2024 BOARD DIVERSITY INDEX

CELEBRATING 10 YEARS OF INSIGHTS

Watermark
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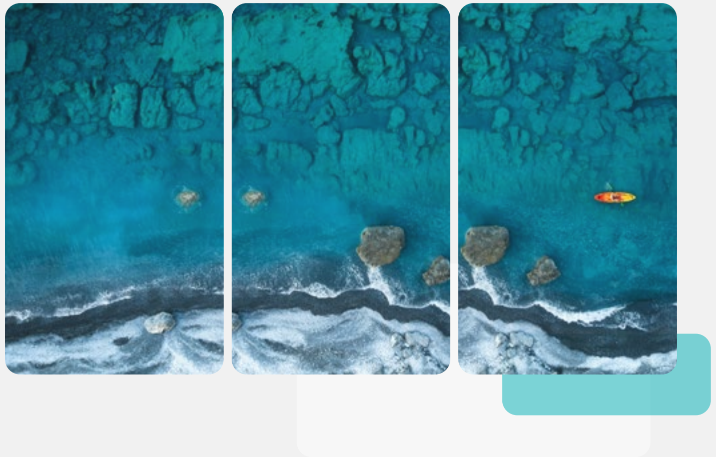
In partnership with

Governance Institute
of Australia

Contents



The 2024 *Watermark Search International Board Diversity Index* is based on reported board statistics of ASX300 boards as of 1 January 2024. Now in its tenth year, it is the only comprehensive analysis of Australian boards which measures diversity well 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 successful Effective Director Course, for example, is offered in-person and virtually to encourage participation; and recognising the need to amplify the role and presence of women on boards across sectors in Australia, the Institute also offers a women-only course for effective directors.

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A call to action …

Welcome to the *2024 Watermark Search International/Governance Institute of Australia Board Diversity Index*. Now in its tenth year, the index reports on progress towards diversity and inclusion on the boards of ASX300 listed companies.

It is still the only national report on the diversity of ASX300 boards to analyse representation of Australians in important areas such as cultural background, First Nations and LGBTQ+.

Despite our best efforts, we can't report on how many people with disability are on these boards, as none were identified. We examine this lack of representation in more detail in the postscript to this report, along with commentary from Mark Baxter, co-founder of the Australian Association of LGBTQ+ Board and Executive Inclusion (ALBEI) on why some groups continue to be underrepresented – or not at all.

This year's report shows that not much has changed in the makeup of ASX300 boards compared to the last few years. They're still mostly "stale, male and pale", so the big takeaway is actually a call to action: boards need to be more inclusive.

The work we put into preparing this report each year continues to fuel Watermark's passion for bridging the gap on boards. We do this by advocating for and mentoring talented people outside boards' usual networks of influence.

When we talk with leaders about appointing new directors on boards, we often hear them say they want to de-risk those hires by only looking for people who've performed at a comparable company. They also worry about how the public might view decisions to hire outside the traditional network.

Respectfully, our challenge to each board is this: the pool of talent you draw from can make or break public perception of the organisation. Do you want to be known for recruiting more of the same, or do you want to take a leadership position towards greater diversity and inclusion?

On many occasions when leaders hear this call to action they initially seem keen, so we come up with broader talent pools than they've previously considered. But ultimately, they still go with someone who they perceive as a "least risk hire" because they've been on the board of a similar company.

This old mindset is why we are still struggling to shift the needle on board diversity.

We want to have more conversations about the other skills, perspectives and experiences you could gain by recruiting from a more diverse talent pool – and we need to see these conversations drive meaningful change.

If an organisation still won't consider people who are yet to serve on a board, then they should at least look at the talent on other boards outside the ASX300 and they'll see that diversity is making a positive difference in government, not for profit, community and private company boards. Also consider executives who have reported to a board because they can bring useful knowledge about how organisations can serve their customers, employees and markets more effectively.

Diverse talent shouldn't be seen as risky. Instead, you stand to gain the opposite of groupthink: true diversity of thought.

We explore further in the report how improving diversity on boards encourages more business innovation, strengthens relationships with customers and broadens accountability. And, of course, diversity on a board fosters organisation-wide inclusiveness, which helps attract (and retain) great talent.

This search for talent outside the usual circles is core to our business success – we want to help make it yours, too.

Kind regards,

David Evans
Managing Partner,
Watermark Search International

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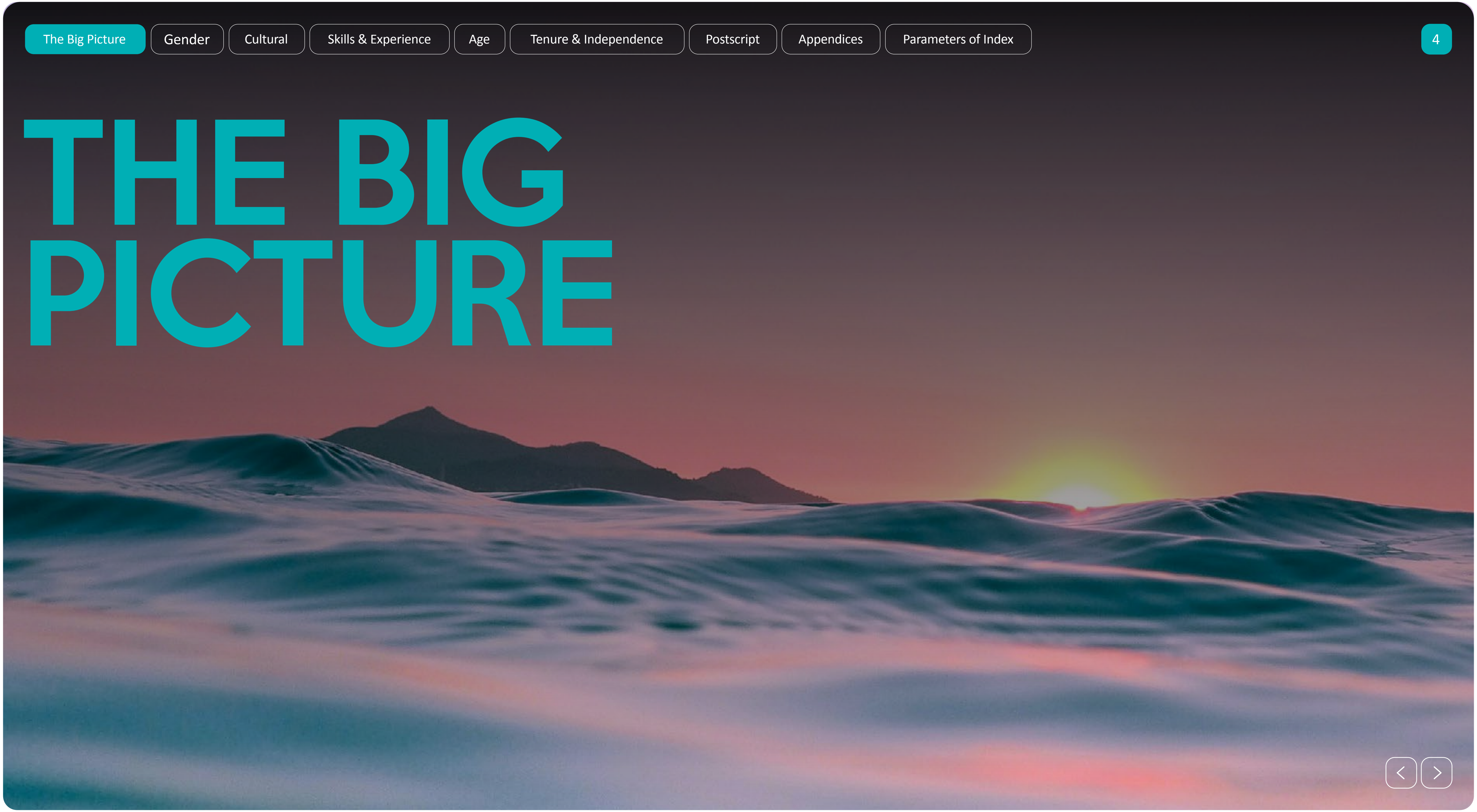
THE BIG PICTURE



A decade of slow progress towards diversity

Watermark launched the *Board Diversity Index* 10 years ago to advocate for improved diversity and inclusion on boards, building on our efforts to help organisations recruit executives (and interim executives) from more diverse talent pools.

Over the years we've seen considerable progress in some areas of board inclusiveness – mainly the rise of women on boards – though very little progress in other areas, such as cultural background and representation of LGBTQ+ or people with disability.

> "As custodians of organisational governance and strategy, directors play a pivotal role in addressing and reporting on all aspects of diversity. Over the past decade, progress has been made in female representation, but broader diversity including cultural background, disability and mix of skills remain stubbornly fixed. Governance Institute of Australia, a proud partner of the Watermark Board Diversity Index, hopes this report will encourage ASX Top 300 companies to prioritise transparency, accountability, and a culture of inclusivity on their boards, leading the way to unlock the full potential of their workforce and contribute to a more productive society and economy."
>
> **Pauline Vamos,** FGIA, FCG, Chair of Governance Institute of Australia

Gender

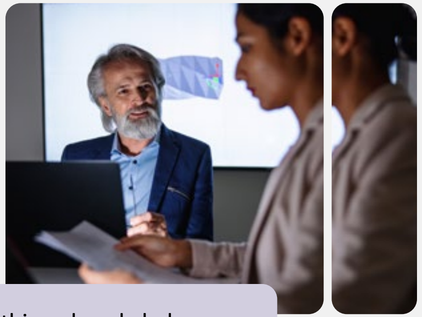
We're pleased to see more women have gained board positions during the decade, driving towards gender equality on ASX300 boards. By 2020, ASX300 boards had reached their target of 30% women directors overall[1], which signalled progress towards a gender ratio of 40:40:20 across all boards by 2030. This year 123 boards (41%) have hit the 40:40:20 target.

2024 sees gender equality on boards take another small step closer, with 36% of board positions now occupied by women, up from 35% last year.

Although this small step translates to only a sixth (16%) of boards having at least 50% women directors, there is progress nonetheless: this year more than two thirds (69%) of ASX300 boards now have 30% or more women; boards with one women has jumped to 45 (from 34 in 2023) and the number of all male boards has dropped to 13, from 15 last year.

Age and tenure

The average age of a director in 2024 has crept up to 61 (from 60 for the previous seven years), which puts them at the tail end of the baby boomer generation. While it mostly just shows directors have aged another year, there are also fewer directors under 50. The average male director is still slightly older than his female counterpart: he's 62.3 while she's 58.7. As the average tenure is less than 10 years (82% of directors), within a decade baby boomers will no longer be the dominant generation on boards.



Within a decade baby boomers will no longer be the dominant generation on boards

Cultural and ethnic diversity

Australian boards are still very much dominated by white people of Anglo-Celtic and European ethnicity. In fact, in 2024 there is now higher representation of Anglo-Celts at 91.2% than seven years ago (90.5% in 2017). The percentage of directors living outside Australia currently sits at less than a third (30%) and the proportion of directors located in Asia has dropped in the last eight years from 13.9% in 2016 to just on 10% in 2024.

In other vital areas of diversity and inclusion boards, most boards still aren't even close to being representative:

- First Nations directors have not grown in number (still 4 in 2024), although an extra board position is now occupied by a First Nations director, bringing the total to 7, up from 6 in 2023.
- Directors from culturally diverse backgrounds occupy the same number of board seats at 183 (9%) as last year.
- 4 directors openly identify as LGBTQ+ in publicly available reports, although research by the Australian Association of LGBTQ+ Board and Executive Inclusion (ALBEI) shows there are as many as 20 LGBTQ+ directors in 2024, doubling ALBEI's figures from last year.

These numbers become more disappointing when viewed alongside representative statistics on Australia's population[2].

Underrepresented groups on ASX300 boards

	2023	2024	Proportion of directors	Proportion of population
LGBTQ+	12	20	1%	8%
First Nations	4	4	0.2%	3%
Disabled	No data	No data	0%	20%
Working class	Unknown	Unknown	Unknown	Unknown

Sources: Board Diversity Index 2024, 2021 Census, Australian Bureau of Statistics

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[1] 30 Per cent Club website

[2] Australian Census, Australian Bureau of Statistics

Trends across a decade of the *Board Diversity Index*

Watermark Search International has a proud ten-year history of researching the diversity of ASX300 boards and presenting analysis on how effectively – or not – these boards are making progress on inclusivity.

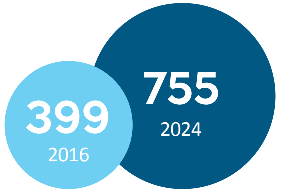
Each year we've expanded the scope of our research to help us uncover greater insights into important measures of diversity on Australian boards. We've led the way reporting on categories such as cultural diversity, and directors' tenure, experience and qualifications, and more recently we've amplified the efforts of advocacy organisations for underrepresented groups.

Ten years' worth of board representation analysis certainly shows us how Australia's boards have evolved. But it also shows us where growing public and investor demands for more diversity on boards have been ignored.

Women on boards

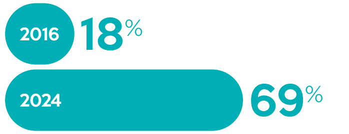
Long-term trends (2016–2024)

Women's board seats increase by 89%.



Women held 399 ASX300 board seats in 2016 and 755 in 2024.

Boards with at least 30% women nearly quadruple.

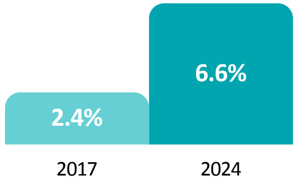


From 54 (18%) of ASX300 boards in 2016 to 208 (69%) in 2024.

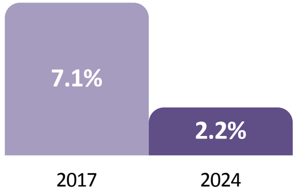
Cultural diversity

Long-term trends (2017–2024)

Percentage of non-European directors doubles, but Anglo-Celts still dominant.



ASX300 directors with non-European backgrounds have increased from 2.4% in 2017 to 6.6% in 2024.



European directors have decreased from 7.1% in 2017 to 2.2% in 2024.

Anglo-Celts remain steady (90.5% in 2017 and 91.2% in 2024).

Overseas directors

Long-term trends (2016–2024)

Asia loses directors and North America gains.

Asia

2016 13.9%

2024 10%

ASX300 directors based in Asia drop from 13.9% in 2016 to 10% in 2024.

North America

2016 27.5%

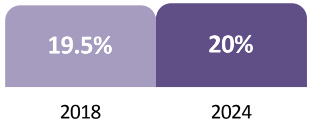
2024 32.4%

Those in North America increase from 27.5% in 2016 to 32.4% in 2024.

Directors’ qualifications

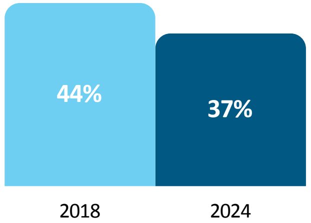
Long-term trends (2018–2024)

1 in 5 directors have an MBA.



MBAs were held by 19.5% of ASX300 directors in 2018 and 20% in 2024.

Governance qualifications decrease.



In 2018, 44% of ASX300 directors had governance training, but by 2024, it decreased to 37%.

Tenure and independence

Long-term trend (2019–2024)

84%

84% of directors stay for 0–10 years.

This proportion has remained unchanged for five years.

Sector experience

Long-term trends (2016–2024)

2016 21%

2024 7%

Manufacturing

ASX300 directors from manufacturing/construction plummet from 21% in 2016 to 7% in 2024.

2016 9%

2024 17%

Mining

Mining and resources backgrounds grow from 9% in 2016 to 17% in 2024.

