

RISK HORIZONS

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Scandal prompts governance changes

A key executive of packaging and recycling group Visy Industries Pty Ltd says the creation of his job was part of the company's response to improving its risk management and corporate governance arrangements in the wake of a price-fixing scandal.

Melbourne-based, family-owned Visy, which has operations in Australia, New Zealand and the USA, was hit with a \$36 million fine last November for price fixing in the market for cardboard cartons.

The record penalty handed down in the Federal Court followed an ACCC probe that found Visy breached the Trade Practices Act by engaging in illegal cartel behaviour with rival packaging company Amcor Ltd.

Visy chairman Richard Pratt still faces criminal charges for allegedly providing false information about the cartel to ACCC investigators. Mr Pratt has publicly denied the charges and vowed to fight them.

Kevin Campbell, Visy's director of governance & compliance, said a corporate restructure in January had been undertaken as a result of the ACCC actions.

Mr Campbell, speaking at AIG-sponsored Risk Leadership Perspectives breakfasts in Sydney and Melbourne, said the restructuring involved creating his position to provide oversight of the Visy group's Australian and overseas operations.

Before the ACCC prosecution, the group had RM and corporate governance systems in place. "We have had good corporate governance throughout the business for many years," he said.

The governance systems included the company board, internal audit, RM systems and "healthy" environmental and OHS policies and practices.

But Mr Campbell admitted the ACCC prosecution had driven home some powerful lessons, including the fact that "you never know everything that's going on in your backyard".

Mr Campbell has worked for Visy for 11 years and, before the creation of his new role, was chief financial officer. As CFO he had implemented many of Visy's RM and corporate governance policies, but the price-fixing scandal and its wash-up had sparked changes by the Pratt family.

"The ACCC action, in risk terms, I think provided the catalyst for the family to say we need to formalise all those [corporate governance systems] and we want it done under one person."

Mr Campbell said his role now provided a single method of oversight of Visy's four main operating companies and their Australian and overseas operations.

The family had broadened the company board to include non-family directors. Visy had also introduced a system for confidential reporting of improper conduct, especially fraud or corruption.



Kevin Campbell

Mr Campbell said part of his approach in his new role was to be visible throughout the organisation. He had a "fairly high profile" among staff.

"I know most people in the business. I get out and about [within the group] a lot. I get around and I have the ability to ask direct questions," he said.

Sports clubs must watch liabilities

Sporting clubs, from suburban amateur outfits to first-grade professional organisations, need to ensure RM is part of their everyday thinking, says a specialist liability lawyer.

Darren Boyd, of Lander & Rogers Lawyers, told an RMA NSW Chapter meeting that every sports club had a duty of care.

"For anybody attending a facility for the purposes of participating in or watching a sporting event there is some sort of liability or risk because that person may be injured in some way," Mr Boyd said. "We don't like to be alarmist, but that's a fact."

He said duty-of-care obligations fell on venue owners and managers, club administrators and even players. The duty of care for players extended to how they treated their opponents and breaches could result in a civil action.

Mr Boyd said on-field incidents in football codes, such as rugby league and Aussie rules, had previously led to allegations of assault. "There have been situations on the sporting field where there have been what you would class as an assault and people have had criminal charges brought against them."

But assessing liability in such instances had to be balanced against the nature of heavy-contact sports, such as most football codes.

"Players who take the field in rugby league or Aussie rules effectively consent to be tackled," Mr Boyd said. "But if I tackled someone on the football field, it is different to tackling them in the street. That could be assault."

Mr Boyd said a common fault among sports clubs was their failure to properly identify RM obligations. All clubs needed to make RM part of their operating culture.

In addition to physical risks, commercial risks existed where financial sponsorships could be affected by the actions of players or administrators.

"That become more important as sport becomes more commercialised at all levels," he said.

"Sponsorships exist in different forms, whether it's a multi-million-dollar sponsorship from Vodafone or a deal with the local butcher that a lot of community clubs would have."

He said sports groups should ensure they had adequate liability insurance. "It comes down to making sure they have insurance that will protect them to a degree. And hopefully they can afford the premiums if they have to make a claim."

