Governance News

COVID-19 Special Edition

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Contents

Boards and Directors

Stumbling block to embracing ESG? Study funds Fortune 100 boards generally lack ESG expertise, including climate expertise

Building on prior research which found that many directors lack understanding of ESG issues – for example, one study found that only 38% of board members think ESG issues have a financial impact on a company - NYU Stern's Center for Sustainable Business analysed the individual credentials of the 1188 directors of Fortune 100 companies (based on Bloomberg and company bios) to assess the extent to which directors have the necessary expertise to effectively oversee the management of ESG issues.

The headline finding is that many companies facing material ESG challenges have very little relevant experience on their boards.

Key Takeouts

- Overall, less than a third (29%) of directors had relevant ESG credentials.
- Closer analysis of this group showed that when environmental, social and governance credentials are considered separately only 6% of directors had relevant environmental ('E') and/or governance ('G') credentials, while a higher proportion (21%) had relevant social ('S') credentials.
- The study found that 'S' credentials most often were connected with supporting an increase in the proportion of women in executive and board suites. Other material 'S' issues eg human rights, benefits and/or safety had 'negligible board member representation'.
- In the 'G' category, only eight of the 1188 directors included in the study had relevant cyber/telecom security experience/credentials. An even smaller number had relevant experience/credentials in other 'G' issues eg transparency, corruption or ethics.
- The study found that even in industry sectors with significant ESG challenges (determined using the Sustainable Accounting Standard Board (SASB) categories) the proportion of board members with relevant expertise was low. For example:
  - In the Financials: insurance sector, only 11 of 148 directors had relevant environmental credentials, despite the scale of challenges facing the industry
  - In the Consumer Discretionary: Consumer Durables and Apparel sector there were zero board members with environmental credentials despite the sector's large energy, waste and water consumption.
  - In the Health Care: Health Care Equipment & Services sector, only 3 of 120 board members had environmental credentials.

How to address the issue?

The authors recommend several remedies to raise the level of ESG capability on boards and to 'bring boards along with the ESG revolution'. These include (among others):

- Taking into account stakeholder concerns: Boards need to have an understanding of the perspectives of 'critical stakeholders' (eg workers, long-term investors and 'civil society') and ensure that their concerns are taken into account.
- Lifting board capabilities: Diversify the board to include people with expertise in material ESG issues. In suggesting this, the authors make clear that these new directors 'do not need to be climate change scientists or cyber security technicians', but rather need to have a strategic understanding of the issues. .

[Sources: Harvard Business Review 21/01/2021; Whelan, Tensie, U.S. Corporate Boards Suffer from Inadequate Expertise in Financially Material ESG Matters (January 1, 2021); PwC 2020 Annual Corporate Directors' Survey]

Institutional Investors and Stewardship

Strengthening investment stewardship in Australia – the case for issuing one, unified stewardship code that applies to all institutional investors and their service providers

A recent article - Australian Investor Stewardship and Global Themes in Stewardship Regulation - in Company and Securities Law Journal explores emerging themes in international best practice in asset stewardship and assesses the extent to which Australia's two voluntary stewardship Codes have kept pace.

Ultimately, the author concludes that Australia's Codes are 'out of sync' with global trends and that thought should be given to replacing them with a single unified Code, overseen by a regulator (possibly the Financial Reporting Council).

Seven global themes

The article identifies seven global trends or themes in the evolution of investment stewardship based on analysis of the development of the 2020 UK Stewardship Code and the extent to which recent revisions reflect/diverge from the European Shareholder Rights Directive II and the ICGN Global Stewardship Principles.

The article then compares each of these themes with the content/approach in each of the Australian Codes – the Financial Services Council's Principles of Internal Governance and Asset Stewardship (July 2017) (FSC Code) and the Australian Council of Institutional Investors (ACSI), Australian Asset Owner Stewardship Code (May 2018) (ASCI Code) – to determine the extent to which they have each kept pace with current thinking.

The table below provides a brief, high level summary of each of the themes and the author's observations about the Australian position.

GLOBAL THEME	AUSTRALIAN CODES
'Responsible investment' is a key focus: A key global theme that has evolved since 2012, is the express inclusion of investment decisions and activities as a 'distinct aspect of stewardship activities' and the incorporation of ESG concerns as part of those activities.	▪ Despite the fact that both the FSC and ACSI support the incorporation of ESG considerations into investment decisions and activities, and despite the fact that 'adherence to responsible investment practice seems to be the norm in Australia' the FSC Code leaves the inclusion of ESG factors into investment decisions 'completely open'. ▪ The article suggests that if 'the higher standard is already employed by asset owners in their selection of appropriate asset managers, it ought not be a major burden to bolster the stewardship responsibilities of asset managers toward a firm principle of responsible investment'.
Beyond equity: The article suggests that as a 'natural consequence of the shift towards including responsible investment as an essential element of stewardship' there has been a shift over time toward the inclusion of asset classes other than equity in the stewardship context. This is viewed as a positive in that it acknowledges 'the many other asset classes owned by institutional investors on behalf of end beneficiaries that would trigger stewardship duties'.	▪ In Australia, the two stewardship codes follow different approaches. ▪ The article takes issue with the fact that the ACSI Code only applies to equity holdings in Australian listed companies, which include passive investments. ▪ The article argues that 'This limitation of applicability to listed equity is out of sync with the evolved role of stewardship. The focus is no longer solely on rectifying imbalances in governance that occurred because of agency problems that result from a separation of ownership and control. More and more, stewardship takes on the form of steering the decisions of the institutional investor prior to investing in a responsible manner. This role of stewardship applies regardless of the type of investment considered. Additionally, engagement outside of the exercise of voting rights

