



Governance and Culture

ASFA Risk & Compliance Discussion Group
6 October 2020

Recent Headlines

**'I am sorry for what has occurred': Daniel Andrews
apologises for Victoria's hotel quarantine bungle**

IIOF hit with lawsuit alleging cybersecurity failure

**AMP chairman, director resign amid shareholder
revolt over board's handling of sexual
harassment allegations**

**Citi's \$900 Million Loan Error Is Still
Perplexing**

**Westpac slugged with \$1.3 billion fine over Austrac
scandal**

*QBE boss skewered by his own conduct
code*

**DFAT bungle reveals email details of 2,700
Australians stuck overseas during coronavirus
pandemic**

Core Elements

Media Coverage
and Costs

Bullying and
Harassment Cases

Regulatory
Investigations

Breaches, Incidents
and Complaints



Remuneration and Accountability

Board Performance
Assessments

Independent
Framework Reviews

Managing
Regulatory Change

Risk Culture
Assessments

Six Pillars of Board Performance

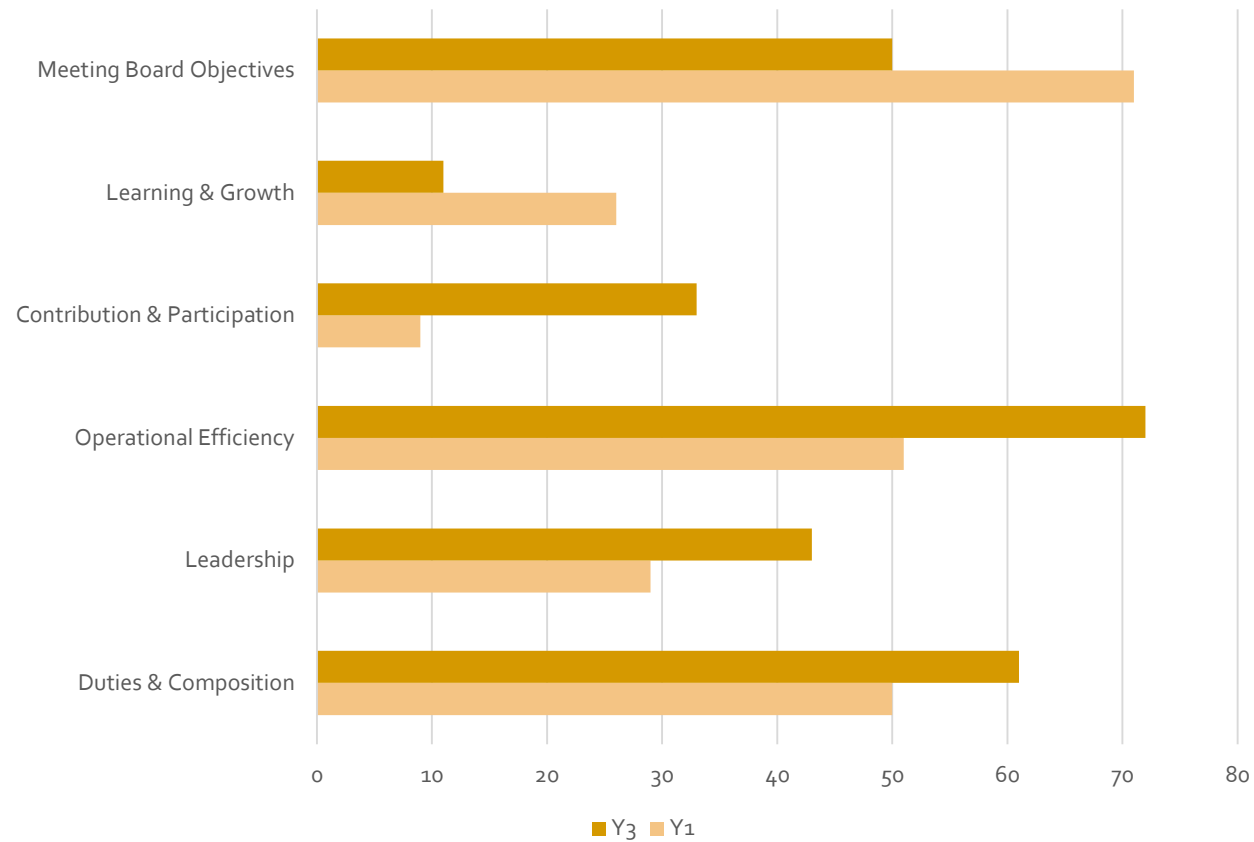


Defining the Six Pillars

Duties & Composition	Leadership	Operational Efficiency	Contribution & Participation	Learning & Growth	Meeting Board Objectives
<ul style="list-style-type: none"> • Appointment, nomination and renewal procedure • Board discharges its role effectively & understands its duties and responsibilities • Board composition takes skills and capability needs into account • Adherence to governance framework 	<ul style="list-style-type: none"> • Effective leading & facilitating by the Chair • Board driven organisational mission and vision • Board relationship with Executive Management • Performance issues are promptly acted on and resolved by the Board 	<ul style="list-style-type: none"> • Clear and concise Board papers and effectively run Board meetings • Information provided to directors enables them to debate crucial issues • Utilisation of the capabilities and skills of all directors • Decision making timeliness & processes 	<ul style="list-style-type: none"> • Group dynamics amongst the directors • Appropriate level of interaction and opportunity for diversity of views • Every director's view is heard and respected • Directors actively contribute to discussions 	<ul style="list-style-type: none"> • Healthy debate and opposing views are encouraged • Training opportunities provided to grow directors capabilities • Performance improvements are identified & addressed • Mistakes are used as an opportunity to learn and grow 	<ul style="list-style-type: none"> • Processes to set and review annual objectives • Focus on monitoring the implementation of strategic initiatives • Risk remains front of mind • Formal Executive Management performance appraisal process in place

Trend Analysis

Board Performance – Average Result by Pillar (%)



