Chapter Zero New Zealand

Board Toolkit

Published August 2026

Chapter Zero New Zealand
The Directors' Climate Forum

Hosted by

Institute of DIRECTORS NEW ZEALAND

Published August 2026

Chapter Zero New Zealand Board Toolkit

Chapter Zero New Zealand
The Directors' Climate Forum

Hosted by

Institute of DIRECTORS NEW ZEALAND

Chapter Zero New Zealand acknowledges the foundational work of Chapter Zero UK, The Berkeley Partnership and The Centre for Climate Engagement in developing the original Board Toolkit, and thanks these organisations for permitting its adaptation for Aotearoa New Zealand. This updated edition represents a further refresh of that work, reflecting evolving governance expectations, regulatory developments and insights from New Zealand directors.

This Toolkit has been created by Chapter Zero New Zealand

Chapter Zero New Zealand is a member of the Chapter Zero Alliance, a global network of director-led initiatives that equips board directors to integrate climate and nature risks and opportunities into governance, strengthening long-term resilience, strategic direction and value creation.

Disclaimer

This toolkit is not a comprehensive analysis of the laws, regulations and frameworks concerning climate change in New Zealand and taking climate action. It is not a substitute for legal advice for directors on climate change matters. Our aim is to provide readers with tools, support and encouragement to address climate change as a priority on their boards and within their organisations.

Foundation Partners

DENTONS

HOBSON LEAVY EXECUTIVE SEARCH

KPMG

Partners

ASB ONE STEP AHEAD

Boffa Miskell

Contents

Chapter Zero New Zealand
The Directors' Climate Forum

Integrating climate and nature into boardroom decisions

Boards in Aotearoa New Zealand are operating in a period of heightened uncertainty. Geopolitical tensions, shifting trade relationships, evolving regulation and capital market pressures are reshaping the operating environment. Physical climate impacts are becoming more evident, affecting supply chains, infrastructure, insurance availability and input costs.

Pressures on natural systems – including land, water and biodiversity – add further complexity, particularly for sectors dependent on natural resources or exposed to international markets.

The direction of travel is not linear. Policy settings differ across jurisdictions. Investor expectations are evolving. Some markets are accelerating transition efforts while others are recalibrating.

This guide provides a practical starting point. It supports directors to begin structured conversations about climate and nature where these issues may affect strategy, risk, capital allocation and long-term value.

It does not assume specialist expertise or a separate sustainability strategy. It applies established governance disciplines to areas of material risk and opportunity.

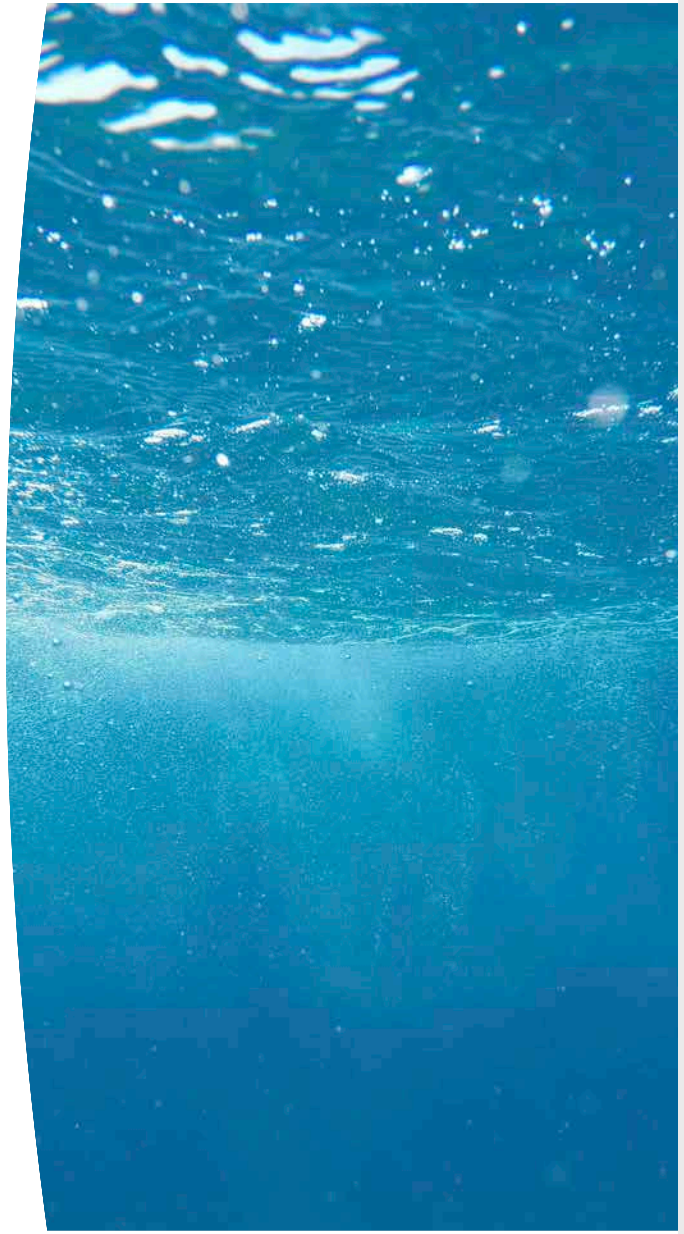
Board responsibility in a changing environment

New Zealand's economy is closely linked to natural capital, with a significant proportion of export earnings tied to sectors dependent on healthy ecosystems. Natural capital refers to the stock of natural resources and ecosystems, such as land, water, air and biodiversity, that provide essential services supporting life, economic activity and organisational performance.