GLOBAL THEME	AUSTRALIAN CODES
	has received renewed emphasis, meaning that previous restrictions to equity are no longer apt'.
'Apply and explain': The 'apply and explain' approach to compliance with a Code means that signatories agree to be bound by all the principles in the Code. It is left open what methods they deploy to do this (though guidance is provided in the Code). The article argues that a shift to an 'apply and explain' approach to Code compliance, while 'not yet the norm' - for example, the ICGN Global Stewardship Principles still use a comply or explain or 'if not, why not' approach - may be a 'theme that is starting to emerge'.	▪ In Australia, both Codes apply on a 'comply or explain' ('if not, why not') basis and the extent of compliance is not necessarily clear/helpful. ▪ The article suggests that a move to 'apply and explain' would be preferable. 'The guiding question in each jurisdiction ought to be whether there is widespread agreement among institutional investors about the minimum principles that they adhere to in their stewardship activities. If so, there is no reason why a move to apply and explain should not follow'.
Continuous engagement with investee companies: Broadly, the article argues that engagement in the broad sense, as a component of stewardship, 'seems to be more emphasised as a strategy' now than it has been in the past (despite criticism of its limitations as governance monitoring tool).	▪ In Australia, the two Codes 'apply different levels of attention to engagement' with the ACSI Code taking a comparable approach to the 2020 UK Stewardship Code. In contrast, the article argues that the FSC's approach is 'undercooked'. . ▪ The author argues that the 'disjunct coverage of engagement ought to be addressed'.
A public duty? An expectation that investors identify and respond to market-wide and systemic risks: The article observes that outside Australia, there are signs that investors are to beginning (to some degree), to be expected to identify and respond to market-wide and systemic risks – that there may be a move toward viewing investors as owing an 'extended stewardship duty towards the greater public'.	▪ The article observes that as yet in Australia the debate over whether investors owe a broader public duty 'is avoided all together'. ▪ The article suggests however, that if the current debate about the purpose of a corporation 'is settled on the side of a social purpose' then it would: a) 'strengthen the view that institutional investors ought to use their investment power to advocate for policy reform that would benefit their beneficiaries'; and b) lend strength to the argument that investors should monitor for wider risks to the financial system. ▪ The article suggests that if it is accepted that investors owe a stewardship duty towards the public, then it would be appropriate that the duty be overseen by a regulator (rather than by associations).
Determination of the needs of clients and beneficiaries: A key theme to emerge in the 2020 UK Stewardship Code is the expectation that signatories actively seek out the views of their clients and beneficiaries and disclosure how their stewardship and investment activities to meet these needs.	▪ The focus on the needs of clients and beneficiaries in the ACSI Code is less explicit. ▪ However, that author considers that when read in 'totality, it emerges that the Standard does require of members to act in the interests of clients and in accordance with their stated policies, which implies that there must be a clear view of the needs of the client. However, it would have been preferable if this was simply stated as a fundamental principle'.
Service providers are subject to stewardship principles: Globally, to a greater or lesser extent, there is acknowledgement that service	▪ The article concludes that 'Australian Codes are currently out of step with the approach elsewhere when it comes to expressly including service providers as subject to stewardship principles'.

GLOBAL THEME	AUSTRALIAN CODES
providers (eg proxy advisers) play a role in the development and implementation of the stewardship policies of their clients and that they may assume stewardship responsibilities in the course of their business. The article notes that there is some debate over the need for more extensive regulation of proxy advice services.	

A possible way forward?

- **Shift to an 'apply and explain' approach:** The authors concludes that the two existing Australian codes leave 'much to be desired in terms of certainty of the types of disclosure that would be effective to enable clients and beneficiaries to form a view of the stewardship activities of institutional investors'. Given that there 'seems to be some global certainty about the basic principles that should apply to institutional investors' it may be appropriate to require that they be applied universally. One way to do this is to shift to an 'apply and explain' rather than an 'if not, why not' approach to Code compliance.
- **One Code:** The existing Codes should be replaced with a new single Code for all institutional investors and their service providers. The article suggests that the new Code should:
  - include responsible investment as an 'express principle'
  - stewardship expectations should extend to all asset classes (not only equity). 'Investment in all asset classes ought to be guided by a unified stewardship code, as should the principles concerning engagement and monitoring. The limitation of applicability to Australian listed equity in the ACSI Code can simply not be defended' the article comments.
  - on the question of expecting Code signatories to act as monitors of market-wide or systemic risk, the article draws no conclusion on the basis that 'this potentially public role of institutional investors needs further research and academic discourse'.
- **Independent oversight:** The new Code should be overseen by an independent body, rather than by industry associations. It's suggested that the Financial Reporting Council would be an appropriate regulator to take on this role.
- **Enforcement:** The article argues that the UK Financial Reporting Council's 'soft approach' to enforcement should be emulated.

> 'It is stricter than before, but still allows enough flexibility to accommodate smaller institutional investors. In terms of this approach, institutions will only be listed as signatories when they have complied with the principles set out in the Code. This clearly signals to the market which institutions take stewardship seriously. Moreover, the stewardship statements of these signatories will create a best practice standard for others, which will improve the quality of stewardship disclosures along similar lines to the tiering system previously followed in the United Kingdom'.

[Source: [registration required] Natania Locke, Australian Investor Stewardship and Global Themes in Stewardship Regulation, 38 C&SLJ 28 2020]

In Brief | Aviva Investors calls on Chairs to step up their ESG focus: Stakeholder business models, diversity, climate risk, executive remuneration and board capability/accountability are the key themes of Aviva investors' annual letter

[Source: Aviva Investors annual letter to company Chairs 15/01/2021]

Regulators

Top Story | Executive remuneration, cybersecurity and climate risk among APRA's top priorities for the year ahead

Key Takeouts

- The policy and supervision priorities identified are underpinned by the four strategic goals in APRA's Corporate Plan: 1) maintaining financial system resilience; 2) improving outcomes for superannuation members; 3) improving cyber-resilience in the financial sector; and 4) transforming governance, culture, remuneration and accountability (GCRA) across all APRA-regulated institutions.
- Among APRA's key cross-industry policy priorities for 2021 are initiatives aimed at driving improvements in GCRA, including finalising and implementing a more robust prudential standard on remuneration. APRA will also focus on strengthening crisis preparedness (including consulting on a new prudential standard for recovery and resolution planning)
- APRA's 2020 supervision priorities include: a) increased focus on recovery and resolution planning and stress testing; b) more closely assessing institutions' capability to deal with emerging and accelerating risks, such as cyber-security and climate change; and c) continuing to focus on raising GCRA standards by conducting a risk culture survey and implementing a tool to benchmark and assess trends in risk culture across regulated entities.
- Climate risk: APRA plans to release a prudential practice guide by the end of the year to encourage regulated entities to better prepare for climate risks and clarify regulatory expectations. APRA also plans to develop and roll out a climate vulnerability assessment (climate stress test) starting with large ADIs.

APRA's policy and supervisory priorities for the next 12-18 months

The Australian Prudential Regulation Authority (APRA) has released two documents setting out its policy and supervision priorities for the next 12 to 18 months. Consistent with the approach taken last year, APRA says that its priorities are underpinned by the four long-term strategic goals in the regulator's most recent Corporate Plan namely: 1) maintaining financial system resilience; 2) improving outcomes for superannuation members; 3) improving cyber-resilience in the financial sector; and 4) transforming governance, culture, remuneration and accountability (GCRA) across all APRA-regulated institutions. A high level summary of some of APRA's key policy and supervisory priorities is below.

> [Note: Attachment B of the policies document is a table summarising the proposed actions/timelines for delivering APRA's policy objectives. Attachment A of the supervisory document is a table summarising APRA's supervisory activities and timelines.]

COVID-19

APRA comments that much of the planned policy and supervision work planned for 2020 was delayed as a result of the COVID-19 pandemic. That work was able to resume at the end of 2020.

Going forward, APRA Chair Wayne Byres commented that though the pandemic demonstrated industry's resilience, continuing work to strengthen the financial system to ensure it is prepared for future crises remains a priority for the regulator.

> 'The robust response to date is not a cause for complacency, but underlines the value of an ongoing regulatory program that seeks to identify risks and put in place appropriate mitigation strategies to protect the interests of depositors, policy holders and fund members. As a forward-looking safety regulator, APRA's priority is to maintain a financial system that is resilient and able to fulfil its important role in the Australian economy, whatever the circumstances. Given the continued uncertainly generated by COVID-19, APRA's proposed policy and supervision agenda for the coming period will remain responsive to the external environment to ensure it continues to prioritise the areas of greatest need'.

