



## YS UP GOVERNANCE AND BOARDS PODCAST

### Episode 33 – Corporate Governance from a Global Perspective with Peter Turnbull AM

#### Transcript

##### Intro:

Welcome to YS Up Governance and Boards podcast brought to you by 3YS Owls Governance Consultants. Covering hot topics in governance, risk, latest regulatory changes and issues keeping directors and executives awake at night. Here are your hosts Ainslie Cunningham and Deb Anderson.

##### Ainslie Cunningham:

Welcome to another episode of YS UP. Today, we are joined by Peter Turnbull AM. Peter is an experienced non-executive director and chair of listed public companies, with substantial commercial, governance and senior executive experience across a range of sectors, including technology commercialisation, mining, oil and gas and industrial manufacturing. Peter is a non-executive director of Karoon Energy Limited (ASX:KAR), chair of Calix Limited (ASX:CXL), a non-executive director of the Governance Institute of Australia and president of the Chartered Governance Institute, which is established under a royal charter, and based in London.

##### Ainslie Cunningham:

Peter is also a member of the corporate governance consultative panel of the Australian Securities and Investments Commission. Prior to taking on non-executive positions, Peter held senior legal commercial and governance positions, with several top 50 ASX companies, and has also worked in senior roles for regulatory authorities in Australia and Hong Kong, including as a director of corporate finance with the Securities and Futures Commission of Hong Kong. Peter is a former president, fellow and life member of the Governance Institute of Australia and is a fellow of the Australian Institute of Company Directors.

##### Ainslie Cunningham:

Former positions include an adjunct professor role at the University of Queensland (Institute of Molecular Bioscience), president of Corporate Secretaries International Association, based in Geneva, and a member of ASIC's Director Advisory Panel in Australia. Peter was appointed as a member of the Order of Australia in June 2020, for services to business administration and corporate governance institutes. Peter has degrees in law and economics from the University of Melbourne. Welcome Peter.

##### Peter Turnbull:

Thank you very much, Ainslie.

##### Ainslie Cunningham:

Firstly, congratulations on your Order of Australia this year.

##### Peter Turnbull:

Thank you. It's a great honour, but it's also an honour for the corporate governance family around the world as well as me individually. That's the way I view it.

**Ainslie Cunningham:**

Absolutely.

**Deb Anderson:**

Well-deserved recognition, Peter.

**Ainslie Cunningham:**

So, tell us a little bit about your journey to this point, Peter.

**Peter Turnbull:**

I live a portfolio existence; I think you would say. You've just touched on a number of different positions I have, which I enjoy. I enjoy the variety of all the different positions. Some are regulatory based, some are ASX listed based, some are early-stage companies where I really enjoy the technology commercialisation side of things, the early stage. Get the team together, get the plan together and try and commercialise promising technologies. So, I spend the old and the new world, I guess. Oil and gas is regarded as old world these days, but still important as an energy source for the world. But also, I really enjoy the... I'm involved in battery technology, water remediation, carbon capture, that kind of thing, through Calix particularly, which is... the technology that Calix possesses is really world leading.

**Peter Turnbull:**

Calix as a company is active all around the world now, pursuing some of these tomorrow type technologies. So, it's a portfolio existence, but it spans the old and the new world as well as to some extent the regulatory world.

**Ainslie Cunningham:**

So, tell us a little bit about how you transitioned from executive roles right through to non-executive directorships.

**Peter Turnbull:**

Look, it's a good question. Probably the short answer is, not with enough planning. These days, I interview a lot of people for chair roles and NED roles and even the more senior executive roles. Often, what I see is people who are not prepared enough in the sense that, they haven't thought enough about what they're going to bring to a board. I was a little bit like that I think in the transition. My journey was I guess a mix of good luck, and a reasonable amount of thinking. Knowing the right people is still important, and I don't mean the old worldly director's club, I mean knowing search consultants, having a wide network of people you can draw on for advice and perhaps opportunities. But again, the search community is very important these days, to being plugged into potential opportunities.

**Peter Turnbull:**

So in my case, it was a bit of good luck knowing the right people, as well as having done a bit of thinking about what I thought I could bring to a board. There's a bit of a common perception these days that, I'm the lawyer or I'm the finance person, or I'm the digital person for a board. But non-executive directors have a much wider remit than just being a specialist in one skill. So, I think that's forgotten a bit these days. You're a Jack of all trades, if you like. You've got to cover many, many different aspects of a business and work closely with the management team. So, you're not just a lawyer, you're not just an accountant, you're not just a digital person.

