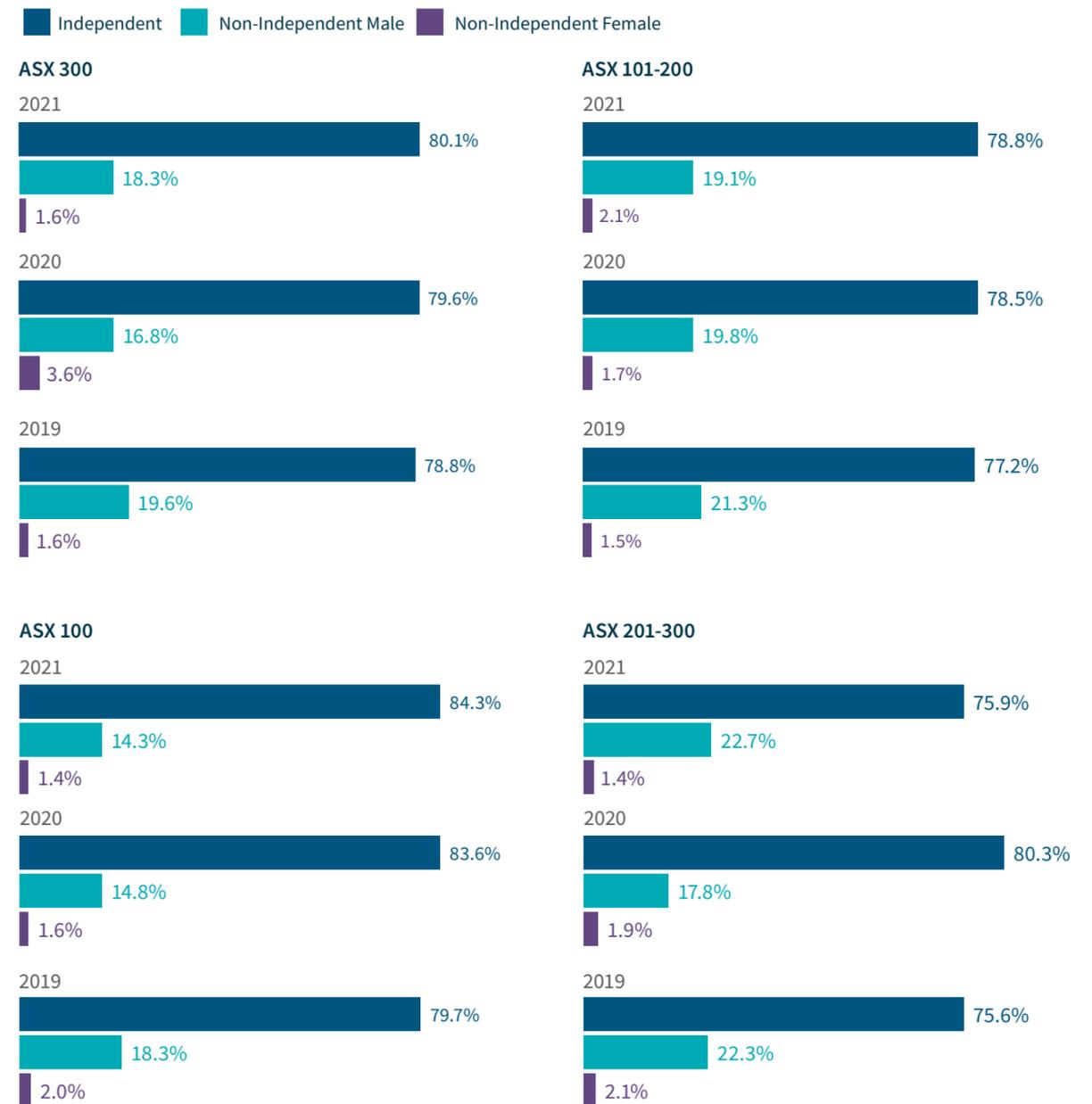


Independence

There is a trend, perhaps a slight one, to increasing independence across all 300 ASX businesses, further reinforcing that Australian publicly listed companies have a healthy independence profile. At the very most, 20.1% of directors are regarded as non-independent... one in five directors. This number falls dramatically, to about one in 15, when incumbent CEOs/managing directors (there are around 140 of them) are extracted from the non-independent category.

The greater likelihood of female independence compared to male independence is again reinforced this year. It is possible that this gap could narrow as the proportion of women at C-suite level continues to climb, so that **more women will be 'internal' appointments to boards** as they occupy an increased proportion of CEO/senior executive roles. This has yet to become apparent however.

INDEPENDENCE ASX 300 TOTAL



Appendices

References

1. Patricia Lenkov, **Myths and Misconceptions About Corporate Board Diversity**, www.tlnt.co, 1 October 2021
2. June D. Bell, **Corporate Board Diversity: Moving Beyond Lip Service**, www.shrm.org, 16 January 2021
3. Deloitte/Alliance for Board Diversity, **Missing Pieces Report: The Board Diversity Census of Women and Minorities on Fortune 500 Boards**, 6th edition, 2022
4. Australian Institute of Company Directors, **Gender Diversity Report, 2021**

Parameters Of Study

To be consistent with our previous surveys, the data analysis is again comprised of all ASX 300 companies.

This year there were 300 companies that made up the data for this survey.

The survey was conducted in 2022. All data is current as of 1 January 2022.

The 2022 study is the 8th in the series of the Index, commencing in 2015. In the intervening period 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 from year to year. Therefore, in our commentary it has not always been possible to compare trends on a longitudinal basis.

