Australian Council of Superannuation Investors

ESG Reporting by the ASX200

August 2019

acsi

ABOUT ACSI

Established in 2001, the Australian Council of Superannuation Investors (ACSI) provides a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members.

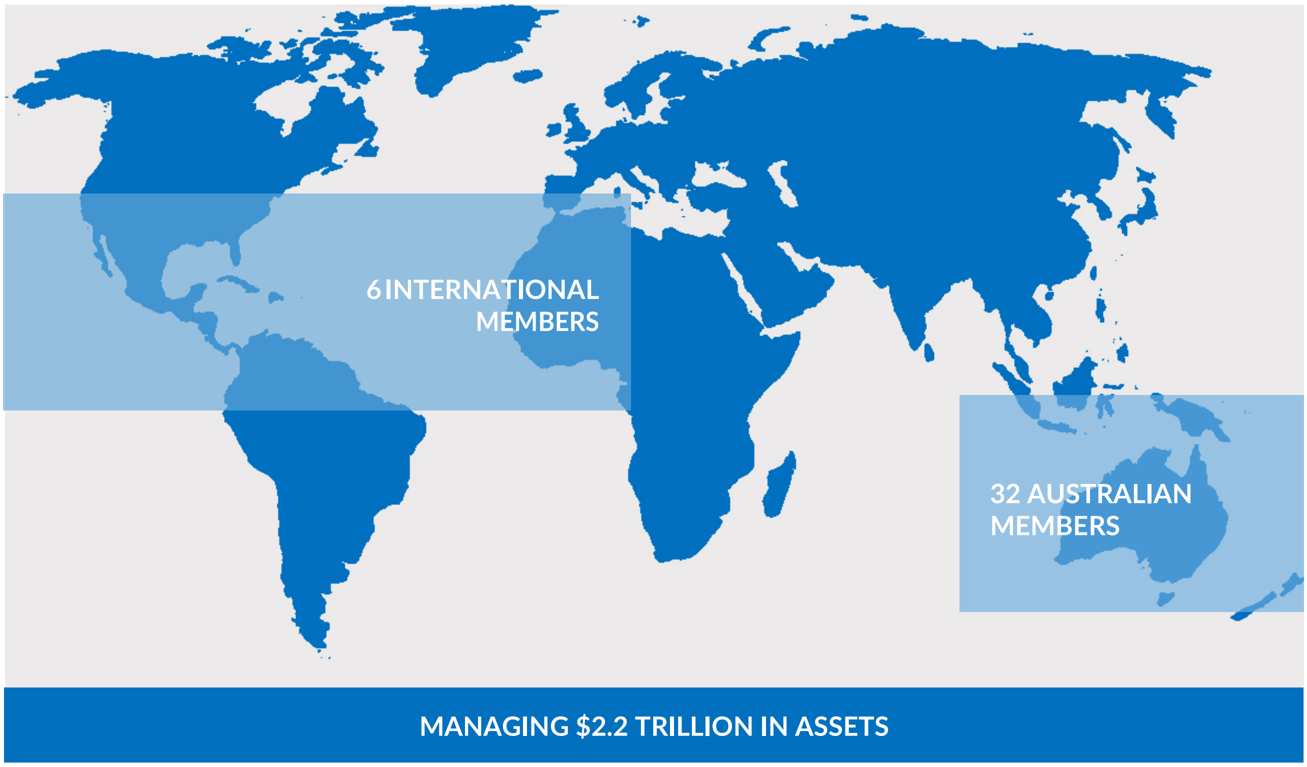
Our members include 38 Australian and international asset owners and institutional investors. Collectively, they manage over $2.2 trillion in assets and own on average 10 per cent of every ASX200 company.

Our members believe that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them.

Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in.

We undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.

We also offer additional consulting services including: ESG and related policy development; analysis of service providers, fund managers and ESG data; and disclosure advice.



FOREWORD

We are currently operating in a low-trust environment – for organisations generally but especially businesses. Transparency and accountability are crucial to rebuilding this trust deficit.

There is a clear link between reporting and the way a company is viewed by society. For investors and the community, good quality reporting signals that issues are being monitored and managed. Conversely, poor quality reporting is a signal of risk and shows a disregard for stakeholders' needs.

Information about ESG practices and performance is a crucial piece of business intelligence. There is ample evidence to show that companies with poor ESG practices and performance don't do well in the long term. Failure to properly manage ESG risks can lead to reputational damage, regulatory scrutiny, civil and criminal litigation, profit downgrades, and ultimately poor investment results.

ESG reporting is an evolving field of practice. When we first began this project twelve years ago, few listed companies were providing this information. Now, a majority of ASX200 companies provide comprehensive reporting. However, some glaring gapsremain.

This year, we expanded our analysis of ESG reporting to include safety metrics, among others. This research highlighted a deficiency in regulations surrounding reporting on safety – there is currently no requirement for companies to report workplace fatalities to the market; that is, to investors or the community. Instead, this information is collected by state-based agencies, and may differ by sector. As a result, it is difficult to obtain a view of workplace fatalities across the Australian market.

Yet, safety data is material to our members. In 2018, 22 people from 13 ASX200 companies died in their workplaces. A majority of these involved contractors, suggesting that workplace health and safety standards are not uniformly applied. We are concerned that the lack of transparency about workplace fatalities in Australia may mask the extent of this tragedy and slow the identification of systemic risks.

Disappointingly, a small number of companies have made no improvement in their ESG reporting. We have written to them repeatedly about their poor reporting practices and offered to provide detailed information about what they need to do to meet investors' expectations. We name them in this report.

As the Financial Services Royal Commission highlighted, behaving consistently with community expectations is critical. It's clear the community wants to know more about what companies are doing to manage ESG issues. Boards can meet this obligations through good quality ESG reporting. Those that don't will face a trust deficit of their own making.

Louise Davidson
Chief Executive Officer

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EXECUTIVE SUMMARY

Each year, we conduct a detailed assessment of the level of ESG reporting by ASX200 companies, covering a broad range of material risks and opportunities. In this report, we assess and benchmark all ESG disclosures for the year to 31 March 2019 – including annual reports, ASX announcements and corporate reports to identify leaders and laggards. Reporting of ESG factors allows investors to better assess company performance over time.

This year we have continued to assess the levels of ESG reporting by the ASX200 to determine how well companies are identifying, managing and monitoring material ESG risks and opportunities. In addition, we have undertaken a detailed assessment of three ESG issues – climate change, worker safety and workforce metrics.

KEY FINDINGS

ESG REPORTING TRENDS

- **Reporting standards have improved significantly** with the number of 'Detailed' and 'Leading' reporters increasing by 19 per cent over the last five years.
- **Large companies are leading the way** in providing the most detailed reporting. All ASX20 companies are now rated as either 'Detailed' or 'Leading'. Smaller companies, ASX101-200, make up 80 per cent of poorest reporters.
- **One-third of companies are providing investors with comprehensive and transparent ESG disclosures** and are rated as 'Leading' (*see page 16*).
- **'No reporting' companies are now outliers,** with just 16 companies identified as providing no ESG information. Only five of those are identified as 'Laggards' (companies that have provided no reporting for two or more years of the study; *see page 17*).
- **82 cents of every dollar invested** in the ASX200 is in companies rated as 'Detailed' or 'Leading'.
- **UN Sustainable Development Goals (SDGs) are gaining traction** with 60 ASX200 companies now using them in their reporting, up from 39 last year.

CLIMATE CHANGE

- **Adoption of the Task Force on Climate-related Financial Disclosures (TCFD) framework has more than doubled from last year.** 26 companies have now adopted the framework.
- **Increasing use of scenario analysis to assess climate-change risk:** 18 companies now provide disclosure of scenarios to model potential impacts on their business.
- **Proliferation of climate-change scenarios:** 31 different scenarios are being used. Many are based on International Energy Agency guidelines, but there is a wide variation in scenarios and levels of reporting.
- **Most companies are not using a 1.5-degree Celsius scenario** – we found only six companies using this scenario to assess business resilience.
- **Long-term emissions-reduction targets, those beyond 2040, are scarce:** only six companies have disclosed net zero emissions-reduction targets for 2050.

SAFETY

- **22 fatalities were reported in the ASX200 by 13 companies.**
- **Contractor safety emerged as an area of concern** with contractors making up 16 of those workplace deaths. This suggests a disconnect between the safety practices and culture of companies' own workforces, and those of their contractors (*see page 27*).
- **Safety reporting is commonplace, but disclosure is limited:** more than half the ASX200 report some form of safety metric but few give any insight into the severity of injuries (except fatalities). Lost-time injury frequency rate (LTIFR) is the most commonly used metric.
- **Surprisingly, 67 companies report no safety data,** including two companies from the Materials and Energy & Utilities sectors, as well as multiple Retailing companies. Providing no safety data on employees does not meet investors' expectations.
- **More mature reporters typically disclose forward-looking metrics** alongside lagging safety metrics. Only nine companies reported their 'nearmisses'.
- **Executive remuneration outcomesat 85 companies include a safety component,** although eight of these companies did not report any safety metrics – making it difficult for investors to assess how that was applied to pay outcomes.

WORKFORCE

- **Consequence management is emerging in reporting** and is of particular interest after the Royal Commission into Financial Services. Disclosures include issues that are reported through whistleblower lines,employee outcomes from Code of Conduct breaches and how companies are managing their culture.
- **Gender diversity in executive management teams is still low:** on average only 21 per cent of executive/ leadership roles in ASX200 are held by women.
- **All-male executive leadership teams make up 16 per cent of the ASX200** (32 companies). By contrast, every ASX200 company in the Transportation, Banking, and Food and Staples Retailing sectors had gender-diverse leadership teams.
- **Companies recognise the value of managing and retaining their workforce:** disclosures include employee engagement surveys, voluntary turnover and training, although there was limited standardisation in reporting.
- **One-quarter of the ASX200 report voluntary turnover** but fewer than half of those (22 companies) also provided staff engagement scores, making it difficult to assess how effectively companies engage their workforce.
- **Employee training was the most frequently reported workforce metric** with 'leadership' and 'safety' the most commonly cited forms of training.

The 'Laggards'

Five companies have done no ESG reporting for two or more successive years. ACSI has communicated their poor performance rating to them and is engaging further on how they can improve their ranking. These companies are:

1	ARB Corporation Limited
2	Domino's Pizza Enterprises Limited
3	Regis Resources Limited
4	Speedcast International Limited
5	Washington H. Soul Pattinson and Co. Limited

BACKGROUND AND METHODOLOGY

Good quality ESG reporting facilitates the investment community's ability to evaluate company performance in identifying, managing and measuring ESG risks and opportunities. We believe that transparent disclosure of these factors leads to better decision-making and long-term value creation. It also helps to establish and maintain trust between a company, its owners and other stakeholders.

This is the 12th year that we have assessed the ESG reporting of Australia's largest listed companies. In previous reports, we referred to this as 'sustainability reporting'. This year, we have changed the name to 'ESG reporting' to better reflect the scope of our analysis.

