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Submission to the NSW Women's Economic Opportunities Review

This submission in response to the NSW Government's Women's Economic Opportunities Review is made by the staff of Melior Investment Management, a public equities fund manager. Melior operates on Gadigal Land in Sydney, NSW.

About Melior Investment Management

Melior seeks to drive positive change by actively investing in listed companies that we believe deliver a net positive social or environmental impact that contributes to the United Nations' Sustainable Development Goals (SDGs). The SDGs are an internationally agreed set of goals to achieve a better world. We believe that purpose-driven companies that endeavour to address global challenges, such as gender equality and climate change, can outperform over time.

Gender Equality is one of Melior's Key Strategic Advocacy Themes with which we are engaging with Corporate Australia and New Zealand. Progress towards this goal is currently rated as facing "significant challenges" on Australia's SDG dashboard¹. In addition, the lack of progress in advancing gender equality is evident in Australia's ranking in the World Economic Forum Global Gender Gap Index², the widening of the gender pay gap in 2021 and the findings of the CEW Senior Executive Census 2021³, of which Melior was a contributor, that shows the progress on gender balanced leadership teams in the ASX300 has stalled.

Melior believes that corporate Australia and New Zealand has a significant role to play in addressing key societal challenges such as gender equality given that the ASX300 collectively employs ~2 million people. We believe that large companies also play a key role in leading by example to organisations of all sizes on the importance of gender equality by demonstrating the positive societal impact they can affect and the financial outperformance they can achieve over time.^{4,5}

Melior has set a number of 2030 goals aligned with the SDGs for companies to achieve. Two of these goals relate specifically to Gender Equality:

¹ <https://s3.amazonaws.com/sustainabledevelopment.report/2021/2021-sustainable-development-report.pdf>

² World Economic Forum, 2021, Global Gender Gap Report, https://www3.weforum.org/docs/WEF_GGGR_2021.pdf.

³ https://cew.org.au/wp-content/uploads/2021/09/CEWCENSUS21_ASX300Report-FINAL.pdf

⁴ <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

⁵ <https://bcec.edu.au/assets/2020/06/BCEC-WGEA-2020-Presentation-June-2020-FINAL.pdf>

- We are advocating for all companies to set 40% male: 40% female: 20% either gender representation targets for executive leadership teams (CEO-1) and are tracking the progress of companies towards these targets. Melior are a supporter of Hesta's 40:40 Vision.
- We are also advocating for all companies to reach a pay gap of +/-5%.

Melior is one of the first Australian equities investment managers to apply a gender lens to its investment process. As an organisation, we are committed to gender equality and have a woman CEO, an investment team that is >50% women and encourage and support flexible working arrangements for all staff. Our inclusion and diversity framework states:

"At Melior we value a diverse workforce and inclusive culture where people feel they have a voice and are respected so that they can thrive at work. We want everyone to feel a sense of belonging and to have the freedom to contribute in a safe environment.

We understand the benefits that diversity generates. A broad range of views and experiences strengthens our team and leads to better decisions and investments.

Through inclusive leadership that models openness and transparency we are encouraging workplace participation to move our company forward.

Melior's Submission on the Review Terms of Reference

Addressing gender equality is complex. We acknowledge that the Review's Terms of Reference cover a broad range of issues, such as affordable childcare, paid parental leave and flexible work practices for both women and men, which are critical in addressing gender equality. We also recognize a number of key structural issues which contribute to pay inequity such as sectors with traditionally female dominant workforces, including healthcare, retail and education, paying lower wages. Melior's advocacy activities are continuously evolving but currently focus on increasing the number of women in senior leadership positions and reducing gender pay gaps at the organizational level given significant progress is still required in these areas. Consequently, we respond specifically to Item 7b within the Terms of Reference of the Review being:

"The Review will identify and prioritise reform options to create the opportunities and conditions for women to succeed in the workforce, including equity in the workplace such as reducing the gender pay gap and improving women's leadership opportunities."

Companies are facing ever increasing scrutiny across a range of ESG issues from stakeholders including employees, communities, customers, investors and regulators. We make this submission from the perspective of a listed equities investor who frequently engages with Australian and NZ listed companies. One of the greatest challenges we see facing both the broader investment community and the companies they invest in, is the lack of regulation and consistent standards on how ESG data, including gender related data, is reported.

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We believe that consistently reported data on pay gaps and female senior leadership representation would improve the ability of investors to compare company performance across a range of diversity and inclusion metrics and therefore provide the opportunity to deploy capital to companies demonstrating superior performance creating better opportunities and conditions for women to succeed in their workforces.

Gender pay gap

WGEA reported a 22.8% total remuneration gender pay gap for all workers in Australia in 2020-21. It is the difference between the pay of women and men, on average, across organisations, industries, and the workforce as a whole and is an important measure to highlight economic inequalities and progress towards equality across the working population. Many companies already report their pay gap data on an equal pay for similar roles or a like-for-like basis. We would like to see all companies required to report on this basis and also report their overall organisational pay gap. We would also encourage policy that requires companies to set targets for gender pay gaps to be within a +/-5% range.

By way of example, we consider New Zealand-based Spark as best practice in terms of pay gap disclosure as it is one of a handful of ASX300 companies which discloses its organisational gender pay gap data by job function and is transparent about the gaps that exist:

Figure 1: Spark NZ’s gender pay gap disclosure

Gender pay ratio

Category	Number of employees in category	Pay Ratio: Mean ¹ (Year-on-year change)	Pay Ratio: Median ² (Year-on-year change)
Leadership: Spark’s wider leadership group, including the Leadership Squad	69	5% (+3%) FY20: 2%	-4% (-2%) FY20: -2%
Network, Infrastructure & Security: Employees that work in technology focused areas of the business	2,256	-15% (+3%) FY20: -18%	-21% (+5%) FY20: -26%
Customer Channels: People primarily employed within our contact centres and retail operations	1,137	-2% (-2%) FY20: 0%	0% (No change) FY20: 0%
Rest of Spark: including corporate, product, data, automation, marketing and customer units	1,621	-17% (-2%) FY20: -15%	-25% (-4%) FY20: -21%
Total	5,083	-16% (+1%) FY20: -17%	-28% (-2%) FY20: -26%

¹ Pay Ratio = (mean female salary - mean male salary) / mean male salary

² Pay Ratio = (median female salary - median male salary) / median male salary

Source: [Spark 2021 Annual Report](#)

Improving Women’s Leadership Opportunities

UN Sustainable Development Goal 5 (Gender Equality) subgoal 5.5 is “Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.” The 2021 Chief Executive Women Annual

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Census found that “intentional action in the form of targets correlates with greater gender balance in executive leadership teams. It demonstrates a need for targets to be set for executive leadership teams.”⁶

We would encourage policy reform options that require large companies to set targets for senior leadership team (CEO-1) gender representation and to publicly disclose what those targets are. As stated above, we are advocating for companies to set 40:40:20 gender representation targets and we are a supporter of Hesta’s 40:40 Vision.

Conclusion

Melior appreciates the opportunity to make this submission to help drive gender equality through greater transparency and focus on gender pay gaps and equal representation of men and women at senior leadership levels of organisations across NSW and Australia.



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CEO
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⁶ https://cew.org.au/wp-content/uploads/2021/09/CEWCENSUS21_ASX300Report- FINAL.pdf