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6 August 2018

Elizabeth Johnstone

Chair

ASX Corporate Governance Council

Dear Chair

Re: Social Licence to Operate – Submission to Review

Although the deadline for submissions to the Council's review of the ASX's corporate governance principles has passed, I respectfully request this brief submission be accepted. I believe the importance of social licence has been underestimated by much of the business community and an extra voice in support would be of benefit for the Council's deliberations.

Comments on Social Licence from Futureye

The purpose of business is to provide a service to customers as well as dividends to shareholders; this means a business must be efficient and profitable. There is often no financial value placed on those who might be impacted by the business until those impacted react unfavourably, to the point where business is disrupted.

There has been much discussion about reducing boards' focus on technical details, brought about by increased regulations and ASX requirements. However, those increased requirements have often been driven by boards and companies failing to recognise the importance of a company culture that demonstrates respect for those not involved in the company but nevertheless impacted by a company's activities.

It is clearly difficult to regulate to ensure fairness and transparency, but Futureye encourages the Council to bring the topic of social licence to operate and commitment to acting appropriately to the forefront of boards' discussions and decision-making. It is the responsibility of boards to ensure a business has an appropriate culture and boards must not ignore this responsibility, however busy they might be with technical and financial processes.

It is critical that businesses offer transparency and engage with those who might be impacted by their activities. While ensuring that a business is financially stable, a board must not lose sight of the broader picture, and this includes the company culture and the impacts on those not financially dependent on or committed to the business. Loss of faith with community or those impacted by a business will lead to community outrage and a loss of trust that is difficult to resurrect.

Boards that are well aware of a business' community responsibility will ensure that a business remains strong and profitable. Businesses that engage with community, will engender support, even when making difficult decisions, thus ensuring the business remains profitable. This might be difficult for shareholders to accept from time to time, but boards and companies must be encouraged to be open about these responsibilities so that shareholders understand the long-term investment and return that is achieved by managing this type of risk.

In Recommendation 3, Futureye respectfully and strongly recommends the Council include specific reference to a company's social licence to operate and seek from boards an assurance that this has been discussed at board level, with an assurance that the company's culture ensures open and transparent engagement with all stakeholders.

I trust these comments from Futureye will be of some assistance in the Council's deliberations.

Yours sincerely



Katherine Teh-White
Managing Director
Futureye