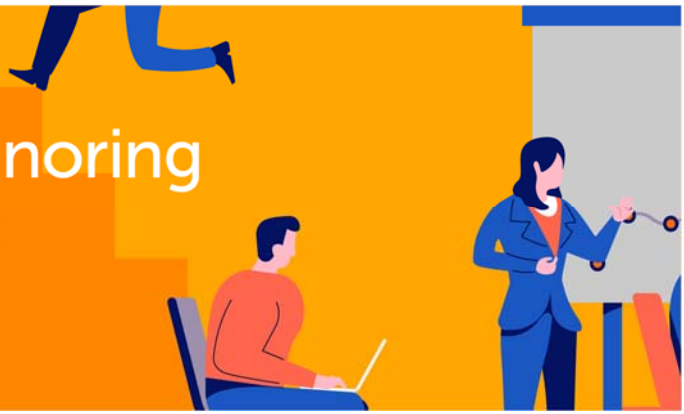


Podcast:

The risky business of ignoring diversity and inclusion:

An interview with Debby Blakey,
Chief Executive Officer, HESTA



Season 2. Episode 4

The risky business of ignoring diversity and inclusion

We've all heard leaders talk about diversity and inclusion, but are we making meaningful progress?

Hello, and welcome to our podcast ...

Transforming business with MinterEllison: ideas and challenges that are shaping our future –

The business case for diversity and inclusion at the top of our corporations has been soundly made, and plenty of leaders have issued rallying cries to do better...

But many boards and executive teams in Australia remain predominantly male, middle-aged and of Anglo-Saxon descent.

The voices of investors have joined the chorus for change – including our industry superannuation funds. They've sent a clear message to corporate Australia that investment decisions will be influenced by performance on diversity and inclusion and broader ESG issues.

When it comes to these matters, actions speak louder than words. So, the million dollar questions are:

- Can things really change?
- Will Australia's leaders make good on their promises?
- And how can we make sure that today's diversity commitments deliver a sustained impact tomorrow?

To explore these questions – and more – we caught up with Debby Blakey CEO of HESTA, a superannuation fund for those who provide health, education and community services.

And who better to conduct this virtual interview, than MinterEllison board member and workplace partner Amanda Watt, who offers a wealth of experience in workplace strategies and law.

Amanda Watt

I was going to start by obviously talking about the HESTA Super Fund, which has \$52 billion in assets. As an investor, you have a very strong voice, and what I'd be interested for you to talk about now is; what you see as the ESG drivers of shareholder value and how you think diversity and inclusion features in those drivers.

Debby Blakey

Thank you Amanda and lovely to be part of this discussion and on such an important issue. First of all to be very clear, I think it's important to acknowledge that as a Super Fund, our purpose and our focus is on maximising returns for members. It's very important to give that context to all of the work we do in terms of environmental and social factors. And as an investor, given that focus in the way that we invest, we do work constructively with boards and with management to protect and to enhance the long-term sustainable value of the companies we invest in. And important also to acknowledge that, our timeframe is long, we are a long-term investor, because people have invested in super for 20, 30, 40 years. And these environmental social governance issues, can play out very significantly over the long term, and I think that's why it gives us such a deep interest as an investor.

So the issues are very broad and quite honestly they evolve. I think they evolve to some extent in terms of society's expectations. They evolve to some extent with respect to social license to operate. But diversity & inclusion is a very big part of that and is also the core of who we are at HESTA. The fact that over 80% of our members are women, the fact that our members care about these issues. But also, to be really frank, the fact that there is an enormous body of evidence, that these issues matter in terms of company performance. And I look forward to talking more about that.

Amanda Watt

That's a lovely segue Debby, to my next question, which was... I think lots of people consider that gender diversity is a soft skill and it's a non-financial risk. From listening to you I'm going to guess you think it's a financial risk? Can you tell us about what informs your view on that issue?

