

board room

JUNE / JULY 2020

Magazine of the Institute of Directors in New Zealand

**Tourism resilience
Thinking global,
acting local**

**Home working
A risk management
strategy**

**Global views
on the COVID-19 crisis**

 Institute of
DIRECTORS
NEW ZEALAND

boardroom

Boardroom is published six times a year by the Institute of Directors in New Zealand (IoD) and is free to all members. Subscription for non-members is \$155 per year.

Boardroom is designed to inform and stimulate discussion in the director community, but opinions expressed do not reflect IoD policy unless explicitly stated.

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PRODUCTION NOTES

Every effort has been made to guarantee the pages of this magazine are sustainably sourced and produced using paper that meets the environmental standards shown below.



A note from the editor

Welcome to a second digital-only issue of *Boardroom*.

As the decision not to print the magazine was forced upon us by COVID-19 (when printers were unable to work on “non-essential” publications), we did not have an opportunity to consult with members beforehand.

Now we would like to know what you think about reading *Boardroom* as a digital publication? Does the page-flip model work for you? Would you prefer to read the articles individually loaded onto our website (as many of them are)? What device do you read on?

Digital-only is a more sustainable and less costly way to produce *Boardroom*. But does it meet members’ needs? We don’t know. Please let me know your thoughts aaron.watson@iod.org.nz

It’s always good to get feedback from members. Without opinions, it can be difficult to evolve the magazine in a way that delivers value to a readership of very broad needs and opinions. So do not hesitate to highlight to me the articles that you feel are good, or not so good.

That said I hope you find something in this issue that you enjoy or that gives you an idea you can use in your governance life.

Thank you
Aaron Watson
Boardroom editor



Boardroom is the magazine of the Institute of Directors in New Zealand iod.org.nz

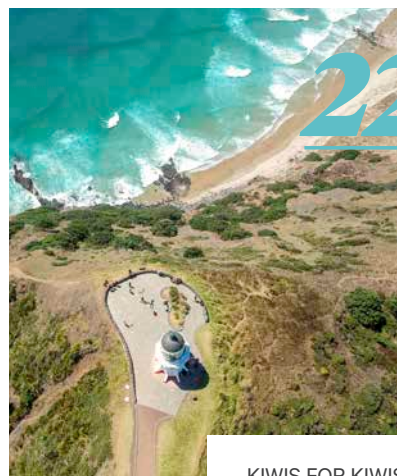
June/July 2020

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Back to business



KIRSTEN PATTERSON
CEO, INSTITUTE OF
DIRECTORS

Tēnā koutou katoa

An earthquake on my first morning didn't help ease the feeling that it was strange to be back in the office. How could the "new normal" feel so abnormal?

That feeling has largely passed now for most office workers. But there is a clear desire not to simply return to our old habits and practices. If the "new normal" really is to be new, now is the time to look at our organisations and see where improvements can be made in our process, our agility and our culture.

At the IoD, for example, we have begun canvassing staff on their lockdown experience, how they feel about being back and if they see benefits in continuing to work from home at times. Perhaps there are things we can do to improve our flexible working arrangements permanently?

In this issue of *Boardroom*, Andrew Barnes CMIInstD argues flexible working is no longer primarily an issue of work-life balance for staff, although it clearly has benefits in that area. Having the capacity to run an office remotely has become essential in the COVID-19 era, he argues, and should be considered as part of business continuity planning and risk management.

It was easy to see his point of view when news broke that two recent arrivals had been let out of isolation without being tested. It subsequently turned out they were infected with the virus and a massive track and trace operation was launched to ensure COVID-19 had not been reintroduced to the New Zealand community.

Nobody wants to see that.

GOVERNING IN THE "NEW NORMAL"

As we go to press, the first signs of the economic impact of lockdown are being reported. GDP was down 1.6% in the March quarter (on a seasonally adjusted basis). It is likely there will be difficult times ahead for many businesses before we see the economy begin to bounce back.

Each organisation will have to chart its own path but there may be value to your decision making in some of the key themes to emerge from the MinterEllisonRuddWatts Corporate Governance Symposium.

Held in May (via webinar), the Symposium brought together experienced directors, executives and academics to compare ideas on how to manage upward and out of COVID-19 successfully. An overview of the main themes can be found on page 26.

There were positive notes, with many experts highlighting the opportunity to rethink and improve business models during a time when staff and customers are receptive to change. But there were also cautious notes, particularly around the potential for the virus to re-emerge.

We may have to live with this risk for a while yet (as any of you who have recently speculated on whether you could make it from Auckland to Wellington on one tank of gas will know).

This issue also features COVID-19 perspectives from our partners in the Global Network of Director Institutes (page 10). The ideas of using technology more cleverly, using the crisis as a springboard to improvement and that business and society are intertwined appear to be broadly understood globally.

As most of the economy and society gets back to business, I look forward to a time when we can report New Zealand has emerged stronger from this difficult period. He waka eke noa – this is a canoe that we are all in together.

Ngā mihi

Kirsten (KP)

UpFront

Improving transport resilience

Drones should be part of our national crisis response plans, says Samantha Sharif CMInstD.



A director of drone company Flirtey (among other governance roles), Sharif has been interested to see countries around the world trialling drone deliveries of medicines, personal protective equipment and groceries during the COVID-19 pandemic. Ireland, Scotland, the US and Chile are among the countries where drones have been called on to provide contactless delivery or

delivery to hard-to-reach locations.

Drone delivery could become an integral part of future crisis management plans, Sharif says.

“It is not currently part of our national crisis management plans. But with a pandemic, for example, you are trying to limit face-to-face contact. In an earthquake, ground-

based transport infrastructure could be taken out, to some extent. Drones offer a greater potential in terms of alternative transport and crisis resilience.”

Drones can offer benefits over vehicles in terms of safety, efficiency, productivity, congestion and environmental benefits when it comes to last-mile deliveries, she says. But the industry faces challenges in New Zealand with economies of scale and fear of the unknown – perceptions around noise, privacy and safety. However, the COVID-19 pandemic has created more willingness to look at new solutions in business.

“Now, we have a great catalyst for change in terms of rebuilding post crisis.”

New Zealand has had its share of experiments with autonomous vehicles. US company Wisk has been trialling self-flying aircraft (which look like large drones) as a taxi service in the South Island and Flirtey undertook the first fast-food delivery by drone in New Zealand in 2016 (a Domino’s pizza).

“There is huge potential in that click and deliver market,” Sharif says.

Six questions with...



Peter Heenan,

**CHARTERED MEMBER
OTAGO SOUTHLAND BRANCH COMMITTEE**

Why did you join the IoD?

I wanted to increase my knowledge of governance so as to improve my ability to contribute to those organisations where I was a director or trustee. The IoD seemed the obvious place to go to for that help.

How did you find yourself on a branch committee?

Somebody twisted my arm - they didn't have to twist that hard though.

Why do you feel it is important to give back to the IoD?

I think it's important that everybody that wants to be involved in governance has the opportunity to reach out to other people in a similar space so they can get ideas and learn from the experience of others. You can get to learn a lot by speaking with other people and understanding the issues they are dealing with. Sharing is important for all aspects of business really and I'm happy to share my knowledge and experience.

If you had one tip for a person interested in a governance career, what would it be?

You have to understand the difference between governance and

management. You must be prepared to challenge management but at the same time be able to trust them to deliver. It is important to provide a clearly defined strategy and road map for the company or organisation so that management is aligned with the thinking of the shareholders.

What's been the biggest impact on directors from COVID-19?

I suspect many directors and business owners would not have had a full understanding of what impact a pandemic would have on their business. Probably even fewer would have expected one would ever have come to pass. Closing borders and businesses for such a period of time has had a major impact on the economy and the economic viability many businesses. It's vital boards have plans and processes in place they can implement urgently so they can manage and right-size their business when something like this happens. It is critical to have the ability to adapt to preserve what you have and grasp opportunities that may present.

What's the one gadget you find indispensable?

I'm not really any sort of technophobe. It would have to be my mobile phone - I think I'd be pretty lost without it.

In memoriam

The IoD would like to offer condolences to the family of *Graeme Scott Hawkins* DFinstD, who passed away in January.

He was an accomplished professional director who as chair of the Ports of Auckland board oversaw a 400% increase in dividends. His governance career included time at the head of some of New Zealand's most well-known organisations across a range of industries including Fonterra, Mercury Energy and Auckland Rugby.

Hawkins gave generously of his time and knowledge to the IoD's Mentoring for Diversity programme, helping to prepare future directors for their duties. The Auckland-based director was made a Distinguished Fellow for his work in the governance sector, the highest honour the IoD can bestow on its members.



APPOINTMENTS

Director Search

Janice Fredric

Chartered Member, has been appointed via the IoD's Director Search service as an independent member of Timaru District Council's Audit and Risk Committee.

Other

Dr Helen Anderson

Chartered Fellow, has been reappointed to the board of BRANZ for 12 months.

Geoff Dangerfield

Chartered Member, has been appointed deputy chair of the New Zealand Symphony Orchestra Board.

Trish Rankin

Member, has been appointed to the board of the Dairy Women's Network.

IoD welcomes shifts in state sector diversity

The diverse and innovative governance of New Zealand's state sector boards and committees is now more important than ever, says the Institute of Directors chief executive Kirsten Patterson.

Welcoming news that women now comprise 49% of state sector boards, Patterson said that having diverse and innovative governance across New Zealand's state sector boards and committees will be important in our post-COVID-19 new world.

"Diverse organisations foster innovation and growth. The governance structures and board cultures sitting behind our state sector agencies should be open, inclusive, and diverse in thinking and perspectives."

The government's diversity stocktake benchmarked New Zealand's state sector as at 31 December 2019. This was the first time the ethnic diversity of the state sector was analysed alongside gender.

"Looking at the composition and diversity of the people governing more than 430 state sector boards and committees, we can see that about one in five among those thousands of directors or trustees is Māori (21.2%), just under 5% are Pacific, 3.4% say they are Asian and 71.9% identify as Pākehā.

"Having a diverse mix of people representing New Zealanders on our state sector public bodies and Crown agencies bodes well for the state sector and the country."



FOR

PASSION AND PURPOSE

The Institute of Directors has recently launched a not-for-profit hub on its website

See the hub for articles, resources, guides, and learning opportunities relevant to the not-for-profit sector in Aotearoa New Zealand. iod.org.nz/nfp

Governance webcasts

Looking for a new way to get fresh ideas on governance?

Our governance webcasts series at iod.org.nz features experts discussing a range of topics from the reporting implications of COVID-19 to recent trends in litigation risk.

In our latest webcast, National MP Hon Paul Goldsmith presents his ideas on alternative ways to drive the economy.

A plea for science

Sharing knowledge and solutions to common problems may provide a way to stabilise global political tensions, say former New Zealand government science adviser Sir Peter Gluckman and US government science adviser Dr Vaughan Turekan.

In the context of conflict between superpowers the US and China, science can be a common language and an important mechanism for calming geostrategic stress, they argue in *Rebooting Science Diplomacy in the Context of COVID-19*.

