

2017

# BOARD DIVERSITY INDEX

**Watermark**  
SEARCH INTERNATIONAL



## CONTENTS

---

**3**

Welcome

---

**4**

Background

---

**6**

Executive Summary

---

**9**

Board Diversity Index

---

**18**

Summary

---

**19**

Data Collection  
and interpretation

---

**19**

References

---

**20**

Service Offerings

---

# WELCOME

## FROM WATERMARK

Welcome to our third Watermark Board Diversity Index. Over the past couple of years, we have had the opportunity to consider three aspects of diversity in Australia's boardrooms. In the 2015 and 2016 publications we considered diversity in terms of gender, cultural background and skills & experience. This year, for the first time, we are able to consider age diversity as well.

There continues to be a fair amount of coverage of gender diversity in not only Australia's boardrooms but also Australia's senior executives – there is significantly less focus on other measures of diversity. We are making a small contribution by shining a light on those other measures.

- We have maintained a view on the ASX300 (expanded from the ASX200 in the 2015 Index)
- We have added some commentary and statistics on age diversity
- We continue to point to new studies that add to the discussion about board and executive diversity

When it comes to gender there is little doubt that things have changed over the past few years in the ASX300 boardrooms and that change continues. For the first time, the ASX50 Boards have 30% of their board seats held by women. This is a further improvement in the ratio reported by the Australian Institute of Company Directors (AICD) for the September to November 2016 quarter<sup>1</sup> which reported 28.3% in the ASX50. When we published our first Index in 2014 that percentage was 22.6%; in 2009 women held 8.3% of the board seats.<sup>2</sup> This change, which has occurred in a relatively short period of time, is a very positive change.

For many of the other aspects of diversity it is harder to compare progress, given there is relatively little data to act as a base. All we can really do for now is illuminate the current state of play and ask whether it is deserving of more focus and change.

Please join us in contributing both to the conversation around diversity in our boardrooms as well as taking positive steps to improve that diversity. We can all make a difference.

I also invite you to contact me, or any one of my colleagues, if we can be of assistance in working with you on the diversity of your boards or senior executives.

Thanks go to Annum Manocha for pulling the vast majority of the base data together.

Kind regards



**Graham Willis**  
Managing Partner  
Watermark Search International

**Watermark**  
SEARCH INTERNATIONAL

# BACKGROUND

**We have further built on the base lines we established in 2014 and 2015, as well as expanded our report due to the availability of improved data on the age profiles of the ASX300 Boards. Availability of data is a key part of being able to even have a conversation, based on facts rather than broad observations, about diversity in the boardroom. Last year there was not enough data to provide any meaningful information on the age profile of boards. This year there is more data with 85% of the ASX100 providing age related information; that dwindles to 58% for the ASX201-300 but even that is an improvement.**

In “Leading for Change”, a blueprint for cultural change and diversity, the authors make the point that “progress on cultural diversity will be slow without better data”<sup>3</sup>. This is not just the case when it comes to cultural diversity but is equally so when it comes to gender, age, or skills and experience. As we said last year, the old adage, “What gets measured gets done” seems apt.

When it comes to gender in the boardroom, or the broader topic of gender at the Senior Executive level, there are several organisations that do a good job of not only “keeping the bastards honest” but also providing useful strategies to move towards a more equitable gender balance.

The Australian Institute of Company Directors (AICD)<sup>4</sup> maintains a strong focus on board diversity and leads by example having a 50:50 gender split on its own board.

The 30% Club<sup>5</sup>, launched in 2015, continues to build its body of research and influence both in Australia and globally. The Australian Federal Government has committed to a gender diversity target of women holding 50% of Government board positions overall, with effect from July 2016<sup>6</sup> and numerous reports and studies by well credentialed organisations such as KPMG, McKinsey, BlackRock and Women on Boards keep the issue in the spotlight. As in previous years, we will note any movement in this area, but the broader business community has enough other information to draw on that demonstrates any progress in this area.

As mentioned, there is little information (in comparison to gender diversity) on cultural diversity and not much more on age diversity. A piece of work completed by Lizzie Knight and Andrew Lumsden, from Corrs Chambers Westgarth, in 2015, found that boards were getting “younger” and that the percentage of ASX200 board directors over the age of 60 had decreased between 2000 and 2015 by 24%<sup>7</sup>. So it seems boards are indeed getting younger but that there are four potentially competing factors at play:

- 1) the need for corporate experience (in whatever field);
- 2) the push to see a greater age diversity represented on boards;
- 3) the increasing longevity of the Australian population; and
- 4) the Federal Government’s proposals to further increase the pensionable age, or the age of retirement, to 70.

There seem to be more factors in favour of pushing the average age of directors up rather than down, but so far that is not what is happening.

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### **We suspect that the average age of directors will continue to decline for the next three to four years before slowly increasing again.**

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With regard to cultural diversity in Australian companies (not specifically aimed at boards), there has been an important piece of work completed in the last 12 months and that was referred to earlier. Namely the “Leading for Change” Report, a Blueprint produced by the Australian Human Rights Commission. Luke Sayers, the CEO of PwC in Australia, who contributed to the report, said “It will be a game-changer for organisations looking to make a difference on cultural diversity.” The Blueprint not only measures a starting point from a data perspective but also provides guidance for organisations on how to nurture a diverse leadership team. Australia is a highly diverse, multicultural society with an estimated 32% of the population having a non Anglo-Celtic background – that is nowhere near being reflected in our boardrooms. We are only concentrating on board seats in this Index however those board directors are likely to have been senior executives at some stage and if there is a poor representation of cultural diversity at the Executive level, this is likely to be reflected in the boardroom.

As the Harvard Business Review article, “Why Diverse Teams are Smarter”<sup>8</sup> puts it succinctly, “Striving to increase workplace diversity is not an empty slogan — it is a good business decision.”

