The Diversity Imperative

14th Annual Australian Chief Executive Study
The Strategy& Australian CEO Study analyses trends in Australian CEO succession

- Annual study: we now have 14 years of continuous data on CEO successions in:
  - the world’s largest 2,500 listed companies
  - ASX 200 companies (listed throughout the course of the study since 2000 = 304 companies)
- Strategy& is one of the authoritative sources on CEO successions for Tier 1 media
- The study is evolving to have more commercial impact with CEOs and boards
- This year’s study looks at trends in CEO successions across regions, industries, insiders/outsiders (among other analyses)…
- … and looks in-depth at women CEOs of the last ten years
- A related s+b package will explore the evolution of CEOs over 100 years and the background and skills we think CEOs will have in 2040
The 2013 study looks at turnover, performance and gender

1. CEO turnover is up and continues to exceed global levels
2. Tenure has flattened and remains questionably low
3. Top performing companies are planning turnover and drawing from within
4. Insiders are still on the rise and continue to perform better
5. Male CEOs dominate and female retention is in decline
6. Australian women are forced out more often than male peers – a consistent global trend
In 2013 Australian CEO turnover rose and exceeded the global average for the 7th successive year.

Global and Australia\(^1\) CEO Turnover Rate
2000-2013

Source: Strategy\& 2013 Chief Executive Study analysis. 1) “Australia” sample includes companies in the ASX200
This increase in Australia was driven by higher levels of planned and forced turnover.

Australian CEO succession reasons as a percentage of turnover events
2000-2013 Australian CEO turnover events as a percentage of turnover events

Source: Strategy& 2013 Chief Executive Study analysis
Top performing Australian companies plan CEO succession and replace from within

Australia incoming CEOs by insider versus outsider status; Australia outgoing CEOs by forced versus planned turnover and annualised shareholder returns

2009-2013

1) Total shareholder returns are annualised over outgoing CEOs’ tenure. Note: Exhibit excludes turnover events resulting from M&A, interims, and events with incomplete turnover information. Source: Strategy& 2013 Chief Executive Study analysis
However, overall forced turnover in Australia is higher than globally

Australia and global outgoing CEOs by forced versus planned turnover and annualised shareholder returns

2009-2013

1) Total shareholder returns are annualized over outgoing CEOs’ tenure. Note: Exhibit excludes turnover events resulting from M&A, interims, and events with incomplete turnover information. Source: Strategy& 2013 Chief Executive Study analysis
Australian CEO tenure was constant in 2013 and remained below global levels

Outgoing CEO Median Tenure (Years in Office)
2006-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Median</th>
<th>Australia Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>6.1</td>
<td>5.7</td>
</tr>
<tr>
<td>2007</td>
<td>5.9</td>
<td>5.2</td>
</tr>
<tr>
<td>2008</td>
<td>5.5</td>
<td>4.9</td>
</tr>
<tr>
<td>2009</td>
<td>4.7</td>
<td>5.0</td>
</tr>
<tr>
<td>2010</td>
<td>5.4</td>
<td>5.0</td>
</tr>
<tr>
<td>2011</td>
<td>4.7</td>
<td>5.0</td>
</tr>
<tr>
<td>2012</td>
<td>4.8</td>
<td>4.2</td>
</tr>
<tr>
<td>2013</td>
<td>5.0</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Note: Exhibit excludes turnover events resulting from M&A and interims for incoming CEOs and events with incomplete turnover information for incoming or outgoing CEOs. Source: Strategy& 2009-2013 Chief Executive Study analysis
Australian insider CEOs have consistently delivered higher shareholder returns than outsiders...

Median total shareholder returns\(^1\) of insider versus outsider outgoing CEOs 2009-2013

\(^1\) Total shareholder returns are annualised over outgoing CEOs' tenure. Source: Strategy\& 2013 Chief Executive Study analysis
...and companies with planned CEO successions, that leveraged internal talent, posted the best annualised returns

Outgoing Australian CEO – Median Annualised Shareholder Returns

Median Tenure, for Succession Reason and Source of CEO, Total 2009 – 2013: N = 165

1) Total shareholder returns are annualised over outgoing CEOs’ tenure but not adjusted to be relative to the ASX200. Note: Exhibit excludes turnover events resulting from M&A, interims, and events with incomplete turnover information. Source: Booz & Company 2012 Chief Executive Study analysis
The proportion of internally appointed CEOs in Australia continued to rise in 2013.

