Boardroom

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WINTER 2021

Institute of
DIRECTORS
NEW ZEALAND

The climate change challenge to agriculture | Five questions boards should ask on climate action | World of consumer revival | 3.2-billion-dollar man | Taste of creativity

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“It is exciting to have a real crisis on your hands, when you have spent half your political life dealing with humdrum issues like the environment.”

Baroness Margaret (Maggie) Thatcher, UK prime minister 1979-1990

It is startling to realise that, so recently, it was possible to view environmental issues as “humdrum”.

For today’s leaders, the environment is a hot topic, so to speak, for a range of reasons – increasing regulation, calls for climate transparency, social expectations and risks to past business models. Not to mention the existential threat to mankind from unchecked climate change.

In this issue, we look at how the move towards climate action is unfolding in New Zealand. Two senior chairs from the agricultural sector reveal what their boards are thinking and doing on the climate issue. We hear from a Climate Change Commissioner. Incoming regulation is previewed. And we explore how boards can balance short-term financial pressures with long-term sustainability goals.

It is a time of change and that brings opportunity as well as risk, as discussed in a range of articles rooted in business recovery. I hope some of the thoughts herein on “building back better” from the pandemic spark interesting conversations at your dinner table, or perhaps your next board meeting.

Ngā mihi

Aaron Watson, editor

In this issue

WINTER 2021

06
New thinking on old ideas
The pandemic has made new thinking possible. Urbanites have been arguing for years that fewer cars, and more liveable cities, should be a local government priority. But with limited success.

FEATURES

08
The climate change challenge to agriculture
Seaweed, “Kowbucha” and alternative energy sources are all in the mix as New Zealand’s large agricultural firms seek to reduce greenhouse gas emissions.

14
Five questions boards should ask on climate action
These questions will help align financial decisions with sustainability and climate goals.

16
Small investors look to big issues
The New Zealand Shareholders’ Association plans to add climate action to its company assessments in response to increasing interest among retail investors.

18
Climate action and regulation | MinterEllisonRuddWatts
What does the Climate Change Commission’s advice signal for boards?

22
Mandatory climate disclosures
Directors should not go to jail over climate disclosures and will need expert assistance to meet the goals of New Zealand’s world-first mandatory climate reporting regime.

08
The climate change challenge to agriculture

5

14
Five questions boards should ask on climate action

16
Small investors look to big issues

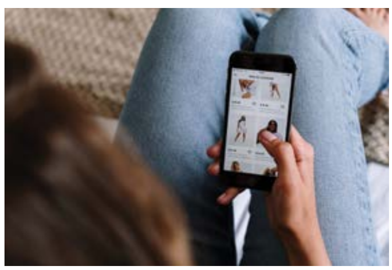
24
Creating the future
As vaccination programmes roll-out globally and border bubbles inflate, organisations are turning their minds to optimising recovery in an uncertain world. But tucked amidst the challenges and business opportunities ahead is the rare chance to tangibly change the future.

30
Pivot with purpose
Businesses should not profit from creating problems, says Professor Colin Mayer of Oxford University.

24
Creating the future

30
Pivot with purpose

32
World of consumer revival



34
How COVID-19 changed Kiwi shopping

32
World of consumer revival
Previous major economic crises such as the Great Depression and the 1973-74 oil-price shock left their marks on consumer behaviour. As the greatest economic disruption of this generation, the COVID-19 pandemic also will have a lasting impact – one that may be more varied and divergent than ever before.

34
How COVID-19 changed Kiwi shopping
Understanding consumer behaviour will help business recovery in many industries.

PEOPLE

36
3.2-billion-dollar man
Few of us can describe our work as the bridge over the valley of death, but Dr John Caradus MInstD, CEO of Grasslanz Technology, does just that.

40
A natural leader
Sir Eion Edgar on his storied life in local, national and international governance.

44
Taste of creativity
Sarah Meikle MInstD, CEO of Wellington Culinary Events Trust and Festival Director of Visa Wellington on a Plate, lives and breathes all things culinary.

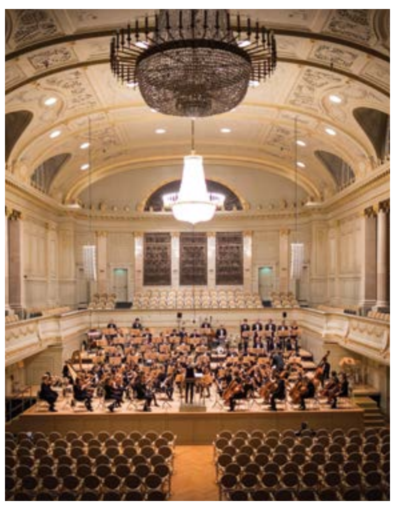
49
Work:Space
What does Jackie Lloyd's desk say about her working style?

50
The right way to worry
After a year in which COVID-19 has suspended normal economic life around the world, humanity has acquired a new appreciation for risk. But simply acknowledging potential threats is merely the beginning of the process; the real challenge comes in deciding which problems warrant our attention, and in what order.

56
Have you counted your slaves? | KPMG
New Zealand households spend more than $30 per week on products implicated in modern slavery. Directors should not wait for legislation to compel them to audit their supply chains.

44
Taste of creativity

50
The right way to worry



60
We need to talk about chairs

OPINION

58
Governance for the now
Governance technology that provides insight into ESG strategies and outcomes is essential to boards that want to manage the risks and opportunities changing regulator and societal expectations.

60
We need to talk about chairs
A new video resource is available to help NFP chairs improve the performance of their boards.

62
Your board and your assets | MARSH
The Directors and Officers Insurance market is facing a crunch moment, and directors' personal assets could be put at risk.

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New thinking on old ideas

The pandemic has made new thinking possible.

Urbanites have been arguing for years that fewer cars, and more liveable cities, should be a local government priority. But with limited success.

However, the forced absence of cars from our roads gave people a taste of how life could be without as much noise, so many exhaust fumes and with the ability to walk on formerly dangerous roads.

Today, cities around the world are trying to find ways to lock in those unexpected boons, even as economies open up and life returns to something like normal.

For business, the opportunity to think differently and realise new opportunities is there, too. Maybe, just maybe, there is an old idea, once dismissed, that could deliver real benefits today. An idea whose time has come.

It's worth a thought. That's what building back better means.

16th October 1973: Supporters of the environmental group Friends of The Earth staging a protest outside the Exhibition Hall at Earls Court, London, on the press preview day of the motor show. (Photo by Central Press/Getty Images)


CARS =
CARS? WHAT A CHOKE!
TETRA-LETHAL LEAD KILLS!