Science has played a major role in international agreements on climate, limiting nuclear testing, protecting the ozone layer and could provide a meeting ground on an international response to the coronavirus, they say.

Sir Peter is the director of Auckland University's Koi Tu: the Centre for Informed Futures, informedfutures.org which publishes or hosts a range of views on how to manage the COVID-19 pandemic.

Board leadership through 2020

Courage, commitment and resilience are among the key personal attributes directors will need during 2020, according to the new IoD guide *Board Leadership Through 2020*.

The guide recognises that the coronavirus pandemic will be the biggest test many boards and directors face in their governance careers. It highlights considerations and questions that may help boards lead effectively.

As stewards of organisations, boards have a critical leadership role and their actions now will be remembered by stakeholders well into the future. In these extraordinary times, we're seeing boards adapt and operate in new ways as they carry out their responsibilities and provide leadership.

Read more at iod.org.nz

Pulse check shows lift in director confidence

Our May pulse check of directors was encouraging for business confidence, but directors are circumspect about New Zealand's economic recovery over the next 12 months.

We had 138 respondents to our second poll, which asked members how confident they were feeling about their organisation's ability to weather the COVID-19 crisis.

Some 77% of directors indicated they were confident their organisations could get through the crisis and "weather the storm". This was an increase from 67% of directors who indicated the same level of confidence in our pulse check in April. Sixteen-percent were neutral, while 7% were not confident about their organisation's ability to recover.

Three IoD members share their thoughts about the poll results at iod.org.nz

QUEEN'S BIRTHDAY HONOURS 2020

The Institute of Directors congratulates the following members who have received honours in recognition of the contribution made in their respective fields.

Companions of the New Zealand Order of Merit (CNZM)

Michael Dennis Bush MInstD, Wellington, for services to the New Zealand Police and the community

Justine Gay Bronwyn Smyth CFInstD, Auckland, for services to governance and women

Officers of the New Zealand Order of Merit (ONZM)

Terence John Kayes CMIInstD, Auckland, for services to the engineering industry

Anthony Bruce Lepper MInstD, JP, Alexandra, for services to sports administration and local government

Members of the New Zealand Order of Merit (MNZM)

Jeremy Paul Hill MInstD, Palmerston North, for services to the dairy industry and scientific research

Graham Peter Jackson CFInstD, Queenstown, for services to the trades industry and business

Queen's Service Medal (QSM)

John Charles Kennedy-Good MInstD, Wellington, for services to the community

For further information visit dpmc.govt.nz

Welcome

Congratulations to our newest Chartered Members and welcome to our new Members and Associates.

Chartered Members

AUCKLAND

Tracey Batten
Nicole Buisson
Geoff Duncan
Chris Foord
Geoff Lawrie
Ravi Nyayapati
Matt Sale
Margaret Wallace
Warwick Williams

BAY OF PLENTY

Tarita Hutchinson

CANTERBURY

Sam Brock-Smith
Sam Broughton
Rich Mulholland

NELSON MARLBOROUGH

Rachel Sanson

OTAGO SOUTHLAND

Jo Conroy
Ant Stokes

WAIKATO

Kevin Snee

WELLINGTON

Gillian Blythe
Ailsa Cuthbert
Alasdair MacLeod

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Jack Beaton
Edward Benson-Cooper
Erica Benton
Mike Blanchard
Sandy Botterill
Phil Bull
Brian Cohalan
Simon Couper
Alex Cutler
Josephine Do
Qiujing Easterbrook-Wong
Tracy Evans-Tracy
Roshan Fernando
Topou Folau
Leon Fung
Roseanne Hay
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Gayan Perera
Mike Robinson
Taranjit Sahni
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Alice Shopland
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Tracey Stevenson
Jek Tan
Vivian Valbuena
Clark Valmont
John Van Der Leden
Brian Watson
Nathalie Watson
Sarah-Jane Whitehead
Bridget Winstone-Kight
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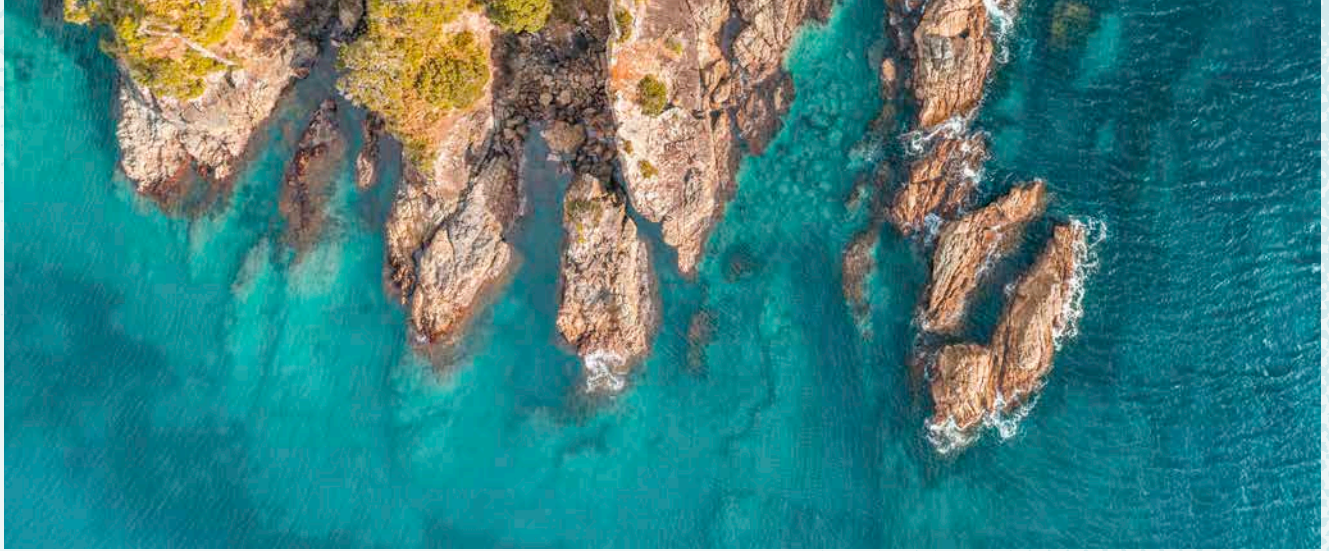
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Mel Hartwell
Adele Henderson
Gareth Hudson
Phil King
Elspeth MacRae
Barry O'Neil
Kiri Peita
Paul Siratovich
Charlie Tawhiao
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Mark Wassung

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Praveen Thadigiri
Amelia Wheeler

World views

Global Network of Director Institutes members reflect on the choices, compromises, and connections made amid COVID-19.



COVID-

AUTHOR
**MANDY WRIGHT, ASSISTANT EDITOR,
 NACD DIRECTORSHIP MAGAZINE,
 US NATIONAL ASSOCIATION OF
 CORPORATE DIRECTORS**

New Zealand has been praised for its fast, sweeping, and empathetic response to COVID-19, led by Prime Minister Jacinda Ardern.

In early April, after only two weeks of lockdown, New Zealand began to see daily drops in its case numbers. At the end of the month, as the government claimed that community transmission was no longer occurring, the country downgraded its lockdown level from four – the highest – to three, paving the way for schools to reopen and restaurants to sell takeout meals. On May 13, they downgraded to level two.

While New Zealand's handling of the crisis is viewed as exemplary, the effort there illustrates but one way that responses to the pandemic are playing out around the world.

While most people have few options but to comply with stay-at-home orders in their communities and adjust as best they can, choice presents itself differently to companies and their boards. They face fundamental decisions about their very existences weighing, for example, a stakeholder focus against a (perhaps brief) return to shareholder capitalism with profits placed above all else; globalisation against localisation and short-term survival planning against long-term resilience building.

To learn how directors the world over are responding to the pandemic, NACD Directorship conducted interviews with executives of member organisations of the Global Network of Director Institutes (GNDI), chaired by NACD CEO Peter R Gleason, and other independent, director-focused associations in Brazil, Europe, Hong Kong, New Zealand, Singapore, and South Africa. NACD is a founding member of GNDI, which was created in 2012 and now encompasses 22 organizations.

STAKEHOLDERS FIRST

Varying aspects of these stark choices manifested themselves across the international responses, with a stakeholder focus prevailing in many regions.

On May 21, South Africa was on a level four of a five-level countrywide lockdown with about 18,000 diagnosed cases of COVID-19 and this number continuing to grow daily. The country presents a particularly interesting case study on the side of stakeholder capitalism.

The Institute of Directors in South Africa (IoDSA), founded in 1960 and claiming more than 9,000 members, is the owner and author of the King Report on Corporate Governance, first issued in 1994 and last updated in 2016, to which all Johannesburg Stock Exchange-listed companies in South Africa must adhere. The most recent King IV Report upholds

that the “governing body should oversee and monitor, on an ongoing basis, how the consequences of the organisation’s activities and outputs affect its status as a responsible corporate citizen” with regards to society and the environment, among other key areas.

“Many corporations started acting early enough that the impact hasn’t yet been as severe on our organisations,” said Parmi Natesan, CEO of IoDSA. “We’re much more conscious of the social context and impact of business. From that perspective, it was easy for South African directors to put the health and safety of workers and other stakeholders first.”

In France, stakeholder governance and the impact of the coronavirus – almost 144,000 confirmed cases and more than 28,000 deaths as of this writing, and with the country’s eastern half experiencing far more illness – are very different from South Africa.

French workers have been formally recognised as key stakeholders and consulted by their management since 1945. But over the past decade, the country has mandated formal representation of employees on the boards of all large listed and non-listed companies, including state-owned businesses, with the nomination of at least one board member with equal duties and powers as any other director when a company employs more than 1,000

people in France or 5,000 people globally. Employee representation is also mandatory in several other European countries including Germany, the Netherlands and Sweden.

“Employees have always been vocal. Now it’s about being integrated,” said Michel de Fabiani, chair of the policy committee for the European Confederation of Directors’ Associations (ecoDa), which comprises 21 member organisations and 50,000 directors.

“We really want board members to represent the whole enterprise. Now there is a noble move toward recognizing employee representation as key. We will need to take a position around our social leadership in a much more precise sense.”

De Fabiani observed that board-level advisory committees could be more open to engaging with and representing customers and suppliers as a result of the changing complexities of the marketplace.

GOVERNMENTS UNITE

These examples make clear that regions where boards tend to filter the crisis through a stakeholder lens often do so because they are the same in which business and government leaders work routinely hand in hand.

Many directors in New Zealand, for instance, elected to reduce their pay,

with about one third of respondents to a poll by the country’s Institute of Directors (IoD), which is more than 30 years old and now has 9,000 members, saying that they had taken a pay cut as of mid-April. Ardern and her cabinet announced that they were taking a cut in pay as well.

Felicity Caird, general manager of the IoD’s Governance Leadership Centre, believes that New Zealanders have been well served by strong communication from the top down including regular briefings from government officials. Ardern has been through some serious crises in her nearly three-year term including last year’s Christchurch mosque shootings. With this experience and a degree in communications, Ardern has given a televised briefing alongside the country’s director-general of health, Ashley Bloomfield, a non-political appointment, daily since March 21.

