

Christina Liosis

Take on Board podcast - transcript

Helga Svendsen 0:00

Today I'm with Christina Liosis, at the take on board podcast. And Christina is on the board of the Royal Women's Hospital with me and we have just exited meeting of our audit committee and it's her final Audit Committee. Unfortunately, she's leaving us because she's hit her maximum term. So we're going to have a fabulous conversation today talking about a range of things from the Royal Commission into financial services and the outcomes there about risk, which I know is a passion for Christina about audit committees and what makes them effective. And I'm sure we will get onto a whole range of other things. So welcome to the take on board podcast Christina.

Christina Liosis 0:38

Thank you. How are you? I'm very happy to be here.

Helga Svendsen 0:40

And I'm so pleased you are too. So firstly, just tell us a bit about you. Tell us a bit about your bio.

Christina Liosis 0:46

I've been in financial services for over 30 years. My background, I'm a chartered accountant, I'm an FCA started life off doing actuarial studies, believe it or not, applied maths and chemistry background and found myself in superannuation very early in my career during the 1980s. So I've worked for many large firms and small firms as well started live off at National Mutual who's now no longer doing, actuarial reviews, worked for Ernst and Young for about four years in tax that was probably a very interesting job from the viewpoint that it's taught me life skills in terms of tax planning and structuring. And then onto Mercer. Worked for Mercer for nine and a half years and learned a lot about superannuation and client interactions there. And then I became CFO of Cbus in the infant stages helps establish a lot of their controls and processes and Telstra super for just over four years. And I've been on the Royal Women's Hospital board for nine years as a director and two years as a consultant on Finance and Audit Committee. I've enjoyed every moment. We both work together at the YWCA.

Helga Svendsen 2:10

How could you forget that time, Christina, I was thinking if you didn't cover it, I would raise it later.

Christina Liosis 2:15

Probably one of my favorite roles did that for I think it was eight months. And that was really a transformation piece for the board. And we're very proud both of us I'm sure as to where we've gotten to with the YWCA, a great organization.

Helga Svendsen 2:28

I first met Christina when I was a non executive director at YWCA, Victoria. And we needed somebody to come in and essentially to sell the hotel, so one of our major assets and set us up for the future. So we needed somebody to come in and do a 12 month transformation piece. And Christina, that's how I met her in the interview. And she clearly impressed us because we gave her the job.

Christina Liosis 2:50

Yes. And the other roles that i've i've done recently, I tried to move away from superannuation, Chief Financial Officer and chief operating officer of a IT platform provider in Australia and New Zealand who have gone on to fantastic things in the UK and Europe, FNZ Group. And a small startup, that aren't that small anymore called Saigon capital, helped establish their governance frameworks. Yeah, at the moment, I'm working for one of our big banks, helping them in risk post Royal Commission.

Helga Svendsen 3:26

Well, we will get into that in just a moment, because it's a fantastic way for you to lend us your experience from both banks and the Royal Commission. But just before I get there, I'd love to know, what was your earliest experience of governance?

Christina Liosis 3:39

My earliest experience of governance would have been at national mutual where, and I won't talk about what the fund was, but it was a little fund with about 10 members. And it was my job to wind that fund up. And it was a defined benefit fund. So what we used to do was called equitable share calculations. In those days, the fund been open for about six or seven years, and all the members got 125% of their vested benefit, which on top of the vested benefit, which ended up being a great deposit for one of the members who then became a very dear friend of mine. And I realized that it

really wasn't set up for the sole purpose of providing superannuation benefits. So very early in the piece, I realized that where you've got money, and when you're in financial services, there's always a temptation. Other early memories are OSSA, which was the predecessor to APRA and the regulations that came with OSSA. That was back in 1986 / 1987, a very long time ago now. So they were the first attempt at governance. But you know, back then, superannuation was really the domain of corporates and there weren't too many Australians, who actually were covered by super. So to actually see the advent of the industry funds and the for profit funds. And where that has gotten to even going back to when I was at Cbus originally, in 2002. It's just light years from where it was. So really exciting to see where the industry has gone. And I'm looking forward to seeing where it will get to in the next five years. Because we're talking trillions of dollars now. And I remember when I joined, Cbus, it was a \$4 billion fund, Aussie Super was called STA and ARF. And they had, I think about a billion dollars apiece, and to think of them in a multi billions. And the complexity is and bringing investment in house. It's fascinating and amazing. And it's wonderful for Australia, and Australians.