A 2015 McKinsey report on 366 public companies found that those in the top quartile for ethnic and racial diversity in management were 35% more likely to have financial returns above their industry mean.” The article is interesting and builds on the work of others such as Lee Fleming and Sorenson (Science as a map in technological search), Uzzi et al (Atypical Combinations and Scientific Impact) and Chua<sup>9</sup> that clearly points to improved outcomes from diverse teams. The McKinsey report “Why Diversity Matters”<sup>10</sup> recognises that “correlation does not equal causation ... (however) ... the correlation does indicate that when companies commit themselves to diverse leadership, they are more successful”. It seems to us that if it is good for business to have more diverse workforces, then our boards are probably going to be held accountable by shareholders for ensuring that there is greater diversity in the workplace ... or maybe they are willing to accept lower returns?

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**“progress on cultural diversity will be slow without better data.”<sup>3</sup>**

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**32%**

**of the population have a non Anglo-Celtic background, this is nowhere near reflected in our boardrooms.**

**The Australian Federal Government has committed to a gender diversity target of women holding**

**50%**

**of Government board positions overall.**

# EXECUTIVE SUMMARY

This year we are covering four areas of diversity amongst the ASX300:



## GENDER DIVERSITY

The ASX top 50 have once again improved their gender diversity and in the past 12 months have lifted from a 26:74 women:men split to a 30:70 split. Over the three years that we have been producing this Index that ratio has climbed by 7.4%, a change of 33% in favour of women directors. The next milestone should be 50% because in pushing for a 50:50 split, a 40% benchmark will be just a step on the way rather than a destination. Once again, the ASX50 are leading by example and the ASX201-300 have a bit of catching up to do with a 17:83 ratio of women:men. It is interesting to note that the number of boards with no women on them in the ASX100 has bounced up from two to five, back to where it was in 2014 however when it comes to looking at the ASX300, the number of boards with no women on them has decreased to 46 from 59. Still too many, but a noticeable shift.

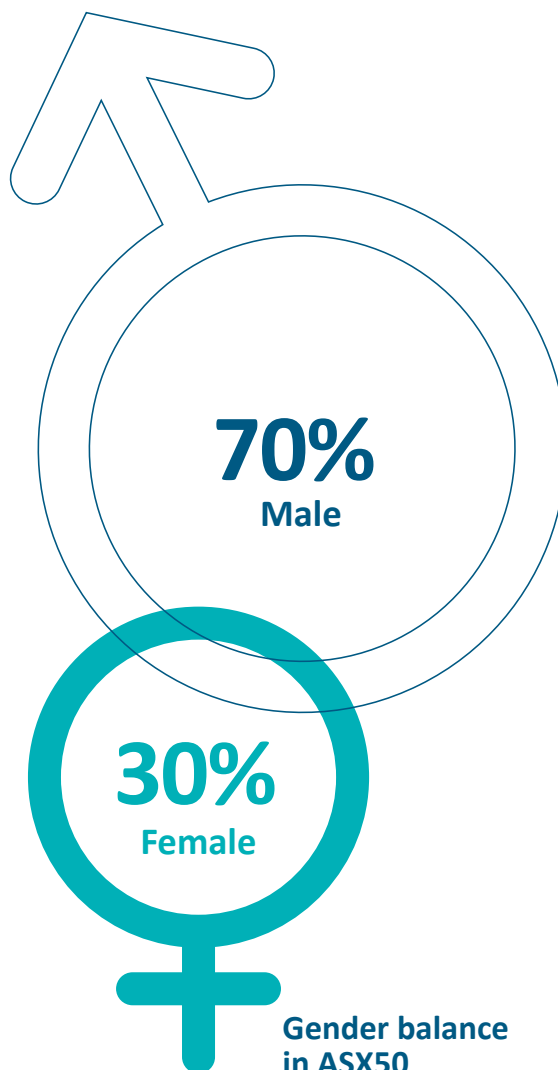
ASX201-300 a long way behind at

**17:83**

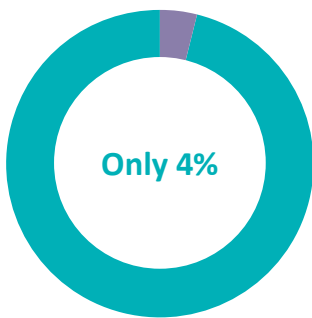
ASX boards with no women are down by

**22%**

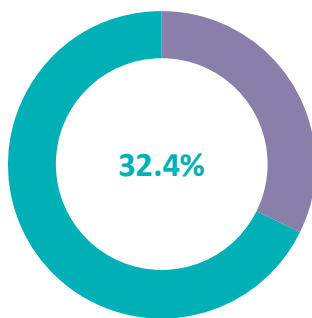
to 46 boards



## CULTURAL DIVERSITY



Only 4% of ASX Directors are not from Anglo-Celtic or European backgrounds



ASX300 Directors with a non-Australian background is at 32.4%

The ASX300 has seen a further increase in those board directors with a non-Australian background. This has risen to 32.4% this year up from 18.8%, which seems hopeful. However once again if we scratch the surface, we find that board directors tend to be People Just Like Me (PJLM). Of those 658 Directors (32.4%) 578 of them are from Europe, Northern America or New Zealand. That leaves 80 that are from Asia, South America or elsewhere – that's 4% of our Directors who are potentially going to add some real cultural diversity to Australia's ASX300 Boards. We can throw in Europe to the culturally diverse pool if we wish, but that only shifts the dial to 6.4%. Given we are a multicultural, multiracial society that in 2016 exported more than \$31.7Bn to trading partners,<sup>11</sup> we are sure there is room for greater cultural diversity in our Australian boardrooms. It is a growing part of the board conversation, but currently it remains more of a murmur.