AUTHOR:
ZILLA EFRAT,
FREELANCE
JOURNALIST

Photo courtesy
of **Fonterra**

The climate change challenge

Seaweed, "Kowbucha" and alternative energy sources are all in the mix as New Zealand's large agricultural firms seek to reduce greenhouse gas emissions.

to agriculture

The Climate Change Commission's plan to make New Zealand carbon neutral by 2050 has certainly been shaking up discussions in the boardrooms of agricultural companies.

"New Zealand is still an agricultural economy to a large extent and if we are going to contribute to the global effort to limit global warming, agriculture will have to be included in our mitigation effort," says Climate Change Commissioner Dr Harry Clark.

"The bad news is that our agricultural activities are those that give rise to methane, a gas that has a very high impact on the climate. The good news is that to get within the climate goals of the Paris Agreement, carbon dioxide emissions must get to net zero. That doesn't actually apply to methane.

"Methane is a different gas in the atmosphere. It's short-lived. It has quite an impact while it's up there but it doesn't stay up there that long. So, methane emissions do not necessarily have to go to zero.

"Within the New Zealand legislation, we have a long-lived gas target which has to go to zero. But we have different targets for methane, although these still involve quite stringent reductions: a minimum 10% by 2030 and getting somewhere between 24 and 47% by 2050."

CARBON CHALLENGE

Clark notes that the agriculture sector also produces carbon dioxide from many of its activities.

"We have emphasised that emissions have to be reduced in every sector and every activity. That includes transport, electricity generation and industrial processing. A number of these will affect the agricultural sector," he says.

"Methane is a different gas in the atmosphere. It's short-lived. It has quite an impact while it's up there but it doesn't stay up there that long. So, methane emissions do not necessarily have to go to zero."

"But we really believe that efficiency gains will allow reductions in methane of up to around 19% by 2035. Those efficiency gains include the impact of other policies, such as those around fresh water and biodiversity, and land lost to trees.

"If you take that all together, the Commission feels the sector can be on track to meet the targets set without the use of new technologies. It will be a challenge and the sector will find the challenge hard, but we are confident there are approaches that can get us there."

The Commission has used technology in its modelling, but this is very much about efficiency rather than new technology.

"It has favourable impacts on the bottom line and means that mitigation can come at no cost or even, in some instances, a better bottom line," says Clark.

"It would be naïve to say there won't be cost pressures, but the technologies exist so that some of these transitions will, in at least our first three budgets, not impact the bottom line of companies that strongly.

"The costs of some of the new technologies coming along are also reducing dramatically. For example, as we move more to renewable electricity, the cost of electricity is forecast to come down."

Clark says there's a danger that if emissions are not reduced, New Zealand's image of supplying highly ethically and environmentally produced goods will start to diminish.

"So, in many ways there isn't a choice around what we have to do. To maintain the integrity and reputation we have, it's in New Zealand's interests to really embrace the concept of low emissions products. Yes, it may be difficult or a bit painful, but it's probably a journey that has to be taken."

DAIRY PERSPECTIVE

"We already have the lowest carbon footprint among major milk producers around the world," says Peter McBride CFInstD, chair of Fonterra, the largest company in a dairy industry that generates around 20% of New Zealand exports.

"But we can, and are committed to, do more, such as our goal to be off coal by 2037. Our path towards reducing our emissions is broadly in line with the Commission's recommendations, with a couple of caveats.

"In order to be successful in our transition off coal, we need confidence that we will be able to operate our existing gas assets during that period and have a workable regulatory framework that allows us to transition our national asset network off coal in an autonomous and efficient manner."

Fonterra's aim is to move its coal boilers and air heaters to renewable fuel alternatives such as biomass. McBride says figures around the decarbonisation of Fonterra's national asset network are commercially sensitive.

"The exact figure is likely to change over time as we undertake detailed engineering and design work on the options for the manufacturing sites to decarbonise, as well as on future technology that may become available and adopted."

He adds that the on-farm impact will be primarily determined by the ability of farmers to adjust their systems and practices. That will be different for every farm.

"Further on-farm improvements will largely need to come from continued research and development (R&D), working with government and industry."

Fonterra has already taken several steps to prepare itself for changes.

In 2019, it launched The Cooperative Difference programme to add more value to New Zealand milk and better respond to customer demands.

In June 2021, it introduced the Co-operative Difference payment. Up to 10c of each farm's milk payment (per kg milk solid) will be determined by the farm's sustainability credentials and milk quality.

It is also investing in R&D to find on-farm methane mitigation solutions, including a seaweed trial, the Kowbucha™ probiotic feed project and a partnership with Dutch science-based company DSM to limit methane production from cows.

"No-one can solve these issues alone. We believe that by partnering with others and government organisations we can collectively make significant progress for the good of all New Zealand," says McBride.

"The solutions to some of these issues will require innovation. We think those innovations are most likely to be realised by a long-term plan for R&D that is developed in partnership between industries and government."

But McBride adds: "Increasing customer and consumer motivation linked to climate change means it's important to every organisation that exports food and nutrition that New Zealand

> "The costs of some of the new technologies coming along are also reducing dramatically. For example, as we move more to renewable electricity, the cost of electricity is forecast to come down."


SARA
HORIK
133

continues to be at the forefront of sustainable food production.

"We believe that part of the premium New Zealand products, like dairy, can achieve is based on the sustainable and ethical production practices that sit behind those products and brands."

MEAT MATTERS

Rob Hewett CFInstD, a sixth-generation farmer, chair of Farmlands, and director of Silver Fern Farms agrees.

"New Zealand offers a top-end product with a good reputation, but if we are not mindful of our consumers' requirements, and these are changing quite fast, then we will be left behind and marginalised," he says.

As a director of a meat business, he says it is clear the industry needs to reduce emissions.

"It tends to be around CO2 as opposed to biogenic emissions and typically around coal and getting that out of the supply chain. But it's wider than that. It's about alternative energy and plastic reduction. It's also about more efficient use of water and residual water quality and regularisation of heat."

In collaboration with its farmer-supplier partners, Hewett says the meat business is exploring the opportunity to create a zero-carbon product.

"We are also trying to establish an internal carbon market between our suppliers of livestock who have farmland to grow trees where we can offset our emissions."

Hewett notes that the biogenic methane emissions reductions mandated for farmers are significant.

"We have until 2030 to start this process. We do have to make some adjustments but the big changes are after that. I am confident that some solutions will become available in the next few years."