Helga Svendsen 5:55

So you've got a long history in the financial services. So it would be remiss of me not to therefore ask you what your reflections are around the financial services, Royal Commission and financial sector and governance and what that means for us as directors.

Christina Liosis 6:16

It's interesting, I think the Royal Commission only really just touched at the highest level as to what's really going on. And the most interesting part about it was that we were all expecting vertical integration to be pulled apart as a result of the Royal Commission. But I think the right decision was made to allow market dynamics to work through

Helga Svendsen 6:41

Vertical integration. Can you talk about what that actually means?

Christina Liosis 6:45

It means that an organization, let's say, for example, a bank is allowed to sell products to its customers, I think the way to look at it is multiple cups of profit through the process, because there are different ways of doing all of that. What's interesting is that, culturally across the industry, it was acceptable practice. And this is not about retail funds, or industry funds, because each sectors got its issues, and it's got its strengths. So it's about conflicts of interest, and managing conflicts of interest. That's what it's all about. And really understanding that when you've got a profit making organization, and industry funds say that they're for profit, it's just where the money goes. That's not

the distinction in my mind, what the distinction is, is, are we providing the best member outcome, or customer outcome? And that's the focus. And that's the question that everyone who works in the organization, regardless of level, needs to ask themselves and regardless of role, and that's the cultural aspect. And that's what the regulators have been talking about, that the culture is set from the top. And there are pieces, I think there's one particular piece that was done by Helen Ralph from APRA, where basically they're saying that directors and the board, right as a sole governing body, sets the culture from the top. And I think that's the biggest take out for me, in terms of the recent history by the Royal Commission, and regulatory wise. I mean, the regulators were, they were given a hard time at the Royal Commission as well. And it's not about over regulation, I think that's not the outcome. It's about doing things differently. And yes, the posture, the regulatory posture has changed as a result, which it needed to, but I think everyone's finding their way. And what I'm picking up is I know where I work, there's really good intent to actually get it right. You know, and often as customers, I mean, I'm a customer banking customer, and no one really likes the banks. However, you know, people getting up at the highest level, people losing their jobs, people getting out there and saying, We're sorry, and really meaning it. And even seeing people within the bank who work in the bank, being really quite upset about the whole outcome. But it gets back to the short term nature of earning a return for investors, as opposed to the running a business or a product. And it's that conflict between providing member best outcomes versus short term investor returns.

Helga Svendsen 9:48

I mean, my reading of the Royal Commission, the themes that come out very strongly echoing exactly what you've said, is around culture. And around that conflict between essentially shareholder returns or customer returns, how do you balance those things up?

Christina Liosis 10:02

It's changing the focus and having the right discussion. You get the product, right. You get the financial advisors, thinking the right way. And the quality of advisors, particular organization that I know a bank, are, talking about setting up a center of excellence in respect to supporting financial advisors, including independent advisors, advisors, you know, being able to sell the best product, which is in the best interest of members. So again, focusing through member outcomes. APRA has recently issued SPS it's a superannuation practice statement around member outcomes, and as a superannuation provider, ensuring and proving to yourself that what you're providing is in, it's providing the right member outcomes, and measuring different funds against those member outcomes. apples with apples, it's that comparison, I think investment returns is an area that really confuses people. I'm going to use this as an example. Because from a media perspective, there's been a lot of focus, and even with royal commission on fees, both investment fees and administration fees, but there's no universal way to compare apples with apples from an investment perspective. And there's been a lot of fight back by funds in terms of providing measurements against certain benchmarks. So they all compare themselves to each other. But we're not even comparing some it's gross returns are the net returns. My view is that we should we should report

investment returns net of tax net of administration or investment fees, and it should be over the longer term rather than shorter term. Because that's what's important. Yeah, now we know that investment return, so the past are no indication of investment trends of the future. But at the end of the day, that's all you've got. I mean, this idea of the top 10 funds, I think, is a silly idea. But I think you need to provide investors, customers, members, whatever you call it, with enough information for them to be educated in being able to determine where they want to invest, ultimately.

