



Transcript – Henriette Rothschild

Helga Svendsen 0:00

Fires continue to burn around Australia. I'm doing a take on board mini series about those industries and areas impacted by bushfires and climate change. Clearly, it's a timely topic for those of us who are witnessing the devastation in Australia. So today on the take on board podcast, I'll be speaking with Henriette Rothschild about bushfires, climate change emergencies and the impact that this has in the boardroom. As I mentioned last week, I was in Adelaide during the Christmas period. During that time, the Adelaide Hills experienced devastating fires. Two people died and others were injured. More than 80 homes were lost, as well as about 500 outbuildings, hundreds of vehicles and extensive losses of livestock pets, and massive crop damage and vineyard damage. In particular, about 1100 hectares of the Adelaide Hills vineyards are believed to have been destroyed or badly damaged due to the fires. And this equates to around one third of the area's grain production. So, I immediately thought of speaking with Henriette about the impact of this sort of devastation and bushfires on the wine industry. She and I met when we did company directors course together at the Australian Institute of Company Directors. She immediately impressed me as one of the smartest people in the room. She's the director of the Richmond Football Club of Brown Brothers Winery, and she's also a former advisory board member of Circle Source and Victoria Police. Henriette has more than a decade of success in challenging executive leadership roles across Australia, New Zealand, Japan and Korea, and has a background in sales, commercial marketing, consulting and HR. She's passionate about working with great people to ensure organizations transform and perform. So area for all of these reasons. That's why I'm welcoming you to the podcast today. So welcome to the take on board podcast. Thank you.

Henriette Rothschild 1:56

Hello. Great to be here with you.

Helga Svendsen 1:58

Before we get into the topic, which I can't wait to have that conversation. But before we get there, you're on the board of two amazing organizations, Richmond football club and Brown Brothers. And as I say, well, so I'm itching to get into that conversation. Can you just tell us a bit about how you ended up with such a fabulous portfolio? The envy of many.

Henriette Rothschild 2:17

Actually, I'm pretty lucky. And they both fantastic organizations, for different reasons. So Brown Brothers is the one brand. We've renamed to Brown Family Wine Group for a couple of reasons that we can come to back to later but with Brown family, it was very much a recruitment process approached by a recruitment agent that I had known. I was looking for an executive role in fact, and she was able to identify that a lot of the interests that I had, both in terms of organizations with great culture, an organization that was looking to expand internationally, particularly in Asia and so forth, and in the background in sales, marketing, and also people, there was a really strong fit. So it was a normal recruitment process where I didn't think I'd be successful. And I was delighted beyond words when I was successful with Richmond Football Club. It was actually through my consulting work many years ago where I was working at that point in time with the board and management at Richmond. And that had me getting very connected to the club and becoming quite passionate about the work that they were doing and the challenges that they were facing going back 10 years plus, over time, I started volunteering on various committees, which is actually I think one of the really important things when you're thinking about going onto a board is thinking about rather than just I want to be straight on the board, are there committees is there ways that you can contribute that then gets you familiar with the organization and also allows the board members to become familiar with you? So that's actually what happened with Richmond.

Helga Svendsen 3:49

Two things on that. Firstly, it is a fantastic example of using committees to find a board role. And secondly, what's it like to hold the cup?

Henriette Rothschild 3:57

It's awesome.

Helga Svendsen 4:02

You were on the board for both Premierships?

Henriette Rothschild 4:04

Yes, exactly. And when premieres between in 2018, so I think one of the episode highlights of my life, which I probably never even thought about going on to the board. In fact, when I went onto the board, there had been quite a tough environment. performance on the field hadn't been great even though a lot of the all of the great things were going on behind the scenes. That probably wasn't known to the to the public, but I was familiar with because I'd been involved with the club. So they were doing a lot of right things behind the scenes, but it wasn't translating on the field. And so then

going onto the board expecting it would be really tough and there would be challenge after challenge and very angry stakeholders to be able to experience the 2017 win and personally and as a board as a group walking on to the G just after the siren had gone. We sort of congregate at one point in time hugs and high fives and I had my phone over to one of the staff members and ask them to take a photo and that photo of the board, I mean, was just an absolute highlight. And then yes, touching the cup after that was pretty cool.

