



30% Club

GROWTH THROUGH DIVERSITY

30% CLUB: INVESTOR ANNUAL REPORT

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The purpose of the Investors Group is to help coordinate the investment community's approach to gender diversity. In particular, to explain the investment case for more diverse boards; to encourage all investors to engage on the issue of board diversity with chairs and management teams and to consider diversity when voting on the Report & Accounts and the appointment and re-election of board members.

Fifteen investor organisations have signed up to a Statement of Intent, pledging support for the principles in the Statement. Signatory companies are asked to provide a summary of any actions and activities they undertook during the calendar year. Below is a summary of the 2018 activities of 10 companies.

ABERDEEN STANDARD INVESTMENTS

OUR INVESTMENTS

74 per cent of the companies held in our flagship Australian Equity Fund have at least 30 per cent women on their boards, evidencing our belief that companies with greater diversity on the boards are superior investments. This compares with 57 per cent of companies in the Fund meeting the threshold the previous year.

OUR ACTIONS

Diversity is a core pillar of our engagement.

Over the past 12 months we have raised the issue of diversity in the majority of our director meetings and continue to see this as a core pillar of our engagement strategy.

OUR ENGAGEMENT

Mid-Large ASX 200 companies – many have met or exceeded the 30% target

Broadly speaking, the mid to large companies in our portfolios with which we have engaged have either met the 30 per cent target or exceeded this already. For example, a new investment, Aristocrat Leisure has 42 per cent female directors on the board. One of our larger holdings which has made progress on diversity recently is Resmed. We have been engaging with them for some time on diversity and independence of the board, given that several directors have long tenure. Over the last two years they have added two female directors to the board, the latest, Harjit Gil in November 2018. This takes them over the 30 per cent threshold.

SMALLER ASX 200 COMPANIES – SLOW AND RELUCTANT TO EXPAND BOARDS TO ACCOMMODATE WOMEN

It remains the case that smaller companies in our portfolios are slow to appoint female directors. They either believe the pool of female directors is too limited or they may simply be reluctant to expand the board to accommodate women.

Where this is identified, we have actively urged them to reconsider their position. Should companies not be prepared to respond to our proposals this is a catalyst for us to consider the future of our investment. In the previous report we highlighted our engagement with a small cap company where we discussed board structure, independence of directors and diversity over several meetings. During 2016 they recruited their first female director but made no progress subsequently on either diversity or the independence of directors. This led us to sell the investment in 2018.

The reluctance to appoint female directors is not always the case, as shown by Bapcor, the motor vehicle parts and servicing group, which has 50 per cent female directors on the board. Another of our smaller holdings, Adelaide Brighton, recently announced the appointment of an additional female director, taking it over the 30 per cent mark.

OUR COMMITMENT

Continue to actively raise and promote diversity.

We will continue to raise and promote the issue of diversity through our corporate engagement and governance meetings.

We will work with our portfolio companies to address identified issues of board diversity.

We will treat unwillingness to address and take steps towards board diversity as catalyst for us to consider the future of our investment.

AMP CAPITAL

LETTER CORRESPONDENCE

In 2018, AMP Capital wrote a letter to the Chair of the companies listed below to express our concerns about the lack of gender diversity on their boards. In the letter we explain why gender diversity at the board level is particularly important for investors and encourage the board to appoint a female director when they are next looking for a director.

- ARB Corporation
- ARENA REIT
- Bega Cheese
- Emeco Holdings
- Mineral Resources
- Otto Energy

PUBLICATION

We also recently published a Gender Diversity Report and a copy has been sent to all companies with one, or fewer, women on their board of directors. The report is now being used in our broader discussions with investment teams in the UK. Here is the link to the report - <https://www.ampcapital.com/content/dam/capital/02-global-files-only/02-esg-resources/ESG-gender-diversity-report.pdf>

COMPANY ENGAGEMENT

Gender diversity was discussed during the annual engagement meetings with the below companies. In these discussions we typically engage with the Chair, Deputy Chair, People/HR executive and investor relations representatives. Our discussions include gender diversity at the board level but also organisation wide gender diversity issues.