**Peter Turnbull:**

So, you've really got to have thought about, what's the wider basket of skills that you're really bringing to that board? I think if you are looking for board positions, to have that down to a very simple summary that you can put to people over and over again.

**Deb Anderson:**

I noticed as part of your bio, Peter, that you worked for the Hong Kong Securities and Investments Commission, or Futures Commission, '97, '98-

**Peter Turnbull:**

Yes.

**Deb Anderson:**

... During handover.

**Peter Turnbull:**

Yes, exactly.

**Deb Anderson:**

Was it an interesting time to be there?

**Peter Turnbull:**

Oh look, it was a fabulous time. It was quite an unsettling time to be there. We were very busy on the work front, and people work very hard in Hong Kong. You work six days a week. You pay virtually no tax and you get paid a lot of money to be there, but the work level didn't leave a lot of time to do a lot of other things. But generally, in the community then, there was a lot of angst, families were reorganising, and second passports, people didn't know exactly what going to happen. But it passed. Hong Kong at that stage went on as normal. But the Securities and Futures Commission was a great organisation to work for. There was a lot going on then in terms of policy development, and Hong Kong was still competing with Shanghai and other parts of the world to be the pre-eminent financial centre in that part of the world. But it's a great city. I really enjoyed a few years there. I'm still quite in touch with many people there, particularly through the corporate governance world.

**Ainslie Cunningham:**

In terms of your executive roles, Peter, you've had roles at Newcrest Mining and Energex, etc. How have you found some of those skills to be transferable to your positions now, in terms of non-executive directorships, and having that global view on governance and being very involved as a chair and director in the energy and technology commercialisation sectors?

**Peter Turnbull:**

It's a good question because, those skills, even though I said earlier, you're not a specialist in one field, your background nonetheless is important. It's law and economics for me. I think particularly over my career, law's been more important because it gives you logical thinking processes and that kind of thing, which I think are important at board level, where you're going through quite big decision-making processes, sometimes for new projects and challenging management on various different pathways you can take. So, for me, it's the logic that came out of the legal background, as well as with things like capital raisings and new projects, it is the actual legal skills that do come to the fore. Even though that's not all you do, you still are going to be seen as the one with the legal background, and relied on a little bit in that sense.

**Peter Turnbull:**

So, I think for me, it was the logic of the legal background, also, the understanding of how management works at a senior level, because the best boards and the best management teams work seamlessly together. That's really, really important. So, to have understood both sides I think is really important. That's why CEO's make quite good non-executive directors a lot of the time. For me, there's an added dimension of having the regulatory background. Quite early in my career, I had about four years I think it was, with ASIC in the very early days, when I was quite young, really just out of uni. That was a fantastic experience in those days to just get the grounding in corporate law and regulatory policy development, that kind of thing. So, not many have got that dimension as well, smattered through their career. So, I've found that a benefit to both at executive and board level.

**Deb Anderson:**

What about, what are some of the key learnings and risks that you've seen in 2020 with COVID, Peter?

**Peter Turnbull:**

Look, it's been... I guess there are many. It's been an incredible year. Everyone's had a very difficult period I think, depending on what business you're in, a bit more or a bit less. But one of the things that sticks out for me, we talk about risk management a lot, who saw this coming, genuinely? We've all got risk matrices that have likelihoods and severities, and all sorts of things smattered along the left-hand side of the summary. But I haven't met anyone I think yet, that really was genuinely prepared or saw this coming. It's not just one risk these days. A lot of this risk management stuff tends to work on one risk, and then you measure it, you predict its severity, you predict its likelihood.

**Peter Turnbull:**

But often, risks occur in more than... multiple risks can come together. I think that's one thing people are going to look at, need to look at a bit more in the future. It's not just a single risk kind of world. Different things can cascade, they can come together. So, I think risk managements an area that sticks out for me is where we all need to think a little bit more. From what I've seen across my businesses, people were quite prepared. They reacted quite well to work from home, and reorganising the office, and dealing with the IT immediately. Things settled down for many quite quickly into a stability that could get people through. So, I think that people were well-placed there.