Ardern has also been willing to address even the youngest of citizens: In mid-March, she held a press conference for children with questions about COVID-19. The country at large, the “team of five million,” as Ardern calls it, has benefited from this leadership while she has provided a model of assured, empathetic communication for business leaders to emulate, Caird said.

“A crisis like this really brings out the good in our country. We’re small. We don’t have leaders giving conflicting



“A crisis like this really brings out the good in our country. We’re small. We don’t have leaders giving conflicting information with other leaders.”

— *Felicity Caird*

information with other leaders,” Caird pointed out. “The word that sits across it all is ‘unite’. I think we’ve done that in the approach we’ve taken as a country.”

South Africa, too, has seen businesses cut executive pay and President Cyril Ramaphosa announced in early April that his ministers would take a 30% pay reduction to support the country’s

Solidarity Response Fund. He encouraged executives in the private sector to do the same.

But in other countries, the intersection of government and business leadership may be misaligned. For instance, by May 21, Brazil had upwards of 296,000 diagnosed cases of COVID-19 while its president, Jair M Bolsonaro, joined in or

visited protests against individual state stay-at-home orders. The Financial Times reports that the business community in Brazil “is now anxious that the economic and political outlook under the mercurial president is fast deteriorating”.

In Singapore, an all-hands-on-deck mentality prevails, according to Steve Stine, founder and CEO of

Inside Asia Advisors and programme director for the Conference Board's Asia Corporate Leadership Council of Singapore. Stine told NACD Directorship that elsewhere in Southeast Asia the response has been a little more sporadic.

“One of the biggest issues is communication and failed communication, down to the municipal level,” he said. “As you go down the chain, you lose something. Where there's more effective bureaucracy, you'll get a better result.”

Consequently, he added: “Significant government control adds a layer of certainty. Many of the listed companies in Asia are conglomerates; in some ways, they've always been owned, either passively or directly, by the government or government-related parties. With the close government-corporate link, it's just a condition – It's systemic that you have a greater willingness to comply and comply quickly. I'm not sure it's replicable where there's more shareholder activism and control.”

Despite the country's surge in case numbers in April, likely bolstered by the close quartering of migrant workers, as of May 21, Singapore saw a fatality rate of 0.07%, according to NACD Directorship's calculations based on raw data from Johns Hopkins University's Coronavirus Resource Center. The world has seen a rate of approximately 6.53%.

“In times of crisis, it's great for a government to say, ‘I'm going to ask this of you’. But governments are going to want to hold this tight and companies will [eventually] need

more license to operate freely,” Stine said.

In Hong Kong, residents wary of a repeat of the 2003 SARS outbreak adopted face masks early on and managed to hold the numbers down, with just over 1,000 cases. There were some bans, forced closures and travel restrictions, but no real lockdowns. Many shops and restaurants tried or had to stay open through the pandemic, but it has hardly been business as usual.

The government recently pushed through a HK\$137.5b relief package to help businesses with cash flow. Keeping workers on the payroll is one aim. Critics claim, though, that because the wage subsidy is paid through employers rather than directly to affected employees, some companies will find ways to cheat the system. Certain sectors and societal groups lament that they are not covered at all.

Further, the relief package may not be enough to stem business losses that occurred prior to the pandemic.

Ka-Yin Li, an NACD Board Leadership Fellow and a council member of the Hong Kong Institute of Directors, founded in 1997, pointed out that for his city businesses have been suffering since before COVID-19 began its lethal spread.

“In Hong Kong, it's not just the pandemic – it's the six months before January 2020. We suffered from weeks and weeks of protests, then came the virus. Tourists have not been coming and locals are staying home. It's a double whammy. A good number of

mom-and-pops and neighbourhood stores will go away.”

Indeed, for many small business owner-directors, “it is the tough choice between a difficult decision to stay open and the sad option to shut the doors for good”, he added.

Ultimately, boards must work with their management teams to ensure compliance with government mandates. But where government action may be lacking, boards have a lesson to learn from leaders in other countries: In business and in politics, clear communication to stakeholders, empathy, and modelling good leadership will encourage people to stand by you and even pay it forward in the process.

FORWARD MARCH

Leaders of entities both large and small and in the public and private sectors are realising that nothing is truly untouched by globalisation.

The disruption of supply chains, trade and global tourism means that many consumers and companies are looking closer to home to meet business and personal needs. For some in Europe, however, looking to the European Union (EU) for leadership has proven disappointing. Bloc-wide health care has never been offered, said Jan Wesseldijk, chair of ecoDa, and there have been flurries of criticism about why the EU hasn't taken more initiative on this matter. One result is that the vision of some becomes even more near-sighted. 





“You fall back to the nation-state, whereas in earlier days we were talking about the end of the nation-state,” Wesseldijk said. “But these nation-states still need to work together.”

Indeed, it is de Fabiani’s hope that the crisis “will reign forth European intervention”.

“The world is already interconnected,” Pedro Melo, CEO of the nearly 25-year-old Instituto Brasileiro de Governança Corporativa (Brazil’s IBGC), told NACD Directorship.

“Boards will debate even more [going forward]: How much of this geopolitical interconnection affects the business in a positive or negative way? How can boards be more responsive to

those interconnections and their risks, and how their sectors could be affected by them?”

From Stine’s point of view, shifts in the Asian economy stemming largely from supply chain issues have already begun. “There’s more of a realignment of supply chains and less reliance on China – we’ve seen shifts down to Vietnam, to Malaysia,” he said. “Seven to eight years ago, Singapore started an experiment with vertical farming to decrease reliance on Indonesia and Asia generally for food. And they’ve reduced 80% of their dependence on Malaysia for water. The ideas of self-sustenance and self-sufficiency are already underway in some ways for security reasons, but I think they’ll go the extra mile now.”

So, how do organisations move forward in an interconnected world? Is there room to focus on long-term planning and resilience amid the day-to-day challenges that the pandemic presents?

Stine, for one, is concerned about the business and economic rebound of Singaporean companies. “They’re not understanding what they could do as a board to accelerate change,” he said.

“I don’t see that happening, but I don’t know that it’s not. I would advocate that boards start to formulate what could and should be done. Boards must reconstitute themselves and the nature of their meetings, and reform action plans to allow them to be more active and responsive”

“While New Zealand’s handling of the crisis is viewed as exemplary, the effort there illustrates but one way that responses to the pandemic are playing out around the world.”

in order to engage more effectively on strategic issues.

Furthermore, Stine said: “In Asia, there’s a willingness to apply technology. That’s where I’d hope boards would find people to help bring them to this mind-set to make them more efficient. A lot of the big companies here have fundamentally failed to make that transition. It’s interesting that it may actually take a crisis to implement that experiment.”

COVID-19 has caused a massive shift in how people work and consume, and boards will need to adapt to and adopt new technologies to open paths to value creation and success.

Caird, on the other hand, raised the spectre of other important issues being lost amid the fight to save lives, control the spread of the coronavirus and mitigate economic fallout as whole industries are essentially closed for business. She is concerned, for example, about the potential diminishing of actions needed to respond to climate change.


“This crisis has forced the world to operate in a different way. Are we going to go back to fossil fuel consumption as it was before? How will decisions about infrastructure developments be influenced by climate challenges and long-term outcomes as we fire up economic recovery?” Caird asked.

“It’s a bit of a test run for the planet. Are we, as a race, willing to do what we need to, to save our planet?”

Meanwhile, what Melo has observed is the “shortening of the distance between the board and management. We should be prepared after the crisis for whether this is the new normal or not,” he said. “And maybe boards should be closer to management.”

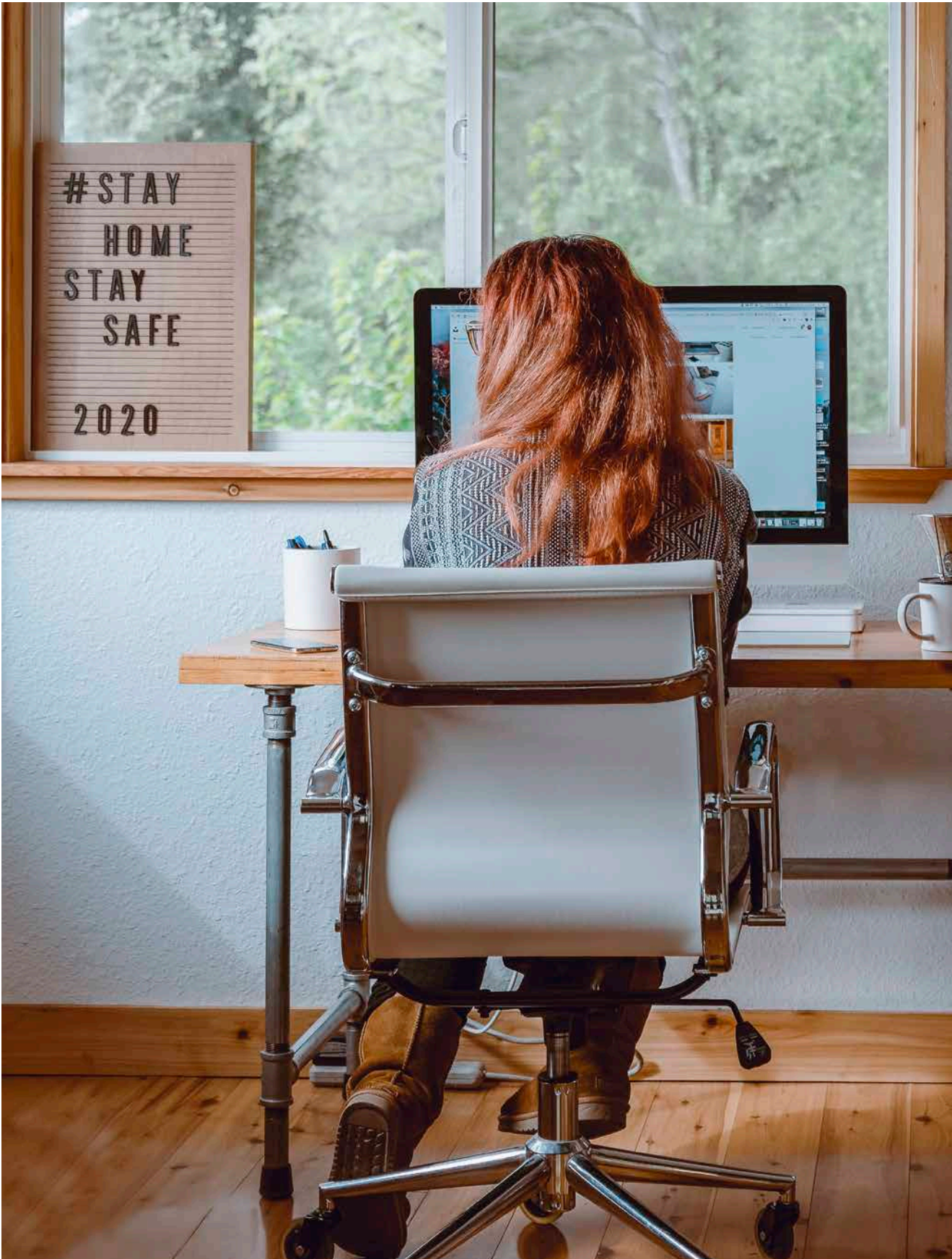
For Melo, agility and using what you’ve got are also imperatives. “Everybody is converging to the same place,” he added. “Big companies are relying on the mechanisms they have, and small- and medium-sized companies are relying on government aid” to get through this crisis.