Debby Blakey

That's a great question. There are so many dimensions to the impact of a lack of diversity in leadership, and not having that diversity I think it does expose a company to financial risk. And I'd love to talk around how we get to that conclusion. I think it goes to the core of culture and a lack of employee engagement, the inability to attract and retain amazing talent. In particular, the talent of the future. It's not just the talent of today, it's the talent of the future. I think it also goes more broadly to societal expectations. But all of these factors can detract from the long-term value of companies, and the long-term value creation. And so, we do look at gender diversity very much as a financial risk. I think this is emerging thinking globally, that there is such a great body of evidence, that really, we do want to turn our thinking to this as a financial risk.

There's probably just one piece I will say. I'm obviously not going to rattle off 10 different pieces of research. But there is one I will refer to and it's the Bankwest Curtin Economics Centre and Workplace Gender Equality Agency Research, which actually reveals that profitability, performance and productivity increase under diverse leadership. And they actually quantified it.

They actually identified the uplift in terms of market value, that diversity in leadership brings. I think that's very important for us to have those sound research pieces. That in a sense, we can draw a line in the sand and say, "This is a financial issue." And if I may say, thinking more broadly about the future, COVID is giving us an incredible shift in this area. It is about the future organisations, the future success. Organisations that will be resilient, adaptable, able to adjust to a changing environment. Our thinking is that diversity in leadership will set organisations up more strongly in terms of that shift.

Amanda Watt

Debby, I know you're a person who puts your money where your mouth is, and HESTA has recently announced the 40/40 Vision Program, which is about improving diversity at the executive level of ASX listed companies. And in fact, MinterEllison strongly believes in that as well, we have a similar goal and I'm really pleased to let everyone know that we have a 33% female partnership globally, which is great. This program is about structural change. And so, what I wanted to ask you was: how do organisations embed diversity and inclusion, programs and goals, such as the 40/40 vision program, so that we can sustain improvements in diversity over the long term?

Debby Blakey

Amanda, first of all, congratulations to MinterEllison. I just think it's fantastic to see you having that goal, but also the incredible success you are having in terms of that drive. So really congratulations from all of us at HESTA. We have this 40/40 Vision Program, it is a very exciting program of ours, and it is aimed to achieve gender balance of ASX 200 companies by 2030. So a few things to talk about.

First of all, it's actually an investor-led initiative. And I think that's very important. And it has the support of very prominent investors and in fact, representing over \$4 trillion in assets under management or advice. So it is very significant, the support that the program is given. And it goes back to that issue of seeing lack of gender diversity as a key financial risk. And that's why this large group of investors are prepared to get behind this. But from a structural point of view, I think the first thing that is really important is for investors like HESTA to use our voice in support of that structural change.

Because if this transformation is not led and put on the table very strongly by investors, I'm not sure who's going to do it. There are companies that are doing amazing things. So you've spoken about MinterEllison, but there certainly a lot of companies that are not. And I think this issue has been on the table for far too long, and this is our opportunity to have a target and to actually see companies supporting it and actually developing their own targets. So part of it is actually calling on companies to set interim targets for 2023 and 2027, and to report their progress against those and report that transparently.

I think the structural change, first of all; it's about having the will to do it, bringing that focus through the support of all these investors. And then bringing that accountability framework for companies to report their own progress. And we do understand this is different for different companies. Different companies have different challenges in terms of how they deal with this. So, we're not being prescriptive in how they do it, but we are asking them to be accountable in terms of their focus.

Amanda Watt

Just listening to you then Debby, and I've observed this in corporate Australia, it really is important, isn't it, that there is a big momentum now towards corporate Australia being transparent about how they are leading in their workplaces, when they've got problems calling them out and what they're doing about it, because that's the accountability, isn't it?

Debby Blakey

Amanda, that's a great observation. I totally agree with you. There is the shift. I think some of the things we've seen over the last year, some of the poor behaviour or lack of transparency has really brought this to the fore. And I think it also goes to the alignment of words and actions. As an investor, we rely so significantly on the disclosure of companies, we read gender reports, we read reconciliation action plans, and we rely on those to identify what the companies are doing. So when we find a gap between what they have disclosed and what they're actually doing, that obviously is a very significant concern to us. I think you're right, that the bar has been raised in terms of transparency, but also really in terms of that potential credibility gap between what companies publish as their words and what they actually do.

