



27 July 2018

Ms Elizabeth Johnstone
Chair
ASX Corporate Governance Council

Via email – mavis.tan@asx.com.au

Dear Ms Johnstone

ASX Corporate Governance Principles and Recommendations

I am pleased to respond to the ASX Corporate Governance Council's call for submissions on proposals to update and issue a fourth edition of its Corporate Governance Principles and Recommendations.

In particular, I am responding with respect to recommendation 1.5 (diversity), which to date has guided organisations in efforts to improve gender equity in board membership. I would like to encourage the Council, in this review, to consider including cultural diversity as a key component of the diversity recommendation.

I understand that the Council is proposing the incorporation of guidance to the effect that a listed entity's diversity policy 'should express its commitment to embrace diversity at all levels and in all its facets', including cultural background (*Review of the ASX Corporate Governance Council's Principles and Recommendations – Public Consultation, 2 May 2018*). It also proposes to include guidance that boards should 'have regard to other facets of diversity in addition to gender when considering their make-up and that having directors of different ages and ethnicities and from different cultural or socio-economic backgrounds can help bring different experiences and perspectives to bear and avoid "groupthink" in decision making'.

While I welcome these proposals, there is an opportunity for them to be complemented by references to cultural diversity within the recommendation itself, including with respect to 'measurable objectives'.

Since the previous consultation and review of the ASX Corporate Governance Principles and Recommendations in 2013-14, cultural diversity has become a focus of many ASX listed companies. Companies are beginning to collect data on the cultural diversity of their workforces, and some are setting cultural diversity targets – including one of the largest Australian companies by market capitalisation, the Commonwealth Bank. This reflects the increased public attention that has been paid to cultural diversity.

Research conducted by the Australian Human Rights Commission has, for the first time, found a significant under-representation of cultural diversity in the senior leadership of Australian business at both the chief executive level and below it. Conducted in partnership with the University of Sydney Business School, as well as Westpac, PwC, Telstra, the Committee for Sydney and Asia Society Australia, the Commission's two *Leading for Change*

reports (in 2016 and 2018) have found that only 4 per cent of ASX 200 chief executives have a non-European background; that is to say that 96 per cent have an Anglo-Celtic or European cultural background. At the senior management (group executive or equivalent) level, 5.8 per cent of ASX 200 executives have a non-European background. There is no known Indigenous representation within the ASX 200 chief executive or senior management cohorts.

I would also like to highlight some forthcoming research. On 30 July, the University of Sydney Business School will release research completed with the support of the Commission and the Australian Institute of Company Directors, which examines cultural diversity on ASX100 Boards. This qualitative research reveals the enablers and inhibitors of cultural diversity on Boards – most pertinently, it identifies there is a need for ASX100 companies to consider setting targets on cultural diversity for boards, and to report on progress.

Cultural diversity is an issue whose time has come. It is on the radar of senior Australian leaders. In December 2016, I established the Leadership Council on Cultural Diversity, which brought together as its founding members the chief executives of the Commonwealth Bank, PwC, EY, Corrs Chambers Westgarth, Australian Broadcasting Corporation, Department of the Prime Minister and Cabinet, and University of Queensland. This group advocates for cultural diversity in leadership, and has brought cultural diversity into sharp focus for corporate Australia (and across senior leadership in other Australian organisations).

I urge the ASX Corporate Governance Council to consider incorporating cultural diversity into recommendation 1.5. Doing so would enhance the important contribution that corporate Australia makes to our nation's multicultural success.

Yours sincerely

A handwritten signature in black ink, reading "T. Soutphommasane". The signature is written in a cursive, flowing style.

Dr Tim Soutphommasane
Race Discrimination Commissioner