Mr Boyd said tort reforms appeared to have helped most clubs maintain their liability cover. "

It would seem we don't hear a lot of stories about clubs going bankrupt because of their insurance premiums, and that's a good thing," he said.

Modelling vital for PPP participants

An asset management expert says any business thinking of entering a public-private partnership (PPP) with government needs to do its homework to identify risks that may crop up over what could be a project lifespan of decades.

Peter McCarthy, director of Sydney-based consultancy Assetera Pty Ltd, said PPPs demanded a lot of "upfront" effort, in the form of financial and performance modelling, if pitfalls were to be avoided.



Peter McCarthy

Speaking at an RMIA NSW Chapter event, Mr McCarthy said all possible variables over the life of a PPP needed to be modelled.

The more an organisation knew about its assets and their likely performance, the better placed it would be to succeed in an arrangement such as a PPP.

"You have to know what you are after. Developing your models lets you develop your contract [with government]."

Mr McCarthy said too many people focused on the costs of the construction phase in capital projects and too few thoroughly examined ongoing operating costs.

"People tend to think more about the building. It's a sort of 'build it and they will come' approach," he said.

"But the building doesn't provide services until it's operational. It's the operational side you need to focus on."

He cited cleaning as an example of the need to accurately scope a project's ongoing needs. "Most people buy cleaning because it's required. But do they really need to clean to a certain standard?"

He said the answer would affect not only how much an organisation paid for cleaning during a project's lifetime, but how it procured and monitored its cleaning services.

Mr McCarthy said modelling variables "25 or 30 years" into the future was essential before entering a PPP.

It could help identify variables, such as potential spikes in fuel and energy costs, that would affect the viability of PPPs like road tunnels or toll roads.

Once variables were identified, a decision could be made on whether the commercial organisation or its potential government partner carried the associated risks.

Mr McCarthy said if the issue of who shouldered the risk could not be resolved, it gave the partners the opportunity to abandon the PPP approach before future complications arose.

"The task [of modelling] can seem very daunting, but it really isn't. There is a lot of specialised software that can do it," he said.

Potential directors - "Do your homework"

A professional company secretary says anyone considering assuming a directorship or other senior post in any organisation should acquaint themselves fully with its corporate governance record and practices.

Bill te Kloot told an RMIA Qld Chapter meeting that people serving in not-for-profit (NFP) organisations needed to be particularly scrupulous in meeting their obligations as executives or directors.

Mr te Kloot, company secretary for mobile telecommunications company the Vita Group Ltd and Delco Australia Pty Ltd, a subsidiary of a Malaysian resources company, said many in the NFP sector frequently had "little or no knowledge of corporate governance".

He said publicly listed companies could have a range of corporate governance instruments, including a constitution, a board charter, an audit committee charter, RM policies, a code of conduct, complaints-handling policies, and share-trading and shareholder communication policies. "Most companies need some or all of them," he said.

"It's one thing to talk about corporate governance in publicly listed companies, where it's pretty much compulsory.

"But out there in 'NFP land' and smaller private companies is where the problem is."

Mr te Kloot said in his career he had served on the board of a rural industry organisation where directors were mainly farmers. "In a case like that it is incumbent on the company secretary and CEO to educate [directors] in corporate governance." Some NFP peak groups provided such training.

Mr te Kloot said anyone considering serving on a board needed to closely scrutinise the organisation. "You really have to have a good hard look at how it's run," he said.

"You need to know who its directors are, who the CEO is, and find out something about them. You should also look at the [organisation's] accounts and see how efficient its record keeping is, especially board papers and minutes."

Failure to maintain adequate RM and corporate governance records was a common pitfall. "A lot of people manage risk but don't document it well."

He cited Vita Group's operation of Telstra Shop outlets as an example.

"[Vita Group's] relationship with Telstra is one of the biggest risks needing to be managed, and managed every day. So it's important we document that for the board."

Mr te Kloot said good documentation could protect a company and its directors and managers if things went wrong. "In this day and age you need to be able to demonstrate what you have done, to have done it properly and that all your risks are covered."