Helga Svendsen 5:10

So for those that are not from Australia that are listening, Henriette is on, as I said on the board of Richmond football club who won the Premiership in recent times anyway, both in 2017 and 2019. And when did you join the board?

Henriette Rothschild 5:21

At the start of 2017?

Helga Svendsen 5:23

You are the lucky charm.

Henriette Rothschild 5:25

And that's right. It's all about me nothing to do was...

Helga Svendsen 5:33

I'd love to have a conversation with you also about Richmond at some stage and some of the I'm guessing culture change that someone happened there and measuring how the board looks at culture and success and team performance, but that is not the conversation over today. So today, as I say, I was in Adelaide over the Christmas period. A friend who works in wineries was just sending videos constantly of mind burning and industry is being impacted. And not just his winery, but others that were also being impacted. And getting those direct messages just made me think, right, there are clearly some issues for boards to be taking attention off. Now, I'm not sure if brown family wine group has been directly impacted by the fires, but I'm interested to know, either way, whether they've been directly impacted or indirectly impacted. But secondly, even if they're not directly impacted, what's been the discussion with your board over the last few weeks as they push by devastation has been unfolding?

Henriette Rothschild 6:33

Look, I think with every crisis that happens, and I have a favorite expression that many would use in different contexts, never waste a good crisis. It's always a really important time to reflect on, on your practices. And I think often times a crisis just brings into sharp relief what's already been an issue in the past now, I'd say the current bush fires and the preparation for those and the reactions to those things that most agribusiness This would be preparing for and thinking about, at the best of times and over many, many years. So, bushfires are nothing new to Australia would perhaps come back and talk more broadly about the many different things that are now on the agenda of the board that may not have made its way to the boardroom in the past because they would have been seen more as operational matters such as energy, water access, so forth. But talking specifically about the bushfires, obviously in an agribusiness there is just the first threat to the premises to the, to the vineyards, but also to the product. So for example, even if a bushfire may not wipe out either your sheds or your vineyards, smoke taint, for example, can have a devastating impact on a whole vintage and water excess that may be required elsewhere. All of those sorts of things start to play out. But I think during the actual moment when there are actual crises, as we're talking about the moment I guess most boards would as always rely heavily on management to keep them updated on risks that they perceive whether there's any immediate danger because safety for individuals always is first and foremost. So, for example, in this last while the air quality up in the King Valley, there have been days where that's been particularly hazardous where decisions were made by management, to not have staff in the vineyards because of the risk to individuals. And obviously, the board gets kept updated on the progress of fires, which in recent times have been a lot closer to some of the vineyards there.

Helga Svendsen 8:37

I mean, again, it wasn't quite so directly impacted on your business. But how does the board communicate in that period when things are happening? Is management emailing you and giving you updates about what's going on? Is there I don't know a WhatsApp group that people communicate through how does the communication actually happen and what are the sorts of things that have been the biggest issues for you in the last couple of weeks

Henriette Rothschild 9:00

In recent times its disability formal update from management. The actual the chairman would be ringing around board members to ensure that they're kept up to date and that sort of personal level and also pick up whether there are any particular questions or concerns that board members would have. Then we were given an update from the CEO that just talked about the current situation impacts on any individuals in the business near brand family are very strong people and family oriented business so that the well being of staff and, and staff personal circumstances, obviously is something that's updated, that wouldn't be the case in all boards, but that is an important factor with many long term and very highly valued staff. We would also be getting, you know, updates on basically a list of risks perceived and mitigation on those risks. So, as in any good governance, it is

actually management, you need to be running it. It's management that needs to be bringing it to the board's attention and then the board Look at that and decide that that's sufficient that they're happy with that, or indeed, you know, at times challenge to say, look, what have we thought about this and have these other considerations? I think it's with any emergency situation is critically important that the board stays in role. And it absolutely makes it clear that management's running this and the board overseeing it, and only would intervene or challenge if there was some real risks that they didn't think that management had considered or across.