40%

Accounting

Directors with accounting or finance backgrounds steadies at about 40%.

Average age

Long-term trend (2016–2024)

59.8
2016

61
2024

Directors getting older.

The average age of ASX300 directors in 2016 was 59.8 years and in 2024 it is 61 years.

2024 Highlights

2,091

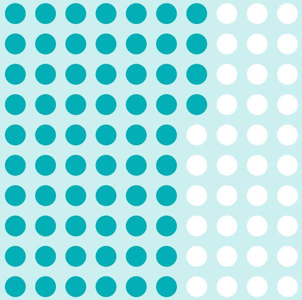
Total number of Australian board seats reported

2,068 in 2023

1,336

Roles filled by men (64%)

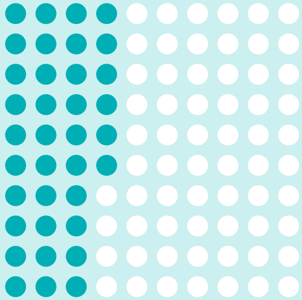
1,350 (65%) in 2023



755

Roles filled by women (36%)

718 (35%) in 2023



7 Roles filled by Indigenous directors

Held by 4 directors, same directors as 2023 | 6 in 2023

183

Roles filled by directors with non-Anglo-Celtic backgrounds (9%)

10% in 2023; 10% in 2021

40%

Roles filled by directors seen as financial experts

32% in 2022

4

Openly LGBTQ+ directors

7

Women directors exceeding 15 years of tenure

8 in 2023

779

Directors with board governance qualifications (37%)

749 (36%) in 2023

374

Directors who are not independent (18%)

or <1 in 5 directors

29

Youngest director

92

Oldest director

300

Total number of boards reported

48

Boards with 50% or more women (16%)

47 (15.6%) in 2023

208

Boards with 30% or more women (69%)

193 (64%) in 2023

58

Boards with 0 or 1 women (19%)

49 (16%) in 2023; 69 (22%) in 2021

13

Boards that were all men (4.3%)

15 (5%) in 2023; 16 (5.3%) in 2021

↑ **755**

36%

Women

35% in 2023

↓ **13**

All-Male Boards

15 in 2023

↑ **40%**

Finance Vs Other Backgrounds

32% in 2023

↑ **7**

Indigenous

6 in 2023

− **183**

9%

Non-Anglo/European

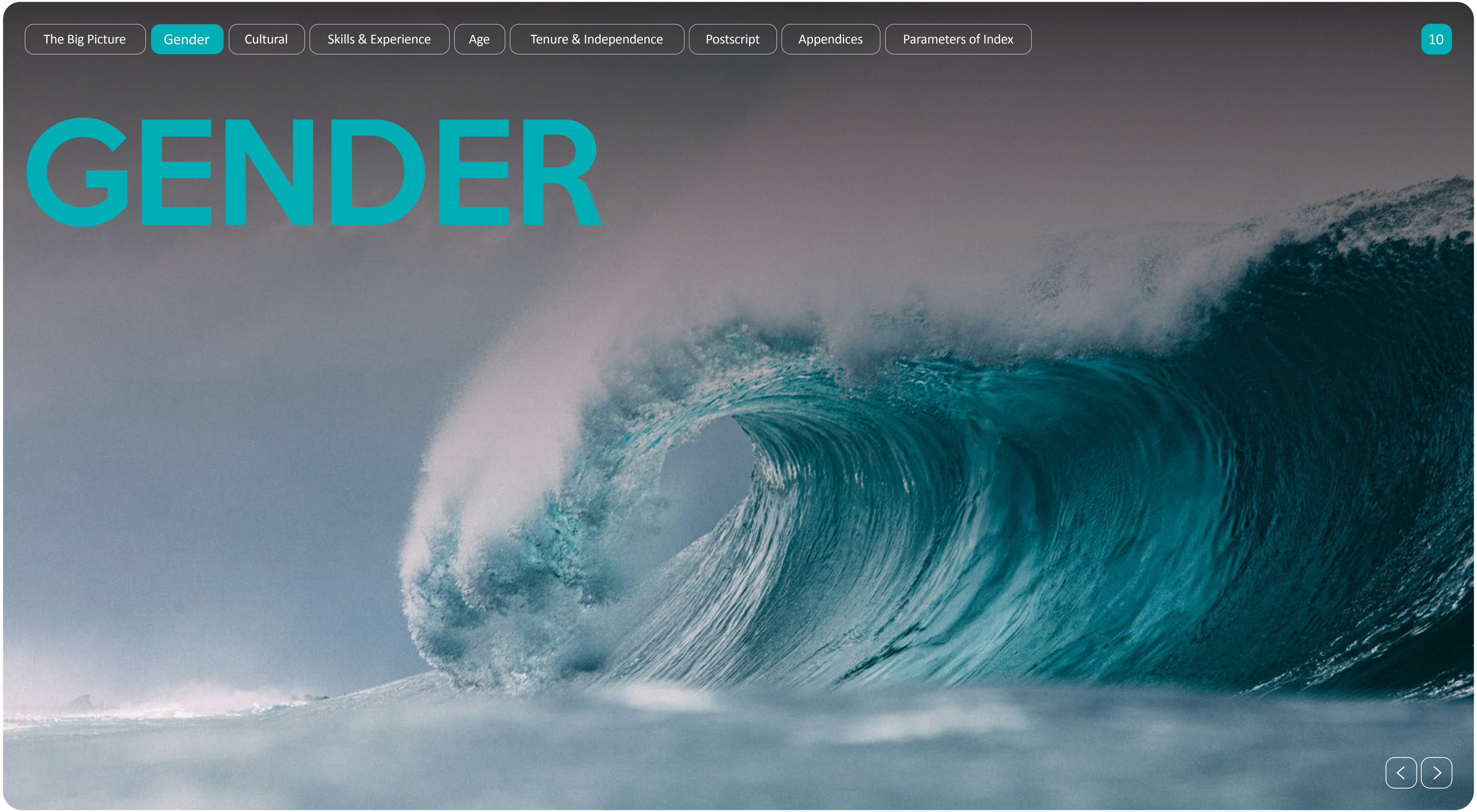
10% in 2023

↑ **61 YEARS**

Directors' Average Age

60 years in 2023

GENDER



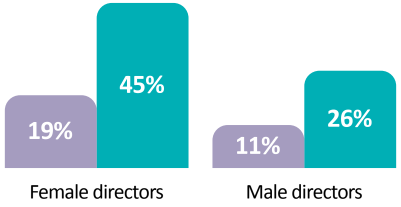
All aboard for women

Women are taking up many more seats at board tables now than they were a decade ago: 755 board seats in the ASX300 in 2024 versus 399 in 2016 (89% increase overall). Based on current trends, equal representation is still a few more years away (at least).

It's even more difficult to predict when gender representation will balance at the chair level, because in 2024 the number of ASX300 boards with female chairs is the same as last year – 40 – suggesting a slight pause since nine women were newly appointed as chairs of boards in 2022.

There are now also many more boards with at least 30% women: more than two-thirds (69%) versus the less than a fifth (18%) of eight years ago.

Just 19% of all female directors hold 45% of board seats occupied by women, compared with 11% of male directors who hold 26% of seats occupied by men.



We've previously predicted there would be no boards without women by 2026, though for that to happen the current trend would need to rapidly accelerate. In 2023 there were 15 boards with no women, this year that has only dropped to 13.

It's a faint sign of progress towards equitable representation on the boards of larger companies. We also note smaller companies are slowly increasing in female representation. Further down the ASX300 list (201–300) the percentage of women on boards has increased from 31% in 2022 to 32% in 2024 – and the number of boards with only one woman has grown to 45 (from 34 in 2023).

Businesses that walk-the-talk on diversity tend to do better at attracting top female directors, noted a 2020 Building ASX300 Board Gender Diversity report[5] by KPMG:

> “Female board members are often selective in which boards they join – they want their voices to be heard and valued. They do not want to be considered for a role merely to tick a box. Having 30% gender diversity is recognised as the tipping mechanism, that enables the dynamics of the board conversation to change. As such, female board members are often more likely to join boards with more than one female.”

The same study also found the topic of gender quotas on boards is sometimes controversial:

> “No female wants to be considered the token female on a board to reach a quota,” explained board member Jacqueline Chow. “They want to join a board where they know their voice will be heard and valued. I have graciously stepped away from board roles in the past if they have no women on them.”

Meanwhile, a March 2024 report from the Australian Government's Office for Women[4] noted gender balance on Australian government boards was well achieved last year, with women holding 51.6% of government board positions as at 30 June 2023. The Office for Women also reported 42.3 per cent of chair and deputy chair positions were held by women. 52.9 per cent of new appointments to Australian Government boards were women and 45.2 per cent of nominations by external organisations were for women.

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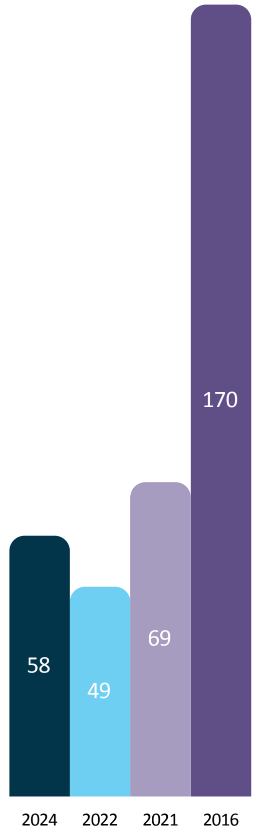
[3] Building ASX300 Board Gender Diversity, KMPG Australia, 2020

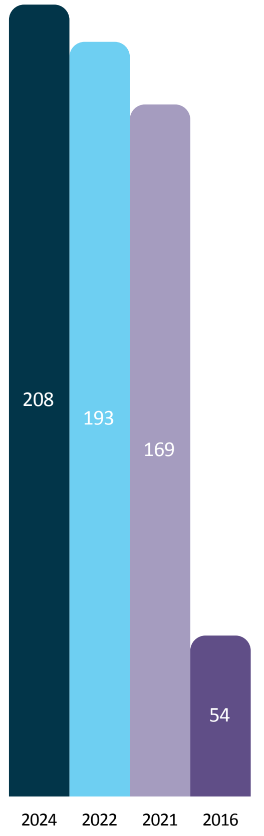
[4] Gender balance on government board statistics, Office for Women, Australian Government, March 2024

Percentages of men and women on ASX300 boards

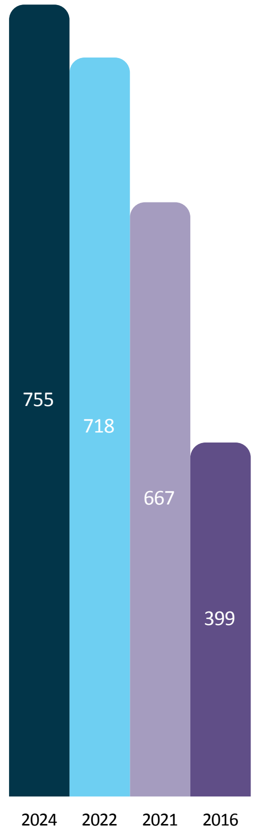
Number of boards with 0 or 1 women



Number of boards with at least 30% women



Number of board seats occupied by women



Gender diversity on boards around the world

Listed companies in other countries are increasingly required to report on cultural diversity:

UK The Financial Conduct Authority (FCA) Listing Rules[5] require companies to report on whether at least 40% of the board are women; at least one of the senior board members is a women (chair, CEO, CFO or a senior independent director); and at least one member of the board is from an ethnic minority background, excluding white British or other white groups.

EUROPEAN UNION The Women on Boards Directive adopted in November 2022[6] will require large listed companies to have at least 40% of non-executive director posts or 33% of all director posts occupied by the underrepresented sex (whether that be male or female) by 30 June 2026.

SINGAPORE The Council for Board Diversity is advocating for greater female representation on boards by highlighting the latest statistics on the progress of women on boards (as at 30 June 2023), which show women are on the boards of just 22.7% of the top 100 primary-listed companies, 32% of statutory boards and 29.5% of top 100 institutions of a public character (IPCs).[7]

> “Any organisation, whether it is a large business or a charity, needs to make diversity, particularly gender diversity, a core consideration when refreshing the board. Otherwise, a company misses out on harnessing talent as a competitive edge, and a non-profit risks losing its connection to the communities it serves. More than a moral obligation, women in leadership is simply an expected norm today.”
>
> **President Halimah Yacob**, Patron of the Singapore Council for Board Diversity (CBD), during a 30-minute fireside conversation with Ms Sun Xueling, Minister of State for Social and Family Development & Home Affairs, during which she shared leadership insights.

There’s a long way to equal pay

In February 2024 Workplace Gender Equality Agency (WGEA) released employer gender pay gap data, which shows half of all employers in Australia still have a gender pay gap higher than 9.1%.[8]

The results also show:

30% of employers have a median gender pay gap between the target range of-5% and +5%.

62% of median employer gender pay gaps are higher than 5% and in favour of men.

<5% The rest (8%) are less than -5% and in favour of women.

14.5% The national media gender pay gap is 14.5% on base pay and 19% on total remuneration.

The largest gender pay gap in favour of men is in medical and other health care services. The largest in favour of women is in social assistance services.

90% In three sectors – mining; electricity, water and waste services; and financial and insurance services – 90% or more employers have a gender pay gap in favour of men and more than 80% of those employers have a gender pay gap above 9.1%.[9]

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[5] Listing Rules – FCA Handbook, Financial Conduct Authority, retrieved March 2024

[6] Women on Boards Directive on improving the gender balance among directors of listed companies and related measures, European parliament, 23 November 2022

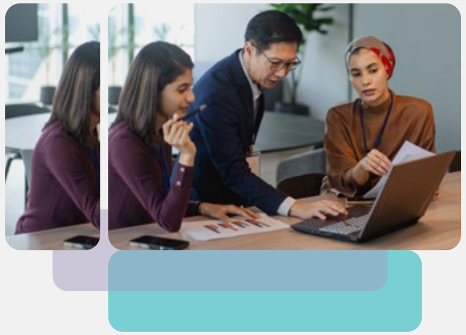
[7] Latest Statistics, Singapore Council for Board Diversity, January 2024

[8] Employer gender pay gaps published first time, Workplace Gender Equality Agency media release, 27 February 2024

[9] Employer gender pay gap snapshot, Workplace Gender Equality Agency, 27 February 2024

Analysis published in the *Australian Financial Review* showed there were just 16 companies in the S&P/ASX200 index with a median gender pay gap for total remuneration of less than 5% in favour of either men or women, which the WGEA deems as a "neutral" pay gap.[10] Graincorp was the best at paying men and women the same, with a gap of only 0.3%.

The ABC reported companies in the ASX300 with large gender pay gaps included Virgin (41.7%), A2 Milk Company (40.5%), Qantas (39.3%), AGL Energy (30.3%), Commonwealth Bank (29.8%), Westpac (27%), IAG (27.5%), and Suncorp (20.5%). The ABC's online analysis includes a table which can be searched by company name.[11]



The Governance Institute of Australia issued a media release[12] following WGEA's pay gap report calling on boards and directors to lead by example in hiring women to leadership and board positions to help reduce the gender pay gap.

The Institute highlighted figures from the 5000 Australian businesses required to report showed showing:

19% of chairs are women

34% of board positions are held by women

26% of boards don't have any women directors

◔ "a mere quarter" of boards are gender balanced.