Mr te Kloot said a corporate governance regime was useless if people in charge did not meet basic standards of corporate behaviour.

"Before you start talking about rules and processes for corporate governance there are some essential qualities directors and managers need.

"They are integrity and probity and an understanding and acceptance of their fiduciary duties. You can have all the rules and processes, but if you have people [without those qualities] running the company, you will have problems," he said.



Bill te Kloot

CPRM profile

Employer's attitude makes job easier

Andrea Kanserski, CPRM, says the attitude to RM by her current and previous employers has made her job a lot easier.

Ms Kanserski is the Brisbane-based national risk manager for claims manager Gallagher Bassett, where she also is responsible for the company's fraud management program and insurances.

One of the biggest positives in her job was that compliance and RM principles were "fully endorsed and supported" by Gallagher Bassett's senior management and directors.

"Many risk managers are always whinging that they don't have the support of their board and how hard it is to do their job. But this company is different. The concepts are embedded throughout the organisation."

Ms Kanserski, who took up her position last November, attributed much of her good fortune to predecessors who had put considerable effort into achieving such widespread acceptance.

"It means my job has been more about making sure there is a proper structure that's aligned with the way we do business," she said.

"My role is to put in a risk framework and make sure it's clearly understood, and to make sure we have good reporting and monitoring through the company so our risk information informs the way we make business decisions."

Before joining Gallagher Bassett, Ms Kanserski spent 10 years working for Blue Care, which operates home-nursing services, retirement villages and nursing homes throughout south-east Queensland.

There she performed various tasks, including managing one of Blue Care's aged-care facilities before taking up a job as the organisation's corporate risk manager in 2003.

"Blue Care is the biggest aged-care provider in Australia and has 10,000 employees," she said. "It was quite a challenge, setting up the risk management structure and framework and then making it operational."

Again she was fortunate to work for an organisation that had a progressive view of audit and compliance.

"I had some great mentoring support from Blue Care's internal audit manager and fellow CPRMs and that is something I try to give back to new risk practitioners entering the field."

Ms Kanserski migrated to Australia from Germany with her family in 1974. They settled in Victoria and she eventually undertook nursing studies at Royal Melbourne Hospital — she proudly declares she still holds her nurse's registration — and later worked in the community health and acute-care sectors.

Ms Kanserski said achieving her CPRM in December 2006 was a highlight of her career so far. She has since been asked to sit on CPRM assessment panels, so has seen the process from both sides.

"That's really interesting, seeing people coming through who want to be a CPRM and getting to see all the process. It's also good to see it's a very robust process. It's fairly stringent and should not be taken lightly. People really have to make the effort to sell themselves and their skills.

"People who come through the assessment are not guaranteed of achieving certification and that's always hard. But, at the end of the day, CPRM has to mean something."

Ms Kanserski said the CPRM process was an opportunity to meet and learn from other professionals. "It's a good forum to talk with your peers in other industries," she said.

Ms Kanserski has been married to her husband, Michael, since 1985 and they have three daughters, Annika, 21, who is studying to become a teacher; Martina, 18, and keen to work in hotel management; and Vivien, who is in year 10 and yet to settle on a preferred career.

Ms Kanserski described the past 15 years as "a transition" period in which she progressed through jobs involving audit and management, and education and training.

Her transition also involved a move with her family to the Gold Coast in late 1994 where Michael now works as a building compliance officer with Gold Coast City Council. "We are a compliance and audit family," she jokes.

On spare weekends, she and Michael point their four-wheel-drive to a national park and head off camping. "We love camping. Every chance we get we like to get away with friends."

Another favourite activity is to ride with Michael on their jet ski across the Southport Broadwater for breakfast at Tippler's Resort on South Stradbroke Island.

At work, Ms Kanserski wants to help Gallagher Bassett realise its growth plans. "My job will be to support the company in that direction, and I'm very happy in that role," she said.



Michael and Andrea Kanserski, with daughters, from left, Martina, Annika and Vivien.

Prepare plans then practise them

An expert in emergency and crisis management says a business-continuity (BC) plan alone is not enough.

