

Submission to the ASX Corporate Governance Council in relation to the Corporate Governance Principles and Recommendations Consultation Draft, 5th edition.

Pride in Diversity

6 May 2024

1. Pride in Diversity

Pride in Diversity (PID) is a not-for-profit membership organization which supports Australian employers in advancing LGBTQ+ inclusion in their workplaces.

Key facts on PID: -

- Founded in 2010
- 9 out of 10 Australia's largest employers are members.
- Patrons of PID are Chancellor of Western Sydney University and former Business Council of Australia CEO Jennifer Westacott AO and Alan Joyce AC former Qantas CEO.
- We have close to 650 members across all our programs, and members are heavily represented on the ASX 200.
- The organization covers approximately 30% of the Australian workforce or 4,000,000 Australian workers.
- Pride in Diversity collates the Australian Workplace Equality Index (AWEI), Australia's national benchmark of LGBTQ workplace inclusion which defines best practice and the top employers for LGBTQ inclusion.
- We have Australia's largest LGBTQ inclusion workplace survey, with over 42 ,000 respondents for the 2024 report.

2. Submission

PID makes this submission to the ASX Corporate Governance Council (Council) in relation to the Corporate Governance Principles and Recommendations Consultation Draft, 5th edition (Consultation Draft), and in particular, proposed Recommendations 2.3 and 3.4. In this submission, we make reference to the other consultation materials on the ASX website, being the: (a) ASX Communique dated 27 February 2024 (Communique); and (b) ASX Corporate Governance Principles and Recommendations 5th Edition Consultation Draft: Background Paper and Consultation Questions (February 2024) (Background Paper).

3. Disclaimer

This submission is made on behalf of PID. The views and opinions expressed in this submission are those of PID and do not necessarily reflect the official policy or position of its members. Any opinions expressed, errors or omissions are the responsibility of PID and should not be attributed to its members.

4. Key issues

4.1 Members of the LGBTQ+ communities are significantly underrepresented on Australian corporate boards. People openly identifying as LGBTQ+ fill only 0.6% of the board seats of the companies listed on the Australian Stock Exchange (ASX) ASX300, according to a not-for-profit organization set up to advance LGBTQ+ participation in Australia's boardrooms and leadership – Australian LGBTQ+ Board and Executive Inclusion (ALBEI). There is no question in the Australian Census that captures data on sexual or gender diversity, but many research studies suggest that the proportion of the Australian community identifying as LGBTQ+ is approximately up to 10%.

4.2 A key tenet of PID's work supporting employers in advancing LGBTQ+ inclusion in Australian workplaces is that it is essential that all tiers of an organization actively participate and contribute. This means that everyone, from the board to executive leadership to middle management and frontline employees, must be committed to fostering an inclusive environment. Without LGBTQ+ board representation through membership there is a significant risk that LGBTQ+ inclusion issues will not be

embraced. This means that the lived experience of LGBTQ+ people will not contribute to board decisions.

4.3 A recent global study by a coalition named Open For Business - "Investor Guide to LGBTQ+ Inclusion" analysed 290 major global companies and the data reveals that the top 25 companies of those 290 were 2.3 times more profitable than the bottom 25.

4.4 As a principal we strongly support the quest of organizations globally to work towards eliminating "group think". An important way to ensure this is to ensure that corporate boards reflect the diversity of the community and in many cases the consumers who acquire the goods and services produced by corporations produced in the economy, including those identifying as LGBTQ+.

4.5 PID data (2024) from an Australia-wide sample of over 42,000 respondents reveals that: -

- approximately 90% of Australian workers think that it is important that their employer should be active in LGBTQ+ inclusion; and
- -six out of ten employees in Australian organizations are hiding their identity at work.