Photo courtesy of **Silver Fern Farms**

"Currently there are no tools available and farmers can't offset emissions. You have to reduce them. The only lever we have is to reduce our headcount. The average farmer will have to reduce livestock by roughly 15%. If you do that, you have probably gone from profitable to sub-profitable.

"We have until 2030 to start this process. We do have to make some adjustments but the big changes are after that. I am confident that some solutions will become available in the next few years."

As an example, Hewett points to asparagopsis, a species of seaweed which reduces methane emissions in livestock. "But it might be carcinogenic so there's going to be some testing required."

He expects there will be better animal and farm breeding through genomics. He'd also like to see a mature discussion around gene editing technology at a national level.

According to Hewett, carbon farming – shifting portions of land from cows to forestry - is a real alternative for farmers.

"But there are implications for rural communities. Forestry doesn't employ many people. We are mindful of that. Our meat company employs 7,000 people mostly in rural areas where there's not much alternative employment."

Looking ahead, Hewett says: "There's no question that it's going to be challenging. If we approach this with a production mindset, we are going to be kicked in the backside. This is a clear case of having to do more with less to, at the very least, maintain your position." **BQ**

Five(ish) questions boards should ask on climate action

These questions will help align financial decisions with sustainability and climate goals.

AUTHORS:
BRIDGET COATES CMINSTD AND **ROSS PENNINGTON**, SUSTAINABLE FINANCE FORUM 2.0 CO-CHAIRS

Banks, investors and consumers globally are driving changes in capital flows so that climate change and broader sustainability concerns (across environmental, social and economic factors) are more fully integrated into financial decisions.

Boards have a vital role in ensuring that every governance decision takes these emerging opportunities and risks fully into account.

We believe there are five key questions for every board to consider.

1 At the strategic level, are we appropriately balancing immediate financial issues with long-term value creation?

Commonly referred to as the "tragedy of the horizon", we typically tend to focus too heavily on short-term financial impacts, potentially to the detriment of the longer-term health of our organisations.

To properly discharge the board's role as guardian/kaitiaki of our investment and to meet the expectations of our long-term investors, our strategies and asset allocation decisions must increasingly align with multi-period environmental and societal goals. Are we adequately assessing the multi-generational impacts and dependencies of our organisation on our society and on the environment?

2 Are we fully evaluating the multi-factor risks – physical, regulatory, reputational and legal – which arise from our environmental, social and governance (ESG) exposures? How are these sets of risks being integrated into the organisation's overall risk management framework?

In 2019, Chapman Tripp published a legal opinion on directors' duties to raise material climate-related risk at the board table. The opinion noted that directors must assess and manage climate risk as they would any other financial risk and included practical advice covering key issues for directors, baselines for identification and management of climate risk, and minimum questions that boards should consider.

Questions for directors to ask in assessing multi-factor risks include: Have we properly evaluated the inherent climate and ESG risks throughout our supply chain and considered management/mitigation strategies accordingly; What are the current and future financial implications of emissions pricing on our organisation; How will ESG and climate change issues impact our access to capital and insurance now and in the future; What are the financial implications of physical climate change impacts, including more frequent or more intense severe weather events, on our organisation; Do we have appropriate metrics and targets that the board monitors and reviews?

In addition to climate exposures, pressure is increasing globally as banks, consumers and investors set more demanding standards for management of our natural and social capitals overall and exert leverage on companies to meet these new higher standards.

3 What mindset change is necessary to meet our objectives? What are our stakeholder expectations, internal and external? Are we carefully evaluating how we will communicate and disclose our sustainability journey to our multiple stakeholders?

Leadership and endorsement of climate and ESG objectives by the chair and board, CEO and senior leadership team is critical in making priorities and timeframes transparent, and in driving organisational change. Embedding climate and ESG metrics within organisations (such as occurs with the issuance of green bonds and the publication of sustainability reports, objectives and targets) will change expectations and mindsets, both within and without the company, and make organisational priorities abundantly clear.

Once priorities and timeframes are clear, internal teams, customers and suppliers can be engaged to help meet climate and ESG goals.

On the regulatory front, the need for directors to identify and assess material climate and ESG-related risks and then to disclose such risks is becoming more urgent, most recently due to the introduction of the Financial Sector (Climate-related Disclosure and Other Matters) Amendment Bill.

Outside the regulatory frameworks, many important stakeholders, such as our customers and our employees, have a vital interest in, firstly, understanding the progress of our companies towards meeting long-term climate and ESG goals and, then, in rewarding and supporting those companies who set pro-active, bold and achievable aspirations for the future.

4 Does our organisation have the knowledge and skillsets on the board and within our management teams to meet emerging ESG and climate-related risks and opportunities?

We have found numerous organisations having to respond rapidly to the lack of capability in this area by recruiting experienced practitioners and consultants, and by seeking access to specialised education and capability programmes. Organisations also need to ensure that performance management and remuneration structures incentivise and promote their long-term sustainability objectives.

5 Finally, many organisations have identified significant growth opportunities arising from current and pending ESG changes. How is our organisation responding?

Have we crafted our strategy in light of this new reality, ready to seize opportunities as these changes take place? Are we investigating or utilising innovation and technology-related ESG and climate solutions? Are we scanning the global environment for innovative ideas and approaches that we might adapt? Are we fully leveraging our emerging market opportunities at the expense of our less responsive competitors?

ESG factors present immediate material financial risks, and opportunities, that directors are accountable for.

A more detailed understanding of these risks and opportunities at board level will help inform company strategy and culture, and impact company stakeholder management, risk assessment and reporting.

This will ultimately result in directors making more-informed capital allocation decisions, thereby helping ensure achievement of the company's sustainability objectives over time. BQ

SUGGESTED READING

Sustainable Finance Forum Roadmap for Action

Sustainable Finance Forum Legal Opinion 2019

Climate Risk in New Zealand in 2020 – a tool kit for directors (Chapman Tripp)

The Gathering Storm – and how to prepare (MinterEllisonRuddWatts)

ABOUT THE SUSTAINABLE FINANCE FORUM 2.0

An initiative of The Aotearoa Circle, which brings together leaders from the public and private sectors to investigate the state of our natural resources, and to commit to priority actions that will halt and reverse the decline.

Small investors look to big issues

AUTHOR:
AARON WATSON, *BOARDROOM* EDITOR

The New Zealand Shareholders' Association plans to add climate action to its company assessments in response to increasing interest among retail investors.

