



Take on Board podcast

Episode 141: AICD Australian Governance Summit 2022 recap

Okay, let's go. Hello Take on Board people. So, as some of you will know, the Australian Institute of Company Directors Australian governance summit was held in Melbourne on the second and third of March 2022. As is my usual practice, this is the wrap.

Although this time, you'll see as we get into it a bit later, I've crowdsourced some of the reflections for this episode. But firstly, I just want to say that it was just so great to be with people again. And of course, a particular shout out to the Take on Board community that I caught up with there. So people that I recall and huge apologies in advance if I miss anybody here, but some of whom I got to meet for the first time so Kate Waterford, Stephanie Bashir was there. Joy Humphreys, Margaret Burdo, Morgana, Ryan, Tanya Fryer, Lisa Chiesa, Freya Marsden and Marie Bismarck, it was so awesome to see you all there to have that little corner in the sunshine that we would gather in the breaks to compare and reflect and, you know, just talk about what stood out for us. It was also fabulous for the people that came to the take on board meetup, which is now traditionally I guess, having happened for three years in a row on the Wednesday night after the first day of conference. So, in addition, I got to meet up with Rachel de Gruchy, Dominique Hes, Jenny Selway, Ellen Webb, Amy Wells, and Julie Cohen, and, of course, a whole bunch of people that were there during the day. So, you know, me, as always, it's community that keeps me going with this podcast, and it was awesome to connect with the take onboard community.

Alright, let's start on this summary of the conference. So first up, we had a Welcome to Country by Uncle Bill Nicholson. And it was really great. I loved his reflections. He talked about how it's part of Indigenous law to respect people to respect country and to respect culture. And he asked us to reflect on our responsibility for country. He said, our country is crying out for help and understanding and that the actions that we took on that day as directors could impact and he also asked that we consider indigenous communities in our discussions and their striving for self-determination. So after the Welcome to Country we had an introductory session with the chair of the Institute of Company Directors, John Atkin and the Chief Executive Officer Angus Armour. They talk through some of the themes that we would touch on at conference technology work from home new ways of working, increased complexity, global pressures, interests of stakeholders. And I confess I was then slightly pleasantly surprised to hear them refer to climate change as one of the challenges of the decade. And that our role as directors was to ensure that we didn't, I guess, succumb to short-term thinking, because that's not enough when we're dealing with climate change.

I was even more pleasantly surprised when the duo also asked us to reflect on what we had done in terms of reconciliation and recognising our own colonial past. We were challenged. What does it say if we continue to walk past the injustices that our First Nations people have experienced the chair? I'm pretty sure it was the chair, to be honest, I'm not sure if it was the chair or CEO who was talking about this, I think it was the chair. He also seemed to acknowledge that not all members of the AICD would be happy about the AICD taking this, I guess, leadership role and leadership stance. Although I gotta say this member, that is me or this fellow, indeed, and other members and fellows that I spoke to, were pretty pleased with the stance the AICD took, and really challenging us to do something about it, and also their own work. They've done a Reconciliation Action Plan. They've employed an Indigenous lead, who I suspect may have had a bit of a hand in the opening remarks, and it shows and it was great. So yay.





Alrighty, so first keynote speaker was Ken McKenzie, who is the chair of BHP. He talked a lot about, I guess, the combination of shareholder capitalism and stakeholder capitalism and how they can work together. And he talked a lot about stakeholder value, how it's consistent with business and shareholder aims and would lead to competitive sustainable returns over the long term. He said, for boards we're thinking about stakeholder value that they really need to identify their own key issues that suit their organisation and their sector. For BHP, he says that's climate change, cultural value, and diversity and inclusion. In relation to climate change, he says that BHP put their climate change plan to their shareholders to vote on. And was the process was not without its challenges. That investors gave it 85% support. In relation to cultural heritage. BHP's mining operations exist on the lands of traditional owners. So, BHP works hard to ensure free prior and informed consent. He says they seek to respect the land and its people. As part of this he said that sometimes traditional owners ask BHP to advocate on something that's not on the surface really the bread and butter of BHP. This happened recently when traditional owners asked BHP to advocate to support the Uluru Statement of the heart. BHP did that, and they also supported the First Nations voice in the Constitution. He says they did that because it's if it's important to traditional owners, it's important to BHP.

