

To Whom It May Concern

Please find attached the submission of Settlement Services International (SSI) in response to the review of the ASX Corporate Governance Principles.

As an organisation which extensively works with multicultural communities and supports women of culturally and racially marginalised backgrounds into senior leadership, SSI strongly recommends that the next edition of the ASX Corporate Governance Council Principles and Recommendations include recommendations to measure diversity in all its forms at the board and senior leadership levels, going beyond gender diversity to consider racial and cultural diversity and intersectionality between forms of diversity.

The largely monocultural composition of Boards in Australia is not reflective of the rich diversity of this multicultural nation, and this hinders corporate governance and performance. Only 9% of ASX 300 Board Directors are from non-Anglo-Celtic backgrounds, despite 24% of Australians identifying as non-European. Diverse leadership enables businesses to better understand, connect with, and serve the needs of an increasingly diverse customer base. McKinsey's 2023 "Diversity matters even more" report found that with increased diversity of both gender and ethnic diversity, companies in the top quartile of both diversity categories outperformed their peers by 9% on average. Embracing diversity in all its forms is the right thing to do, but it is also the smart thing to do to increase business performance.

As a multicultural organisation providing human services for a diverse Australia, SSI strongly urges that the Boards of listed entities commit to measurable, time-bound objectives for diversity in all its forms, including ethnicity, to foster truly diverse boards and thus enhance diversity of leadership.

Should you have any questions or would like further discussions, please do not hesitate to contact Astrid Perry OAM, Head of Women, Equity and DFV on aperry@ssi.org.au or 0418 268 150.

Sincerely yours,



Violet Roumeliotis AM
CEO
2/158 Liverpool Rd Ashfield
ceo@ssi.org.au
p: 0414 958 755
Settlement Services International Limited
ABN 38 031 375 761

SSI contribution to the review of the ASX Corporate Governance Council Principles and Recommendations: Draft 5th edition

About SSI

Settlement Services International (SSI) is a community organisation and social business that supports newcomers and other Australians to achieve their full potential. We work with people who have experienced vulnerability, including refugees, people seeking asylum and culturally and linguistically diverse (CALD) communities, to build capacity and enable them to overcome inequality.

SSI was founded in Sydney in 2000 with the aim of helping newly arrived refugees settle in Australia. Over time, our expertise in working with people from CALD backgrounds served as the foundation for a gradual expansion into other human services and geographical areas. For example, SSI has delivered programs to children and young people in statutory care since 2013, programs to people with disability since 2014 and employment support programs since 2015.

In 2018, SSI merged with Queensland-based Access Community Services, and in 2019 opened in Victoria, providing an extensive footprint across the eastern coast of Australia. In FY2022, SSI supported nearly 50,000 clients across more than 49 programs and community-based services. We are also a leading provider of evidence-based insights into the social sector and are known as an organisation that can engage communities considered by many to be hard to reach. SSI is well placed to provide input to the ASX Corporate Governance Principles Changes and would be happy to contribute further to later stages of the Review process.

The submission

This submission is made in specific reference to the changes Proposed Recommendation 2.3 that “requires a listed entity to disclose a measurable object and timeframe for achieving gender diversity in the composition of its board. It also requires disclosure of any other relevant diversity characteristics that the Board is considering (e.g. age, ethnicity).” While SSI supports the proposed requirement to collect gender diversity data, as an organisation that works with and is composed of culturally and ethnically diverse peoples, we advocate that ethnicity data should also be required to be collected for boards to work towards better cultural inclusion and cohesion. Australia is undeniably a multicultural country; as of June 2022, the ABS finds that 29.5% of Australians were born overseas¹, and the 2021 census found that 48.2% of Australians

¹ <https://www.abs.gov.au/statistics/people/population/australias-population-country-birth/latest-release#:~:text=At%2030%20June%202022%2C%20Australia's,7.7%20million%20residents%20born%20overseas.&text=The%20proportion%20of%20Australia's%20overseas,29.3%25%20one%20year%20earlier>.

have at least one parent born overseas². Consequently, we need to ensure that executive management positions in some of the most influential corporations in the Australian economy reflect the lived experience of our cultural diversity.