Robert Kilsby, Brisbane principal of national crisis training and response consultancy Truscott Crisis Leaders, said that, to be effective, BC plans needed to be practised regularly through exercises or simulations.

He told a Queensland Chapter meeting that developing a BC plan was only the starting point.

"A BC plan is really just a way to toughen up your business and make it more resilient.

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"It's up to each business to figure out how tough they want to be and what risks they are willing to take," he said.

But it was not enough to talk about, or even develop, a BC plan. Plans needed to be "prepared, planned, and practised".

"Too many businesses have a talkfest about BC planning, but three days later nobody can remember what they talked about," he said.

"Many companies have plans, usually fat ones, that no-one ever looks at. They think they have done the necessary work because they have a plan.

"But it's people who are the real issue. People remember what they experience.

"So when you are training your personnel you have to make them experience something, otherwise they won't remember it."

Mr Kilsby said BC exercises should be undertaken regularly to take account of staff turnover, changes in government regulations or major changes in the way a firm operated, including moving to new premises or a business acquisition.

BC exercises should always involve an independent third-party assessor. "You need to have an independent viewpoint that is offered without fear or favour," he said.

RMIA Update

By Grant Whitehorn, RMIA National President



SETTING RISK STANDARDS

RMIA continues to provide leadership internationally in the development of risk standards. At its most recent board meeting, RMIA confirmed its support for working parties to continue this leadership role by approving travel and accommodation for Ray D'Angelo, Dennis Goodwin and Kevin Knight, CPRM, to travel to New Zealand to continue their work on the Standards Australia/Standards New Zealand Joint Technical Committee OB/7 - Risk Management, and for Stephen Walker to continue his work on OB/7-Risk Management Working Group on Management of Risk in Education.



NEW MEMBER SERVICES INITIATIVE

It is not just members outside the CBD who cannot always get to key RMIA seminars. To assist all members to have access to information more easily, RMIA is offering, as a trial, a dual initiative around industry leader Kevin Knight's presentation on ISO 31000.

The presentation will be available via webstream from www.rmia.org.au or you can order a DVD for \$30 (+ GST + postage and handling). Email eventadmin@rmia.org.au.



IN-HOUSE TRAINING AVAILABLE

RMIA's Fundamentals in Risk Management workshops have been so well received they have generated a demand for in-house presentations. Please contact Education Manager Denise Kafkalakis on education@rmia.org.au if your organisation would like to organise a workshop for staff.

The success of the first and second series of Fundamentals of Managing Risk workshops has prompted RMIA to schedule another in Melbourne on October 22-23. Feedback from participants in the first and second series has been excellent.

PROFESSIONAL DEVELOPMENT OPPORTUNITIES AT RMIA 2008

This year RMIA is offering five additional professional development opportunities on November 19, the day after the RMIA conference ends.

The November 16-19 conference, themed Risk Management: Developing Business Opportunities, is in Perth, WA.

The professional development workshops/seminars cover five specialist areas:

- Risk management in local government
- Security risk management – what skews the risk communication process?
- ERM – from concept to implementation
- Critical infrastructure risk in the Australian water industry
- Understanding the implications of self insurance in the global context

High-calibre, specialist speakers will facilitate each of the workshops, giving participants an opportunity to broaden their skills and knowledge in their specific field.

The workshops and seminars are bookable separately from the conference. However, RMIA has agreed to offer registrations at only 50% of the fee for full-time conference registrants.

Seminar and workshop participants will gain first-hand knowledge of the most critical risk issues facing them in their field and learn key initiatives that will help to improve the overall appreciation of the impact of current and future risks emerging from the global risk landscape.

For more information, go to www.rmiaconference.com.au or email events@rmia.org.au.



SRMBOK AVAILABLE AT DISCOUNTED RATE

The Security Risk Management Body of Knowledge is a document that obviously focuses on security RM, but its content covers pure RM and it is an invaluable general resource for any RM practitioner. RMIA is currently offering the SRMBOK at a discounted rate of \$187 (including GST). To obtain your copy, email SRMBOK@rmia.org.au or go to www.rmia.org.au to download an order form.

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