**As we said last year, "We are still a long way from having culturally diverse boards that either reflect the make-up of the Australian population or Australia's key trading partners."**

## SKILLS AND EXPERIENCE DIVERSITY

The "winners" in the skills and experience areas from previous years remain in the box seat with 37% of all board seats being filled by Directors with accounting and/or finance experience. That equates to 2.5 accounting and/or finance experienced directors per board. That is slightly down from last year when the number was 2.6; but still more than enough to go around. As it was last year, Board Director roles with a professional human resources background make up an almost insignificant 0.4% of the total Director pool. The technology team do slightly better, but have not shifted the needle much from last year where they made up 4% of all board roles and now make up 4.8%.

Neither the low representation of those with strong human resources backgrounds or those with strong technology backgrounds seems logical when many more organisations are building their boards with a focus on assembling a skills-based board. We know from first-hand experience that the nominations committees of boards try and tick many boxes with the one appointment, however directors with HR and technology skills remain sorely underrepresented. As we have mentioned previously, there are not too many companies that do not have their own people at the centre of their values and seem to be constantly re-inventing themselves. Equally there are not too many business models that are not constantly being reshaped by new technologies.

**On average there is less than one third of a board director per board with a strong technology background.**



Directors with professional human resources experience make up 0.4% of the ASX300 Board seats

# EXECUTIVE SUMMARY CONT.

## AGE DIVERSITY

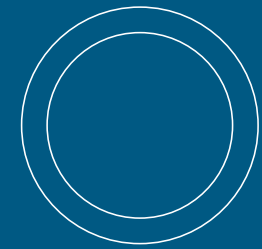
As we mentioned earlier, this is a new category for the 2017 report so we have none of our own numbers to compare against for any movement and there is relatively little other information to draw on. We have already pointed to the Corrs study titled “ASX200 Boards are getting younger” and to the older government paper on ‘Diversity on boards of directors’ that also touched on the age profile of boards.<sup>2</sup>

We also point to The Australian Council of Superannuation Investors annual report<sup>12</sup> that has some useful historical information on the ages of Directors.

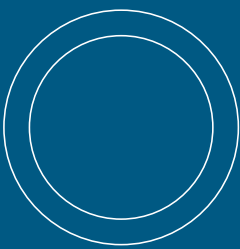
Their latest report, released in November 2016 shows that the average age of male directors in the ASX100 has steadily increased between 2001 and 2015 from 59.5 to 64.1 in 2012, before starting to decrease to the point where it is now 63.5 years of age.

Over the same period for women NEDs, their average age has increased from 51.4 years of age to 57.9 years of age. The data we can collect from annual reports and other online sources is not a complete record of every directors’ age and, as such, is the average of those directors that had their age disclosed rather than the true average age of directors. The women appointed to board roles are, as a cohort, some 5 years or so younger than their male counterparts and, as a result of the increasing percentage of women board members being appointed, are pulling down the average age. This trend is likely to continue and we will have a closer look at it in the body of the report.

The average age of board members in the ASX100 has reached a peak and is declining



The average age of those directors declaring their age does not change markedly between the ASX50 and the ASX250-300



Women on boards are, on average, FIVE YEARS YOUNGER than their male counterparts in the ASX100



# WATERMARK BOARD DIVERSITY INDEX

## GENDER DIVERSITY

This report will not look at gender diversity in an exhaustive fashion given that it is a subject that is well covered by the AICD, 30% Club, Women on Boards and the Australian media. We are not suggesting that the Gender Diversity debate around board seats is over, far from it in fact, however it is already something that is well researched and widely documented.



Of the 292 board members appointed to the ASX300 companies in 2016, 33% of them were women. Of the Directors coming off boards, of which there were 155, 85% of them were men.

Board sizes have become slightly smaller with the average board size across the ASX300 Boards sitting at 6.5 members in 2016 compared to 6.7 in 2015. Although the change looks small it does translate to 60 fewer board roles across the ASX300.

We can take a slightly closer look at gender diversity by examining board gender splits by sector or industry. The finance and insurance sector comes out as having the highest representation of women on their boards, with 27% of the board roles filled by women. Supporting the bottom end of the industry spectrum is the mining sector where out of 228 board roles, 39 are filled by women. In fact, 10 out of the 28 mining companies listed have no women on their boards.

Of the 292 board members appointed to the ASX300 companies in 2016,

**33%**

of them were women.

# WATERMARK BOARD DIVERSITY INDEX CONT.

The mining sector can, to some extent, plead mitigating circumstances in that Workplace and Gender Equality (WGEA) only records that industry sector as employing some 13.7 % women as a portion of its overall workforce.<sup>13</sup> There clearly is a smaller pool to draw from if a company is looking for direct experience.

That of course raises a whole different question about the pathways for women to work in those sectors such as mining, construction, transport and the like but that is beyond the scope of the Watermark Diversity Index. There are a range of skills and experiences that can make a significant contribution to a board and a wide number of these are somewhat sector agnostic such as change management, accounting, legal and to some extent, technology skills. It probably feels “safer” to have a board member that has worked in the sector previously but that is certainly not how every Chair sees it. A balance of Directors that bring both sector and out of sector experience would make for a board which thinks along broader lines. If we refer back to some of the research on the performance of diverse teams, which is superior to more homogeneous teams, Boards of Directors made up of NEDs from different disciplines will provide some of that diversity.