We started evaluating ESG reporting in 2008, not long after it emerged as a tool for assessing long-term value creation and protection. Since our first analysis was published, we have expanded our research from the ASX100 to the ASX200.

Research objectives

We began this research with the aim of encouraging companies to improve their ESG reporting. Over the years, we think it has had an observable impact, with the number of comprehensive reports increasing annually.

Each year we write to the chairs (or lead independent directors) of the companies assessed in this report, informing them of their rating, providing a peer comparison, and encouraging improvement where necessary. For those companies that are either downgraded or classified as 'No reporting', we ask the company to explain how they plan to improve. We also use the data we collect to inform our company engagements of emerging issues and focal points, such as this year's work on climate, safety and workforce reporting.

Methodology

The research and conclusions in this report are based on a desktop analysis by ACSI analysts of publicly available information for the 2018 reporting year. Depending on the reporting period for each company, this usually includes information for the fiscal year ending 30 June 2018 or the calendar year ending 31 December 2018. The cut-off date for information to be included in this report was 31 March 2019. The list of companies in our review includes all companies in the ASX200 on 31 March 2019 (*page 33*).

Our research includes information provided in a company's public reporting, including its website and any stand-alone ESG reports. We do not preference one form of reporting over another. However, if ESG information is difficult to access this may inhibit our ability to review it.

Reporting not performance

The ESG rating each company receives is not based on the company's management of ESG risks, but rather the extent to which the company reports. We assess reporting of ESG governance and management practices, performance data and target-setting for material risks.

LEVELS OF ESGREPORTING

Our methodology includes five levels of ESG reporting. We use the following definitions when assessing which level to apply to a company.

'No reporting'

There is no meaningful reporting on ESG management or performance. To move beyond 'No reporting', a company must do more than discuss ESG risks or make a commitment to ESG management. There must be reporting on ESG risk management processes and performance.

'Basic'

The company reports on material ESG risks to a limited extent. For example, the company might provide basic information and statistics on safety and diversity but not on other ESG risks.

Alternatively, the company may identify a range of ESG risks, but the information provided is superficial and does not include qualitative or quantitative performance metrics.

'Moderate'

The company identifies and provides a moderate level of meaningful reporting of its ESG management. This is supported by performance data which goes beyond one or two material risk areas.

'Detailed'

The company identifies and provides detailed reporting of a range of material ESG risks and supports this discussion with performance data for multiple risks and at least one quantitative or qualitative target for a material risk is included. This can include diversity, zero harm, GHG emissions reduction or other climate-related activity.

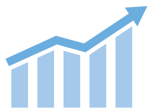
'Leading'

The company provides comprehensive reporting of their material ESG risks and mitigation strategies. They demonstrate performance against a substantive number of material risks areas and disclose the process for identifying and explaining why the ESG risks are important for their business. To be 'Leading', we must see reporting of targets and performance data across a range of different risk areas, with a discussion of the materiality of those issues and how they are incorporated into the company's overall strategy.

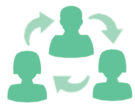
RESEARCH FINDINGS

KEY FINDINGS

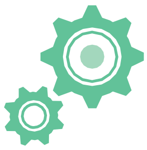
82 cents of every $1
invested in a 'Detailed' or 'Leading' company



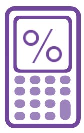
76% of the ASX200
rated as 'Moderate' or better



ASX20
contains only 'Detailed' or 'Leading' companies



ASX101-200
contains 80% of lowest level reporters



Only 8% of the ASX200
rated by ACSI as 'No Reporting'

Leaders the largest cohort
33% of ASX200 companies now classed as 'Leading'

Reporting standards improved in 2018, with 76 per cent of ASX200 companies undertaking a meaningful level of reporting (rated at 'Moderate' or higher), compared to 73 per cent previously. Within that, the 'Leading' cohort has become the largest group, making up 33 per cent of all companies. This suggests that the message that 'traditional financial reporting alone is not sufficient' is permeating boardrooms and demonstrates our progress in engaging with companies to improve ESG reporting.

Table 1: ESG reporting level

ASX 200	2017 companies	2018 companies
No reporting	20	16
Basic	34	33
Moderate	42	44
Detailed	40	40
Leading	64	67

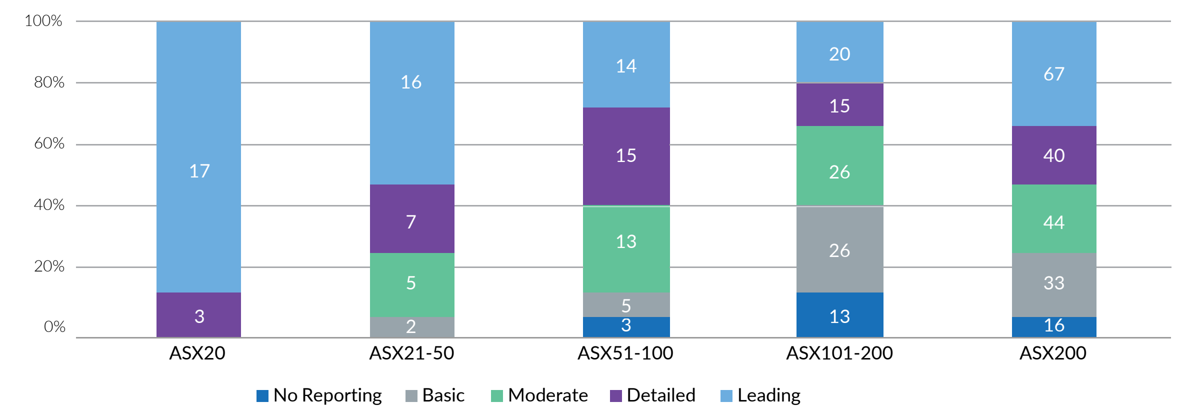
Investors continue to favour companies with high levels of ESG reporting, with 82 cents of every dollar invested in the ASX200 concentrated in companies rated as 'Detailed' or 'Leading'. Importantly, the proportion of 'No reporting' companies has shrunk to one of its lowest levels across the longitudinal study and this year there were only six companies identified as 'Laggards' (*see page 17*). Despite overall improvement, however, we downgraded reporting levels for several companies (Table 2).

Table 2: Changes in reporting levels

ASX200	2017 companies	2018 companies
Upgrades	32	40
Downgrades	18	21
No Changes	136	126
New in 2018	13	13
Total companies rated	199	200

The trend for larger companies to report more comprehensive ESG data than smaller cap companies continues. For 2018, we rated no ASX20 company lower than 'Detailed' (Graph 1). Similarly, every ASX50 company is reporting some ESG information, with no company receiving lower than a 'Basic' rating. There are twice the number of 'Leading' reporters in the ASX100 compared to the ASX101-200. Almost 40 per cent of ASX101-200 companies are in the two lowest tiers of reporting. This also includes 80 per cent of the 'No reporting' companies.

Graph 1: ESG reporting level by sub-group



Overall, reporting standards in 2018 improved substantially, with 40 companies rated higher than previously. Pleasingly, 26 of those upgraded were companies from the two lowest ratings – 'No reporting' and 'Basic'. Disappointingly, the number of downgrades was also higher in 2018, with 21 companies assessed as either providing less information than last year or failing to match the standards set by their peers in that rating category.

SECTOR LEVEL REPORTING

We have again observed that reporting levels differ sharply by company sectors (Graph 2). Industries with the most visible environmental and social risks (such as climate and safety-related risks in the materials sector) and those industries in which companies benefit financially from ESG-related actions (such as premium rentals to property groups from building and maintaining greener buildings) had a larger number of 'Detailed' and 'Leading' reporters.

Sectors with 70% of companies disclosing at a 'Detailed'/'Leading' level

Materials, Real Estate, Energy & Utilities, Commercial & Professional Services, Insurance and Transportation

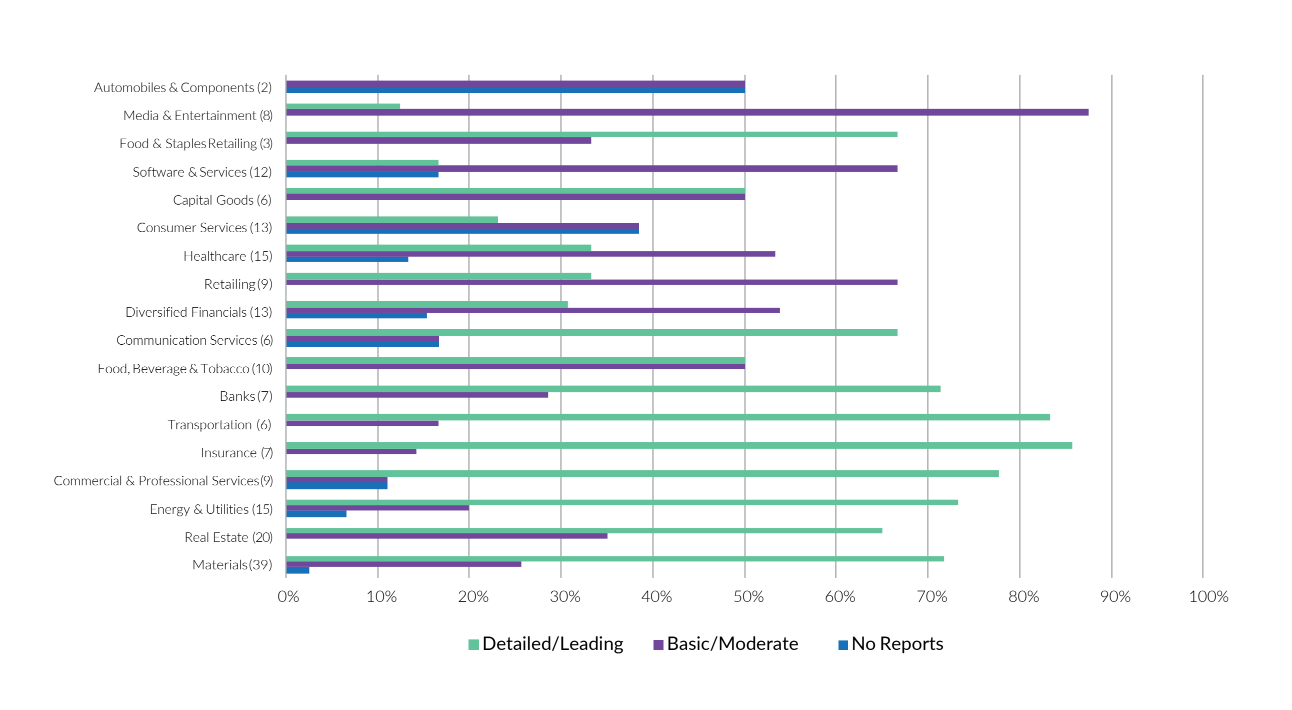
Sectors with less than 50% of companies disclosing at a 'Detailed' or 'Leading' level

Automobiles & Components, Media & Entertainment, Food & Staples Retailing, Software & Services, Capital Goods & Healthcare

Nine sectors with zero 'No reporters'

Materials, Real Estate, Transportation, Food, Beverage & Tobacco, Communication Services, Diversified Financials, Retailing, Healthcare and Media & Entertainment

Graph 2: Reporting by sector



LONG-TERM TRENDS

When we first began assessing the level of ESG reporting in 2007, the term 'ESG' was a relatively recent addition to the language, coined in a landmark 2004 report, 'Who Cares Wins'.[1] That report made six recommendations, but more importantly it called for the integration of ESG factors into financial analysis and stated that the "integration of ESG factors in financial analysis and investment will not be successful without adequate disclosure on these matters by companies."