Helga Svendsen 10:26

So I'm interested in hearing more about that. And what you might have observed has changed over the last couple of years, maybe around, there's two aspects to it really. One is what topics might be on the board agenda that weren't previously on the board agenda. And secondly, and related to that, that balance between what is operational and what is governance, what is management work, what is board work, how it might have impacted that sort of relationship and how the line might have moved.

Henriette Rothschild 10:53

And I think those two they're interlinked those questions in many ways based on my experience, so obviously the ball Often looking at things that has a strong financial impact and decisions of a certain size and scale come to the board. decisions that are of a lower quantum would be met by moment management. And I think one of the things that we've seen, not just in agri businesses but particularly agri businesses are the decisions that would typically based on financial impact have set with management have escalated to the board. And three very real examples of those would be water, water costs and excess energy. And I think that's whether you're in a in an agribusiness or not energy costs. So energy sustainability and sourcing a things that are making their way onto the board agenda. And the third one is insurance. Now there are three things that in the past, particularly outside of agribusiness would have been probably sitting with a procurement manager or CFO or someone at an operational level, but because of the rapid increasing costs, they're now having a very, very much impact on boards. And so therefore, I think it's really incumbent on a lot of boards to be aware of insurance costs and also lack of coverage at times because insurers are very strongly impacted by these more extreme weather conditions. And there's a range of different factors driving just this astronomical increase in insurance costs across industries, whether it's more heavy regulation, or in case that we've experienced here recently, just more intense and extreme weather patterns. So you know, hail strikes much more likely to be happening regularly. Obviously, we're seeing the bushfires at the moment due to much drier conditions and hotter conditions. Now, other areas more impacted by floods than they might have. So I think the impact on financials mean that there's different things on the agenda of the board that would typically have been sitting with management

Helga Svendsen 12:55

And a very practical question around insurance, with fires, floods, storms? Are they considered acts of God by the insurance companies or are they insurable events?

Henriette Rothschild 13:05

Well, this is why I didn't have often being on the on the board agenda because it's very real the strategic decision making required in deciding what you insure for and what you don't insure for based on the costs and capacity to actually pay for that. I think it depends on the level insurance, it depends on your, on the risk appetite of the board. And it depends on on the business. So there's a lot of variety, but there's definitely more and more organizations we're hearing about, that are needing to or choosing to self insure for some of those things because the cost of insurance has become astronomical or untenable. And in some cases, insurers are actually refusing to insure because their risk profile needs to be mitigated. They're under pressure from their shareholders, and the impact on organizations. Agri businesses, particularly where they might be that might be more exposed to these more extreme weather conditions means that it is A decision about risk appetite, are you prepared to not insure parts of your assets? Because the cost of doing so is cost prohibitive? That's why it ends up on the board agenda. I'm sure in past, say 10-20 years, I don't know that insurance is would have made it past the finance subcommittee, because it would have been one of the lines in the P&L. Now, it's actually a very strategic conversation and discussion in a lot of boards.

Helga Svendsen 14:27

And so if I can ask, where does Brown family wine group land in that insurance conversation?

Henriette Rothschild 14:33

It's very much on the agenda. It's something that has been an ongoing conversation, both in terms of how much do you ensure for what is the likely risk and so it is a very real, very live conversation on risk appetite as a board and as an organization.

Helga Svendsen 14:49

It's fascinating, isn't it? That Yeah, as you say, five years ago, 10 years ago, these conversations just wouldn't have been happening and now they are part of it. So with some of those other topics that you talked about energy, for example, And you mentioned some of it about accessibility and where energy comes from and those sorts of things. But can you take us through as much as you can some of the conversations around say energy and how that's changed in your boardroom and where your board has landed on some of those issues?