- Suncorp Group
- Ramsay Health Care
- Boral
- Arena REIT
- Harvey Norman

AUSTRALIAN ETHICAL

Below is a summary of actions Australian Ethical took during 2018 to promote gender diversity:

- We voted against the re-election of 18 directors of 12 ASX 200 companies who were members of board nominating committees, on grounds which included a lack of board diversity.
- We supported the ASX Corporate Governance Council's proposed amendments to the ASX Corporate Governance Principles and Recommendations. The Consultation Draft included amendments that strengthened the recommendations for disclosure and reporting on diversity and performance-based remuneration. Some of these changes were adopted in what is now the 4th edition of the ASX Corporate Governance Principles and Recommendations.
- In October 2018 we engaged with Healthscope in relation to diversity on Healthscope's board and in senior management. At the time of writing to the company, Healthscope's eight-person board had only two women, Healthscope had no female senior executives and there were only three women out of 13 in the Healthscope senior leadership team. We called for Healthscope to explore and take the following further action:

1. Set targets for increasing the number of women in executive director and senior executive roles;
 2. Take steps to ensure women and diverse candidates are in the pool from which board and senior executive nominees are chosen;
 3. Investigate potential biases in the recruitment process for board and senior management roles;
 4. Develop initiatives to understand and reduce identified gender discrepancies (e.g. any organisational barriers to female advancement or to men at management level taking parental leave); and
 5. Set KPIs related to gender diversity.
- We prepared for a roll out of tailored letters to around 20 other investee companies which do not meet our expectations in terms of gender diversity. The process for writing these letters took longer than expected and we were only able to start sending these letters in 2019, so we will provide details of this engagement in our 2019 annual report.

BLACKROCK

BLACKROCK INVESTMENT STEWARDSHIP'S APPROACH TO ENGAGEMENT ON BOARD DIVERSITY

BlackRock considers board diversity in the context of evaluating a board's composition and effectiveness. The BlackRock Investment Stewardship (BIS) team has engaged with companies in which we invest on behalf of our clients regarding board diversity for several years.

BLACKROCK'S ENGAGEMENT ON BOARD DIVERSITY

BlackRock believes that diversity is a factor in quality leadership and financial performance. We are not aiming to direct the nominating process or tell companies what to do. As well as sharing our views, we seek to understand the company's philosophy, policies, and performance on diversity at the board level, and by extension, within senior management and the "talent pipeline". Where it is absent, we encourage disclosure by the board of its thinking, actions, and progress (backed by relevant data). Investors and others can then assess whether they believe the approach taken by a company is appropriate given its business, and the broader context in which the company operates.

In our engagements, we ask probing questions about board composition and the appointment process. We expect boards to have credible responses to a range of questions that in our experience can demonstrate a robust approach to board diversity. The topics we may cover include:

- Current board composition and how it reflects the company's stated strategy, trends impacting the business, and succession expectations.
- How the company's position on diversity has evolved over time.

- Board evaluation process, including how it influences succession planning and the director appointment process.
- The board's approach to phasing director tenures.
- Potential to have a slate of only diverse candidates.
- Deliberate steps the nominating committee (or equivalent) is taking to enhance board diversity.
- Director appointment process and how those involved countered unconscious biases.
- How directors cultivate a diverse network of professional peers. The common practice of incumbent directors identifying candidates for the board from their networks is not necessarily an impediment to a diverse board if those networks are diverse.
- If recruitment consultants are used to identify candidates, how the nominating committee assessed the consultant's networks and expertise in finding and placing diverse directors, especially first-time directors.

BlackRock's corporate governance work has always focused on the quality of the board. We will continue to promote, and encourage commitment to, diversity in leadership more generally through our dialogue with company directors and management, sharing best practices, and contributing to the public debate, as appropriate. If there is no progress on enhancing diversity at the board level within a reasonable time frame, we may hold nominating and/or governance committees accountable for an apparent lack of commitment to board effectiveness. Deliberate action needs to be taken by boards with a lack of diversity. A new mindset may also be necessary in some companies, particularly to accept that board diversity is a performance imperative in today's dynamic corporate boardroom and workforce.

AUSTRALIA

In Australia, we continue to raise board and senior management diversity as a topic of engagement. While progress on this topic is in the early stages throughout much of the greater APAC region, there are now only three companies amongst the Australian Stock Exchange (ASX) 200 companies with no women on their board. Given the significant progress in Australia, our discussions are now focused on increasing the number beyond one. We have also consistently shared our view that diversity amongst the senior executive ranks is also important.

Please find below a list of ASX companies that BlackRock has engaged with on the topic of diversity.