In relation to diversity and inclusion. He said that, whilst the lack of diversity is not confined to mining, it's all too prevalent in mining. And he noted that the research shows that inclusive workplaces are more engaging, more productive, and therefore more stakeholder value, because BHP would be able to attract and retain the best talent. Some of the challenges that he touched on: cybersecurity, the pandemic geological challenges. And he says in all of these things, **there's a range of voices that are louder than ever. He was asked a question about when things in the organisation about when a whisper becomes a roar in the boardroom?** And how can boards manage things before it becomes a roar? He said that it's important for boards to get out and kick the tires of a business, and that we've missed that during the pandemic. He then touched on the Rio Tinto report about respect at work, where I think it was in that report that he said 70% of women have experienced harassment. at Rio, I think that is, he said for his organisation, whilst it was Rio that that report was they think that there's probably some similar issues and BHP, I hope I'm not misquoting him there. That might be my interpretation, not his. But they take the respect of work report as truth and they're acting on it. They've got a Gender Action Plan, they've got actions, they've got a budget to make things safer for women. And all of those things are tied back to the exec team and reported against in the annual report. So, he was asked about climate change. And, you know, he said that decarbonisation will happen. It's just a question of pace. And indeed, a number of the kind of larger mining and banking companies that we heard from during their couple of days at the governance summit said a similar thing.

He noted that one of the most important roles for the board is to pick the right CEO. And I loved this actually, he said they starts CEO succession planning is the day they start. He was asked about how boards assess culture on the ground. And he said the best defence is the right CEO with the right values and who understands expectations around behaviour. The board then needs to verify doing surveys talking to the community talking to workers and talking to suppliers. For my heart, I think boards probably need to do a little bit more than just get the right CEO. I think they need to really push it with the CEO push up with the board and be very public about it. And in fact, Kate Jenkins talked a bit later on in the day about some of the things boards can do. And I think it's a little bit more than that, but at least that's a good start.

Alrighty, so there was then a panel, Hall O'Sullivan, the chair of ANZ Bank, Vicki MacFadyen, chair of GPT group Jacqueline Hay, the chair of Bendigo and Adelaide Bank, Sally Pitkin, the chair of Super





Retail Group, lots here. I'm just going to outline some of the points that were raised by the panel. It was raised that boards need to consider a broad view of stakeholder interests, not just investors. And another quote I loved from someone on the panel – I confess I can't remember who, might just be new to me, perhaps not to others – but the quote was that profit and loss is an opinion. Cash is a fact. It was noted that the relationship between the board and the CEO was critical. That boards need to think about climate change in terms of long-term necessity. And in terms of banks and climate change that they need to manage risk.

So, there were lots of bankers on this panel. So, they were essentially saying that they need to make sure that don't have a disproportionate share of those not willing to make the shift to net zero. And I think it was a and Zed, who said they will bank those who are in the mining industry, but they won't bank those that don't have a plan. So, they'll bank gas providers, including new gas, as long as they have a plan for transition.

They touched on women's participation in the workforce and how we needed to overcome both structural and social barriers. And touched on that some of the questions to ask yourself in joining a board, were to a be aligned to purpose and values, be insurance aligned to skills, see, ensure you have the capacity for the commitment that's required. And finally, just know that there's no chance you'll be able to please everyone, so you just need to be able to sleep at night. So follow your own gut. Then next session, cyber security risk taking action before it's too late. So this was a panel with an Templeman Jones, the chair of Blackmores, Abigail Bradshaw, the head of the Australian Cybersecurity Center, and Damian manual man well, not sure, chair of the Australian Information Security Association. So it's actually a really good panel. One thing that stood out from this panel – it was said over and over again – cybersecurity is a team sport. We all need to be part of protecting the technology or protecting an organisation. It's not just an IT issue. Indeed, cybersecurity is inverted commas just a security risk, a business risk, it's not something that should be relegated to the tech people fix. And if you don't understand how technology works as a director, you need to go and find out and it needs to be elevated to the same level in the boardroom as something like health and safety risk. It was noted that the pandemic has increased cybersecurity risks with remote access to work and school people not using the corporate systems or VPNs. The increase in the number of Internet of Things, devices, everything sucking up data everywhere. All of this creates, as it was said, a magnificent playground for cyber criminals.

So, what should boards be asking? Well, interestingly, in this it was first noted that tech people need to do a better job of getting boards to understand the boards now really appreciate the risk. But what they're not very well versed on other controls and the mitigations. So, tech, people actually need to get better at communicating that to boards as well as boards needing to get better at understanding it. Boards need to ask what's the appetite they're prepared to have around risk, know that it's going to happen. There is going to be a cyberattack. There is going to be a ransomware. There's going to be something and know that the more tightly you manage the risk, the more tightly you manage the business. So, you need to decide what is the right level. And at the heart is the question are our controls effective? Abigail Bradshaw from the Australian Cybersecurity Centre said that you should report cybercrime. I don't think you have to. But she kind of did a call out ask that people do it, because it contributes to the full picture. And you might get help, because they have seen it before and they might know how to shut the door. She also said that they can then use their capability to predict the next victim which is a huge gift. So, they might then be able to stop it before it gets to the next person. So, some of the strategies to think about, firstly, have a safe to speak up culture, particularly within it so that people within it can say when things might not be going as well as they should be.