**Peter Turnbull:**

For many, there was an element of panic though, in some of this. What do we do next? I look at these crises as, there's always opportunities. Two things stay calm, work out what the facts are, and look for the opportunities. You've got to deal with what's right in front of you, to start with. But, the boards particularly need to be stretching their thinking forward all the time and saying, "Okay, we've got the here and now under control. What's changed with everyone else? What opportunities are falling out of this and what can we grab on to?"

**Peter Turnbull:**

So, I think risk management sticks out, forward longer term thinking sticks out. And looking after people's been a big part of all of this too. Of course, it's been a great shock for everyone, but employees have been worried about their positions, their mental health, their salaries, their futures. So, I think it's been important to be communicating properly with the workforce wherever you are. That will go on. That's part of the future as well. As well as the shareholders and the wider group of stakeholders, they're nervous, "Where's your business at? Where are you going? What's it mean?" So, I think communication going forward is going to be really important, both internally and externally.

**Deb Anderson:**

So, you sit on quite a few boards and board committees. You must've been constantly in meetings. Were you?

**Peter Turnbull:**

This year has been huge, yeah. As an example, you might, in a normal, Deb, scheduled board meeting year, you might be dealing with 8, 9 scheduled meetings, maybe 10, maybe a couple of extra. You could easily double or triple that in most cases. As you say, particularly committee work, and the whole AGM cycles had to go on through all of this too, in a virtual world, not even hybrid world, but they're nearly all virtual. So look, it's been a doubling or a tripling. That's led to some of the proxy advisors and other commentators starting to talk about over-boarding quite a lot more. How many is a good number? How many is the right number? What does it look like when something like this happens? Is it becoming too difficult if you've got four or five or some other number?

**Peter Turnbull:**

There's a difference between listed companies and earlier stage companies. There's a bit more flexibility with the smaller unlisted ones, but the duties are the same, the responsibilities are the same, the legalities are the same. But it's pretty much been a year of meetings.

**Ainslie Cunningham:**

So, how do you manage your position as a director and also with your technical experience as a lawyer? There's been a few cases over the years that have highlighted people wearing dual hats. How do you manage that, personally?

**Peter Turnbull:**

I will simply stay out of it on that front, and I will listen to the management's views and the management's lawyers. Then, in the back of my mind, I'll have my own experience and my own views and my own antenna in terms of, does that sound exactly right or do we need another opinion? Let's ask some questions around this. But I'll stay out of it. Management's there to advise the board. They'll have their own legal people. There are occasions where you'll need to... That the board will decide it wants separate advice. We will do that on occasions with major capital raisings and things like that, where the interests may not be entirely aligned. But look, the broad answer to the question is, I'll be an NED. I'll stay out of it. I'll listen to what's being put to me, what the advice is internally and externally, and assess that.

**Ainslie Cunningham:**

In terms of key risks and opportunities for 2021, at the start of 2020, climate change, cybersecurity, all those sorts of things were really on the top of the radar, obviously before COVID came along and took everybody down a different path. Now that we're coming off the back of that and we're resetting strategic directions, do you think that there's going to be an emergence again of those sorts of risks for 2021?

**Peter Turnbull:**

I don't think they've gone anywhere. ESG is going to be huge across those various categories. They're there like they always were, and I think the focus on environmental, social and governance issues is going to grow. There are more and more assets around the world subject to ESG review, formal review by shareholders, stakeholder groups, regulators, all sorts of people. So yeah, I just think it's going to grow. They're well and truly there, and you wouldn't want to be ignoring how you're treating and communicating, in relation to what you're doing with those factors.

**Ainslie Cunningham:**

So, in terms of your involvement in the global governance community, Peter, you're very well versed and you've got a lot of roles in that space. How are you seeing it from a global perspective?

**Peter Turnbull:**

In relation to ESG or?

**Ainslie Cunningham:**

Governance in general.

**Peter Turnbull:**

Look, it's nice in the sense that we're a global community. I see a lot of the things that we grapple with and talk about here. For instance, Canada, the UK, people are talking about the same things in most countries. The Chartered Governance Institute has nine divisions around the world. We have about 30,000 members and a 120-year history. It gives you a really good vantage point to see what others are doing, and talking about, and worrying about. They're very similar. Some of the things we've talked about here already, they're the same sorts of things. Particularly during 2020, how do we hold virtual meetings? What are the regulators prepared to do and not do? Will some of these things become permanent? Exactly the same, particularly in the UK, Canada, but even Africa. They're talking about the same sorts of things in Southern Africa and Zimbabwe. It's really great because we can... At the global level, we share a lot. We share what our different regulators are doing. We share many of our own solutions that we've come up with. We try not to reinvent the wheel, so to speak each time.