Agility is also the very trait that has allowed businesses to pivot their stakeholder priorities, governments and industries to work together to find solutions for a range of health and financial issues, and companies to evolve to meet what the future and globalisation demand. With this in mind, perhaps it’s not globalisation at all that boards must reconsider, but their approach. Where strict rules may be limiting, shared principles would instead provide connective tissue across people and places.

“There is a trend of organisations, regulators, and the government to issue new regulations and rules to avoid the next crisis. But do we need more of that or do we need a more principles-based approach?” Melo asked. “What we are seeing is that it’s not rules that are supporting communities to get out of the crisis. Everybody should help in keeping the economic condition in shape. Going forward, there should be a focus on more principles than rules.” 

This article was first published in *NACD Directorship*, the magazine of the US National Association of Corporate Directors (NACD), and is reprinted with permission. The NCAD and New Zealand Institute of Directors are members of the Global Network of Director Institutes, which seeks to share perspectives on global governance issues.

“In business and in politics, clear communication to stakeholders, empathy, and modelling good leadership will encourage people to stand by you and even pay it forward in the process.”



Home working is risk mitigation

Ensuring office staff can operate remotely has become a necessary business continuity strategy, says Andrew Barnes CMIInstD.

AUTHOR:
AARON WATSON

New Zealand's world-leading response to the COVID-19 pandemic and comparatively rapid emergence from lockdown restrictions was in part a "happy accident of geography", says Andrew Barnes CMIInstD.

"We are at the end of the road," says the Perpetual Guardian founder. "As everybody closed their borders, we closed ours early enough. And we don't have a large throughput of people, so we were able to avoid the ravages that you have seen elsewhere."

But our success in eliminating the virus from within our borders means we have very little of whatever herd immunity it engenders and

remain susceptible to outbreaks, either from undetected cases in the community or imported from overseas when we seek to ease border restrictions, he says.

What that means for business leaders today, and perhaps forever, is that business resilience in the face of a pandemic is now a strategic risk.

"You have to understand this. Just as in Christchurch or Wellington you might understand what you might have to do about earthquakes, you have got to know what you are going to do in a pandemic. You have to find ways to make your company resilient and make sure you can continue to operate."

STAND ON YOUR OWN TWO FEET

New Zealand is seeing tough economic and social consequences from the pandemic. Unemployment is up, small businesses are struggling to maintain cash flow and only a massive round of government stimulus has kept the economy on a relatively even keel.

Barnes says the level of government intervention we have seen is unsustainable. The COVID-19 recovery package announced in the 2020 budget topped \$50b and government debt is expected to more than double to reach \$200b in 2021.

“The next time around, I don’t think you will see the same level of government intervention,” he says. “The next time this occurs, businesses may have to operate in lockdown possibly without getting a subsidy. How are we going to do that?”

“You have to assume we could have a succession of these periods for years. Vaccines are not going to be available for quite a while. What are you going to do? Are you going to go back and blindly hope like hell that the next time around the government is going to be able to support you? Or do you think that you have to find a more structured way to operate?”

A well-known champion of flexible work practices and the four-day week, Barnes sees opportunity here, a chance to rethink our working lives in a way that can make many businesses more resilient while providing a range of social benefits as well. He advocates flexible working arrangements that incorporate working from home.

Managing the risk of further lockdowns during the COVID-19 pandemic or future pandemics means having people capable of operating at home, he says.

“There is a real opportunity to reimagine the way we work. And it’s not just a nice to have. In my view, it’s going to be an imperative.”

FROM BALANCE TO RESILIENCE

Even without a formal lockdown in place, flexible working can provide many business advantages while we continue to deal with COVID-19. Barnes points out that while our borders remain closed, resurgence

in community transmission is the greatest risk. That means the “sniffle rule” will have to remain in force, he says.

“Your child gets a sniffle. Do you send him to school? No. You get the sniffle. Do you go to work? No. Suddenly you have people who might be out of the office for a sniffle. In which case you may have people out for weeks at a time because somebody in the family has got a common cold.”

Flexible working arrangements can mitigate the impact of the “sniffle rule” by making home working a normal practice. Lockdown showed many businesses that their people can work from home when required, that they are often more productive than they were in the office and that many of them actually prefer it.

“We are seeing an awful lot of interest in understanding the capabilities of business to maintain flexible working. You’ve seen that in polls internationally.”

In early June, AMP Wealth management became one of the first New Zealand companies to announce it was closing some of its inner-city offices and would allow staff to work from home. Optus in Australia is another company to have made an early call to retain the flexible arrangements forced on them by lockdown.

BARNES SAYS THIS IS THE WAY OF THE FUTURE

“I think you will see a mixture of office working and home working. People have recognised that productivity is higher at home. They have recognised that it provides

people with an element of flexibility.”

Concerns about whether or not you can trust staff to work when they are at home, or how the arrangement might impact productivity have largely been answered.

“Can I trust you to work if I can’t see you? We used the 9-5 in the office as a surrogate for that. You are coming in, actually I didn’t know what you were doing but I knew you were there. Now we have sent people home and they have produced. People report that productivity has improved even where the overall level of activity has dropped.

“This is a different kind of business continuity. We now know that this not a dream. This is part and parcel of the modern world. You have to address it you can’t put it off and you can’t argue that you won’t because it might impact your productivity.”

There are cost savings to be made in office rental and associate costs that cannot be ignored, Barnes says.

“When the Barclays UK CEO has come out and said you can run a global bank from home, is the concept of 7,000 people in a big office at Canary Wharf even relevant anymore? Commercially it’s complete madness, so why would you do it?”

“Why would you want to burden your company with more cost and less efficiency by making the person who works better at home come in to the office? Once you put it that context it becomes a question not of work-life balance



but understanding the inputs and outputs of your business – we are talking about how to make the business more effective, make the workforce more engaged, more empowered, how to get productivity up.”

WHERE TO NOW?

You can't simply send people home, Barnes says, because some staff may prefer working in the office. And meeting face to face is an important part of the social aspect of work that helps maintain a business's culture and effectiveness.

“People want human interaction as well. You can't just glibly say ‘everybody at home’.”

Business and government will have to consider what infrastructure is required to manage the likely shift. Employment law may have to be updated to recognise flexible working arrangements. And the very concept of an office may have to change.


“The office may become primarily a place you go to socialise, not to work.”

As office space is freed up, there may be change in the character of our inner cities with less traffic and more opportunities for apartment living.

While happy to speculate, Barnes is very sure of the core point. The lockdown has shifted the dial on

flexible working and it is not going to move back. And his message to business leaders is simple.

“There was a bit of old school thinking – I had to work long hours and so you have to work long hours. That's gone. We have demonstrated that this is no longer a prerequisite for an effective business in the 21st century.

“It is time to engage your staff, understand what they are looking for and rethink how you make your business resilient if this happens again. You now need to get on this particular train. It's not the one you were expecting, it's probably not going in the direction you wanted but you are either getting on it or you are chasing it down the track.” 

Kiwis for Kiwis

AUTHOR
AARON WATSON

New Zealand's tourism sector is still thinking global but acting local as it resets from the initial impact of COVID-19.

In the early stages of the COVID-19 pandemic the concept of strategic planning was shortened from a year or more to a matter of weeks, says new Tourism Industry Aotearoa Chair Gráinne Troute CMIInstD.

“The dynamic that I observed in the organisations I am involved in – including those in the tourism sector – was that boards moved closer to the business, closer to the CEO by virtue of meeting more often, to stay in touch with what was going on,” says Troute, whose governance roles include Tourism Holdings Ltd.

“The immediate and pressing concerns in the beginning were all consuming. Making decisions around staffing and payroll and (for some) whether or not the business was going into hibernation and, if so, for how long, and what would that look like... There were so many short-term decisions to be made and actions to be taken that management had to focus on dealing with immediate issues.

“But directors kept their view on what was happening in the broader environment. They were asking ‘what haven't we thought of?’ and

taking a longer-term perspective on things. By longer term I don't mean a year ahead, or more than that, but if management was immersed in 'this week' then longer term could have been to the end of the month."

That meant driving conversations about how to manage the emergence from lockdown and how to ensure organisations could come back as quickly as possible.

"Sometimes, those immediate and necessary decisions by management could limit the ability to recover, so we were trying to ensure decisions with a full awareness of that. That sort of conversation relates to maintaining key roles and core capability within the business."

Those conversations are now bearing fruit for many in the tourism industry as it looks to recover from the impact of lockdown. But ongoing border restrictions and the possibility the virus could re-emerge complicate the picture. Troute says the question at the front of mind is how to attract domestic travellers and support national travel "on a safe basis – that has to be first".

OUT OF LOCKDOWN

While Troute has been involved with tourism businesses for many years, she prefaces her views with the note that she only assumed the role of Tourism Industry Aotearoa chair in May 2020.

"This is the first time I have been able to step back and take a pan industry view," she says. "It's everything from two-person operations through to airlines and airports and everything in between. Also, it has strong overlaps with sectors like hospitality, for example. Every one of those individual entities will take a slightly different approach."

Those who have been strongly focussed on overseas visitors – in their pricing, offering and marketing – will have to decide between hibernating or reorienting their offering towards the requirements of New Zealanders, which could mean operating in quite a different way, she says. For example, pricing, length of stay and advertising may have to change.

"For others, the offering may be able to largely stay as it is. Take something like adventure tourism – where people may have wanted to do something for a long time, they now have the opportunity. For those businesses it may be more a matter of communicating that they are open rather than changing their model. It's very different depending on where you sit."

ARE HOLIDAYMAKERS GUN SHY?

"One of the biggest things the industry can do – and this is no different from any other industry – is to continue to be aware of the ways in which the virus is transmitted and how that

transmission can be minimised. That means good hygiene practices, good cleaning practices, all those sorts of things."

Even if New Zealand remains free of COVID-19, tourism businesses will need to understand the mood of the local market has been set by the virus and its impact.

"It's about having a degree of dexterity until things settle down and people feel more comfortable. There is a dynamic in which visitors feel, on the one hand, enthusiastic about getting out there and, on the other hand, a little nervous about locking themselves into unchangeable arrangements."

Many Kiwis have experienced the frustration of having overseas holiday bookings cancelled and been unable to recoup their deposits – which is making them gun shy.

"Tourism organisations have to be, and are being, more willing to look at how they can encourage people to make plans knowing that they will be able to change those plans if the situation changes," Troute says.