Wherever possible in the commentary we have compared year 2016's 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 source of small differences with some other studies. In terms of skills and experience we assume that a director brings one major area of experience

to a board. We recognise that this is a dramatic oversimplification and does not properly acknowledge the range of skills and experience that directors build over their executive careers.

Based on our accumulated board search expertise, we do know that 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; it does not necessarily follow that they do not have any. Equally, just as a director has probably mastered the analysis of P&L, balance sheet and cash flow reporting, it does not necessarily make them a financial expert.

Regarding postgraduate education, those holding PhDs have sometimes recorded a masters qualification and sometimes not. We have not assumed that 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.

With regard to cultural background there is, in some cases, a degree of judgement that has been applied. For some, 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 cultural background, Anglo-Celtic, European, etc., we have used the same terminology used by the Australian Human Rights Commission in its publication "Leading for Change".

It should be noted that in this year's survey we have attempted to quantify directors who identify as Indigenous. This a difficult task if one is to create this metric using only published data. We have only been able to identify a single such director this year. This is undoubtedly an underestimate. However, it is also abundantly clear that Indigenous directors would make up only a tiny proportion of the total. We will endeavour to pursue this issue in the next survey.

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 individuals have been on the board for an extended period. If they have, we have also counted them as being non-independent.

Companies With No Women On Board

American Pacific Borates Ltd
 Australian United Investment Company Ltd
 AVZ Minerals Ltd
 Capricorn Metals Ltd
 Centuria Office REIT
 Cettire Ltd
 Core Lithium Ltd
 Diversified United Investment Ltd
 ISignThis Ltd
 Jervois Global Ltd
 L1 Long Short Fund Ltd
 Maas Group Holdings Ltd
 National Storage REIT
 Objective Corporation Ltd
 Sayona Mining Ltd
 Silver Lake Resources

Companies With 50/50 Gender Split

Appen Limited
 Altium Limited
 Australian Ethical Investment Ltd
 Bank of Queensland
 Centuria Industrial REIT
 Charter Hall Long Wale REIT
 Clinuvel Pharmaceuticals Ltd
 Contact Energy Ltd
 CSR Limited
 Elders Limited
 Jumbo Interactive
 Lynas Rare Earths Ltd
 Macquarie Group Limited
 Pental Group Limited
 Sims Ltd

The a2 Milk Company
 Treasury Wine Estate
 Tyro Payments
 ZIP Co Limited

Companies With More Than 50% Women

Auckland International Airport Ltd
 Bapcor Limited
 Bendigo and Adelaide Bank Ltd
 Blackmores Limited
 Deterra Royalties
 Dicker Data Ltd
 G8 Education Limited
 Pushpay Holdings Ltd
 Skycity Entertainment Group Ltd
 Unibail-Rodamco-Westfield
 Ventia Services Group Ltd
 Vulcan Energy Resources Ltd
 Woolworths Group Limited

Women Chairs

Cécile Cabanis
 Annabelle Chaplain AM
 Barbara Chapman
 Kathleen Conlon
 Elizabeth Coutts ONZM
 Alison Deans
 Prue Flacks
 Abby Foote
 Susan Forrester AM
 Debra Goodin
 Vanessa Guthrie AO
 Teresa Handicott
 Margaret Haseltine
 Debra Hazelton
 Jacqueline Hey

Julia Hoare
 Jennifer Horrigan
 Yan Jia
 Philippa Kelly
 Helen Kurincic
 Michelle Li
 Catherine Livingstone OA
 Vicki McFadden
 Rebecca McGrath
 Christine McLoughlin AM
 Rosanne Meo
 Deborah Page AM
 Sally Pitkin AO
 Elana Rubin
 Myra Salkinder
 Jennifer Seabrook
 Diane Smith-Gander AO
 Justine Smyth CNZM
 Anne Templeman-Jones
 Dame Therese Walsh
 Karen Wood
 Megan Wynne

Age

Youngest female: Jialei Tang (27)
 Oldest female: Brenda Shanahan AO (77)
 Youngest male: Jack Teoh (30)
 Oldest male: Rupert Murdoch (90)

Watermark's 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, state owned corporations, government agencies, departments and advisory boards.

Diversity

We pride ourselves on delivering the best candidates in the marketplace for consideration by our clients.

We go further than most executive search organisations in ensuring that our clients have a gender diverse range of candidates as part of the process. Over the past three years, nearly 50% of all successful candidates introduced by Watermark were female. This is a significantly greater representation of women executives as successful candidates than any levels indicated by recent third-party studies. In addition to our focus on gender diversity, we have also had the opportunity to assist a number of Indigenous organisations secure high-quality candidates through well targeted executive search.

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 normally complete the assignment within two weeks.

Tailored And Unbundled Solutions

Watermark is very comfortable with adapting or tailoring our service offering to fit our individual client's needs. We are able to unbundle the search process to provide only the parts of an executive search or value-added recruitment services you require. Tailored services we have provided include: market mapping, managing advertised response (reviewing, culling and recommending), reference checking, selection panel attendance and scribing. This can also be scaled-down to better suit budgets or supplement existing internal resources.

Board Search

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.

Market Insights

We have a unique 'window' into both the commercial and government worlds and are available to provide informal market insights to our clients on topics such as salary packaging, hiring trends and executive onboarding.

As thought leaders, we undertake various pieces of research and market analysis to form our CFO Report, Interim Management Survey and this Board Diversity Index.

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