Cross industry policy and supervisory priorities

Maintaining financial system resilience

Across all industries, APRA will continue to progress the development of policy initiatives aimed at strengthening the resilience of the financial system with a strong focus on: recovery and resolution planning; operational resilience; stress testing; and climate-related financial risks.

Recovery and resolution planning/capability: APRA will develop a new prudential standard for recovery and resolution planning, implementing reforms from the Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018. APRA expects to consult on a new standard in H2 2021 with a view to finalising the standard in 2022. The standard is expected to be effective from 2023.

From a supervisory perspective, APRA will focus on:

- 'strengthening the credibility of recovery plans across all APRA-regulated industries to ensure that supervised entities have and maintain a credible recovery capability, with APRA's assessment of an entity's recoverability as a key input into the SRI Model assessment'
- 'ensuring that simple, credible resolution strategies are in place for more vulnerable entities across each industry'
- 'driving improvements in small ADIs' compliance with Prudential Standard APS 910 Financial Claims Scheme to ensure that entities are adequately prepared should the Financial Claims Scheme safety net be required'
- expanding recovery and resolution planning in the superannuation industry.

Operational resilience

- APRA is conducting a comprehensive review of prudential requirements for operational resilience, including consulting on new and revised standards in 2021.
- APRA plans to introduce a new standard focused on operational risk management.
- APRA plans to consult on revisions to existing Prudential Standards CPS 231 Outsourcing and CPS 232 Business Continuity Management, and guidance for entities in H2 2021 with a view to finalising both standards in 2022. The changes are expected to be effective from 2023.

From a supervisory perspective, APRA says that it is 'incorporating the lessons learned from COVID-19 into its supervisory practices to further strengthen the operational resilience of the Australian financial system'. APRA's supervision activities over the next 12-18 months will focus on:

- what impact operational changes, made by entities in response to the pandemic, have had and the effectiveness of existing contingency arrangements to protect against any risks that may have arisen
- 'The extent to which regulated entities' risk profiles reflect changes to business practices and strategy as a result of COVID-19, and any operational risk losses'
- 'Assessment of the range and concentration of service providers used by APRA-regulated entities'

Cyber-resilience

Cyber resilience remains an area of 'major strategic focus' for the regulator. As part of its Cyber Security Strategy over the next 12-18 months, APRA will:

- conduct a pilot 'Cyber Operational Resilience Intelligence-led Exercise', in concert with the Council of Financial Regulators (CFR), to test cyber resilience of Australia's financial services industry
- ask a 'small group of select APRA-regulated entities' to engage independent auditors to assess their compliance with Prudential Standard CPS 234 Information security to identify and address weaknesses in cyber practices
- continue to collect 'cyber resilience data which will be used to generate cross-industry insights on better practice examples'. These insights will be shared with regulated entities to strengthen cyber practices
- 'launch a pilot for a cyber information sharing community across APRA regulated entities to improve industry situational awareness and the sharing of technical information'

Stress testing

Building on lessons learned from recent and previous supervisory industry exercises, APRA intends to consult on new guidance for entities on stress testing in late 2021, with a view to finalising the guidance in 2022.

From a supervisory perspective, APRA's 2021 stress testing program will include 'regulator-led common scenario stress tests across nominated industries for select scenarios, as well as engaging with entities on the stress test activities they undertake as part of their Internal Capital Adequacy Assessment Process'.

- **Banking sector:** APRA states that 'significant focus' will continue given to stress testing of the ADI industry. In early 2021, APRA will conclude its analysis from the final cycle of the 2020 ADI 'streamlined' stress tests, and provide feedback to relevant entities. A more comprehensive stress test of the largest ADIs is planned for 2021.
- **Insurance sector:** For the insurance industry, targeted stress test activities will continue, subject to the economic and macro environment and emerging risks.
- **Superannuation sector:** 'APRA plans to sharpen its supervision by advancing the role of stress testing in providing assurance and insight at both industry and entity level'.

Climate-related financial risk

APRA plans to consult on guidance to assist entities in developing frameworks for the assessment and monitoring of climate-related financial risks in H1 2021 with a view to finalising the guidance before the end of the year.

The guidance is planned to include: governance, strategy, risk management, scenario analysis and disclosure.

From a supervisory perspective, APRA will 'increase its scrutiny of the manner in which ADIs, insurers and superannuation trustees are managing the impact of risks arising from climate change'.

Planned actions include:

- Completing the supervisory review of the regulated entities that participated in APRA's 2018 climate risk survey. The outcomes of these reviews are being used to inform the development of APRA's climate risk guidance and ongoing supervision activities.
- Developing, together with the CFR, a climate vulnerability assessment (CVA). APRA states that the CVA will: a) explore the potential financial exposure and macroeconomic risks to large ADIs, the financial system and economy from both physical and transition climate risks; and b) assist APRA in understanding how the large ADIs might adjust their business models in response to different climate change scenarios.

APRA comments that a number of large ADIs have made 'significant investments' to improve their climate risk assessment and response capabilities, and in light of this, 'where possible the CVA will leverage this capability'.

APRA is currently designing the CVA and expects to engage with the ADIs participating in the assessment in 2021.

Governance, culture, remuneration and accountability

As part of a multi-year program of policy development to strengthen standards and guidance, APRA plans to continue strengthening the prudential framework to support strong governance, culture, remuneration and accountability (GCRA) standards across industries.

The planned reforms are intended to help address issues identified by the Hayne Commission, the CBA Prudential Inquiry and other reviews, which highlighted weaknesses in board governance and oversight, a lack of clear accountability, and incentive structures that encouraged poor conduct.

Remuneration

APRA is currently conducting a second round of consultation on a new remuneration standard CPS 511 (you can access our summary here). The standard is expected to be finalised in H1 2021, ahead of a planned phased implementation in 2023. APRA plans to consult in 'mid-to late 2021' on a new prudential practice guide (PPG), and reporting and disclosure requirements to support the implementation of the new standard.

From a supervisory perspective, APRA plans to conduct an implementation review of CPS 511 Remuneration (once finalised) across a sample of regulated entities and share insights with regulated entities.

Governance and risk management

APRA's review of the governance and risk management prudential standards will continue in 2021. APRA plans to consult on revised versions of Prudential Standard CPS 510 Governance and Prudential Standard CPS 220 Risk Management in 2022. The changes (once finalised) are expected to take effect from 2023. The relevant superannuation standards, Prudential Standard SPS 510 Governance and Prudential Standard SPS 220 Risk Management, will also be reviewed.

Accountability

APRA, together with the Australian Securities and Investments Commission (ASIC), continues to support Treasury in the development of the planned Financial Accountability Regime (FAR). APRA states that though delayed due to COVID-19, consultation on FAR legislation 'is likely to be in 2021'.

Subject to the finalisation of the FAR, APRA plans to revise Prudential Standard CPS 520 Fit and Proper (CPS 520) to ensure alignment with FAR requirements.