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**“Somewhat surprisingly healthcare, which the WGEA (in the Healthcare and Social Assistance sector), measures as being made up of 78.3% women, can only muster 35 women with that background for the ASX300.”**

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**There is no doubt that Board roles held by women are more consolidated in fewer Directors.**

**The finance and insurance sector has the highest representation of women on their boards, with**

**27%**

**of the board roles filled by women.**

**The AICD report also highlighted the boards that comprise of more than 30% women and that has risen to 76 companies or 25.3% of our ASX300 Boards.**

Turning our mind to the overall representation of women on boards at the end of 2016, there were five ASX100 Boards with no female directors and in the ASX201-300 there are 28 boards with no women on them. It is easier for the ASX100 companies with an average board size of 8.04 Directors to have one or more women, so they have no excuse, but the ASX201-300 group still has 5.7 positions per board. The companies that had no women board members are documented in a piece of ongoing research from the AICD<sup>14</sup> and we refer you to that work rather than reproduce it which would not add to the conversation. The AICD report also highlighted the boards that comprise of more than 30% women and that has risen to 76 companies or 25.3% of our ASX300 Boards. In 2015, those same metrics were only 54 companies, or 20.2%, of our ASX300 Boards with 30% or more women ... the shift is significant.

Rather like last year, the board roles that women hold are more consolidated than those that the men hold. 15 directors hold four or more board roles and 10 of those are women, so 66.8 % of those with 'full' board portfolios. In fact, if we look at those whom hold three or more board roles, 36 of those are women. This is 36 out of a total of 89 positions, or a healthy 40.4% of those roles. There is no doubt that Board roles held by women are consolidated in fewer directors. In total there are 1,627 individuals holding board roles in the ASX300 and 314 of those are women.

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**314**

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# WATERMARK BOARD DIVERSITY INDEX CONT.

## CULTURAL DIVERSITY

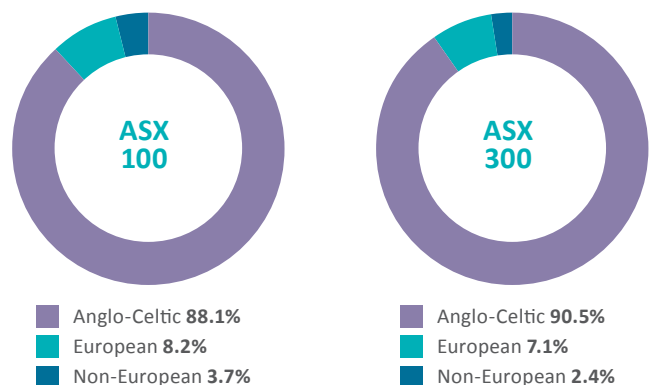
In the words of our Prime Minister, “As a nation that remains a steadfast example of a harmonious, egalitarian and enterprising nation, embracing its diversity”<sup>15</sup>, we might be an example to many and we could well be a work in progress, however when it comes to board roles we really have some heavy lifting to do. “Leading for Change”, a Blueprint produced under the auspices of Dr Tim Soutphommasane, Australia’s Race Discrimination Commissioner, noted “Australia is often described as a multicultural success story. We rightly celebrate our cultural diversity. Yet our diversity is not reflected in the ranks of leadership within society.” The “Leading for Change” Blueprint goes on to say,

**“The case for cultural diversity can be emphatically made. Simply put, a more diverse workforce makes for better decision-making.”<sup>16</sup>**

Looking at the cultural backgrounds of our ASX300 board members in 2014, we had 14.2% of our board members with a culturally different background. In 2015 it was 18.8% and in 2016 it is 32.5%! On the face of it, it’s a big win for board diversity but let’s look a little behind the totals and see what the distribution tells us. Of that 32.5%, 26% of those board members come from New Zealand, The United Kingdom, North America, Canada and South Africa. That leaves 6.5% for the rest of the world and many of those (49 out of the remaining 149 board roles) are from Europe. Asia remains significantly under-represented with only 2.7% of all ASX300 Board roles being filled by directors of Asian cultural background.

Last year we noted, “We are still a long way from having culturally diverse boards that either reflect the make-up of the Australian population or Australia’s key trading partners.” This year the ASX300 companies have grown the number of foreign-based directors on their boards. Once again though, our boards do not reflect either the cultural diversity of our Australian population or our key trading partners. 180 (60%) of the ASX300 Boards are 100% Anglo-Celtic in make-up. The ASX100 are in slightly better shape with 47 (47%) of the boards made up of those with a purely Anglo-Celtic background.

Australia is not an outlier with regard to the diversity of cultural background on boards, but we do not have any grounds for complacency given the way we see ourselves when it comes to cultural diversity. We know that the most effective way to achieve change in a corporate environment is to set an example at the top of the organisation. Members of the Board are the most senior representatives of the business and, as such, the messages they send around all forms of diversity are a key factor in how the organisation acts on such matters. Greg Medcraft, the Chair of the Australian Securities and Investment Commission in a 2016 speech titled, “Tone from the top: Influencing conduct and culture”<sup>17</sup> argued, “what the board says, does and most importantly expects, is absolutely critical in setting the tone for the organisation”.



The 2016 Parker Report,<sup>18</sup> a report into the ethnic diversity of UK Boards, is very much along the lines of the Davies Review of Women on Boards released in 2011. Lord Davies led a review<sup>19</sup> that was instrumental in setting an initial 25% female gender target for FTSE 100 boards. If the Parker Report is adopted in the same way, then by 2021 each FTSE100 Board will have at least one director of 'colour' (not a term we tend to use in Australia). In the same way as the Davies Review did not mandate (through legislation or the implementation of a quota system) a diversity target, the Parker Report has also opted for an approach of a "voluntary code of conduct".