Physical risks such as soil degradation, water stress and extreme weather can affect productivity, asset values and supply chain continuity. Transition risks, including tightening standards in key export markets, can affect competitiveness and market access. As standards and market expectations evolve, these exposures are becoming more foreseeable.

Even as New Zealand's mandatory climate reporting regime evolves, investor, lender and trading partner expectations continue to develop. Many organisations will still encounter climate and nature requirements through supply chains, offshore regulation, capital providers or insurance markets.

Directors' duties under the Companies Act 1993 require acting in good faith and in the best interests of the company, and exercising reasonable care, diligence and skill. Where climate and nature-related risks are foreseeable and capable of materially affecting performance, they should be considered as part of directors' wider governance responsibilities.



Integrating climate and nature into boardroom decisions

The starting point for boards is materiality

Boards do not need to address every environmental issue. They need to understand where climate and nature dependencies, impacts, risks and opportunities are financially relevant across short-, medium- and long-term horizons, and incorporate them into strategy, capital allocation and risk oversight.

This approach is consistent with the World Economic Forum's **Climate and Nature Governance Principles**, which emphasise board oversight of systemic risk, capital alignment and long-term competitiveness.

For many boards, this remains an early-stage conversation. Directors may be asking:

- Where are our most significant physical exposures, including supply chain concentration and insurance vulnerability?
- How might regulatory or market shifts in key export jurisdictions affect revenue or cost structures?
- Will there be capital investments required to strengthen resilience?
- Do we have sufficient internal capability and information to assess exposure?

The five steps that follow provide a structured way to address these questions. They help identify material exposures, connect climate and nature to strategy and capital allocation, strengthen risk oversight and build capability over time.

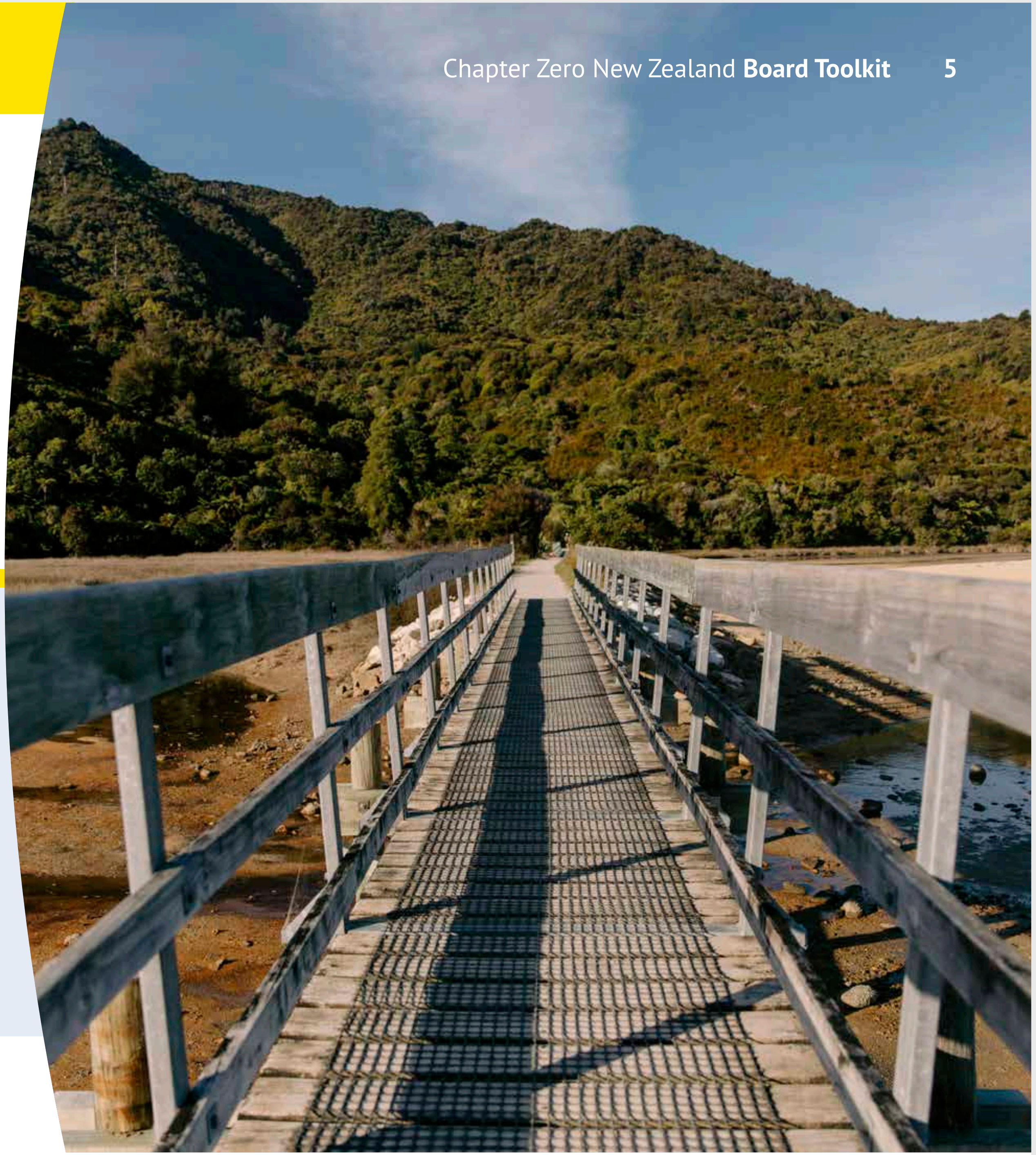
The objective is to ensure established governance disciplines are applied consistently in areas where financial exposure may be evolving.

