LIGHTHOUSE

MORROW SODALI

'New Horizons'

Reflections on FY23 and a look ahead to what promises to be an exciting year to come

APAC JULY EDITION

Contents

About Lighthouse

Welcome to Morrow Sodali's Lighthouse Magazine, our quarterly publication providing insights on shareholder engagement, corporate communications, IR and ESG.

In this edition, Morrow Sodali's CEO, International, Christian Sealey shares some of the highlights from the past twelve months as well as the key areas of focus for the business in FY24. FairSupply Founder, Kimberly Randle, gives her thoughts on managing the risks of modern slavery in an exclusive interview with our Managing Director, Head of ESG International, Jana Jevcakova. Morrow Sodali's Senior Managing Director, Corporate Governance & Sustainability, Justin Grogan outlines the goals of the Global Investor Commission on Mining 2030, and why investors are promoting this initiative. We also delve into important topics such as driving value from sustainability reporting, as explained by Carly West, Morrow Sodali's Director, Sustainability. While Senior Director, Joanna McCarthy, sheds light on the crucial steps that organisations can take to minimise risks and effectively respond to cyber attacks.

We hope you enjoy this July edition of APAC's Lighthouse Magazine.

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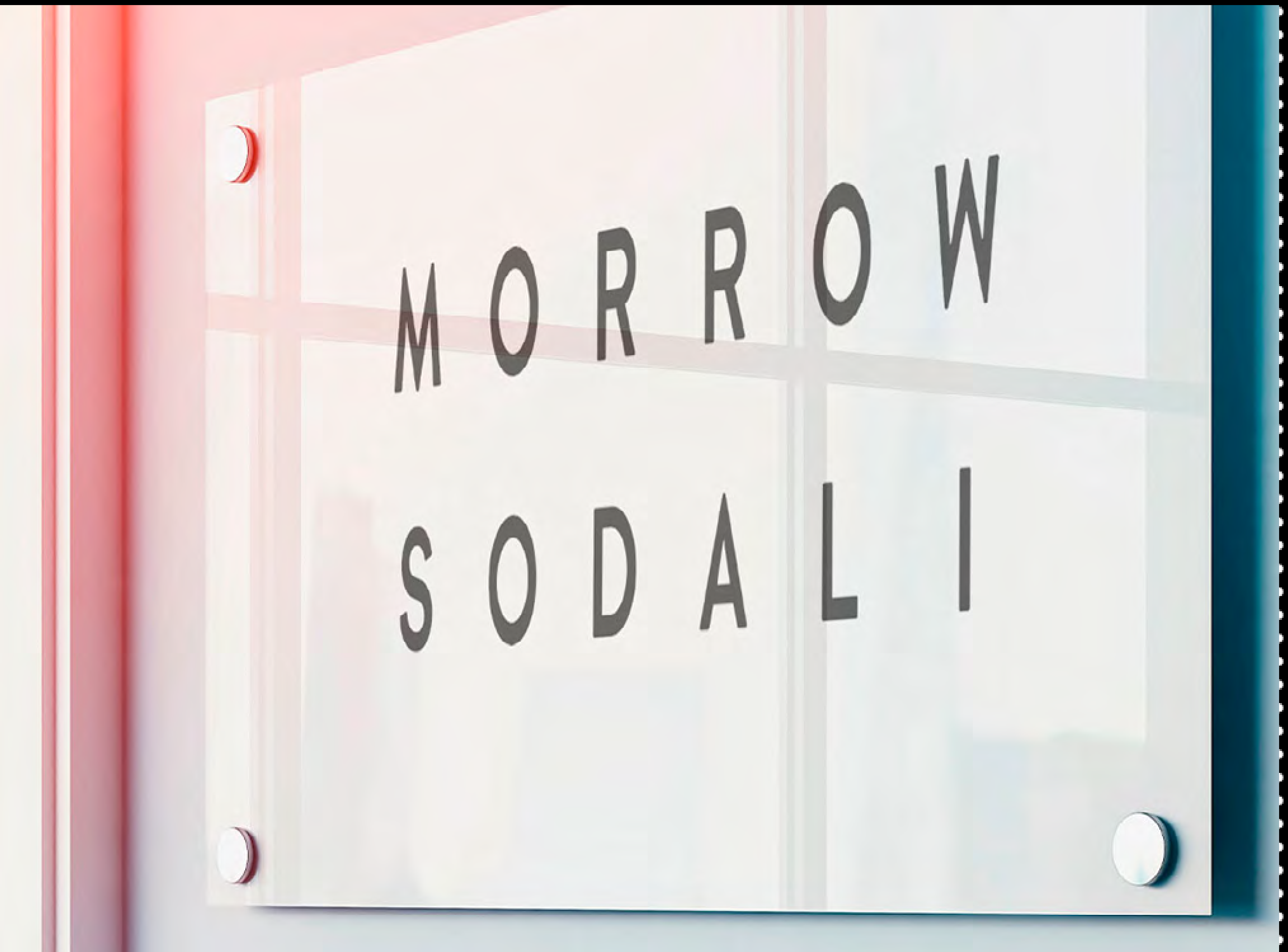
Fiscal Year 2023 In Review:



Growth, Change, and a Strengthened Foundation moving forward

With Fiscal Year 2024 year now underway, it is very satisfying to reflect on the achievements of the Morrow Sodali team over the past 12 months.