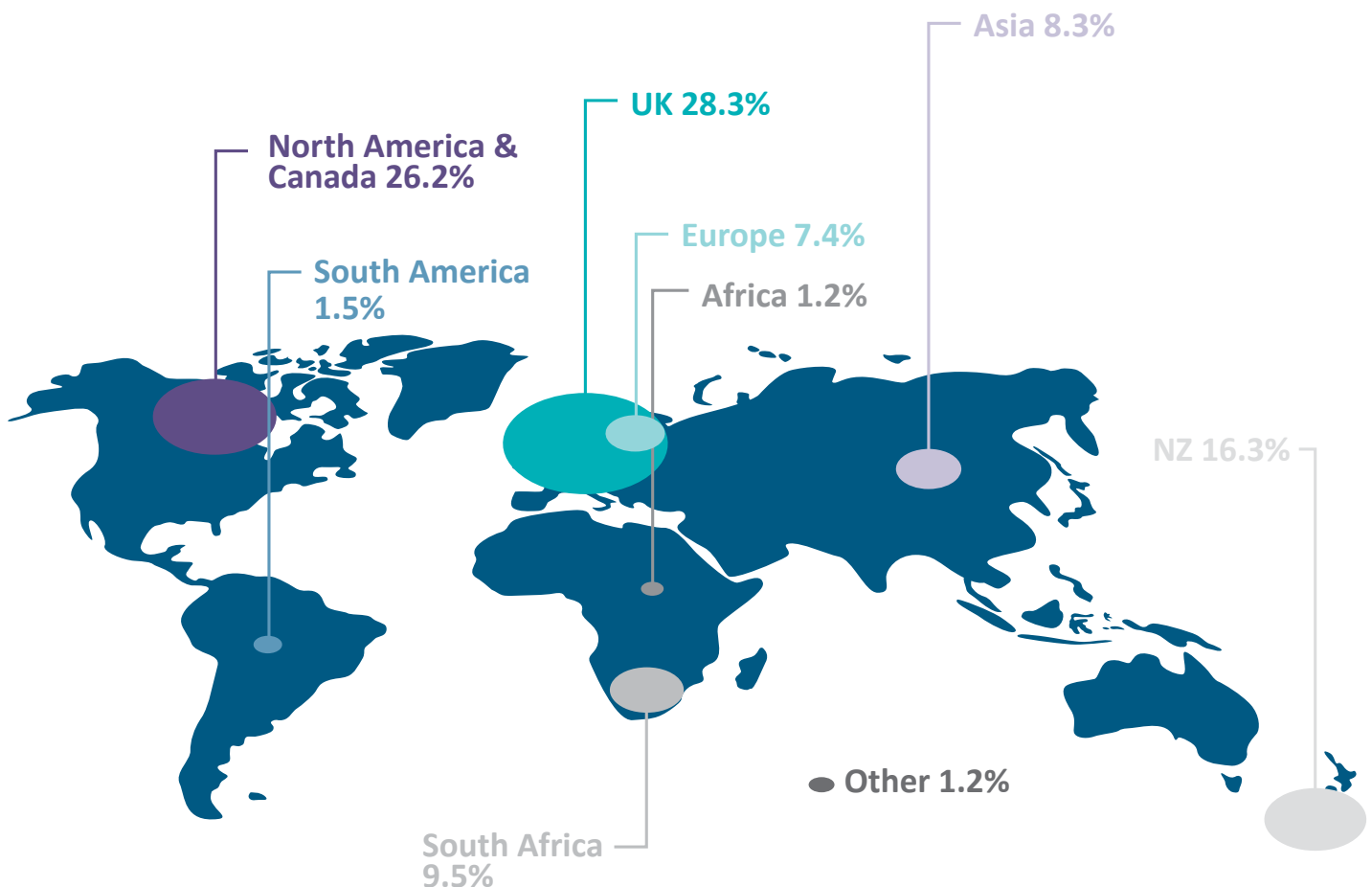
**Executive search firms, such as Watermark, have a role to play in increasing the ethnic diversity of our boards by ensuring they identify and present ethnically diverse candidates for consideration.**

Echoing the words of Greg Medcraft, the Parker Report offers, "without the appropriate commitments from existing Chairs, Boards and executives, UK companies will not secure the best talent, whatever their background and wherever they may be located."

The Parker Report is a well-researched and well thought out document, with a practical approach to increasing board diversity in the UK. We would suggest if you took out the references to the FTSE100, FTSE250 and United Kingdom and substituted ASX100, ASX250 and Australia, we would have a very good argument, and the next steps, for making the same changes here.

This year we adopted the same broad cultural categories that exist in the 2016 "Leading for Change" blueprint. The Blueprint does not examine the diversity present in ASX listed boards, but it does look at the cultural backgrounds of a range of leadership positions in the ASX200, Federal and State governments and universities and the same categories seem relevant.

### Distribution of Cultural Background for Non-Australian Board Directors



# WATERMARK BOARD DIVERSITY INDEX CONT.

## SKILLS AND EXPERIENCE DIVERSITY

What has changed in terms of the “experience pecking order” in the past three years? Not a significant amount really. Last year 39.6% of all ASX300 roles were filled by those with either finance industry experience or professional accounting experience and this year that percentage is 37%. This means that there are 52 fewer board positions for those in the Accounting and Finance sectors so it is down, however it is still by far and away the largest experience pool. That experience group holds 748 board roles or, another way of looking at it, there are 2.5 Directors with an Accounting or Finance background per ASX300 Board.

The legal profession remains well represented, filling 8.4% of all board seats, slightly down on last year’s 8.5%. This means that not every board has a “legal eagle” on the board, but the majority (167) do. The biggest contributors from a sector experience are the industrial sector (including mining) and the consumer sector with 20.5% and 10.3% respectively. Last year we combined the industrial and engineering sectors, which between them provided 20.8% of the board roles across the ASX300. This year that representation has held strong at 20.5%. Likewise, the consumer sector has not shifted appreciably, although this year’s 10.3% is a higher representation than last year’s result of 9.3%.

If we look at the shift between 2015 and 2016 we can see the following trends as illustrated on page 15.