Secondly, make sure you have the right hard skills and the right soft skills, particularly again, within your technology team. There needs to be some work around the expectations of the team and knowing that a breach of security is not a failure. Thirdly, look at the essentials boards need to understand what they are and how they apply. There was some discussion around ransom payments and whether they should be paid or not and whether the government should legislate to not pay them. And it was noted that payment doesn't guarantee release or perhaps more importantly, the destruction of information.

It was also noted that quoting if we really understood where the money went, or it might not pay at all, because it ends up in some pretty grim and dark places. So, the real question for boards is thinking about preparation and planning, having backups for when you are attacked, having plans for being able to recover, having the playbooks already written for the comms that needs to happen and who is doing what. And if it's not planned, it could very quickly turn into an insolvent situation. Because if you can't operate your platforms in your bank accounts, it's hard to know how you're going to be able to pay people. The panel also touched on the role of insurance and ensuring that organisations understand the conditions you're signing up to an insurance you know, are the insurer is able to bring their own people in if you're attacked, as they do require that their own people are brought in if you're attacked. And if they do, who makes decisions, is it you or the insurer? And if it is the insurer, are they acting as shadow directors. So, it was interesting to think through how that might work in reality. That was the cybersecurity risk session, which took us up to lunchtime on the first day.

Now, just before lunch. One other quick thing they granted some life memberships and Elana Rubin, one of the Take on Board guests from about a year ago, I think was awarded life memberships. So, congratulations Elana, it was fabulous to hear that.

Alrighty, after lunch – the board's role in preventing sexual harassment. Kate Jenkins, the commissioner at the Australian Human Rights Commission spoke and there was also a panel including Sally Bruce, the CEO of AMP bank, and Adam Fennessy, the Victorian Public Sector Commissioner, Kate Jenkins was great if I can say she just, you know, they've done all the work on this. And essentially, boards need to step up to this. You've got all of the information about how to make this happen. Do not kid yourself, it's not happening in your workplace and step up. Anyway. That's my quick summary. Now let me go through the points that I noted in my notes. Alright, so she noted that there were some common factors in organisations where sexual harassment occurred. And then she took us through them. So, in organisations where people are allowed to act with impunity, often it allows future people to act with impunity, where there was a lack of diversity, or sometimes when there was hierarchy or organisations or industries. **And she said that boards, mostly led by men, have historically minimised the impact of sexual harassment at work. And it's time for this to end here.** So, for boards, there is now an intolerance for inaction. It's clear that sexual harassment is prevalent. It affects one in three workers. The resources are there and boards need to act. And aside from being the right thing to do, because it impacts one in three workers. She also noted that sexual harassment is incredibly costly. In 2018, it cost the economy \$3.8 billion. And she also said that boards can't just sit back and wait for reporting that most people don't report sexual harassment, indeed, only 17% make a report. So, if you're sitting in the boardroom and thinking 'oh, but nobody's reported anything, it's all fine here', think again. She noted that we need to shift from a response to sexual harassment approach to what our prevention of sexual harassment approach. And to do that we could use safety approaches use the health and safety kind of hierarchy. And she encourages us to work across industries so that we could get real progress.





So, some recommendations:

- Have a framework in place to report and manage sexual harassment and have access to the right skills in the organisation.
- Secondly, make gender diversity, and indeed, all forms of diversity, a priority in your organisation, including in the boardroom.
- Third, have a system in place to analyse data beyond the complaints.
- Fourth, have culture and ethics and an absence of sexual harassment, part of the executive team reviews and remuneration.
- And finally, basically have transparency don't use NDAs. That is non-disclosure agreements.