That's one of the things I'm really trying to encourage as president at the minute. Make sure we're sharing what we've already done and invented and rolled out. But it's a very high level of discussion on the same sorts of things around the world.

**Deb Anderson:**

Is there any country that's leading the way, or is it more collegiate now, so everyone's on the same level?

**Peter Turnbull:**

Look, I think we're all... I don't think anyone really sticks out as being miles ahead. We're doing different things in slightly different ways and at slightly different paces, but no, I think... Look, Australia's always been at the forefront I think, of regulatory policy and ESG standards, and being on to what are the most important issues of the day. So, we're right up there I think, in terms of Australia. But I think we're all... No one's way out in front Deb, but I think we're in a similar position, just grappling with it slightly different ways, and at slightly different speeds.

**Ainslie Cunningham:**

Having had a broad depth and breadth of experience across the different industries, Peter, what would you say would be your top three tips to execs or non-exec directors for managing governance?

**Peter Turnbull:**

One of my biggest is always... Well, number one would be don't over-complicate things. We touched on this I think the other day. I've always had the guiding view that, governance is a platform to get you to certain results, so don't over-complicate it. Keep it practical and keep it simple. I've really found that to be a good guiding principle. If you want people to understand the platform or the system, again, you don't want something that's over-complicated. If you expect people to understand it, adhere to it, and be accountable for the consequences of not doing so, it's got to be understandable, it's got to make sense, it's got to pass the practicality test. From a management and board point of view, you don't want to spend a fortune on something that can be created for less money rather than more money. So I think that that's always been one of my guiding principles.

**Peter Turnbull:**

I always come back to people pretty quickly because, businesses are people. Your communication internally and externally, I think is where you need to put a lot of effort always. It needs to be exemplary. People want to know what you're doing, why you're doing it, why it makes sense. So, I've always erred on the side of over communicating, not under communicating.

**Peter Turnbull:**

I think looking forward, we touched on it earlier, risk management I think is going to be a big issue. We can't all sit here today and say, "We saw this coming. We were very, very well prepared for it. We had all the answers." So, I think more thought needs to go into risk management going forward. I think part of that is not just the negative side of what could happen that's bad. It's that opportunity point again. What's COVID changed? There may be takeover opportunities, there may be merger opportunities, there may be all sorts of opportunities that didn't exist a year ago or 18 months ago. I think you really need to be focusing on that. That's the board's role to cast the view a little bit further forward and say, "Well, what has this shaken out for us potentially? Let's at least think about it. It doesn't mean you've got to do it, but let's see what options and opportunities that were there, are there now, that may not have been there a year or two ago."

**Ainslie Cunningham:**

Yeah. It's really about getting that healthy risk appetite going, isn't it at the board level?

**Ainslie Cunningham:**

So, in terms of strategic planning, what are your thoughts on this in terms of, there's been quite a fair amount of debate around the five-year strategic plan being too long these days, and people are getting more in line with a three-year plan that's set out between a one-, two- and three-year short, medium long-term projections. What are your thoughts on the strategic plan?

**Peter Turnbull:**

Look, I think for most people it gets a lot, lot harder the further out you go, particularly in this kind of world we live in. It's a dynamic world. It's a world... We're in a period of major disruption. We've

got robotics, DNA sequencing, we've got machines and humans coexisting in the workplace. I mean, this is a period of major innovation and disruption. So, five years is an eternity compared to what it would have been say 20 or 30 years ago.

**Peter Turnbull:**

I guess the way I try and plan in my businesses is, you've got greater certainty and greater focus on years one, two, and three. I think that's probably a fair way to look at it, and it gets a bit fuzzier further out. It depends also what business you're in. For the earlier stage technology companies, five years, it's a stab in the dark. Two years in some sense, are you going to get bought out by someone? Are you going to get major contracts that you would really like to secure, or are you not going to get them? Two or three years is an eternity with the technology earlier stage companies. But, if you're selling fast moving consumer goods, it's a different environment. You probably can have a much greater level of certainty around years, three, four, and five.

**Peter Turnbull:**

But I guess the way I do it across my portfolio, there will be a much greater focus on say a three-year type plan, with some... The goals become higher level; I think. It's not that you're not looking at years four and five and even beyond, but the goals and the directions have somewhat less certainty even. They become more aspirational I guess, in some cases. But in my world, the focus would be more on the two, three-year planning, with some higher level, more aspirational things beyond that.

