

40:40^{VISION}



40:40 Vision

Progress Report
2023

| HESTA |





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Opening remarks from Debby Blakey

Chair, 40:40 Vision

As Chair of 40:40 Vision and on behalf of the Steering Committee, I am thrilled to share our inaugural Progress Report.

HESTA founded 40:40 Vision - because gender imbalance within the leadership teams of Australia's largest companies is a visible and persistent challenge, and gender equality supports strong company and economic performance¹, and thereby returns for our members.

40:40 Vision is supported by a growing and diverse group of Australian and international investors. These investors recognise that gender diversity leads to improved decision making and innovation within companies and better financial performance, which supports a growing, sustainable, and inclusive economy for the benefit of all Australians.

The data we have gathered for this report emphasises the effectiveness of target setting, and spotlights the progress made by many of our signatory companies towards improved gender balance in executive leadership.

However, the rate of improvement remains slow and varies between businesses of different sizes and industries. Approximately 36% of all ASX300 companies are yet to set gender composition targets².

We believe there is an opportunity for corporate Australia to do more; to create more inclusive and flexible corporate cultures, to invest in diverse pipelines that fully leverage Australia's talent pool, to make leaders financially accountable for progress, and ultimately to better harness the performance benefits of diversity for investors. Setting targets is a step toward achieving change.

Investors are also raising the standards expected of companies. The results of a 2023 40:40 Vision investor survey shows investors are seeking greater commitment from companies, with 90% of 40:40 Vision investors surveyed focused on gender-related objectives in ASX-listed company board engagements and 75% having exercised their shareholder voting rights to drive diversity³. As an example of investor action, in 2023 HESTA strengthened its voting policy to include votes against select director elections at ASX300 companies where the board has less than 30% female representation and against chairs of companies employing single gender executive teams. HESTA took this action because of the extensive research demonstrating how organisations benefit from gender diversity⁴, which for long-term investors, also supports strong beneficiary outcomes.

We thank the investors and signatory companies for participating in this milestone report and encourage you to view the recommendations outlined in this report as opportunities for accelerated change for the benefit of all Australians.

¹<https://www.firstsentierinvestors.com.au/content/dam/web/australia/realindex/realindex-lipservice-report.pdf>

²<https://cew.org.au/wp-content/uploads/2023-Census-FINAL.pdf>

³<https://www.hesta.com.au/about-us/media-centre/investors-seeking-greater-commitment-to-gender-diversity-from-asx300-listed-companies>

⁴<https://www.fsc.org.au/policy/investment-management/gender-diversity/What-are-the-benefits-of-gender-diversity>

Introduction

40:40 Vision is an investor-led initiative, founded by HESTA and supported by Australian and international investors, together with industry partners including the Australian Council of Superannuation Investors (ACSI), Chief Executive Women (CEW), the 30% Club and the Workplace Gender Equality Agency (WGEA).

40:40 Vision defines gender balance as 40% women, 40% men and 20% identifying as any gender (40:40:20). The purpose of the initiative is to achieve gender balance across ASX300 executive leadership teams (ELT) by 2030.

To drive this change, the initiative calls on companies to:

- 1 pledge to achieve gender balance (40:40:20) in executive leadership by 2030
- 2 declare interim gender balance targets
- 3 publicly communicate their commitment and plan to shareholders and other stakeholders
- 4 report annually on progress towards targets.

The timing of this inaugural progress report aligns with the first interim target timeframe for many early adopters of 40:40 Vision. To place 40:40 into context, it also summarises the progress of the broader ASX300 in relation to both target setting and executive composition. At the time of reporting, there are 37 ASX300 signatory companies to 40:40 Vision.

Investors supporting 40:40 Vision firmly believe that targets are an effective strategy to achieve gender balanced leadership. Research shows that target setting is more effective than disclosure alone in driving change⁵. The 2023 CEW Census also demonstrates that companies who set 40:40:20 targets are three times more likely to achieve gender balance within their executive teams than those without targets⁶. Investors supporting 40:40 Vision are aligned with our ask of all ASX300 companies: set, communicate, and achieve 40:40:20 targets by 2030.