Helga Svendsen 12:33

And so what's the board role in that? What's the board role in supporting these sorts of industry changes, or in making them happen within their own organization?

Christina Liosis 12:44

The boards have a leadership function in that respect, I think half the problem is that there are many people on a board who don't have that industry specific experience. And I believe in diversity. So you can't have everyone having industry specific experience. But I think we need a few more people without investment, type experience and exposure. I think that boards need to rather than follow each other, show some leadership, and actually take control and say, You know what, we're going to start measuring our performance against passive benchmarks, and have that honest discussion that we're not performing, rather than allowing certain management marketing campaigns, which every fund has been the top performing fund, through this period. And the reason for that is they choose the period over which they've been top performing

Helga Svendsen 13:44

damned lies and statistics ha

Christina Liosis 13:46

Hmm, exactly. And that's understandable. But if we had a structure, and I think that's where the regulator's also need to step up, and provide guidance, because I don't think they've got their mind around it, either. It's not an easy area. I mean, one of the issues is that fund managers have to show their attribution, which means how they've performed against benchmarks hasn't been alpha, which means returns that have been, they're not market based. It's the decision making by the fund manager. And so that's all measured, but that's not reported. And then you've got decisions that are made by the Chief Investment officers and the investment committees of the funds. But that's never ever disclosed. Now. That's like opening the kimono. And that's quite challenging. And I think there's a lot of difficulty there. And there's been a lot of fight back. Because people have been concerned,

Helga Svendsen 14:45

Do we need to wait for the regulator? Does it need to be a regulated environment? or shouldn't boards just be saying, our customers and

Christina Liosis 14:54

so boards, and that's why I think where it starts is changing the structure and why the equal representation model in superannuation board has served us very well. And there are some fantastic people on all those boards. It's about diversity, with certain experience, it's getting that balance, right. And we can't go too far one way where you just get everyone who's left the industry going on the industry on boards, because basically you then are getting management who have now become board directors, just touting the same old, same old. So I'm very mindful. And diversity to me does not mean whether it's females, or males. Its age, right? We need young people. We need people from different ethnic backgrounds, we need people with different view of themselves, really, sexuality, all of that,

Helga Svendsen 15:47

My thinking about this is it's around gender equality. So we need to have equality on boards of men and women. And we need to have diversity, yes, so that we're not just replacing all the old white men on boards with old white women on boards, but, or just ensuring on some boards that we have some men from different cultures or men of different ages. But we have that both of those things, gender equality, and really good mix of people of different ages, different cultures, different thinking styles, different experiences, so that around the table, you've got a really robust conversation.

Christina Liosis 16:22

And that became really apparent to me, because I always thought of diversity as getting more women on boards. And it was only once I actually sat the AICD course, which I did recently, as you know, earlier, that it really got me thinking around, actually why that's really important. And it gets back to different perspectives. And that can be quite challenging. So going back to your original question about what makes a good board, I think it's about having different opinions and being in a respectful environment where those opinions can be discussed. And it doesn't matter in a lot of ways how technical something is, because, as you know, we started off at the YWCA with a group of very intelligent women who had had absolutely no exposure. I think one of the questions I was asked was, what is a stock. And yet, we had that group of women come up very quickly up to speed within three months to make some fantastic decisions around investment policies, investment governance frameworks, appointing a particular philanthropic fund manager to take the Y to a different level, that's always stuck with me.

Helga Svendsen 17:40

So having that level of diversity, really, I mean, there's lots of evidence around that level of diversity around the table really encourages critical thinking, and better thinking, you'll get no argument out of me on that. Because I know risk for you is one of your passions. And for lots of people, it's not a passion. And your enthusiasm and absolute joy for risk is well it's a sight to behold, to be honest. So I'm wondering in relation to risk, what are your reflections for directors of boards? Because we all need to know risk? We know we can't just look at Christina in the corner go. Christine has got it covered? What are your reflections for directors? What should they be looking for?