Amanda Watt

And I think that probably leads into the next topic I'd like to raise with you, which is about the quality of our leadership in this country. Because I have a strong view that, if we're ready to unleash the potential of our people, so they can bring their best selves to work every day, we need inclusive leaders who can create psychological safety. So, I'd be really interested in your comments, on the attributes of leaders at board and executive level and how those qualities are needed to engender safe, diverse and equal cultures.

Debby Blakey

Look, I think it starts for me with awareness. And I say that because I think it's important, self-awareness, but it's definitely organisational awareness. And actually, being aware of where we are supporting and contributing to an inclusive culture, but also very importantly being aware of where we're not. What are the practices of our organisations? What are our barriers? And actually, this can be quite difficult. It can be quite uncomfortable. And if I speak personally about HESTA, we have a very deep commitment to gender diversity, to broader diversity and to inclusion. We've had very strong gender diversity at an executive of our board level for very long time. But we still have to find the heart and the will to stop to pause and to question, what are the practices? What are the ways of working at HESTA that don't support that inclusion, don't support that psychological safety, etc?

So I think that's the first thing is really good self-awareness and being prepared to drive a culture of self-awareness. I think another one for me is courage and the need for courageous leadership, and the ability to call out the behaviours and ensuring that you have such a strong commitment to the right behaviours in terms of diversity and inclusion and being prepared to call out the people who don't support that. I think sometimes organisations get themselves into trouble where, there are people who are known to do the wrong thing but are kind of ignored. And I think that tolerance of inappropriate behaviour is very significant.

And the last one I would mention, I think, is being very purposeful. And that's actually the work of 40/40 Vision. I think it's about leaders who understand that this is not something that just happens. This is something we have to be focused and purposeful about every day: that we are supporting inclusion, that we look around our workplaces and are saying, "Where are the gaps? Where are the issues that are the sacred cows? What are the things that we can bring to the fore in terms of having a far deeper commitment to inclusion?"

Amanda Watt

I think those are really important comments that you've made there, Debby. And I think another phrase I would use there is: the importance of leaders being role models. The ability of people to look up and see who they want to be. And I think then when people will say, as you're saying, leaders calling things out or not letting it pass them by, it gives that psychological safety to others, not to just be bystanders doesn't it. And I think that just builds that whole momentum of having a better workplace.

Debby Blakey

It does. It really does. I totally agree with you. And I think in the hurly burly of life, when leaders are also so busy, we need to build time in to reflect on this because you're absolutely right. People are watching leaders all the time. So be thoughtful about what you are projecting and how you are going as a role model. I think that's really important.

Amanda Watt

And you've just prompted me then to think about - that people are watching the bad behaviour, aren't they? And so when that's not acted on, or if it's acted on badly, I think sometimes leaders forget that's having an impact on the other good people that are around watching as well. So it's not just isolated to that particular incident. It's actually that it reverberates. It has an impact.

Debby Blakey

It does reverberate. I totally agree. And if I think of the leaders who are doing well and the leaders who are not, something I find quite interesting is, obviously we have amazing leaders in Australia. Many of whom are so committed to inclusion and so committed to having the right culture. But I think what is interesting is that there doesn't seem to be anyone left anymore who speaks out publicly against diversity.

So everyone is a believer. And I think what we see emerging sometimes is, in a sense, passive aggressive behaviour, where although people might publicly support it and pretend that they're on board, their behaviour is in that passive aggressive way undermining. And I think we need to really be calling that out. I personally feel that's the challenge for the next chapter, now that everyone is supposedly a believer to be really calling out that lack of alignment, as you say in terms of what they're doing.

Amanda Watt And that probably also leads us onto the next topic I wanted to talk about, which is, as a workplace lawyer over many years, I've seen how power imbalance at the top contributes to how sexual harassment occurs. It's how it's viewed and how it's managed. And I believe that if there was greater diversity at the top of our organisations, the extent of sexual harassment and our response to it would be different. So I'm interested in your views on this topic, Debby, and I might invite you to comment now, and I'll ask you a few more follow-up questions after that.