This period has been transformative for our International businesses across the APAC and EMEA regions as we continued to evolve our service lines, attract great talent and, most importantly, deliver best-in-class strategic advice and services for our corporate clients.

Our team has embraced and met the challenges of the past year which was marked by significant growth and change. A major highlight was the integration of Morrow Sodali into TPG's investment portfolio.

Joining forces with a partner of TPG's strength and breadth has been instrumental in supporting our continued growth and evolution as a global, industry-leading firm. It has strengthened our overall ability to help our clients to better understand and engage with their stakeholders on a wide range of critical business issues. Furthermore, it has allowed us to pursue non-organic growth opportunities to bring new, highly complementary services into Morrow Sodali for the benefit of our clients.

Reflecting on Fiscal Year 2023, notable progress was made in APAC. We successfully completed the acquisition of Citadel-MAGNUS, bringing a range of new skills, services and talent to Morrow Sodali. Additionally, we established our Research and Insights division, which is increasingly delivering its capability to clients in our Proxy, ESG and Strategic Communications divisions. Including our design partner Designate, the team in Australia has grown to more than 100 people and we are continuing to expand.

Beyond Australia, we have built a strong team in Manila over the last 12 months, working closely with our Global Debt Services and Proxy teams. We are excited to have the Manila team on board to support our continued growth.

Considerable effort has also been dedicated to growing Morrow Sodali's brand and the team in Hong Kong and Mainland China, two key markets that offer significant opportunities. In Korea, our team has continued to deepen relationships with its growing client base, and we have made good progress in Japan in terms of enhancing brand awareness and building a talented team to serve our clients. Our collective efforts across APAC resulted in a record-breaking year, one in which we completed over 300 client projects.

Fiscal Year 2023 has been equally busy in EMEA. In the UK, we invested heavily to expand our services and business lines. Separately, in Italy, Germany and Spain, we continued to achieve growth, overcoming some significant macro headwinds, and have established strong market positions for the upcoming period.

We also made good progress in re-entering the French market, building out our team in Brazil, and integrating our board and governance services team (formerly Nestor Advisors) into the broader business. Finally, our Global Debt Services business experienced a significant year of growth, underpinned by their reputation and experience in supporting a variety of bond transactions. This resulted in a significant expansion in the size of the team across key international markets.

In summary, the growth and evolution of Morrow Sodali's International business over the last 12 months have laid a strong foundation for Fiscal Year 24. Our achievements are a credit to the collective efforts of our dedicated and hard-working team members who rose to the challenge, as well as to our valued clients who continue to put their trust in our firm to deliver exceptional results.

We have an exciting year ahead of us and are pursuing multiple opportunities to further expand our business and integrate services that are highly complementary to our current service offerings.

I look forward to providing further updates on our progress over the coming months.

Sincerely,

Christian Sealey
CEO, International
Morrow Sodali

Driving value from sustainability reporting

With international baseline sustainability disclosure standards **released recently**, many organisations are getting ready to formally report on sustainability and ESG performance for the first time. Combine this with rapidly increasing expectations from investors and other stakeholders, and reporting is only going to get more sophisticated.

Carly West
Director, Sustainability
at Morrow Sodali

However, reporting for reporting's sake means companies may miss out on the significant value that can be gained from the process, namely board education, ESG strategy setting, exposing materiality insights for strategic gain, and generating engaging communications that can be leveraged with investors, customers and other key stakeholders.

So how can executive leaders and directors ensure they're driving value from their reporting materials after all the materiality assessments, data collection and engagement is complete?

Whether a seasoned adopter or new to the process, we provide a few tips to help move your next sustainability disclosure beyond the perception of glossy greenwash, and towards being a catalyst for genuine change and growth.

Use materiality to inform strategy

Is your materiality leveraged for strategy, or just reporting?

Material topics are the blueprint for quality sustainability reporting and pinpoint the key environmental, social and governance topics that a company's most influential stakeholders are focused on.

To map materiality according to priority, each of the stakeholders – whether investors, financiers, communities, employees, regulators or governments – identifies: a) which ESG topics have the potential to impact the organisation over time, and b) which topics are important to them and their agenda.

Materiality may change each year with growth – and differs significantly across industries and geographies – so this process should be underpinned by a thorough stakeholder engagement process, especially as maturity grows.

However, while a shiny materiality matrix may often be considered the end goal, what is often missed is that the materiality assessment process offers a valuable set of deep insights that should be used to inform overall strategic direction and priorities. It's also an opportunity to revisit company purpose, vision and values through the lens of materiality and ensure that the company is clearly articulating its value to stakeholders through every channel.

A focus on materiality in the annual strategic planning process can:

- help prioritise and allocate resourcing;
- ensure risk-aligned decision-making;
- identify shareholder trends that may contribute to long-term value creation;
- drive innovation and sustainability target setting at a Board level; and
- expand company KPIs beyond the traditional financial and operational metrics.