Five Pillars of Risk Culture



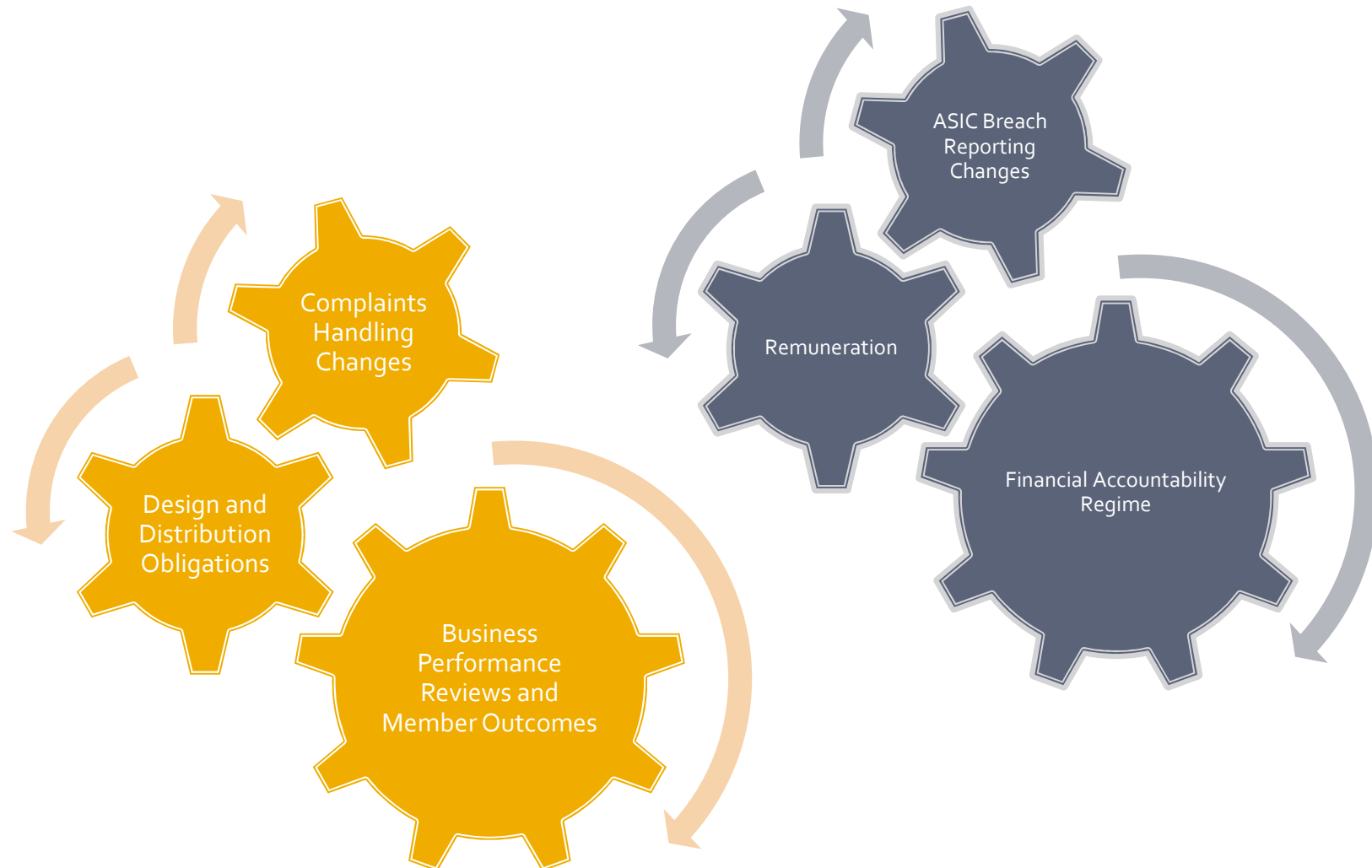
Defining the Five Pillars

Risk Leadership	Risk Awareness	Risk Transparency	Risk Capability	Risk Alignment
<ul style="list-style-type: none">• Directors and Executives influence and promote desired risk culture.• Executives and managers role model appropriate risk behaviour.• Employee perceptions of acceptable behaviour align with desired culture.	<ul style="list-style-type: none">• Employees have a sound awareness of:<ul style="list-style-type: none">• risk responsibilities relevant to role;• corporate risk appetite principles;• tolerance limits relevant to role;• desired risk culture; and• corporate values and expected behaviours.	<ul style="list-style-type: none">• Risk issues are escalated via appropriate mechanisms.• Adequate level of challenge on risk in decision making at all levels.• Risk events are swiftly rectified and root cause analysis conducted.	<ul style="list-style-type: none">• Adequate support from risk specialists in the risk function and risk champions in the business.• When breaches of risk appetite and tolerance limits occur, effective action is taken on a timely basis.	<ul style="list-style-type: none">• Individuals are rewarded for risk based decision making and positive risk behaviours (e.g. via incentives, promotions, and increments).• Appropriate consequences are applied for unapproved risk taking and adverse risk behaviors.

Heatmap Analysis

	All	Board Level	Exec Level	Manager Level	D1 Staff	D2 Staff	D3 Staff	D4 Staff	D5 Staff	D6 Staff
Risk Awareness										
Q. I have an awareness of the risk appetite of the organisation and the nature of risks that the Board and Executive team are willing to accept in our business operations.										
A.	+20%	+60%	+30%	+10%	-20%	+30%	+50%	-20%	+20%	+0%
Q. I can recall the corporate values of the organisation and am aware of the behaviours that are expected of me while fulfilling my role.										
A.	70%	+90%	+90%	+60%	+50%	+80%	+50%	+40%	+70%	+80%
Q. I have a clear understanding of the risk management policies of the organisation and the risk management responsibilities associated with my role.										
A.	+60%	+90%	+80%	+50%	-10%	+50%	+60%	+20%	+70%	+50%

Regulatory Change



GRC Systems

Some Observations

- So many options, yet much frustration.
- Impact on risk and compliance culture.

Key Considerations

- Configurability.
- Live feed of compliance obligations.
- API connectivity.

Takeaways

- Plan for the long term.
- Seek a wide range of perspectives.



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