AMP Capital LTD
 ANSELL LTD
 ASX LTD
 AURIZON
 AUSTRALIA AND NEW ZEALAND BANKING
 AVANCO RESOURCES LTD
 BANK OF QUEENSLAND
 BEACH ENERGY
 BENDIGO AND ADELAIDE BANK LTD
 BHP GROUP LTD
 BLUESCOPE STEEL LTD
 BORAL LTD
 BRAVURA
 CHALLENGER
 CSL LTD
 FORTESCUE METALS GROUP LTD
 HEALTHSCOPE
 ILUKA RESOURCES LTD
 JAPARA
 MACQUARIE
 METALS X
 NATIONAL AUSTRALIA BANK LTD
 NINE ENTERTAINMENT CO HOLDINGS LTD
 NORTHERN STAR
 QANTAS AIRWAYS LTD
 QBE INSURANCE GROUP LTD
 RAMSAY HEALTH CARE LTD
 RIO TINTO LTD
 SONIC HEALTHCARE LTD
 SOUTH32 LTD
 STAR ENTERTAINMENT
 SUNCORP
 SUPER RETAIL
 TELSTRA CORPORATION LTD
 THE STAR ENTERTAINMENT GROUP LTD
 TREASURY WINE ESTATES LTD
 WESFARMERS LTD
 WESTFIELD
 WESTPAC BANKING CORPORATION CORP
 WOODSIDE PETROLEUM LTD
 WOOLWORTHS
 WORLEYPARSONS LTD

CARESUPER

As a supporter of the vision of the 30% Club Australian Chapter, CareSuper is pleased to report on actions taken for 2018:

- CareSuper is a founding member of the Australian Council of Superannuation Investors (ACSI) and engages with ASX 200 on gender diversity via ACSI. CareSuper votes in accordance with ACSI recommendations on ESG matters.
- In 2018, CareSuper voted against director re-elections at those ASX 200 boards without a woman director, following ACSI's voting recommendations. By the end of 2018, five of the seven ASX 200 companies without a woman director had appointed one woman.
- The CareSuper investment team has engaged with the Fund's investment managers on the 30% Club initiatives and encouraged them to incorporate gender diversity into their active ownership practices for pooled vehicles as well as for mandates.
- CareSuper promotes the 30% Club on its website: <https://www.caresuper.com.au/investments/how-we-invest/responsible-investing> Under the heading 'Joining forces for change'.

For 2019, CareSuper will engage with ASX 201- ASX 300 companies without any women on their board via ACSI and the Fund's investment managers.

CareSuper is committed to further promoting gender diversity and supporting the work of the 30% Club.

CBUS

ENGAGEMENT

Cbus has engaged with ASX200 companies on gender diversity through our service provider the Australian Council of Super Investors (ACSI). In consultation with Cbus and other ACSI members, during the calendar year 2018 ACSI targeted seven ASX 200 companies who had zero women on their board, at the start of 2018. The engagement was conducted through a means of face-to-face meeting, teleconferences, and formal letters and through proxy voting. ACSI sought formal commitments from each company on their path to achieving 30 per cent women on their boards.

Of those seven companies, four appointed their first female directors and one company, which had lost its only woman director but engaged regularly with ACSI on its progress, appointed two women in accord with their commitment.

VOTING

In accordance with Cbus policy to vote against re-election of ASX directors with no women, Cbus also opposed four director re-elections at two ASX 200 companies as they failed to demonstrate a plan to reach 30 per cent women on their board.

ADVOCACY

In addition to our engagement work, our CEO sits on the Investors Working Group of the 30% Club; is a member of Male Champion of Change Institute and is a Workplace Gender Equality Agency Pay Equity Ambassador.

FUND MANAGERS

Cbus requests information on gender diversity of our fund managers as part of our ESG due diligence process when appointing new managers.

FIRST SUPER

First Super's corporate voting policy is to vote against the re-election of a Board Chair or the chair of a Nominations Committee if less than 30 per cent of that board are women.

In the 2018/19 financial year, there were 419 motions to (re-)elect directors within our portfolio, spread across 160 individual companies. We voted on 98.1 per cent (411) of those motions and voted against 12.6 per cent (53) in line with our policy. You can access a full record of our proxy voting over the past few financial years at firstsuper.com.au/about-us/fund-disclosure.

We also send letters to investee companies when they are added to the S&P ASX200 index. These letters detail our commitment to the 30% Club initiative, our beliefs, and our voting policy. In the 2018/19 financial year we sent letters to 11 companies.

Finally, we engage with any fund manager that we appoint for Australian listed equities - both mandates and pooled investments. We did not add or change managers in this space this financial year.