More broadly, a focus on ESG and sustainability outcomes is **linked** to material financial impact. This includes better access to capital, improved market share, opportunities to enter new markets, and greater access to talent. In short, sustainability strategy will soon be on equal footing with company strategy so best to get started now.

Amplify your progress to improve stakeholder engagement

There's a been a trend in recent months towards "**green-hushing**" – or a reluctance from companies to talk about the work they're doing towards building a better, cleaner and more socially inclusive world – at risk of being criticised for what they're *not* doing.

While this hesitation may be justified with the rise of "**green-washing**," it's important companies continue to communicate the progress they're making against sustainability metrics and not fall silent on the topics that key stakeholders are listening for. If companies fail to adequately shape their ESG narrative in terms of the value proposition when disclosing their data, analysts and other shareholders may make assumptions – and often the wrong ones.

Using the key data points, insights and infographics contained in the sustainability report across other stakeholder channels helps to demonstrate the nuts and bolts that underpin the purpose and value chain narratives, while embedding the sustainability agenda and buy-in more broadly. When coupled with a robust design process, these assets can bring greater credibility to investor packs, client tenders, finance proposals, marketing and social media campaigns, community consultation materials and grant submissions.

And this also includes being open about the challenges facing the organisation and shedding light on the reasons behind the lack of progress across key indicators. Creating a culture of transparency and accountability helps build trust, engagement and credibility with internal and external stakeholders, while demonstrating a commitment to long-term impacts over short-term performance.

Prioritise the 'G' to drive better 'S' and 'E'

Who is leading sustainability within the organisation? Hint: the answer should *not* be the Chief Sustainability Officer alone.

As the convergence of global reporting standards, frameworks and associations continues to gather momentum, ensuring organisations have robust governance in place to maintain integrity across the entire spectrum will be key.

Investors are no longer interested in sustainability reports with aspirational statements and cherry-picked data, they're asking companies to demonstrate *how* ESG is embedded into their leadership structure and day-to-day operations. Which is where the 'G' comes in.

A robust ESG governance structure starts at the top and involves curating a framework that permeates all levels of the company. This usually involves a set of dedicated policies and risk frameworks to underpin the top-line approach, supported by an ESG lead on the Board that feeds into a sustainability steering committee to strategise, deliver and drive engagement across the organisation in tandem with regional leads.

Plus, in addition to being primed to respond to the nuanced queries from analysts and investors, having effective governance and board oversight of ESG has recently been **shown** to be critical for advancing sustainability outcomes and long term success.

So, the real question now facing directors and executive teams is: why have a sustainability report if it's not creating business value and driving better outcomes for your stakeholders, people and the future of the planet? It may not be easy or quick, but the goal is well within reach.

Morrow Sodali provides bespoke Environmental, Social and Governance (ESG) Advisory and Consulting Services to help companies manage shareholders' expectations on ESG risks, opportunities and disclosures. Our Governance and Sustainability team provides end-to-end consulting services for sustainability and ESG reporting, including external ESG landscape reviews and company health checks, materiality mapping, shareholder influence analysis, alignment to reporting frameworks, modern slavery support, stakeholder engagement, and report writing.

International Sustainability Standards Board (ISSB) issues inaugural standards

In late June, the ISSB released the first ever global standards for financial sustainability reporting, bringing a new era for sustainability-related disclosures in capital markets worldwide. The standards create a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects with the aim of improving trust and confidence in company disclosures about sustainability to inform investment decisions. To understand what the standards means for your organisation, reach out to the Governance and Sustainability team at Morrow Sodali.

Introducing investors to Mining 2030

In January 2023, a new global investor initiative, the Global Investor Commission on Mining 2030, was launched at the London Stock Exchange.
The Commission aims to address the systemic risks faced by the mining sector that challenge its social license to operate and the role it needs to play in providing the minerals for the low carbon transition.

The Commission was launched with the support of the United Nations, the Principles for Responsible Investment (PRI), the Australian Council for Superannuation Investors (ACSI), with supporting statements from the Chief Executives of BHP, Rio Tinto and Anglo American as well as the Archbishops of Canterbury and Cape Town and Brumadinho community activist, Angelica Andrade.

Justin Grogan
Senior Managing Director, Corporate Governance & Sustainability APAC

Focus and aim of the Commission

The Commission's ten focus areas include:

- anti-corruption;
- artisanal mining;
- automation and the future workforce;
- biodiversity, land and protected areas;
- child labour;
- climate change;
- conflict and reconciliation;
- historic legacy of mining and rehabilitation;
- indigenous community & First Nations rights; and
- mine tailings waste and site closures.

The aim of the Commission is to develop a global consensus across the finance and corporate world for a reformed mining sector by 2030 that:

- retains its social license to operate;
- meets the needs of society and the low carbon transition; and
- does not cause harm to people, communities and the environment.

It draws upon the lessons learnt by investors from the steps they have taken with industry and the UN following the Brumadinho disaster in Brazil. The Commission is facilitating a series of working groups that aim to identify key steps which will drive systemic change and support this vital sector to meet the mineral demands of society and our environment.

Why was the Commission established?

An expansion of the mining industry is necessary to achieve the Paris Agreement goals, but the good practice that exists is undermined by a series of systemic social and environmental issues that challenge both mining today and will challenge its future growth if not adequately addressed.