She noted that only 19% of boards think that the board is responsible for sexual harassment. It's traditionally been thought of as an HR issue. And Kate implored us really to say that boards need to own this, as not one of us can say that sexual harassment isn't happening in the organisations that we lead. So, we need to all create an environment where it's safe to raise it. She talked about non-disclosure agreements and how they've historically been used very commonly, and may well still be being used commonly, and how unhelpful they are. She talked about victims of sexual harassment, who had never told their lifelong partners about sexual harassment that they had experienced because they'd signed an NDA, and they thought they weren't allowed to. She talked about impunity, and how when serial offenders are allowed to continue, then that just allows sexual harassment to continue, they cannot be allowed to act with impunity, even if they're good at their job. Kate talked about how sexual harassment is more common in hierarchical environments in the law, and we've seen plenty of high-profile law matters, in medicine in higher education. So, boards in those industries, and I'm on one of those hospital boards need to ask themselves, what do we know about our industry? And what can we do with what we know? And it was also pointed out that maybe this is by the person from a MP, I don't know. But when you read about a MP in the paper, because there was a fairly high-profile case there as well. It's not because they're the worst, it's just because they've been uncovered. So, what's the solution to all of this? Simple little could just snap our fingers gender equality, Kate said, diversity at all levels is a tonic, I love that quote, as well. Both the business case for diversity is often around the economic case. If you have all of these levels of diversity and equality, all of the different intersections in that you're much less likely to have sexual harassment in the workplace. So, the proactive steps you can take refer to equality all across the board report. Like make sure it's embedded. Just like in health and safety, you don't wait for a death to deal with safety risks. So look for the industry data, ask at your board are NDAs used in our organization? When how long for how many? How many times can we get rid of them? It was noted, what else can organisations do in terms of proactive steps? Look at the culture of trust and speaking up in the organisation. Sexual harassment doesn't happen where people have a manager that they trust, and where the manager models respectful behaviour. It's not all just policies and online training, it is really creating that environment of trust. Third suggestion, have some whistleblower procedures in place. And then when you get whistleblower information, even anonymous whistleblower information, act on it. Finally, it was suggested that make a statement in the annual report about acknowledging a positive obligation to have a safe workplace free of sexual harassment. So, I found this was a great session all loads of proactive ideas for boards, and look forward to board stepping up and making a real difference in this. I'll also make sure a link in the show notes the report from the Australian Human Rights Commission, which I think is actually a few years old now.

All right, next one. Patient prescriptions and pandemics good governance in the health sector, being on a health board figured I better go to this one. So, the panel here Karen Penrose, from Ramsey





healthcare, Jennifer Martin from the University of Newcastle and Nick Coatsworth, an infectious disease physician, who I'm sure many of you will know because he's the former deputy chief medical officer. Some lessons from the pandemic. Karen Penrose, from Ramsey Healthcare talked about how we can adapt quickly. But you need to identify what matters most. And what matters most is the quality-of-care staff, and patients for their organisation. In terms of adapting quickly they established at the start of the pandemic, they established a COVID subcommittee which was chaired by the risk committee chair, they met weekly, during the pandemic and they had to do things like move away from written papers. And just know that information came to them much more quickly and much more fluidly. And in a way that really didn't distract management from there on the ground job. She also noted that all of this shows you need to have some kind of give, I guess, in your portfolio to allow for crisis. There was some conversation about health service who brought in medical students and again, I know in Victoria, we used some student nurses as well and conversations that boards might need to have about managing the risk appetite for those who are not accredited and thinking about how much risk would be tolerated and what systems go in place around that. And then, you know, on the upside, it was noted that it there's one gift to the health sector, it's around ehealth and telehealth and the prescriptions and how it's all opened up access in an extraordinarily good way – hospital in the home digital health and all of that needs to keep going post pandemic. And then two more points, one that as board members, we've lost the ability to walk around the hospitals and health services and get a feel for what's going on. And I still haven't heard of anybody that's really come up with a good kind of replacement for that. And secondly, a discussion around diversity in the boardroom, basically, and how we definitely need some clinicians. And we definitely need some non-clinicians, people who may have a bit more agility, innovation and diversity.

So that was the patient prescriptions and pandemic session. Next up, duty-of-care employee wellbeing in a COVID world. This was a panel Nora Scheinkestel from Telstra, Jono Nicolas from the wellbeing outfit, and Georgie Harman, the CEO of Beyond Blue. Some notes from this again, my I gotta say, I felt like that the woman who emceed this session, had a particular view about employee wellbeing in a COVID world, and seem to be all about just getting people back to the office, because if they're not back to the office, how do we know they're really working. With that as part of the session, some of the comments that were made that were things like in thinking about a return to the office, there has to be a reason to return around collaboration or innovation and connection. Boards need to think about the legal moral and ethical responsibility for those working from home, from ensuring they've got the right chair all the way through to making sure they're not working all day and all night, and that they're not exposed to things like family violence. And we need to ensure people are scheduling in breaks and minimising meetings out of hours. Although to be honest, none of that is very different from whether you're at work or at home. I think. I can't recall who it was that noted this, but I liked it. We need to ensure frontline workers are looked after. And that is in all ways, including ensuring they're paid well, they've carried a physical risk that many others haven't, in the pandemic. And again, I can't recall who said this, but frontline workers are sick of thoughts and prayers. It's time to really listen to what people want and need and be creative about the best solutions. And listen to those people on the shop floor and give him some cold hard cash. Georgie noted that we're not all in this together, that those most at risk are those who have already been let down by the system, those who are homeless, or LGBTIQ plus, or people with a disability or otherwise vulnerable. And that we need to really think about some creative outcomes, workers and others who are impacted by the pandemic as well. You know, in terms of work, Telstra has all flex positions. Westpac has a mental health officer, there was this conversation about productivity, do you have to have people in the workplace, and it was noted, possibly by Georgie, I'm not quite sure that if you haven't really nailed down productivity at this stage of the pandemic, you're not going to get it from old fashioned ways of working, that to attract talent, you need to do better than everyone's got to come back to the office.





