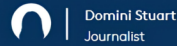


From boardroom decisions to public consequences



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Executive summary

- Employee voice and activist shareholders are no longer peripheral, they are actively reshaping how Australian boards operate.
- Campaigns now emerge from both inside and outside the organisation, forcing boards to respond in real time without losing strategic focus or cultural cohesion.
- Activism is no longer episodic – it is constant, interconnected and increasingly driven by employees amplifying investor pressure.

When boards misjudge culture and accountability, trust can unravel fast. In today's environment, activism is constant, and it comes from every direction.

In 2017, while he was a senior executive at AMP Capital, Boe Pahari was accused of sexual harassment. AMP imposed a \$500,000 internal financial penalty and then, three years later, promoted him to CEO. The board unanimously approved the promotion, AMP chair David Murray AO saying the matter had been “dealt with appropriately”.

Major shareholders disagreed, objecting to both the promotion and AMP's handling of the original complaint. Meanwhile, whistleblower accounts and public reporting piled extra pressure on the board by exposing broader cultural problems at AMP. As a direct result of shareholder action, Murray and director John Fraser resigned, and Pahari was demoted to his previous role.

“Pahari was widely understood to be a high-performing revenue generator in AMP Capital's infrastructure business,” says Lisa Heap, a labour lawyer and senior researcher at the Centre for Future Work. “Perhaps that was enough to convince the board to risk its culture and reputation by deciding to promote him.”

An integral part of listed life

Activism used to happen occasionally – a hedge fund value play, pay not aligned with performance, an unpopular takeover. Today, activism is continuous and systemic, with employee voices amplifying shareholder concerns.

“The real question for directors is not whether every activism campaign is justified, but whether it is revealing where trust has frayed,” says Jeremy Lanzer, a partner in Arnold Bloch Leibler’s corporate and commercial practice.

“For example, when investors saw James Hardie’s US\$8.75 billion cash and scrip acquisition of AZEK as a breach of trust and a failure in accountability, the company made the mistake of dismissing a legitimacy issue as mere noise. In fact, as investor backlash intensified, James Hardie had to retreat, which damaged the board’s credibility – and the ASX was forced to review its waiver process.”

A chorus of voices

Activism has been synonymous with shareholders for more than 100 years. Today, with the fourth largest pool of pension savings in the world, Australian superannuation funds are some of our most powerful shareholder activists – although ASFA (Association of Superannuation Funds of Australia) CEO Mary Delahunty GAICD prefers the term “active investors”.

“That may sound semantic, but the nuance is that they will get involved with the companies in their portfolio to protect and enhance long-term returns,” she says. “There’s still a role for activism, but we think it sits largely outside the institutional investor category.”

Employee voice emerged much more recently, gaining strength when boards and investors began to recognise culture, ethics and how the workforce is treated as material to corporate value.

“If employee, community and investor concerns start pointing in the same direction, your internal issue has blown out into a board crisis,” says Lanzer.

In 2024, when ANZ received a first strike on its remuneration report, significant governance concerns drove the bank to withdraw a proposed equity grant to the CEO. A second strike at the 2025 AGM triggered a spill resolution.

“The spill failed, but the lesson is that activism doesn’t need to win every substantive resolution to be effective,” says Lanzer. “It often does its work through the softest target – the remuneration vote – where it’s hardest for boards to sidestep concerns about conduct, culture, risk oversight and accountability.”

Boardroom challenges

Shareholder activism tends to be formal and structured. Employee voice is more diffuse, continuous and culturally destabilising – and it may struggle to be heard.

“It used to be quite common to have one or more voted employee representatives on the board,” says David Peetz, Professor Emeritus of Employment Relations at Griffith Business School. “Without that, you need some kind of institutionalised consultation mechanism with a direct feed into the board, not just management.”

Some boards dismiss employee voice as a management problem.

“This is a mistake,” says Heap. “It’s in their remit to be cognisant of the culture of the organisation and the way it operates.”

The composition of the board can also influence the mood of the workforce.

“Until relatively recently, boards – especially those of larger companies – reflected a very narrow and privileged section of society,” says Heap. “This can create a sense of ‘us and them’, particularly when directors announce times are tough and workers need to tighten their belts.”

Deciding when to act

Given the persistence of activism, how does a board decide when to act?

“If you hear about serious dissatisfaction through the media or at the AGM, it’s probably already too late,” says Lanzer. “Early engagement is critical. For example, when Lendlease [construction and real estate company] announced a strategy reset, the annual report recorded more than 30 stakeholder meetings on strategy, succession and reward. After a first strike in 2023, only 8.5 per cent opposed the 2024 remuneration report.”

Most superannuation boards have an established escalation framework.

“They understand a company’s value and will base their decisions on whether that value is being enhanced or destroyed,” says Delahunty. “If exposure to a company becomes too great a risk, the board may choose to exit the holding. Conversely, if they believe the company has a credible long-term strategy – for example, on the energy transition – they may overweight the position because they see long-term value.”

Lanzer believes that protecting long-term value requires more than holding the share price together while a campaign plays out.

“It’s about preserving the board’s ability to govern calmly, allocate capital sensibly and execute strategy without being dragged into a destabilising contest for control,” he says.

“Regular and open engagement, close monitoring of the register, a realistic understanding of the company’s vulnerabilities and a willingness to respond without defensiveness are still the best tools a board has to manage activism before it becomes a public brawl.”