Christina Liosis 18:20

Really, risk is about things making sense. It's about control. And it can be done quite simplistic. Some of the best risk managers and I don't consider myself to be in this category, are able to look at different situations. And be very quick to summarize, succinctly, what's actually going on, it's really about getting to the bottom of rather all these fancy processes and reports and colors. What is truly the underlying issue that can basically bring this whole house of cards unstuck, if it is a house of cards, because the more complex something looks, and the more padding it has around it sometimes means that you probably haven't even gotten anywhere close to what the real underlying issue is. And it's also about that emotional intelligence, I think, to be able to say and just look at management and know when they're uneasy about something. And being able to ask them the question, like what's keeping you awake at night. And you'll find there, you say the shoulders drop the go well, here's what I'm really worried about. And often, that isn't something that's controlled, and it can be quite easily controlled when you put your minds around it. So what's always fascinated me about risk is, you think when you've got everything in front of you that you've got it all worked out, and then out of the blue, comes this issue, right? And it's the being able to feel when someone's actually not telling you the truth, and being able to free them up to go, Okay, we're in it together, come on, let's work through this. So that relationship, you can't get too close to management. However, that working relationship, especially with the CEOs, absolutely critical. So to me, risk management really depends on the culture of the board. And that's, again, what's come out of a lot of this role commission.

Helga Svendsen 20:34

So I was just thinking that, as you said, that culture around a risk committee or an order committee, or around the board table, culture is key. So I'm wondering what you've seen at a board level that works well, if culture starts at the top, what are the things that you've seen at a board level that works well, for building the right culture?

Christina Liosis 20:51

The chair is absolutely critical in providing the environment of trust, to be able to put something out there. And that's something that we have felt at the women's, very strongly, I think it's okay to say something, and you know, everyone will just go, No, you're wrong. But feel safe to be able to do that. And then you'll find that no persons not necessarily wrong, they just looking at it through a different lens or perspective. And being able to work with that. I feel very blessed that I've been able to work with people on this board. And they've been changes throughout. But I think it's the chair. And we've had a number of chairs on the women's and each one has been great at giving us permission, to be honest. And we trust like I trusted throughout, that I'd be listened to I'd be heard and that I could take a risk.

Helga Svendsen 21:54

So really encouraging those robust conversations at board...

Christina Liosis 21:59

... difficult conversations. And I think the other thing is that there aren't always side conversations, occasionally you speak to, you know, someone on the board, make sure that you've got it right, and that you're not overreacting or advice as to how to handle a particular situation. But when it comes to the important things, and there have been some pretty meaty issues on this board, recent one, the last couple of years that we've both had to undertake, together, I had trust throughout, even though could have been potentially damaging to each director and the board, I trusted that we were going to get through it, okay, and I trusted management. And I knew that every other director felt the same way.

Helga Svendsen 22:41

You're right, there is a level of trust in that room, both and being able to say things and rely on each other.

Christina Liosis 22:47

So decision making so when we make a decision, decisions don't always go our way. It's a united decision. And once we make the decision, we all work together, regardless of whether we supported the decision or not to make it work. And that's critical...

Helga Svendsen 23:05

which is again, part of that key culture, being able to have your say, I think you said this knowing that you've been heard the decision is might be something separate to that. And then having that boardroom solidarity around that decision. So that outside the boardroom, everyone's singing from the same song sheet.

Christina Liosis 23:24

When we make a decision, I think we're acting as one, it's the board. So it's very interesting mentally. I know that when we make a decision, I'm not making a decision as an individual, but I'm making a decision as a board director, also being able to stand up, I think, to say when you do disagree. Now I disagree with that. And you're asked why

Helga Svendsen 23:49

the underlying theme of our conversation has really been around culture. But we've talked through the real commission and some of your experiences there and reflections. We've talked through risk and some of your reflection around that. What are the key takeaways that you want people to have from this conversation?

Christina Liosis 24:05

That it's important to stay true to who you are from, well, I'm not gonna say from a moral perspective, but around your own ethics. When you're a director, sometimes you have to put the well being of the organization before your own well being. And so there are personal conflicts that come into play. And when I talk about personal conflicts of interest, I'm not talking about, you know, being offered a gift or anything like that I'm talking about, in my role as a chief risk officer, there have been situations where there's information that comes to light, that if you don't bring it to the table, to the CEO, or audit committee or whatever, it's detrimental to the organization and to the customer. Well, we're also was members. And it may in fact, mean that you cannot you do your job there anymore, if it's ignored. And sometimes that's a decision that has to be made.

Helga Svendsen 25:11

Speak up. It's a key skill for board directors.

