



Submission to the ASX Corporate Governance Principles

May 2024

CEW

Women Leaders Empowering All Women

About CEW

Chief Executive Women's (CEW) shared purpose is 'women leaders empowering all women'. CEW's over 1,200 members represent Australia's most senior and distinguished women leaders across business, academia, government, sport, the arts, and not-for-profit sectors. CEW's members have leading roles within Australia's largest private and public organisations. They oversee more than 1.3 million employees and \$749 billion in revenue. Members' organisations have a combined market capitalization greater than \$1.144 trillion and contribute in excess of \$249 billion to Australia's GDP.

Since 1985 CEW has influenced and engaged all levels of Australian business and government to achieve gender balance. Through advocacy, research, targeted programs and scholarships, CEW helps to remove the barriers to women's progression and ensure equal opportunity for prosperity. CEW's members work actively to realise our vision of a community where women and men have equal economic and social choices and responsibilities.

Acknowledgment

We acknowledge the Traditional Custodians of Country throughout Australia and pay our respect to their Elders past and present. CEW celebrates the diversity of First Nations people and their continuing connection to land, water, and community, and acknowledges the strength of First Nations women leading their communities. We extend that respect to Aboriginal and Torres Strait Islander people who are part of the CEW community.

To learn more about CEW, and how our team can support your organisation's journey to gender equality, visit our website www.cew.org.au or contact us at cew@cew.org.au

Submission to the ASX Corporate Governance Council on the consultation draft of the proposed 5th edition of the ASX Corporate Governance Principles and Recommendations

CEW welcomes the opportunity to provide a submission to the proposed 5th edition of the ASX Corporate Governance Principles and Recommendations. We welcome the Council's significant commitment to a more inclusive, productive and gender equal corporate governance framework. We also welcome the recommendations' focus on building transparency and accountability for workplaces as a means of measuring employer performance and progress toward gender equality.

To further develop and support the diversity of Australian boards, we recommend that the Council consider further refinements to this project:

1. Reviewing the caveat that the diversity requirement be limited to boards which are already considering diversity, and instead expand to include all ASX boards.
2. Developing measurable objectives to monitor progress
3. Embedding intersectionality in policy and practice
4. Looking to international best practice



Retain the 30% gender target as a baseline, with a goal of achieving 40:40:20

Australia is one of only a few countries in the world to have exceeded 30% women on their top listed company boards without requiring quotas[1]. Under the previous objective of 30% of each gender, directorships held by women have increased beyond the existing measurable objective, highlighting the importance of transparency, clear accountability and commitment of leadership to diversity.

The CEW Senior Executive Census has indicated that gender balanced, diverse leadership is achieved through the combination of accountable leadership from the top, combined with policies and cultures that enable the participation and empowerment of women throughout the leadership pipeline. Research, both in Australia and internationally, has found that on average companies with gender balanced leadership teams perform better. They deliver greater profits, have stronger talent attraction and retention, achieve higher returns, drive better ESG outcomes, have lower overall risk profiles, and have better credit ratings.[2] In Australia, it is estimated that increasing the representation of women in leadership leads to a 6.6% increase in the market value of ASX-listed companies[3]. The adoption of the 40:40:20 matrix will be the next step in this progress.

unnecessary and those companies may drop below that target at some point. By retaining the 30% minimum standard, with a goal of achieving 40:40:20, organisations can maintain a strong standard while focusing on future improvement. Furthermore, CEW recommends that the ASX review board related diversity target requirements with the intention to extend them to senior management within the organisation.

Take action

CEW calls on all ASX300 companies to:

- Set a 40:40:20 by 2030 gender target with real accountability and transparency
- Invest in gender balanced CEO and Executive Leadership Team talent pipelines
- Build inclusive, flexible and respectful workplaces



Diversity beyond gender

CEW strives to ensure that women from diverse background are at every decision making table. Diverse leadership leads to stronger engagement, delivers better results and reflects the community more fully. The case for change is clear: diverse leadership is good for business. It delivers enhanced performance, stronger innovation, and increased retention.

The Council has recommended that Boards disclose their approach and progress on gender diversity, and CEW supports the Council's encouragement to disclose diversity characteristics beyond gender.

Recommendation 1:

Review the caveat that the diversity requirement be limited to boards which are already considering diversity, and instead expand to include all ASX boards

The Consultation Draft indicates that the diversity requirements to disclose diversity data would only be required by boards who are 'considering any other relevant diversity characteristics for its board membership'. While this is an important first step towards greater board diversity, this optional requirement could impact the overall progress of Australian businesses by creating an 'opt out' system for diversity, marginalising an issue that should be a priority.