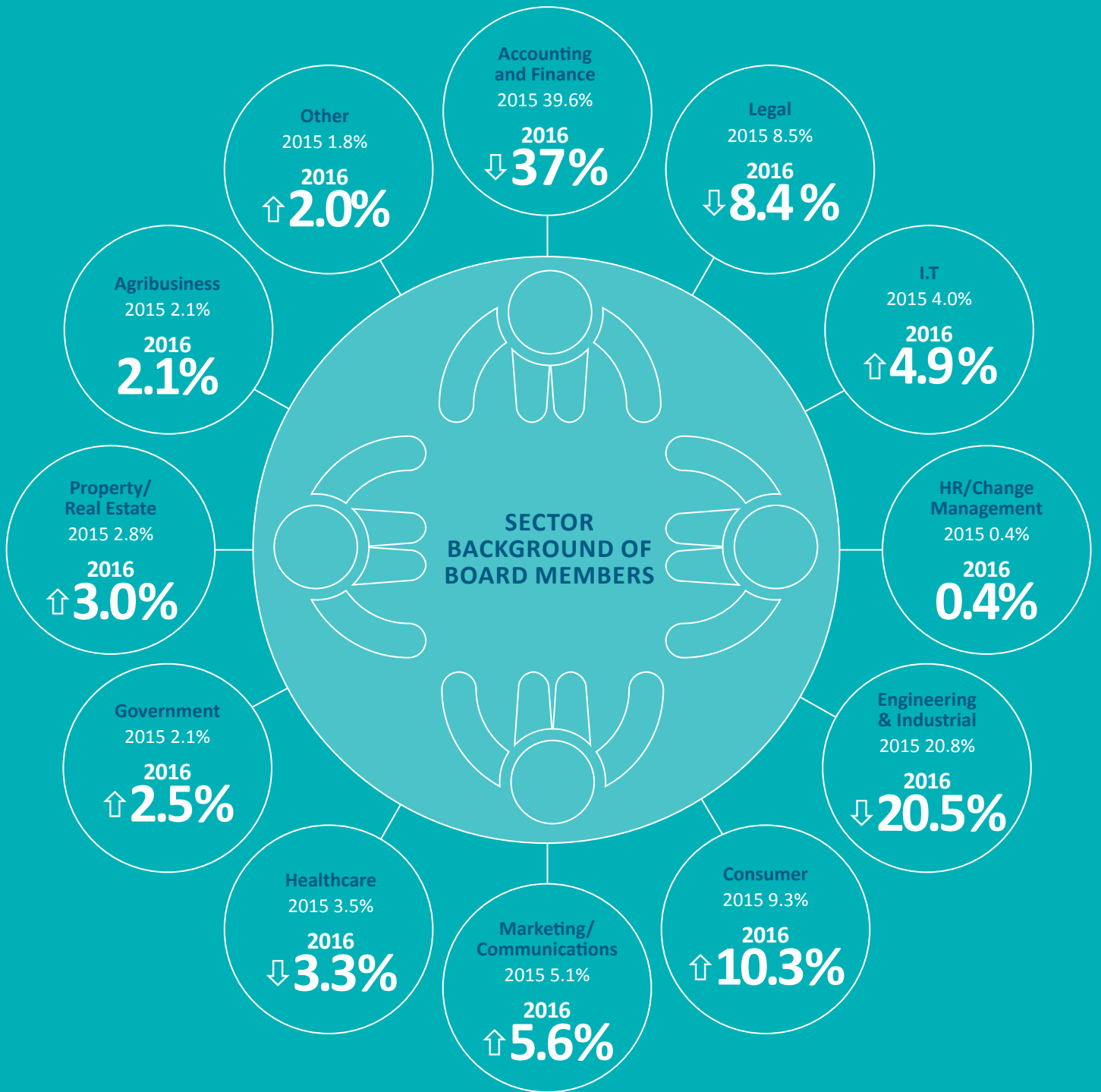
There is, somewhat unsurprisingly, a strong correlation between the sectors where directors have experience and the sectors that they find themselves on the boards of. Those with technology skills find themselves more often than not in the technology sector (52%). Those with finance skills find themselves in the finance sector (53.5%), however the remaining 46.5% of them are well represented across the spectrum whereas those with technology expertise are found in the finance, consumer and media sector and almost completely missing in the mining, energy and utilities and real estate sectors. Those with a strong technology background are thinly spread across the ASX300 at 0.3 positions per board.

Those boards with the strongest tendency to “stick to their sectoral knitting” are in the healthcare sector, where 84% of the directors have a health background.

Those with strong human resources backgrounds are once again a rounding error and are very thinly distributed, again claiming 0.4% of the board seats. It remains a little bemusing that right in the centre of a flurry of almost every business sector “transforming”, often enabled by technology, that these two areas of expertise are so undervalued in the boardroom.

**Your best chance of being invited to join a board is if you have a Commerce or Economics-Law degree and have had a career in the Industrial or Engineering sector. With that resume you would cover 66% of all ASX300 Board roles!**

Assuming that their members wish to be considered for board seats our recommendation is that members of organisations such as the Australian Human Resource Institute (AHRI), the Australian Computer Society (ACS) or the Australian Information Industry Association (AIIA) embark on a mission. That mission is to persuade their representative bodies to either move to provide them with more relevant skills for the boardroom, or change the perception of what they would add by being on a board – probably both in fact.





# WATERMARK BOARD DIVERSITY INDEX CONT.

## AGE DIVERSITY

This is the first time that we have felt that there is enough information to provide any form of analysis on the age of directors across the ASX300. The reason for that is many more companies have chosen to make that information public and any form of transparency around the composition of boards is to be encouraged.