What do we mean by climate and nature?

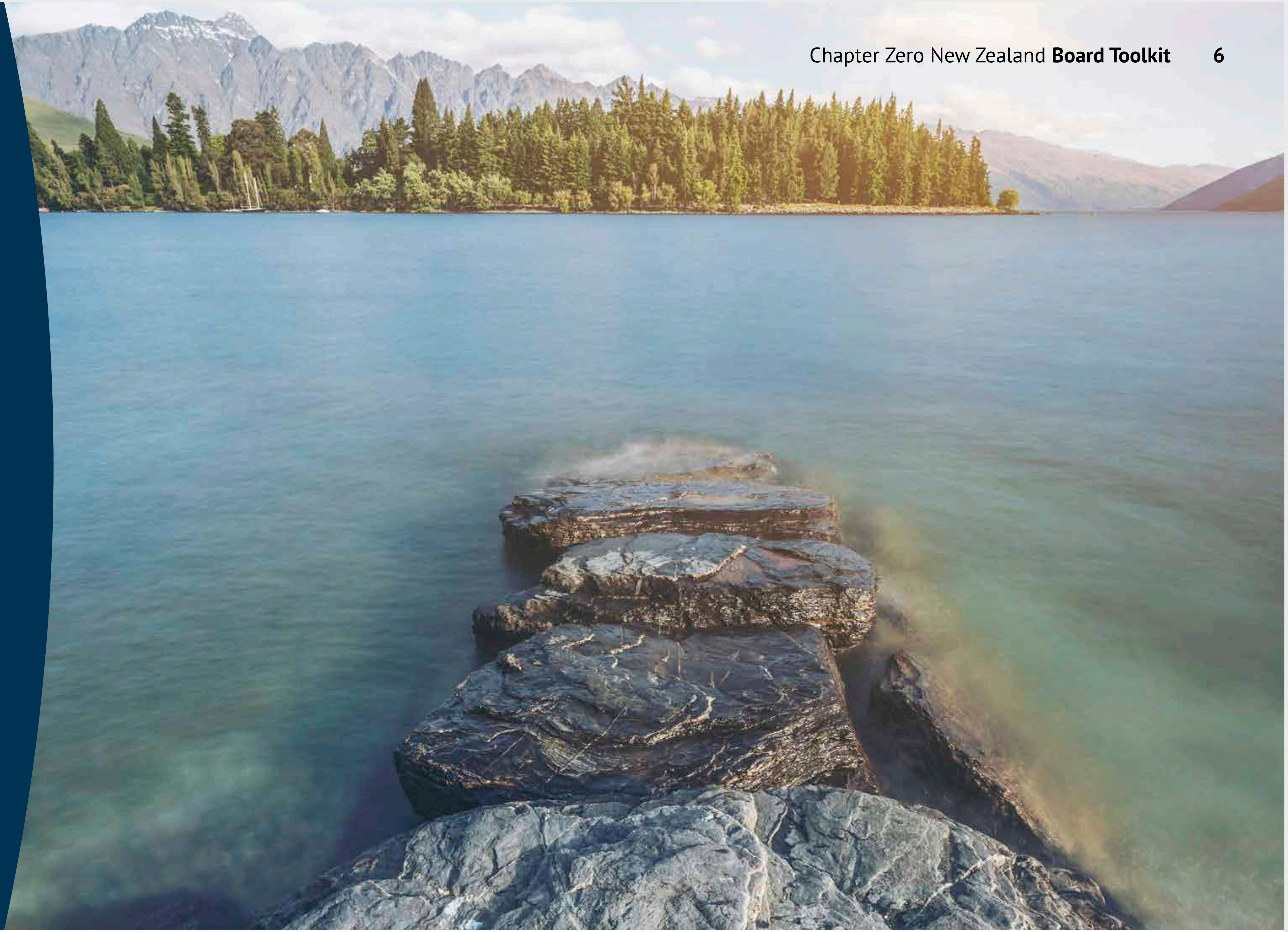
Climate risks include both physical risks (such as storms, droughts or sea-level rise) and transition risks (such as regulatory change, technology shifts or changing market expectations).

Nature-related risks arise where organisations depend on or affect natural systems, such as land, water, soil or biodiversity.

These issues are interconnected for many organisations. Climate change can affect natural systems, while nature loss can increase business risks, such as supply disruption or resource scarcity.



The five steps



Chapter Zero New Zealand
The Directors' Climate Forum

The five steps: to prepare your board

Here are five key steps that boards can take to ensure their organisations have a structured approach to identifying material exposure, integrating climate and nature considerations into strategy and capital allocation, and strengthening governance oversight over time.

Steps 1–2

Directors play a critical role in identifying risk exposure and determining materiality

Steps 3–5

Directors focus on integration, oversight and building capability

Step 1 | Understand your risk exposure

Before boards can determine what action is required, they need a clear understanding of where and how their organisation is exposed to strategic and operational risks arising from climate and nature-related change.