This requirement limits the disclosure requirements to boards who are already implementing best practice and considering diversity beyond gender. It also limits visibility and accountability of organisations who have not prioritised diversity. This would lead to a situation where an organisation not 'considering' diversity in their leadership is not required to disclose or justify as to why not. Further, the understanding of what constitutes 'considering' diversity characteristics is not clearly defined. **CEW recommends that the Council reviews the optional nature, reviews what 'considering' diversity would require, and encourages organisations who are not already considering diversity characteristics beyond gender to take action.**

Recommendation 2:

Develop measurable objectives to monitor progress

The development of clear metrics and accountability processes encourages a race to the top for disclosure and encourages companies to disaggregate workforce data according to gender and any other diversity information available. Greater availability of data allows investors to better assess cultural and financial risks and opportunities relating to gender. CEW supports a granular, relevant, and fit-for-purpose dataset and reporting framework that includes:

- Establishing a baseline understanding of existing gender-disaggregated data, and collecting and analysing additional gender disaggregated data
- Continuing to develop the framework for collection of disaggregated data (including intersectional data), and a more transparent picture of the gender composition at senior leadership levels

CEW recommends that the Council develop a measurable objective against which companies can measure their success. The previous requirement of '30% of each gender' to be represented on boards acted as a crucial yardstick against which to measure progress and illustrate best practice. Without a means to measure progress, progress could be limited.

Recommendation 3:

Embed intersectionality in policy and practice

Any discussion on how to deliver gender equality without applying an intersectional lens can limit harnessing the full potential that exists today to increase the representation of women in leadership. There are culturally and racially diverse women, First Nations women, women with a disability, people of marginalised genders and sexualities, and women with low socio-economic status who experience multiple, diverse, and intersecting forms of discrimination and disadvantage. Treating women as a uniform cohort often comes at the expense of these women.

While Australian businesses have seen significant progress for women's representation on boards, other diversity demographics are significantly underrepresented. In 2017, the Diversity Council of Australia reported that only 2.5% of all 7,491 ASX directors were culturally diverse women. This was compared to 5.7% who were non-culturally diverse women, 27.8% who were culturally diverse men and 64.0% who were non-culturally diverse men. This, in effect, meant that culturally diverse women experience a 'double jeopardy' of underrepresentation on company boards.

The 2024 Watermark Search International board diversity index[4] found that:

- Cultural diversity on ASX 300 boards has remained stagnant over the last three years, with 91% of board directors being from an Anglo-Celtic background;
- There is a disproportionately low number of LGBTQ+ individuals, with an estimated 4 people who openly identify as LGBTQ+ holding board director roles across the ASX 200 companies;
- While First Nations representation had doubled in the previous year, at a closer look, this is simply because the number of people who are directors is now four, across the ASX 300 companies, which is an increase from two people; and
- People with a disability were entirely unrepresented on boards in Australia (except on the board of the National Disability Insurance Scheme).

What gets measured gets done. In 2009, 8 (10%) Australian company directors in the ASX200 identified as women. By the end of 2019, the number had more than tripled, to 30%.[5] This significant success can be attributed to the Recommendations that came into power in 2014. This development was described as a 'huge wake-up call for chairs of boards and senior executive teams, who had previously not taken the Recommendations seriously, because they suddenly had to publish the data'. The KPMG report 'Building Gender Diversity on ASX 300 Boards – Seven Learnings from the ASX 200', found that 'explicitly adopting diversity targets focuses the board on progressing at each opportunity – an absence of targets most likely leads to no progress'[6]. **By including measurable objectives for other diversity metrics, the Council has the opportunity to replicate the success seen with gender diversity on boards.**

What gets measured gets done

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Recommendation 4:

Look to international best practice when advocating for gender diversity on boards

CEW recommends that the Council look to international best practice when reviewing regulatory approaches, notably the [Nasdaq Stock Market LLC Rules](#) (Nasdaq Rules) in the United States and the [Financial Conduct Authority Listing Rules](#) (FCA Rules) in the United Kingdom. In the United States, the Nasdaq implemented a board diversity rule requiring listed companies to publicly disclose board-level diversity statistics annually, on a comply or explain basis.

In the UK, The FCA Rules impose binding obligations to report on progress against gender identity and ethnic background targets. In particular, the FCA Rules require a statement setting out:

- (a) whether the listed company has met certain targets on board diversity, including that at least one individual on its board of directors is from a minority ethnic background;
- (b) in cases where the listed company has not met all of the targets, which of the targets it has not met and the reasons for not meeting those targets.

The FCA Rules also require the reporting of numerical data on the ethnic background and the gender identity or sex of the individuals on the listed company's board and its executive management.

In the United States, the Nasdaq Rules require each company to:

- (a) have, or explain why it does not have, at least two members of its board of directors who are diverse, including at least one director who self-identifies as female; and at least one director who self-identifies as an underrepresented minority or LGBTQ+;
- (b) publicly disclose board-level diversity statistics on a standardised template tracking "Gender Identity", and "Demographic Background" (which encompasses Indigenous and other ethnic backgrounds, and LGBTQ+ status).

As seen internationally, and in Australia's experience with gender diversity, there is a strong link between transparent reporting requirements, increased regulation and measurable progress. The Watermark Board Diversity Index 2023 noted that Australian boards were lagging on diversity compared to US boards and that this was "partly due to increased legislative action in some parts of the United States to improve diversity on boards, as well as activism among institutional investors"[7]. Research by Watermark Search International and the Governance Institute of Australia in 2021 noted that based on current trends, it would take 18 years for the boardroom to be reflective of Australia's cultural diversity.

References

1. The United Kingdom and Canada have also exceeded 30% of women on boards.
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4. 2024 Watermark Search International board diversity index: 2024 Board Diversity Index · Watermark Search
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