Climate change is one of the key issues on the minds of retail investors, says Oliver Mander MInstD, chief executive of the New Zealand Shareholders' Association (NZSA).

"It is the number one or number two issue for retail investors, based on informal survey work we did last year," Mander says.

"And the most intriguing thing about that was that the concern was cross-generational. People sometimes see it as a millennial movement but we are seeing a desire for climate responsibility, and more broadly environmental responsibility, from all types of retail investors regardless of age, gender or portfolio."

For the NZSA, this means a shift in its focus when assessing companies and managing proxy votes on behalf of its members. Mander notes that climate change – and other environmental and social concerns – have not been a major NZSA focus in the past.

"We have talked a bit about ethical outcomes and focused heavily on governance so, certainly, environmental and social policies are something we need to create in response to this demand. In the same way that we assess companies against governance, financial, audit and ethical factors, we need to add environmental and social factors to our policy suite."

This expansion of interests has been signalled to listed issuers, many of whom are developing more transparent reporting mechanisms for climate impact in response to that same investor demand - and the prospect of new reporting obligations.

At the top end of town, approximately 200 of New Zealand's large issuers, banks, insurers and investment companies will be required to disclose the impacts of climate change on their business from 2023, a world first for compulsory climate reporting.

Mander says it is part of a trend evident overseas towards more, and more varied, information being required of listed corporates.

"Globally, attitudes have changed. We are seeing sustainable investment become a key part of investors' portfolios."

WHAT DOES THE NEW ZEALAND SHAREHOLDERS' ASSOCIATION SAY ABOUT COMPANIES?

The NZSA undertakes research on company activities and provides advice based on this. It can also, through proxy voting, vote on behalf of its members at certain shareholder meetings.

Prior to a shareholder meeting, the organisation may make a recommendation on issues as varied as director tenure, remuneration or diversity. Topical issues are also addressed, with the organisation having been publicly critical of companies that accepted the COVID-19 wage subsidy and subsequently paid high dividends to investors.

Mander says the expanding scope of the issues the NZSA is being asked to address is a reflection that shareholder activism is becoming a normal part of retail investor behaviour.

TRANSPARENCY IS KEY

The NZSA is also mindful of ensuring companies know what it will be looking for in terms of information. This may provide directors with ideas on the type of disclosures they may wish to mandate for their organisations.

Climate action is a subset of investor concerns, which are part of the discussion of how businesses are related to the societies they operate in. Climate has been described as the "thin end of the wedge" for a range of environmental and social issues, he says.

This provides a challenge to boards in terms of both how they shape their policies and then reflect those policies to their investors while also giving some assurance to themselves that they are delivering on the policies they are creating. That's very much a governance and operational challenge for companies.

The demand for more information is vying with climate action as the main issue on the minds of Kiwi retail investors, he says.

"If climate change was number one or number two, getting better information was the other leading concern."

That suggests that companies may need to develop their investor engagement strategies to ensure that the market is comfortable with the level of information available. The annual shareholder meeting may become a place to summarise information that has been released more regularly as part of an investor engagement strategy, he adds.

"Arguably that is what the continuous disclosure regime already does if you are a listed issuer."

Mander says, in many cases, the interests of retail and larger shareholders are aligned. But retail investors will always look out for information asymmetry. Boards should ensure they are not providing more information to institutional shareholders than retail investors.

"Having an exclusive analysts' call is a good example. We think those calls are important and should be open to all comers so that everyone has the same resources to make investment decisions." BQ

Climate action and regulation

What does the Climate Change Commission's advice signal for boards?

AUTHOR:
RACHEL DEVINE, PARTNER, MINTERELLISON-RUDDWATTS

Photo by: **Ralph Hutter** on Unsplash

The first report of the Climate Change Commission, *Ināia tonu nei: a low emissions future for Aotearoa*, signals that directors need to start thinking about regulatory changes that will affect the organisations they govern.

The Commission is a Crown entity tasked with providing independent, expert advice to the government on mitigating and adapting to the effects of climate change.

Its first advice proposes emissions budgets out to 2035, along with suggested emissions reduction pathways to achieve these as well as New Zealand's 2050 emission targets.

It includes broad policy recommendations to encourage behavioural change across sectors and ways to reduce biogenic methane emissions to meet domestic and international obligations. The government also sought advice on New Zealand's approach to delivering on its international emissions reduction commitments.

In addition to its advisory role, the Commission is responsible for monitoring and reporting on the government's progress towards achieving its emissions budgets and the 2050 target. It proudly declares that its job is to hold the government to account on climate action.

CALL FOR FAST CHANGE

The advice presents some clear messages, particularly the need for transformational and lasting change across society and the economy.

The Commission is clear that current policies will not meet the recommended emissions budgets, New Zealand's 2050 targets or our international commitments. Its analysis shows that elected officials need to make changes to legislation and structures to make it easier for people and industry to make low-emissions choices. Moving too slowly will push the burden of addressing climate change onto young people and future generations.

MinterEllison RuddWatts

The Commission estimates the overall costs of transition are small relative to the size of the whole economy: in 2050, 1.2% of projected annual GDP. However, it warns that these costs will not be evenly felt, and action is needed to ensure the costs of the climate transition are not inequitable. New Zealand's current tool to price emissions in the market, the Emissions Trading Scheme needs to change so that it is fit for purpose and sends a strong price signal.

Priority areas for action include transitioning to electric vehicles, increasing total renewable energy, improving farm practices, reducing heat generation using fossil fuels and planting more native trees.

Directors need to consider the practical implications of the Commission's advice for their organisations – how might it change the regulatory environment in which their organisation operates, impact planning and budgeting for the future and provide opportunities for growth?

DECARBONISING TRANSPORTATION IS A FOCUS

The Commission places a lot of weight on New Zealand decarbonising almost the entire country's land transport over time. The Commission suggests that the importation of internal-combustion-engine light vehicles should stop by 2032; slightly slower timeframes are suggested for medium and heavy trucks.

Directors need to consider how possible government interventions to achieve the Commission's recommendations might impact vehicle fleets. There may be unexpected regulation, incentives (like subsidies, tax benefits) and campaigns to change behaviour. Businesses that previously owned vehicle fleets may consider leasing to assist with the transition. Demand for electric vehicles may increase, but the supply of them may not.

This tension between aspiration and reality may show up as challenges in procuring low emission transport. There is likely to be opportunity in low-carbon fuel development, import of low-carbon fuels and EV technology, including hydrogen fuel cells.

