

MELIOR'S APPROACH TO GENDER EQUALITY

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INTRODUCTION

This paper outlines Melior's approach to contributing to Gender Equality through our Investment Capital, Active Corporate Stewardship and Public Advocacy.

THE CURRENT GENDER EQUALITY LANDSCAPE

The World Economic Forum's Global Gender Gap 2024¹ Report notes that full gender parity is beyond reach for another five generations. The report ranks Australia 24th out of 146 countries on its gender gap with New Zealand ranked 4th.

In terms of Australia's progress to meeting Sustainable Development Goal (SDG) 5 Gender Equality by 2030, the Sustainable Development Report, 2024² found that "challenges remain". One of the key SDG indicators identified in most need of improvement in Australia was the Gender Pay Gap with Australia's median gender pay gap at 19%³ in 2024. Another important indicator noted was the Super Gap. The gap in median superannuation balances is 25.1%⁴. This is a significant contributing factor to older single retired women living in poverty.

A key lever identified to improving gender equality is increasing the participation of women in the workplace with Australian women much less likely to work full time than women in many other OECD countries⁵ despite Australia having the fourth-highest level of tertiary-educated women in the OECD⁶.

A recent Women's Economic Equality Taskforce Report⁷ estimated that Australia could add \$128 billion to the economy through boosting women's workforce participation and productivity growth if the factors holding women back were addressed. The report noted Australia's current outdated systems, policies and norms negatively impact females resulting in Australia underutilising the economic potential of over 50% of our population.

The underutilisation of women in the workforce is particularly evident in leadership positions in Corporate Australia with only 9% of females holding CEO positions in the ASX300. Concerningly, the latest Chief Executive Women (CEW) Senior Executive Census⁸ reported that Australia's progress towards gender equality is stalling and, on some measures, regressing including a decrease in women being appointed as ASX300 CEOs and an increase in companies with no women in CEO pipeline roles.

THE GENDER LINK TO BETTER BUSINESS OUTCOMES

Melior believes that improving gender equality in companies not only leads to better social outcomes but also increases the potential to achieve superior competitive long-term financial returns.

This is supported by a growing base of empirical and academical studies. An example of this is the Bankwest Curtin Economic Centre and Workplace Gender Equality Agency (WGEA)⁹ study which conducted a longitudinal study on the relationship between gender equity in leadership and business outcomes over 7 years and covered 40% of all employees in Australia with 11,000 employers and 4.4 million employees represented. The study found a strong causal relationship between increasing the share of women in leadership at Board, Leadership and CEO level and subsequent improvements in company performance.

OUR GENDER EQUALITY APPROACH

Gender Equality has been a key focus of the Fund since our 2019 inception given our dual objective to achieve both competitive returns and contribute positively to the Sustainable Development Goals. Melior believes that large ASX300 companies have a significant role to play in addressing SDG 5 Gender Equality given the ASX300 represents over 2 million employees.

Melior seeks to contribute to Gender Equality across our 3 key levers of Investment Capital, Active Corporate Stewardship and Public Advocacy as outlined below:

1. INVESTMENT CAPITAL – GENDER LENS INVESTING FRAMEWORK

The Melior Australian Impact Fund is one of the first Australian / NZ listed equities funds to apply a gender lens to its investment process. Gender Lens Investing (GLI)¹⁰ is an opportunity for investors to promote gender equality and ultimately drive better returns for investors.

When Melior first developed our impact framework in 2018, we identified that there were no ASX-listed companies which directly addressed Gender Equality through their core products and services. Melior therefore established a Gender Lens Investing (GLI) framework focused on identifying companies demonstrating gender leadership given the alignment to contributing to SDG Target 5.5 “ensure women’s full and effective participation and equal opportunities for leadership”.

The GLI assessment framework is applied to large companies only given these companies have the greatest opportunity to have a significant impact on gender equality. ASX companies employing >10,000 people represent ~10% of workforce participation or ~1.4 million employees in Australia.