At current, ASX boards appear to be laggards when it comes to cultural diversity. According to research from the Watermark 2024 Board Diversity Index³, “cultural diversity has stalled” on boards, with 91% of directors from Anglo-Celtic backgrounds. This is an increase from the 2017 data, which has led to fears that boards are moving culturally backwards. Similarly, Women on Boards found similar outcomes for gender diversity⁴ because boards were not exploring diverse talent pools and repeating outdated recruitment processes, like nepotism and network connections instead of open and competitive recruiting, that don’t accurately reflect the variety of candidates with valuable experience in the modern employment market. Clearly something needs to change.

Data collection for diversity

SSI strongly advocates for continued capturing of gender data within boards. However, gender-focused data can only capture so much when taken as the only identity feature captured. An intersectional lens is crucial to consider the multifaceted different identities of board members, and how individuals may be more or less likely to progress into leadership depending on their multiple identity characteristics and how these interact with each other. While it is always promising to see the increase towards gender parity on boards, we are not accurately capturing and understanding the true diversity of Australia’s professional female talent if most of these are occupied by Australian-born, White-Anglo women with Australian work experience and who speak English as their first language.

First generation migrants specifically face barriers to career development and progression into leadership positions. The RISE project, a collaboration between SSI, Diversity Council Australia, and Chief Executive Women, has demonstrated this aptly. The RISE project has provided SSI with case studies of first-generation migrant women who are struggling to progress to executive level within their corporations because of structural barriers. Similarly, race remains a barrier given that second and third generation migrants who have grown up in Australia still face a lack of progress into leadership roles, as exemplified through insights gained through the RISE project. These include the individual’s lack of understanding of Australian professional social

² <https://www.abs.gov.au/media-centre/media-releases/2021-census-nearly-half-australians-have-parent-born-overseas>

³ <https://www.watermarksearch.com.au/2024-board-diversity-index?source=womensagenda.com.au>

⁴ https://womenonboards.net/WOB/News-and-Media/News_Stories/News-2024/Gender_cultural_diversity_on_ASX300_boards_stagnating.aspx

customs and lack of professional networks and their intersection with discriminatory mindsets in Australian that don't equally recognise non-Australian qualifications and/or work experience, as well as general racism and sexism that already exists in Australian systems. This creates a glass ceiling for first-generation migrant women who are theoretically skilled and experienced to reach executive levels yet are never able to achieve them.

Advancing business interests

Failing to create executive teams that are ethnically, culturally and gender diverse limits opportunities for business to thrive. Findings from McKinsey's 2023 "Diversity matters even more: The case for holistic impact" report builds on their three previous research findings to once again find that diverse executive teams result in better business outcomes⁵. Their research showed that with increased diversity of both, gender and ethnic diversity, companies in the top quartile of both diversity categories outperformed their peers by 9% on average. Similarly, organisations on the lowest quartile for gender and ethnic diversity were "66 percent less likely to outperform financially on average."⁶ The Australian Institute of Company Directors has similarly found that in contemporary globalised economies and corporations, ethnically diverse boards are critical for business success⁷.

Evidently it is in the best interest of boards to embrace diversity within their boards, and to create provisions to facilitate this diversity. Collecting data on ethnic diversity is crucial for companies to understand how their board is currently positioned and what changes need to be made. Naturally, SSI advocates that increased productivities alone is not sufficient reason for change, but also that it is morally and ethically correct to strive for equality within organisations. In hopeful news, there are positive outcomes associated with enforcing regulations for ethnic and gender diversity⁸, that is, since implementing mandates, boards within the UK, Europe and Singapore have seen improvements in achieving diversity⁹.

⁵ <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-matters-even-more-the-case-for-holistic-impact>

⁶ *ibid*

⁷ <https://www.aicd.com.au/board-of-directors/diversity/cultural.html>

⁸ https://womenonboards.net/WOB/News-and-Media/News_Stories/News-2024/Gender_cultural_diversity_on_ASX300_boards_stagnating.asp

⁹ *ibid*

Recommendation

That the ASX Governance Principles endorse and enforce changes to include collection of ethnicity data amongst other identity factors to ensure accountability for ASX corporations to foster truly diverse boards and thus enhance diversity of leadership.