Our ESG reporting research began with the premise of measuring the progress of reporting while promoting continuous improvement in reporting standards and practices among Australia's leading companies. We have since been at the forefront of driving more reliable and comparable reporting of corporate performance, beyond that contained in traditional financial reporting.

Our progress, and that of investors broadly, in driving better reporting is shown in the increasing levels of comprehensive reporting over time (Graph 3).

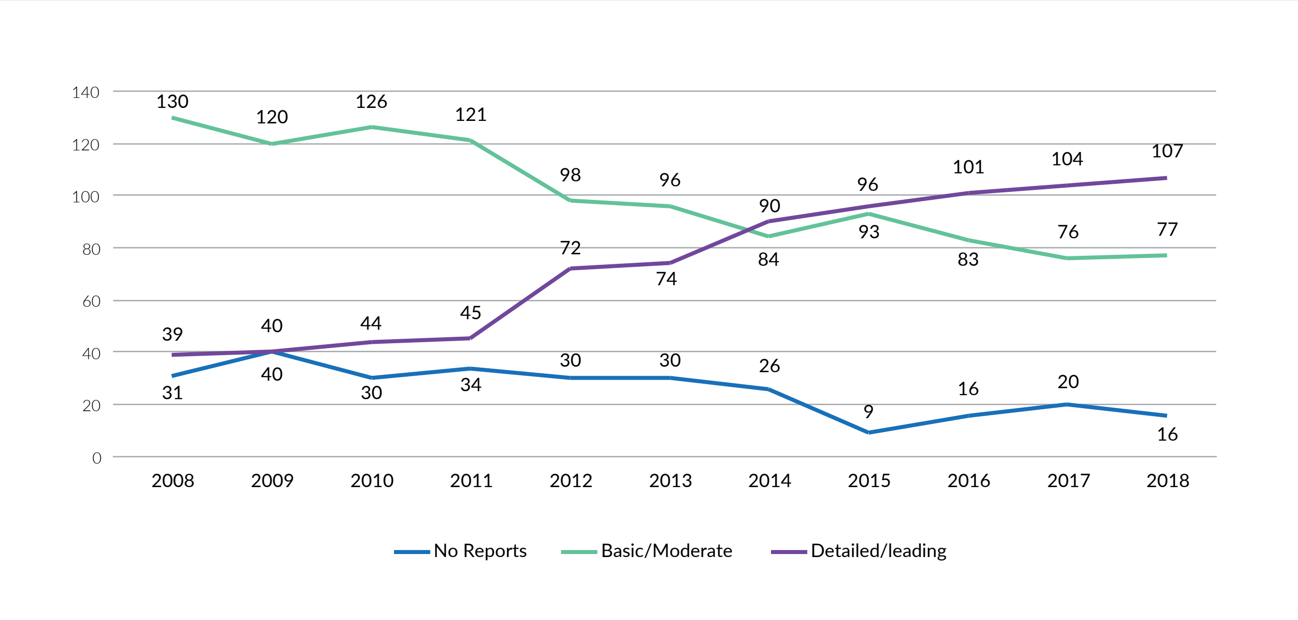
In the first year of our report, only 39 companies reported information considered to be at a level that would enable investors to price and evaluate these risks effectively during their analysis of investments.

This year, we found that more than half the ASX200 is now providing investors with a comprehensive level of reporting – that is, at either a 'Detailed' or 'Leading' level. In the same period, the number of companies not reporting ESG information has almost halved from 31 to 16.

> *'...investors are voting to hold companies to account for behaviour that falls below community and market expectations. In doing so, investors acknowledge the strong link between good corporate governance (including effective management of their environmental and social impacts) and sustainable long-term returns.'*

Louise Davidson, CEO – ACSI, 'Season of investor discontent', Investment Magazine, 19 December 2018

Graph 3: ESG reporting over time

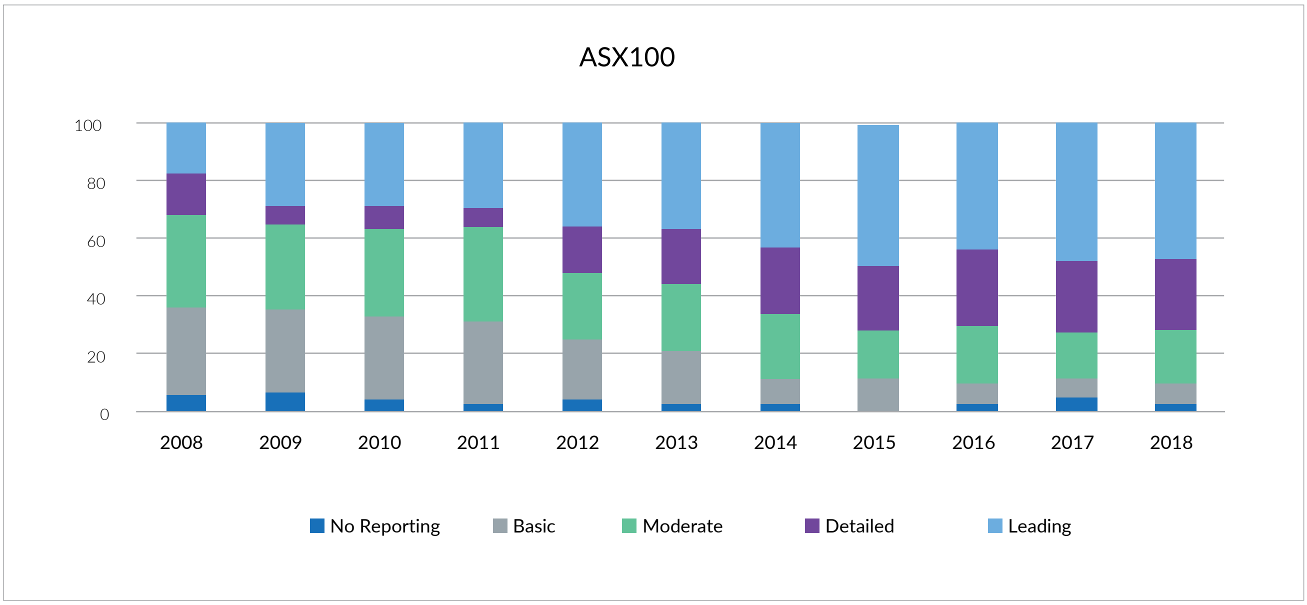


[1] Who Cares Wins (The Global Compact, United Nations, 2004) https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf.

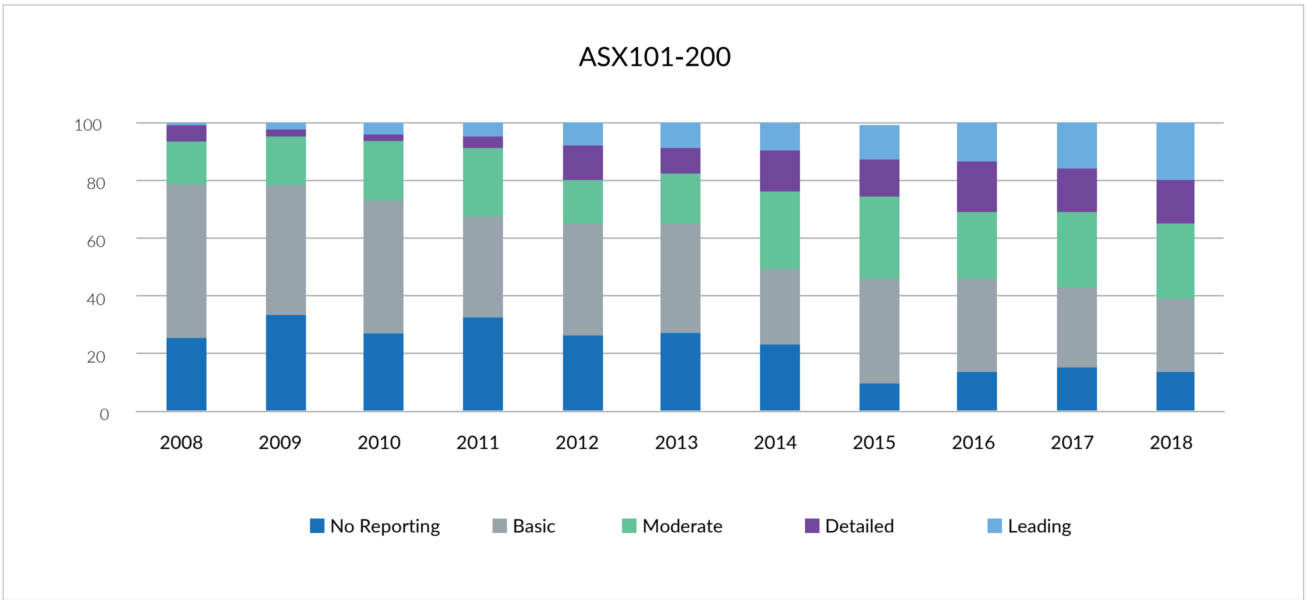
As shown in Graphs 4 and 5 below, larger companies (ASX100) are continuing to lead the way in reporting. Since 2014, around 70 per cent of ASX100 companies have reported at 'Detailed' or 'Leading' levels. One aspect of this could be a result of the companies in the ASX100 changing less frequently over time.

By contrast, the ASX101-200 has the majority of 'Basic/Moderate' level reporters, and almost all of those assessed as non-reporting. While improvement appears slower in this cohort, Graph 5 illustrates how the number of companies classified as 'Basic' or 'No reporting' has effectively halved over the 12 years of our analysis. The pivotal year for improvement was 2014 when, for the first time in this study, 'Moderate', 'Detailed' and 'Leading' reporters exceeded those in the 'Basic' and 'No reporting' categories.

Graph 4: Reporting by ASX100



Graph 5: Reporting by ASX101-200



TRENDS IN REPORTING

ESG reporting in Australia continues to be guided by global developments and initiatives. This year we have again looked at two internationally adopted developments in reporting that are presenting in the ASX200 – Integrated Reporting (<IR>) and the Sustainable Development Goals (SDGs).