To be eligible for assessment under our GLI framework companies must meet one or more of the following large company criteria:

- >10,000 employees for an ASX300 company, OR
- >5,000 female employees for an ASX300 company, OR
- >3,000 female employees for a NZ listed company

We assess these companies on their performance across a number of gender focused factors on an absolute and relative to ASX300 basis. Some of these factors include:

- Female CEO and/or Chair
- Female Directors %
- Women in management %
- Targets for participation of women in management and on boards

We have added additional factors to the framework over time. During COVID we included metrics on whether companies have domestic violence support policies and strategies to support women’s participation in the workplace. Following the public release of WGEA’s pay gap data in 2024, we were able to enhance the dataset with the addition of pay gap data to inform our assessment.

Our proprietary framework scores and weights the full list of factors across multiple dimensions - depth, extent, speed, duration, and likelihood. Melior’s sector analysts incorporate both quantitative and qualitative gender information to provide a holistic view of the company’s current state and future gender credentials. If a company passes our gender lens scoring hurdle, it passes step 1 of the investment process, the impact assessment. These companies are then considered further for investing using our proprietary ESG and financial assessments.

CASE STUDY – WESFARMERS

Wesfarmers (WES) is an example of a company that passes our Gender Lens Investing Framework and also our ESG and Financial assessments. The stock was added to the portfolio in 2019.

WES operates some of the largest Australian household name retailers such as Bunnings, Kmart and Officeworks, in addition to activities in the health, industrials and materials sectors such as lithium. With a head count of over 120,000, WES is one of the largest private sector employers in Australia and New Zealand and plays a significant role in driving improved gender-equality outcomes for women in its workforce via its industry leading practices. More than 50% of WES’s staff are women and it has a public objective is to strive for 40:40:20 gender diversity in each team within WES.

WES publicly outlines its approach to gender equality on its website¹¹. Leading practices include:

- The Group Managing Director meeting with each divisional managing director twice a year to discuss succession plans and the pipelines into leadership roles, including how divisions are attracting, retaining and promoting current and future female leaders.
- Each Wesfarmers divisional managing director having gender balance objectives incorporated into their performance objectives and each division having its own gender balance and inclusion plan with progress tracked monthly and more formally on an annual basis to the Group and Divisional Boards.

Over FY23, WES has reported the following gender related metrics:

- 57% female representation across a total of 120k employees.
- Board female representation 44%.
- Leadership team 43% female representation.
- Female representation in management roles 41%.
- Total remuneration median pay gap of 3.5% (source: WGEA).

WES have also partnered with BSR HER Project, an organisation in the garment industry to prioritise gender equality, within the Kmart and Target division and have committed to provide professional skills, health and/or education training to at least 100,000 women in their supply chain by 2025.

2. ACTIVE CORPORATE STEWARDSHIP ON GENDER EQUALITY

As part of our approach, we assess all companies gender equality credentials and advocate companies to improve their gender equality where we identify areas for improvement. Examples of key advocacy focus areas include:

- Setting targets such as executive leadership team 40:40:20 targets and pay gap targets
- Flexible working and parental leave policies
- Domestic violence policies and support

We engage companies through one-on-one and group meetings, presentations to Boards and at executive team offsites. Over FY24, Melior engaged with 34 ASX listed companies on gender equality including 51 conversations on the gender pay gap and 23 conversations on 40:40:20 ELT representation.

The fund also tracks and reports a number of gender metrics on a quarterly basis as outlined below for June 2024 and seeks to outperform the ASX300 on these gender metrics.

MELIOR
WALKING THE
TALK

Melior has a female CEO, a gender balanced senior leadership team and investment team including a female portfolio manager.

SOCIAL INCLUSION* (Gender Focused)	PORTFOLIO	S&P/ASX 300
% Female on Executive Leadership Team	37%	30%
% Females on Boards	41%	35%
Female Leader (CEO and/or Chair)	12%	17%
Executive Leadership Team Gender Target of 40:40:20	68%	39%
Gender Pay Gap Target +/- 5%	26%	14%

*These metrics are produced by Melior using its own internally developed methodology.