Debby Blakey Amanda, I totally agree with you. And I think the power imbalance at the top is certainly exacerbated by lack of gender equality in leadership. And power imbalance contributes so significantly to negative workplace cultures. I think we know that. And in those negative workplace cultures, I think sexual harassment and misconduct is often not only tolerated, but sometimes even perpetuated. And this does have such a broad impact in terms of being able to attract and retain amazing people. And of course, that means it becomes such a vicious cycle. Because you're battling to retain the right people, and you hence have the wrong people going into leadership roles in terms of tolerating bad behaviours.

Amanda Watt And I think too, Debby, what's sometimes forgotten is the massive impact of sexual harassment to productivity and also the wellbeing of our people. Because in my experience, in the case of egregious sexual harassment by senior people, a person, when they complain, that's often really them at the end of their tether. They have really often endured it for a long time because they really just want the conduct to stop and they don't want their career to be impacted. So by the time you have a complaint, you have someone who's often very damaged by the conduct.

And if you think about it, when they're sort of steeling themselves to come to work every day, not knowing what's going to happen, their ability to be productive and innovative is really lost because they're in fight or flight mode for that time. So I think a conversation in Australia acknowledging the real personal impacts and also the impacts on the people watching as we've talked about before. And the consequences for our businesses and productivity, is a really big issue for this country. I'm heartened to see investors and the community calling for change.

Debby Blakey That's very insightful actually, Amanda, I think it's so important to stop in situations like this and also just reflect it's people's lives - people's lives that have changed so dramatically and the enormous responsibility we have as leaders to ensure that these things are not happening. And I think leaders in our organisations, but also from HESTA's perspective, investors in those companies.

Amanda Watt So I'd like to tap into your network now. As a leader you talk to lots of other leaders. So when you're talking about the importance of diversity at board and C-suite level, what are they telling you about the barriers to improving diversity?

Debby Blakey

I think there are two categories. If I can talk broadly, I think the first, I call them the mythical barriers, the things that traditionally were put up that were barriers that I really think we just have to discount completely. I mean, first of all, sometimes a very limited and restricted definition of what leadership is, that we look for leaders who are - particularly in technical companies where the thinking around the skills and attributes of good leaders is so limited – that I think it really limits the pool of talent. And quite honestly, I think it limits the progress and success of the company. I think the other one worth mentioning, and probably not said, is just a general view that if you're in very senior leadership and organisations, you need to be available to be in the office behind a desk 24/7.

And of course, one of the things we love about COVID, is that it has completely shattered that. Because some of the biggest, most successful global companies have been led by people working in their dining rooms. So I think that it's so good in this post-COVID world. And so exciting actually that we now are going to talk about the real barriers rather than these very mythical barriers that I just don't think actually ever were real barriers.

The barrier I think is most significant is actually mindset. And having a very rigid mindset about capabilities, about leadership, about experience, about how we work, about what we reward. I think that limited mindset is the biggest barrier. And I think what's needed is a very expansive growth mindset about the future of the organisation, about the leadership we need for that future. And actually, we are thinking more deeply about that at HESTA.

If there are companies in Australia that have really not embraced the benefits of gender diversity at leadership level, they have no interest in meeting and embracing that and changing their ways. We actually question how those companies will be successful in the future, because I think society's expectations have shifted - the expectations of investors, customers, consumers have shifted. And if we think of what's needed for future success, I would question, if that companies that have been so lacking in adaptability in such a key area, would have the necessary resilience and adaptability for the future. So, I think it's really for us the major thing – and we do hear a lot from other leaders about this – is around mindset.

Amanda Watt

When you were talking then I was thinking how important it is also for leadership to listen to its people and invite their ideas and innovation, which I think COVID also taught us because that top down approach is just not going to do it anymore. Isn't it?