From a supervisory perspective, APRA plans to focus on evaluating entities' actions in response to governance self-assessments and prudential engagements and working to 'close' known issues that are 'currently resulting in capital overlays or enforceable undertakings'.

APRA will also be implementing a tool to benchmark and assess trends in risk culture across regulated entities, after undertaking a risk culture survey for a pilot group of regulated entities.

Sector specific focus areas

APRA has also outlined specific policy and supervisory focus areas for the banking, insurance and superannuation sectors. This is covered in a separate post below.

[Sources: APRA media release 01/02/2021; APRA's policy priorities 2021; APRA's supervision priorities 2021]

APRA's policy and supervision priorities 2021 – sector specific focus areas

The Australian Prudential Regulation Authority (APRA) has released two documents setting out its policy and supervision priorities for the next 12 to 18 months. A high level overview of key sector-specific actions/areas of focus highlighted by the regulator is below.

Banking sector: Policy priorities

- **Basel III reforms:** In 2020, APRA released for consultation draft prudential standards for the revised capital framework, as well as a quantitative impact study to assess the impact of the proposals. APRA intends to finalise the standards by the end of 2021, along with the requirements for interest rate risk in the banking book. It's envisaged that the revised framework will come into effect on 1 January 2023 giving industry a 12 month implementation period. APRA will also consult (in 2021) on updated prudential practice guides (PPGs) and reporting standards to accompany the revised capital standards. In H2 2021 APRA will consult on a 'number of consequential amendments to other prudential standards'. APRA also intends to consider policy options for the fundamental review of the trading book in 2021, as well as the role of Additional Tier 1 instruments in providing loss absorbing capacity.
- **Measurement of capital:** APRA is revising Prudential Standard APS 111 Capital Adequacy: Measurement of Capital and intends to finalise the changes in 2021. The revised standard is expect to take effect from 1 January 2022.
- **Disclosure requirements:** In H2 2021, APRA plans to consult on changes to draft Prudential Standard APS 330 Public Disclosure (APS 330). The revised standard will reflect the Basel Committee's amended Pillar 3 disclosure requirements and other consequential amendments as a result of the capital reforms (flagged above). APRA states that the consultation will include a proposal to reduce the disclosure burden for smaller ADIs through centralised publication by APRA.
- **Credit risk (aligning ADI and non-ADI lender regimes):** APRA is currently consulting on potential minor revisions to Prudential Standard APS 220 Credit Risk Management (APS 220) (contingent on the passage of the government's proposed consumer credit reforms). In H1 2021 APRA plans to: a) consult on minor amendments to Prudential Practice Guide APG 223 Residential Mortgage Lending; b) finalise Prudential Practice Guide APG 220 Credit Risk Management (APG 220); and c) finalise proposed Reporting Standard ARS 220.0 Credit Exposures and Provisions in 2021.
- **Licensing:** APRA intends to implement a revised approach to licensing new ADIs and plans to publish a consultation package in H1 2021, following which the regulator will issue an information paper outlining its approach. APRA is also currently reviewing its authorisation guidelines for ADIs, including for foreign ADI branches and non-operating holding companies (NOHCs). APRA intends to publish revised ADI authorisation guidelines and revised NOHC authorisation guidelines in 2021. Finally, APRA is reviewing its approach to Purchased Payment Facilities (PPFs) and APRA plans to consult on a revised prudential standard in the second half of 2021.

Banking sector: Supervisory priorities

APRA's focus will be on 'maintaining the banking industry's resilience and enhancing its crisis readiness, supporting prudent outcomes through the pandemic and in the transition to the post-pandemic recovery'. In 2021, in addition to cross-industry initiatives, APRA will focus on:

- monitoring credit risk with a particular emphasis on the identification of problem loans and higher risk portfolios. This work will include undertaking 'deep dives' to 'obtain assurance about effective portfolio management'. APRA will continue to monitor progress toward reducing/clearing loan repayment deferral portfolios and to assist in this, may be requesting that banks provide portfolio specific data and other credit information.
- ensuring banks deliver on their capital management plans
- ensuring reliability and stability in funding and liquidity.

Insurance sector: Policy priorities

- AASB 17 Insurance Contracts and LAGIC updates: Implementation of AASB 17 remains a key priority for the regulator and this is expected to result in amendments to a number of prudential standards. APRA is also taking the opportunity to update other areas across the Life and General Insurance Capital (LAGIC) framework to ensure it remains fit-for-purpose. These changes are expected to be finalised in 2022 with an effective date of 2023.
- PHI capital framework: APRA is working to implement the final stage of bringing the PHI prudential framework into alignment with the frameworks for life and general insurers. Following the release of the 2019 discussion paper, APRA will be 'seeking to engage with industry in the first half of 2021 to undertake data analysis, discuss the feedback received on APRA's proposals, and obtain additional feedback on some of the more detailed requirements pertaining to the revised framework'. APRA plans to release a response paper and to consult on draft prudential standards in H2 2021.
- Review of LPS 117 and offshore reinsurers: APRA is reviewing Prudential Standard LPS 117 Capital Adequacy: Asset Concentration Risk Charge (LPS 117). APRA plans to release a consultation package inviting feedback on the draft standard in Q1 2021. The final standard is expected to be released by the end of 2021.

Supervisory priorities - general insurance

Business interruption insurance: APRA states that it has been closely monitoring the industry's exposure to business interruption policies, given the current uncertainty over the effect of policy wordings and that this close monitoring will continue into 2021. APRA writes that entities should expect to be asked to provide regular updates on their exposure, provisioning levels, stress testing and the extent of support from reinsurers.

APRA's expectation is that insurers will 'reserve prudently for potential claims, and pay all legitimate claims in a timely fashion'.

APRA states that it is 'also assessing the readiness of insurers to deploy recovery options in the event of a severe adverse outcome and will be monitoring steps being taken by insurers to facilitate the availability and affordability of appropriate cover into the future'. APRA observes that 'BI provides a case study in the efficacy of insurers' governance and risk management practices in relation to how products are developed, reviewed and updated' and that this will be a focus area for the regulator over the short to medium term. In particular, APRA plans to focus on the 'robustness of pricing processes and the link between policy wordings and reinsurance to assess and potential misalignment in coverage'.

Overseas reinsurance: Managing the risks associated with insurers' high reliance on overseas reinsurance remains a priority for APRA. During COVID-19, APRA stepped up its engagement with home regulators and parent groups of offshore reinsurers, and this will continue in 2021. In 2020 general insurance industry profitability declined due to the catastrophic bushfire and storm events and the early impacts of COVID-19 on investment returns. APRA notes that the pandemic has raised questions around the role of insurers in protecting the community.

Supervisory priorities - life insurance and friendly societies

APRA comments that the life insurance industry continues to face significant product sustainability and profitability challenges, which COVID-19 is expected to 'exacerbate'. APRA cautions that if 'sustainability challenges are not appropriately addressed by the industry, then there is a risk that some types of life insurance may not be available to the Australian community in the future'.