And you've got to do better than command and control the leadership styles that will take us forward, and not the ones that we've had in the past, there was some conversation about how we measure the mental health of those who are working from home. And again, it was pointed out that we've never done that very well in the office. So, it's really not much different if they're working from home. And that there are some really good tools for online measurement of these things. As I said, at the top of this section, organisations need to think about good policies and practice to deal with family violence and work from home. And that we need to get to know our people better, and be able to have conversations about whether they're safe, and ensure that if they're not, they're coming into the office, even during lockdowns if they need to.

And I loved this quote: 'give your staff credit for having gone on with it'. And empower them to keep getting on with it. I mean, we've been in a pandemic for two years now. And staff have by and large, just got on with it, and probably been more productive, because you haven't had commuting and all of those things. And I also liked this question that boards should be asking themselves, how can we have the best impact? Not asking how we can get people back to the office. And I'll close this section with yet another quote from Georgie. This is not about holding hands and humming or fruit bowls and yoga. It's about setting culture and tone from the top and living and modelling values. It's about structurally designing jobs. Well, I think somebody put in a question during the session – something like Georgie for PM. And after that session I think probably the same – she did a fabulous job. So that folks was the end of day one holy day one. My goodness, all of day two to go.

Alrighty, day two opened with a session with Dr Dambisa Moyo who's written a book called *How Boards Work*. This is where I've started to crowdsource some of the insights. So, we'll first hear from Freya Marsden, who's the chair of the Sustainability Fund here in Victoria, who will give us some of her reflections about the session.

The highlight for the conference for me was the keynote on day two – Dr Dambisa Moyo on how boards work and how they can work better in a chaotic world. Dr Dambisa Moyo is an economist, a highly experienced board director, and has written a number of books including one by the same name as this keynote. In her talk, Dr Moyo underlined three key mandates for board directors, strategy and oversight, hiring the CEO and culture which for shorthand she calls ESG. She notes that culture and ESG in its many forms has evolved considerably, particularly over the last decade. Under the area of strategy and oversight. Dr Moyo notes the great importance of board directors being long-term thinkers. She sees this as a key criteria for the success of organisations. She also discusses the importance of strategic thinking in a time of COVID. And the directors need to focus on areas such as our edginess and wellbeing for the employees and customers, ensuring that our operations are preserved and that the balance sheets have survivability. That's both top line revenue and revenue growth. Fifteen per cent of companies in the US are currently considered zombie companies. That is not enough cashflow to cover their interest payments on debt. Dr Moyo also underlines the importance of directors using scenarios and using good data. What exactly do those numbers say, and using data and information to then allocate carefully considered probabilities to those scenarios. She used the example of some of the theories about China in their next steps in the Russian conflict, noting that when we actually look at the data, China's exports to the US was 17%, Europe 14% and Russia only 2%, indicating that many of those theories will be wide of the mark. Her secondary of board mandate was hiring the right CEO, Dr Moyo recommended the directors read a book by William Thorndike, called the *The Outsiders*. It goes through the key differences between the successful and non-successful companies. The key factor in that companies have outperformed their peers. And the market over several decades was in essence came down to the obsession with the allocation of capital. How does the company uses marginal dollar (e.g. to make debt, pay down debt,





or say invest in existing operations)? She again underlines the importance of companies longer term thinking that is allocation of capital through the cycles and challenges. CEOs were previously hard on traits such as great financial expertise, operational experience dealing with complex issues and management of teams. Dr Moyo argues that this is no longer sufficient. Now her broader concerns such as ethics that should form part of shaping interview questions. A great interview question for understanding ethics is 'what is the worst thing you've ever done to a human being?' – a question which is hard to name on the spot. She notes that 400 CEOs lost their jobs recently due to ethical matters, including stemming from the #metoo movement, and queries whether there should be an ethics committee on boards. Finally, Dr Moyo discusses key global challenges, and the things directors need to consider being a globalised and a more fractured world. Including greater trade barriers, the concentration of capital, including in companies such as BlackRock, Vanguard and State Street, technology and cyber, including the splinter net, and the war for talent, including finding the right talent for the world that is coming. It looks like I now have two additional books for my reading list. Thank you very much.