<IR>

<IR> emerged in 2013 as a significantly different way of reporting value creation by including non-traditional, non-financial data when reporting and measuring performance. Uptake by Australian-listed companies using or influenced by an <IR> framework continues to have limited traction, although there was an increase in adoption in 2018, from four to seven companies over the previous year (Table 3). Currently, only seven companies use the full framework, although a far larger group (48%) has partially adopted the <IR> principles in their reporting.[2]

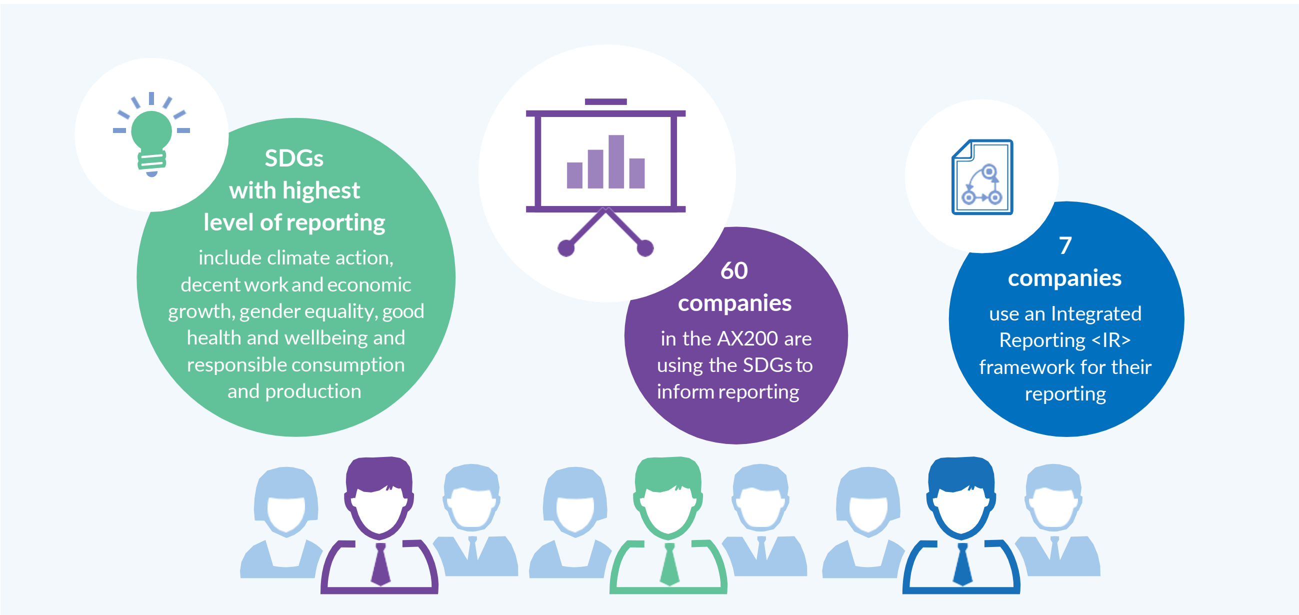
Sustainable Development Goals

The SDGs (which emerged in 2015) focus on reporting to targets set for 2030 and encourage business to contribute to improvements in key global social and environmental risks. The SDGs have been widely adopted in Australia (30 per cent of ASX200) but lag uptake in other countries – 83 per cent of companies in Germany, 63 per cent of companies in France and 60 per cent of UK companies link their corporate reporting with the SDGs.[3]

This is our second year of recording SDG adoption. We found that it has increased to 30 per cent of the ASX200 compared to 20 per cent last year. The top five SDGs being reported by companies include climate action, decent work and economic growth, gender equality, good health and wellbeing and responsible consumption and production (Graph 6).

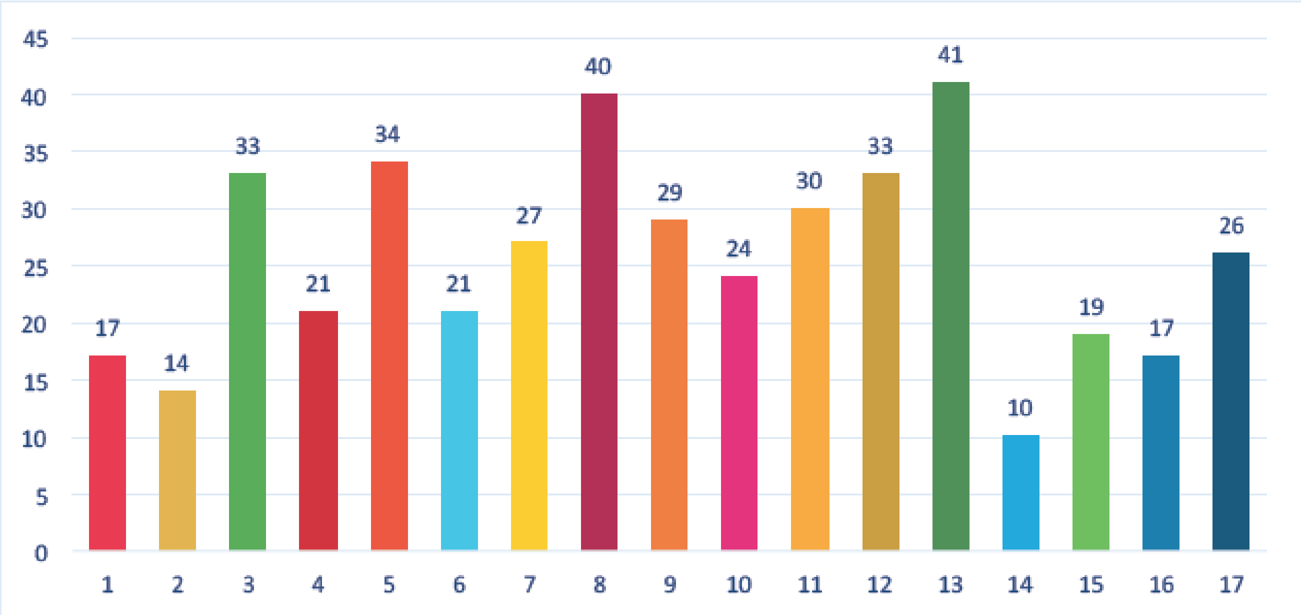
Table 3: Changes in <IR> adoption

	ASX100	ASX200
2018	6	7
2017	4	4
2016	4	4



[2] KPMG, Corporate Reporting: Rebuilding trust through improved transparency and insight (2018) < https://assets.kpmg/content/dam/kpmg/au/pdf/2018/asx-200-corporate-reporting-trends-2018.pdf >
[3] KPMG (2017). The road ahead. [online] Available at: https://assets.kpmg/content/dam/kpmg/be/pdf/2017/kpmg-survey-of-corporate-responsibility-reporting-2017.pdf [Accessed 28 May 2019].

Graph 6: SDGs prioritised by ASX200 companies



Source: United Nations[4]

[4] "Sustainable Development Goals", Sustainabledevelopment.Un.Org (Webpage, 2016) *https://sustainabledevelopment.un.org/?menu=1300*.

Leaders and laggards

Each year, we identify companies which have consistently outperformed others in their ESG reporting and those that have consistently provided no ESG information. Those listed as 'Leaders' in Table 4 below, have reported at a 'Leading' level for the last four or more consecutive years.

Table 4: Companies rated as 'Leading' for ESG reporting

Company	Sector	Index
AGL Energy Limited	Energy and Utilities	50
Amcor Limited	Materials	20
Australia & New Zealand Banking Group Ltd	Banks	20
Alumina Limited	Materials	100
Aurizon Holdings Limited	Transportation	50
Beach Energy Limited	Energy	200
BHP Group Limited	Materials	20
Boral Limited	Materials	100
Brambles Limited	Commercial and Professional Services	20
Commonwealth Bank of Australia	Banks	20
Charter Hall Group	Real Estate	100
Cromwell Property Group	Real Estate	200
CSL Limited	Healthcare	20
CSR Limited	Materials	200
Dexus Property	Real Estate	50
Fortescue Metals Group Ltd	Materials	50
Graincorp Limited	Food, Beverage and Tobacco	200
Insurance Australia Group Limited	Insurance	20
Independence Group NL	Materials	200
Iluka Resources Limited	Materials	100
Incitec Pivot Limited	Materials	100
LendLease Group	Real Estate	50
Mirvac Group	Real Estate	50
National Australia Bank Limited	Banks	20
Newcrest Mining Limited	Materials	50
Nufarm Limited	Materials	200
Orora Limited	Materials	100
Origin Energy Limited	Energy and Utilities	50

Company	Sector	Index
Orica Limited	Materials	50
Oil Search Limited	Energy and Utilities	50
Pact Group Holdings Ltd	Materials	200
Qantas Airways Limited	Transportation	50
Rio Tinto Limited	Materials	20
South32 Limited	Materials	20
Sandfire Resources NL	Materials	200
Stockland	Real Estate	50
Sydney Airport	Transportation	50
Transurban Group	Transportation	20
Tassal Group Limited	Food, Beverage and Tobacco	200
Telstra Corporation Limited	Communication Services	20
Unibail-Rodamco	Real Estate	100
Westpac Banking Corporation	Banks	20
Wesfarmers Limited	Retailing	20
WorleyParsons Limited	Energy and Utilities	100
Woolworths Group Limited	Food and Staples Retailing	20
Woodside Petroleum Limited	Energy and Utilities	20

In Table 5 we have identified those we consider to be 'Laggards'. We define 'Laggards' as companies that have not reported on ESG risks and management for two or more successive years. This year there were five companies classified as 'Laggards' (down from nine the year before).

Table 5: Companies rated as 'Laggards' for ESG reporting ('No reporting' for the last two years)

Company	Sector	Index
ARB Corporation Limited	Automobiles and Components	200
Domino's Pizza Enterprises Limited	Consumer Services	100
Regis Resources Limited	Materials	200
Speedcast International Limited	Communication Services	200
Washington H. Soul Pattinson and Co. Limited	Energy and Utilities	200

CLIMATE-RELATED REPORTING

ACSI members manage over $2.2 trillion, invested in highly diverse, multi-generational investments. Due to the long-term nature of their investments, their return horizons are closely correlated with the emerging economy-wide impacts from climate change. For our members climate change is, and always has been, distinctly financial in nature. As a result, we have been engaging companies on climate change risk for over a decade.

The ability to understand companies' exposure to transitional or physical risks, and to price them into stock valuations is difficult because it requires reliable and sufficiently granular information. At the beginning of 2017, we began encouraging companies to adopt the Task Force on Climate-related Financial Disclosures (TCFD) framework[5] as one means of aiding our members' evaluations. For the second year, in this report we have also recorded climate-related reporting across four main areas: TCFD adoption, greenhouse gas (GHG) emissions, target setting and scenario disclosure.

This year, we found that the number of companies adopting the TCFD framework and reporting GHG emissions data has increased. However, companies are less likely to disclose information that is longer term in nature i.e. medium to long-term targets and scenario analysis.