Governance Institute CEO Megan Motto said the data shows a clear link between the number of women in leadership and board roles, and a smaller gender pay gap, regardless of CEO and Director remuneration, which has not yet been included in the current reporting:

> "What gets measured gets done, and this data should motivate boards, directors and executive leadership to take action if their organisation is lagging behind. Directors, as custodians of organisational governance and strategy, play a pivotal role in addressing and reporting on gender pay gaps."

The Institute recommends boards can improve governance across the whole of an organisation by understanding and addressing gender pay disparities. Boards hold the ultimate responsibility for overseeing performance, including matters of diversity, equity, and inclusion, added Ms Motto:

> "This type of reporting should not be merely an exercise in compliance, but a strategic, moral and ethical imperative aligned with broader corporate objectives. By prioritising transparency, accountability, action and a culture of equality, directors can unlock the full potential of their workforce, and contribute to a more inclusive society."

Business benefits

The business benefits of gender diversity championed by organisations like Governance Institute of Australia have been widely reported.

1 Increased market value

"Companies who appointed a female CEO increased their market value by 5% – worth nearly $80 million to an average ASX200 company," reported the ABC in 2020.[13] It also noted "Increasing the number of women in other key leadership positions by 10% or more increases a company's market value by 6.6% or an average $105 million."

2 Greater return on invested capital

"[Our research] found that the most diverse boards added 3.3% to return on invested capital (ROIC) as compared to their least diverse peers. With regard to gender diversity in particular, our analysis found that companies with the most gender diverse boards outperformed the least diverse in terms of ROIC by 2.6%." reported FCLTGlobal in May 2019.[14]

3 Higher credit ratings

Companies with higher proportions of women on their boards tend to achieve higher credit ratings than those with lower female representation, Moody's Investors Service said in a Dive Brief published by ESGDive on 8 March 2024[15], noting the value offered by boards with a range of viewpoints. "Companies based in advanced economies exhibit a correlation between board gender diversity and credit ratings," Moody's said. "The presence of women on boards, and the potential diversity they bring, supports good corporate governance, which is positive for credit quality."

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[10] These companies nailed the gender pay challenge. It wasn't easy, *Australian Financial Review*, 27 February 2024

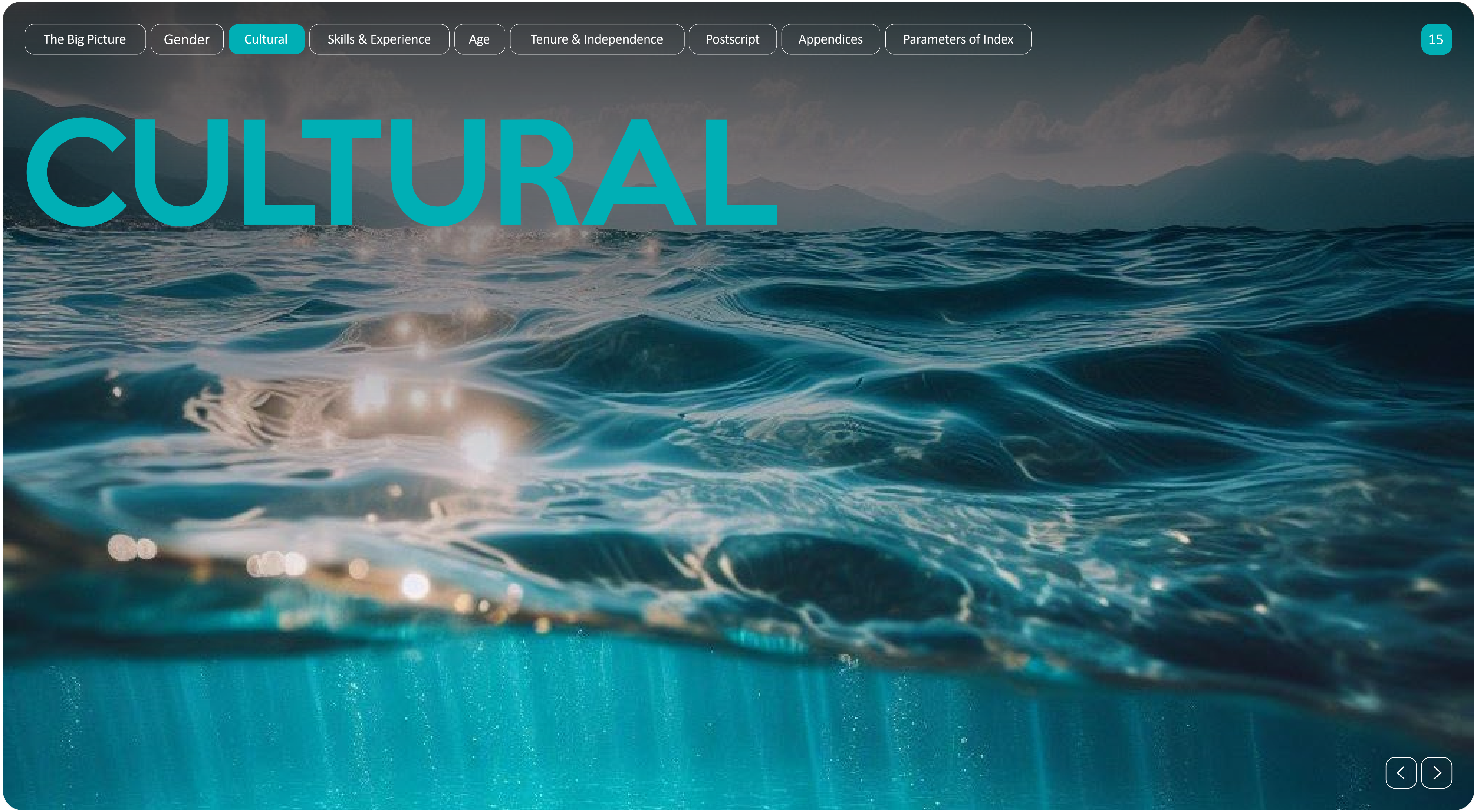
[11] Which big employers have the largest and smallest gender pay gaps? New data reveals all by Daniel Ziffer, ABC News, 27 Feb 2024

[12] Vital insights for boards from national gender pay gap data, Governance Institute of Australia, 27 February 2024

[13] World-first research shows female CEOs boost companies by $80m on average, *ABC*, 19 June 2020

[14] Data Shows That Diverse Boards Create More Value, FCLTGlobal, 28 May 2019

[15] Gender diversity on boards correlates with high credit quality: Moody's, ESG Dive, 8 March 2024

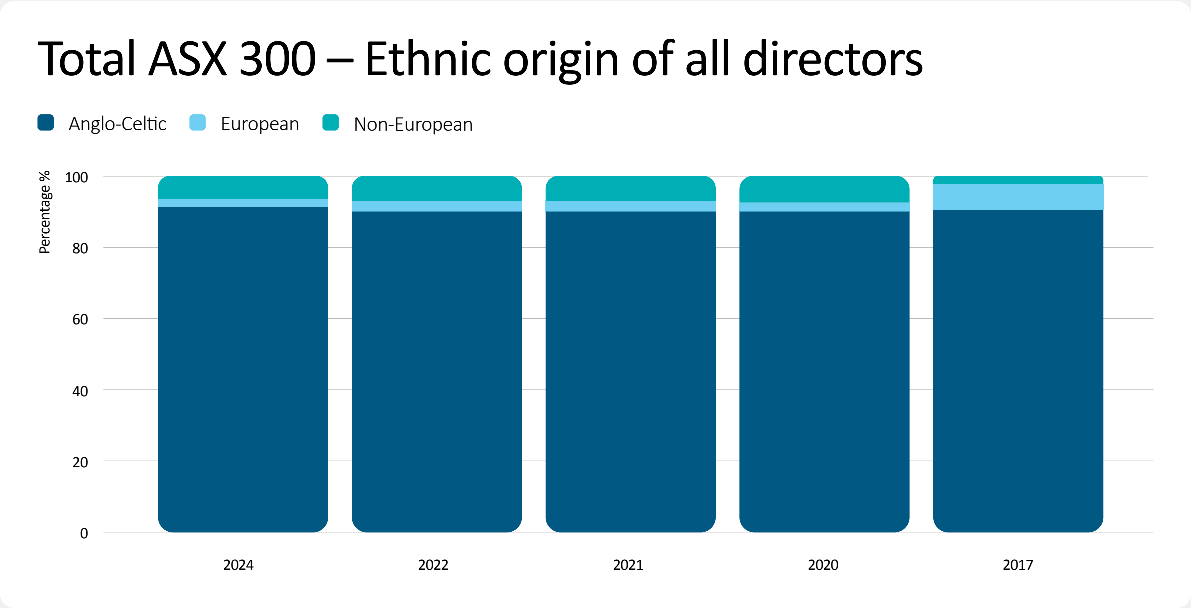


CULTURAL

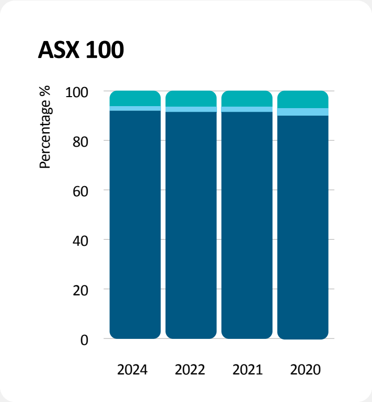
Boards are still very pale

Momentum to increase the overall cultural diversity of ASX300 boards appears to have stalled in the past 12 months, and in smaller companies it has gone backwards.

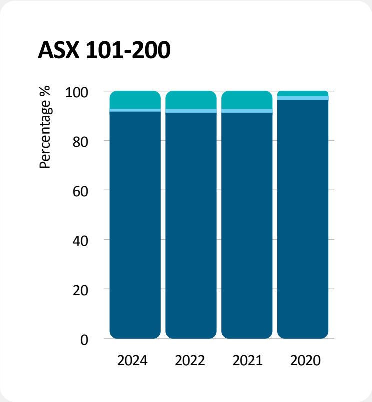
With 91% of board seats held by people from an Anglo-Celtic background, ASX300 boards could be described as the "whitest shade of pale".



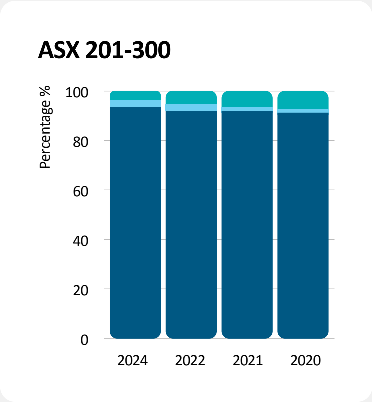
Total ASX 300 – Ethnic origin of all directors



ASX 100



ASX 101-200



ASX 201-300

The overall percentage of board seats held by directors from culturally diverse backgrounds remains at 9%, unchanged from last year. However, in ASX201–300 companies, the percentage of directors from a non-European background has dropped from 6% in 2022 to 3.81% this year.

There has been no increase in the number of Indigenous directors (4), although one extra board position is occupied (7, up from 6 in our previous index). This represents just 0.3% of total ASX300 board positions, while Aboriginal and Torres Strait Islander people make up 3.8% of the total population, according to census figures from the Australian Bureau of Statistics.[16]

In addition, as those positions are held by the same four individuals as the previous year, boards could take an opportunity to recruit more widely from existing Indigenous organisations.

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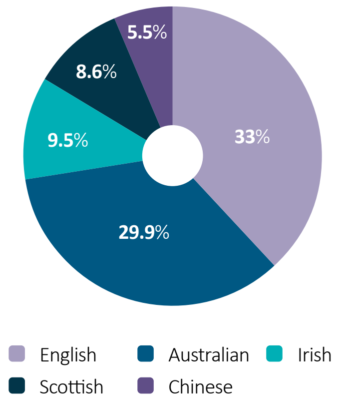
[16] Estimates of Aboriginal and Torres Strait Islander Australians, Australian Bureau of Statistics, released 31 August 2023

Australia's population is changing – why aren't its boards?

Although Australia's demographic make-up is changing, people with Anglo-Celtic ancestry still hold the majority seats on boards. The 2021 Census[17] lists English (33%), Australian (29.9%), Irish (9.5%), Scottish (8.6%) and Chinese (5.5%) as the top five ancestries.

But that census also found almost half (48.2%) of Australians have a parent born overseas and more than a quarter (27.6%) were born overseas themselves, with England, India, China and New Zealand heading the list of international birth countries.


Top 5 ancestries

Multicultural magic

We've made some progress on the gender make-up of ASX300 boards, but we're often simply replacing white men with white women from a similar background. That's a shortfall when it comes to diversity. As a recent report from Diversity Council Australia points out, "Gender equity overlooks race".[18]

Boards are missing opportunities by not recruiting directors from different cultural backgrounds – Asia, India, Pakistan and elsewhere. We consider the insights, different perspectives and cultural knowledge diverse individuals bring to a board can be a potent asset for Australian companies looking to expand overseas or to better serve communities at home.

Past research by University of Sydney academics[19] identified the following as the main barriers to cultural diversity on Australian boards:

- Limited supply of culturally diverse candidates at the executive level
- Assimilationist attitudes and Western leadership style preference
- Biased filters in promotion and recruitment and selection
- Lack of awareness and contact with culturally diverse talent
- Closed and personal circuits in the recruitment process.

Reporting and measuring cultural diversity, common in the US but currently lacking in the Australian business landscape, is a precursor to change.

The Diversity Council Australia's *Counting Culture report from 2021* guides businesses through how best to count cultural background and language for maximum organisational benefit.[20]

But measurement is just the start. It will require some muscular advocacy and behavioural changes to increase cultural diversity on our boards. That could include:

- Developing a talent pipeline for leadership roles and transparent path to board roles.
- Active sponsorship of culturally diverse individuals to break the "closed circuit" of directors networking with each other for board positions.[21]
- Increasing director numbers on boards to accommodate new entrants.
- Recognising different styles of leadership. For example, in East Asian cultures humility is emphasised over self-promotion, which in a Western context may be misinterpreted as a lack of confidence. This has contributed to a "bamboo ceiling" that prevents Asians reaching the top levels of leadership.[22]

Most important is that boards are inclusive and create an environment where diverse voices are encouraged and heard.[23] Boards with an authentic commitment to diversity, equity and inclusion have been shown to gain the most business benefits from diverse appointments.[24]

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[17] 2021 Census: Nearly half of Australians have a parent born overseas, Australian Bureau of Statistics media release, 28 June 2022

[18] Synopsis report: Culturally and Racially Marginalised Women in Leadership (Pg 15), Diversity Council Australia, 6 September 2023

[19] Beyond the Pale: Cultural Diversity on ASX100 Boards, Groutsis, Dimitria; Cooper, Rae and Whitwell, Greg, University of Sydney, 2018

[20] Counting Culture: Towards A Standardised Approach to Measuring and Reporting on Workforce Cultural Diversity in Australia, Diversity Council Australia, 17 May 2021

[21] Synopsis report: Culturally and Racially Marginalised Women in Leadership (Pg 15), Diversity Council Australia, 6 September 2023

[22] Why East Asians but not South Asians are underrepresented in leadership positions in the United States Proceedings of the National Academy of Sciences, 117(9), 4590-4600, 18 February 2020

[23] How Diversity Can Boost Board Effectiveness, MITSloan Management Review, Creary, Stephanie J; Foutty, Janet and Mitchell, Kwasi, 3 April 2023

[24] Ibid

How do Australian boards compare to the US?

In the US, improving the diversity of boards has been on the agenda for the past two decades. That's in part due to activism among institutional investors. For example, investment management firm BlackRock expects at least two women board directors on every company it invests in.[25]

An even keener focus on diversity across US society came with the #BlackLiveMatters movement, which exploded in 2020 following the murder of George Floyd by a white police person in Minneapolis. Since 2022, companies have had to disclose the demographics of their boards to comply with regulations.[26]

There have been gains in gender and racial diversity and, in general, US boards are more culturally diverse than their Australian counterparts.