And now we'll hear from Zora Artis who is on the board of the International Association of Business communicators. Zora will give some of her reflections about this presentation.

Dr Moyo addressed five critical issues no board should ignore. She identified this by scanning the horizon for slower moving issues that have the potential to reshape the business landscape in the long term. In no particular order. She listed these five the first she referenced was risk of a more siloed world. So more fractured and de globalised in terms of trade and commerce, and more breakups of capital allocation, that second changing landscape of the investor environment. Now in the USA, the top publicly listed corporations have up to 15% of shareholdings, held by a combination of Blackrock, State Street and Vanguard. Now, this has real effects on capitalism, M&A, and governance. Third, new technological developments now we're well aware of the need for digitisation and adoption, new tech threats, such as cyber risk being prepared for those and future proofing for ongoing change. But she particularly mentioned the splinter net with competing China-led and US-led platforms and approaches to data that she talks about in terms of disrupting global supply chains and how we manage that. Fourth was the war for talent. Now, we're already dealing with immigration issues. But more importantly, she said "do we have the appropriate talent for the world that is coming?". What are the trade-offs that are coming into consideration? For example, as we digitise, we've already seen unskilled workers, minority groups and women being displaced. And finally, she referenced short-termism. So, the multilateral view that boards now have with particular focus on risks that are urgent and visible, have forced boards into more short termism. And she reminds us that the risk most likely to sink companies are the ones with the long-term problems.

Joe Longo, the chair of the Australian Securities and Investments Commission, spoke and covered off on a number of topics, some of the priorities for the next 12 months. Some thoughts around corporate governance around cyber risk around climate disclosure, whistleblowers and digital transformation. He did spend quite a bit of time talking about DTOs. I confess, I had to run off and work out what a DTO was, because that's one of the priorities. It is essentially design and distribution obligations for financial products to ensure they are marketed at the right people. He also talked about how ASIC wants to see long-term benefits for consumers. And they expect compliance with the regime and will enforce when necessarily. He talked about corporate governance, and that corporate culture and governance isn't set and forget, and that directors need to manage all risk, not just financial risk. And he said if you don't focus on non-financial risk, it's, well, pretty risky. And to do that, he said ensuring you are dealing with the matters you need to deal with requires an investment of time and effort and resources. And when things do go wrong, as they sometimes do, that's okay, but you need to do a





lessons-learned approach. He talked about cyber risk and how it's basically a number one risk and the risk of which has exponentially escalated. We need to adopt and enhance cyber resilience. ASIC's role is not to set the standard that's for government but ASIC will take enforcement action if required. He talked about climate disclosure, and how ASIC wants improvements in disclosure for listed companies to enable investors to make fully informed decisions was more reporting is happening. greenwashing is also in the sights of ASIC. That is things like overstating the impact of green products in superannuation and financial products. Talked about whistleblowers. He noted that having whistleblower policies and practice in place are a key part of a transparent organisation. And a 2022 review found that most fall short, they've got obsolete policies and practices or they're out of date, or they're without oversight arrangements. ASIC have commenced more active oversight of this. He talked about digital transformation and to be an effective regulator, you need to think ahead and embrace technology. And ASIC will continue to transform as they want to be at the forefront of technology to make it easier for us to interact with them. So, we then did a Q&A session. This session was the day after ASIC had announced that they would not be proceeding to prosecute the Crown directors. So that was where most of the questions went. And essentially what he said was that ASIC will only ever act in the public interest. And that while royal commissions and the commission's of inquiry may have outcomes and recommendations, that they're not always caught actionable outcomes. And in the case of Crown he noted that whilst it's frustrating from a community perspective This matter won't end up in court. In short, they said with the evidence before them the age of the matter and the knowledge of the directors at the time, there was no actionable case. And that was ASIC's call. And again, he just reiterated there's a difference between what comes out of a royal commission and what's actionable. And in response to another question, he noted that ASIC's priorities would be published. And a scorecard would also be published around how ASIC is doing in relation to meeting those priorities, although he also acknowledged that they had work to do on developing their metrics.