4.6 The impact of not being open about their sexual or gender diversity at work on the mental and physical health of LGBTQ+ people is detrimental. A 2012 Deloitte Access Economic study showed that 73% of LGBTQ+ people will experience poor mental health in their lifetime, compared to 46% of people not identifying as LGBTQ+

5. Response to recommendations

5.1 Proposed Recommendation 2.3(c)

The consultation question posed in respect of Recommendation 2.3(c) is as follows: "The Council already recommends disclosure of a board's approach and progress on gender diversity. Do you support the proposed disclosure of any other relevant diversity characteristics (in addition to gender) which are being considered for the board's membership?"

(a) PID supports such disclosure of relevant diversity characteristics – including LGBTQ+/diverse sexual and gender diversities and recommends that Boards should disclose their approach and approach. As the regime is an "if not why not" approach we do not believe that requiring this disclosure places a heavy burden on Boards.

(b) The progress of corporate Australia has delivered an impressive increase in gender diversity and disclosure would mark an important commitment to broader diversity.

(c) Our submission is that such extension is much needed as reflected by current research data that reflects that in corporate Australia LGBTQ+ communities are significantly underrepresented on boards. People openly identifying as LGBTQ+ fill only 0.6% of the board seats of the companies listed on the Australian Stock Exchange (ASX) index, according to ALBEI.

(d) There are significant commercial benefits of broadest inclusion of LGBTQ+ people in workplaces. As mentioned above the January 2024 global study "Investor Guide to LGBTQ+ Inclusion". The study analysed 290 major global companies and the data reveals that the top 25 companies of those 290 were 2.3 times more profitable than the bottom 25.

(e) As acknowledged in commentary to the 4th edition of the Corporate Governance Principles and Recommendations measurable objectives are important in driving change In the context of gender diversity These note that: "[n]on-numerical objectives such as "introducing a diversity policy" or "establishing a diversity council", and aspirational objectives such as "achieving a culture of inclusion", while individually worthwhile, are unlikely to be effective in improving gender diversity unless they are backed up with appropriate numerical targets".

(f) We note and support by way of this submission the Australian Council of Superannuation Investors (ACSI) which identifies that “[a] properly structured board should include appropriately skilled directors and draw on a range of criteria, including gender, ethnicity and age, in addition to core skills and experience”. That is, characteristics beyond gender ought to be taken into account when considering board composition.

5.2 Proposed Recommendation 3.4

(a) We submit that proposed Recommendation 3.4 should require the setting and disclosure of objectives for diversity characteristics beyond gender on the basis that the focus on gender diversity should not be at the expense of advances in inclusion of other diversities.

(b) The current proposal requires the entity to disclose certain objectives (and progress towards them) in relation to the composition of its workforce and board from a gender perspective, but not other diversity characteristics. We submit that listed companies should also apply diversity policies to their boards as a matter of equity. We note in this respect that ALBEI research data shows that 129 of the ASX 200 companies have fully inclusive definitions of diversity.

5.3. Proposed Recommendation 2.3(c) and 3.4

We submit that omitting measurable objectives for diversity characteristics beyond gender from the proposed recommendations (whether that be proposed Recommendation 2.3(c) or 3.4 will mean that Australia is lagging behind comparable jurisdictions e.g. Nasdaq Stock Market LLC Rules (Nasdaq Rules) in the United States and to the Financial Conduct Authority Listing Rules (FCA Rules) in the United Kingdom. We note the paper notes that this “may reflect particular diversity priorities within their jurisdictions”. Our submission is that as Australia is a very diverse nation, that this analysis is not helpful.

6. Proposed alternative recommendations

PID submits that advancing the representation of diversity in Australian Boardrooms is an important objective in representing our diverse nation.

- The relevant recommendations should require Boards to consider broad diversity characteristics in their appointment processes including representation of LGBTQ+ people, set measurable objectives for the diversity of their board with respect to characteristics beyond gender, and in turn disclose progress towards meeting those objectives.
- In addition, Require that ASX Boards report on their own diversity in the broadest sense – this is already being done by Woodside Energy and Block Inc. in the ASX200. Many organisations in the UK already do this voluntarily;
- Require boards to report on their board renewal strategies and how they ensure that broad diversity in both skills and talented people from under-represented groups is being achieved;