A key example of this is the increasing scramble by governments and companies to secure the supply chains of transition minerals required to deliver on their net zero commitments. For instance, whether auto manufacturers can meet battery demand for new electric vehicles will depend on minerals required within batteries. Meeting net zero demand, according to one leading market analyst, requires lithium mining to increase production by 880% and graphite by over 900% in the decade from 2020 to 2030.

Even with significantly greater recycling, substitution of key minerals for other minerals and greater efficiency of mineral usage, there is no path to net zero without a very considerable expansion of mining.

The Commission is focused on addressing these systemic risks across geographies: from tailings dams prone to collapse, to the impact of automation on its workforce, to the sector's effects on biodiversity. This group of issues is not exhaustive but is indicative of the range of challenges identified by institutional investors in the mining sector. A particular challenge is that there are many leading practitioners of good practice within their operations and a new generation of mining leaders but, when something goes wrong, the whole sector is impacted. A collaborative approach to devising a path and carrying the confidence of the many stakeholders in mining, that ensures the whole sector – not just some leading companies – can operate to the highest global best practice standards will be a key focus of the work of the Commission.

How will it work?

An ambitious agenda will be pursued by the Commission targeting sector-wide reform by 2030 to be supported by investors, banks, insurers and mineral demand side companies. Recognising the central role the mining industry must play in the transition to a low carbon economy and the vulnerability of supply chains to mineral demand, the Commission will carefully consider the Standards, practical steps and investment needed to secure mining's future.

A key focus of the work of the Commission will be to identify gaps in global best practice standards across social and environmental systemic risks including artisanal mining, waste management, biodiversity protection, child labour and the role minerals play in driving conflict.

Why are investors supportive of the commission?

Mining is systemically important to their portfolios:

- Multiple important sectors are dependent on what is mined: Whilst often representing a relatively small percentage of a diversified portfolio, mining has a disproportionate importance. Key sectors dependent on mining include: agriculture, autos, aviation, big tech, cement, construction, manufacturing, steel and shipping, to name but a few.
- Mining can be a force for sustainable development: Mining can be vital to driving infrastructure and development in key economies, especially developing and emerging economies (e.g. ports, railways, shipping, communications and other related infrastructure).
- Investor net zero targets are dependent on mining: Key sector decarbonisation is dependent on transition minerals, and in turn, investor's own portfolio transition targets and risk mitigation is dependent on the success of mining being able to supply the necessary transition minerals.

The Social License of Mining extends to those that own / finance mining companies:

- Outsized Social Impacts: When mining goes wrong, it not only impacts the community and environment neighbouring the incident, but it also calls into question the social license of the company, the sector and those that are investing in it. We all share responsibility.
- Legal action as a result of disasters impacts social licence: Increasing legal action exposes significant risk.
- Mining does and will increasingly operate in conflict prone areas: Without effective stewardship of companies there is potential for increased conflict. A significant percentage of transition producing mines are located next to, or on, land belonging to indigenous or First Nations peoples.
- Investors will be judged on the role they play in supporting a Just Transition: The Just Transition calls for investors to engage with the impacts on communities producing commodities that will not be part of the transition.

Investors have levers to drive change:

- Evidence of tangible impact from Investor Action. Following the Brumadinho disaster, investors working with industry and wider stakeholders have shown they can support tangible change through stewardship – setting Global Standards, creating accountability through disclosures, building global Institutions and catalysing alignment across the finance sector.

The Commission is a critical intervention in a vital sector that needs investor engagement if mining is to play the role needed of it by society and the global energy transition. Responsible mining can be a positive contributor to development.

Commission membership

In April 2023, the Commission issued an open call for nominations from the following stakeholder groups:

- Mining Industry (both large and small enterprises);
- Impacted and potentially affected communities;
- Trade Unions;
- Indigenous / First Nation communities;
- Investment industry;
- Insurance / Banking Industry;
- Technical;
- Academic community;
- Relevant civil society and NGOs;
- Workforce;
- Regulatory/Government.

The Commission will: engage all relevant stakeholders; ensure that stakeholder voices are fully heard and acknowledged; build a common understanding of what is needed to deliver a socially just and environmentally responsible sector; and, identify areas where there is an absence of consensus (on the issue analysis and/or on the solutions needed).

More detail on the Global Investor Commission on Mining 2030 can be found at **https://mining2030.org/**

Supply chain management and modern slavery risk – what you need to know

Modern slavery refers to enslavement of vulnerable people whose freedom is impacted by exploitation including threats, violence and coercion, abuse of power or deception. It is estimated that over 40 million people worldwide are affected by modern slavery. In Australia, over 3,000 people are currently forced into labour.

Given that most of Australia's businesses rely on global supply chains and networks, and the increasing pressure coming from investors, civil societies and other stakeholders, gaining visibility into the supply chain and managing the modern slavery risk is no longer optional. In addition, the regulation around modern slavery is tightening, not only in Australia, but in many other jurisdictions.

Morrow Sodali had the pleasure to sit down with Kim Randle, the CEO of FairSupply, to discuss the current level of transparency and disclosure companies provide, the implications of the changes to the legislation, what can companies do to best prepare and how FairSupply assists companies with regard to modern slavery risk management.