We also found that the number of companies conducting scenario analysis is trailing well behind yearly and short-term climate risk reporting. Of those that did disclose scenario analysis, we observed two conflicting issues. Firstly, 31 different scenarios were used by companies (including a large number of 'bespoke' scenarios) creating comparability issues for investors. Against this, we noticed that almost one-third of companies undertaking scenario analysis were using International Energy Agency (IEA) frameworks.

TCFD reporting	GHG Emissions	Emission reduction targets	Scenario analysis
Task Force on Climate-related Financial Disclosures (TCFD) adoption doubled from 2018 52 companies have adopted or committed to disclose against the framework this year	**More than half the ASX200 disclose GHG data** 57 of these companies disclose Scope 1, 2 and 3 data	**Only six companies set long-term emissions reduction targets** Absolute targets: 33 Intensity targets: 23 Both targets: 12	**Scenario analysis disclosure is growing, however, comparability is a challenge** 18 companies discussed the impact of different scenarios on their business Identified 31 different scenarios

[5] Task Force on Climate-related Financial Disclosures (TCFD), Final Report: Recommendations Of The Task Force On Climate-Related Financial Disclosures (2019) <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>.

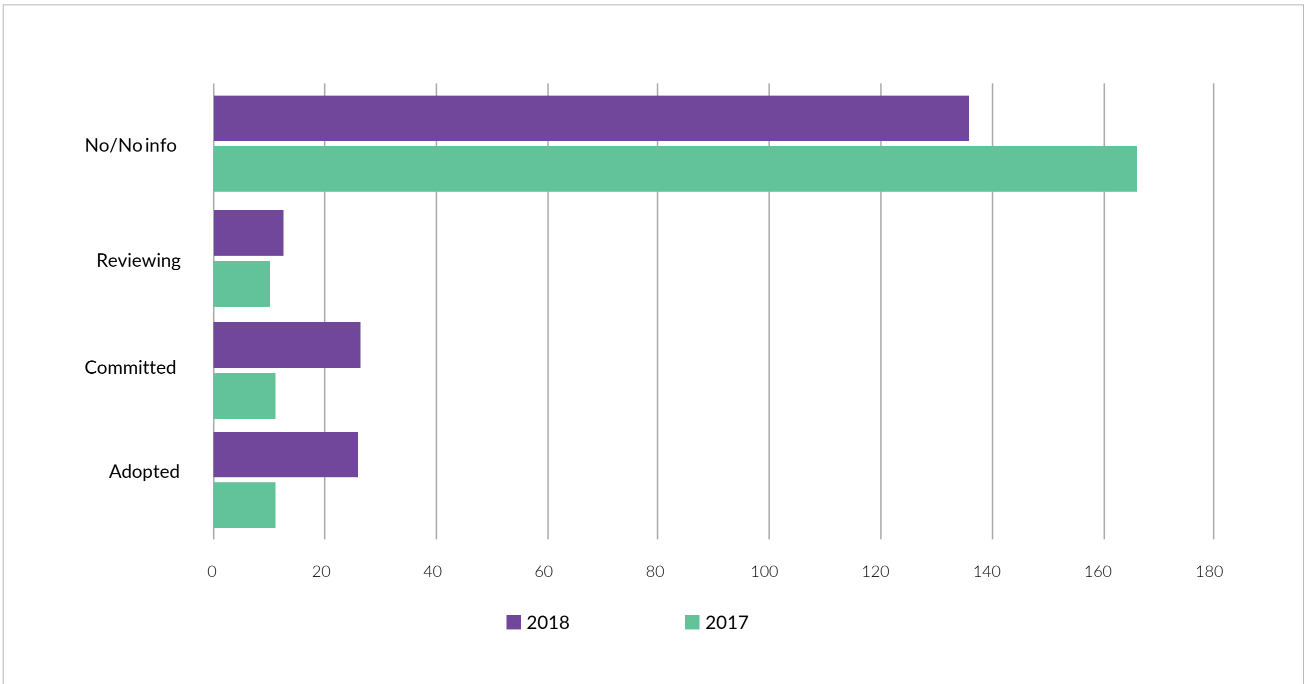
TCFD ADOPTION

Inconsistent information and a lack of comparable data on climate-change risks and opportunities in the ASX200 continues to be a core area of investor concern and provides a platform for non-government organisations (NGOs) to express discontent. Six out of the eight companies that received a shareholder-proposed resolution in 2018 were asked for improved climate change disclosure and TCFD adoption.

Notably, support for these resolutions was also at unprecedented levels – Origin Energy[6] (46 per cent for), Whitehaven Coal[7] (40 per cent for) and QBE Insurance[8] (19 per cent for). The Australian Securities and Investments Commission (ASIC) described this trend as "[…] indicative of broader shareholder focus on the issue of climate change – which, in our view, appears to be increasingly a 'mainstream' reporting and disclosure issue for ASX200 companies."[9]

As consumers of TCFD reporting, we find the TCFD framework progresses climate-related disclosure from 'tick-the-box' reporting to more granular, company-specific information which can be better analysed and interrogated. In 2018, we found more than a quarter of the ASX200 index is now using, or planning to use, the TCFD framework. This is double the number of companies from 2017 and demonstrates that businesses are increasingly treating the TCFD frameworks as a mainstream risk-reporting tool in response to investor and regulatory urging.

Graph 7: TCFD adoption by the ASX200



[6] "2018 Annual General Meeting Of Shareholders - Results Of Meeting", Asx.Com.Au (Webpage, 2018) <https://www.asx.com.au/asxpdf/20180503/pdf/43try2cjr17ln6.pdf>
[7] "Annual General Meeting - Whitehaven Coal Limited", ASX.Com.Au (Webpage, 2018) <https://www.asx.com.au/asxpdf/20181025/pdf/43zmbbwx92l36s.pdf>.
[8] "2018 Annual General Meeting Of Shareholders - Results Of Meeting", Asx.Com.Au (Webpage, 2018) <https://www.asx.com.au/asxpdf/20180503/pdf/43try2cjr17ln6.pdf>.
[9] Australian Securities and Investments Commission, Annual General Meeting Season 2018 (2019) <https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-609-annual-general-meeting-season-2018/>.

VIEWS FROM REGULATORS AND GLOBAL INSTITUTIONS

WORLD ECONOMIC FORUM

The World Economic Forum's 2019 'Global Risk Report' places 'extreme weather events' and 'failure to mitigate or adapt to climate change' as two of the top global risks in terms of both likelihood and impact.[10]

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION (ASIC)

In 2018, ASIC found that climate-related disclosure was fragmented, disclosure was not comprehensive enough to be useful to investors and only 17 per cent of the sample identified climate change or climate risk as a material business risk in the entity's Operating and Financial Review.[11]

AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY (APRA)

In 'Climate change: Awareness to Action', APRA states that "there is a high degree of certainty that financial risks will materialise, and entities can mitigate the magnitude of the impacts of these risks through action in the short-term."[12] Among the entities reported to be taking steps to better understand climate-related financial risks, over half do not believe the impact to be material at present.

NETWORK FOR GREENING THE FINANCIAL SYSTEM (NGFS)

The NGFS, a group of Central Banks and Supervisors, recently recommended that all companies issuing public debt or equity, as well as financial sector institutions, disclose in line with the TCFD and that policy makers consider action to foster a broader adoption of the TCFD recommendations and the development of an internationally consistent environmental disclosure framework.[13]

GHG EMISSIONS AND CLIMATE-RELATED TARGETS

The majority of companies now report some GHG emissions data (Table 7). This includes companies which are required to report under Australia's National Greenhouse and Energy Reporting (NGER) scheme. This requires corporate groups that emit above 50 kilotonnes or more of Scope 1 and Scope 2 emissions to report publicly. This year we found that the number of companies reporting GHG data increased to 122 from 112 last year. It is unclear whether this is due to an increase in companies being required to disclose as they exceed the NGER threshold, or a greater commitment to reporting more broadly.

It is worth noting that GHG emissions data is a backward-looking indicator and reporting of forward-looking information is far less prevalent. Of the 122 companies which reported GHG emissions data, only 68 provided emissions reduction targets. Of those, 33 companies had absolute-emissions reduction targets, 23 provided intensity-based targets and 12 companies provided both.

[10] World Economic Forum, The Global Risks Report 2019 (2019) *<https://www.weforum.org/reports/the-global-risks-report-2019>*.
[11] Australian Securities and Investments Commission, Climate Risk Disclosure By Australia's Listed Companies, Report 593 (2018) <*https://download.asic.gov.au/media/4871341/rep593-published-20-september-2018.pdf*>.
[12] APRA, Climate Change: Awareness To Action (2019) *https://www.apra.gov.au/sites/default/files/climate_change_awareness_to_action_march_2019.pdf*.
[13] Network for Greening the Financial System, A Call For Action Climate Change As A Source Of Financial Risk (2019) *https://www.banque-france.fr/sites/default/files/media/2019/04/17/ngfs_first_comprehensive_report_-_17042019_0.pdf*. The NGFS is a coalition of central banks and supervisors supervising two-thirds of the global systemically important banks and insurers representing five continents and 44 per cent of global GDP

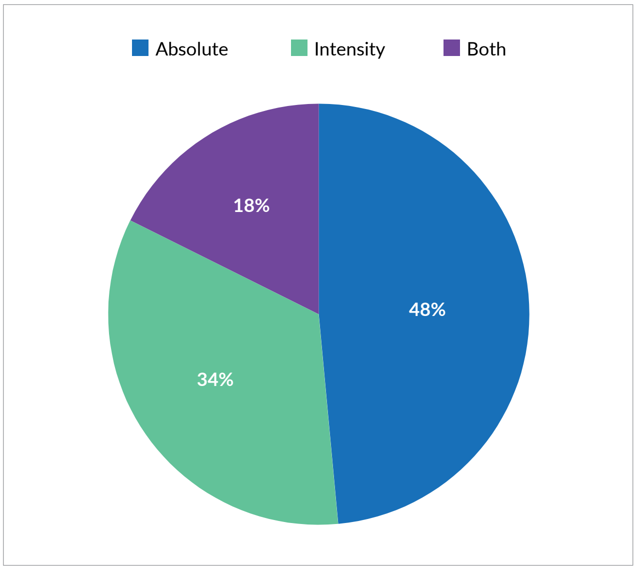
While we recognise that uncertainty increases over longer time frames, investors increasingly stress the need for emissions targets to be longer term. The Paris Agreement highlights the need for developed economies to take the lead by undertaking economy-wide, absolute-emissions reduction targets.[14] The new guidance from the Intergovernmental Panel on Climate Change (IPCC) stresses the need to hold global temperature increases by 2050 to 1.5°C above pre-industrial levels.[15] This makes it increasingly important to report medium-to-long term targets to demonstrate how a company intends to transition to, and operate in, a low-carbon economy.