⁵ asx.com.au/documents/asx-compliance/asx-corp-governance-kpmg-diversity-report.pdf

⁶ <https://cew.org.au/wp-content/uploads/2023-Census-FINAL.pdf>

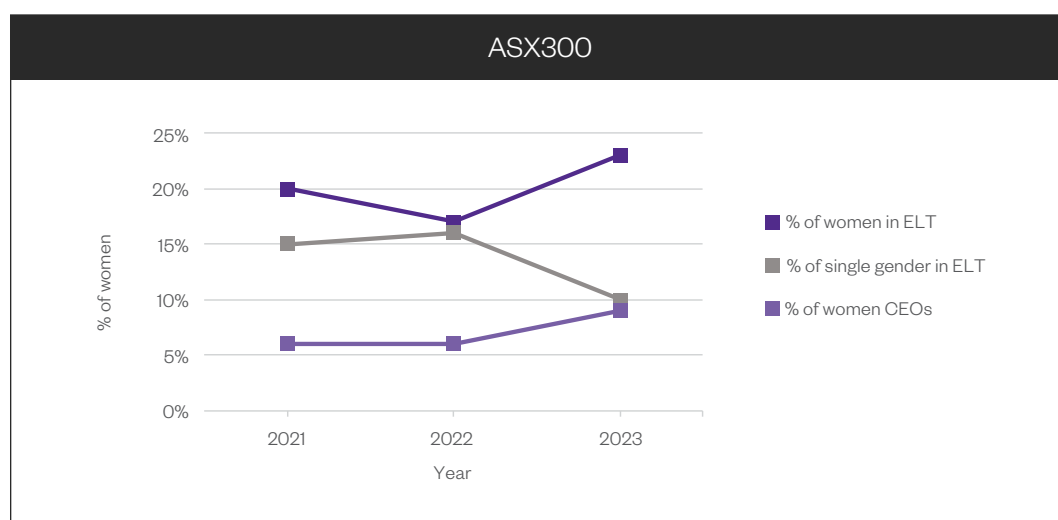
Gender diversity in ASX300 executive leadership

Despite some progress, women remain significantly underrepresented in ELTs across the ASX300. The latest CEW Census found a small increase in the overall representation of women in ASX300 ELT roles from 27% in 2022 to 29% in 2023⁷.

However, the observed increase in representation across all ELT roles, masks significant variation in diversity at the company level.

The proportion of ASX300 companies with gender balanced ELTs (achieved 40:40:20) is 23%, up from 20% in 2021 and 17% in 2022. These figures illustrate how change is not always linear. The number of single gender executive teams in the ASX300 has reduced to 10%, however this remains an unacceptably high proportion.

Compared to the overall ASX300, 40:40 Vision signatories are more likely to be gender balanced with 51% of all 40:40 Vision signatory companies (as of September 2023) having achieved gender balance in their ELT, compared to 23% of the overall ASX300.



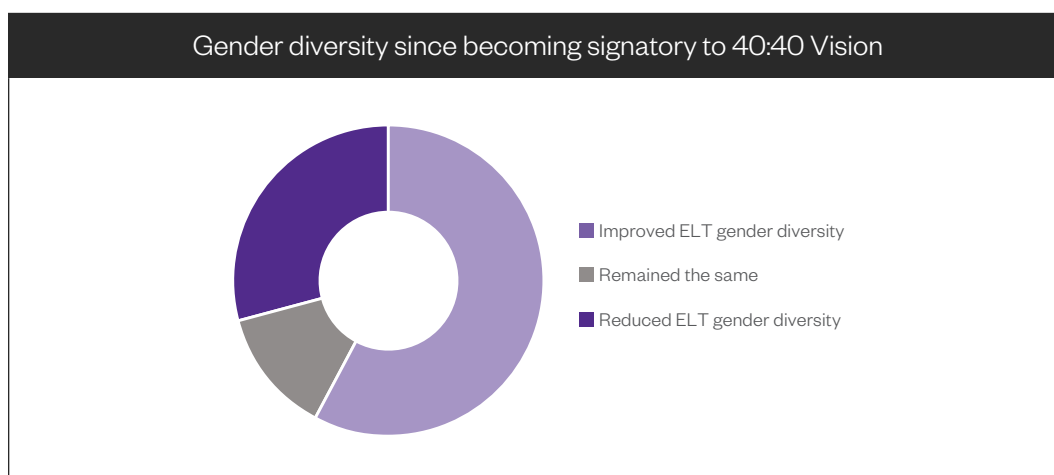
⁷<https://cew.org.au/wp-content/uploads/2023-Census-FINAL.pdf>