A key area of focus for APRA will continue to be maintaining the financial resilience and sustainability of the sector. Product sustainability and data quality remain particular areas of focus. Activities such as regular stress testing exercises using COVID-19 related scenarios, new data collections, and recovery planning are either underway or planned in the near future.

- Sustainable products: APRA states that the life insurance industry faces 'long-standing challenges, substantially in relation to legacy products with unsustainable features'. APRA will maintain its heightened supervisory focus and willingness to intervene. In this context, individual disability income insurance (IDII) remains a particular area of focus.

- **Insurance offered through superannuation** will also be a focus area for the regulator. APRA states that it will 'shortly be communicating with industry on observed threats to the sustainability of insurance in superannuation' and outline its expectations of industry to address them. APRA will then monitor industry's response and 'intensify its actions if needed'.
- **Friendly societies:** APRA released a three-year 'supervision roadmap', designed to enhance the financial resilience of friendly societies in December 2020. In 2021, APRA will be reviewing the impact of the prolonged low interest rate environment on business model sustainability; board composition; and recovery planning. In H2 2021, planning work for other components of the roadmap (risk management, minimum capital requirement, and stress testing) will begin.

Supervisory priorities: Private health insurance

APRA expects that the economic impacts from COVID-19 (eg increased youth unemployment and subdued wage growth) to exacerbate existing sustainability challenges for the sector. Continuing the work commenced in 2020, in 2021 APRA will remain focused on building industry resilience and preparedness through recovery planning. APRA supervisors will also be assessing private health insurers' (PHIs) progress in addressing affordability and sustainability risks. APRA cautions that PHIs that take a passive approach to these risks can expect more intense supervision.

APRA will also focus on ensuring PHIs are well positioned to address new challenges in a rapidly changing operating environment. This will include working towards improving the industry's governance and controls around IT and outsourcing services.

Superannuation sector – Policy priorities

APRA will support the implementation of the government's Your Super, Your Future reform package by: conducting the proposed annual performance test aimed at addressing underperformance for MySuper products. APRA will also look to update SPS 515 Strategic Planning and Member Outcomes (SPS 515) and associated guidance in Prudential Practice Guide SPG 515 Strategic and Business Planning (SPG 515) and Prudential Practice Guide SPG 516 Business Performance Review (SPG 516) to ensure they reflect any changes that may be required.

Progressing changes outlined in the 2019 post-implementation review of the superannuation prudential framework is also a priority for APRA. APRA plans to finalise changes to SPS 250 Insurance in Superannuation (SPS 250) and SPG 250 Insurance in Superannuation (SPG 250) in mid-2021.

In H1 2021, APRA will release a consultation package on draft Prudential Standard SPS 530 Investment Governance (SPS 530) and guidance.

In H2 2021, APRA will consult on proposed changes to SPS 231 Outsourcing (SPS 231).

APRA proposes to review Prudential Standard SPS 220 Risk Management (SPS 220) and consult on updates in 2022.

Also in 2022, APRA plans to issue a discussion paper covering Prudential Standard SPS 510 Governance (SPS 510), Prudential Standard SPS 521 Conflicts of Interest (SPS 521) and Prudential Standard SPS 520 Fit and Proper (SPS 520). Updates to the governance framework will be made based on responses to the discussion paper and the findings of APRA's governance thematic review.

Superannuation sector: Supervisory priorities

Improving member outcomes continues to be APRA's key focus. Over the next 12-18 months APRA will conduct a number of thematic supervisory activities including:

- completion of the review into unlisted asset valuation practices
- reviewing trustees' implementation of requirements under Prudential Standard SPS 515 Strategic Planning and Member Outcomes (SPS 515). This will include reviewing the Business Performance Reviews of a number of trustees. The reviews will focus on two areas in particular: a) 'how trustees demonstrate they are responding to the impact of COVID-19 on their business operations'; and b) (for a 'select group of trustees') 'expenditure management of certain advertising, promotion, sponsorship and payments to parent organisations'.

- continue heightened supervision of underperforming MySuper products (as identified in the MySuper heatmap). Once, the heatmap is extended to choice products, this heightened supervision will be extended to any underperforming choice products. APRA states that it will 'take enforcement action where appropriate to require trustees to improve performance or transfer members to another product'.
- completion of an in-depth review of selected large trustees' management of outsourcing providers, focusing on related party arrangements and managing conflicts of interest.
- focusing on ensuring boards have the optimal mix of skills and experience required to fulfil their obligations. In 2021, APRA will undertake a thematic review and analysis of the adequacy of skills and experience on boards, the effectiveness of board appointment and renewal processes, and the quality of board and director performance reviews. APRA will make industry-level findings from thematic work public, outlining good practice and areas where trustees are expected to strengthen practices.

Enhancing superannuation data and insights and improving transparency

- APRA will continue work to expand the Superannuation Data Transformation (SDT) program. APRA plans to release a response package on phase one of the program in early 2021. Trustees will be required to report under the new reporting standards in H2 2021.
- APRA will continue to work with industry via its industry working groups to support trustees during the preparations for the new reporting requirements and the introduction of APRA Connect.
- APRA will expand release a Choice Heatmap in H2 2021 that will cover multi-asset class choice options and will highlight areas of underperformance in those products.
- APRA will also publish the results from the Government's performance test under the Your Future Your Super reforms.
- As the SDT program progresses, APRA plans to further enhance transparency by publishing additional information on trustee operations and the outcomes they deliver.

[Sources: APRA media release 01/02/2021; APRA's policy priorities 2021; APRA's supervision priorities 2021]

ASIC governance review – changes announced

Treasurer Josh Frydenberg has announced a number of changes at the Australian Securities and Investments Commission (ASIC) following the completion of Treasury's review of governance issues at the regulator. Treasury's full report has not been released publicly and abridged version is available here.

Outcomes of the review

- **No wrongdoing:** Mr Frydenberg said that the review made no adverse findings concerning either ASIC Chair James Shipton's or Deputy Chair Daniel Crennan's conduct (though, the review found it was open to Treasury to seek legal advice about whether Mr Shipton breached codes of conduct). Mr Frydenberg has said that he is 'satisfied that there have been no instances of misconduct by Mr Shipton.
- **Change in leadership:** In light of the findings in the report concerning weaknesses in ASIC processes, Mr Frydenberg announced that Mr Shipton had agreed to step down as Chair. Mr Shipton will return to his role at the regulator until a new Chair is appointed. A new appointment is expected to be finalised within three months.
- **Changes to certain ASIC processes will be implemented 'as a priority':** Mr Frydenberg said that the review raised concerns about a number of ASIC's processes including: a) the proper use and management of public resources; b) systems of risk oversight and management; and c) systems of internal control; and d) cooperation between ASIC officials. ASIC will implement the changes provide regular progress updates.
- **Changes to Treasury processes:** Mr Frydenberg said that the review identified that Treasury could also improve its processes for managing the appointments of statutory officers under Treasury portfolio laws and that the Secretary to the Treasury has moved to implement a new system immediately'.

A questionable precedent?