As founder and CEO of FairSupply, Kimberly is an experienced and innovative human rights advocate specialising in modern slavery. Kimberly has over 15 years experience working in law and human rights for top tier firms in Australia and the United States, previously holding the role of Senior Director of Corporate and Legal for International Justice Mission Australia. Kimberly is a sought-after expert and speaker in the field of modern slavery and has been called upon to provide evidence for both the NSW and Commonwealth Parliamentary Inquiries into Human Trafficking. Kim received her Bachelor of Law from Macquarie University.

Kimberly Randle
CEO of FairSupply

Can you tell us how FairSupply assists listed companies?

Kimberly: Listed companies often don't have visibility over their supply chain. At FairSupply we're able to use world class technology to map the supply chain. Once we've provided that visibility, we're actually able to quantify the risk along the supply chain and also each tier of the supply chain – we are able to classify the tiering. When you quantify the supply chain risk, then you can truly see the modern slavery risk.

What companies gain from that insight is visibility of where modern slavery risk is occurring. Companies that operate in a low-risk industry and low-risk country may believe that they are not exposed to modern slavery risk, but it's actually deeper within the supply chain where we know modern slavery occurs. Our underlying philosophy is 'you can't fix what you can't see'. Our technology is providing supply chain transparency to businesses in order to gain visibility over slavery risk and quantifying it. This then informs how the companies can address this risk.

Modern slavery reporting is changing – how is it changing and what should companies be aware of?

The Modern Slavery Act review concluded at the end of March of 2023, and we can expect the findings of that review and recommendations for amendments to the Modern Slavery Act later this year. What we understand from that review is that there is significant pressure being put on the government right now in terms of enforcement for non-compliance. The Attorney General has announced that there will be an independent Modern Slavery Commissioner being appointed at a Federal level with oversight over many of the issues regulated by the Modern Slavery Act.

In terms of the global regulatory environment, there is significant movement in relation to the EU directive on human rights due diligence. And we can expect that the responsibility of organisations to proactively be undertaking due diligence where there is risk, is likely to transcend into many different jurisdictions. There was a significant number of submissions filed throughout the review process that put pressure on the Australian government to consider a company's responsibility to undertake due diligence on their suppliers. It will be interesting to see if that responsibility, as mandated in other jurisdictions, will transcend to the Australian regulatory environment.

How can companies best prepare for these regulatory changes?

The first and foremost thing is visibility of risk in the supply chain. All of the legislation globally is pointing to companies' obligation to have visibility over their supply chain and quantify the risk along their supply chain. That's the first step. Once companies have visibility of that risk, then they need to ensure that their company is appropriately addressing that risk. This can include managing risks through contracting and show provisions through training and education of both their employees and their suppliers.

Companies will be required to conduct due diligence where there is exposure to risk. They will have to ensure that the companies that they're contracting with, while they may be operating in countries and industries where they're highly exposed to risk, are taking appropriate steps to mitigate that risk through different avenues. Companies should also ensure that they have appropriate grievance mechanisms because what we know about modern slavery is that it's a hidden crime. And so, appropriate grievance mechanisms and avenues for appropriate remediation in the organisation are very important.

Having outlined the need to do more, what is the current level of disclosure or transparency that Australian companies have and are providing to investors and other stakeholders? And how does that compare to UK, US, and the rest of the world?

Modern slavery legislation is an interesting global example of trends towards risk disclosure. If you think about other areas of compliance and risk, it's very counter-cultural for a corporation to be publicly disclosing risks to its business. What modern slavery legislation actually requires organisations to do, is disclose as much risk as possible. We've seen essentially a very, very rapid and significant movement from companies.

In Australia, we've seen best practice listed companies going further than the legislation requires by disclosing instances of modern slavery that they are aware of within their supply chain. The latest Woolworths' Modern Slavery Statement disclosed an instance of modern slavery. It is a good example and is considered gold standard. Other companies in Australia apply a traditional notion of publicly disclosing risk and realising that the need to disclose leads you to seeing the risk and seeing it means you will be able to fix it.

The reporting requirements for the Australian Modern Slavery Statement provides the most rigorous and comprehensive reporting obligations in the world at the moment. We have the benefit of seeing the EU's human rights due diligence Directive, and that is certainly more robust and goes beyond what is required from Australian legislation. The US has taken a different approach, they actually don't have a modern slavery act, although California has an act which requires some level of reporting. But what we've seen in the US that has a very significant effect on procurement for listed companies is trade bans. There's legislation in the US presuming that goods and services from particular regions are subject to forced labour and are actually stopped at the US customs.

> I think what we're going to see is an increased movement toward more detailed disclosure of risk by listed companies without the fear that it is going to have a detrimental effect on their corporation.
>
> **Kimberly Randle**

People often associate human rights breaches and forced labour with countries outside of Australia, typically with weak or no regulations. But is there evidence of human rights violations specifically tied to the listed companies in Australia?

What we know about labour exploitation in Australia is that there are particular industries where it occurs. The agriculture industry has a higher risk of exploitation than other industries, followed by construction, security and the cleaning industry.