Directors will need to identify the extent to which their organisations need to use older, less-efficient building stock that relies on natural gas for heating, hot water and cooking as these devalue over the next decade and require upgrading to meet regulatory and market expectations.

CONSTRUCTION AND MANUFACTURING

Renewable electricity will be key to meeting New Zealand's emission reduction targets. Directors should expect more wind, solar and geothermal infrastructure development opportunities to be explored; with market settings being impacted by government decisions around damming Lake Onslow and closure of Tiwai Point. Battery storage and distributed electricity generation will also be increasingly of interest.

The construction sector will be broadly affected by the Commission's recommendations as it is influenced by other sector changes, eg buildings, transport, forestry, waste and manufacturing. Directors will need to identify the extent to which their organisations need to use older, less-efficient building stock that relies on natural gas for heating, hot water and cooking as these devalue over the next decade and require upgrading to meet regulatory and market expectations. The Commission's path assumes a 30% improvement in commercial and public buildings is possible by 2035 compared to today's performance.

Coal and gas heating systems will be eliminated in the future – the Commission recommends no new gas heating systems are installed after 2025. By 2030, coal use should be eliminated and gas should start being phased out in existing buildings. Organisations that are designing and constructing buildings or are involved in manufacturing will be focused on who is paying for change, and the support available to remove embodied emissions and emissions associated with process heat. They will also be taking opportunities to save costs as the cost of energy increases.

A focus on the supply chain will continue when directors seek to make changes to reduce costs associated with emissions. Some supply chains could make accounting for emissions or responsibility for making emission reductions complicated or expensive.

The Ministry of Business, Innovation and Employment has started working on a framework to reduce embodied carbon emissions and increase the operational efficiency of buildings. Demand for sustainably contracted, low-carbon and efficient buildings will increase over time and the value of old, less-efficient building stock will decrease.

FORESTRY IS NOT THE ANSWER

It is no surprise that forestry will play an important role in meeting the country's emissions budgets and targets. Permanent forests could provide an enduring carbon sink to help offset residual long-lived emissions over the long term.

The Commission's path for gross emissions requires 25,000 hectares of new native forests per year by 2030. However, the Commission is wary of further reliance on forestry as a carbon sink as it could divert action away from reducing gross emissions in other sectors and make maintaining net zero emissions after 2050 challenging.

Now is the time to consider an organisation's reliance on timber and the forestry sector. If the government accepts the Commission's recommendations, increased investment in native forestry and forestry infrastructure (eg nurseries, labour force, pest control) is likely. Opportunities may arise if the government seeks to incentivise planting and increases planting on Crown land.

RMA CHANGES

The pressure on local government and other government agencies to consider climate change and other environmental, social, economic and cultural aspects is increasing. While a new environmental system replacing the Resource Management Act (RMA) and a new focus on climate risks and adaptation/mitigation is some time away, some changes to the resource management system will take effect from the end of this year.

On 31 December 2021 past prohibitions on considering the direct and indirect effects of greenhouse gas emissions and climate change in decision-making will be removed from the RMA. The ramifications of that change are significant for those seeking resource consents or a plan change where climate change could be raised as an adverse effect, including by opponents.

Local government will have to grapple with a significant change to decision making and the type of information sought and considered from applicants. The government has released a discussion document on national direction and guidance to local government on how to manage the change, but currently more questions are being raised than answers given.

DECISIONS ARE LIKELY BETWEEN JUNE AND OCTOBER

Minister for Climate Change James Shaw will be attending COP26 in Glasgow in November this year to present New Zealand's progress towards the goals of the Paris Agreement. Decisions on the Commission's draft advice are likely to be made before then, even though they are not required until 31 December.

The government is expected to take the Commission's recommendations seriously. It has set emissions reduction targets at a national and international level, established the Commission and it is now facing significant pressure to implement change. The Commission will call the government out if it fails to act or take enough action. **BQ**

QUESTIONS FOR DIRECTORS

Is your organisation tracking the regulatory changes that are being made (and expected to be made) as a result of the Climate Change Commission's advice?

Have you considered the regulatory changes and other government action that your sector may face as a result of the Climate Change Commission's advice, and how this may affect your business?

Has your organisation identified the risks and opportunities arising from the Climate Change Commission's advice?

Have you considered how your supply chain and your customers will be affected by the Climate Change Commission's advice or how the advice may affect your dealings with them?

Have you assessed which operations or processes will need to be stopped, adapted or transitioned to a low-emissions economy?

Have you considered how your business plans and budgets may need to change to factor in the changes arising from the Climate Change Commission's advice?

Have you considered how the Climate Change Commission's advice and the regulatory and other risks associated with climate change may need to be managed by way of insurance cover?

Mandatory climate disclosures

AUTHOR:
JANE PETERSON,
SENIOR GOVERNANCE ADVISER, INSTITUTE OF DIRECTORS

Directors should not go to jail over climate disclosures and will need expert assistance to meet the goals of New Zealand's world-first mandatory climate reporting regime.

In a world first, the government has introduced the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill, which mandates climate-related disclosures by certain financial market conduct (FMC) reporting entities. The specific purposes of the Bill are to:

- ensure that the effects of climate change are routinely considered in business, investment, lending, and insurance underwriting decisions
- help reporting entities better demonstrate responsibility and foresight in their consideration of climate issues
- lead to smarter, more efficient allocation of capital, and help smooth the transition to a more sustainable, low-emissions economy.

IoD VIEW

We made a submission (which can be viewed at **iod.org.nz**) and presented to the Economic Development, Science and Innovation committee arguing for a realistic approach to climate action governance.

Our position is that climate-related disclosures are necessary, and that the Task Force on Climate-related Financial Disclosures (TCFD) framework, plus any new standards developed by the External Reporting Board (XRB), are a good reporting starting point.

However, the resourcing constraints on smaller entities needs to be considered and an exemption for them may be appropriate.

Photo by:
Markus Spiske
on Unsplash

More broadly, allowing a longer period for implementing the reporting regime, including phasing in assurance requirements, would provide time for the development of both reporting and assurance professional capability, experience and expertise – which would help organisations get it right.

In addition, we suggest the government reassess the level of penalties and defer the introduction of penalties while the new regime beds in. Instead, a focus on education and continuous improvement as reporting evolves and matures would be appropriate.

We strongly opposed the Bill's inclusion of imprisonment for directors of an entity that fails to comply with the climate standards on the basis that individual criminal liability and the penalty of imprisonment are not appropriate in the circumstances and are inconsistent with the purposes of the Bill.