"There must be a degree of flexibility. That's something that everyone is conscious of because it is a customer dynamic in the marketplace right now."

PLAY THE LONG GAME

More broadly, the sector has to



consider how to maintain important international relationships through a time of closed borders.

“There are relationships built up globally within the industry, with feeder markets and also with individual consumers, that can’t be lost. If they are lost it will take us a lot longer to recover.

“There are hundreds of thousands of people around the world who were planning to visit New Zealand or had us on their bucket lists. It is critical that we do not come off their bucket lists. The date might have been pushed out but we want to maintain that level of enthusiasm to return to New Zealand when the time is right.”

Just exactly when that time will be right is one of the major questions directors must consider as they attempt to guide their organisations through recovery.

“That’s a complex question. We are very enthusiastic to get the borders open with Australia, for example, but when it is safe and when it is right. The last thing we want is to find ourselves in a situation where we slide backwards – with all the complexity that brings. What the industry wants to do is to build out of this.”

The prospect of being able to welcome Australian tourists to New Zealand – and vice versa – could be “a real game changer” for the local industry, Troute says.

“The suite of opportunities for Australian holidaymakers, those safe destinations, will be much narrower so we have an opportunity to benefit from being one of the safe options available. That is the ideal position for us. Potentially getting a much larger slice of the pie than we normally get.”

RIGHT HERE, RIGHT NOW

In the meantime, Troute says tourism operators were heartened by the number of people who took to the road over the long weekend at Queen’s Birthday.

Tourism New Zealand estimated that more than half a million people hit the road for those three days.


“It was massive,” Troute says.

“There was nervousness within the sector – a worry that it might just be a bubble. I think that long weekend was well timed and that the interest in domestic travel, fingers crossed and it is early days yet, seems to be sustained. New Zealanders seem to be keen to get out and do the things they have always thought they might do. That day could now be today, or within the next 12 months.”

Having been locked down with the rest of us, Troute is also keen to get out of the house and see somewhere different. When prompted, she picks the far north as her destination of choice.

“I have real soft spot for Northland. I spent a huge chunk of my childhood in Northland and it is a part of New Zealand that many people haven’t visited yet.”

Her pick: the Tutukaka Coast northeast of Whangarei, which boasts historical sites, surf beaches, deep water ports, diving and more.

“It is a beautiful place that has a lot of diverse things to do.” 



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Understanding the impact

Governing through COVID-19:
the immediate response and beyond

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**MinterEllison
RuddWatts**

On Wednesday 13 May 2020, amid the final days of New Zealand's alert level three COVID-19 lockdown, MinterEllisonRuddWatts held its annual Corporate Governance Symposium for directors and executives – via webinar this year.

Exploring the role of governors through the challenges all organisations are facing due to the COVID-19 pandemic, Sir Bill English as the symposium's keynote speaker discussed the macroeconomic position that boards need to make decisions within.

This was followed by a panel debate featuring highly regarded governors Bruce Hassall (Chair of Fletcher Building, Farmers, Prolife Foods and a director of Fonterra and BNZ), Barbara Chapman (Chair of Genesis Energy, deputy chair of the NZ Initiative, director of Fletcher Building, IAG and NZME), Scott St John (Chancellor of Auckland University, director of Fisher & Paykel Healthcare, Fonterra and Mercury Energy) and Matt Whineray (CEO of NZ Super).

Several themes that emerged from the symposium are explored in this article.



All organisations are facing a great deal of uncertainty. It will be important to sort the signal from the noise – we have made it through what may well be the relatively-easier part of responding to the immediate challenges, now comes the trickier period as we move forward with less clarity.

We need to learn to live with COVID-19. The idea of elimination [in that the virus cannot reappear in New Zealand's community] is gone and so organisations will need to conduct business as if they could again be affected.

The recovery may take the shape of a short “v”, that is a recession that starts with a bounce. What happens after that bounce will be key.

Directors are going to be challenged by radical uncertainty both in the macro context and with their consumers. We are moving into a world where consumers will be actively making their own risk assessments and deciding for themselves what risks to take.

One of the reasons for the ongoing uncertainty is the intensifying mispricing of risk – the flood of

liquidity from central banks means that no asset is actually worth what it looks like it is worth today.

As we move on from lockdown we will be dealing with a world where prices really matter – there will be an obligation on directors to make sure they really understand the risk and work hard to achieve clarity of purpose around the management of capital and risk.

It will also be very important for directors to really understand the ongoing impact of COVID-19 on their business and their customers.

“The sudden shift to remote working has likely amplified the challenges that organisations face around identifying and nurturing key talent...”

A big challenge for directors is to consider the social aspects of their business, preserving jobs and creating jobs as the government may not be in the best shape to deal with those left behind after the effects of the COVID-19 relief measures fade.

In the aftermath it is anticipated that there will be a focus on the “S” in ESG.

DON'T MISS THE “BIG COVID-19 OPPORTUNITY”

To date, directors have (rightly) focused on dealing with the endless array of immediate challenges posed by COVID-19. However, they must ensure that they do not miss their “big COVID-19 opportunity” – namely, the opportunity to implement serious business model transformation.

The biggest constraint to transformation projects is usually behavioural – people don't like change, they prefer the status quo.

The silver lining of the COVID-19 cloud is that, given the forced

acceleration of change, it should be easier to get your people to buy in and embrace transformational change than it has ever been.

Directors need to think about what their organisation needs to look like to adapt, thrive and succeed in a rapidly-changing world:

.....
 How can we transform the business to ensure that it thrives and succeeds coming out of COVID-19?

.....
 What are the societal and customer trends that could arise in the new, post-COVID world and how will they impact our business?

.....
 How do we take our people with us, and show them what a better future might look like?

.....
 Do we have the right management team in place to lead the transformation?

.....
 Will the organisation's current culture hinder or help that transformation?

COMMUNICATION CREATES CULTURE

As we emerge from the COVID-19 lockdown it is important that boards challenge themselves to understand how this new environment might have changed their views on the people and culture markers that were previously considered standard, and think about what new questions and insights they, as directors, should be asking of management.

With increased remote working, the communications landscape is likely to have permanently changed – boards need to identify what investments (which will likely involve technology) are needed to ensure that communications channels and platforms remain open, and that effective mechanisms for receiving feedback are in place. **b**

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Governance services




Learning together

A governance model developed by the Taitokerau Education Trust could provide NFPs and their sponsors a map to navigate through the cash crisis caused by COVID-19.

AUTHOR
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Friends: 10,000

A photograph of a workspace. On the left, a silver laptop is open, showing a dark screen and a keyboard. To its right is a green folder standing upright. In the foreground, a person's hand with blue nail polish is visible, resting on a white surface. The background is a bright, slightly blurred area, possibly a window or a wall with a grid pattern.

Northland's Taitokerau Education Trust runs on a model its chair Jo Brosnahan CFInstD describes as “collaborative governance”.

The trustees work alongside, and with, local business experts, sponsors and the community to deliver digital learning opportunities to low-decile school students,

“This model has an awful lot going for it, particularly at a time like this where NFPs are stretched and a lot of them may not survive,” says Brosnahan.

“And NFPs are needed even more out there at times of challenge.”

The Taitokerau Education Trust model includes giving in kind from local businesses as well as funding. Meetings are held at the offices of ultrafast broadband provider Northpower Fibre (the board of which Brosnahan also chairs). The company provides administrative support. Local firm Yovich accountants provides financial expertise. And both the NorthPower Fibre CEO and the director of Yovich are designated “partners” of the trust who attend board meeting and advisors. Sponsors include local businesses, private individuals and other community trusts.

“The interesting thing about the model is they sort of wrap around the Trust. At the table we have a very diverse board. People who are at the grassroots working from the community who may not have governance experience. Having active help at the table, rather than simply sponsorship money, provides expertise and resources.”

“That has given us an ability to be quite fleet footed in terms of doing the mahi, doing the work.

But the collaboration model goes even further than that. The very goals of the Trust were established with input from local supporters and the community itself.

“We had the conversation right at the beginning which identified the real benefit is that fibre will enable a community, one that has real challenges in parts of it, to have improved educational outcomes. I know that Northland has struggled in many ways over many years – I used to chair the regional development council.

“Northpower Fibre held a community seminar that brought together people in from around New Zealand who had used the internet to create value in different ways. This included educational organisations, health providers and corporate users. It was clear that you can connect your health centres digitally, you can live locally in this beautiful environment but work nationally, you can educate children in a way that has been proven to make a huge difference. We had a lot of CEOs and chairs from community organisations and they identified education as the main benefit.”

That meeting of minds at the beginning means that everybody feels they own the outcomes, she says. And everybody involved mucks in to help.

“Underpinning our collaborative model are long-term partnerships, aligned outcomes, agreement of what those outcomes should be and an understanding that what is good for the Trust is good for the community which in turn is good for its companies and everyone else. That has given us an ability to be quite fleet footed in terms of doing the mahi, doing the work.

“It ultimately means we don’t have to spend half our time raising money to pay for the basics. We can spend time on the doing. Digital learning programmes have been proven to improve the speed of learning in similar communities. We now have 12,000-14,000 kids involved across 10 schools.”

A MODEL FOR TODAY


“Our model shows a way corporates can embrace and support local NFPs, even when cash is tight,” Brosnahan says.

As COVID-19 and its economic impact continue to be felt, the amount of sponsorship money and donations available to community organisations is shrinking and the biggest issue – for organisations of all types – is cash flow.

“The biggest issue is cash. In the NFP environment the demand, particularly in the social/community space, the need is going up but the

availability of cash is going down. We need to be clever about how we ‘do it together’ on a partnership basis - because this is good for our community. It’s a change from a transactional sponsorship basis to a transformative basis.”

The solution is for the other organisations in a community to “embrace their NFPs” and look after them.

“At a time of rising unemployment and poverty, communities really need their NFPs. Collaborative governance is a way to support them and ensure they have broader expertise around them to enable them to survive.” 

FOR

PASSION AND PURPOSE

[The Institute of Directors has recently launched a not-for-profit hub on its website](#)

See the hub for articles, resources, guides, and learning opportunities relevant to the not-for-profit sector in Aotearoa New Zealand.

Aim High

“Diversity of thought and perspective is critical to success in today’s operating environment and boards need to ensure that they have the right skills and experience around the table.”