**Deb Anderson:**

In your governance roles, how are you finding diversity on boards at the moment?

**Peter Turnbull:**

Improving and not there yet. What I am seeing is a genuine focus on it, and a genuine understanding of the benefits of it, not just in relation to gender, although that tends to be a major focus, but age, background, what country you live in, where's your experience from. I'm seeing a real commitment to it I guess, is the short answer, and I think an understanding and an acceptance of the benefits of it. Over the last five years or so, I think things have improved, but there's a way to go yet on gender and many other fronts. But it's a journey. It is nice to see things improving, many would say probably not fast enough, but I'm seeing it improving and I'm seeing a genuine commitment to it.

**Deb Anderson:**

And for somebody looking for their first NED role, how would you counsel them in terms of how to get that first role?

**Peter Turnbull:**

It's back to something I said at the beginning. Well, there is the who you know element to start with. You've got to be out there. You've got to know search people, you've got to have a network that are going to keep you apprised of who might be doing what, where. That's just the reality, I think. So, you've got to be seen, your backgrounds got to be understood, where people want to go to LinkedIn or websites or whatever other platform you might have a summary on. But I think knowing search consultants is an important part of it, as is your own network. But I think that, most people can end up getting through that first gate. So, you'll get to some sort of discussion.

**Peter Turnbull:**

I go back to my earlier point. Recently, the people who have been recent senior executives tend to present themselves in not quite the right way. They play up those executive skills instead of having gone through the thought process of, "Well, if I'm going to be an NED, that sort of experience morphs into something else." So, you've got to have that elevator pitch of, what in all of your background, how do you package that up and say to a chair, "This is what I look like as your new NED, which is different to what I looked like as your CEO or CFO or something other with a C in front of it."

**Peter Turnbull:**

So, a lot of people don't get that right. It's, "I'm a CEO, so I'll be right for your board." It takes a bit of thought to look at your skills, to look at your experience, and to have that elevator pitch if you like,

short and sharp one, for a chair to say, "Okay, yeah I get it. I see that package of skills and personality traits or whatever it may be, and I understand why you may fit in, and I'm happy to discuss that further."

**Ainslie Cunningham:**

I think too, at the moment, Peter, there's a real disconnect between companies out there searching for advisory boards and then looking at whether or not they engage a governing board straightaway, and what those skills and experience look like in terms of attracting board members. So, a lot of them are still looking at specialist technical skillsets like technology and marketing and things like that, as opposed to what you've mentioned earlier, around that holistic approach of a Jack of all trades, kind of NED broad skills approach. I think too, a lot of businesses, the board have it down pat in terms of getting that board skills matrix done, and the company secretary facilitates that role as the governance professional. But they fail to then do it for the executive team as well, and look at the business as a whole, as to what those gaps are and whether they could be filled by management as opposed to the board.

**Ainslie Cunningham:**

We've seen recently a lot of approaches around, "Oh well, we need somebody who specialises in governance on our board, or we need somebody who specialises in technology on our board." It's kind of like, "Well, why do you think that?" It's because they're being advised by the market. What are your thoughts on those skills matrices?

**Peter Turnbull:**

Look, I think they do serve their purpose. You're talking more at the board level here?

**Ainslie Cunningham:**

Well, as a holistic type of approach in terms of, looking at the organisation and what is needed from a board level, versus an exec level.

**Peter Turnbull:**

With my roles, I use board skills matrixes, or matrices, whichever is the correct word, quite a bit, because I think they are quite instructive. It helps you look into the future too. It helps with succession planning with skills as well. But I don't really deal so much with the advisory boards. I'm not a great fan of any two-tiered board structure. But with technical type organisations, sometimes you do need that separate or overarching... You might have a bunch of medical experts for instance, on an advisory board, or even some further expertise in commercialisation. But I try and avoid any two-tiered structures. But in my case, I find the board matrix a useful tool, but it needs to not lead to that single purpose outcome, I think you're getting at Ainslie.

**Peter Turnbull:**

You're not just hiring a governance expert. As we said earlier, yes, some of this stuff's going to be in your background, and hopefully, I think the better directors have a mix of different skills. They've had quite long careers in many cases, and they may well have law, finance and governance for instance, and that's fabulous if they do. But I certainly don't, when I'm interviewing, it's not a single purpose expertise that I'm looking for. But I do find the board skills matrix a useful tool.