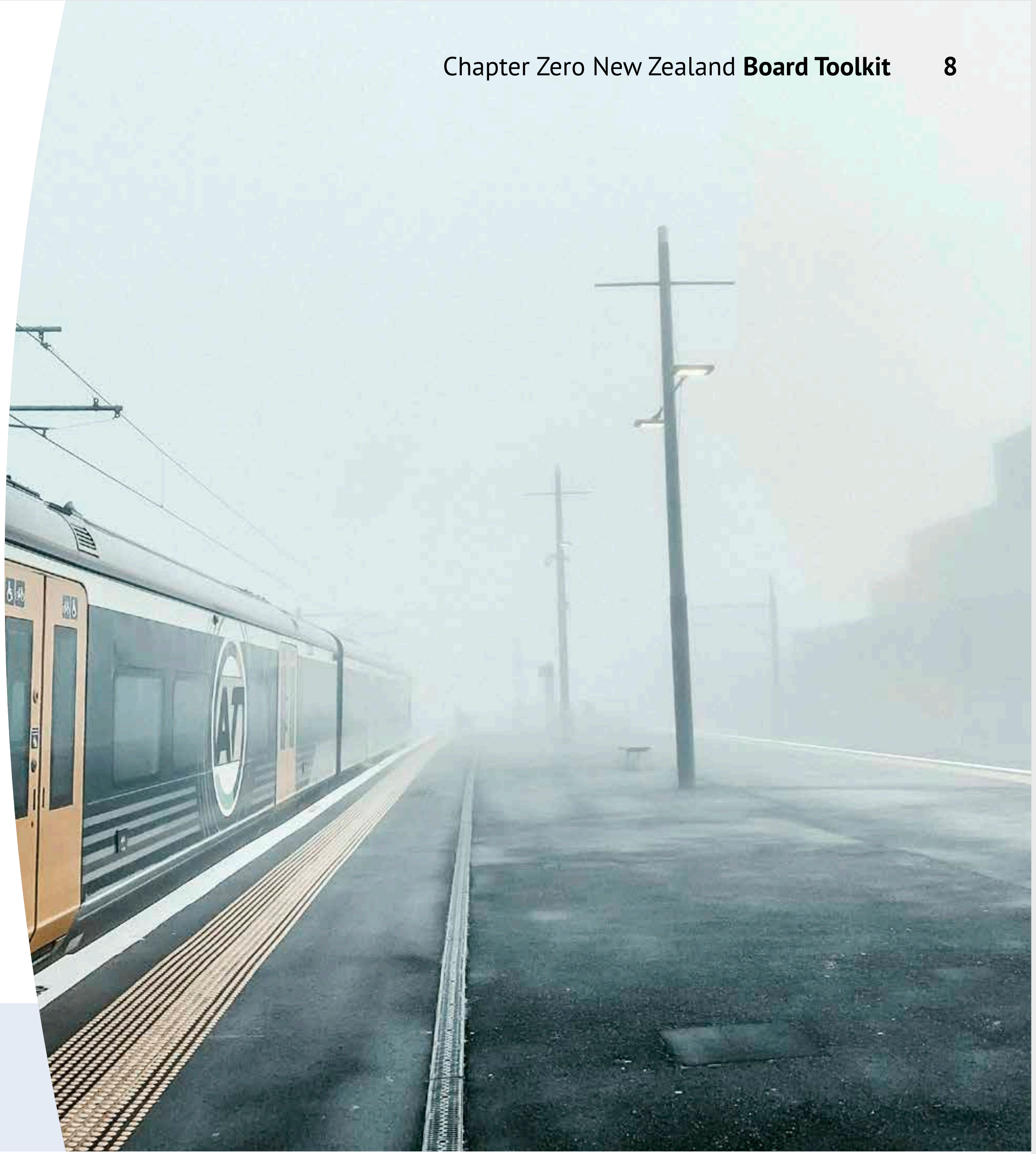
Boards do not need specialist risk expertise to begin this process or to map every risk at this stage. The objective is to apply familiar governance questions to areas where conditions may be changing.

Exposure extends beyond emissions. It includes:

- **Operational disruption** from physical impacts such as extreme weather, water stress and ecosystem degradation
- **Cost and transition pressures** arising from changing regulation, market standards and customer expectations
- **Dependencies on natural systems** across the value chain
- **Shifting expectations** from customers, lenders and insurers

For example, a manufacturer may depend on a small number of overseas suppliers located in regions exposed to flooding or heat stress.

> At this stage, the objective is not to solve the issue or undertake detailed risk analysis. It is to surface potential areas of vulnerability and opportunity.



Step 1: Understand your risk exposure

Boards should ask:

- Where are the key activities, assets and operations we rely on, and what could disrupt them?
- Where do our operations depend on natural systems, such as land, freshwater, biodiversity or stable climate conditions?
- How concentrated are our suppliers, customers or critical inputs in vulnerable geographies?
- What assumptions underpin our current strategy about future operating conditions?
- Could regulatory or market shifts in key jurisdictions affect revenue or cost structures?
- How exposed are we to insurance pricing or availability changes?

For many organisations, exposure may sit outside direct operations and arise in less visible areas, such as supply chain concentration, access to capital, export market requirements or asset lives that assume stable climatic conditions. Some risks may be immediate. Others may emerge over longer time horizons.