But more recent surveys show a similar pattern to our Australian index, with little movement on the cultural diversity of boards in the past couple of years.

The Nasdaq has a diversity matrix template for reporting how many board members are of various races and ethnicities, as well as the number of LGBTQ+ and women directors. When Bloomberg Law did an analysis of the Nasdaq matrix, it found the percentage of boards with minority or LGBTQ+ directors fell slightly from 74% in 2022 to 71% in 2023.[27]

Among Fortune 500 company boards, there has been "uneven progress", according to the latest *Missing Pieces Report* by Deloitte for the Alliance for Board Diversity.[28] While the percentage of women and underrepresented racial and ethnic groups on Fortune 500 company boards has increased to 44.7% – up from 38% in 2020 – minority women still only hold 7.8% of seats and progress has slowed for Latinos.[29]

Like our own Board Diversity Index, the latest annual study of the S&P500[30] (listed companies in the US) by US-based firm Spencer Stuart calls out underrepresentation of minority groups, as well as gender representation. It revealed the percentage of new directors who self-identify as underrepresented racial minorities dropped to 36% in 2023 from 46% in 2022. Again, Hispanics/Latinos were vastly underrepresented.

S&P500 board snapshot:

Underrepresented minorities made up 24% of all S&P500 directors in 2023, while the US Census Bureau estimated those groups accounted for 43% of the population.

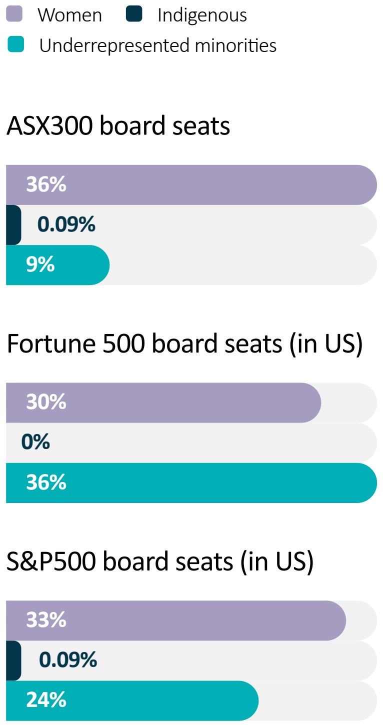
76% of S&P500 directors in 2023 were white, 11% were Black/African American, 5% were Hispanic/Latinx and 6% Asian. (General US population in 2022: Black/African American 13.6%, Hispanic/Latinx 18.9% and Asian 6.1%.)

Only 8% of S&P500 independent board chairs self-identified as underrepresented minorities.

Only five of the 5537 board members identified as fully or partially Native American or Alaska Native (0.09% of board seats vs 2.9% of the US population).[31]

Female directors accounted for 33% of all S&P500 board positions.

Comparing diversity of ASX300 board seats with the US



Sources: 2024 Board Diversity Index, Missing Pieces Report: 7th edition, 2023 S&P500 New Director & Diversity Snapshot, DiversIQ Native American Board Diversity.

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[25] BlackRock: Companies Should Have at Least Two Female Directors", The Wall Street Journal, Krouse, S; 2 February 2018

[26] Contested Nasdaq Board Diversity Rules Take Effect: Explained, Bloomberg Law, Ramonas, A; 21 December 2023

[27] Ibid

[28] Missing Pieces Report: A board diversity census of women and underrepresented racial and ethnic groups on Fortune 500 boards,7th edition, Deloitte for the Alliance for Board Diversity, June 2023

[29] Fortune 500 Board Seats For Women And People Of Color Surge – But There's Still Progress Needed, Report Says, Forbes, Bohannon, M, 15 June 2023

[30] 2023 S&P500 New Director & Diversity Snapshot, Spencer Stuart, August 2023

[31] Native American Board Diversity, Additional Stats and Further Reading, DiversIQ, Ramer, J, 9 November 2023

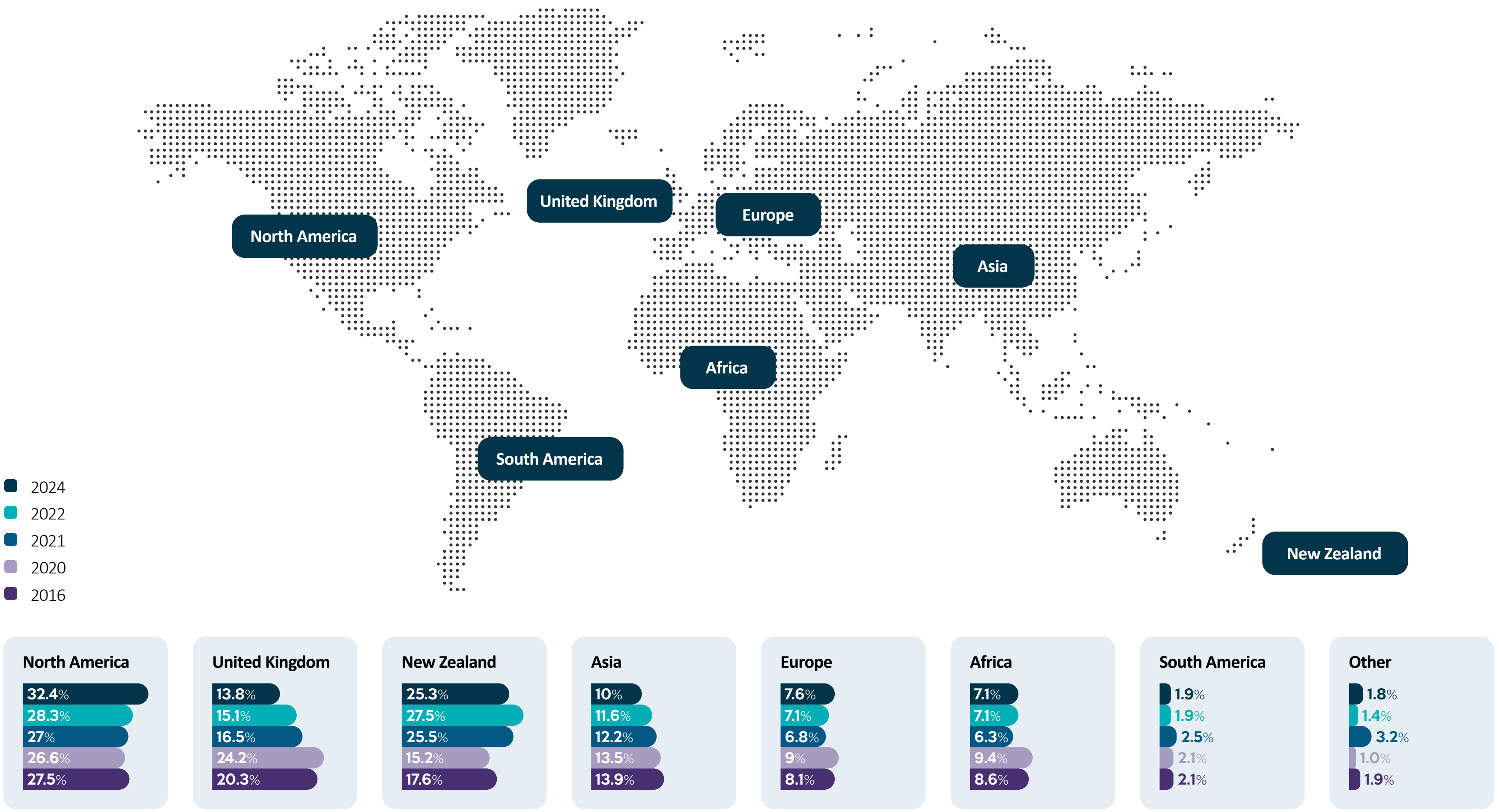
Asia under-represented again among overseas directors

The percentage of overseas-based directors located in Asia has again declined. It's now 10%, down from 13.9% in 2016. At the same time, the percentage of overseas directors based in North America has increased to almost a third (32.4%) this year, from 27.5% in 2016.

This is counterintuitive as North America is not one of our biggest trading partners; Asia is. Twelve of Australia's top 15 export markets in 2021-22[32] were in the Asia and Oceania region, according to government figures. They attracted exports worth A$471 billion in 2021-22. This represented almost 80% of Australia's total exports of goods and services.[33] (China accounted for 27%.) In contrast, the US took $26.8 billion[34] and Canada about $2.5 billion.[35]

So, are Australian companies missing out on growth opportunities by not having more directors based in Asia or from an Asian background?

Directors resident outside Australia: country/region of origin



	North America	United Kingdom	New Zealand	Asia	Europe	Africa	South America	Other
2024	32.4%	13.8%	25.3%	10%	7.6%	7.1%	1.9%	1.8%
2022	28.3%	15.1%	27.5%	11.6%	7.1%	7.1%	1.9%	1.4%
2021	27%	16.5%	25.5%	12.2%	6.8%	6.3%	2.5%	3.2%
2020	26.6%	24.2%	15.2%	13.5%	9%	9.4%	2.1%	1.0%
2016	27.5%	20.3%	17.6%	13.9%	8.1%	8.6%	2.1%	1.9%

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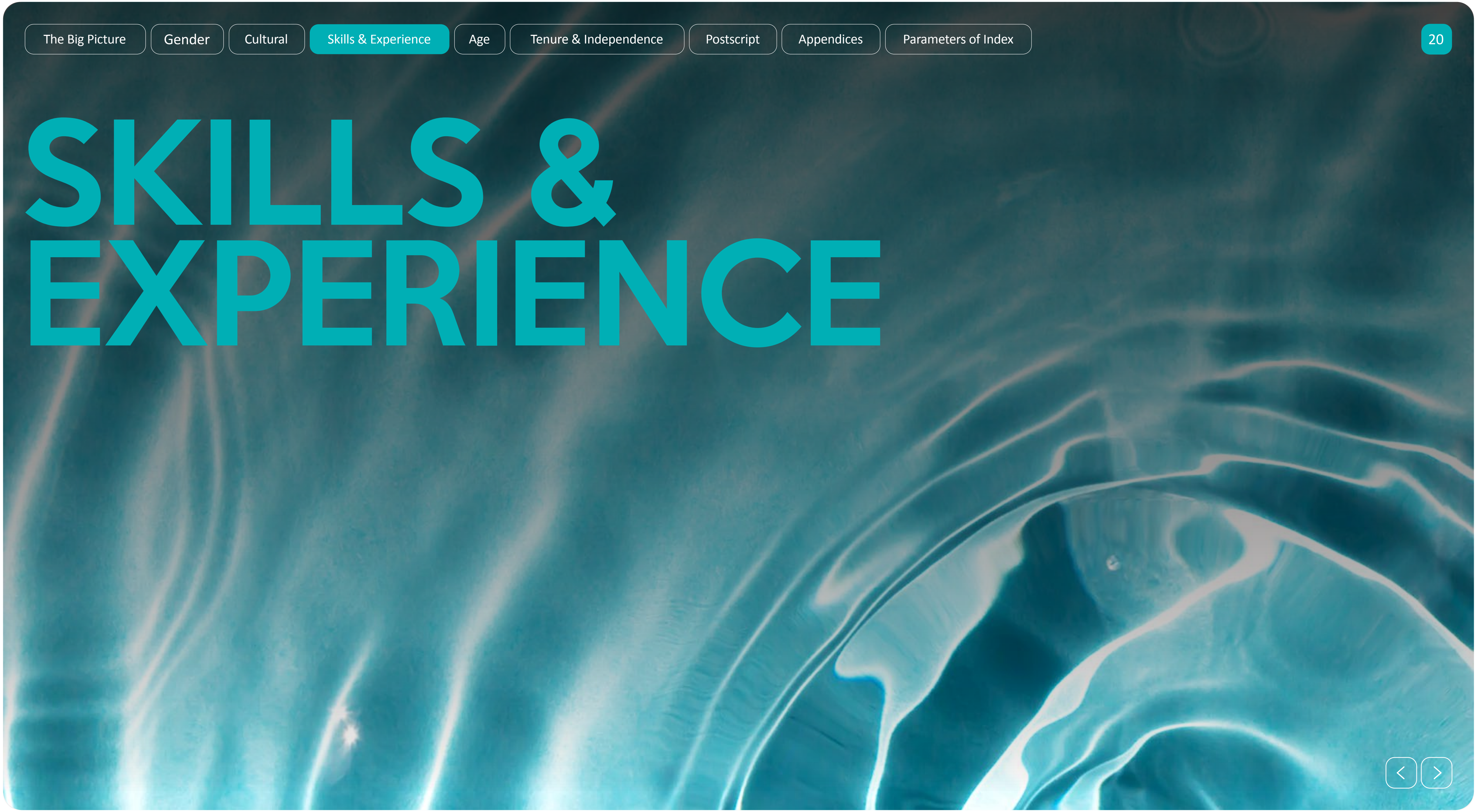
[32] Global Trading Power, Australian Trade and Investment Commission Global connections webpage

[33] Ibid

[34] Ibid

[35] Canada – Country brief, Department of Foreign Affairs and Trade webpage

SKILLS & EXPERIENCE



Directors by degrees

Year on year we've seen very little change in the percentage of directors who have earned at least an undergraduate degree: generally it sits around 82%, apart from an anomaly in 2021 when it dipped to 80%.

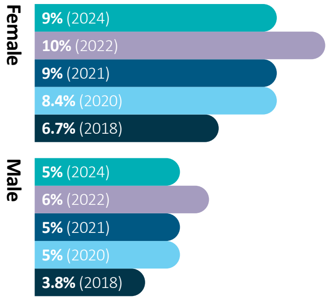
Overall, more women on boards have higher qualifications:

- PhDs have been earned by almost double the percentage of women (9% in 2024) than men (5% in 2024), and that difference has barely changed over the years.
- MBAs continue to be equally held by women and men (19%); while more women have earned other Masters degrees (20% in 2024) compared to men (16% in 2024), and again that difference hasn't changed over the years.
- Finance qualifications are almost evenly spread among women (19%) and men (18%).
- Governance qualifications are now held by almost twice the percentage of women (58%) as men (28%), though overall the proportion of directors who have earned governance qualifications has dropped since we first measured it in 2018: 58.5% women (keeping in mind there were fewer women on boards) and 39.8% men.