**Ainslie Cunningham:**

In terms of risk management, Peter, you briefly touched on before around the splintering of risks down to individual risk levels in an organisation. That's one of the biggest challenges I've found as a risk manager, where you really want to get those risks back up to a whole of organisation level, and you really want to realign those to the strategic plan, the goals and objectives and the outcomes of the business, and then what are the risks of not achieving those goals. But in doing that, sometimes certain other risks get overlooked. So, what are you seeing in your space around the changing mindset to risk management for 2021?

**Peter Turnbull:**

I think the way you've just summarised it is really good. I think you've touched on a couple of the trends there where... Well, I can't speak for everyone's world, but in my world, there has been a

tendency for these risk tools to become quite, it's almost line item world. Everything's got to be there and everything's got to have the numbers. They've become quite complex in many cases. There's sometimes almost a false feeling of comfort, because they're all there. But I think what people aren't necessarily focusing on enough is how they might interact with each other, and at the end of the day, how they all feed back into the strategic plan that you touched on.

**Peter Turnbull:**

So, I think that's a trend. I think people are awake to this and probably trying to change things in some cases a bit, get away from maybe a little bit of the micro detail and just get a bit plugged in a bit more holistically with the strategic plan, and also to have a think about, what happens if these things happen on a multiple type basis. The oil and gas world and the aviation world are very good at this. Not just a single risk happens on one day of the week. What happens if a number of these things come together? I think there's learnings from both of those sectors there. But I think your summary was a good one. I think that you've touched on a couple of the trends that I'm certainly seeing happening.

**Ainslie Cunningham:**

That's good news. We like to hear that.

**Deb Anderson:**

In terms of exec remuneration, Peter, what are you seeing in your space in terms of STIs LTIs and balancing that, the financial and nonfinancial?

**Peter Turnbull:**

It's certainly a big issue out in stakeholder world there. Look, it's a balancing exercise, I guess is the answer. Different companies are doing different things but, what I'm seeing in my world is still I guess a split between financial and nonfinancial, with the balance being still in the financial basket, if I can put it that way. So, I think of one of my companies at the minute, it looks something like 65% financial and 35% what we call strategic. So, there'll be some ESG in there, they'll be some achieve certain aspects of the strategic plan there. So, I think that's a reasonable balance. I think many would be going in that direction, not 100% financial, not 100% non.

**Peter Turnbull:**

There seems to be quite a lot of angst around a growing level of nonfinancial. Nobody knows what the right answer is. It will depend on what you do and where you are with a particular entity. But, there certainly is a great focus on it.

**Deb Anderson:**

I think there is a lens on that non-financial part of it, isn't there?

**Peter Turnbull:**

The proxy advisors I think are tending to develop their thoughts and policy on this more and more. The proxy advisors here and around the world are pretty influential these days. You would want to not engage with them at your peril.

**Ainslie Cunningham:**

Yes, absolutely. They can be a bit cut-throat, can't they?

**Ainslie Cunningham:**

So, in terms of culture, Peter, what are you seeing, as it's one of the biggest challenges for an organisation to measure effectively? There's a range of engagement surveys and exit interviews and all those sorts of things and turnover and retention rates, etc. What are you seeing as some of the core focus for culture at a board level?

**Peter Turnbull:**

Well, the first thing I'm seeing is, there is a focus, and I don't think that focus existed five years ago. So, point one. Again, sometimes the NED community isn't quite where you want the thinking to be

on day one. There's a bit of a bit of a progression to understand and get across the reasoning. So, I think there's a real acceptance, and ASIC and other regulators have pushed this very hard, and I think that's been really good to get it on the agenda. But all the boards I know, they're very focused on this, and I think we're getting into the stage now where it's how to. It's not, are we going to think about this? Or do we agree with it? Or is it our responsibility? That's all accepted.

**Peter Turnbull:**

I think how to phase is starting for many now, and that touches on things Ainslie, like you just talked about, surveys and interviews and just shear getting around different business units in the larger company, talking to people. I think there's never a substitute for directors getting out and about, which has been almost impossible of course, in 2020. But what I'm seeing in a nutshell is people starting to work out within their own organisations, what are we actually going to do here? How do we measure? How do we reinforce expectations? How do we prescribe consequences where things haven't measured up? How do we make the board responsible in the eyes of the whole organisation? So, I think we're into the doing phase now, and people are at different levels of that at the minute, but it's happening.