(Director Sentiment Survey 2019)

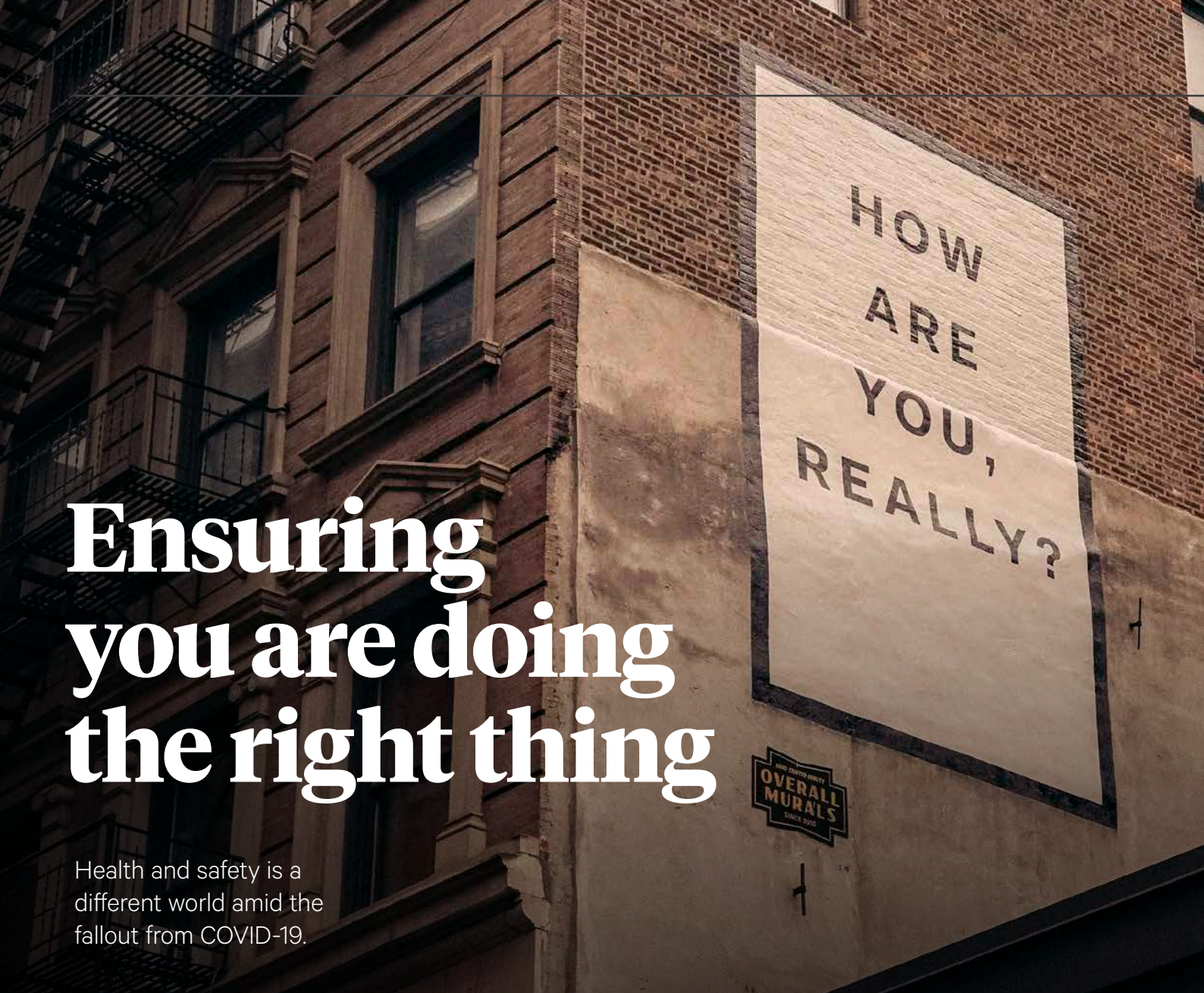
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Ensuring you are doing the right thing

Health and safety is a different world amid the fallout from COVID-19.

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It is over 100 years since the world has experienced a global pandemic close to COVID-19. Over the coming weeks and months, we will see businesses return to “normality”.

Inevitably the definition of normal will change and with change will come a new set of risks we never contemplated. Undoubtedly, we will rise to these challenges as we have done in the past, however we

are duty bound to manage health and safety in compliance with the prevailing legislation.

As a reminder, the guiding principle of the Health and Safety Act 2015 (HSWA) is that workers and others need to be given the highest level of protection from workplace health and safety risks as is reasonable. There is a requirement to proactively identify and manage

risk. Businesses have the primary responsibility for health and safety of their workers.

Company directors and others must do due diligence to make sure the business understands and is meeting its health and safety responsibilities including the potential for work-related health conditions – physical and psychological acute or long-term illnesses.

MENTAL STRAIN

Long before COVID-19 the community was experiencing an upward trend in mental health issues. As a society we are generally well equipped to deal with physical injuries. In most instances the injury can be patched up, person rehabilitated and returned to normal life. However mental illness is something quite different. We are often reluctant to engage, reluctant to admit that we may have an issue and, for many we do not have the skills to deal with the issue.

An article by Dr Muriel Newman mentions a recent report released by Auckland University's Centre for Informed Futures. Family violence, depression, anxiety and other issues can be expected to rise as people face loss of income, unemployment and simply being in close proximity with others. The authors of the report predict the country's already high rates of depression and anxiety among young people will increase, along with the suicide rate, and they believe that up to 10% of people affected by income loss, unemployment or ill health during the outbreak are likely to experience post-traumatic stress disorder.

The impact of COVID-19 will present situations we have not experienced or had to deal with in the past.

To give some context to this point, let us think about all the essential workers and how they might present after COVID-19. In a normal setting our doctors and nurses treat the ill and injured. These same people are compassionate and deal with some stressful situations. They are often supported by family and friends of the patient. During this pandemic

they are working long hours under stress, they are having to deal with patients who are seriously ill or may have died without the support of the family or the community. Notwithstanding taking precautions, they are exposed to a very virulent disease. Adrenalin levels are high which is enabling them to deliver at a high capacity.

The question is what happens when we they exit this high intensity situation? The same question can be posed of all essential workers – police, emergency services, supermarket staff, pharmacies, food producers etc.

We have seen soldiers returning from war struggling with post-traumatic stress disorder. The likelihood of our essential worker experiencing something similar is not farfetched.

NEW RISK ENVIRONMENT

General workers will also return from lockdown under different circumstances. Some will be exposed to financial pressure, some will be suffering from emotional disturbances, some will be suffering from extended isolation, some will be suffering from violence and mental harm, and they will bring all that back into the workplace. Some will continue to work from home with associated challenges. A spike in psychological/mental issues will inevitably happen.

The question for directors, owners, managers and employees is how do you manage the new risk environment? You can take a response/reactive approach with all the corresponding risks or you can take a proactive approach and engage the right support at the right

time for your people.

Wellnz, a specialised case management provider in the ACC and allied health space, has created a suite of services designed to assist business. The Wellnz package includes a case management approach whereby they gain an understanding of what the business requires. Wellnz offering includes a preferred provider network of vocational support services along with psychological support.

The goal is to provide a variety of wellbeing solutions that match the diverse needs of businesses and their people. The package of specialised services includes (but not limited to):

vocational support

psychological support

linking people in with budgeting services

linking people in with community support

referring people to utilise resources already available through the workplace

flu vaccinations

pre-employment checks

drug and alcohol testing

occupational nurses. 

For assistance to guide you through the new environment you can contact them at specialisedservices@wellnz.co.nz

After the pandemic

Approaching information security in a post-covid world.



AUTHOR
**PETER BAILEY, GENERAL MANAGER,
AURA INFORMATION SECURITY**



POWERED
BY KORDIA

A lot has changed since COVID-19 rippled through the world. The way we go about our daily lives has undergone dramatic adjustment. New words, such as bubble and lockdown, have entered our everyday lexicon and the way we work will never be the same with many companies moving to permanent remote and flexible working arrangements.

COVID-19 has also forced our businesses to rethink and change many of their operations, structures and strategies. But alongside these changes, it's time for directors to also reassess their cybersecurity policies and processes.

Like other areas of your business, your cyber risk profile has been disrupted – and even if you recently reviewed your cyber security posture, it's imperative that you understand what the new threat landscape looks like and adjust accordingly.

Thanks to largescale government investment in our ultrafast broadband network, New Zealand is blessed to enjoy some of the best domestic internet connectivity in the world, giving us easy access to a wide range of applications that enable easy communication and collaboration. As a result, when we entered lockdown companies were

able to undertake a rapid pivot to digital operations, even if that pivot was made in crisis mode.

However, with most boards now focusing on the immediate issue of survival, information security may well have taken a back seat.

While that's understandable, maintaining an eye on cybersecurity is essential. If the economic impacts of the pandemic aren't bad enough, a security breach costing time, money and reputation could make it far worse.

HOME TRUTHS

In the rush to rapidly pivot company processes to allow remote working, it's likely your cyber preventative and detective controls may not have been properly adapted, leaving you at serious risk of attack.

The very lifeline to productivity in the stormy seas of COVID-19 may tow your organisation into a lurking cyber security iceberg.

Having more of your workforce connected to a myriad of internet connections greatly increases your necessary connectivity surface area. This dispersed network creates exponentially more vantage points for cyber criminals to infiltrate your systems as well as increasing the chance of accidental data breaches via your employees.

This risk is heightened because your security team is now finding itself having to manage incidents in unfamiliar conditions in lockdown. They are now working with playbooks that don't cater to new operating models and where

networks and information now reach into the studies, dining tables, spare bedrooms and personal internet connections of your employees.

The video conferencing application Zoom serves as an example of the dangers faced when making sudden changes to process, infrastructure, or applications. This particular application, with its ease of use and a free license, has a long history of security problems which many overlooked given the urgency of need.

Multiple governments around the world were among the millions of organisations to use Zoom – and some of them fell victim to “Zoom-bombing”, where hackers infiltrated unsecured calls and wreaked havoc in supposedly secure meetings. Zoom has since updated the application to ensure more secure connections by default, but only after researchers (including our own) notified them of its latest shortcomings.

The lesson here is that the introduction of any new application, process or way of working must be accompanied by a thorough assessment of security implications.

It's never too late to do this. After the accelerated change dictated by crisis, it's highly advisable to take a strategic, planned, and detailed review of all measures taken. Where risks are identified, take immediate steps to bring them up to speed and align them with best security practice.

This applies even to those organisations that may have reviewed their cyber security

posture ahead of, or even during, lockdown. After all, the current covid situation is fluid, and so too will be your structure and systems.

The best approach is to consider a range of factors and scenarios, including potential long-term working from home policies, the new or expanded use of cloud technologies including remote access, the establishment of appropriate controls and authentication methods, and the hardening of devices and applications to reduce the risks of data compromise or loss.

HE TANGATA

Finally, don't forget a focus on your people.

While securing devices, networks and applications remains essential, probably the most important factor in the security chain is the human one. Educate and re-educate every staff member, particularly those who are new to remote working.

Hackers don't sleep. They are waiting to take advantage of every crisis. Right now, we are seeing covid themed phishing and ransomware attacks that are exploiting concerns over the pandemic, weaker home IT controls and the high likelihood of users taking the bait.

The bottom line is that business as usual today is a foreign land. Our new normal is forever changed and businesses must ensure a fluid approach to processes and policies. Your cyber security must reflect an ongoing new normal, or your organisation may be at risk. **📌**



AUTHORS

**SIMON WILKINS, PARTNER, BRUCE RAVESLOOT, ASSOCIATE DIRECTOR,
AND JUSTINE SEFTON, ASSOCIATE DIRECTOR, KPMG**

While it is reasonable to wonder if the economic turbulence triggered by COVID-19 will drive social and environmental issues down the global agenda, early evidence suggests this isn't happening.