PhD

7%

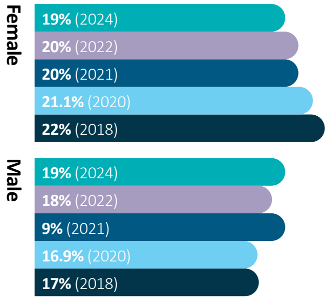
7% (2022)
7% (2021)
6.7% (2020)
5.25% (2018)



MBA

20%

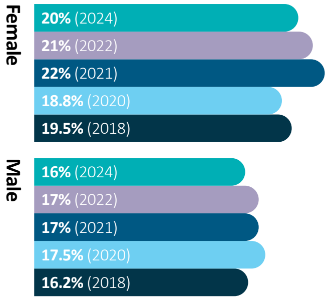
19% (2022)
20% (2021)
19% (2020)
19.5% (2018)



Masters (other)

18%

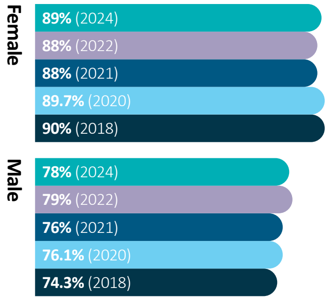
8% (2022)
19% (2021)
18.15% (2020)
17.85% (2018)



Undergraduate Degree

82%

82% (2022)
80% (2021)
82.9% (2020)
82.15% (2018)

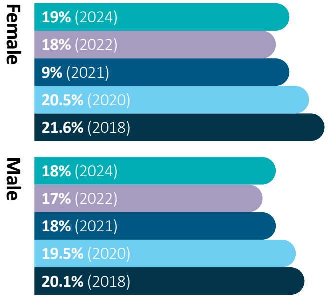


Finance

(FCA/FCPA for 2020-2022 and CPA/CA for 2018)

18%

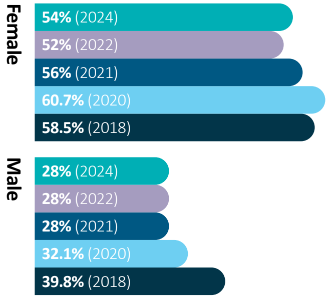
18% (2022)
18% (2021)
20% (2020)
20.85% (2018)



Governance

37%

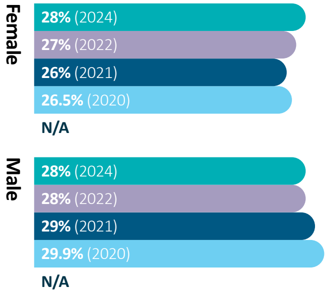
36% (2022)
37% (2021)
46.4% (2020)
49.15% (2018)



Other

28%

28% (2022)
28% (2021)
28.2% (2020)
N/A% (2018)



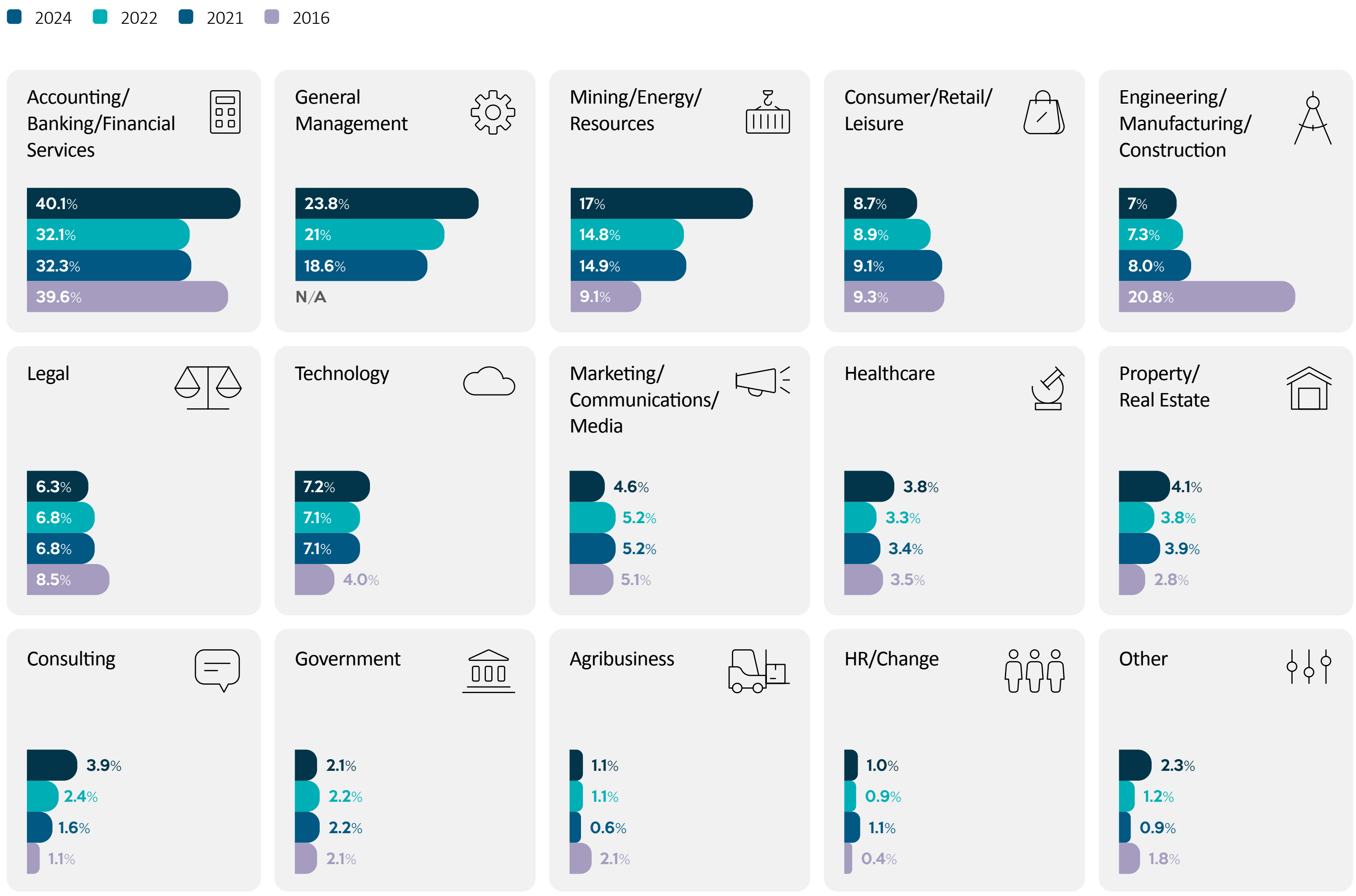
A question of balance

This year's survey revealed a substantial lift in the percentage of board directors with experience in accounting/banking/finance: it has risen to 40%, a level not seen since 2016. This increase may reflect a more conservative approach by companies when choosing directors during a challenging economic time.

> Of concern to the Watermark Board Practice is the apparent backwards step by ASX300 companies to a default position of what are perceived to be "safe" skillsets. Our view is that Boards should reflect the changing societal demographics, the external environment and an organisation's customer base".

Shareholders are increasingly looking towards the contemporary boardroom who bring fresh, current and future-focused mindsets to challenge and foster diversity of thinking. We are increasingly being asked for director's who bring expertise in digital and cyber, customer, marketing, human capital and entrepreneurial backgrounds. There is an appetite to have a genuine skills matrix with a range of experiences across the spectrum to position Australian companies to successfully navigate challenging times. Millennials are now the greatest representative group in the workforce and within the next 2-3 years Baby Boomers increasingly will have left full time employment, therefore Boardrooms also need to embrace change". Jennifer D'Arcy-Smith, Partner, Boards and Executive Search.

Representation of sector experience



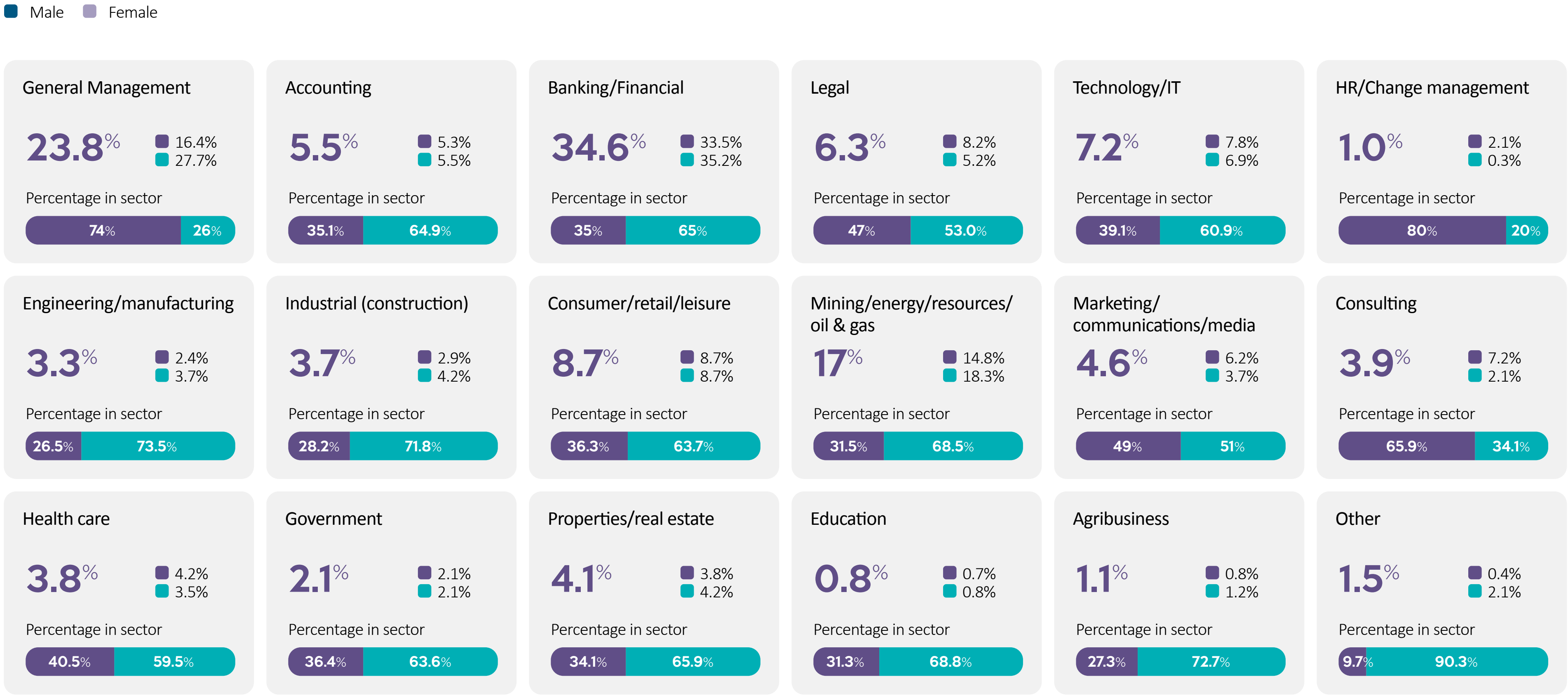
Note: The numbers in this section include some double-counting as some directors can validly claim more than one sector in their long-suit list. For example, many of those directors in the General Management list will have functional expertise elsewhere.

Massive imbalances between genders in sector experience

When directors' sector backgrounds are viewed by gender representation we see many sectors continue to be male-dominated, especially general management, engineering/manufacturing, industrial/construction and banking/financial.

There is almost equal representation of women and men with sector experience in marketing/communications/media and Legal, and women are much more likely than men to have experience in the people-focused sectors of HR/change management.

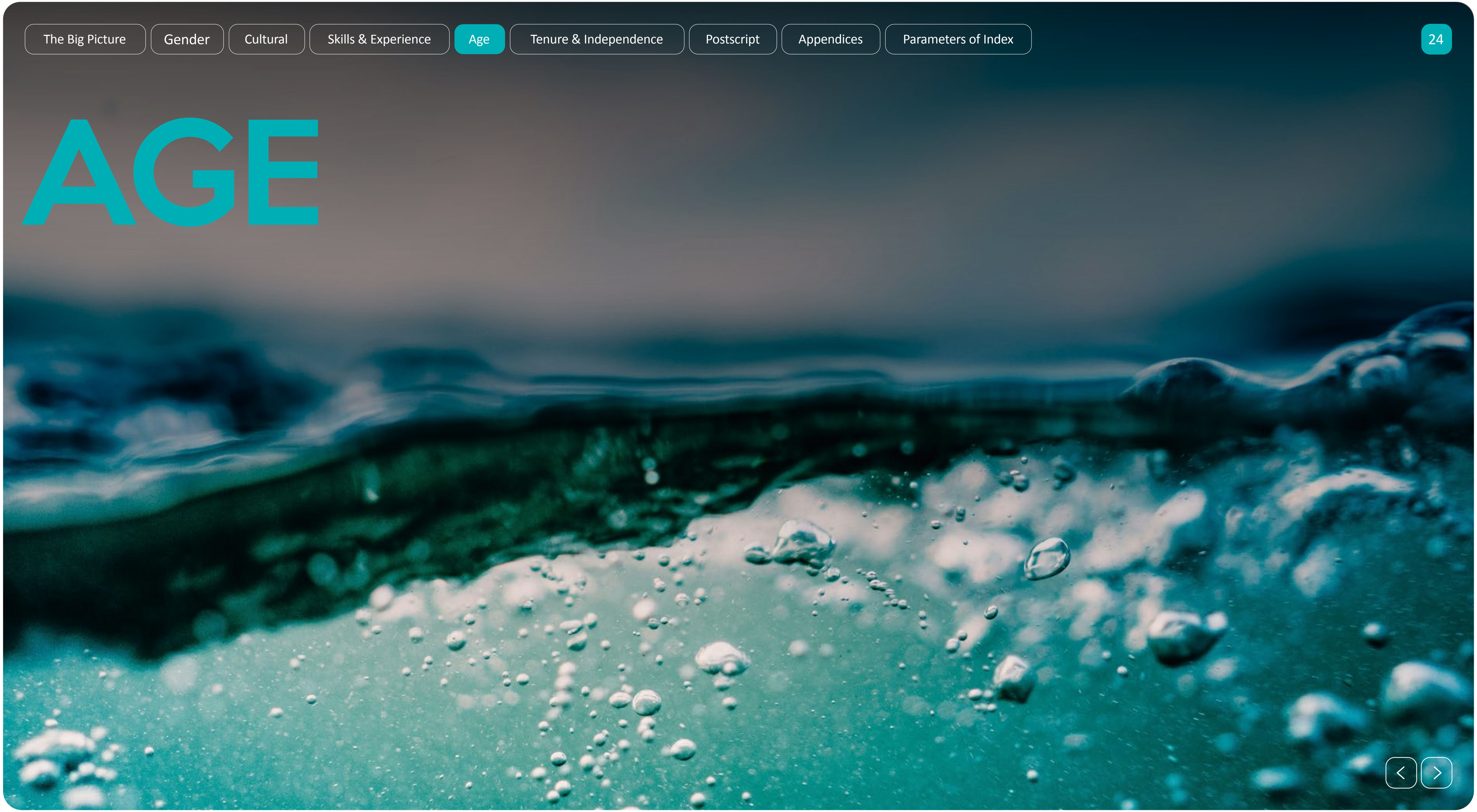
ASX300 directors' sector backgrounds (gender breakdown)



■ Male ■ Female

General Management	23.8%	■ 16.4%	■ 27.7%	Percentage in sector	74%	26%
Accounting	5.5%	■ 5.3%	■ 5.5%	Percentage in sector	35.1%	64.9%
Banking/Financial	34.6%	■ 33.5%	■ 35.2%	Percentage in sector	35%	65%
Legal	6.3%	■ 8.2%	■ 5.2%	Percentage in sector	47%	53.0%
Technology/IT	7.2%	■ 7.8%	■ 6.9%	Percentage in sector	39.1%	60.9%
HR/Change management	1.0%	■ 2.1%	■ 0.3%	Percentage in sector	80%	20%
Engineering/manufacturing	3.3%	■ 2.4%	■ 3.7%	Percentage in sector	26.5%	73.5%
Industrial (construction)	3.7%	■ 2.9%	■ 4.2%	Percentage in sector	28.2%	71.8%
Consumer/retail/leisure	8.7%	■ 8.7%	■ 8.7%	Percentage in sector	36.3%	63.7%
Mining/energy/resources/oil & gas	17%	■ 14.8%	■ 18.3%	Percentage in sector	31.5%	68.5%
Marketing/communications/media	4.6%	■ 6.2%	■ 3.7%	Percentage in sector	49%	51%
Consulting	3.9%	■ 7.2%	■ 2.1%	Percentage in sector	65.9%	34.1%
Health care	3.8%	■ 4.2%	■ 3.5%	Percentage in sector	40.5%	59.5%
Government	2.1%	■ 2.1%	■ 2.1%	Percentage in sector	36.4%	63.6%
Properties/real estate	4.1%	■ 3.8%	■ 4.2%	Percentage in sector	34.1%	65.9%
Education	0.8%	■ 0.7%	■ 0.8%	Percentage in sector	31.3%	68.8%
Agribusiness	1.1%	■ 0.8%	■ 1.2%	Percentage in sector	27.3%	72.7%
Other	1.5%	■ 0.4%	■ 2.1%	Percentage in sector	9.7%	90.3%

AGE



Late middle age still all the rage

The average age of directors has increased from 60 to 61 – not surprising as this is mostly just the same cohort growing another year older. Male directors still tend to be a few years older than female directors (average for men is 62.3 years and average for women is 58.7 years).