Christina Liosis 25:15

Exactly. And that's not an easy skill. And when you become a director, you don't necessarily look at who your fellow directors are. And so I think the key takeaway is for people who aren't on boards and wanting to get on board, I think it's relatively safe in the environment of health, where you know where we are. But in different organizations, make sure you understand the nature of the business, make sure that you understand who your fellow directors are, because you're all in it together.

Helga Svendsen 25:49

That might be a conversation I come back to have with your around due diligence and the right due diligence to do. So then I'm wondering if there is a resource that you'd like to share with a take on board community, it might be a book or a podcast, or TED Talk, something that you might like to share that would be a value to their take on board community?

Christina Liosis 26:07

Well, I'd say if you've got any time, get a hold of the Royal Commission, the actual report, the closing report, the first reports interesting in its own right, but the closing report is quite easy to read. I know it's big, but you don't have to read it all. Even if you just read the introduction, the first piece, it really gives you a really good feel for how it was just it's like the Swiss cheese where all the holes light up and you know, minutes from disaster, and all those types of things. But what I find fascinating is the fact that culturally, some of us would have felt uncomfortable with certain things, but no one spoke up. And I think that's just human dynamics. Yeah.

Helga Svendsen 26:57

The frog boiling...yeah, got a bit warmer, a bit warmer, a bit warmer.

Christina Liosis 27:02

I can't do anything about it. And as individuals, we don't. But it really is the public outcry. And I think as far as the Royal Commission went, it allowed us to recalibrate it's a recalibration. So from that perspective, I think it's a really good thing. And I think Hayne and his team did a fantastic job in actually highlighting the points of interest in terms of what's going on. And different parts of the industry do it differently, but the outcomes will impact everyone the same. And I truly think it will take five to 10 years, for it to all get better. But I think we've already seen a more customer focus when it comes to the banks and providing product and providing the right product for the right people.

Helga Svendsen 27:52

We all talk about the Royal Commission report a lot, but not many people have read it. So I'll make sure there's a link to that in the show notes.

Christina Liosis 27:59

And you don't have to read it all just a little bit. So I mean, reading the case studies, that's that just tells you how it's done. That's not really that relevant,

Helga Svendsen 28:06

what's relevant, we've all lived our own case study, we don't need to read them. Everybody knows somebody has either been somebody who knows somebody we don't need.

Christina Liosis 28:14

But the stories, the personal stories, when you actually look at from a customer's viewpoint, you know, someone who's vulnerable, who can or doesn't have the capacity, and not all of us have been either in financial services. And we all know I mean, you know, people who are older, people who can't read or write people who have got some form of disability,

Helga Svendsen 28:36

keeping that customer perspective, it's again, it's a great reminder,

Christina Liosis 28:39

I think the AICD is, for anyone who's interested in being a director is a fantastic place to start.

Helga Svendsen 28:48

And then finally, if our conversation had been a board meeting, there will be an action sheet at the end of it. What are the, you know, one, two or three things that you think should be on the action sheet from our conference?

Christina Liosis 29:00

I think in summary, it's about making sure that you know, what you're getting yourself into, if you are looking at a board, career, knowing and understanding and doing your homework when it comes to your fellow board members, the management team and the business and whether it is within your own risk profile. Understanding that there may be times where you do need to stand up as a director. And that risk management isn't a difficult tool, it's actually common sense. And that there's a great enjoyment and fulfillment in actually being on a board. And it's a lot of hard work. It's not easy. And you're constantly learning. I think that would summarize it.

Helga Svendsen 29:54

Thank you so much for being on the take on board podcast today. I know people will have got a huge out of the conversation. I know I've got a huge amount out of it. And in fact, just because we are here, thank you for your time on the Royal women's board as well. I've enjoyed so much being with you there. And Christina was my buddy when I first joined the board. So she was my port of call for questions to ask to check on things to find out, you know, how much I should be pushing how much I should be pulling back those sorts of things. So thank you.

Christina Liosis 30:24

And thank you for being the point of reference for me to help you out when it comes to just my overreacting. How would you handle this? It's it's just been an absolute pleasure. It's been an absolute pleasure working with you

Helga Svendsen 30:36

Look at our mutual admiration society. Thank you. Thanks