**Ainslie Cunningham:**

Yeah. I think too, with directors still holding a lot of responsibility in terms of their duties to the organisation and stakeholders as a whole, it's really difficult to strike the right balance between attracting, retaining, and rewarding talent, and what is the performance culture now breeding in terms of execution of the strategic plan, and creating the right environment as well. So yeah, very challenging.

**Peter Turnbull:**

A lot of the... I have a personal view that, I'm chair of more than one People, Culture, Remuneration Committee, whatever they're called intellin different places. But the remuneration side of things is incredibly complex now. You look at the length of remuneration reports and the data, it's all good stuff, what makes up the report. But is it the right format for shareholders and others who read it? But it's become incredibly complex, the prescription of the short and long-term incentives, the measurement of them. You have to think here, it's back to our earlier point, if we could simplify some of this, that would be probably not a bad direction to be trying to go in anyway.

**Peter Turnbull:**

But you're right. It's a delicate balance to pay people the right way, to retain them. But to have that alignment with your shareholders and your wider group of stakeholders, is a very delicate balance. And it's not always where it needs to... There's 100 different... If you've got 20,000 shareholders, there's probably 20,000 different views about where that balance actually should be.

**Ainslie Cunningham:**

Yeah, and it seems to change on a yearly basis anyway.

**Peter Turnbull:**

Yeah.

**Ainslie Cunningham:**

One minute it's options, the next one it's performance rates, it's TSR, it's EPS.

**Peter Turnbull:**

Yep.

**Ainslie Cunningham:**

It's all those things.

**Peter Turnbull:**

Absolute measures, not absolute what's your peer group look like, yeah. You're right.

**Deb Anderson:**

And then you've got to try and achieve it as well.

**Peter Turnbull:**

Yeah, exactly. Exactly.

**Deb Anderson:**

Go ahead. Well, I had a question, I've just lost it.

**Ainslie Cunningham:**

No, you're right. So in terms of, there's been a lot of regulatory focus off the back of Royal Commissions for financial services, age care sectors, etc. Obviously, it's not your necessary sector, but how do you feel that some of those increased public scrutiny might have an effect on your role as a chair or an NED?

**Peter Turnbull:**

Oh, I think generally it's very much understood and registered. These have been pretty serious events, some of these inquiries in Royal Commission. So, I think every sensible director understands the importance of this. Whilst it might not be your sector, you could be next. Look, that's not the reason for acting the right way, but it just reinforces culture, ethics, proper governance, going about things the right way. There's a few really basic lessons came out of these Royal Commissions, the could I, should I. These are basic, basic governance principles, just ethics, culture-

**Deb Anderson:**

Obey the law.

**Peter Turnbull:**

Yeah, obey the law, do the right thing. So, look, I think it's been a salutary reminder, even if it's not your sector. I think where it has been, those companies in that sector, they've taken it very seriously. But these things take a while to work through. They take years to work through, to see how well people implemented all the recommendations, and particularly what that did to culture over time. We'll have to see, and that will be measured by what changes actually took place probably over a number of years.

**Ainslie Cunningham:**

Yeah. I think too, complacency was a real key factor in a lot of those environments. In terms of your experience as an exec, now going through to NED, some of the challenges we've found working in-house and now externally have been around middle management. So, there seems to be a real disconnect there in terms of governance. The board get it, there's an amazing top-down approach in a lot of organisations, that risk maturity level is really increasing, and there seems to be an understanding at the exec level, and there's also an understanding of the underlying risk owner level, which is quite often at the operational side of the business. But that middle management seems to be quite a challenge in a lot of organisations. How do you think that that could be better managed from a board perspective or potentially an exec perspective?

**Peter Turnbull:**

I think it's a really good point you raised. My simple answer is, tie it to their remuneration outcomes, same as happens with the more senior people. Because at the minute, sometimes there's no consequences. They're so busy with selling widgets or keeping customers happy, driving in and out of factories, whatever they're doing, that it's not front and centre for them. So, I think it's understanding consequences. I don't see why there can't be some tying of the necessary outcomes to remuneration at the middle exec level. Because otherwise, that's a really good point you raised. There can be a significant disconnect. Everyone's feeling comfortable and rosy, up top so to speak, and they're somewhat disconnected from the chatter, what's being said, what people really think further down the chain of command, if I can put it that way.