This rate is only slightly ahead of the general ageing of Australia's population. Back in 2016 the median age of Australia's population was 38 years[36], and in 2022 it was 38.5 years[37], according to the Australian Bureau of Statistics.

So the age of ASX300 directors is increasing just a little faster than the Australian median (the Australian median age seems to bump up by six months every four years or so).

Also notable is the continuing decline in the percentage of directors aged under 50. Three years ago 9% of men on ASX300 boards were under 50, now these younger men represent only 6%. For women the drop is even more profound, down from 17% of women on boards being younger than 50 in 2021 to 11% in 2024.

Average age overall

61

60.5 years (2023)

Average age women

58.7

58.1 years (2023)

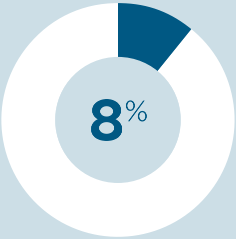
Average age men

62.3

61.8 years (2023)

Female directors under 50

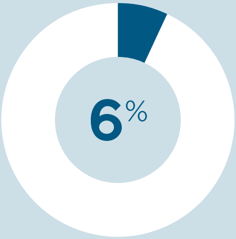
62 76 in 2023



11% in 2023

Male directors under 50

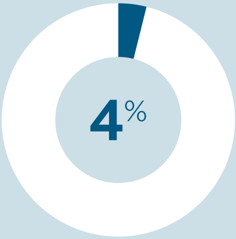
81 93 in 2023



7% in 2023

Female directors over 70

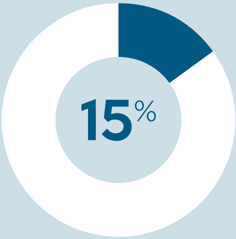
31 26 in 2023



4% in 2023

Male directors over 70

205 204 in 2023



15% in 2023

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[36] Australia 2016 Census Data, Australian Bureau of Statistics

[37] Population Projections, Australia, Australian Bureau of Statistics

Youngest female director

29 ♀

28 years (2023)

Director age range

50

50 (2023)

Oldest female director

79 ♀

78 years (2023)

Youngest male director

33 ♂

32 years (2023)

Director age range

59

60 (2023)

Oldest male director

92 ♂

91 years (2023)

Some sectors do skew younger, notably metals & mining (57.6 years average age), technology (58.2 years average age) and telecommunications (59.3 years average age).

Perhaps it’s not surprising the average age of directors in the health care sector is slightly higher at 63 years, as the highest demand for health care is among the aging baby boomer population. Older directors can bring valuable perspectives on how an organisation can position itself to address these market needs – and opportunities.

> Australia is getting older, faster. By 2026, more than 22 percent of Australians will be aged over 65 – up from 16 percent in 2020, which was already double the 8.3 percent at the start of the 1970s,” reported Professor Lee-Fay Low in an opinion piece published by the University of Sydney.[38]

“Older Australians understandably use the most healthcare and keeping people alive longer requires greater resourcing of our health systems. The rising number of older Australians is projected to increase the country’s health spending on them to more than double to A$270 billion by 2035, even if the cost of providing care to each older person is static.”

Another argument in favour of later-middle-aged directors is they have can bring valuable management and governance experience gained while working through many decades’ worth of socio-economic trends. And wisdom, too.

And in the US some companies are loosening age constraints on boards to tap into that wisdom, resulting in a growing cluster of directors aged 66–70 representing 24.1% of S&P500 directors in 2023, up from 20.8% in 2019. The benefits of older directors were explained by several executives interviewed for a *Bloomberg Law* article in July 2023[39]:

> Older boards with substantial experience are better equipped to provide valuable advice”, according to Rachel Goldman, partner at Bracewell LLP. “Their perspective and understanding of various possibilities, solutions, and ramifications allow them to effectively advise the organization they oversee – and make better decisions”, she said.

“It takes several years of experience in the workforce or corporate ranks to acquire the expertise to ‘ask appropriate questions’ in the boardroom”, said Charles Elson, retired business professor and founder of the John L Weinberg Center for Corporate Governance at the University of Delaware. “Wisdom is acquired through experience. And at a younger age, you might not have it.”

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[38] Opinion: Confronting ageing: the talk Australia has to have, Prof Lee-Fay Low, University of Sydney website, 9 October 2023
[39] Board Directors Skew Older as Companies Loosen Age Constraints, Bloomberg Law, 26 July 2023

Broader age ranges on boards: broader perspectives?

Age diversity on boards is common on today's ASX300 boards, with the average age range hovering around 20 years.

Age diversity on boards is common on today's ASX300 boards, with the average age range hovering around 20 years.

The top 100 boards have a slightly broader average age range (19.8 years) than the next 100 (18.5 years) and the remaining third (18.3 years), though it's clear a nearly-two-decade age is preferred on most ASX300 boards to give them access to multi-generational perspectives.

Undoubtedly there can be intergenerational conflicts when the age range is so large, but as a study on age diverse boards at Warwick Business School found in May 2023[40], boards with a big age range are better at preventing bad decisions by CEOs.

The research into the boards of 236 US Banks from 1996 to 2006 found bank boards with greater age diversity are:

- better at identifying risky or less-than-prudent behaviour;
- more prudent with customers' money; and
- more capable of identifying and taking action on poor loan decisions, resulting in lower losses.

> Our theory was that the more diverse a group is – especially regarding age – the more prone it is to arguments and disagreements, so the social cohesion is lower," said Yuval Millo, author of the study. "The logic is that a mix of backgrounds, perspectives, experiences and reference points will make it less likely that they will agree in an Orwellian groupthink mentality."

Average age range

Age range ASX 100	**Age range ASX 100**	**Age range ASX 100**
19.8	19.8	19.8
20 years in 2023	20 years in 2023	20 years in 2023

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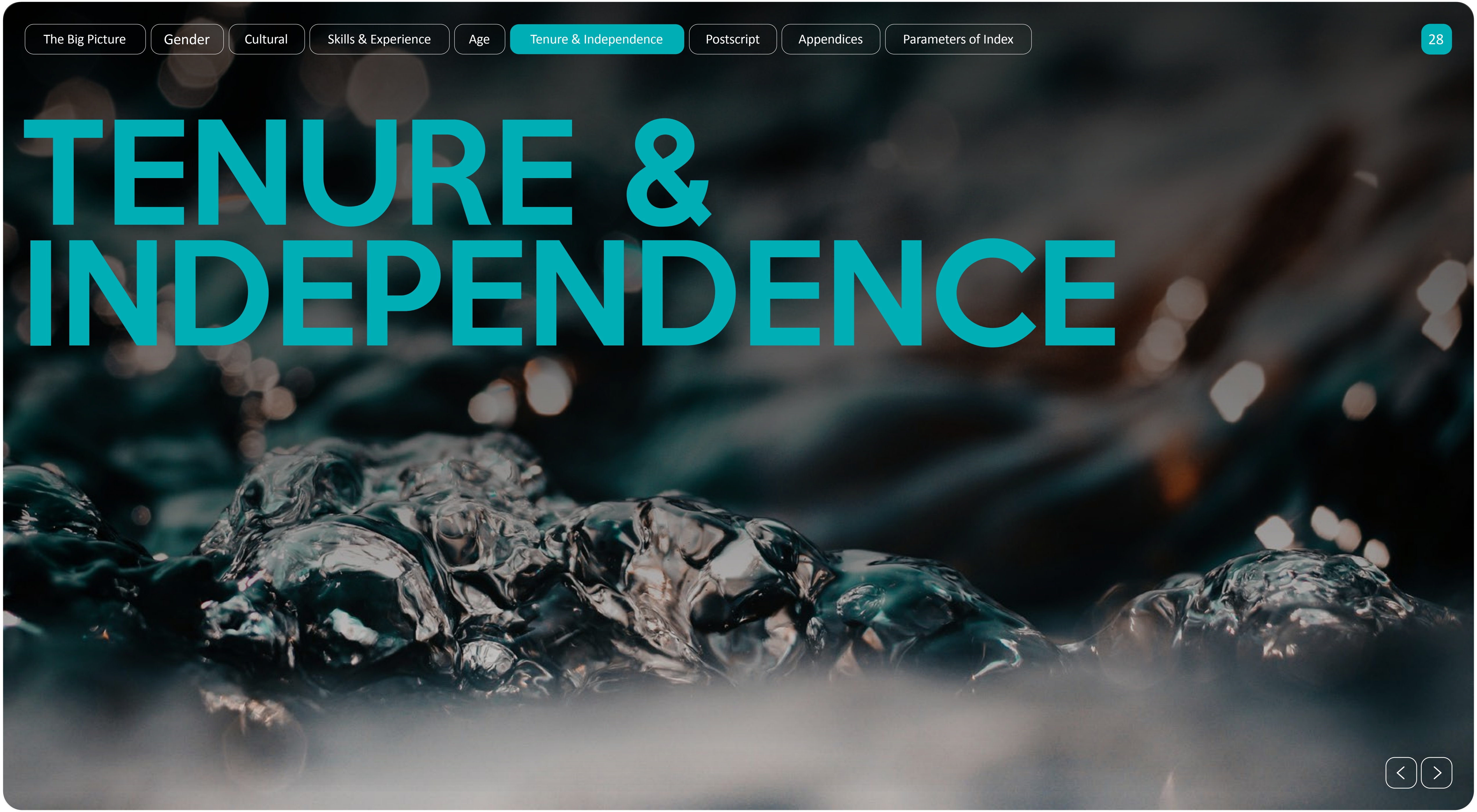
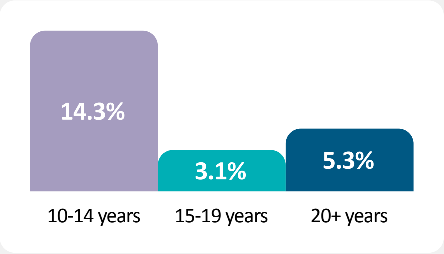
[40] Why boards with a big age range are better at reining in CEOs, by Yulav Millo, Warwick Business School, 17 May 2023

TENURE & INDEPENDENCE



Directors are working five to nine (years)

The most common length of board tenure continues to be less than five years (more than half of all directors), and a massive majority (84.4%) tend to serve for less than 10 years. Those figures haven't changed much since we began tracking them.



Directors who aren't replaced after 10 years are a rare breed: only 14.3% stay on between 10-14 years, dropping down to 3.1% in the 15-19 year tenure period. Remarkably, 5.3% of directors continue to serve on a board beyond 20 years.

Whether directors become "rusted on" after 10 years is debatable.

Directors who serve for an excessive period of time leave themselves open to accusations, from investors and other stakeholders, of losing their independence and becoming too close to company management," argued Dr Roger Barker, Director of Policy and Corporate Governance at the (US) Institute of Directors in June 2023.

"Tenure limits can be a great tool for companies to appoint younger directors, with fresh perspectives and from diverse backgrounds, who bring a different approach.

"It can also be useful for getting rid of those who have outlived their usefulness or don't contribute much. A regular dose of fresh blood on the board helps prevent the concentration of power within a cosy club."

There are also some sound arguments for reducing board turnover according to Dr Barker, including:

Supporting a higher level of continuity and stability during challenging times, ensuring valuable experience, skills and corporate "memory" aren't lost;

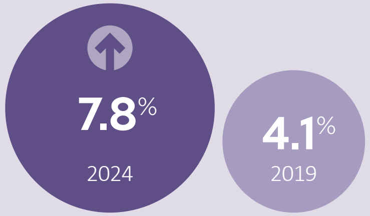
Identifying and recruiting the right candidates for board roles can take time – and once they've been appointed, the chair or CEO may have to invest significant time to ensure new directors properly understand the issues; and

According to some, directors are not fully effective until they have spent at least a couple of years in the job.

Not-so musical chairs

Chairs of boards generally hold their positions longer than non-executive directors. The most common chair tenure is 4–9 years (40.1%), which is unchanged from last year, though it's notably several points below the most popular chair tenure for 2019 at 49.2%.

Beyond the 10–14 year span for chair tenure (steady at 18% across the last three years), more than three quarters of chairs retire from the position (whether by choice or not), leaving just 4.7% of chairs remaining for 15-19 years (again, steady for the last three years). And yet we've also seen an upwards trend for chair tenures beyond 20 years, rising to 7.8% of chairs in 2024 from 4.1% in 2019.

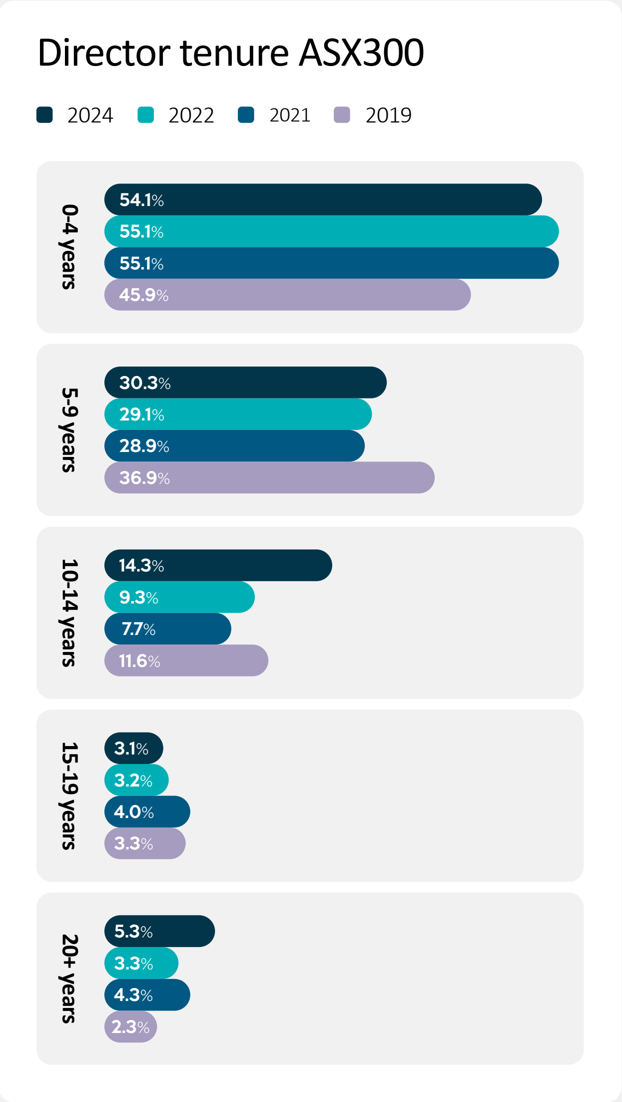


Chair tenures beyond 20 years

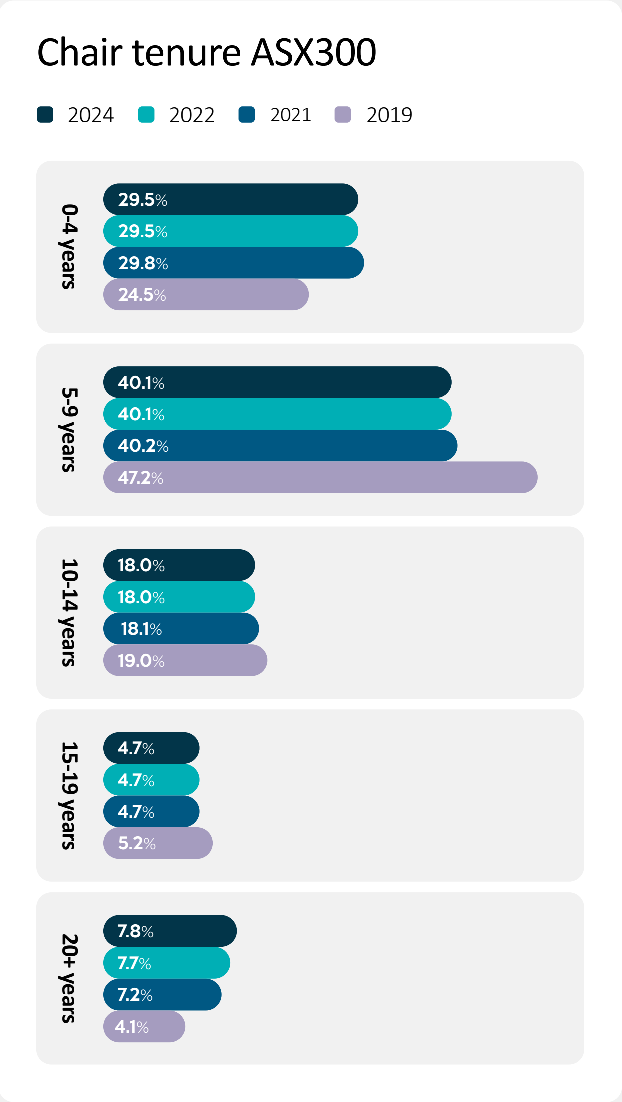
Men stay longer on boards than women

Women continue to serve shorter board tenures than men: almost two thirds (65%) of women on boards hold the position for up to four years, compared to just under half of men (48%).