HESTA

BACKGROUND

HESTA's engagement with ASX200 companies on board diversity is part of our broader engagement plan that aims to improve diversity across all of HESTA's 'investment value chain'. We believe that greater diversity leads to better decision-making, therefore we have developed targeted strategies to encourage diversity in groups making decisions that impact value creation, including our external investment managers, and at the company level in board and senior leadership.

HESTA notes the 30% Club's new campaign in March 2019, calling for ASX300 to have 30% female directors by 2021 and is supportive of this initiative which aligns with our engagement activities.

During 2018 HESTA undertook the following activities in relation to achieving the 30% Club's objectives:

ENGAGEMENT WITH COMPANIES

During FY2018 our engagement providers (ACSI and Regnan) held 160 meetings with Australian companies on responsible investment issues, 23 of those included discussions with ASX200 companies on board diversity and diversity & inclusion.

We also made a commitment to support ACSI's policy to vote against ASX300 director elections where boards have poor gender diversity and have not publicly articulated a strategy for achieving the 30% target. As such, board gender diversity is discussed in most meetings.

In 2018, ACSI specifically targeted the seven ASX200 companies without any women on their boards. Through face-to-face meetings, teleconferences, and formal letters, ACSI sought formal commitments from each company on their path to achieving 30% women on their boards.

Of those seven companies, four appointed their first female directors and one company, which had lost its only woman director but engaged regularly with ACSI on its progress, appointed two women in accord with their commitment.

For the two companies where no change was made, ACSI recommended against director elections, resulting in votes ranging from 12% to 32% against male candidates.

During CY2018, HESTA also looked at the Fund's Australian Equities holdings and identified a number of companies for engagement on board diversity issues. HESTA was a substantial shareholder in two of these companies and we undertook specific engagement.

SUPPORT TO 30% CLUB

As active members of the 30% Club we have provided feedback on relevant documents and shared in-house research on ASX 200 companies with the Investor Group.

PUBLIC SUPPORT TO 30% TARGET AND GENDER DIVERSITY/EQUALITY INITIATIVES

6/03/2018: "Last year we kicked things off by writing to companies in the ASX 200 calling for them to set clear targets, with timeframes, for the number of women they employ in senior executive roles." <https://www.linkedin.com/pulse/how-were-broadening-conversation-gender-diversity-debby-blakey/>

11/03/2018: "Debby Blakey, chief executive of \$40 billion super fund HESTA, last year pushed the fund to vote against directors at seven S&P/ASX200 companies unless they tried to appoint a women to their board." <https://www.afr.com/business/state-street-global-advisors-pushes-16-companies-to-add-women-to-boards-for-the-first-time-20180309-h0x92o>

22/03/2018: "Last year, HESTA chief executive Debby Blakey wrote to ASX 200 companies asking them to think more broadly about diversity and its impact on performance." <https://www.investmentmagazine.com.au/2018/03/hesta-probes-deeper-on-gender-diversity/>

26/03/2018: "Closer to home, at HESTA we've using our influence to fight entrenched gender inequality. In July last year, I wrote to ASX200 companies asking them to set targets for women in leadership, and last month we launched a program to encourage diversity right across our investment processes." <https://www.linkedin.com/pulse/womens-progress-what-im-fighting-2018-debby-blakey/>

June-Aug 2018: "In 2015 the AICD set a target to reach 30 per cent female representation on ASX 200 boards by the end of 2018. With year's end looming we asked stakeholders for their reflections on the journey so far and where to from here." (Interview with members of the 30% Club Investor Group including HESTA). <https://aicd.companydirectors.com.au/-/media/cd2/resources/advocacy/board-diversity/pdf/06440-3-pol-gender-diversity-articles-sep18-a4-web.ashx>

15/10/2018: "Finance-sector organisations are under pressure to improve their accountability and performance following the banking royal commission. Having more diverse decision-making is key to this. Cognitively diverse teams are less likely to engage in group think or risky behaviours." <https://theconversation.com/for-the-sake-of-our-retirement-savings-its-time-to-reform-the-investment-management-boys-club-103319>

STATE STREET GLOBAL ADVISORS SSGA

FEARLESS GIRL'S IMPACT IN AUSTRALIA

2018 marked the second year of our Fearless Girl Campaign in Australia. The Campaign began in March 2017 with State Street Global Advisors placing a statue of a girl near Wall Street and calling on companies to have at least one woman on their boards.

