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Quick Guide: 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 creates a practical governance question: how should boards respond where these factors begin to affect strategy, risk, capital allocation and long-term value?

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. 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.

Directors' duties require acting in good faith, with care, diligence and skill. Where climate and nature-related risks are foreseeable and capable of materially affecting performance, they sit within those duties.

What do we mean by climate and nature risks?

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, soils or biodiversity.

For many organisations, these issues are interconnected.

The starting point for boards is materiality

Boards need to understand where climate and nature-related dependencies, impacts, risks and opportunities could affect organisational performance, resilience or long-term value across short-, medium- and long-term horizons.

For many boards, this remains an early-stage conversation. Useful starting questions include:

- Where are the parts of our operations, assets or supply chains most vulnerable to disruption or changing conditions?
- How might regulatory or market shifts affect revenue or cost structures?
- Will investment or capability building be required to strengthen resilience and support long-term performance?
- Do we have sufficient information to assess exposure?

Five steps for board action

For boards looking to move from awareness to action, the following five steps provide a structured way to begin. They are not a checklist or linear process. They reflect how established governance disciplines can be applied in practice.

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

Start by identifying where and how the organisation may be exposed to operational, strategic or financial disruption arising from climate and nature-related change. This includes physical risks, supply chain dependencies and changing market or regulatory conditions.

The objective is not to solve the issue immediately, but to identify where vulnerabilities or opportunities may exist, including those outside direct operations.

Step 2. | Decide what is material

Not every exposure will require action. Boards need to exercise judgement to determine which risks and opportunities could reasonably affect organisational performance, resilience or long-term value.

This step is about focusing attention where it matters most.

Step 3. | Integrate into strategy and capital allocation

Where exposures are material, they should be reflected in core decision-making. This includes strategy, business model assumptions and capital allocation.

If climate and nature considerations are material, they belong within existing governance processes – not as a separate workstream.

Step 4. | Clarify oversight and accountability

Effective governance requires clarity on who is responsible for what. Boards should ensure oversight is clear at both board and management level, with appropriate reporting and accountability.

The focus is on integrating these considerations into existing governance structures, not creating unnecessary complexity.

Step 5. | Review and build capability over time

Climate and nature-related risks will continue to evolve. Boards should treat this as an ongoing governance issue, supported by regular review, improved information and gradual capability building.

Progress does not require perfect data or specialist expertise at the outset. It requires sustained attention and informed judgement over time.

Ultimately, starting the conversation is less about introducing a new governance topic and more about applying existing governance disciplines to areas where organisational exposure, risk and opportunity may be evolving.

About Chapter Zero New Zealand

The Institute of Directors New Zealand (IoD) is proud to host Chapter Zero New Zealand, the national chapter of the Chapter Zero Alliance.

Chapter Zero NZ supports directors to strengthen climate and nature governance in the boardroom. It equips boards with the knowledge, tools and confidence to respond to evolving risks and opportunities, while considering long-term value creation.

Chapter Zero NZ is grateful for the support of its key partners, whose guidance and expertise help us serve the director community and advance effective governance of climate and nature-related risks and opportunities.

Visit our website: **chapterzero.nz**