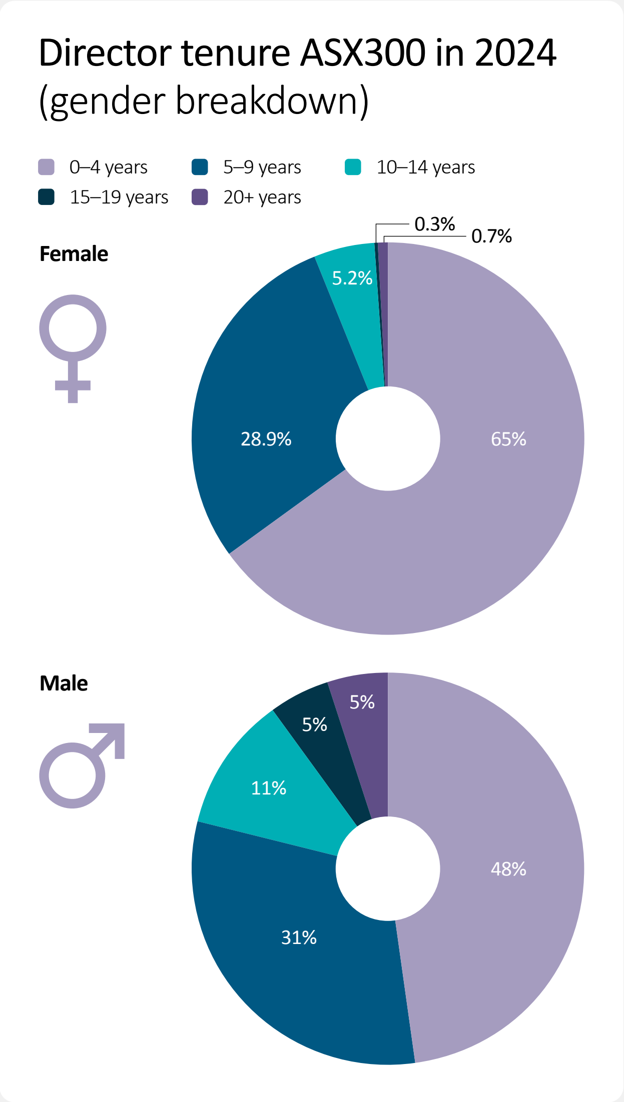
We see some evening out of those figures among directors who serve 5–9 years – 31% of men and 28.9% of women – then a huge difference for 10–14 year terms (11% men and 5.2% women).



Director tenure ASX300



Chair tenure ASX300



Director tenure ASX300 in 2024 (gender breakdown)

Increasing independence of directors is healthy for boards

Board directors are increasingly independent, regardless of company size. In the last four years we have seen gradual growth in the representation of independent directors on boards across the ASX300, from 78.8% in 2020 to 82.1% in 2024.

Almost all female directors are independent (95%), with no change in this figure from last year. By comparison, many more men are internal appointments, with 25% of board positions held by men who are CEOs or general managers of a company and sitting on their own boards.

Director independence matters because it allows board members to take positions that are in opposition to management, explained Debra McCormack, Global Board Effectiveness and Sustainability Lead with Accenture in an October 2023 interview for *Forbes*[41]:

> It's that healthy board-management tension that needs to be out there, having the robust discussions that they have. Independence is important from the advisory and the monitoring function so that [directors] can actually do their oversight and be objective about it. Most importantly, I think board members need to make those decisions that are in the best interests of the shareholders, so it means there's no conflict of interest."

ASX300 independence

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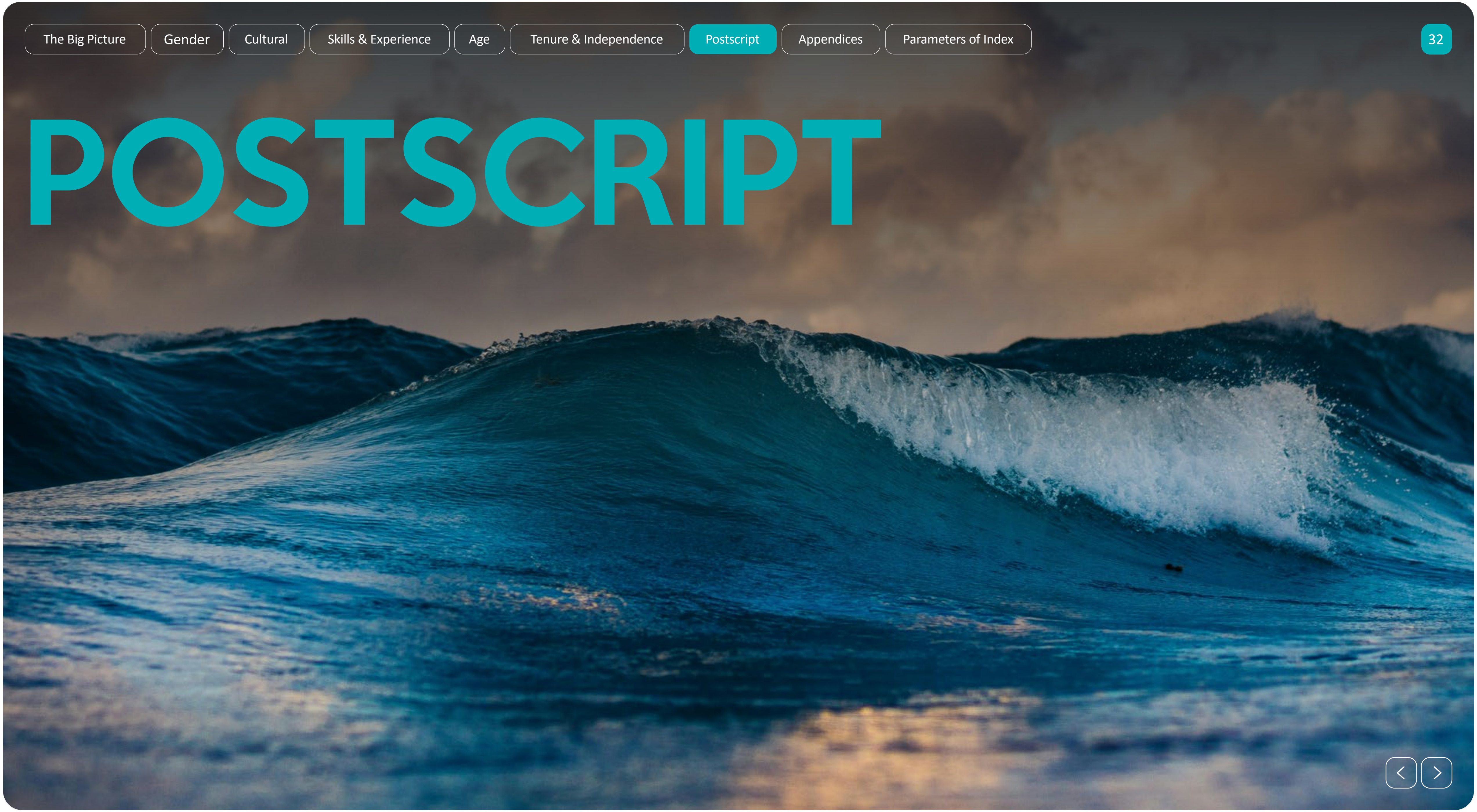
[41] Why director independence matters, and how boards can ensure it, *Forbes*, Nick Rockel interview with Debra McCormack, 17 October 2023

POSTSCRIPT



ASX300 boards don’t include people with disabilities

Our *Board Diversity Index* was rightly called out for not being fully representative in January 2023 by the authors of the *Director Pathways Project*[42] *an investigation of the experiences of Australian directors with disabilities*.

Most notably missing were board members with disabilities:

> “There are very limited data on Australian directors with disabilities, including their numbers and their demographics. The two Australian diversity benchmarking studies on directors of for-profits do not report data on directors with disabilities,” explain the authors of the report.

“The Australian Institute of Company Directors (AICD) (2022) Gender Diversity Index for ASX300 companies *is limited to gender*. The Watermark Search International/Governance Institute Board (2021) Diversity Index for ASX300 companies is broader in scope, but only reports data on gender, cultural background, skills and experience, age, tenure and independence… To the extent that there is information on Australian directors and executives with disability, it is patchy.”

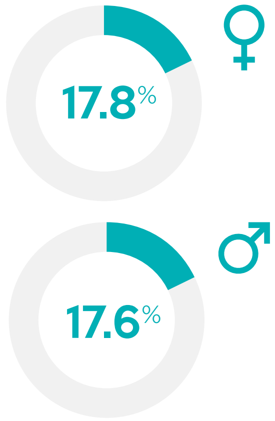
Although some NFPs, small businesses, charities and support organisations include people with disabilities on their boards, there appears to be zero people with disabilities on ASX300 company boards. In February 2024 we confirmed this fact with Alan Hough, co-author of Purpose at Work’s *Director Pathways Project*[43], who told us: “We put considerable effort into trying to find them, using all the networks we could”.

While the ASX itself has a formulated policy regarding diversity and inclusion[44], as do many ASX300 listed companies, people with disabilities are just not being included on those companies’ boards.

In a progressive era of acknowledging and incorporating diversity, it’s fair to ask why this is so, especially given the statistics of people with disability in the Australian population[45]:

1 IN 5

More than 4.4 million people in Australia have some form of disability. That’s 1 in 5 people.



17.8% of females and 17.6% of males in Australia have disability.

2.1M

Australians of working age (15-64 years) have disability.

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[42] Director Pathways Project: An investigation of the pathways and experiences of Australian directors with disabilities (Alan Hough, PhD, Prof Christine Bigby, PhD, Alison Brookes, PhD. Purpose at Work, La Trobe University, Living with Disability Research Centre), January 2023

[43] Ibid

[44] ASX Diversity & Inclusion policy

[45] Demographics from the Australian Disabilities Network

Many companies acknowledge and embrace people with disabilities in their employment initiatives, but the report reveals that the pathway to directorship is littered with obvious and hidden barriers.

"The main criterion for becoming a board member is having already served as a board member," says Morten Huse, Emeritus Professor at the BI Norwegian Business School[46].

This "Catch-22" situation is easily explained. The main criterion for a person being first appointed to a board of a large for-profit organisation is having had C-suite or other executive experience in a similarly sized organisation. As people with disabilities are not in large numbers in this traditional "feeder" group, it limits their number on company boards.

The notion of "ableism" is also a barrier to progress for people with disabilities.

The *Director Pathways Project* report shows that some respondents experienced employment discrimination limiting directorship opportunity. Others felt the need to "justify" and prove legitimacy about what they may contribute outside their own life experience.

Other barriers included the lack of practical support and accessibility to board materials required for their roles, indicating a considerable amount of attitudinal shift is needed for the path to clear. The good news is, making companies aware of why having people with disabilities on their boards matters will help remove those barriers.

The case for including people with disabilities on boards is wide ranging. A company embracing true inclusion could even see it win the war for talent. Not tapping into the talent of around one in six Australians who have disabilities could be a missed opportunity.

The "broad church" argument also carries weight. By increasing board diversity, open communication and mutual understanding, different approaches to decision making provides more avenues to problem analysis and stronger resolutions. People with disabilities have been found to be lateral thinkers because they practice problem-solving skills in their everyday lives.

Offering directorships to people with disabilities provides positive role models for others by challenging stereotypes. This, in turn, can widen the pool of talent and avoid the confusion of representation with tokenism.

International data are limited, but Britain and Canada have initiated moves to create definitive pathways for people with disabilities to reach board level.

The London and Toronto Stock Exchanges have both implemented board disclosure requirements to include people with disabilities for their listed companies. Many public companies are starting to monitor disability data because of market forces and increasing investor demand for measures of social impact[47].

Australia has also attempted initiatives, often state-based. Some are still in progress, but some that have concluded have not disclosed their results, or revealed only minimal success.

There is a long way to go.

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[46] *Director Pathways Project: An investigation of the pathways and experiences of Australian directors with disabilities* (ibid), p.23

[47] Increasing Disability Representation on Corporate Boards, by Ted Kennedy Jr. From Directors & Boards, 2023

Change is due, but slow to arrive

Mark Baxter, co-founder of the Australian Association of LGBTQ+ Board and Executive Inclusion (ALBEI), challenges boards to recruit talent from outside the usual circles of influence.

In the last year there has been little improvement in the stubbornly low representation of underrepresented groups across the ASX200 – and several groups are only represented through self-disclosure. ALBEI research of boards in 2023 found a slight increase in LGBTQ+ community members reported on boards, though this is likely to be more from self-disclosure than an improvement in overall representation.

At the board and C-suite level there is often disinclination to self-disclose whether someone is a member of the LGBTQ+ community, has a working class background, or a disability. This suggests Australians still face cultural issues in admitting “difference”. Until we reach a point where data collection and disclosure is comprehensive and unremarkable, it will be difficult to truly see whether boards are genuinely inclusive.

Only two companies in the ASX200 report extensively on the diversity of their own boards across LGBTQ+, race, cultural background and First Nations.

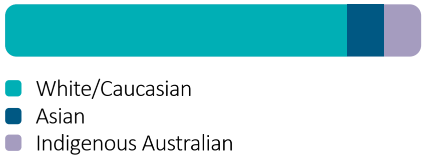
One of them, Block Inc (incorporating Afterpay), is jointly listed on NASDAQ and the ASX and therefore needs to also follow NASDAQ listing rules which have requirements relating to minority groups and reporting. The other, Woodside Energy, voluntarily discloses these statistics as “... the board is strongly committed to inclusion and diversity and reporting board diversity across a range of lenses demonstrates this”.