Debby Blakey

Yeah, Amanda, I think that's such a great observation. I think that's one of the things that we really are reflecting on around what COVID has done in terms of flattening organisations and bringing voices to the fore. It's very interesting in this very virtual world of gathering in Zoom meetings rather than in person and what it has done in terms of lifting voices across organisations. So, I'm really excited about the opportunity that gives us to continue that. And internally in our organisations, work out how we celebrate and keep that inclusion. And I think as investors, there are conversations with other organisations about the shift in culture, through this lifting of voices that you talk about. It's actually very exciting for the future.

Amanda Watt

Debby, you talked earlier about the fact that – of your 870,000 members – 80% are women. What do you learn from your members about the challenges that women face in fully participating in the workplace? And what levers are necessary to overcome those challenges? What are they telling you?

Debby Blakey

Amanda not only are over 80% of our members women, but of course, as the fund for health and community sector workers, there is so much we can learn from our members and really, especially during the last two years probably. But their stories are such an inspiration to us, and they are at the forefront in terms of dealing with deep social issues. I mean, a good example is the bushfires, where, of course, in the community and the health sector, they've been at the forefront in dealing with the fallout. And of course, COVID where they have been at the forefront in dealing with the pandemic. But I think it does give us at HESTA such a sense of our responsibility to advocate and support them to have a better financial future; and really the future that they deserve in terms of spending their career caring for others.

So, we do have a strong responsibility to use our voice. We talk about ourselves as 'gutsy advocates' on behalf of our members. And I think it does go to looking at some of the structural issues that actually make it very difficult for women. So just as an example, I'm sure you're aware of the significant gender gap in retirement for women in Australia, and that currently women retire with about 40% less super than men. So these are very significant issues. And I think it's good to unpack what is behind this? What are the building blocks we could address? And I think there's some really key ones, for example, quality and affordable childcare. So there's some very key issues that our members are very thoughtful about and we can get tremendous insights into improving their lives, but very importantly improving their financial outcomes.

Amanda Watt

And I can't agree more with how important that is because I know there is research, which has been around for quite some time now I think. Women in general tend to live longer than men. And really without that financial security, we're really asking more than the 50% of our population, a lot of them, to live in poverty when they're at their most vulnerable at the ends of their lives. So I just really applaud the work you're doing in that space. I think it's so important.

Debby Blakey

Thank you, Amanda it is important. It's also good to reflect that I think we have such an amazing super system. There's actually a piece of global work by the Mercer CFA Institute Global Pension Index, which rates the systems of 39 countries and Australia actually comes in fourth. We're only beaten by Denmark and Netherlands and Israel.

So, we have this incredible pension system, but we do see this issue of gender and the different experience between men and women in terms of their outcomes in retirement as almost the unfinished business of our system. And we would love to see reform because you're absolutely right. The vulnerability of women in their later years is very concerning for us as a country. And we believe there are system changes that we could use to address that.

Amanda Watt

I'd like to finish up by asking you whether there's anything else you'd like to say? You've talked a lot about COVID and the opportunities it has presented to us. It's not all been bad. Is there anything else you'd like to comment on before we close today?

Debby Blakey

Amanda, that's a lovely broad question. Look, first of all, just thank you for this opportunity. I love the network of people across Australia, in particular women, who are bringing such strong voices on this issue and I really value this opportunity to add my voice to the incredible conversations that you are having and that you are driving.

I guess, for me, the final thing is: We have an opportunity over the next decade to make the 2020s, this next decade, to be life-changing in terms of how we embrace diversity, how we embrace inclusion and how we actually become one of the global leaders. I think we have an opportunity, as such an incredible country, to really deal with these issues, put them at the forefront and let's move the agenda forward and really make a difference for the lives of all Australians and all Australian women.

Amanda Watt

Thank you for being an inspiring leader. I'm very grateful and thank you so much for your time today. I've had the best time. Thanks Debby very much.

Debby Blakey

Thank you, Amanda.

That was **HESTA CEO, Debby Blakey** in conversation with MinterEllison's **Amanda Watt**.

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And goodbye for now.