**Deb Anderson:**

And they're on the coalface too, so they quite often see a lot of risks at their level that need to be fed up as well.

**Peter Turnbull:**

Right. Look, it's a really good point. There's no point having the best risk management and governance system in the world if there's a fundamental disconnect in the middle of the organisation. So, I think it... Look, again, we touched on this earlier, but board members should be getting out and about. They should be talking to those. You'll get some feedback, and you often get honest, very, very valuable feedback too. In my experience, some of these chats can be quite, quite valuable because people don't hold back quite often, and that's great.

**Deb Anderson:**

Yeah, and it has to be a bit more of that.

**Ainslie Cunningham:**

Yeah, absolutely. That's definitely our governance vision for organisation, is really getting in there, helping them implement those accountability lines all the way through an organisation, policy development that actually rolls out controls throughout the entire organisation, and having those feedback loops back to the board, and-

**Peter Turnbull:**

Yeah, exactly, some sort of checking. You've got to know.

**Ainslie Cunningham:**

Yeah, absolutely.

**Peter Turnbull:**

And you've particularly got to know if there's a problem.

**Deb Anderson:**

So, with your AGMs this season, have you found there's been more shareholder engagement, having them held virtually or not really?

**Peter Turnbull:**

I'd have to say no. Look, all mine have been virtual, and it's worked well. The platforms are great, the technology's been pretty good. Look, nearly everyone, we've had a number of questions, but I don't think it's the same kind of interaction. You don't feel... I don't feel from my end it's been the same. I don't think people are asking quite the same number of questions. It may well be people haven't felt... A lot of AGMs, people will get up and have a bit of a rant, a bit of a rave and that's fine. That's what it's for. We don't all necessarily agree about everything. So, I don't think we've seen that. We've seen lots of specific questions. Look, it served us okay for 2020, but I don't think it's been at the same level of interaction personally.

**Deb Anderson:**

I would've thought that they would have been a bit more because people don't feel as threatened, potentially.

**Peter Turnbull:**

Well, yeah. I think you would think so for those that aren't so keen about standing up in a physical meeting. I've had plenty of questions, but I don't think it's the same volume, if I just think back to the year before, and I don't think we've seen someone getting up and making almost some sort of a speech about what colour, something should be red instead of blue and that kind of thing.

**Ainslie Cunningham:**

There's always one of those.

**Peter Turnbull:**

Yeah.

**Deb Anderson:**

The virtual cup of tea and biscuits is not the same.

**Peter Turnbull:**

So, I don't mean to say... I think it's worked well, and it's got us through, but I don't feel like there's the same level of human interaction. Not that anybody's been cut off, but just not quite the same level of togetherness, if I can put it that way.

**Ainslie Cunningham:**

No worries. Well before we wrap up today, Peter, is there any lasting thoughts or tips that you'd like to leave our listeners with?

**Peter Turnbull:**

Look, I think we've covered most things, Ainslie. I think I'd just come back to something I said earlier. All these businesses, all the governance processes, all the structure and the regulatory side, these businesses are all about people at the end of the day. So, I think people and communication are my messages. Just look after those around you. It's going to be very, very important that we reassess the future as a cohesive group. What does 2021 and beyond look like? How do we best work together in a post COVID environment? I'm not a great believer in... I think things are going to revert much more to the median or the norm. Many people are telling me that city buildings will be empty forever, and, the world's changed, it has changed to a point, but I think we are going to revert to something we are much more familiar with.

**Peter Turnbull:**

So, I think just looking after the team, looking after the people around you, and working together to see what that 2021 plus environment looks like. Again, communication, to your own shareholders, to your stakeholders. A lot of people want to know what's going on, and the only information they get is going to come from you. If you're the board, if you're the senior management, it's got to come from you. So, probably tending to over-communicate not under, is probably a pretty good setting for next year.

**Deb Anderson:**

Great advice.

**Ainslie Cunningham:**

Absolutely. Thank you so much, Peter, for joining us. Have a safe and happy Christmas holiday. To all our listeners, this is our last episode for 2020. So Merry Christmas, everyone, and have a happy and safe new year. We'll see you back here in 2021.

**Outro:**

That's all for today. Until next time, happy podcasting. And remember if you're enjoying the show, check out our other episodes and all things governance at [www.3ysowls.com.au](http://www.3ysowls.com.au).