Instead, COVID-19 is reinforcing the sustainability imperative by highlighting the links between our natural resource management, public health and economic wellbeing.

There is a global drive to use the COVID-19 recovery process as a platform to reinforce the sustainability message in public and private decision making and investment. The World Bank, International Monetary Fund, and Organisation for Economic Cooperation and Development,

amongst others, are urging governments to “green” their COVID-19 policy responses. Global investor and corporate leader groups are emphasising the importance of sustainable and equitable COVID-19 recovery plans, and caution against the COVID-19 recovery undermining our capacity to deal with other critical threats such as climate change.

GOVERNMENTS RESPOND

It appears that these calls to action are being heard. The EU is working to put climate change and sustainability at the heart of its COVID-19 response, and cities around the world are rolling out environmental initiatives that simultaneously enhance public

health and bolster climate action. Canada has gone even further and has made reporting climate risks a condition of receiving its COVID-19 bailout funding.

In New Zealand, the government identified the “just transition” to a low-emissions economy as one of its top five priorities for the 2020 budget with the opportunity still ahead to emphasise social and environmental objectives, including climate change, as part of its COVID-19 response.

Minister for Climate Change, James Shaw, at the recent A Near Horizon event (also featuring Mark Carney, former Governor of the Bank of England, and Adrian Orr Reserve Bank Governor) emphasised the

Climate change – time for no regrets

COVID-19 presents the opportunity for a climate and sustainability reset.



imperative of a green recovery to avoid borrowing twice from future generations.

CLIMATE CHANGE AND RESILIENCE

For New Zealand companies, the global call for a sustainable recovery is amplifying current stakeholder values, concerns and expectations.

Boards need to align their strategic focus with this reality. Investors, regulators, supply chain partners and consumers are placing sustainability, with a focus on climate change, at the centre of business value and our companies and boards are increasingly being held accountable for their response.

Chapman Tripp recently produced a legal opinion that confirmed the relevance of climate change as a foreseeable financial risk to the fiduciary duty of board directors.

The Zero Carbon Act requires lifeline utilities to report on the actual and potential effects of climate change on their business as well as how they will identify, manage and govern climate-related risk. The Ministry of Business, Innovation and Employment anticipates making climate risk disclosure mandatory for all NZX listed issuers, banks, insurers, asset owners, and asset managers by 2022. After a one-year transition period, disclosures will be expected to align with the Taskforce on Climate-related Financial Disclosure's (TCFD) recommended framework.

Mandatory assurance is likely to follow, once standards and guidance are in place. The External Reporting Board is seeking a mandate to make this happen.

During the A Near Horizon event, Mark Carney emphasised the Taskforce on Climate-related Disclosures framework as a foundation for disclosure of how companies will adapt their strategies to a new reality of net-zero emissions by 2050, as well as how businesses build resilience to shocks like COVID-19.

As boardroom discussions shift from managing the impact of COVID-19 to building back better, it makes commercial sense to seize this opportunity to invest in sustainability

“As a start, companies need to develop their net-zero emissions strategies now.”

and capacities that strengthen overall business resilience. In this time of heightened uncertainty, what we know for sure is that we must be prepared for a range of man-made and natural shocks and stresses, of which climate change is the greatest challenge ahead.

ACTIONS SPEAK LOUDER THAN WORDS

There has been much talk about what should be done. To make this real and pragmatic in the current economic environment, boards should continue to focus on the following:

New leadership and governance.

Lead new thinking and challenge management teams to think differently. Ensure the oft-stated new normal is implemented in practical terms. Bring the right people and new skills to strategic discussions. Upskill and enhance governance to ensure the thinking and response is different.

Take stock of current efforts against requirements.

The regulatory landscape is rapidly evolving to increase companies' responsibility and accountability for a meaningful and effective climate response. It is important that companies understand what

is expected of them – now and in the future – and how they measure up to inform strategic and operational decision making. A readiness or maturity assessment is a key first step in any climate response.

Identify your risks and

opportunities. An effective response requires a clear business case describing the full range of risks and opportunities presented by climate change. This includes quantifying financial risks and opportunities under appropriate climate scenarios to be able to stress test the business, enhance resilience and invest with confidence.

Develop a strategy and roadmap to navigate the way forward.

As a start, companies need to develop their net-zero emissions strategies now. Strategy development can then be expanded based on the results of the readiness, risk and opportunity assessments.

Don't wait; start now.

Some issues will take time to address. Fully integrating sustainability thinking into core business strategy cannot happen overnight. Rather than wait, use the insights from strategic planning and

scenario development to identify the “no regrets” actions. Identify those things that are sound from an economic and environmental standpoint – eg realising capital now from divesting sunset businesses or activities to invest in future green activities and processes.

RESILIENCE

Building resilience will require investment in the physical, human, social, and natural capitals that help companies absorb the impacts of shocks, adapt to a new and more unpredictable reality, and transform business in a way that reduces vulnerability, facilitates growth and drives positive impact.

While our current economic setting may cause pause for thought, this should not lead to delays in taking action. We have the tools and knowledge to invest in the future with confidence. In borrowing the words of our prime minister, we may have missed the opportunity to “go early”, it is critical that we now “go hard”. 🇳🇿

For more information, please contact the authors from KPMG's Sustainable Value team.

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Governance development

Two views

IoD members share how their boards reacted to the COVID-19 crisis and the lessons they have learned from it.



Dr Nicola Crauford CFInstD

Dr Crauford is on many boards including Watercare Services, GNS Science, CentrePort and Pioneer Energy. She is a former CEO of the Institute of Directors.

WHAT HAS GOVERNANCE LOOKED LIKE FOR YOU OVER THE LAST TWO MONTHS?

Intense! There have been lots of meetings via Zoom or Teams. We have had to go into quite a lot of detail on matters like changes to the working environment and health and safety issues.

A number of the organisations I work with undertake essential activities and had to adapt and keep working throughout the lockdown. But the working environment changed with each move in level. Other organisations were more concerned with the financial situation of loss of revenue and the implications for retaining staff. In one case, Watercare, the board and management were dealing with the implications of a serious drought as well as the pandemic – two crisis at the same time.

HOW WERE ISSUES DIFFERENT BETWEEN YOUR OFFICE-BASED ORGANISATIONS AND YOUR ORGANISATIONS WITH FIELD WORKERS ?

Watercare had to shut down something of the order of 40 worksites. That's a big job in itself. There were all sorts of contractors involved and negotiations with contractors in relation to getting their sites back up and running and in relation to compensation where projects had now run over time and over budget. The board was involved in overseeing that.

I have to say that many of the parties involved were very reasonable. Everybody sat around the table and noted it was an unprecedented situation and we had to negotiate. It was all done in very good faith.

Even smaller organisations like the [Wellington Regional] Stadium Trust had a small construction project, which caused some issues.

GNS, which monitors earthquakes, had already established that the earthquake monitoring centre would have to keep operating. Long before we went into level three or level four we had established a separate entrance and their part of the building was isolated from everybody else so that they could keep coming and going.

WAS THE GOVERNMENT'S WAGE SUBSIDY EFFECTIVE IN YOUR INDUSTRY?

In one organisation, Wellington Regional Stadium Trust, the wage subsidy has been a lifeline. The stadium is looking at the possibility of no income for six months and uncertainly over the next 18 months due to closure of the borders.

Other organisations have considered applying for the subsidy and have decided for one reason or another either they don't need it or they prefer to manage without it.

HOW CAN BOARDS HELP THEIR ORGANISATIONS BECOME MORE RESILIENT IN THE FACE OF PANDEMICS?

Be prepared. Risk management frameworks and crisis plans are useful. Of course they will need modification to fit the particular circumstances but they are helpful to have as a starting point and it is good to have had the discussion on roles that go with the development of the plans.

WHAT IS A KEY LEARNING FROM THIS CRISIS THAT YOU WILL APPLY TO THE NEXT CRISIS?

Be adaptable – the same crisis effects different organisation in different ways and every crisis is different. Boards need to be adaptable to the particular circumstance they face.

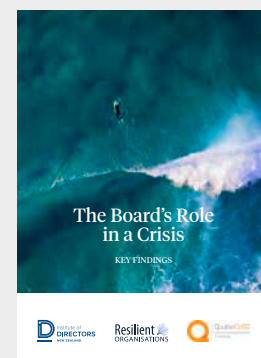
Future ways of working will change. There are things about the way we

have worked in the pandemic that we might be able to keep doing – working from home for some people worked well, perhaps we can continue to have some meetings by Zoom or Teams.

Equally we have learnt the value of face-to-face interactions.

Crisis management

Nicki Crauford CFinD is one of the directors interviewed for a study of *The Board's Role in a Crisis* by Resilient Organisations. The IoD is proud to support this research paper which will be released in July 2020.





Sarah Smith CFInstD

Sarah Smith holds many roles including chair of World of Wearable Art, and directorships at the Lion Foundation and Network Tasman.

WHAT HAS GOVERNANCE LOOKED LIKE FOR YOU OVER THE LAST TWO MONTHS?

With only 48 hours' notice before going into lockdown, it was mild panic, not necessarily at the governance level but definitely with businesses getting themselves organised so that they could work from home. Once everybody was out of the offices, all my boards had weekly meetings. Our first focus has been on people, health and welfare, then cash, stakeholders and communications and lastly operations, because we mostly weren't able to operate.

It was really key for the board to take a big breath and stand back. Give the CEO and the staff some time to pull all the information together before you make the decisions.

HOW DID THE WOW BOARD REACH THE DIFFICULT DECISION TO CANCEL ITS SHOW FOR THE FIRST TIME IN ITS 32-YEAR HISTORY?

When lockdown hit we didn't know what was going to happen and the risk of proceeding and getting to the point where we couldn't have a show because people couldn't get together - it just wasn't an option.

It was a really hard decision but we got all our facts in line and said, "We can't hand-on-heart do this and survive".

HOW DO YOU MANAGE THE IMPACT OF THAT?

We had some cash reserves and the next step was to look at what our core business was and make sure we held on to the "mothership". We had to question, "What do we need

to do to maintain the IP and the key people to enable us to move forward and produce a show next year?” and make hard decisions around that.

GIVEN YOUR PREVIOUS EXPERIENCE AS CHAIR OF NGĀI TAHU TOURISM, WHAT ARE YOUR EXPECTATIONS FOR THE FUTURE OF TOURISM IN NZ?

International tourism won't be coming back for 12 to 18 months. It's going back 20-plus years to start from scratch all over again. It's pretty sad. I was the chair of Ngai Tahu Tourism until December last year and I haven't been involved in tourism since then.


WHAT'S BEEN YOUR EXPERIENCE OF THE GOVERNMENT'S WAGE SUBSIDIES?

The wage subsidies certainly enabled business to take a step back and look at what they really needed. It gave you breathing room.