Henriette Rothschild 15:16

In many cases, these and so I would come onto the board agenda because of the financial costs, but also because of the risk profile. So what we're seeing in a lot of businesses and brown family now I think one of the things I should mention brand family has assets across Tasmania and Victoria. So one of the ways in which we can come back to opportunities later that they're managing some of this risk is by diversifying and having number of brands and vineyard assets across those geographies, which reduces your exposure because you're not reliant just on either one climate area or one say energy supply it For example, one of the things apart from costs that has been coming is the sustainability of energy sourcing, for example, during vintage, there's a very high need in the in the winery for a very constant supply of energy. And what we have seen with these more extreme weather patterns and so forth is the risk of brownouts being much higher. And so therefore, again, from a risk perspective, thinking about how do you ensure that there is sustainable supply becomes an important conversation, again, largely driven by management but overseen and challenged and questioned by the board, increasingly also talked about the financial impact, but there is also a social impact. So, one of the conversations that has been discussed in the strategic conversations are things like micro grid and community, solar and so forth. Where, if you're the largest organization in a particular region, your ability to work with the community to set up community solar opportunities that both reduce your reliance on the grid and contribute something back as well, I think, isn't it interesting conversation. And it's something that has been going on with the operations team there. So sourcing of energy, as much as use of energy and cost of energy are all things that I think are on the strategic agenda. And they should be, I think, on many other organizations, whether they're agribusinesses or not.

Helga Svendsen 17:17

We've looked back at some of the issues and how the board agenda has changed over that time. If we look the other way, look into the future. And I think we've touched on some of the issues that might change into the future like energy community, community renewable projects, whatever it may be. What else do you see changing in the future around some of these topics? And, again, you've touched on what are some of the opportunities for organizations

Henriette Rothschild 17:39

With risk comes opportunity, as we know, and I think what has been a huge benefit to brown family and something that I hold the organization very, very high regard for is about 10 years ago, they identified that vintages were getting earlier. And they talked about well, whether it was climate change or global warming or what You like to call it there was a very clear set of data that says that we're having hotter periods of and therefore, grapes are ripening earlier. So if they wanted to maintain the quality of grapes that they need to supply consumer demand, they needed to be finding vineyards outside of that immediate region that helped to diversify by the risk, but also the the impacts are going to call a climates. So at that point in time, they came up with a two degree strategy, and not long after some assets came up for sale in Tasmania, which they then acquired and

that has been an absolutely fantastic acquisition. So dibbles corner is one of those, which is set on calls by it's absolutely stunning, definitely worth a visit for anyone in the northeast of Tasmania. Tamar Rich, another great one with some delicious Pinot Noirs and so forth and Berry, were all part of that acquisition, and a short while later, then there was also an innocent bystander up in Healesville So by identifying the need to diversify because of the risk that was being imposed the business potentially sooner than they might otherwise have done, have ended up acquiring some assets and diversifying away. What that's done is it's actually exposed them to some very popular varietals, like Pinot Noir and Pinot Gris, Chardonnay, Riesling, which has put them in a fantastic growth position. So that would be one example. Another one is that there's experimentation going on with CSIRO on different varietals that use less water. So there's some really good innovation that can come out of adapting to the situation rather than trying to ignore what's going on. So think that again, is an opportunity outside of wineries is you know, agribusiness and others. How can you actually recognize the opportunities that the risk poses a further way in which the need to adapt has sort of created innovation is that You see the production facility and the vineyard men managers, actually looking at the approaches. So mulching, for example, and using different techniques that perhaps the very traditional techniques, bringing those in to reduce water, waste and innovating with methods, some of which may actually create efficiency gains as well. So not wasting the opportunity and making sure that management really thinking about how do they adapt, and how do they proactively, then seize the opportunity to perhaps move into an adjacent area sooner, so that it protects against the risk, but it actually creates some better opportunities in terms of productivity, efficiencies and innovation.

Helga Svendsen 20:44

So it sounds like your organization is incredibly proactive on these issues and innovative and future thinking.

Henriette Rothschild 20:52

The Brown family are fantastic like that, and I think everyone would say that we're not doing anywhere near enough all the time, because I think you don't ever know fully what will be it's like any strategic planning, what you need to do is look at a number of scenarios, more extreme scenarios through two more businesses usual scenarios and have plans in place and ideas. And then when those opportunities come up, or when those risks like bushfires exposed himself, then you've at least had conversations before they happen so that you've got some thoughts about how you might approach them. But I think every organization would say they could be doing more in this regard.

Helga Svendsen 21:31

Well, again, racing events would, certainly reminds us to have it on the agenda. But it needs to be a constant, really thinking about the future and being productive. And so thinking about that in a in a

practical sense, this future thinking strategic thinking, how does that show up on the board agenda? Is there the annual board strategy day? Is it something that is a common theme through every board agenda and every conversation? How does it show up for you?