OVERVIEW OF THE BILL

The Bill introduces mandatory climate-related disclosure requirements (on a "comply or explain" basis) for entities (defined in the Bill as "climate reporting entities"). These include:

- all equity and debt issuers listed on the NZX
- all registered banks, credit unions and building societies with total assets of more than $1b
- all managers of registered investment schemes with greater than $1b in total assets under management
- all licensed insurers with greater than $1b in total assets under management or annual premium income greater than $250m.

The Bill requires climate reporting entities to:

- prepare climate statements in accordance with climate standards currently being developed by the XRB (to be completed within four months after the balance date of the entity and signed by two directors)
- obtain an assurance engagement from a qualified climate-related disclosure assurance practitioner in relation to those statements (but only to the extent those statements are required to disclose greenhouse gas emissions)
- lodge the statements with the Registrar of Financial Service Providers
- keep proper climate-related disclosure records, for at least seven years
- provide access (eg cross reference) in the annual report to where the climate statements and assurance practitioner's report can be found.

> "An exception is allowed for climate reporting entities that have reasonably determined they are not materially affected by climate change, although they need to obtain independent assurance of their determination from a qualified assurance practitioner."

An exception is allowed for climate reporting entities that have reasonably determined they are not materially affected by climate change, although they need to obtain independent assurance of their determination from a qualified assurance practitioner.

The disclosures are to be aligned with the TCFD framework and in accordance with the standards currently being developed by the XRB. The XRB can also issue guidance on a wider range of ESG and other non-financial matters that can be applied on a voluntary basis.

The XRB has indicated that it is expecting to publish its climate standards by the end of 2022, which means the first disclosures may be required in 2023. Consultation on the draft standard is expected to occur from July-September 2022.

There are a number of enforcement provisions for failure to comply with the Bill, including:

- infringement fines of up to $50,000 for any entity which fails to keep proper records, fails to have the records available for inspection, or fails to lodge statements with the Registrar
- proposed civil pecuniary penalties of up to $5m where an entity (or $1m for individuals) fails to keep relevant records, fails to prepare or lodge climate statements at all, or fails to satisfy the relevant assurance requirements
- significant penalties for directors including up to five years in prison and/or a fine of up to $500,000 for every director who knowingly fails to comply with the climate standards (and up to $2.5m for every entity). BQ

Creating the future

AUTHOR:
SONIA SPEEDY, FREELANCE JOURNALIST

Photo by: **Hannah Peters** /Getty Images

As vaccination programmes roll-out globally and border bubbles inflate, organisations are turning their minds to optimising recovery in an uncertain world. But tucked amidst the challenges and business opportunities ahead is the rare chance to tangibly change the future.

A year ago, there was a general feeling the coronavirus pandemic was a one-off event we would all move on from, says Sir Brian Roche KNZM MInstD, chair of the government's recently formed COVID-19 Independent Continuous Review, Improvement and Advice Group.

"The events in India are a timely reminder that even though, as a country, we may be on top of the issue, the globe isn't," he says.

India has suffered a severe second wave of the virus and the global situation has implications as New Zealand organisations work to manage business recovery here.

Roche, an experienced director, leader and businessman, is currently also chair of the New Zealand Transport Agency.

While the vaccination rollouts and border bubbles provide light at the end of the tunnel, the level of uncertainty that remains, along with the sheer scale of the pandemic on a global scale are two key factors boards need to bear in mind, he says. Directors need to continue to be alert, flexible and plan on uncertainty, as we work to forge a new normal.

CURRENT CHALLENGES

Rachel Taulelei MInstD is familiar with the challenges facing directors and organisations. The former Trade Commissioner to the US is chair of the APEC Business Advisory Council, among several other governance roles. She is also chief executive of Kono, a Māori-owned food and drinks company, currently exporting to more than 40 countries.

Supply chain issues, market protectionism, market closures and geopolitical challenges related to our size are all issues set to impact in the year ahead, she says.

"While we are still open as an economy, others aren't and economies do jump in and out of being open quite quickly," Taulelei says.

Non-tariff barriers are being used as levers for protectionism as countries double down on supporting their own economies, she says.

"The rules in and around access change quite quickly and you just have to adjust your practices accordingly."

Diversification is key, particularly for those in the export game, she says.

"You need to make sure that you can mitigate your risk through diversifying your market, and also your channels to market."

"While we are still open as an economy, others aren't and economies do jump in and out of being open quite quickly"

From an internal standpoint, Taulelei says ongoing resilience of staff is another important challenge in the year ahead.

"As a business last year, we kept on working and providing food and beverages and we handled the disruption phenomenally well. But the more time you spend like that, the more challenging it becomes for people. So physical and mental health is one of the challenges we're also managing."

STRATEGIES FOR MOVING FORWARD

As we went to print, Roche's COVID-19 advisory group was preparing its first report to COVID-19 Response Minister Chris Hipkins.

The group's focus is not to be a systems "policeman", Roche says, but to take local and international learnings and use them to help improve the effectiveness of the country's response system, removing pain points where it can.

He says the group has a bias towards simplicity within the COVID-19 response system as part of its continuous improvement. There have been criticisms of undue complexity.

"At this point we don't see any radical change in the (response system) foundations of really good MIQ for those that need it, really good surveillance, very good testing, contact tracing - all of those foundations are critical. It's just having those informed by the best current practice and making sure they're effective."

More consultation with business is planned for the coming weeks.

DO IT NOW

For Roche, one of the keys to good governance for the next 12 months, is good scenario planning.

Photo by:
Douglas Bagg on Unsplash

> “When we think about new directors, they might not resemble everyone else at the table. If the world has changed, how might we?”

“There is scenario one, where everybody gets vaccinated and the virus goes away,” he says.

“Or there is another scenario that says actually coronavirus will be with us for an extended period of time – let’s say years. So, how do you prepare for that scenario?” he says.

Taulelei took a leaf out of a colleague’s book and created “survive and thrive” teams at Kono, which swung into action in the early days of the pandemic. These teams have proven so beneficial they are now being rolled out to meet other challenges, such as responding to change in the world’s greenshell mussel market.

“One team is very committed to how we get through the next three-to-six months and survive in business. Another team focuses on what 12 to 36 months’ time might look like.”

Meanwhile, Kono’s company communications have gone “through the roof” in its efforts to manage the pandemic challenges. The shared pandemic experience has strengthened relationships within the Kono team itself, as well as with clients, Taulelei says.

“We communicated with our team and with our customers before, but we now communicate infinitely more, and with a different kind of voice. There is more concentration around people’s inclusion in the workplace and on the wellness of those within it as part of building people’s resilience.