In an opinion piece in The Australian, former ASIC Chair Tony D'Aloisio expressed concern that Mr Shipton would not be returning to his role permanently, given there were no adverse findings made against him. Mr D'Aloisio writes,

> 'This precedent opens up the possibility that a government or a committee of the parliament with oversight of ASIC, or the media, in the context of intense interest group pressure, could question the chair's approach, comb through expense claims or their personal background and find possible misdemeanours. This possibility undermines the role and could eventually lead to "agreed" separations even though there was no basis for the allegations made. Whether itis theoretical or practical is not the issue. What is the issue is that future chairs will now know that even if there are no grounds for removal, they could find themselves in a situation where they need to step down'.

Accordingly Mr D'Aloisio suggests that 'protective mechanisms' be implemented to safeguard the independence of ASIC's leaders.

More particularly, he suggests that:

- the new ASIC Chair should 'negotiate a clear process' whereby any allegations of wrongdoing by the Chair would be investigated by an independent body; and
- that the government should 'immediately restate and reaffirm the independence of the role of ASIC chair, including affirming that if a concern is raised about the chair and found to have no basis it would support the chair continuing to perform their full duties and complete their term. In other words, first and foremost, support the appointment whether or not the government of the day made that appointment'.

[Sources: Treasurer Josh Frydenberg media release 29/01/2021; [registration required] The Australian 31/01/2021]

IOSCO outlines nine 'sound practices' to assist members in better protecting retail investors and assist them in enhancing complaints handling

The Board of the International Organization of Securities Commissions (IOSCO) has released a report - Complaint Handling and Redress System for Retail Investors – presenting a comparative analysis of investor complaint handling and redress mechanisms (based on IOSCO members' practices and approaches).

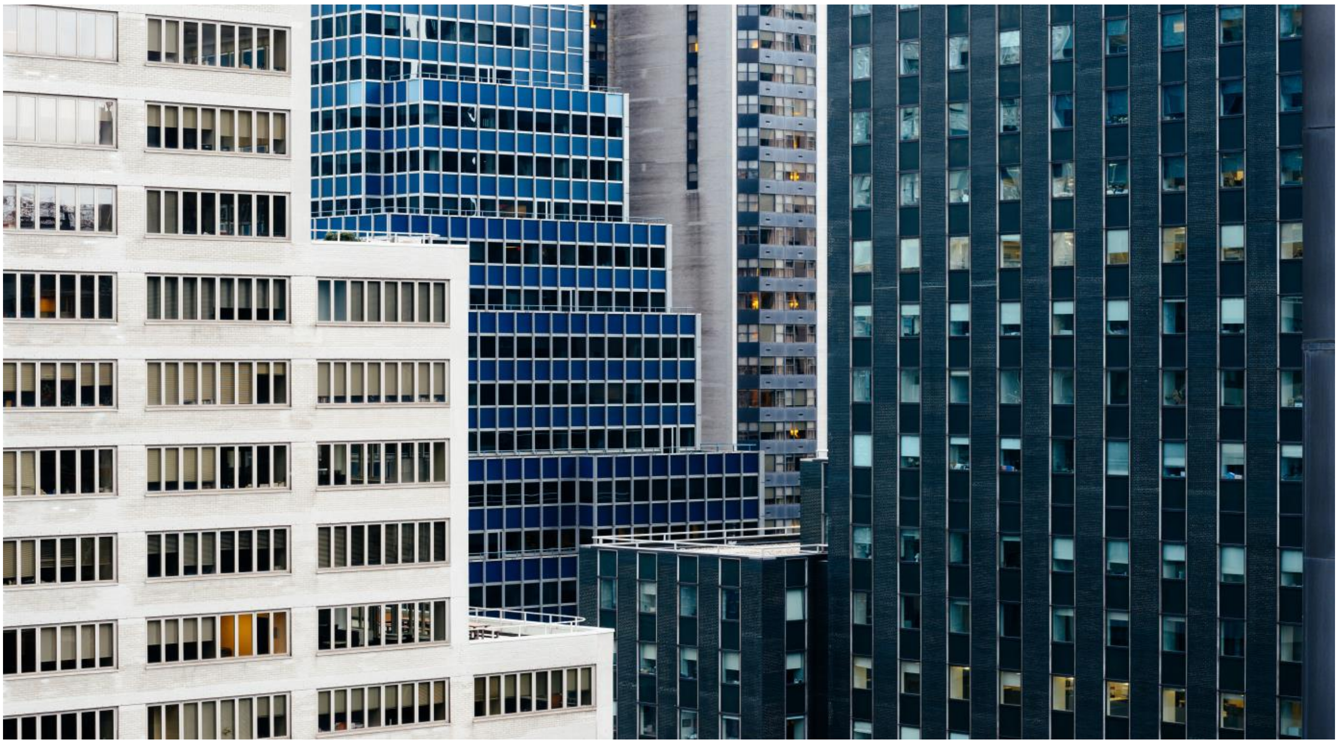
This Report outlines the outcomes of this analysis, including nine 'Sound Practices' aimed at supporting jurisdictions in developing and improving their complaint handling procedures and mechanisms for retail investors.

These 'Sound Practices' cover the following themes:

- SP1: Establishing a system for handling retail investor complaints.
- SP2: Taking steps to raise investor awareness of various available complaint handling systems.
- SP3: Making available as many channels as possible for retail investors to submit complaints.
- SP4: Taking steps to support complaint handling systems.
- SP5: Encouraging financial service providers (FSPs) to offer a wide range of resolutions to retail investor complaints.
- SP6: Using complaint data to identify areas for new or enhanced investor education initiatives.
- SP7: Using complaint data for regulatory and supervisory purposes.
- SP8: Seeking input from retail investors about their experience with complaint handling systems.
- SP9: Making alternative dispute resolution (ADR) facilities operated by or affiliated with a regulator more accessible for retail investors.

[Source: IOSCO media release 27/01/2021]

Financial Services



Top Story | Inquiry into CDR supports future of Australia's digital economy

The Australian government has released its report from the Inquiry into the Future Directions for the Consumer Data Right (CDR). The Inquiry made 100 recommendations to expand the CDR's functionality, improve consumer choice and support Australia's developing digital economy.

The MinterEllison team has prepared an article outlining the three key takeaways from the report and the likely implications. You can access the full text of the article here

Top Story | Two years on: Tracking progress against each of the Hayne Commission's 76 recommendations

The Financial Services Royal Commission's final report was publicly released on 4 February 2019.

In the two years since its release a number of actions have been implemented in response – though in many cases, the changes have yet to commence or are yet to be completed.

We have prepared a summary of the actions taken to date and/or the planned actions to be implemented in response to each of the 76 recommendations.

You can access the summary here.

Payment systems review: The ABA's submission to the inquiry suggests consideration should be given to designing/implementing regulation based on function and services provided, rather than basing regulation on entity type

Context

- As part of the government's JobMaker Digital Business Plan, the government announced a review of the regulatory architecture of the payments system to ensure it remains fit-for-purpose and capable of supporting continued innovation. The full terms of reference are here.