Next up, we heard from John MacFarlane. The chair of Westpac covered off on a number of things. He was asked about financing the gas industry, and he said the easiest thing for them to do would be to drop it all. And then he did say that they might then get past the first item on their AGM agenda, because climate activists making it difficult for them to have a smooth AGM. But to his mind, what he says is, but overall, we've got to look after the country and we've got to look after our shareholders, we're in an energy transition. Coal will go, the gas will be with us for a long time, particularly as nuclear power is politically unpalatable. Even though he says it's not that risky. In terms of culture and misconduct, he said that when he was asked to be chair, he looked at the last 10 years of numbers, and said it was clear to him that performance was declining. He then said he attended a board meeting as a guest. And it was obvious there was inverted commas. Other issues, too, I'm assuming from that, there was some cultural issues, given that's what the royal commission into financial services found, I'm assuming that's what he's alluding to. He says that we've you know, now found most things and are ensuring individual accountability rather than centralised accountability, that responsibility is shared. They've got a committee around non-financial risk, that they've improved the way things are working on board, a lot of that through delegation, so delegating the right things to the CEO, delegating the right things to committees and a board ensuring that a reworked agenda ensures the most important stuff is up front. And that the reporting is working really well. So, he seems to think everything's working tickety boo in terms of culture at Westpac at the moment. Inclusivity. How do you make sure that happens? He says it's a management responsibility. And what the chair can say is, you can ask my advice, but you need to be accountable for it. He talks about values, and saying that it can be kind of hard to do that. But you're also when you're looking at values, not just look at what you want, but where you're currently at. So that you can then work out how you're going to get there. And culture change is hard. You know, how do you do it, you survey you measure, you recalibrate and you





repeat, it's always an evolving situation. And he was asked about whether he can see a time when banks won't bank those businesses that don't align with the values like climate change or child slavery. He said he could, but maybe not as quick as others want them to do.

Alright, in the next session, new perspectives, building culturally diverse boards. For this one, I'm going to hand to the fabulous Kate Waterford, who has done a brief summary of this session to share with the take on board community. Over to you Kate.

Hi, I'm Kate Waterford. I'm a divisional counsellor of the Australian Institute of Company Directors based in the ACT. I also sit on a chair a range of other boards in the not-for-profit sector with a focus on healthcare and human rights. And I'm a partner of Malaga said Woods Johnson lawyers where I specialise in health law. Attending the Australian governance summit this week, I went to a panel session addressing the issue of building culturally diverse boards. Attendees heard from Katina Law a woman of indigenous and Greek heritage she sits on ASX boards such as DDO Gold and Yandell resources. Katrina Rathi, director of ASX listed Bob's Australia as well as the starlight foundation and New South Wales rugby union. And Jason Johnson, who heads up the executive search firm Johnson partners. Some of the key points I enjoyed from the panel were as follows. Without cultural diversity boards risk blind spots and groupthink. corporate Australia is getting more interested in diversity in its appointments. And there's some amazing talent out there to draw upon. There is a bit of a supply issue particularly for indigenous board directors at the top level. broader support is needed to build up indigenous talent in the middle and senior management space. To create a bit of pipeline of people suitable for appointment to boards particularly in the ASX. Boards may need to look outside the traditional C-suite roles and P&L lines for appointments. They need to recognise that people with cultural diversity may not have the same technical skill sets as traditional appointments. But they can bring other skills and experiences, including connections to community, people and environment. Boards need to make sure that the work does not stop at the point of appointment. Rather, the boards create space in their conversations for these different views to be heard. Diversity on a board needs to be driven by what the organisation does their purpose and activities. For example, healthcare sector boards, should be looking at the value of board directors with lived experience of disability and virtual workstyles do lend themselves better to this. Well worth listening to the whole session if you registered for the event. Thanks, everyone.

Next session was around the workforce of tomorrow with Jane Gan from KPMG. Deana Schiff, from Marley Spoon, and Sally-Ann Williams from Cicada Innovations. After this, I'm going to hand to Joy Humphreys. So over to you Joy. But before we do that, just note, this was recorded at conference. So, you'll hear a bit of background noise in this, but just bear with it for all of the pearls of wisdom.