The average age of male board members has risen between 2001 and today, as has the average age of women on boards. As mentioned earlier, the women are younger (by some five years) and as the number of board seats held by women has increased, the average age of directors has decreased. We are not sure what all this means. The “cult of youth” is alive and well in senior executive positions. It seems that once you have a five in front of your two-digit age you are in danger of being seen as “tired”, “out of touch” or “not open to change” or having some other malaise attributed to those in their 50s. Yet the refrain of those seeking change in “pale, male and stale” has been shifting. It certainly needed to, and on our boards we have seen the shift in terms of the “male” part of that phrase. However, we have not seen it in terms of being “pale” and that is covered earlier in the Index. If “stale” is a euphemism for “old” (note: we used the term “old” rather than experienced) then this has not shifted much – except upwards in the past 10 plus years. Our question is: should it be heading up, down, or staying the same?

Australian life expectancy at birth in 2000–2002 has risen from 77.6 in males and 82.9 in females to 80.6 and 84.3 respectively, and that is in 10 years.<sup>20</sup>

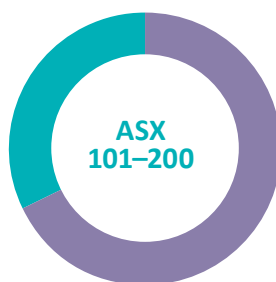
By 2025, life expectancy is projected to be 92.6 and 94.5 respectively. In 1960 if you were a man and aged 68 or a woman aged 75 you had beaten the odds – now you have another 8–10 years to contribute.<sup>21</sup> If we also consider the Government’s steady increase of the retirement age from 65 to 70 in 2035, we are all expected to work longer. So we are healthier, better educated (in 1990, the percentage of people who attended the highest level of secondary education possible was 31%; in 2016 it was 66%)<sup>22</sup> and expected to work longer. If you add to this an increasing complexity of both the day to day and the business environment, logically the ages of board directors should increase, not decrease.<sup>23</sup>

We took the opportunity to see if there was a substantial difference in age profile between the various industry sectors. The software and services sector might, for example, be thought to have a younger age profile amongst its boards than for instance, banking and finance. That is in fact the case, but not to the extent that one might think. The average age of directors (where the information was available) in the software and services sector was 58.6 and in banks, insurance and diversified financial it was 59.3. The “oldest” boards were found in the healthcare and pharmaceutical sector where the average age was 61.6. The differences between the sectors do not appear significant.

**There does not seem to be a logical spot for the culture of youth around the board table just for the sake of it. Equally there is no place for any board director to “hang in there” past their “use by date”. We would suggest boards need to remain focussed on the right experience ... not the right age.**



■ Disclosing Age 85%  
■ Not Disclosing 15%



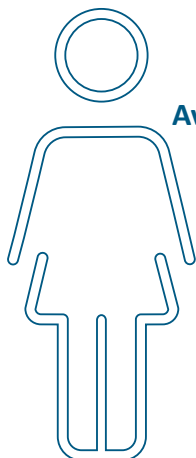
■ Disclosing Age 68%  
■ Not Disclosing 32%



■ Disclosing Age 58%  
■ Not Disclosing 42%



### Average Age of Directors



Average age of female directors (years)

**56.4**

ASX0-300

Average age of male & female (years)

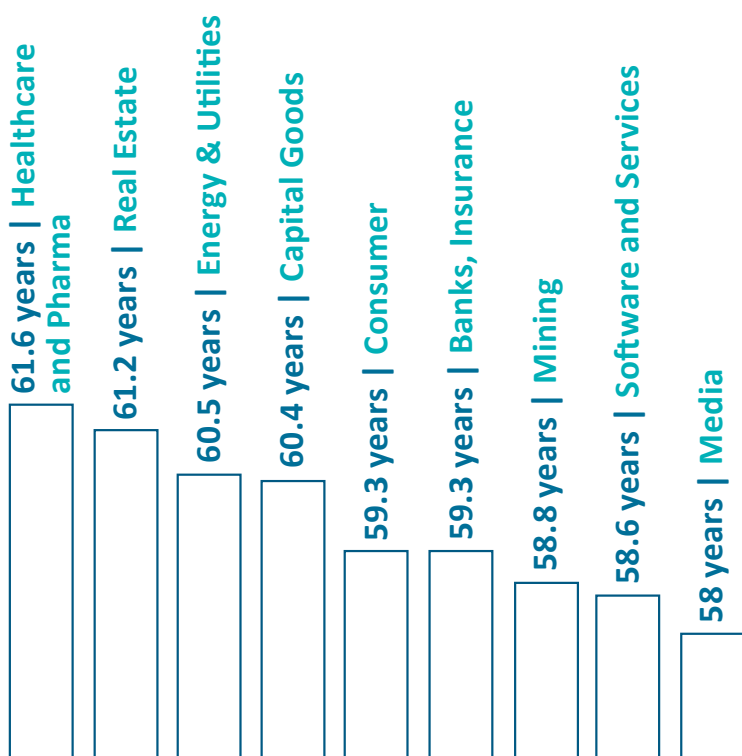
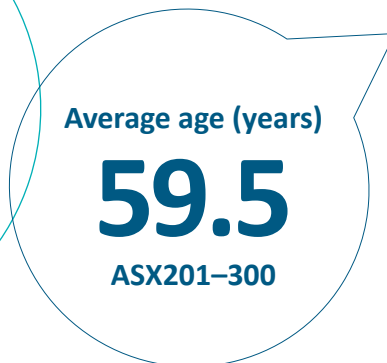
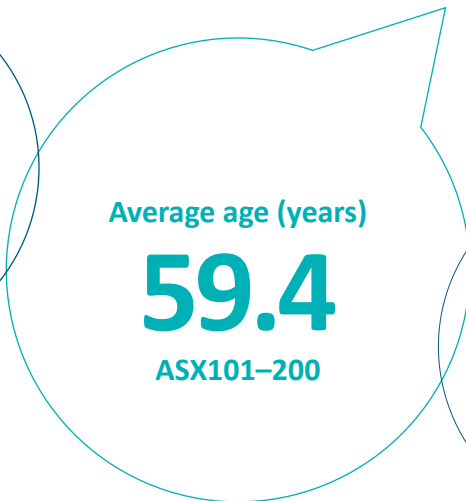
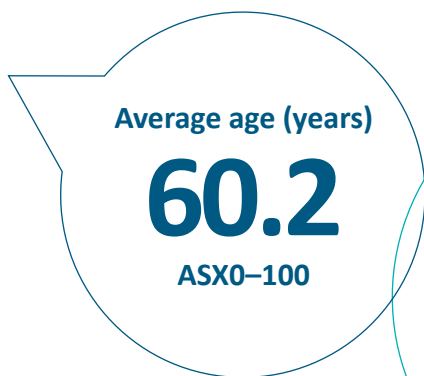
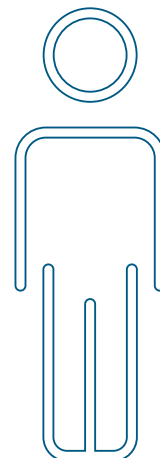
**59.8**