Woodside diversity statistics at the board level as of 31 December 2022:

36% female representation

9% LGBTQ+ representation

Country based cultural diversity included Indigenous and non-Indigenous Australian, American, Singaporean Chinese and English



Racial diversity included 9% Asian, 9% Indigenous Australian, 82% white/Caucasian.

These companies show that such reporting can be done. But research by ALBEI has unearthed a resistance to collect this data at board level as it is “personal” and “sensitive”. This view is out-of-step with developments in the UK and the US where regulators are proposing collection and disclosure of board-level diversity.

In October 2023, UK regulators proposed mandatory data collection in the financial sector including age, gender, disability, religion and sexuality, at both board and staff levels. With data collection on carer and parental responsibilities being voluntary. From December 2025, NASDAQ-listed companies must have at least two diverse board members. One must be female and the other must identify as an unrepresented minority or LGBTQ+ and can be male.

With increased data collection and reporting requirements in the UK, some companies and boards are using this as a role modelling exercise. This is opposite to the general approach in Australia where the data collection and disclosure is resisted – except for the two noted examples.

Governance barriers to more extensive diversity?

As of January 2024, research by ALBEI has revealed that 129 companies in the ASX200 had broad definitions of diversity which include gender, disability, first nations, cultural background and sexual orientation. In only 67 of these companies the policy clearly applies to the board. In the remaining 62, the boards appear to not be bound by the policy which applies to staff. It appears there is one rule for staff and another potentially more restrictive one for the board.

Apart from the two examples given, where an inclusive policy applies to boards, the disclosures of diversity at board level usually regard gender and tenure only. There is little discussion of diversity beyond gender in the composition of listed boards in Australia in their corporate governance statements. We need to question whether these boards are complying with their own policies.

Seventy one companies in the ASX200 have adopted what is colloquially known as the “40:40:20 rule” which was promoted by Chief Executive Women and the Male Champions of Change in 2019. Between 2019 and 2024, female representation has increased from 27% to 36% on the ASX300.

71 companies in the ASX200 have adopted the “40:40:20 rule”

However, the representation of other minority groups has remained obstinately low. Combine this with the proportion of non-executive directors from Anglo-Celtic backgrounds remains doggedly high at **91%** – is there real and effective diversity on boards in Australia?

Has the sole pursuit of the 40:40:20 rule over the last few years created the unintended consequence of other underrepresented groups being crowded out? Have we reached a point where 40:40:20 could be subtly reshaped so that the 20% refers to underrepresented groups of either gender?

The lack of pipeline fallacy?

When confronted with the stubbornly low statistics on underrepresented groups, many directors and chairs respond with a view that there is a lack of board-ready candidates. The numbers refute this assertion.

With only 54% of the population being Anglo-Celtic origin and 91% of board seats being Anglo-Celtic, it is hard to imagine that such a significant proportion of culturally diverse executives are not board ready. The same can be said for the LGBTQ+ community representing roughly 8% of the population, but only 1% of board seats. Are chairs and nominations committees going beyond their usual networks to seek out board-ready candidates? Is there a tendency to look for “great cultural fit”? One company’s board renewal policy in the ASX200 specifies the need for “cultural fit” with the existing board. So are they effectively baking-in bias and possibly group think?

In its short existence ALBEI has been approached by many board-ready candidates from underrepresented groups who are unable to access the networks that are used to attract new board members.

By concentrating on one aspect of diversity boards are missing out on talented candidates from underrepresented groups. Based on recent ALBEI research, boards should consider reviewing their diversity and inclusion policies for both clarity and intended outcomes.

> “We take it for granted that merit is objective. But in fact, it’s been shown to be highly subjective, particularly when trying to assess someone’s potential for a role. And wherever there’s subjectivity, we’re at risk of bias.”[48]
>
> **Elizabeth Broderick**, founder of the Champions of Change Coalition

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[48] In the eye of the beholder: Avoiding the Merit Trap, Champions of Change Coalition and Chief Executive Women, August 2016

Proposed new ASX Corporate Governance Principles

In February 2024 the ASX Corporate Governance Council (ASX CGC) released its consultation paper on proposed changes to the Corporate Governance Principles[49] which ASX listed firms will be required to comply with on an "if not, why not" basis for the next few years.

The proposals regarding diversity of a listed company's board and workforce include:

Moving from a target of at least 30% of women on the board to a gender balanced board which adopts the 40/40/20 target (at least 40% women/at least 40% men/up to 20% any gender over a specified period).

If the board is considering any other "relevant" diversity characteristics for its board membership, it needs to disclose those diversity characteristics.

In addition to keeping the requirement for a diversity and inclusion policy, companies must report on the effectiveness of the policy – though only in respect of gender diversity.

Gender diversity remains front and centre in the proposed corporate governance principles, and the only nod to other aspects of diversity being whether the board considers other characteristics relevant. Developments internationally which go beyond gender – such as ethnicity – have been dismissed by the ASX CGC as reflecting diversity "priorities" in those jurisdictions.

With gender representation on Australian boards improving over the years, the representation of people of culturally and linguistically diverse backgrounds, the LGBTQ+ community, people with disability and First Nations people remain significantly below their proportion of the Australian population.

> "
>
> Boards need to focus on diversity beyond the usual box-ticking metrics such as gender and instead aim for a range of thinking styles if they want to maximise their companies' performance"
>
> **Catherine Livingstone**, Chair of Pacific National in a March 2024 keynote address to board directors.[50]

The requirement that boards need to decide on whether other forms of diversity are "relevant" could be very problematic. Indeed with 67 companies in the ASX200 having inclusive definitions of diversity which apply to the board itself it would be hard for these companies to argue that diversity beyond gender is irrelevant.

What is being proposed is well behind international developments particularly in the UK and in respect of NASDAQ listed companies in the US, where data collection of diversity characteristics at the board level are being mandated, as well as specific targets for underrepresented groups beyond gender. The Financial Conduct Authority and the Prudential Regulation Authority in the UK have also published consultation papers enunciating the benefits of diversity in all its forms.

The consideration of diversity beyond gender reflects compelling global research that diversity in all its forms contributes to better shareholder returns, risk management and customer focus, to name a few of the issues relevant to directors duties.

Australian companies have some work to do if they're serious about supporting real diversity.

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.

ALBEI has advanced from a group of people around a dining room table to an incorporated not-for-profit. It aims to promote talented LGBTQ+ executives to be ready for the C-Suite and boards in Australia. It advocates for diversity in its broadest sense as it has been shown to improve shareholder value. While it has an LGBTQ+ focus it collaborates with other underrepresented groups to promote diversity at the senior echelons of Australian corporate life.

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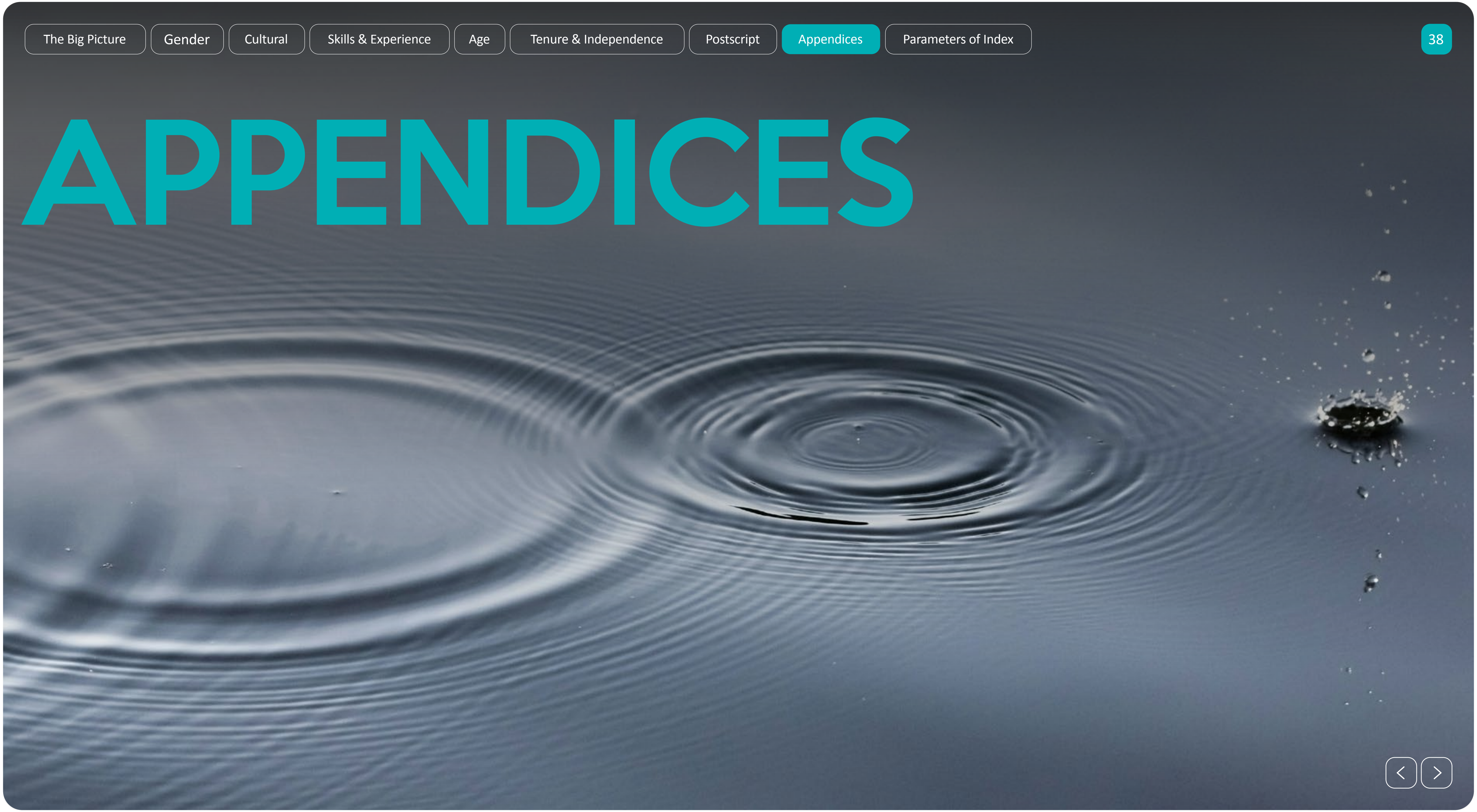
[49] Corporate Governance Principles and Recommendations Consultation Draft Fifth Edition, ASX Corporate Governance Council, 27 February 2024

[50] Slash nine-year terms, end gender box-ticking: Livingstone, AFR, 20 March 2024

APPENDICES



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ASX Diversity & Inclusion policy

Demographics from the Australian Disabilities Network

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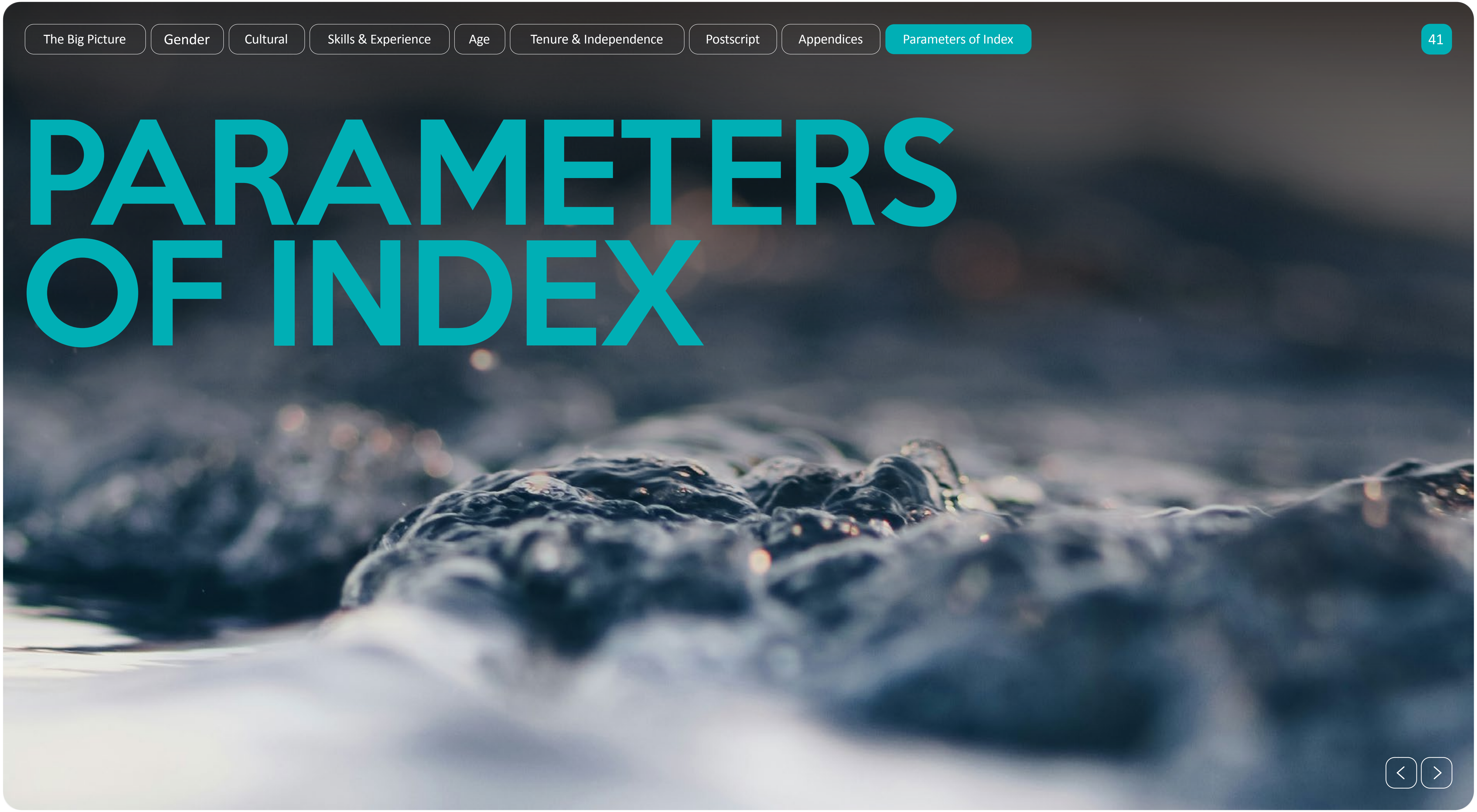
In the eye of the beholder: Avoiding the Merit Trap, Champions of Change Coalition and Chief Executive Women, August 2016

PARAMETERS OF INDEX



Ten years of reporting on board diversity

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 2024.

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.

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

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

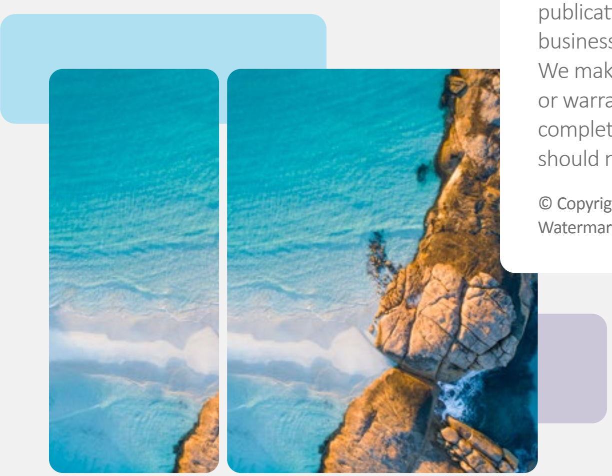
We provide immediate and high-level specialist executives with the experience to bring stability to and provide guardianship for a company during a period of change, executive absence or performance turnaround. We also assist with providing executives who deliver on projects, programmes or specialist 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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