There's a famous lived-experience advocate who is a survivor of modern slavery in Australia and talks about some of the conditions prevalent in Australia. One of the situations he describes is the requirement for some migrant workers in the agricultural industry to pay for their accommodation. In the event of severe weather conditions, they can't go to work, so they're not being paid, but they still have to pay for their on-site accommodation.

A lot of industries with an elevated risk of slavery in Australia have a very similar risk factor – a low skilled migrant workforce that has a very long line of subcontracting arrangements. So even in circumstances where the listed entity has undertaken comprehensive due diligence on the subcontracting agency, the subcontracting agency is working with another agency and so on. Inadvertently, there could be exploitation in a supply chain in circumstances where, at the first tier, comprehensive due diligence has been undertaken, but the company just doesn't have visibility over deeper layers of their supply chain where exploitation is actually occurring.

ESG risks, and as such supply chain and modern slavery risks, are often considered outside of business strategy, especially at companies outside of the ASX100 Index. What is the key barrier for these risks to be seen as business risks and what can companies do to rectify it?

I think that the modern slavery statement provides enough of a catalyst for boards to be required to identify risk in their supply chain. Inevitably that is going to put pressure on suppliers of those listed companies.

We're also seeing asset owners putting pressure on fund managers. Fund managers are then putting pressure on listed entities within their portfolio. Those listed entities have a responsibility under the Modern Slavery Act to describe their supply chain and, inevitably in that supply chain, there are going to be both non-reporting entities and reported instances of modern slavery.

Addressing modern slavery risk will be an obligation as part of the tender process or part of the contractual obligations to do business with. That is going to force non-reporting entities to have to start addressing modern slavery risks. While not mandated by the legislation to integrate supply chain risk into the business strategy, the environment is moving so quickly that these companies are just not going to be winning contracts with the government and other customers.

Can you think of any examples where supply chain due diligence has led to an opportunity for a company to save money or make money? Can the supply chain risk also become an opportunity?

I think that's what keeps FairSupply motivated. We call them our 'impact stories' because every day we get to work with companies where exposure of risk turns into opportunity. We see that on many different levels. We see companies exercising their commercial leverage to ensure that other companies are addressing modern slavery risk, whether that be in investment, pre-terms, pre-conditions or procurement.

Modern slavery is now being addressed as a requisite to do business with. Companies we're seeing really understand not just the regulatory consequences, but the commercial consequences of not addressing modern slavery because it is becoming such an important requisite, especially in larger organisations and government contracts.

The need for just transition as the world's economies move away from fossil fuels is becoming a hot topic among investors and other stakeholders. There are concerns that transition will have a significant impact on supply chains, often resulting in potential breaches of human rights, safety standards and other issues. What are you views regarding just transition and what can companies do to minimise the systemic and business risk?

I think the interrelationship between the E (environment) and the S (social) is a critical one, and we're at a point in time where companies are just starting to realise the intersection and the impact of that intersection.

As an example, we know that the manufacturing of various 'transition' materials for renewable energy such as solar panels and wind turbines are industries which have an elevated risk of modern slavery. Companies need to ensure that as they are purchasing materials that will assist in reducing their carbon emissions, that they are not purchasing them while simultaneously elevating the modern slavery risk for their business.

We also know that climate change is going to disproportionately affect those people who are already at risk of exploitation. I think that we will no longer have the focus on the E siloed from the S, but they will be considered holistically. The ESG impact will be considered more holistically in business decisions. Trade-offs will not have to be made and there will be pressure put on companies to ensure that they're not trading the E off against the S or the S off against the E.