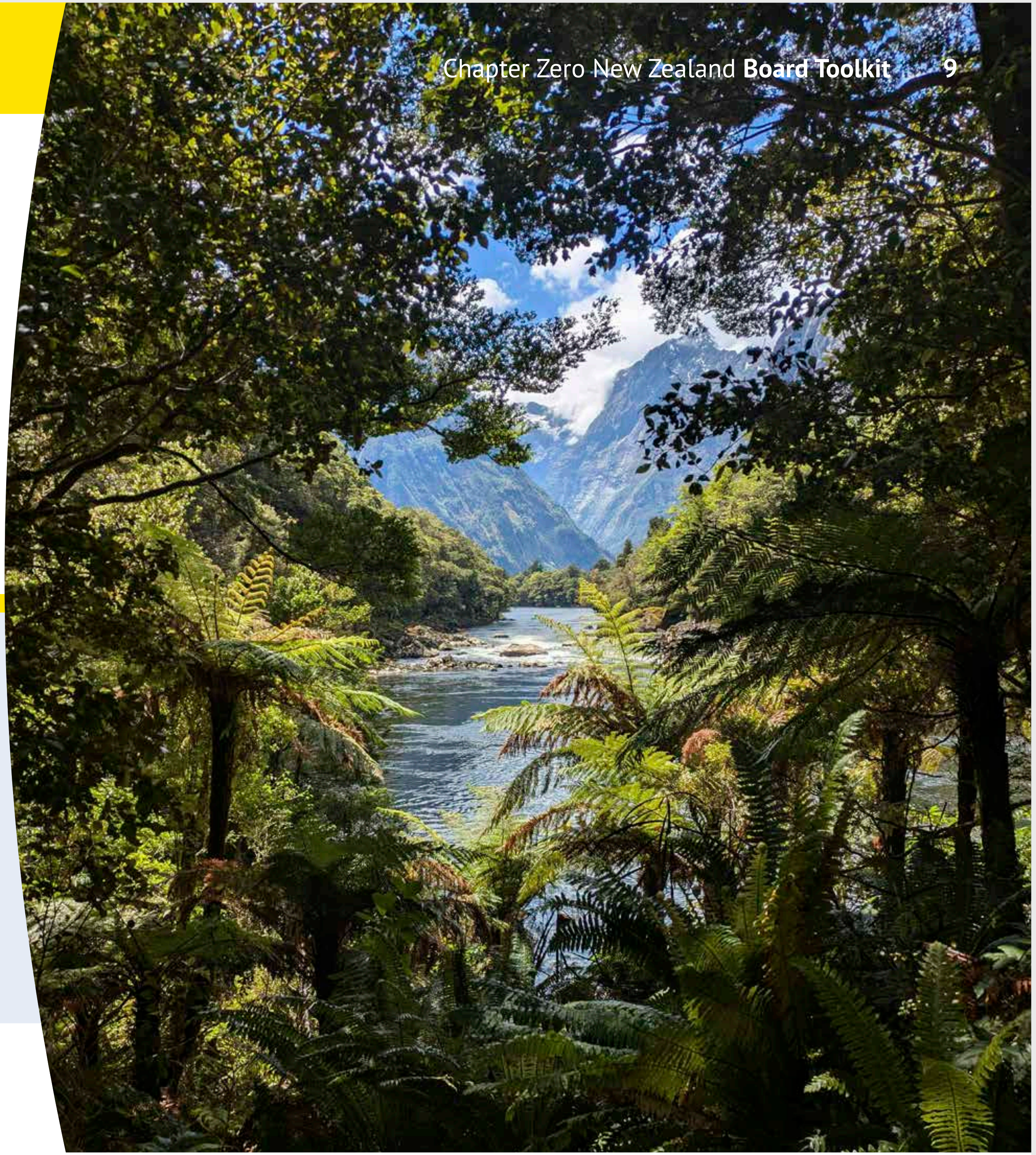
If boards cannot clearly describe where and how the organisation is exposed, that signals the need for further analysis.

Understanding exposure is the foundation for determining which issues are financially material and what action, if any, is required.

Where to look first

Useful starting points are:

- Critical assets and infrastructure the organisation relies on – for example, energy, transport and telecommunications networks
- Key suppliers, customers or markets
- Areas where costs are rising, becoming more uncertain or scrutiny is increasing
- Long-lived assets or investments that assume stable operating conditions



Step 1: Understand your risk exposure

Consider financial implications early

Exposure becomes a governance issue where it may affect the organisation's ability to deliver its strategy, sustain performance or remain resilient over time, including the ability to absorb disruption and continue operating effectively.

Boards should ask:

- Could physical disruption affect revenue, cost structures or asset values?
- Are we exposed to changes in insurance availability or premiums?
- Could regulatory or market shifts affect competitiveness or access to capital?
- Do asset life assumptions reflect plausible future conditions?

This does not require perfect data or complex modelling. It requires disciplined questioning and testing assumptions about the future. Scenario analysis can help boards test how resilient their strategy is under different plausible future conditions. Rather than predicting outcomes, it explores how changing physical, market, policy and technological factors could affect organisational performance over time. Boards seeking practical guidance can refer to the Chapter Zero NZ guide Effective Climate Governance – **Climate Scenario Analysis**.

Test time horizons

Many boards focus on three-to-five-year planning cycles. Climate and nature-related exposure may extend beyond those horizons.