⁸<https://cew.org.au/wp-content/uploads/2023-Census-FINAL.pdf>

Gender diversity in ASX300 executive leadership

39% of ASX300 companies have set 40:40 targets, an increase from 36% in 2022. However, despite the strong evidence demonstrating the effectiveness of target setting, 36% of ASX300 companies are yet to set gender composition targets for their ELT, and a further 24% have a target that is less ambitious than 40:40⁸.

Over 70% of companies who have been a signatory to 40:40 Vision for 12 or more months (as of September 2023) have either improved their ELT gender diversity or remained the same since becoming a signatory. This again demonstrates the effectiveness of a strong approach to target setting.



Summary of findings

The following section summarises the findings of a signatory company survey. The survey was completed in October 2023 and 25 signatory companies participated. It is intended to capture company performance against interim gender composition targets, as well as company leadership and strategies to advance change. From the insights gained, we have compiled a list of recommended actions for companies and investors to consider.

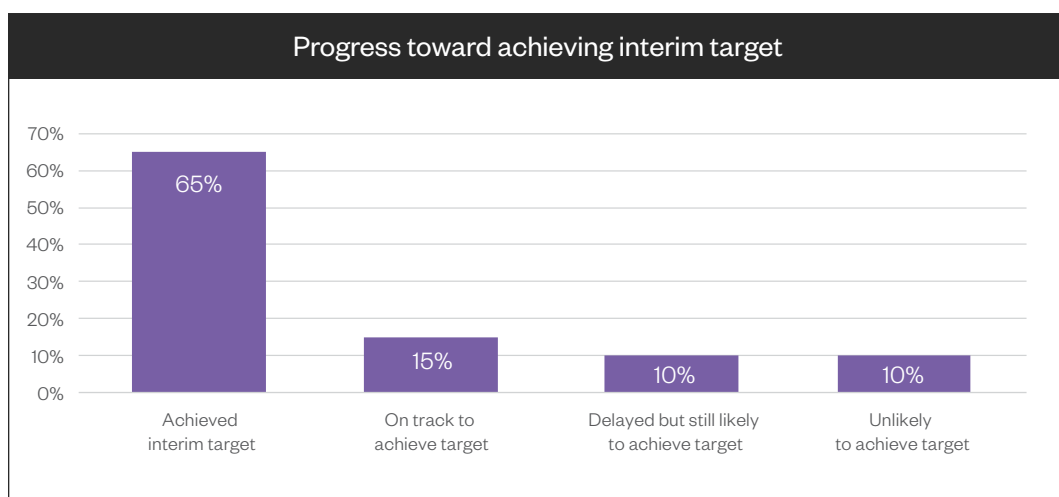
Interim targets

As part of committing to 40:40 Vision, companies are asked to establish interim targets and report progress against those targets at regular intervals. We believe interim targets are a crucial step to achieving the ultimate 2030 objective. By setting interim targets, companies focus on the enablers of change and set clear timeframes for making progress accompanied by internal and external accountability.

Interim targets may be gender composition targets for a company's ELT, or they may focus on an enabling lever such as developing the talent pipeline or completing succession planning for key ELT roles. All interim targets must aim to achieve the long-term objective of 40:40:20 in ASX300 ELT by 2030.

Over 80% of companies reported that they had set an interim target aligned with 40:40 Vision. The companies that had not set an interim target had already achieved gender balance in their ELT, and therefore their focus was on efforts to maintain this level of representation. Of the companies that had set an interim target, 65% had a 2023 target date, 20% had a 2024 target date and 15% had a 2025 target date.

65% of companies that had set an interim target had already achieved this target at the time of reporting, with most others likely to achieve their target.



30% of companies reported challenges in achieving interim targets. While some noted these were unique to the company, most responses noted these challenges were occurring at the industry level. This points to the need for greater collaboration to address these challenges, particularly in industries that face a chronic underrepresentation of women.