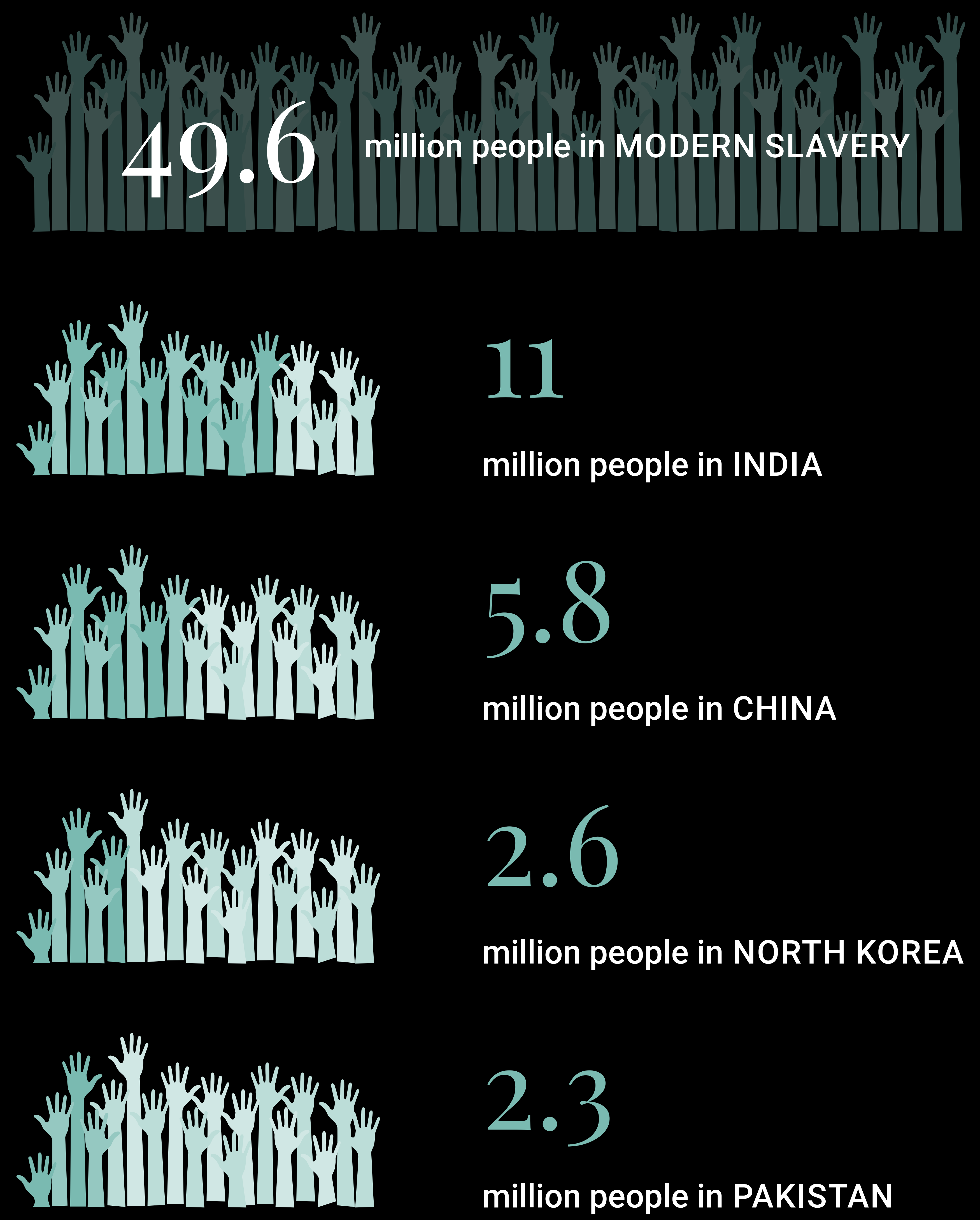
Does Australia need directors with a supply chain management background? What skills and background should the boards be looking at in order to really oversee the supply chain risk?

Directors are under increasing pressure to be considering ESG risks. But in terms of what's in the best interest of the company, I think that instead of specific skills we should be focusing on director education. All directors need to quickly understand the interrelationship between ESG issues and acknowledge that ESG risk occurs deep within a supply chain and is often hidden.

In an ideal world, what would need to change for us to eliminate modern slavery?

The answer is multifaceted, and it involves many stakeholders. During my time at International Justice Mission Australia, the world's largest anti-slavery NGO, my response to that question would have been law enforcement in countries with modern slavery. But come that, there's no impunity, right? Because modern slavery is an economic model. And to address the supply of people in slavery, we need to address the demand for exploitation. That requires a multifaceted solution on the ground that relies on local law enforcement. It also involves legislation minimising demand for purchasing goods and services with risk of exploitation.

I also think that consumer activism and shareholder activism is playing a significant role in addressing this because as purchases of companies, products, and services every day, the current generation is demanding that organisations have accountability for the goods and services they are providing.



Source: Global Slavery Index, www.walkfree.org

Cyber Response

Minimising risk

Joanna McCarthy
Senior Director

Consider you're a leader of a listed company, it's a Saturday night and you receive a call to say a 3rd party supplier has been the victim of a cyber security breach and this has infiltrated your system breaching your customer data. At this stage the extent of the breach and the impact on your IT systems is unknown. The media has been tipped off by a leak on the supplier side.

At this point who will you call? What actions will you take? Does your system have the capacity to communicate with your tens of thousands of customers? Who can get a message up on the website and social media platforms at this time of night if you need to? Who has the email distribution lists and socials passwords? Can you get hold of your lawyers on a weekend to approve the messaging? Who will speak to the media if they call? How long do you have to meet your mandatory reporting requirements? These are the sorts of scenarios Senior Director, Joanna McCarthy helps clients work through when advising them on preparing for a crisis.

As bad actors become more sophisticated, cyber attacks more common and regulatory responsibilities on boards and executives increase, crisis preparedness and being able to tap into expert resources on demand, at any given time of the day or night, weekday or weekend, is now a necessity.

According to Joanna, “Being able to quickly mobilise your team of internal and external experts is invaluable. Having the right people in the ‘room’ from the outset ensures you can respond to the crisis in a coordinated and agile way and mitigate risks as early as possible”.

“When organisations prepare ahead of time the team can focus on the issues at hand rather than starting from scratch. Knowing who’s on the response team means you don’t have to think about who to call because you’ve already agreed this, you have the contact details to hand, and the team knows what to expect when they get the call. Similarly, having executives media trained, a draft media holding statement ready and a media protocol in place lessens the stress and hastens the response.”

Recent cyber attacks have highlighted the importance of clear, timely communication in response to a cyber-attack.