“With our customers, it’s about making sure we know what they’re experiencing so we can be the best customer, or supplier, or partner that we can be.”

Roche and Taulelei agree the vaccination rollout here will make business easier.

“That gives us a level of security from the health perspective. It’s not a guarantee, but it is a level of security. As the rest of the world gets vaccinated the issue of greater freedoms and greater freedom of movement will become more real. That’s something we should be prepared for and embrace,” Roche says.

The reopening of borders and the creation of border bubbles excites Taulelei, both for the ability for people to travel again, and for the improved flow of essential goods and services between countries.

But Kono is proceeding with caution, with work travel assessed on a case-by-case basis. Taulelei believes more thought needs to be given to what will make travel feel appropriate again – not just from a medical standpoint, but from a personal perspective, too.

RISKS, OPPORTUNITIES AND BEHAVIOURAL SHIFTS

The big opportunity both Roche and Taulelei point to is the chance to help reshape the future for both business and society.

While COVID-19 has many negatives, there are some positive aspects, Roche says.

“One is the ability to work from home, to engage remotely – all those sorts of things. So, directors need to be thinking about – what is the definition of normal in this new world? All of those things have been challenged and will be redefined over the coming years.”

Taulelei says home working has not only become more possible, but also permissible. However, she believes there will be some pull-back as desire builds for the tangible and intangible benefits of more face-to-face contact again. She is encouraged by the growing interest in ecommerce, too.

For Taulelei, the new normal is all about what we choose to put back in. How we deliberately choose to move forward.

She is encouraged by the growing concern for the environment and greater emphasis on people’s health and wellbeing. She is also hopeful people will assume an openness to new ideas and new ways of considering what will really “move the dial” at the board table – or more specifically, who is considered capable of governance roles.

> “We are now regarded so highly as a safe, secure country, and a safe producer of food and beverages - I think there is an immense opportunity to capitalise on that.”

“We need to think a little more broadly about what will make a company resilient, interesting and attractive for the new normal. It can’t resemble the pre-COVID situation because everything has changed.

“When we think about new directors, they might not resemble everyone else at the table. If the world has changed, how might we?”

Furthermore, there is the “incredible amount” of social license New Zealand has built up globally to leverage, Taulelei says.

“We are now regarded so highly as a safe, secure country, and a safe producer of food and beverages - I think there is an immense opportunity to capitalise on that.”

But there are risks to navigate. For Taulelei this includes losing some of the efficiency and “seamless interoperability gains” between economies and products that have been forged during the pandemic. Or failing to address the issues of the small-to-medium enterprises and indigenous economies hardest hit by the impacts of COVID-19.

“I hope that we are collectively tuning our mind to how to avoid that in the event of another catastrophic crisis in the future.”

Roche believes directors have an important and legitimate role to play in redefining the future.

“The pandemic has brought people to think about locality and community, work life balance and all of those things… Directors need to provide the leadership and be actively involved in defining how we want business and the economy to work in the future, because there’s a strong suggestion that it won’t be the same as it was.” BQ

Pivot with purpose

Businesses should not profit from creating problems, says Professor Colin Mayer of Oxford University.

AUTHOR:
AARON WATSON,
BOARDROOM EDITOR

"Business is going through one of its most profound changes in history," says Colin Mayer CBE, Peter Moores Professor of Management Studies at the University of Oxford's Saïd Business School.

"The ideas of Nobel Prize-winning economist Milton Freidman have been the basis of business practice, policy and education for the past 60 years. This is changing."

Speaking at the IoD Leadership Conference in May, Mayer noted the annual "letters" of BlackRock chief executive Larry Fink, which have argued companies need to manage their impact on society, and the 2019 statement of purpose by the US Business Roundtable, which expanded the definition of stakeholders in a business beyond its shareholders, as signs that this change is well underway.

"Underpinning all of this is a changing notion of what the purpose of business is. The purpose of a business is the reason it exists. Business is there to solve problems that communities around the world face and the mutual world faces," Mayer says.

"Business is a source of economic prosperity. But it is also a source of social problems, inequality, social exclusion, environmental degradation and mistrust. The particular problem that a business faces is to provide the public and the planet with profitable solutions. Business should not benefit from creating problems."

Photo by:
Matthias Groeneveld
from Pexels

PURPOSE IS NOT "WOOLLY"

Mayer, who is a Fellow of the European Corporate Governance Institute, is a leading voice in creating a new definition of business purpose that includes more than simply profit. Not that he says companies shouldn't make a profit – that is a core part of purpose, he says – but profit should be part of a broader goal.

In his view, "purpose" is a strategic tool that can increase profit, not a "woolly" marketing statement or a substitute for a commitment to corporate social responsibility.

"It is not a woolly concept. It should be clear about what problems a business is there to solve, how, where it wants to arrive and why it is suited to solving it."

PROBLEM SOLVING FOR PROFIT

As the world slowly edges closer towards carbon-neutral business operations in response to the threat of climate change, fossil fuel businesses have become an example of how a statement of purpose can help a company develop sustainable business strategies, he says.

"The oil industry is moving away from being the oil industry. It is now the energy industry - helping to solve the world's energy problems in profitable and socially viable ways."

Another example is drug company Nova Nordisk, which reimagined its purpose from producing insulin to treating diabetes, then further to preventing diabetes. In seeking new ways to prevent and treat the disease, the manufacturer found itself building new global relationships with organisations and governments that shared this goal.

"It ultimately became more profitable from the trust and connection this purpose helped it build around the world with hospitals and governments."

ROLE OF THE BOARD

"It is important that the board takes ownership of the purpose and works with the executive to embed it in the business," Mayer says.

That means aligning culture and values with a purpose, measuring and reporting against the purpose (not just financial outcomes) and ensuring all parts of the business have the resources necessary to deliver against the purpose.

"The impact of the pandemic around the world has only served to accelerate the importance of having a corporate purpose. The virus destroyed a great deal of economic value. Many companies found they simply did not have the markets they were used to."

In the COVID-19 age, purpose can become the basis of a strategic pivot, he says

"What COVID-19 brought out very clearly was the dependency of business on governments. This developing concept of purpose solves the conflict between government and business that has meant public-private partnerships were not always successful. It reduces the competition between the public goals and the Friedmanesque pursuit of profit."

By encouraging boards to reconsider the core drivers of business activity, by providing inspiration to staff and future leaders, by helping define sustainable business models and build trust in corporations, and by meeting the increasing demands of investors for better corporate citizenship, a purpose can help businesses prepare for the future, he says.