Investors understand that it can be difficult to achieve targets and certain industries can present greater challenges than others. The opportunity to learn from these challenges is only possible if companies are willing to set targets and be transparent about their progress.

What companies say about target setting

All companies reported that target setting had been a useful tool in driving progress towards gender balance in leadership (either to a *great extent* or *some extent*).

“ Target setting ensures our leaders have clear goals and plans, are accountable for results and are able to track progress. ”

“ The interim target setting process helps provide a roadmap to the long-term 2030 target which helps keep organisations focused. ”

“ Having a target is a key consideration whenever there is a need to replace or add to the executive team. Without a public target there will always be a risk that other considerations are given priority. ”

Company activity to progress 40:40

In the survey, we asked companies to share the strategies and underlying activities that support their progress towards 40:40 by 2030.

While most companies are providing professional development programs and undertaking succession planning, there remain opportunities for greater flexible work provision, mentoring, participation in industry-level collaboration and embedding accountability for change within performance structures.



Company activities in addition to those listed above included:

- achieving Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equity citation of Pay Equity Ambassadorship
- investing in cultural improvements such as workplace psychological safety, including bringing in expert full time equivalent (FTE)
- introducing innovative employee support policies such as reproductive care and fertility leave, gender affirmation support and extended parental leave offerings
- providing study scholarships to high potential female leaders
- designing leadership programs that align with the skills needed for the future
- piloting innovative programs to bring more women into technical science, technology, engineering and mathematic (STEM) roles
- making industry collaboration part of the gender equality strategy.

⁹Diversity, equity and inclusion (DEI).



Viva Energy challenging bias to create opportunities for women

Viva Energy provides aircraft refuelling services at over 50 airports and airfields across Australia. The refueller roles at these airports have historically been held by men due to the physical, operational and shift-based nature of the roles.

The Aviation Training Program was designed to eliminate some of the barriers that may prevent women from applying for aviation roles, allowing Viva Energy to attract a more diverse range of candidates. Leadership, allyship and the support of men within the company also contributed to the program's success. Viva Energy's Operations Manager, Mario Nicolosi, is a strong advocate and said, "It allowed us to focus on people with the right attitude and eagerness to enter the industry and Viva Energy is leading the way in many of these areas, it's great to be a part of".

To remove barriers, a detailed review of the inherent role requirements was undertaken. It was determined that many of the prerequisites could be gained through 'on the job learning' and a new traineeship program. This meant during the recruitment process a focus was put on attributes such as teamwork, customer focus and ability to learn. Structuring shift patterns with a flexibility lens also helped attract a broader group of candidates who otherwise would not have applied.

Changes to the physical tasks of the job have led to a safer and more productive environment for everyone. These include using mobile staircases instead of ladders at some sites and using lightweight safety cones.

Full-time, part-time and casual opportunities are offered, and roster options provide flexibility for caring or other reasons and have enabled AFLW players and those pursuing elite sporting careers to balance a refuelling career with their sporting commitments.

Viva Energy's Chief Executive Officer (CEO), Scott Wyatt commented, "Removing barriers to encourage more women to build careers in our operational environments has made a huge difference to the culture and productivity of our workplaces with material benefits for all our team members and our business".

The success of this initiative has increased the female refueller population from 2% to 14% in three years and Viva Energy now has female refueller representation across all major Australian airports. While the number of women beginning careers in operational and STEM¹⁰ roles is improving, challenges still exist. Senior and executive roles in technical and operational parts of Viva Energy's business require deep experience and there are fewer women than men across the organisation with this level of knowledge and expertise.

This means more effort is required to find and develop female talent and initiatives like these can provide a pipeline for the future.

¹⁰ <https://www.education.gov.au/australian-curriculum/national-stem-education-resources-toolkit/introductory-material-what-stem>

Summary of findings

Companies also shared information about their internal change management activities. As part of their commitment to 40:40 Vision, 63% of companies said they had undertaken staff engagement or change management activities, with examples including:

- all-of-staff communication from the CEO, signalling a commitment to 40:40
- specific questions added to the annual employee engagement survey
- integration of 40:40 messaging into staff events, including International Women's Day
- integration of 40:40 into the business's broader gender equality action plan and people strategy
- inclusion of progress towards gender diversity targets in company-wide dashboards to increase visibility
- embedding 40:40 in the company Employee Value Proposition.