HOW DO YOU THINK GOVERNANCE IS GOING TO CHANGE FROM HERE?

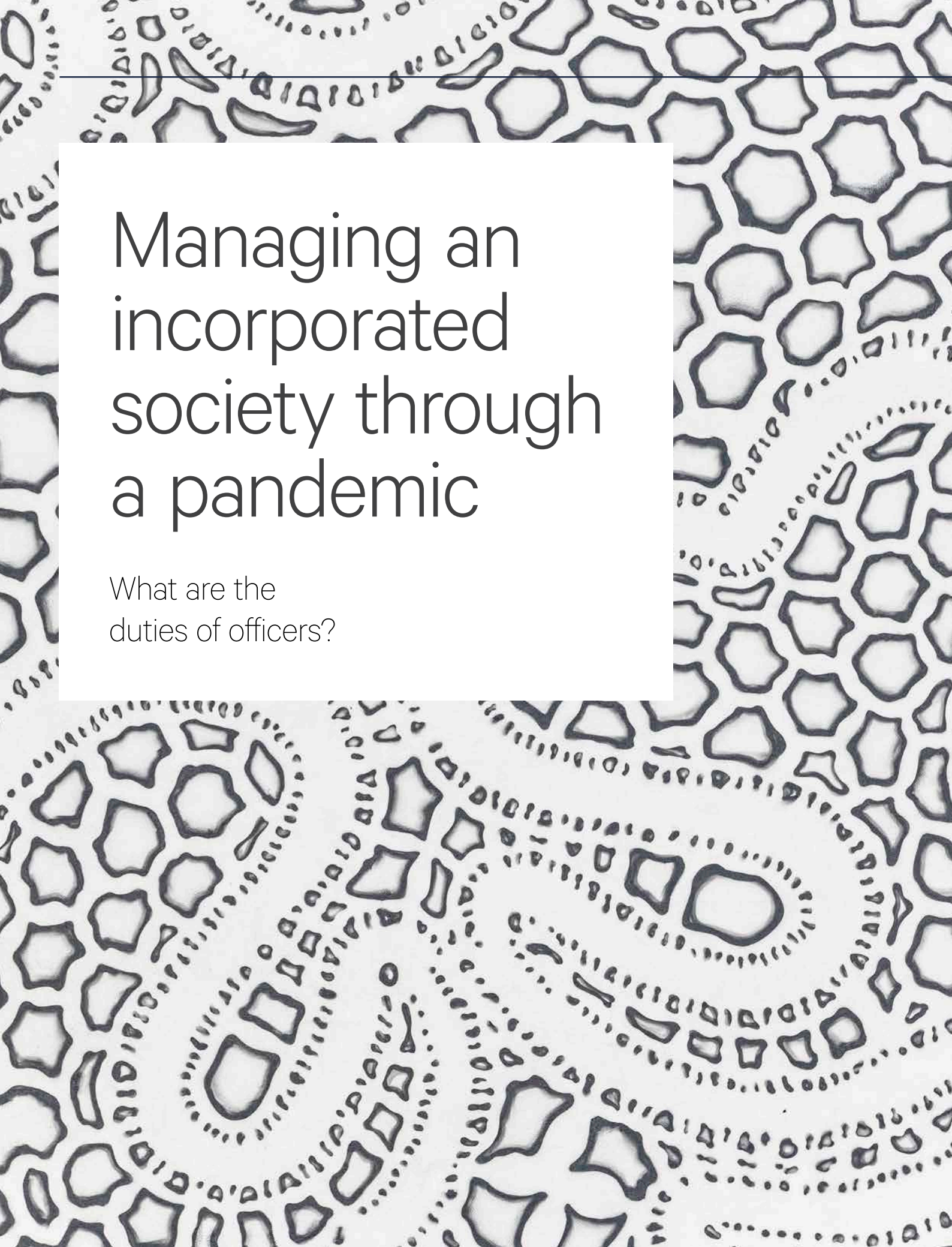
There's been a lot of talk in the last few years about the future of governance and what does that look like. People have seen governance as people meeting in the board room once a month and the real connection with businesses hasn't been there. In the future, directors will need to get more involved – not in the business but having a much greater understanding of the business itself and the community/world around it.

It will no longer just be about companies making money. You're going to have to widen your viewpoint. It's your employees, your shareholders but also being out there looking after everyone else that's involved. It's your suppliers, your community, it's everything - what are you adding to that? What's your reason for being there?

I think the days of directors having six, seven or eight boards are ending. You won't be able to manage that. The work load will go up. You'll have to offer more to the companies that you're a director of. 

Voices from Nelson Marlborough

This is an abridged version of interview by Nelson Marlborough Branch Manager Karen Goodger. The full interview is available as part of a series with directors from the region, which can be found at iod.org.nz

The background of the slide is a grayscale, high-magnification microscopic image of plant tissue, likely a cross-section of a stem or root. It shows a complex, repeating pattern of cells with thick, dark cell walls. Some cells are arranged in concentric rings, while others form a more irregular, honeycomb-like structure. The overall appearance is that of a highly organized, cellular network.

Managing an incorporated society through a pandemic

What are the duties of officers?

AUTHORS

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The COVID-19 pandemic presents a number of unique challenges from a governance perspective and has led to a renewed focus on the duties and obligations of those managing organisations.

While much of the focus to date has been on companies and directors, there are more than 23,000 incorporated societies in New Zealand, some of which are large and many of which have been adversely affected by COVID-19. Just like company directors, the officers managing incorporated societies (officers) are concerned to ensure that they discharge their duties appropriately.

Unhelpfully, there is some uncertainty around the exact duties and obligations of officers. While there are reforms on the horizon, with the government signalling plans to enact a replacement Incorporated Societies Act, the timing for this is currently uncertain and many incorporated societies need to make decisions now.

This article provides a summary of some of the issues officers should consider as they navigate the COVID-19 environment. Obviously, the key starting point will be to look at your society's rules carefully to understand what they already say – in some cases rules will have already been updated to include specific officer duties in recognition of the pending reforms.

AN OFFICER'S DUTIES ARE LIKELY TO BE SIMILAR TO THOSE OF A COMPANY DIRECTOR

With a company, the duties owed by a director (and the penalties applicable when duties are breached) are set out in legislation. Under the *Companies Act 1993* directors must:

act in good faith and in the best interests of the company use powers for a proper purpose (section 131)

not act, or agree to act, in contravention of the Companies Act or the company's constitution (section 134)

not agree to the business of the company being run recklessly or to create a substantial risk to creditors (section 135)

not agree to the company incurring obligations that the director does not reasonably believe will be fulfilled (section 136)

exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances, taking into account (without limitation) the nature of the company, the nature of the decision, and the position of the director and the nature of the responsibilities undertaken by him or her (section 137)

comply with conflict of interest rules to ensure that their personal dealings are not in conflict with their duties owed to the company.

The current *Incorporated Societies Act 1908* does not specify an equivalent code of duties that apply

to officers. Despite this, a prudent approach would be to proceed on the basis that officers will have the same (or at least very similar) duties to company directors. It is worth noting in this regard that:

it is clear from case law (in particular, the decision of the Privy Council in *New Zealand Netherlands Society "Oranje" Inc v Kuys and The Windmill Post Ltd* [1973] 2 NZLR 163 (PC)) that officers have duties in relation to an incorporated society that extend beyond what is stated in the Incorporated Societies Act or the rules of an incorporated society

the government is reforming the Incorporated Societies Act and has signalled that the replacement legislation (which is to be based on a draft Incorporated Societies Bill Exposure Draft that was released by Ministry of Business, Innovation and Employment (MBIE) in November 2015) will include a list of officer duties that are broadly equivalent to those already imposed on company directors

there is already a general acceptance that there is overlap between the duties of company directors and the duties of officers. In the commentary to the Exposure Draft, for example, MBIE noted that: "... the 1908 Act is silent on officers' duties, but case law imposes obligations on those governing or running incorporated societies. Consequently, officers of incorporated societies probably owe similar duties to their societies as company directors do to their companies. ...clauses 48-53 [of the Draft Bill] codify

officers' duties as they might be described if a court were to comprehensively list them. They are conceptually the same as directors' duties in sections 131-137 of the *Companies Act 1993*."

OFFICER DUTIES COULD BE INCORPORATED INTO THE RULES OF AN INCORPORATED SOCIETY

Every incorporated society must have a set of rules (similar to a company constitution) before it can be registered. While the Incorporated Societies Act only requires that the rules include certain prescribed information, there is flexibility for the rules to relate to any matter as long as it is not inconsistent with law.

While not a legislative requirement, many incorporated societies have sought to deal with the uncertainty surrounding officer duties by expressly providing for this in their rules. Therefore, as an officer, it will be important to have a clear understanding of what the rules say and whether any officer duties have been imposed by them.

It is worth noting that even where rules do not contain any specific officer duties, they are still likely to include certain provisions that will be relevant to those making decisions about the future of an incorporated society. This is likely to include provisions dealing with how the rules of the society can be modified, how funds of the society are to be controlled and invested, whether the society may borrow money and how property is to be distributed in a liquidation.

DIRECTOR SAFE HARBOUR RULES DO NOT APPLY TO OFFICERS

As part of its COVID-19 response, the Government created a safe harbour for directors in relation to certain insolvency-related duties they have under sections 135 and 136 of the Companies Act. Unfortunately, the safe harbours do not apply to officers due to uncertainty around whether officers have equivalent duties under common law.

Officers are therefore left in the unenviable position of potentially having common law duties equivalent to those in sections 135 and 136 but not receiving any benefit of the safe harbour rules applicable to company directors.

The Select Committee responsible for the enacting safe harbour legislation acknowledged that this was a "gap" and a "potential source of concern" but ultimately chose not to address that through legislation. Officers therefore need to tread carefully when taking on obligations and making decisions that could potentially impact on a society's creditors and / or its solvency.

CERTAIN COVID-19 RELIEF LEGISLATION IS RELEVANT TO INCORPORATED SOCIETIES

While the safe harbour rules do not apply, some of the other legislation enacted as part of the Covid-19 response is relevant to incorporated societies. Under the *COVID-19 Response (Requirements for Entities—Modifications and Exemptions) Act 2020*, for example:

an incorporated society may modify certain provisions in its rules if a majority of its governing officers believe in good faith that it is not reasonably practicable to comply with those provisions as a result of COVID-19

certain actions of the incorporated society are able to be undertaken electronically (even where not permitted under the rules of an incorporated society) if a majority of its governing officers believe in good faith that it is not reasonably practicable to carry out the action by non-electronic means

the Registrar of Incorporated Societies may grant exemptions from certain statutory obligations under the *Incorporated Societies Act* (for instance, in relation to recordkeeping or the delivery of information) should it decide to do so.

In addition the Business Debt Hibernation scheme enacted pursuant to the *COVID-19 Response (Further Management Measures) Legislation Act 2020* (under which an entity is able to obtain a moratorium on enforcement of debts by creditors in certain circumstances), is available to be used by an incorporated society. **6**

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