“What we’ve seen is organisations being heavily criticised by customers for failing to communicate with them directly or not letting them know fast enough that their privacy has been breached. This has been backed up by the government and key regulators compounding the damage to corporate reputations.

“Customers, employees, and investors want to be informed early even if this means being told what the organisation doesn’t know. They want assurance that everything possible is being done to secure their personal information”. This is true of any crisis situation.

The reputational damage associated with not communicating properly can result in litigation, regulator fines, higher compliance costs, an increased cost of capital or funding, loss of shareholder value, loss of clients/customers, and increased costs of attracting and retaining employees.

So what are some of the things organisations can do to prepare themselves and mitigate risks.

- **Be prepared:** Have a clear escalation plan from IT to the response team from the outset which includes communications. Only have the necessary team members "in the room" and have clear roles and responsibilities. This is aligned with the **AICD cyber governance principles**. Agree your corporate position on ransoms.
- **Practice, practice practice:** Practicing the escalation plan through simulations ensures the board, executive team and employees know what to do if and when a crisis occurs.
- **Cleanse all unnecessary information from your organisation:** Only keep information that is absolutely necessary, especially when it comes to the most sensitive health data. The less information you retain, the less the impact of a breach.
- Ensure your organisation follows the ACSC **Cyber Security Principles** putting in place the recommended **essential 8 mitigation strategies** and **identifying cyber supply chain risks**.
- **Stakeholder management:** Know how to reach your stakeholders to communicate with them in a timely manner, especially customers. Short cut approvals processes by agreeing them ahead of time. When too many people are involved it can slow the process down and lead to confused messaging.
- **Be clear and transparent about what you do and don't know:** Use simple language that all can understand.
- **Time critical:** Be timely, provide regular updates.
- **Authenticity:** Only make claims you know absolutely to be true.
- **Uphold promises:** If you make assurances about when customers can expect to hear from you, the repayment of costs to replace documents, or the safety of data, make sure you can fulfil them.

Who is Morrow Sodali?

Morrow Sodali is the leading independent global consultancy specialising in M&A advisory, annual meeting services, shareholder and bondholder services, corporate governance, proxy solicitation and capital markets transactions.

From headquarters in New York and London, and offices and partners in major capital markets, Morrow Sodali serves more than 1,000 corporate clients in 80+ countries, including many of the world's largest multinational corporations. In addition to listed and private companies, our clients include financial institutions, mutual funds, ETFs, stock exchanges and membership associations.

Our Purpose:

We bring together all the expertise, information, technology and resources companies need to effectively engage with their shareholders and other important stakeholders to maximise support for strategic events and business as usual initiatives.

Our Services:

- Corporate Governance Advisory Services
- ESG Advisory Services
- Proxy Solicitation and Shareholder Meeting Services
- Capital Market Intelligence Services
- M&A Shareholder Engagement Services
- Proxy Contests, Hostile Takeovers, Shareholder Activism and Special Situations
- Retail Services and Additional Capabilities
- Debt Services
- Board of Director Services
- Services for Registered Funds – Mutual Funds, Exchange Traded Funds (ETFS) and Closed-end Funds – **Morrow Sodali Fund Solutions**
- Transaction Communications Services
- Investor Relations Services
- Corporate Reputation Services
- Research Services

Annual recurring clients:

500+
Shareholder meetings

200+
Corporate governance advisory clients

95%
Retention rate annual meeting clients

80+
Countries

1,000+
Corporate clients

Who is Citadel-MAGNUS?

Strategic Financial Communications and Investor Relations Advisory

In November 2022, Morrow Sodali formally announced the acquisition of Australian-based corporate and financial communications firm, Citadel-MAGNUS.

Citadel-MAGNUS is Australia's leading independent corporate and financial communications firm with an experienced team of professionals based in both Sydney and Perth. Citadel-MAGNUS's core Investor Relations, Financial Communications and Board Advisory service offerings are highly complementary to Morrow Sodali's current expertise in ESG advisory, proxy solicitation and research and stakeholder campaign development.

The combination of Morrow Sodali and Citadel-MAGNUS is the largest of its kind in Australia and brings together more than 80 professionals in Australia, across 12+ disciplines, servicing more than 400 ASX listed companies each year.

Our Expertise

Corporate Reputation

- Corporate Brand Profiling
- Issues Management
- Stakeholder Mapping/Engagement
- Community Relations
- Corporate Social Responsibility
- Thought Leadership
- Media & Presentation Coaching

Investor Relations

- Shareholder & Analyst Communication
- Investor Perception Audits
- Financial Results & Calendar
- ESG Reporting
- Proxy Campaigns
- Shareholder Activism
- Investor Roadshows/Events

Transaction Communication

- Mergers & Acquisitions
- Initial Public Offerings
- Equity/Debt Raisings
- Corporate Restructures
- Trade Sales
- Asset Divestments
- Post-Merger Integration
- Media Strategy & Management

Special Situations

- Crisis Preparedness & Management
- Product Failure/Recall
- Restructuring & Financial Issues
- Change Management
- Litigation Communication
- Regulatory/Public Affairs
- Employee Engagement
- Data Breaches & Technology Issues

Contact

Our expert APAC team providing listed companies with market-leading services.

Our APAC Team

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