- On 20 November, Treasury released an issues paper seeking feedback on the issues raised in the terms of reference including stakeholder views on the existing 'regulatory architecture' underpinning Australia's payment system and views on the appropriate balance between self-regulation, formal regulation and government policy (among other issues). You can find our summary at p29 of Governance News 25 November 2020 here.

ABA submission to the consultation

The Australian Banking Association's submission to the consultation 'strongly supports continuing the self-regulatory arrangements within our regulatory architecture'.

The submission recommends that consideration should be given to (among other things):

- designing/implementing regulation based on function and services provided, rather than basing regulation on entity type (to reflect changes in the payments industry including the entry of fintechs and big techs). The submission argues that this would both: a) 'allocate regulatory obligations and liability appropriately across parties in the value chain and help to ensure consistent protection for consumer and business end-users' and b) enable 'comprehensive application' of regulatory obligations. .
- identifying and clarifying 'when regulators and/or government can and should intervene to support industry responses to achieve strategic outcomes'. The submission suggests that this could include 'communication of policy objectives, encouraging or mandating comprehensive coverage of self-regulatory measures, and specific issues like working with industry to plan for the retirement of cheques'.
- improving the coordination between regulators and governments (eg via statements of expectations for regulators) to help streamline/rationalise regulatory obligations and minimise the chance of regulatory 'gaps'. It's also suggested that 'regulatory coordination may also be needed with other sectoral regulators or self-regulatory bodies'.

[Source: ABA submission to the consultation 22/01/2021]

APRA has released its annual superannuation bulletin for 2019/20 financial year

The Australian Prudential Regulation Authority (APRA) has released the Annual Superannuation Bulletin for the year ended 30 June 2020.

Some Key statistics

Industry overview

As at 30 June 2020:

- total superannuation industry assets were $2.9 trillion
- there were 107 APRA-regulated RSE licensees responsible for managing 170 funds with more than four members. These funds had 22.5 million member accounts
- industry funds held 26% per cent of total assets; small funds (SMSFs, small APRA funds and single-member approved deposit funds) held 25.6%; retail funds held 20.7%; public sector funds held 23.6% and corporate funds held 2%

Over the five years from June 2015 to June 2020:

- there was a 44% increase in total superannuation industry assets from $2 trillion to 2.9 trillion.
- the number of SMSFs grew by 11.2% and the number of APRA-regulated funds decreased by 28.5%. The decrease of 717 APRA-regulated funds over this period comprised 89 entities with more than four members and 628 small APRA funds

MySuper products

In the twelve months to 30 June 2020:

- the number of MySuper member accounts decreased by 7.3% from 15.2 million to 14.1 million. APRA attributes this primarily to the impact of changes introduced through the Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019 (PYSP reforms).

- there was a 1.5% decrease in total assets in MySuper products
- total members' benefits flows out of MySuper products were $79.8 billion, including benefit payments of $26.8 billion
- fees paid from MySuper products totalled $2.7 billion. Insurance fees totalled $58 million, administration fees totalled $1.6 billion and investment fees totalled $1.0 billion. The remaining fees paid comprised activity fees, advice fees, exit fees and other fees.

As at 30 June 2020:

- there were 88 MySuper products offered by 74 RSEs and with total assets of $745.2 billion
- MySuper member accounts were 60% of total fund member accounts (among entities with more than four members)
- the average MySuper account balance increased by 2.4% from $47,338 to $48,496
- the average MySuper account balance was $44,745 for women and $52,224 for men

[Sources: APRA media release 29/01/2021; Annual superannuation bulletin highlights June 2020]

In Brief | NAB has announced an agreement to acquire neobank 86 400 in a plan to 'accelerate UBank growth'

[Source: NAB media release 29/01/2021

In Brief | ASIC has warned investors about a rise in imposter bond investment offers cautioning them to be wary of offers that seem ‘too good to be true’ and outlining the steps they can take before making a decision to invest to minimise the risk of being scammed

[Source: ASIC media release 28/01/2021]

In Brief | Choice of fund changes: The ATO has issued a statement reminding employers that changes to the law mean new workplace determinations and enterprise agreements made on or after 1 January 2021 must offer employees the right to choose the super fund to which compulsory super contributions are paid

[Source: ATO Media release 29/01/2021]

In Brief | As part of a broader review of the big four banks and other financial institutions, super funds Future Super, Verve Super and Diversa Trustees will appear before the House of Representatives Standing Committee on Economics public hearing on 3 February. Committee Chair Mr Tim Wilson said that the hearings will focus on the funds' responses to the COVID-19 pandemic and their respective 'approaches to investing for the future prosperity of fund members'

[Source: House of Representatives Standing Committee on Economics media release 01/02/2021]

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Risk Management

ESG

Climate risk: New report details the rapidly escalating financial costs of increasingly frequent extreme weather events fuelled by climate change

Climate Council has released a report - Climate Council report: Hitting Home the Compounding Costs of Climate Inaction – detailing the increased frequency with which extreme weather events are occurring in Australia and globally and the escalating costs of these events.

Some interesting findings

- The financial cost of extreme weather disasters in Australia has more than doubled since the 1970s, reaching $35 billion for the decade 2010-2019.
- People living in the Pacific region are 100 times more likely than people living in Europe to be displaced by a climate-fuelled disaster. Given Australia is surrounded by a number of countries that are extremely vulnerable to the physical risks associated with climate change, the report suggests that 'regional impacts may soon become as damaging to Australia as those that strike us directly'.

Net zero by 2040

The report argues that Australia (and the world's) failure to act to aggressively reduce emissions over the past decade means that 'measured steps are not enough to avoid catastrophe'. The report argues that it is now necessary to halve global emissions over the next ten years and to reach net zero emissions globally by 2040.

Opportunity for Australia

- The report comments that most of Australia's major trading partners/strategic allies have committed to net zero emissions by 2050 – including countries that currently buy 70%+ of Australia's coal and gas exports.
- The report suggests that transitioning to a net-zero economy affords opportunities as well as risks and that Australia has the opportunity to 'position itself as a global powerhouse or renewable energy and clean industries'.

[Source: Climate Council media release 27/01/2021; Climate Council report: Hitting Home the Compounding Costs of Climate Inaction]

In Brief | Scandinavian banks continue to finance fossil fuel projects: Report finds that since the signing of the Paris Agreement, ten Scandinavian banks have provided US$ 67.3 billion in credit, including lending and underwriting, to companies and projects in the coal, oil and gas sector