Despite the need for companies to undertake long-term planning to address the climate-related risks they face, we found that most emissions targets tended to focus on the short-to-medium term. We identified 13 companies with medium-term reduction targets (from 2025 to 2040) and, importantly, only six companies with a long-term emissions reduction target of net-zero emissions by 2050. This will be an important area for future discussions with companies.

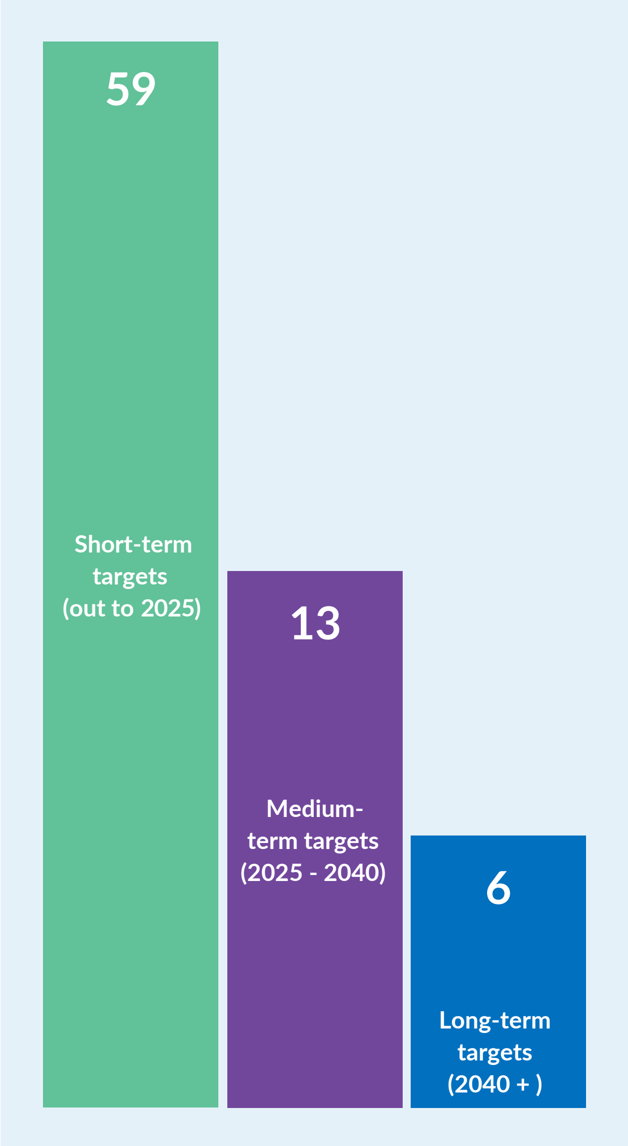
Table 7: GHG emissions reporting by the ASX200

Emissions reporting	Number of ASX200 companies
Scope 1 only	3
Scope 2 only	4
Scope 1 and 2	58
Scope 1, 2, 3	57
Percentage of companies with some GHG data	61%

Graph 8: Types of GHG targets reported



Number of companies with targets



[14] United Nations, Paris Agreement (2015) https://unfccc.int/sites/default/files/english_paris_agreement.pdf.
[15] IPCC, Special Report: Global Warming Of 1.5 °C (2019) https://www.ipcc.ch/sr15/chapter/summary-for-policy-makers/.

SCENARIO ANALYSIS

This year we extended our analysis of climate-related reporting to include mapping the number of companies providing scenario analysis information, the names of the scenarios being used and the level of global warming (1° to 4° Celsius) assumed under each scenario. Positively, 28 ASX200 companies have stated that they are either disclosing a range of scenarios already or currently undertaking scenario analysis. Of the 28 companies, 25 state the names of the scenarios being used, although some are not always clearly identified, instead simply stating that an undefined 1.5, two, three or four-degree scenario was used. Some 18 companies provide disclosure that discusses and models potential impacts on their business.

25 COMPANIES

Have disclosed the name of the scenarios being used in their scenario analysis

18 COMPANIES

Are disclosing scenario analysis that discusses the impact of different scenarios on their business. This information ranges from limited discussion to comprehensive analysis

31 SCENARIOS

ACSI found 31 different scenarios being disclosed. However, we noted many companies were using IEA scenarios

In our analysis, we made four observations:

- Only 11 companies were disclosing against a below 2°C scenario (these include 1.5°C scenarios and below 2°C scenarios, referenced 12 times in total), despite recent guidance from the IPCC stressing the need to hold global warming to 1.5°C.
- Of those that disclose scenario analysis, the level of reporting varies significantly – both in terms of the content (on a commodity basis, portfolio analysis or asset analysis) and in terms of quality (some companies had a simple discussion and others went into significant detail and quantified outcomes).
- Comparability of information is challenging due to divergent scenario adoptions and significant levels of bespoke (company-designed) scenarios.
- In contrast, we also saw a trend to rely on IEA-derived scenarios (eight of the 25 disclosing companies). The IEA scenarios included the 2 Degree Scenario, the Sustainable Development Scenario, Beyond 2 Degree Scenario, New Policies Scenario, and Reference Technology Scenario.

When the Financial Stability Board (FSB) developed the TCFD framework, its stated purpose was to provide investors, lenders, insurers and other stakeholders with consistent and comparable climate-related information on physical and transition risks.[16] In our experience, its initial adoption has not necessarily driven consistent and comparable information. We identified 31 different scenarios used by companies over the 2018 reporting period. Of these, only six companies were stress-testing their businesses against a 1.5°C scenario, and six cited a below 2°C scenario.

While we recognise that many companies' scenario analyses were developed under a '2°C or below' equation, the October 2018 IPCC report is unequivocal about the importance of limiting warming to 1.5°C, meaning that scientific consensus has shifted more strongly towards 1.5°C. Therefore, it is increasingly important for companies to update their disclosure to demonstrate resilience in a 1.5°C economy, which could entail a rapid and disruptive transition to reach net-zero emissions by 2050.

[16] Task Force on Climate-related Financial Disclosures (TCFD), Final Report: Recommendations Of The Task Force On Climate-Related Financial Disclosures (2019) <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>.

Table 7: Number of references to a scenario category disclosed by sector*

	Materials	Real Estate	Energy & Utilities	Transport	Banks	Cap Goods	Food & Staples Retailing	Healthcare	Total unique companies
1.5°C scenario		2	1		2			1	6
Below 2°C scenario	2		1	2				1	6
2°C + scenario	6	3	4	1	5		1	2	20
3°C + scenario	13	2	4	2	4	1		1	23
Total companies	7	4	4	2	4	1	1	2	25

*Note: Table 7 includes double counting for companies that use multiple scenarios under the same category, e.g.: Company X uses two different 3°C scenarios (therefore counted three times) and two different 2°C scenarios (therefore counted twice). This means the rows horizontally don't necessarily add up to the total number of companies.

ARE COMPANIES REPORTING ENOUGH?

Snapshot: Materials sector

Of the 39 companies in the Materials sector, seven do not report any GHG emissions data. Of those that do, 21 report Scope 1 and 2 data, and six report Scope 1, 2 and 3 data. Most companies do not have any GHG reduction targets in place and the targets that are disclosed are mostly short term in nature. Only two companies have medium-term targets and three companies have long-term, net-zero emissionsaims.

Seven of the companies name scenarios they are using to analyse their resilience to a low-carbon economy, resulting in 15 different scenarios – none of which include a 1.5°C scenario. The seven companies that do not disclose any GHG emissions data, also do not provide emissions-reduction targets or any scenario analysis.

SAFETY REPORTING

Safety incidents come at significant personal and financial costs. Apart from the effects on the people involved, companies face compensation claims, loss of productivity and operational performance issues – both directly, in a financial sense, and indirectly in terms of community and other stakeholder impacts including reputation.

Workplace health and safety (WHS) is a focus area for ACSI and our members, many of whose own members work on the front line of high-risk industries. Safety reporting is not just important for investors, who see and feel the financial impacts of delays to projects and lost productivity. It is also a crucial piece of business intelligence that signals that management has robust and timely information to appropriately manage and mitigate its risks in these areas.

In 2017 research by Citigroup, reporting of safety metrics by ASX100 companies was found to be limited for investors wanting insight in these areas as:

- In general, reporting across all safety indicators was limited.[17]
- There were inconsistencies in the metrics used across companies and sectors – and some changed the metrics used over time.[18]
- Severity of injuries, apart from fatalities, was generally not disclosed. The most commonly used metrics failed to distinguish between minor and major safety incidents.[19]

To address these concerns, we have begun collecting data on worker safety and broadened the scope to the ASX200. We intend to continue this analysis to build up a longitudinal database on worker safety for investors. This year we captured and analysed four main data points which are in this report:

1. Lost-time injury frequency rate (LTIFR): these are injuries that results in a fatality, permanent disability or time lost from work. It could be as little as a single day or shift.
2. Total-recordable injury frequency rate (TRIFR): this is the number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked.
3. Fatality reporting.
4. Whether the company links remuneration to safety.

Separately, we are undertaking in-depth research on worker safety aiming at identifying best-practice reporting from the range of lagging and leading indicators currently used.

Observations from this year include:

- Almost 70 per cent of recorded fatalities were contractors – which suggests that the safety culture of the company is not always permeating their contracting workforces.
- Safety reporting is commonplace, with more than half the ASX200 reporting some kind of safety metric. We found larger companies typically have higher levels of safety reporting and LTIFR was the metric most commonly reported.
- 67 companies provide no safety data to the market, with some of these companies coming from industries with elevated safety risks.
- More mature reporters are reporting leading indicators, however, we found only nine companies reporting ‘near misses’.
- 85 companies link their remuneration scheme to safety performance and eight of these companies do so without providing any supporting safety data or targets.

[17] In 2017, 13 ASX100 companies did not report on safety at all: Citigroup (Elaine Prior and Edward McKinnon, Safety Spotlight (2017), p 13.
[18] Citigroup (Elaine Prior and Joel Quintal) Safety Spotlight (2016), p 8; Citigroup (Elaine Prior and Edward McKinnon), Safety Spotlight (2017), p 7.
[19] See Citigroup (Elaine Prior and Edward McKinnon), Safety Spotlight (2017), p 7.

REPORTING BY INDEX AND SECTOR

Fewer than half the ASX200 reported their lost-time injury frequency rate (LTIFR), just one third reported their total-recordable injury frequency rate (TRIFR) and even fewer companies in both indicators included information on contractor safety. While this appears to show reasonable levels of reporting, it demonstrates significant disclosure gaps in reporting safety metrics. On closer examination, 86 companies did not report either LTIFR or TRIFR measures, and surprisingly 67 of those companies provided no safety information at all. Investors expect companies to disclose some level of meaningful safety reporting about their workforce to the market. As Graph 9 (below) shows, LTIFR tends to be the metric used by most companies in the ASX200.