In Australia, we currently take voting action against the chair of the nominating committee in ASX 300 companies that do not have at least one woman on its board and have not engaged in successful dialogue with us.

In 2018, we announced an enhancement to our board gender diversity voting guideline designed to further encourage companies to diversify their boards. Starting in 2020, we will vote against the entire slate of board members on the nominating committee in ASX 300 companies that are unresponsive to our efforts for three consecutive years.

Table 1 presents the impact of our Fearless Girl Campaign over the first two years in Australia.

Overall, we engaged with 41 companies in Australia in 2018. Gender diversity was a stewardship priority as we continued to focus on enhancing board quality by engaging with companies to understand how they bring in diversity of thought and background into the board room. We also engaged with companies to understand how management promotes diversity at all levels of management and reviewed company disclosure pertaining to diversity practices and metrics.

TABLE 1: IMPACT OF FEARLESS GIRL CAMPAIGN IN AUSTRALIA

	Companies Identified	Companies added a female director	Year 1 votes against	Year 2 votes against
Australia	56	26	26	16

VICSUPER

WHY GENDER DIVERSITY MATTERS TO VICSUPER

We promote gender equity, diversity and inclusion on company Boards because we believe that gender diversity provides different perspectives, and this diversity of thought and experience leads to better decision-making. Gender diversity on Boards is also important to VicSuper because over two thirds of our members are female and it's important that their views are represented throughout decisions related to their retirement savings.

ADVOCATING FOR GENDER EQUITY WHEN WE INVEST

Within our investments, we advocate for gender equity, diversity and inclusion. We do this by including it as one of five priority objectives of our active ownership program. Active ownership involves influencing the activity or behaviour of investee companies through engaging for positive change and voting our eligible shares. VicSuper undertakes company engagement indirectly through service providers - The Australian Council of Superannuation Investors (ACSI) for Australian equities, and Hermes EOS for international developed market equities. We use this approach because we believe it maximises our voice and influence.

Last year, on our behalf, ACSI engaged with ASX200 companies that had no women on their Board. Five of the seven targeted companies appointed their first female director and, at the end of the year, women held 29.8% of ASX200 Board seats (nearing the 30% target) and only three ASX200 boards remained without women. This year, ACSI has expanded its engagement to the ASX300, and ASX200 companies that have a single female Board member.

For international equity investments, Hermes EOS engaged more than 150 companies in our portfolio on Board diversity, skills and experience. In particular, engagement targeted mining companies Rio Tinto and Glencore, as well as technology companies subject to recent introduction of gender quotas in California. After Hermes EOS communicated its intention to tighten its voting policy and oppose the chairs of nomination committees where companies fall significantly short of Board diversity targets, both Rio Tinto and Glencore each appointed an additional female Board member (unfortunately the new Rio Tinto Board member has since resigned).

In line with the voting guidance provided by ACSI and Hermes EOS, where there continues to be no evidence of board diversity, and engagement with the board has not led to any satisfactory outcome, we may decide to vote against the re-election of the chair or other Board members. During the year we exercised this voting right for Australian companies ARB, TPG Telecom and Webster as well as more than 250 companies across a range of international markets.

We also discuss diversity with our investment managers. We ask them about diversity within their own teams, the companies in their portfolios, as well as to incorporate diversity within their company engagement programs.

ADDRESSING THE SUPER GENDER GAP

Gender equity is important because we know that, due to a number of factors, women generally retire with less superannuation than their male peers. To help address the super gender gap, VicSuper supports the Make Super Fair campaign through Women in Super. Make Super Fair advocates for changes to policy that unfairly impacts women and their super and ultimately their retirement. In addition, through our Super Woman Money Program - which is available to VicSuper members and non-members alike - we provide education specifically designed to support women in developing their financial capability and help get the future they want.

SUPPORTING GENDER EQUITY WITHIN VICSUPER

We also believe that gender equity is important in how we operate our Fund - from representation on the VicSuper Board, right through to the policies and practices we have in place to support our team members in the workplace.

Currently at VicSuper, more than half the VicSuper Board are women. Close to half of our employees are also female. We offer a number of entitlements to support all our employees in managing work-life balance, such as Flexible Work arrangements, Community Involvement Leave, Grandparents Leave and Paid Parental Leave including payments of superannuation contributions during the leave.

1 Source: State Street Global Advisors, March 2017 - February 2018

2 Source: State Street Global Advisors, March 2018 - February 2019



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