How strategies deliver results

Companies also shared what they believed to be some of the benefits of improved gender diversity in executive leadership.

100% of companies believed that greater gender diversity improved their ability to attract and retain talent and had a positive impact on company culture.

Almost all believed diversity provided their organisations with the skillsets needed to support future strategic needs, as well as improving team performance, business results and company reputation.

Company benefit perceptions

100%

Improved talent attraction and retention

100%

Improved company culture

96%

Diverse skillset to support future strategic needs

92%

Improved business results

92%

Improved team performance

92%

Improved reputation

88%

Challenges the status quo and improves innovation

75%

Improved risk management



AccelerateHer by TPG Telecom

According to the Australian Computer Society's 2021 Digital Pulse report¹¹, women comprise just 29% of the technology workforce in Australia and are significantly under-represented in the industry's leadership roles, making up just 18% of CEOs. The STEM Equity Monitor (2021)¹² states that over half of the women trained for technology jobs eventually leave the industry, meaning attracting and retaining women remains challenging for the telecommunications sector.

In response to this challenge, in 2023 TPG Telecom introduced a transformational program called AccelerateHer, designed to attract, strengthen, and retain their leadership pipeline of women in technology. The program launched with a conference, where 160 plus women came together to connect, learn, provide valuable feedback and most importantly, create a supportive community across TPG Telecom's Technology division.

AccelerateHer encompassed a formal learning pathway, regular panel discussions, coaching cafes, and sponsorship. Development opportunities traversed professional and personal skills, covering topics such as leveraging strengths, authentic leadership, finding your voice, influencing with impact, and managing wellbeing. An online community was established to learn from and through each other (social learning), and to create a safe space to connect, share ideas and provide support.

Since the program commenced, there has been a 4% increase in female representation in senior and executive leader positions, a steady decline in voluntary turnover (down to 1.5% in the last quarter), and a 7% increase in engagement scores for women in technology compared to October 2022.

The success of this initiative has been a catalyst for a group-wide approach to better serve female talent as TPG Telecom continues to build a diverse workforce that reflects the customers and communities they serve.

¹¹ <https://www.acs.org.au/insightsandpublications/reports-publications/digital-pulse-2021.html>

¹² https://www.industry.gov.au/sites/default/files/May%202021/document/stem-equity-monitor-highlights-report-2021_0.pdf

Pleasingly, 100% of companies stated their board received regular reports on workforce gender diversity, with frequency varying from monthly to annually. However, almost 30% of companies did not reference their interim 40:40 Vision target in either an annual report or sustainability reporting, pointing to an opportunity for greater transparency and consistency in public reporting.

Over 90% of companies said gender diversity objectives were integrated into the company strategy. Examples included:

- integration into the company's sustainability strategy
- integration into the people or workforce strategy
- inclusion of gender targets in companywide key performance indicators (KPIs)
- elevation of inclusion and diversity in the company values and purpose.

The majority (87%) of companies said their leaders were accountable for achieving gender diversity targets. The most common ways of embedding accountability were through group scorecards (80%), ELT KPIs (75%), and CEO KPIs (65%). Less than half of respondents reported that accountability was embedded through inclusion in the CEO's short-term or long-term incentive plans. We believe that the linkage to remuneration can be an effective means to prioritise and drive change, and in cases where significant improvement is needed, we encourage companies to consider its inclusion.

Looking forward to 2030

40:40 Vision recommends that companies establish a range of interim targets to drive progress in the lead up to 2030. This should include multiple timeframes (e.g., 2024 and 2027) and focus areas for change.

At the time of the survey, more than half (57%) of companies surveyed had established their second interim target. While companies acknowledged challenges in working towards 40:40 by 2030, there was a relatively high degree of confidence in their ability to achieve the desired outcome.

The forecasted challenges some companies shared were similar to those experienced in progressing their first interim target – the tight labour market and small talent pool in traditionally male-dominated industries, with specific reference to STEM. We again encourage companies to seek appropriate collaboration opportunities such as through industry bodies or diversity experts.

Recommendations for companies



The 40:40 Vision Progress Report affirms the importance of target setting in achieving more gender-balanced ELTs.