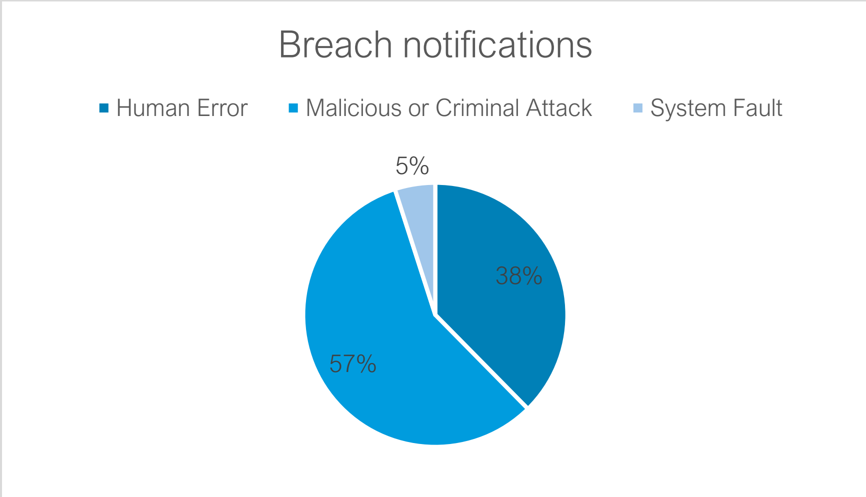
[Sources: Banking on Thin Ice: Exposing Scandinavian Bank Finance for Fossil Fuels; BankTrack media release 01/02/2021]

Cybersecurity, Privacy and Technology

Concerning trend: OAIC report finds the number of human error data breaches is on the rise

The Office of the Australian Information Commissioner's (OAIC) latest Notifiable Data Breaches Report covering the period July to December 2020 tracks the leading sources of data reported data breaches, highlights emerging issues and areas for ongoing attention by regulated entities.

Some Key Findings



- The total number of breach notifications received increased 5% on the previous six months
- Malicious or criminal attack remains the leading cause of reported breaches (accounting for more than half of all reported breaches).
- Human error is the second leading cause accounting for 38% of all data breaches notified during the period (up 18% on the previous period).
- Health service providers again notified the most data breaches (23%) of any industry sector, followed by finance, which notified 15% of all breaches.
- OAIC comments that for the first time, the government was in the top five industry sectors by number of notifications – accounting to 6% of all breaches, with human error being the leading cause.

Increase in the number of human error breaches a concern

Commenting on the findings, OAIC Commissioner Angelene Falk flagged the uptick in the number of human error breaches as a particular concern and called on organisations to take steps to take steps to reduce this risk.

> 'In the past six months, we saw an increase in human error breaches both in terms of the total number of notifications received – up 18% to 204 – and proportionally – up from 34% to 38%...The human factor is also a dominant theme in many malicious or criminal attacks, which remain the leading source of breaches notified to my office. Organisations need to reduce the risk of a data breach by addressing human error – for example, by prioritising training staff on secure information handling practices.'

Commissioner Falk also called on the health and finance sectors to step up their efforts noting that the two sectors have consistently been the top two sectors to report breaches.

Expectation that entities have appropriate systems in place

OAIC called on entities to have effective systems in place for responding effectively to data breaches

Commissioner Falk said,

> 'We are nearing three years of operation of the Notifiable Data Breaches scheme and expect that entities have systems in place to report breaches in line with legislative requirements. We also expect organisations to have improved the security of personal information they hold to prevent breaches. We will continue to closely monitor compliance with the scheme and prioritise regulatory action where there are significant failings.'
>
> [Source: OAIC media release 28/01/2021]

Restructuring and Insolvency

Reducing red-tape for externally administered companies: ASIC consults on proposals to extend relief

The Australian Securities and Investments Commission (ASIC) has released a consultation paper - Consultation Paper 337 Externally administered companies: Extending financial reporting and AGM relief (CP 337) - seeking feedback on proposals to extend the relief available under ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251.

Current relief

- Currently, financial reporting and AGM obligations continue to apply while a company is under external administration (unless ASIC relief applies).
- ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251 grants a deferral of financial reporting obligations falling due within six months from the date of the first appointment of a relevant external administrator, and any continuing financial reporting obligations that were due before the appointment of that administrator.
- On application, ASIC may grant individual relief to a company from its financial reporting obligations and may also grant individual relief to extend the time in which an externally administered public company must hold an AGM.

Issues identified

CP 337 identifies a number of issues with the current approach.

For example, ASIC has observed that the six month deferral period is not always sufficient time, especially for more complex/larger external administrations. In consequence, ASIC receives relatively high volumes of relief applications seeking additional time. In most cases, relief is granted but the preparation of relief applications involves costs to companies.

Proposals

To reduce the regulatory burden for externally administered companies CP 337 proposes to:

- extend the period of deferral of financial reporting obligations available for certain externally administered companies; and
- provide AGM deferral relief to public companies in external administration to align with financial reporting relief.

Announcing the consultation, ASIC Commissioner Cathie Armour said,

> 'Our proposal to cut red-tape for externally administered companies is timely, given the number of corporate insolvencies is forecast to increase following the withdrawal of temporary COVID-related relief. The aim of the proposals is to provide financially distressed companies more breathing room to comply with their financial reporting and AGM obligations, while ensuring members continue to have access to other financial information about the externally administered company.'

Timing

- The deadline for submissions is 11 March 2021.
- ASIC anticipates that any legislative instrument providing relief and updates to RG 174 will commence in Q3 or Q4 2021.

[Sources: ASIC media release 28/01/2021; Consultation Paper 337 Externally administered companies: extending financial reporting and AGM relief]

Other News

'Simply a call for good corporate ethics': Federal opposition calls for an inquiry into JobKeeper scheme

Following the decision by a number of Australian companies to return JobKeeper support payments, Shadow Assistant Minister for Treasury and Charities Andrew Leigh has called on the Federal government to empower the House Economics Committee to conduct an inquiry into the JobKeeper scheme.

Dr Leigh argues that the inquiry is necessary in order to provide transparency around which firms saw increased profits, despite receiving JobKeeper support.

Dr Leigh observed that in New Zealand, firms who received the equivalent of JobKeeper are listed on a public register, but that in Australia this information is not publicly available.

Despite there being no legal obligation on firms to return JobKeeper payments, Dr Leigh said that for firms who returned strong profits, returning the payments is the 'right thing to do' - a question of social responsibility.

> 'Every large company says it's committed to corporate social responsibility, and this is simply the expression of that sentiment. If you've claimed JobKeeper thinking that your profits are going to be down and in fact they turn out to be up, then the right thing to do is to say to the taxpayer "we don't need government handouts, we've done well and here's the money back"…
>
> …There's no legal requirement, simply a call for good corporate ethics. But these firms all say that they're committed to good corporate social responsibility. And if they are, then they should do the right thing. Now corporate social responsibility isn't just about greenwashing or making some donations to charity at the end of the tax year. It's fundamentally about doing the right thing, and not just by your shareholders, but by your customers, by your workers and by the Australian community. That's what it is to be a good firm in the modern age. This whole idea that firms are only for the shareholders, that went out the window with the Gordon Gekko era of the 1980s. That's an old-fashioned view of corporations'.
>
> [Source: Government must be transparent on JobKeeper - Transcript, radio interview with Shadow Assistant Minister for Treasury and Charities Andrew Leigh 28/01/2021]

In Brief | 'It was always a temporary program': Treasurer Josh Frydenberg has given an interview confirming that the government is not contemplating an extension of the JobKeeper scheme beyond March (but has not ruled out the possibility of providing 'targeted assistance' to specific industries)

> [Source: Transcript Interview with David Speers, Insiders, ABC 31/01/2021]

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