Hi Helga. The workforce of tomorrow. Presentation, some key points for you. I was interested that it was three women who were presenting. And that in itself, I thought was significant. I wondered what men were doing about the workforce of tomorrow, or whether this is something that women are thinking about. There was discussion about workers where they will work, not just whether it's at the office or at home, but where they might be, whether it's remote, or what place they are in when they are working. The other point about workers was how they will work. What model of work will be utilised? Will they be employed, for example, or will they be now contractors, the area that the presenters focused on was also around the demand for tech workers versus the ability to supply. The importance of HR now being recognised as a strategic role since COVID. Rather than as a kind of technical role. We need to think about HR in a much more strategic sense. COVID helped us realise the opportunities that again, through technology, the workforces in the future will still need to collaborate. The generation coming through wants to solve world problems, and they want to join





organisations where they are working for a purpose. And there was quite a bit of conversation about the ESG proposition which helps get people to come to that company. There was some discussion about training and education, particularly around knowledge gained for universities, skills, where knowledge is applied, and attributes that creating lifelong learners and curiosity. We talked about essential workers, how do we keep them engaged? And the big emphasis there was on how we don't value them, we certainly don't pay them as if we value them. And essential workers or the haves and the have nots, how are we as boards demonstrating that we value our workers particularly when we are dealing with essential workers. And we also talked about outputs and effectors of effectiveness of delivery and reframing the conversation rather than saying how many hours did you work and where did you work and having people by your side in an organisation so that you can see what they are doing? And we also talked about the training that people will need to have to be able to have these conversations about how brought in effectiveness.

Next session directors and digital transformation. On this panel, we had Ian Opperman from New South Wales data analytics centre, Robin Lowe from Appen Perun Chandra and Jacqueline Chow from Kohls. Shout out to Marie Bismarck. Here because I missed the start of this session. So only had some notes. So, I'm using Marie Bismarck's tweets – which were fantastic – with her permission. So, thank you, Marie. So, what was noted from this session, Jacqueline Chow talked about whoever is able to deliver a personalised customer service at scale will be the winner in terms of digital transformation. But most businesses can't scale up. So, we need to get much better at you know, ensuring there is that innovation. She also talked about how taking risks and failing should almost be seen as a credential for success because you need to push yourself to those kind of boundaries to ensure you're going to succeed. She also talked about how directors need to be comfortable with concepts like blockchain, distributed networks, digital twins and the metaverse. We'll talk more about that in a moment. And boards benefit from appointing digital natives and digital experts. But ultimately, every director needs to develop their digital competency. She said that no matter how dumb the question, if you're sitting around a board table, and you don't understand what's being said, you've got an obligation to ask someone to explain. And she also talked about how we need to accelerate the use of digital technologies for social good, you know, using AI to support individualised health plans. For example. Varun Chandra talked a bit about the metaverse and how there's new opportunities for every business in the metaverse and again, I had to go away and look up what that was. It's a fully realized digital world that exists beyond the one in which we live. It was also noted in this session that in terms of data, we've generated more data in the last two years, than all of the years prior, put together. So, every organisation needs to know how they're collecting and storing and using their data. Every organisation needs to have a plain English promise to its customers about the way it will use their data and about how or protect their data. So overall, in this session, it was really a core obligation of board members is to make sure their organisation's business model is sustainable, and in the world we are living in if your business model doesn't include investment in digital technology, it's not going to be sustainable. And whilst we know that security and convenience are sometimes at odds with each other, so there are some exceptions, like the iPhone facial recognition, which is both more secure and more convenient. But our challenge for the future is to expand that intersect, I guess between security and convenience.

Okay, folks, last but not least, update on the regulatory environment. Again, I've relied on the fabulous Marie Bismarck. Here, I'll confess, my brain was fried by this time, so I left a little bit early. So, we heard from Pamela Hanrahan from the UNSW business school. Some notes from this – culture is what binds your governance structure to your organisation. And remember, culture is what people do when no one is watching. As a board, your duties are not just your legal duties. They also include your ethical responsibility to your accidental stakeholders. Those are the people other than your





customers or your staff who are also affected by your decisions. Directors can be held personally responsible for major compliance failures. This is not just a hypothetical risk. And she also noted that business regulation is as much a part of our infrastructure as roads and tunnels. I kind of liked that analogy. And then she said and right now, it's in bad shape. We need to fix it to create space to innovate, and to stop wasting time and effort on complying with the laws that are not fit for purpose. She encouraged us I guess that business regulation is not just something that's visited upon us. It's something that was created by people and which can be fixed and improved. We need to give greater weight to regulatory impact statements and demand better from government. Don't take burdensome and silly regulation as a given engage in meaningful discussion with regulators and help them develop a system that works and stay focused on the outcomes.

Take on Board people there ends the 2022 AICD wrap.

Wow. A long episode, but lots in there. Thank you again to my contributors for today. Kate Waterford, Zora Artis, Joy Humphreys, Freya Marsden and Morgana Ryan. That's it for this week. See you next week for another episode of Take on Board.