Australia's largest listed companies provide greater safety reporting than their smaller peers (Graph 9), with significantly more ASX100 than ASX101-200 companies reporting safety metrics. This may be indicative of the size and type of their relative workforces, available resourcing for reporting, or even a lack of awareness of investor expectations rather than any intent. We anticipate that our forthcoming research on worker safety may provide further insight in this area.

We have also analysed where safety has been included and applied to remuneration outcomes and found that 85 companies in the ASX200 had an element of remuneration based on safety metrics, as either a gateway or forming part of the short-term incentive. These companies tend to be concentrated in those industries most likely to have greater exposure to safety risks such as Materials, Energy & Utilities, Transport, Capital Goods, and Food & Staples Retailing.

Interestingly, eight companies stated that safety made up a portion of the annual bonus yet disclosed no safety metrics to the market making it difficult for investors to link safety performance and improvement to pay outcomes. This suggests that lack of public reporting on safety performance does not necessarily mean safety data is not being recorded by the company internally.

Graph 9: Safety reporting by index (with underlying data tabulated below)

	ASX20	ASX21-50	ASX51-100	ASX101-200
LTIFR	17	18	23	38
TRIFR	11	12	19	29
Safety link to remuneration	10	15	23	37
Companies which reported fatalities	6	3	3	1

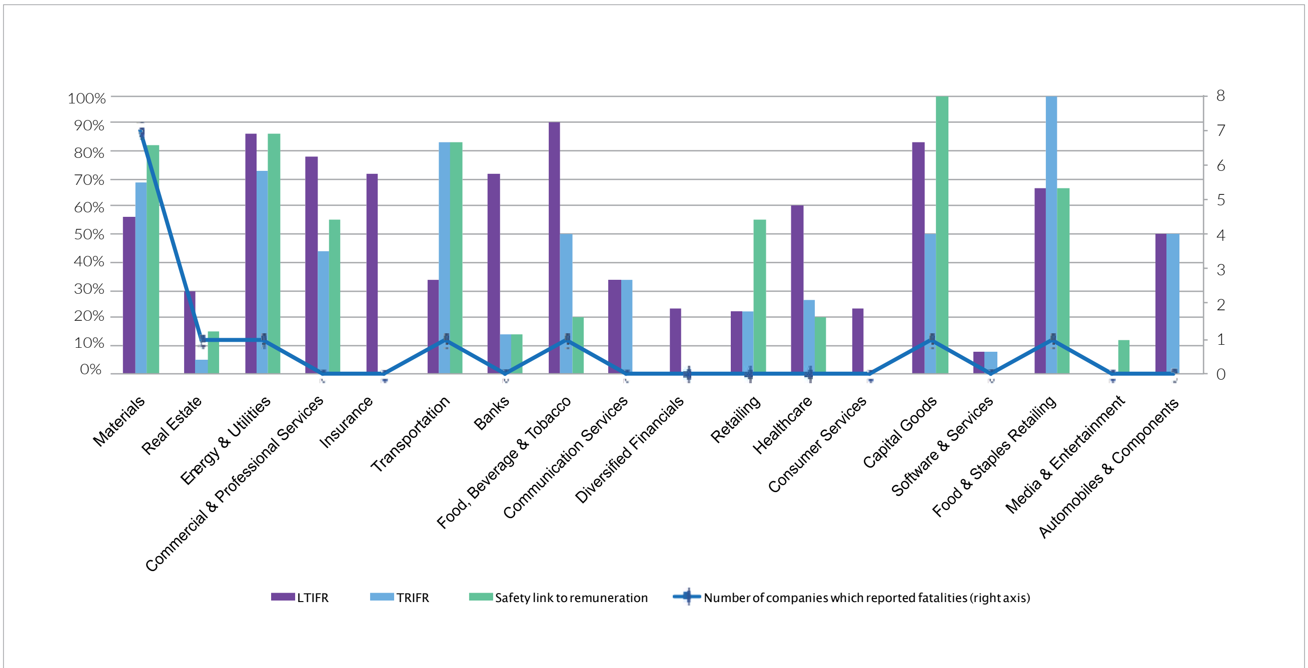
Graph 10 examines by sector the reporting of four key elements in safety monitoring – LTIFR, TRIFR, link to remuneration and companies which reported fatalities. By industry sector, LTIFR is the preferred metric of safety reporting (Graph 10 below), with well above 50 per cent of companies in 11 of the 18 sectors reporting LTIFR. Far fewer industry sectors appear to have placed a greater weighting on TRIFR, with only four – Food and Staples Retailing, Transportation, Energy & Utilities, and Materials – showing well above 50 per cent of companies using that metric.

Overall, the reporting of LTIFR and TRIFR is broadly irregular in each sector, with only the Energy & Utilities sector showing more than 70 per cent of companies reporting LTIFR and TRIFR together. The only other sectors that had well above 50 per cent of companies reporting both LTIFR and TRIFR were Materials (39 companies), Food and Staples Retailing (3 companies) and Energy & Utilities (15 companies).

NEAR MISSES

This research focused predominantly on lagging safety metrics being reported to the market. However, in our experience, companies with mature safety reporting discuss the use of leading and severity indicators to improve safety reporting, prevention and management. With this in mind, we also looked at the number of companies that used and reported ‘near misses’ as a leading indicator and found only nine companies that do so. These companies came from the following sectors; Energy & Utilities, Commercial & Professional Services, Food, Beverage & Tobacco, Materials and Consumer Services.

Graph 10: Safety reporting by sector



SAFETY REPORTING SNAPSHOT: Capital Goods sector

The Capital Goods sector comprises six companies, of which five report their LTIFR outcomes, allowing some level of comparability. The average LTIFR for the sector was 1.95. Half of the sector also report their TRIFR and, notably, all companies linked a portion of their executives' remuneration to the achievement of safety outcomes. One company in this group does not use LTIFR or TRIFR as metrics for monitoring safety. For reported fatalities, one company cited a contractor fatality, two reported no fatalities and three did not provide information.

Other safety indicators used and reported by this sector include Restricted Work Injuries, Medically Treated Injuries, First Aid Injuries, Restricted Work Injury Frequency Rate, Total Case Injury Rate, and Reportable Incident Rate.

REPORTED FATALITIES

In 2018, 13 ASX200 companies recorded a total of 22 fatalities in their workplaces by making disclosures to the market (Table 8). Those who lost their lives were predominantly contractors (16), employees (three), supplier (one) and bystanders/customers (two). The high incidence of contractor fatalities suggests that the safety practices of companies are not fully translating to their contracting workforces. The Materials sector had the highest number of companies reporting a fatality (seven companies) and the highest number of overall fatalities of any sector (14 fatalities). The ASX20 also had a much higher number of companies reporting fatalities (six) compared to other index categories. This may result from these companies having a higher number of employees and contractors.

We faced various challenges collecting data on work-related fatalities. For companies that provided no reporting of fatalities, it was unclear whether the company actually experienced zero fatalities or whether it simply did not report them. We found that there is no requirement to inform the market and found it difficult to find a single source for fatalities to be reported to across Australia that identifies the employer. Therefore, to collate this data we relied on the companies reporting to best-practice standards by making announcements to the market and updating publicly available information. In Australia, there is a requirement to report a fatality to a state regulatory body, however, because that information is usually not publicly accessible there are significant impediments to gaining insight into these tragedies.

In addition, companies did not always report fatalities with other safety information, making it difficult to find. For those that did provide information, we found the disclosure was in various locations with some companies reporting fatalities only in an annual general meeting speech, in a separately prepared GRI report or ASX announcement. Others reported zero fatalities in their annual report's opening letter and statistics but recorded contractor fatalities further into the report.

We are concerned that the lack of transparency about workplace fatalities in Australia may mask the extent of workplace tragedies and slow the identification of systemic risks. Best practice safety reporting would include reporting fatalities to the market.

Table 8: Reported fatalities in the ASX200

Code	Industry	Fatalities		Background
Amcor Limited	Materials	1	1 contractor	Fatal accident whilst making a delivery to site
BHP Group Limited	Materials	2	1 contractor 1 subcontractor	Fatal injury with excavator Fatal injuries when struck by forklift
Boral Limited	Materials	2	1 supplier 1 contractor	Supplier driver was struck by vehicle on site Two-vehicle accident on public road outside of site (off-duty)
Coca-Cola Amatil Limited	Food, Beverage and Tobacco	1	1 member of public	Traffic-related incident involved member of the public
CIMIC Group Limited*	Cap Goods	1	1 contractor	Struck by object, West Gate Tunnel Project
James Hardie Industries Plc	Materials	1	1 employee	Accident on scissor lift
LendLease Group	Real Estate	2	1 subcontractor 1 subcontractor	Labourer Security incident (security guard)
Orica Limited	Materials	4	4 contractors	All were road accidents transporting products
Rio Tinto Limited	Materials	3	2 contractors 1 employee	Fatality from a safety incident. Fatality from a security incident Fatality from a safety incident
South32 Limited	Materials	1	1 employee	Fatality at smelter
Transurban Group*	Transport	2	2 contractors	Struck by object, West Gate Tunnel Project. Fatality on 395 Express Lanes in USA
Viva Energy Group Limited	Energy	1	1 contractor	Traffic accident with third-party vehicle
Woolworths Group Limited	Food and Staples Retailing	2	1 member of public 1 contractor	Fell from a height Security incident

*Total number of fatalities is 22 people as CIMIC Group Limited and Transurban Group recorded the same contractor fatality on the West Gate Tunnel Project.

WORKFORCE

Although we have been consistently engaging companies for many years about how they monitor and manage their workforce (on issues such as diversity of thought, culture and gender, and retention and development), we have not previously analysed the level of workforce reporting to the market. In this report, we have endeavoured to capture the level of reporting against workforce metrics in the ASX200.

Recent research suggests that an important characteristic of outperforming companies is how they value and manage their human capital.[20] Value is shown in terms of the productivity and cost advantages generated by attracting and retaining talent (i.e. actively engaging their workforce can reduce the costs associated with staff turnover). Research has also shown a strong correlation between financial performance and cognitive diversity, most often delivered through higher gender diversity.

With this in mind, the premise for this analysis is to understand the type and quantity of existing workforce reporting, with the aim of developing indicators of best-practice workforce behaviours. After consulting our members about what workforce indicators they value for their investment decision making, we settled on four factors to measure:

- employee engagement
- voluntary turnover
- employee training
- percentage of women in the leadership team.

WHAT DOES THE DATA TELL US?

EMPLOYEE ENGAGEMENT

We found that 60 companies interact with their workforce via an engagement survey.

The level of survey participation as a standalone metric, which provides limited insight for investors on the company's relationship with their staff, was reported by only 18 companies. The lowest participation score we found was 59 per cent.

Twenty-two companies report the level of actively engaged/satisfaction of their employees as a standalone metric.

One-third of companies that reported employee engagement results reported both participation levels and satisfaction levels, which gives investors greater insight into the relationship between the business and its employees, the level of morale and culture, as well as a leading indicator for retaining staff. For example, one Materials company had only 53 per cent of staff respond to their survey and of those that responded it was determined that 99 per cent of those were 'actively engaged'.