ASX0-300

Average age of male directors (years)

**60.7**

ASX0-300



Ensuring that boards renew, stay relevant and can handle the complexity of the business environment is primarily down to the Chair. We suggest that it is more instructive to look at the tenure of directors rather than their age.

# SUMMARY

**Apart from hoping you find the Index interesting and relevant, we also hope that the point about greater Board Diversity, which is more than just gender diversity, having a positive impact on business performance comes through loud and clear. If it does then consider becoming an active contributor to creating boards of greater diversity. If you are a potential NED then make sure you can be seen and are clear about what value you add to a board. If you are a board member don't "settle" for the status quo: push for change.**

Some boards have embraced the process of becoming more diverse and should be acknowledged for their approach; many others have more they can do.

In a discussion with Dr Tim Soutphommasane, Australia's Race Discrimination Commissioner, I recall him saying something along the lines of, "the feeling amongst some senior business leaders is that they can only concentrate on one diversity issue at a time; namely gender. They did not have the bandwidth to put cultural diversity on the agenda as well." This singular focus on gender at the expense of action on a broader diversity front should not be an option. We have to raise the bar on diversity in a holistic sense if we are going to make meaningful progress.

## **The key reasons we are interested in what this Index shows are:**

### **To see if things are changing.**

- After three years we are starting to see a picture which, in summary, is that gender diversity on boards has been a real focus and, as a result, there are clear and positive outcomes being seen. The cultural diversity of our boards has not shifted and, purely on the numbers, is slightly worse than it was in 2014.

### **To contribute information and data that adds to the Board Diversity discussion.**

- What gets measured gets done. We are measuring in the hope that things get done.

We look forward to measuring what we hope is broader progress next year.

# DATA COLLECTION AND INTERPRETATION

As we did last year, we have kept the dataset to the ASX300 and are not looking to expand beyond that. The data used to create the Index is publicly available information from board profiles provided by the top 300 companies on their websites and annual reports. Where that information is no more than a name or short biography we have accessed information from other publicly available sources. The data used was current as of 1 January 2017.

In counting the number of board members, we have included the Managing Director but did not include the Chief Financial Officer or Company Secretary as members of the board.

With regard to skills, we have made a determination that a director brings one major area of experience to a board. We recognise that this is an oversimplification and does not properly acknowledge the range of skills and experience that directors build over their executive careers; we accept this limitation of the Index.

At the same time, based on our board search experience, we know that specific areas of core experience are predominantly the reason a director is invited to join the board. A director who has been a partner in a law firm is unlikely to be on the board for their Human Resources experience for example; it does not follow that they do not have any. Equally, just because a director has had an executive role in companies that have been through significant change, it does not make them a change management expert.

With regard to cultural background there is, in some cases, a degree of judgement being applied. In many cases the individual's cultural background is quite clear; in other cases, where an individual has been educated in Australia and yet is of a different cultural background it is less clear. Just as we made a determination, for example, that someone with exposure to organisational change was not a change management expert, an Australian that has worked in Asia for a period of time is not the same as a director that has been born and educated there.

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**Given the overall numbers of directors with different cultural backgrounds it makes very little difference to the key message which is: "directors of different cultural backgrounds are significantly under-represented".**

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We believe these are important, if not vital, themes that must receive further consideration.

## We invite you to contact us

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# SERVICE OFFERINGS

## EXECUTIVE SEARCH

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Founded in 1979, we are one of the longest established Australian executive search firms. Despite the fact that we are, above all else, an Australian based firm, we have an established track record in attracting, and then securing, candidates from overseas.

We have considerable expertise in senior executive appointments across a broad range of public and private sector organisations. Our practice has been built on a substantial body of work undertaken for publicly listed companies, private companies, state owned corporations, and government agencies, departments and advisory boards.

## INTERIM EXECUTIVE MANAGEMENT

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We provide immediate and high level specialist executives, including senior managers, with the experience to bring stability to and provide guardianship for a company during a period of change, executive absence or performance turnaround. We also assist with providing executives who deliver on projects, programmes or specialist reviews. When clients are ready to appoint an executive, we normally complete the assignment in two to three weeks. Our latest survey shows that those executives remain in place for an average of 7½ months.

## BOARD SEARCH

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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. Our process and experience allows us to generate diverse short lists and consistently find successful candidates who help boards perform at their peak. We often work with our clients to provide an induction process for their new Directors.

## DIVERSITY

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We pride ourselves on delivering the best candidates in the marketplace for consideration by our clients. We go further than most executive search organisations in ensuring that our clients have a gender diverse range of candidates as part of the process. In 2015, 42% of all successful candidates introduced by Watermark were female. This is a significantly greater representation of women executives as successful candidates than any levels indicated by recent third party studies. In addition to our focus on gender diversity we have also had the opportunity to assist a number of Indigenous organisations secure high quality candidates through well targeted executive search.

## MARKET INSIGHTS

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

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