Australian incoming CEOs by insider versus outsider status 2007-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Insider %</th>
<th>Outsider %</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>79%</td>
<td>21%</td>
<td>(23)</td>
<td>(6)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>2008</td>
<td>71%</td>
<td>29%</td>
<td>(30)</td>
<td>(12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>43%</td>
<td>57%</td>
<td>(10)</td>
<td>(13)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2010</td>
<td>48%</td>
<td>52%</td>
<td>(13)</td>
<td>(14)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>50%</td>
<td>50%</td>
<td>(18)</td>
<td>(18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>60%</td>
<td>40%</td>
<td>(18)</td>
<td>(12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>67%</td>
<td>33%</td>
<td>(31)</td>
<td>(15)</td>
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Global % of Insiders

- 2007: 79%
- 2008: 71%
- 2009: 43%
- 2010: 48%
- 2011: 50%
- 2012: 60%
- 2013: 67%

Note 1: Exhibit excludes turnover events resulting from M&A, interims, and events with incomplete turnover information.
Source: Strategy& 2013 Chief Executive Study analysis
A higher proportion of both men and women insiders CEOs were appointed globally than locally.

Incoming and outgoing CEOs by gender and insider versus outsider status
2004-2013

**Australia**
- Female (n = 19): 42% Outsider, 58% Insider
- Male (n = 586): 39% Outsider, 61% Insider

**Global**
- Female (n = 124): 35% Outsider, 65% Insider
- Male (n = 5676): 22% Outsider, 78% Insider

Note: Exhibit excludes turnover events resulting from M&A and interims for incoming CEOs and events with incomplete turnover information for incoming or outgoing CEOs. Source: Strategy& 2009-2013 Chief Executive Study analysis.
Men continue to dominate the class of incoming CEOs in Australia and elsewhere

Australia Incoming CEOs – Male versus Female
For years 2004-2013; N = 300

<table>
<thead>
<tr>
<th>Year</th>
<th>Australia Average (2004-13)</th>
<th>Global Average (2004-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>96.3% (289)</td>
<td>97.9% (5,676)</td>
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<tr>
<td>2005</td>
<td>97.9% (289)</td>
<td>97.9% (5,676)</td>
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Note: Exhibit excludes turnover events resulting from M&A, interims, and events with incomplete turnover information
Source: Strategy& 2013 Chief Executive Study analysis
Over the past decade the net number of female CEOs in Australia has grown, but not as much as it has globally.

Percentage of women CEOs by incoming and outgoing classes
2004-2013

Australian Incoming CEOs: 3.7%
Australian Outgoing CEOs: 2.6%
Global Incoming CEOs: 2.8%
Global Outgoing CEOs: 1.6%

+42.3% for Australian Incoming CEOs
+75.0% for Global Incoming CEOs

Note 1: The total number of all incoming Australian CEOs is 300 and Global CEOs is 3026, and the total number of all outgoing Australian CEOs is 306 and Global CEOs is 3394; in Australia, the total numbers of women are 11 and 8 for incoming and outgoing CEOs, respectively; globally, the total numbers of women are 84 and 56 for incoming and outgoing CEOs, respectively. Note 2: Exhibit excludes turnover events resulting from M&A, interims, and events with incomplete turnover information. Source: Strategy& 2009-2013 Chief Executive Study analysis
Retention of Australian women CEOs has been in decline and is trending more negatively

Difference between the share of incoming women CEOs and outgoing women CEOs 2004-2013

Note: Exhibit excludes turnover events resulting from M&A, interims, and events with incomplete turnover information
Source: Strategy& 2009-2013 Chief Executive Study analysis
Women CEOs – in Australia and globally -- are more likely to be forced out of office than men

Outgoing CEOs by gender and succession reason
2004-2013

- **Female (Australia)** (n = 11)
  - M&A: 27%
  - Forced: 27%
  - Planned: 45%

- **Male (Australia)** (n = 385)
  - M&A: 23%
  - Forced: 21%
  - Planned: 56%

- **Female (Global)** (n = 56)
  - M&A: 11%
  - Forced: 38%
  - Planned: 51%

- **Male (Global)** (n = 3319)
  - M&A: 13%
  - Forced: 27%
  - Planned: 60%

*Source: Strategy& 2009-2013 Chief Executive Study analysis*
Australian businesses need to focus on succession management that attracts, retains and develops C-suite ready women.

Tips For CEO Succession Planning

1. Know what matters to your business
2. Set diversity objectives that count
3. Deepen your talent pool of insiders
4. Lengthen your talent spotting horizon
5. Be transparent