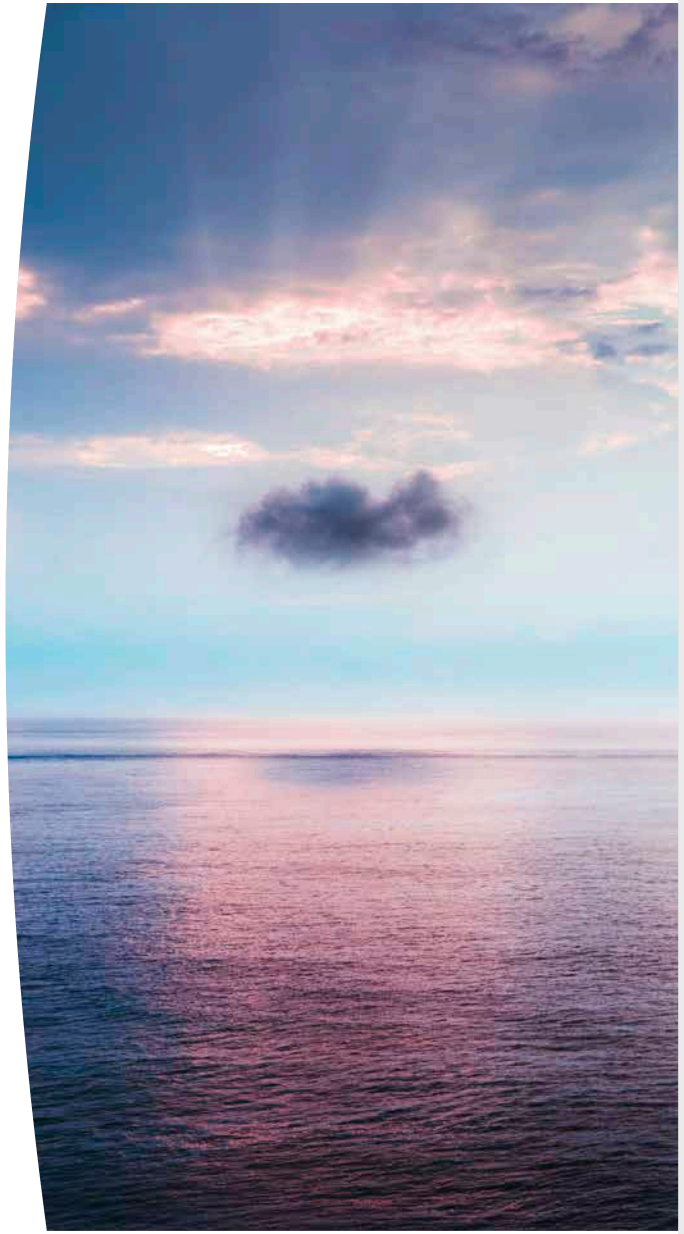
- Are we testing our strategy against plausible longer-term conditions?
- Could risks emerge gradually rather than suddenly?
- Are we considering how today's investment decisions perform under different future scenarios?

The aim is not precision. It is resilience. For an overview of the scientific and systemic drivers shaping physical and transition risks, see the Chapter Zero NZ **Climate Change Science Snapshot 2025**.

Insight for boards

- Exposure does not automatically mean material risk
- Not every organisation will face significant disruption, and not all disruption will be experienced the same
- Early identification reduces the likelihood of reactive decisions later
- Insurance markets, lenders and export partners often move before regulation does

Understanding exposure provides the foundation for Step 2: deciding what is financially material.



Step 2 | Decide what is material

Understanding exposure is only the first step. Boards then need to determine which issues are financially material to the organisation.

Not every exposure will require action. The board's role is to exercise judgement, assessing which risks and opportunities could reasonably affect the organisation's performance, resilience or long-term value.

Materiality is not about responding to every environmental issue. It is about identifying those that could influence:

- Revenue and demand
- Operating costs
- Asset values and useful lives
- Capital expenditure requirements
- Access to capital and insurance
- Competitive positioning

Boards should consider both downside risk and potential opportunity. Exposure may be limited for some organisations. For others, particularly those reliant on natural systems, export markets or long-lived assets, the implications may be more significant.

Questions to guide judgement

- What information do we need to make this assessment?
- Which exposures could materially affect financial performance over the short, medium or long term?
- Are we assessing impacts on revenue, cost structures, assets and capital requirements, rather than only operational disruption?
- Do our financial statements appropriately reflect relevant assumptions about future conditions?
- Are there opportunities linked to resilience, efficiency or market positioning that warrant consideration?
- What level of uncertainty are we prepared to accept in forming a view?

Materiality does not require perfect data. It requires reasonable and supportable judgement based on the information available. Boards seeking further guidance on assessing and disclosing material sustainability-related risks and opportunities can refer to the Chapter Zero NZ **Sustainability Reporting Guide 2025**.

The output of this step should be clarity about which climate and nature-related exposures are material and therefore require integration into strategy and governance?

This sets the foundation for Step 3.

Step 2: Decide what is material

Board materiality checklist

Consider the following:

- ☐ We have identified our key areas of exposure
- ☐ We understand which exposures could materially affect financial performance
- ☐ We have considered impacts on revenue, costs, assets, capital and insurance
- ☐ We have tested assumptions across different time horizons
- ☐ We have documented the board's judgement regarding materiality

If several of these cannot be clearly answered, further analysis may be required before moving to integration.

Step 3 | Integrate into strategy and capital allocation

Once material exposures have been identified, they should be reflected in core strategic decision-making.

Climate and nature considerations should not sit in a standalone sustainability plan. If they are financially material, they belong in the organisation's strategy, capital allocation decisions and risk appetite settings. This is where the board starts to see whether exposure actually changes strategic decisions.