3. GENDER EQUALITY PUBLIC ADVOCACY

Melior also seeks to contribute to Gender Equality through our Public Advocacy activities. Melior has been involved in a number of Public Advocacy activities that contribute to SDG5.5 “ensuring women’s full and effective participation and equal opportunities for leadership.”

Melior’s FY24 Public Advocacy activities are outlined below:

SEPTEMBER 2023	For the third consecutive year Melior were a proud supporting partner of the Chief Executive Women (CEW) Senior Executive Census, providing our data and gender analysis to these annual surveys.
SEPTEMBER 2023	Melior CEO Lucy Steed presented on a panel at the ASX and CEW Census Launch webinar.
MARCH 2024	Melior hosted a live webinar moderated by CEO Lucy Steed titled, ‘Gender Pay Equality: Mind the Gap’ alongside industry experts Mary Wooldridge, CEO of WGEA; Karen Lonergan, Chief People & Stakeholder Engagement Officer at Stockland; and Carlos Castillo, Portfolio Manager at Melior.
JUNE 2024	Melior CEO Lucy Steed presented at the Australasian Investor Relations Association (AIRA) annual conference on a panel titled, ‘Addressing the ‘social’ dimension of the gender pay gap.
JUNE 2023 - JUNE 2024	Throughout FY24 Melior have been mentioned in a number of news publications discussing gender equality including press coverage across ABC News, Bloomberg, The Australian Financial Review and Financial Standard, as well as a live interview on Bloomberg News
ONGOING	Melior continues to participate in the 40:40 Investor Working Group. Our portfolio manager Carlos Castillo represents Melior on gender equality initiatives and updates in this industry group.

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CEW

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“At CEW, our purpose is ‘women leaders empowering all women’ and we work to accelerate gender equality and advance women’s leadership. Melior are a key partner in delivering our flagship thought leadership, the CEW Senior Executive Census (CEW 2023 Senior Executive Census – Chief Executive Women) that charts the representation of women in senior leadership across Australia’s top companies. Melior’s data on gender balance across leadership teams and advocacy to drive impactful investment are critical in advancing equality and unlocking the full business benefits of diverse teams.’

MELANIE FERNANDEZ
Acting Co-Chief Executive Officer, CEW

ENDNOTES

1. WEF Global Gender Gap Report 2024: https://www3.weforum.org/docs/WEF_GGGR_2024.pdf
2. SDG Report 2024: <https://dashboards.sdgindex.org/profiles/australia/indicators>
3. WGEA Gender Pay Gap Report: <https://www.wgea.gov.au/pay-and-gender/gender-pay-gap-data>
4. The Association of Superannuation Funds of Australia, ASFA Research: [An update on superannuation account balances](#), November 2023
5. https://www.oecd.org/en/publications/oecd-economic-surveys-australia-2023_1794a7c9-en/full-report/component-5.html#chapter-d1e6387-1f7765383a
6. Status Women Report Card 2024: <https://genderequality.gov.au/status-women-report-cards/2024-report-card>
7. Women's Economic Equality Taskforce Report: <https://www.pmc.gov.au/resources/10-year-plan>
8. CEW Senior Executive Census: https://cew.org.au/research-resources/research?utm_campaign=Advocacy%20-%20CEW%20Senior%20Executive%20Census%202024&utm_content=307926389&utm_medium=social&utm_source=linkedin&hss_channel=lcp-2688371
9. Gender Equity Insights 2020 Delivering The Business Outcomes: https://www.wgea.gov.au/sites/default/files/documents/BCEC%20WGEA%20Gender%20Equity%20Insights%202020%20Delivering%20the%20Business%20Outcomes_WEB_FINAL.pdf
10. Gender Lens Investing (GLI) is defined by the Criterion Institute as “the incorporation of gender analysis into financial analysis in order to make better investment decisions.”
11. Wesfarmers People D&I: <https://www.wesfarmers.com.au/sustainability/fy2024/our-priorities/people-development-diversity-and-inclusion/gender-balance>

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