We call on all ASX300 companies to set 40:40:20 gender composition targets for their ELT.

For companies with existing targets not yet aligned to 40:40:20, we call on those companies to increase their ambition and align with accepted international standards for gender diversity and societal expectations. Further, we call on companies to:

- 1 be deliberate and allocate resourcing to building diverse talent pipelines and creating flexible and inclusive workplace cultures
- 2 recognise that diversity is a business imperative and embed accountability for change into leader performance assessments and remuneration decisions, where there is a strong need for improvement
- 3 seek appropriate collaboration opportunities to address shared workforce challenges, particularly in industries that have a chronic underrepresentation of women
- 4 improve reporting and disclosure on a range of gender metrics, including consistently reporting on performance against targets.



IDP Education developing the next generation of company directors

As an international organisation working across more than 35 countries, IDP Education has experienced challenges hiring women for commercial leadership roles in many of the markets the business operates in. While 60% of IDP Education's overall workforce are women, they have been underrepresented in operational leadership roles. In response to this challenge, the business shifted to a 'build' strategy to grow internal talent for these critical leadership positions.

IDP Education signified its commitment to gender balance in leadership through becoming a signatory of 40:40 Vision in Australia, setting targets, and achieving the WGEA Employee of Choice for Gender Equality citation. The Board of Directors supported these initiatives and signalled their commitment by appointing a female CEO and achieving board gender balance.

Delivering real change means doing things differently at all touchpoints in the employee experience. For example, IDP Education hiring teams track candidate gender representation via reporting dashboards on a weekly basis and ensure interview panels are gender-balanced and representative of all their diverse people across the globe.

The learning team has developed and implemented several programs to build capability across the organisation. To support this:

- a Global Leadership Development Coach was appointed to contribute to building the global talent pool, with nearly ninety people benefiting over FY23/24
- leadership succession planning identified a pool of 50 people for structured development plans, given their potential to take on future senior leadership positions
- 'Accelerate', a career development program for high-performing women, connects each of the 12 participants with senior leader sponsors and custom development plans designed specifically to drive their growth as well as participation in suitable business rotation opportunities
- 'Elevate' was launched in Australia in recognising that women are underrepresented on boards globally; this program aims to develop the next generation of directors. Participants were sponsored to complete the AICD Directors course, appointed as directors on IDP subsidiary boards, and developed two business projects to make a positive impact on women and society.

With foundations in place, IDP Education are continually striving to drive gender equality and inclusion in the business globally.

Recommendations for investors

Join 40:40 Vision

The internationally accepted standard of best practice for gender diversity is 40:40:20. 40:40 Vision investors believe all ASX300 companies should be aligned in seeking to achieve 40:40 in their leadership teams.

To amplify the weight of investor voices calling for improved diversity, we encourage investors to join 40:40 Vision.

Monitor gender in your portfolio

We urge investors to monitor gender diversity within their portfolio companies and monitor company performance against gender targets. Where progress toward gender balance is slow, investors should consider the appropriate engagement escalations and other potential levers, such as proxy voting.

Consider a broad range of gender inequality issues

Investors should also consider portfolio gender issues beyond executive team composition. The policy landscape in Australia and around the world is evolving. This year in Australia we have seen the introduction of a Positive Duty on Boards¹³ to take all reasonable steps to prevent workplace sexual harassment from occurring. In early 2024, the Workplace Gender Equality Agency will implement mandatory gender pay gap disclosure (for companies with > 100 employees). Investors need to monitor gender pay gaps across their portfolio and encourage progress in these important areas, to manage the system level risks that arise due to gender inequality.

Walk the talk

Finally, we know financial services and investment management have been traditionally male-dominated industries with relatively large gender pay gaps in Australia. We encourage all investors to take action to drive gender equality within their own organisations including working toward a 40:40:20 gender balance in leadership.

¹³ <https://humanrights.gov.au/sites/default/files/2023-08/Guidelines%20for%20Complying%20with%20the%20Positive%20Duty%20%282023%29.pdf>

Thanks to our partners

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Steering Committee partners



Great thanks to all of the Australian and International Investors who collaborate on 40:40 Vision.



hesta.com.au/4040vision

40:40 Vision acknowledges the Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities.

We pay our respects to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.