Embed in strategy

Boards should expect to see material climate and nature exposures reflected in:

- Strategic priorities and long-term positioning
- Business model assumptions
- Asset life and impairment considerations
- Growth, divestment or transformation decisions

For example, the board may need to reassess asset life assumptions, supply chain diversification or investment timing, or test whether the current strategy remains resilient under plausible future conditions. Boards looking to deepen their approach to transition planning can refer to the Chapter Zero NZ **Transition planning – A director's guide**.

This does not require complex modelling. It requires testing how different future conditions could affect competitiveness and performance.

Align capital allocation

Capital allocation is one of the board's most powerful levers.

Boards should consider:

- Do major capital expenditure decisions reflect identified exposures?
- Are we investing appropriately in resilience where required?
- Are long-lived assets being assessed against realistic future conditions?
- Could delays in investment increase future risk or cost?

If climate and nature considerations are material, they should influence how capital is deployed, not be treated as a separate initiative.

Step 3: Integrate into strategy and capital allocation

Align capability and resourcing

Delivering on strategy requires the right people, skills and capacity.

Boards should consider:

- Do we have the internal capability to manage identified climate and nature exposures?
- Are roles and responsibilities clearly defined and embedded across the organisation?
- Do we need to build capability through training, recruitment or external support?
- Is sufficient resource allocated to deliver on strategic priorities in this area?

Where these considerations are material, they should be reflected not only in strategy and capital allocation, but also in how the organisation is structured and resourced. This includes ensuring that management has the capability and capacity to respond effectively over time.

Avoid common pitfalls

Boards should be alert to:

- Commitments that are not supported by clear investment decisions or reflected in capital budgets
- Investment decisions that assume stable operating conditions without testing that assumption
- Treating climate or nature considerations as communications or reputational issues rather than strategic ones
- Failing to embed these considerations in key organisational policies, such as procurement
- Lack of alignment across the organisation resulting in inconsistent decision-making

Integration does not mean rewriting strategy. It means testing whether the current strategy remains resilient under different future conditions.

Where exposure is material, it should be reflected in ordinary governance processes including strategy, capital allocation and risk oversight. Step 4 focuses on how boards ensure clear oversight and accountability for these issues.

Step 4 | Clarify oversight and accountability

Once climate and nature considerations are integrated into strategy and capital allocation, boards should ensure clear oversight and accountability.

Without clarity, responsibility can become diffused across committees, management functions or reporting lines. Governance effectiveness depends on transparency about who is accountable for what.

Define board oversight

Boards should consider:

- Is responsibility for climate and nature oversight clearly allocated at board level?
- Are relevant issues embedded within existing committees, such as audit and risk, or should a specific committee or board lead be assigned?
- Are climate and nature considerations being consistently factored into key board discussions and decisions, such as strategy, investments and capital allocation
- Is sufficient time allocated on the board agenda for informed discussion?

The objective is not to create new layers of governance unnecessarily. It is to ensure material exposures receive consistent and disciplined oversight.

Boards seeking practical examples of different governance structures can refer to the Chapter Zero NZ guide **Effective climate governance – board structure and capability**, and the accompanying **Board structure quick guide**.

Clarify management accountability

Boards should expect clarity from management on:

- Who is accountable for addressing identified exposures?
- How are responsibilities distributed across executive roles?
- Do reporting lines support effective oversight?

Where issues are material, accountability should be explicit – not assumed.

Step 4: Clarify oversight and accountability

Strengthen information flows

Effective oversight depends on the quality of information provided to the board.

Boards should consider:

- → Is reporting sufficiently forward-looking, or primarily historical?
- → Are assumptions clearly articulated and tested?
- → Are risks, opportunities and trade-offs presented transparently?

Improved information does not always require more reporting. It may mean more relevant reporting.

Align incentives and performance

Where climate and nature exposures are material, boards may need to consider whether performance objectives and incentives reflect that reality.

This does not require complex metrics. It requires alignment between stated priorities and how performance is assessed. For practical guidance on incorporating climate-related metrics into executive remuneration, see the Chapter Zero NZ guide **Effective Climate Governance – Remuneration and Incentivisation**.

Clear oversight and accountability reduce the risk of drift. They help ensure integration into strategy is sustained over time rather than treated as a one-off exercise.

This prepares the ground for Step 5: reviewing progress and building capability.

Step 5 | Review and build capability over time

Climate and nature-related issues are dynamic. Physical risks evolve as climatic conditions change. Transition risks develop as regulation, technology, markets and stakeholder expectations change.

This means that oversight cannot be a one-off exercise. Governance requires ongoing review, learning and adaptation. At this stage, the focus is not on creating new structures or processes, but on ensuring that existing governance disciplines remain effective as conditions change.

Maintain oversight through regular review

Boards should periodically review how climate and nature considerations are integrated into strategy, risk management and capital allocation.

Questions to consider include:

- Are the assumptions underpinning our strategy still valid?
- Have new risks or opportunities emerged since the last review?
- Are management reports providing the information needed for effective oversight?
- Are we monitoring indicators that signal changing exposure or performance?
- Do we understand how external expectations from investors, lenders, regulators or customers are evolving?

Regular review helps ensure decisions made today remain robust under future conditions.

Monitor performance and progress

Where organisations have set targets, plans or resilience measures, boards should monitor progress in the same way they oversee other strategic initiatives.