Henriette Rothschild 21:57

Well, I think this is not just for Brown family and Richmond and others as well. But absolutely, it's important to put aside at least a day a year where you just talk about long term strategy and you know, beyond the years, but as a board, you're not doing your job if you don't have a very strong theme of strategy through every board meeting. So, for example, in Brown family would have the five year plan, and that would be reviewed, discussed and various aspects of that would be on the agenda for every board meeting, I think making sure that you as a board are aligned on what those most pressing strategic priorities are. And that's what the you know, the annual strategy day helps to ensure that everyone is aligned on that, that the key topics are well known to everybody. And then that when the right time comes up, for example, if there are changes in for example, the export market or impacts of climate or whatever the conversations you had, that you initiated in those strategy sessions where you put things on the table But don't necessarily resolve them, you then have that conversation at the right time during the normal course of board meetings. But getting the balance between the very long term and the sort of short to medium term, I think is the role of the chair and then the role of the whole board to hold the chair to ensuring that agenda is sufficiently long term, but pragmatic enough that you're making sound decisions and giving that sound support to management. in your day to day meetings.

Helga Svendsen 23:30

We've had such a broad ranging conversation around all sorts of different aspects around that risk and liability and how it impacts not just in wineries, but some tips for others. What are the main points you want people to take away from the conversation we've had today?

Henriette Rothschild 23:44

Look, I think even if the board that you're on isn't directly exposed to agree, there are many changes in our environment right now that mean that the impact of climate has to be on the board agenda. So you know, whether that is to the financial impact of increasing insurances, water, energy and some of those utilities. We haven't really talked about the political element. But that social license to operate, I think is an important one, when a lot of people are looking at organizations of how they're modelling the right choices when it comes to sustainability. And I think ensuring that you are prepared so that when a crisis does hit you play in role you'll allow management to manage and the board oversee from a risk perspective. And I think but the final one is always when there is change, and when there is crisis, there's always opportunity. So don't lose sight of that and seize that and the more you are able to bring that into your strategic agenda. It means that when it happens, you are better prepared to deal with it. I think the way that the board conversations over the last five years

or so have continued to evolve to pick up on issues of climate. Actually in terms of that social license to operate, because while there might be arguments going on as well, what difference does it make, you know, it might have point five of a of an impact. The reality is the community are concerned about issues of energy use water use and waste. So one of the things that we're definitely seeing in conversations is not just about the financial impacts, but also the social impacts of decisions that are being made by management. And that will have ramifications on the perception of the organization. So I think making some very sound decisions both from a risk perspective, but importantly, from a social licence drop rate perspective, is increasingly on the agenda of the board and I know across a range of different organizations, many that you wouldn't necessarily think about it, people are talking about energy use and with what the energy is sourced from water use, not so much because of the cost, financially, but because of the impact on the community and the perception of the community. of being seen to waste those assets.

Helga Svendsen 26:02

Thank you. Thank you so much for joining me today on the podcast. In particular, I don't think I said this at the top in bed Henry arise let me bargaining on her holiday, which happened to be close to my holiday. So we managed to actually catch up to record this podcast. So thank you for allowing me to do that. I will make sure I put links in the show notes, not just to Richmond football club but also to Brown Brothers family wine group and also might with your permission, a link to some of those Adelaide wineries that have been impacted and encourage people to buy from there as well, to help them get back on their feet as well.

Henriette Rothschild 26:32

Absolutely, because I think there's a lot of focus right now on the crisis having personally been impacted through family friends by the ash Wednesday bushfires one of the things that really that highlights to me is that there's a lot of flurry of activity in the month or so when it happens. The real work is three months, six months, nine months down the track. So helping those communities get back on their feet, supporting businesses supporting that environment and continuing the ongoing work to sit people back on track I think is actually where the real work comes in. So I couldn't agree more ensuring that there's that support our businesses, whether it's from East Gippsland, Adelaide Hills, or indeed any of the other places impacted through tourism and so forth. I couldn't agree more.

Helga Svendsen 27:18

Thank you for your time today. Thank you.