Surprisingly, given the inherent connection between having a positively engaged workforce and voluntary turnover, we found only 22 companies disclosing both metrics.

This makes it difficult for investors to assess the integrity of an engagement survey and we found no disclosure that provides comfort with the consistency of engagement questions.

[20] Macquarie, People Power (Macquarie Research, 2018).

VOLUNTARY TURNOVER

One quarter of the index (including companies from 15 sectors) tells investors about their annual voluntary turnover.

The highest annual voluntary turnover rate was 51 per cent and the majority of companies reported double-digit turnover rates. Only 8 companies reported a level below 10 per cent.

The majority of reporters were larger ASX100 companies (36) with the remainder in the ASX101-200 cohort (14). This data was presented a number of ways. Some companies reported turnover by gender and others showed a single annual turnover rate.

WOMEN IN THE LEADERSHIP PIPELINE

To understand the diverse talent in the pipeline beyond the key management personnel definition, we defined 'leadership team' as individuals listed on the company website under the executive or leadership team pages.

The ability to attract and retain a diverse workforce is shown to improve decision making and productivity, and yet on average only 21 per cent of leadership team positions are held by women (Tables 9 and 10).

This increases to 30 per cent in the ASX20 and decreases to 19 per cent in the ASX101-200. Significantly, there are still 32 companies that have all male leadership teams, all of which exist outside the ASX20.

TRAINING AND DEVELOPMENT

This area had the highest level of reporting among the workforce indicators, with 88 companies reporting that they provided some type of employee training.

Training programs offered differed between sectors, with no one area of education spanning all the companies. Many companies reported non-specific training courses. Of specific training provided, the most common forms reported by companies were 'leadership training' (20) and 'safety training' (13).

Note: we only recorded this data if the training was quantified by number of participants, dollars or hours.

CONSEQUENCE MANAGEMENT

Consequence management is an emerging area of workforce reporting by companies and demonstrates how companies respond to and manage employee behaviour that is risky or in breach of a code of conduct or compliance standards. Recent events, such as the Financial Services Royal Commission, serve to highlight its growing importance.

In the 2018 reporting period, each of the 'Big Four' banks and Macquarie Group reported incidents that required consequence management.

This behaviour is often uncovered through calls to whistleblower lines, and internal audits. Reporting examples include the number of breaches of the company's code of conduct, behaviour that resulted in disciplinary action and the number of company-led terminations that resulted. This trend has also been confirmed in our company engagement meetings and we are increasingly asking companies to address this issue.

Table 9: Diversity of ASX200 leadership teams

	ASX20	ASX21-50	ASX51-100	ASX101-200	ASX200
Percentage of females in leadership team (average)	30%	21%	22%	19%	21%
Number of all-male leadership teams	0	3	7	22	32

Table 10: Diversity of ASX200 leadership teams by sector

Sector	Percentage of women in leadership team	Number of all-male leadership teams
Real Estate	21%	2
Retailing	22%	1
Materials	18%	10
Software and Services	20%	1
Commercial and Professional Services	17%	1
Communication Services	26%	1
Insurance	26%	1
Automobiles and Components	7%	1
Consumer Services	25%	1
Diversified Financials	19%	3
Transportation	28%	0
Capital Goods	22%	2
Banks	32%	0
Food, Beverage and Tobacco	21%	3
Media and Entertainment	26%	1
Food and Staples Retailing	28%	0
Energy and Utilities	17%	3
Healthcare	22%	1

WHAT DOES DIVERSITY LOOK LIKE?

Snapshot: Retail sector

Diversity in board make-up is often seen by investors as one indicator of companies that have recognised the risks, and rewards, of appointing directors with a blend of backgrounds, skills and experience to counteract 'group think' and refreshviewpoints.

Many companies operating in the retail sector, some of which represent the largest non-government workforces in Australia, have significantly higher percentages of women in their senior leadership (peaking at 47 per cent at Premier Investments, owner of brands including Just Jeans, Smiggle and Peter Alexander) than the ASX200 on average (21 per cent). Similarly, seven of 11 companies in this category have met, or exceeded, the 30 per cent board gender diversitytarget.

Interestingly, in our data there is a strong correlation between companies with poor gender diversity at board level, and the length of service of directors. As can be seen in the table (below), the companies below the 30 per cent level are also the same ones with the longest average director service – led by Harvey Norman Holdings with almost 20 years' service for each director. The only woman on the board is the CEO, Katie Page, who is also the wife of the Executive Chair, Gerry Harvey.

Companies in the retail sector*		Percentage of women in leadership team	Percentage of women on board	Average term of director^
BAP	Bapcor Limited	11%	60%	5 years
BRG	Breville Group Limited	29%	28.5%	6.8 years
COL	Coles Group Limited	38%	37.5%	n/a**
HVN	Harvey Norman Holdings Ltd	11%	10%	19.6 years
JBH	JB Hi-Fi Limited	0%	28.5%	6.3 years
MTS	Metcash Limited	14%	57.1%	3.4 years
PMV	Premier Investments Limited	47%	22%	8.7 years
SUL	Super Retail Group Limited	20%	42.8%	5 years
WEB	Webjet Limited	20%	33%	6.5 years
WES	Wesfarmers Limited	36%	30%	6 years
WOW	Woolworths Limited	33%	55.6%	3.8 years

*TME was originally included in our analysis but has since left the index and was therefore removed from this table.
**Coles board only formed in late 2018.
^Calculated in June 2018

APPENDIX: COMPOSITION OF ASX200

As at 31 March 2019, the cut-off date for information to be included in the analysis for this report.

The a2 Milk Company Limited	Bendigo and Adelaide Bank Limited
Adelaide Brighton Limited	Bega Cheese Limited
Abacus Property Group	BHP Group Limited
AGL Energy Limited	Bingo Industries Limited
Ardent Leisure Group	Blackmores Limited
Aristocrat Leisure Limited	Brickworks Limited
ALS Limited	Boral Limited
Altium Limited	Bank of Queensland Limited
Atlas Arteria Limited	Beach Energy Limited
Amcor Limited	Breville Group Limited
AMP Limited	BlueScope Steel Limited
Ansell Limited	Bravura Solutions Limited
Australia & New Zealand Banking Group Ltd	BWP Trust
Aveo Group	Brambles Limited
APA Group	Carsales.com Limited
Australian Pharmaceutical Industries Limited	Commonwealth Bank of Australia
Afterpay Touch Group Limited	Coca-Cola Amatil Limited
Appen Limited	Credit Corp Group Limited
ARB Corporation Limited	Costa Group Holdings Limited
Ausdrill Limited	Challenger Limited
AusNet Services	Charter Hall Group
ASX Limited	CIMIC Group Limited
Alumina Limited	Charter Hall Long Wale REIT
Aurizon Holdings Limited	Cromwell Property Group
Bellamy's Australia Limited	Chorus Limited
Bapcor Limited	Cochlear Limited

Coles Group Limited	HUB24
Computershare Limited	Harvey Norman Holdings Ltd
Charter Hall Retail REIT	Insurance Australia Group Limited
CSL Limited	IDP Education Limited
CSR Limited	IOOF Holdings Limited
Corporate Travel Management Limited	Independence Group NL
Caltex Australia Limited	Iluka Resources Limited
Crown Resorts Limited	Inghams Group Limited
Cleanaway Waste Management Limited	IPH Limited
CYBG Plc	Incitec Pivot Limited
Domain Holdings Australia Limited	IRESS Limited
DuluxGroup Limited	InvoCare Limited
Domino's Pizza Enterprises Limited	JB Hi-Fi Limited
Downer EDI Limited	Janus Henderson Group PLC
Dexus Prop	James Hardie Industries Plc
Eclipx Group Limited	LendLease Group
Estia Health Limited	Link Administration Holdings Limited
Emeco Holdings Limited	Lynas Corporation Limited
Elders Limited	Magellan Financial Group Limited
Evolution Mining Limited	Mirvac Group
Fletcher Building Limited	Mineral Resources Limited
Flight Centre Travel Group Limited	McMillan Shakespeare Limited
Fortescue Metals Group Ltd	Monadelphous Group Limited
Fisher & Paykel Healthcare Corporation Limited	Medibank Private Limited
G8 Education Limited	Macquarie Group Limited
Goodman Group	Metcash Limited
Graincorp Limited	MYOB Group Limited
Growthpoint Properties Australia	Mayne Pharma Group Limited
GPT Group	National Australia Bank Limited
GUD Holdings Limited	Nanosonics Limited
GWA Group Limited	Newcrest Mining Limited
Galaxy Resources Limited	Nine Entertainment Co. Holdings Limited
Healius Limited	New Hope Corporation Limited
Healthscope Limited	NIB Holdings Limited

National Storage REIT	Shopping Centres Australasia Property Group
Northern Star Resources Ltd	Speedcast International Limited
Nufarm Limited	Steadfast Group Limited
Navitas Limited	SEEK Limited
News Corporation	Sandfire Resources NL
NEXTDC Limited	Sims Metal Management Limited
oOh!media Limited	Stockland
Orora Limited	The Star Entertainment Group Limited
Orocobre Limited	Sonic Healthcare Limited
Origin Energy Limited	Sigma Healthcare Limited
Orica Limited	Smartgroup Corporation Ltd
Oil Search Limited	SkyCity Entertainment Group Limited
OZ Minerals Limited	Spark Infrastructure Group
Pendal Group Limited	Washington H. Soul Pattinson and Co. Limited
Pact Group Holdings Ltd	Spark New Zealand Limited
Pilbara Minerals Limited	Santos Limited
Premier Investments Limited	Super Retail Group Limited
Pinnacle Investment Management	Suncorp Group Limited
Perpetual Limited	Seven Group Holdings Limited
Platinum Asset Management Limited	Seven West Media Limited
Qantas Airways Limited	Southern Cross Media Group Limited
QBE Insurance Group Limited	Sydney Airport
Qube Holdings Limited	Syrah Resources Limited
REA Group Ltd	Tabcorp Holdings Limited
Ramsay Health Care Limited	Transurban Group
Rio Tinto Limited	Tassal Group Limited
ResMed Inc.	Telstra Corporation Limited
Regis Resources Limited	Trade Me Group Limited
Resolute Mining Limited	Technology One Limited
Reliance Worldwide Corporation Limited	TPG Telecom Limited
South32 Limited	Treasury Wine Estates Limited
Saracen Mineral Holdings Limited	Unibail-Rodamco
St Barbara Limited	Vicinity Centres
Scentre Group	Viva Energy Group Limited

Vocus Group Limited
Viva Energy REIT
Westpac Banking Corporation
Webjet Limited
Wesfarmers Limited
Whitehaven Coal Limited
WorleyParsons Limited
Woolworths Group Limited
Woodside Petroleum Limited
Western Areas Limited
Wisetech Global Limited
Xero Limited

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