This may include:

- Reviewing key performance indicators linked to emissions reduction or resilience investments
- Monitoring physical risk exposure across assets and supply chains
- Tracking capital expenditure related to transition or adaptation measures
- Reviewing external disclosures and stakeholder communications

Performance monitoring provides an early signal where strategies may need to adjust.

Strengthen board capability over time

Many boards are still building familiarity with climate and nature issues. Capability will develop progressively through experience, discussion and exposure to relevant expertise.

Boards may wish to consider:

- Periodic briefings and external expertise to test assumptions and inform decision-making
- Including climate and nature expertise when refreshing board capability or recruiting directors
- Learning from peers, industry practice and case studies
- Accessing Chapter Zero NZ and IoD resources and learning opportunities

Climate literacy does not require every director to be a specialist. However, boards should collectively have sufficient understanding to ask informed questions and challenge assumptions.

Step 5: Review and build capability over time

Encourage integration into existing governance processes

Climate and nature considerations should become part of routine governance rather than a separate agenda item.

This may include integration into:

- Strategy reviews
- Enterprise risk management
- Capital investment decisions
- Audit and disclosure processes
- Board and committee reporting

Embedding these considerations within existing governance systems helps ensure emerging risks and opportunities are addressed consistently.

Insight for boards

- Climate and nature governance is an ongoing process requiring regular review, learning and adaptation
- Effective oversight depends on reliable, decision-useful information and disciplined governance processes
- Board capability develops over time through learning, experience and engagement
- Integration into existing governance processes strengthens resilience and long-term decision-making

Review and capability building help boards oversee evolving risks and opportunities, and make informed strategic decisions.

Boards in practice

Chapter Zero New Zealand
The Directors' Climate Forum

Adapting a decarbonisation strategy as technology evolves

Organisation: Wellington Airport

What the board faced: A long-term decarbonisation commitment in a fast-changing environment, including evolving reporting expectations and shifting assumptions about what technologies would work for terminal decarbonisation.

What the board did: Established an emissions baseline and targets early and stayed flexible as plans changed. When electrification for terminal heating proved less feasible, the board supported a pivot to biomass after further modelling. Oversight was collective at the board table, with climate risk also flowing through the Audit and Risk Committee, supported by specialist advice and external experts when required.

Takeaway: Strong climate governance is less about a perfect plan and more about establishing a baseline early, setting clear direction and adapting as technology, standards and assumptions change.

The full article can be found **here**.

Turning a crisis rebuild into a resilience investment

Organisation: Canterbury Linen Services

What the board faced: Post-earthquake rebuild pressures, including unexpected insurance gaps and much higher annual rental and funding costs, forcing a full review of the business model and major cost drivers.

What the board did: Focused on the biggest levers (energy and labour) and used the rebuild to shift from diesel steam to a cleaner, more efficient heat source. Compared options (electricity and biomass), pursued a long-term lease arrangement to enable a purpose-built facility, and embedded sustainability into ongoing board oversight. Lessons also included the need for robust insurance arrangements and shareholder engagement.

Takeaway: A resilience shock can be a forcing function; strong governance turns it into a capital investment led reset that improves efficiency, reduces emissions and strengthens long-term resilience.

The full article can be found **here**.

Responding to structural market change

Organisation: Channel Infrastructure

What the board faced: A structurally changing market for fossil fuel products and increasing climate impacts on the business, alongside climate-related obligations and evolving expectations.

What the board did: With strong shareholder backing, the board undertook a major strategic transformation away from oil refining and refreshed long-term strategy with climate central to the thinking. Completed physical and transition risk assessment and a materiality assessment, incorporated selected material targets into the company scorecard (linked to incentives), and strengthened governance oversight via the Audit and Finance Committee. Also set up an internal climate working group and used external advisers to support the strategy refresh and disclosure readiness.

Takeaway: When climate is material, boards treat it as core strategy and business model evolution, backed by risk assessment, governance structures and clear performance focus.

The full article can be found **here**.

Where to go for more help and information

Chapter Zero New Zealand
The Directors' Climate Forum

Hosted by

Institute of DIRECTORS NEW ZEALAND

Chapter Zero NZ resources

- Chapter Zero NZ and Earth Sciences NZ – **Climate Change – Science Snapshot 2025**
- Chapter Zero NZ and KPMG with Dentons and Anthem – **Sustainability reporting guide 2025**
- Chapter Zero NZ and the External Reporting Board with KPMG and Aurecon – **Transition Planning – A Guide for Directors**
- Chapter Zero NZ and KPMG – **Lessons from the frontline**
- Chapter Zero NZ, KPMG and Ākina with the External Reporting Board and Ministry for the Environment - Effective climate governance - **Climate Scenario Analysis**

Other tools, guidance and case studies are available on the **Chapter Zero NZ website**.

Other resources

- Australian Institute of Company Directors – **Principles for target setting**
- External Reporting Board – **Aotearoa New Zealand Climate Standards**
- Ministry for the Environment – **Measuring emissions guide**
- Sustainable Business Council – **Building a business case for nature**
- The Aotearoa Circle – **Protecting New Zealand's Competitive Advantage** and **2025 update**

We hope you find this Toolkit valuable. If you would like to get in contact or would like more information, please get in touch at **chapterzero.nz**

Chapter Zero New Zealand
The Directors' Climate Forum

Hosted by

Institute of DIRECTORS
NEW ZEALAND