"Purpose can be one of a company's greatest assets." BQ

"It is not a woolly concept. It should be clear about what problems a business is there to solve, how, where it wants to arrive and why it is suited to solving it."

FEATURE

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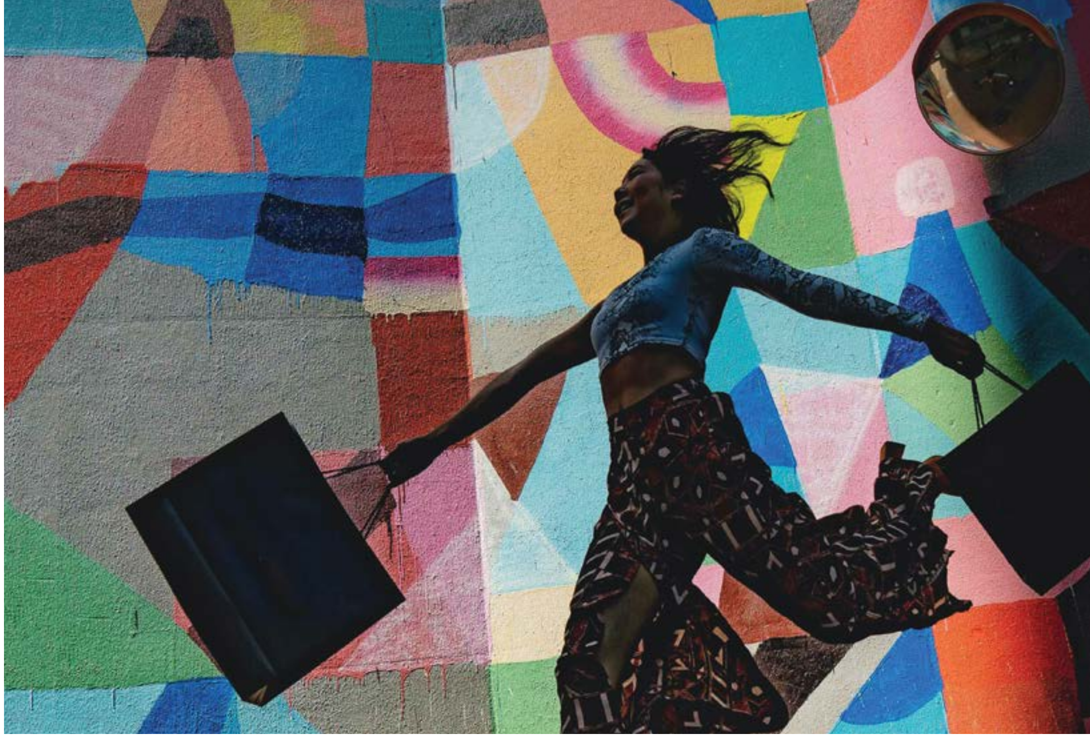
Photo by:
Harry Cunningham
on Unsplash



World of consumer revival

Previous major economic crises such as the Great Depression and the 1973-74 oil-price shock left their marks on consumer behaviour. As the greatest economic disruption of this generation, the COVID-19 pandemic also will have a lasting impact – one that may be more varied and divergent than ever before.

One of the most striking features of COVID-19 is its uneven effect. Many people remain healthy, while others have become seriously or even fatally ill.

The pandemic's economic impact has been similarly unequal, with some households being spared any financial hardship and others struggling or even wiped out.

US President Joe Biden's administration has embarked on a bold and long-overdue departure from the economic policy orthodoxy that has prevailed in the US and much of the West since the 1980s. But those who are seeking a new economic paradigm should be careful what they wish for.

Those differences matter as we look forward to the post-pandemic economic recovery. Although consumer spending accounts for about two-thirds of economic activity, it is a mosaic, not a monolith.

BUYERS GONNA BUY

At the McKinsey Global Institute, we recently analysed consumer demand and behaviour during the pandemic in China, France, Germany, the United Kingdom, and the United States. We placed consumers into age and income cohorts to determine the strength and shape of the spending recovery. We then examined which pandemic-induced behavioural shifts may persist after the crisis ends.

Overall, we found that the exceptional nature of the COVID-19 economic shock provides reasons for optimism that consumer spending will rebound rapidly once the pandemic is over. Unlike many previous recessions, this one involves no consumer debt overhang, collapsing asset-price bubbles, or long-term business-cycle fluctuations.

The sudden and deep drop in consumption across China, the US, and Western Europe, ranging from 11-26% in the early months of the pandemic, resulted mainly from cutbacks to in-person services, especially travel, entertainment and restaurants. These sectors had previously been growing steadily, and consumer surveys indicate a likely strong pickup in demand after the pandemic.

The spike of 10-20 percentage points in the savings rate in the US and Western Europe in 2020 (amounting to a doubling of annual savings in the US) has left many households in a strong position to spend.

As soon as China contained the coronavirus, consumers started spending again, returning to pre-pandemic activities like dining out, going to movies and concerts, and flying domestically to visit family and friends.

But our analysis of different age and income segments shows that the recovery is likely to be imbalanced, especially in the US.

Whereas many higher-income households will emerge from the crisis largely unscathed financially, lower-income households have lost jobs or face income uncertainty. Moreover, many service sector jobs have changed as firms have automated their operations and moved online, potentially slowing the employment recovery. Once stimulus measures expire, therefore, consumption could become more polarised between income segments.

Given this, we expect spending by middle- and high-income cohorts in the US to bounce back to pre-pandemic levels in 2021-22, while spending by low-income groups could drop below pre-pandemic levels once stimulus measures end.

In Europe, we expect a slower but more balanced recovery, with less pronounced inequality than in the US although there, too, without additional government stimulus, low-income cohorts will probably recover more slowly than high-income households.

NEW SPENDING HABITS

But what consumers spend on matters, too. And the pandemic has interrupted, accelerated, or reversed many longstanding consumer spending habits.

These shifts include an acceleration of e-grocery shopping, sharply lower spending on live entertainment, "home nesting" (higher spending on items such as home gyms, backyards and gardens, and gaming equipment), a decrease in leisure air travel, a switch to remote learning, and an increase in virtual health-care visits.

"As soon as China contained the coronavirus, consumers started spending again, returning to pre-pandemic activities like dining out, going to movies and concerts, and flying domestically to visit family and friends."

To determine whether these pandemic-induced behaviour changes are likely to stick, we examined six consumption shifts across a broad range of sectors that cover almost three-quarters of consumer spending.

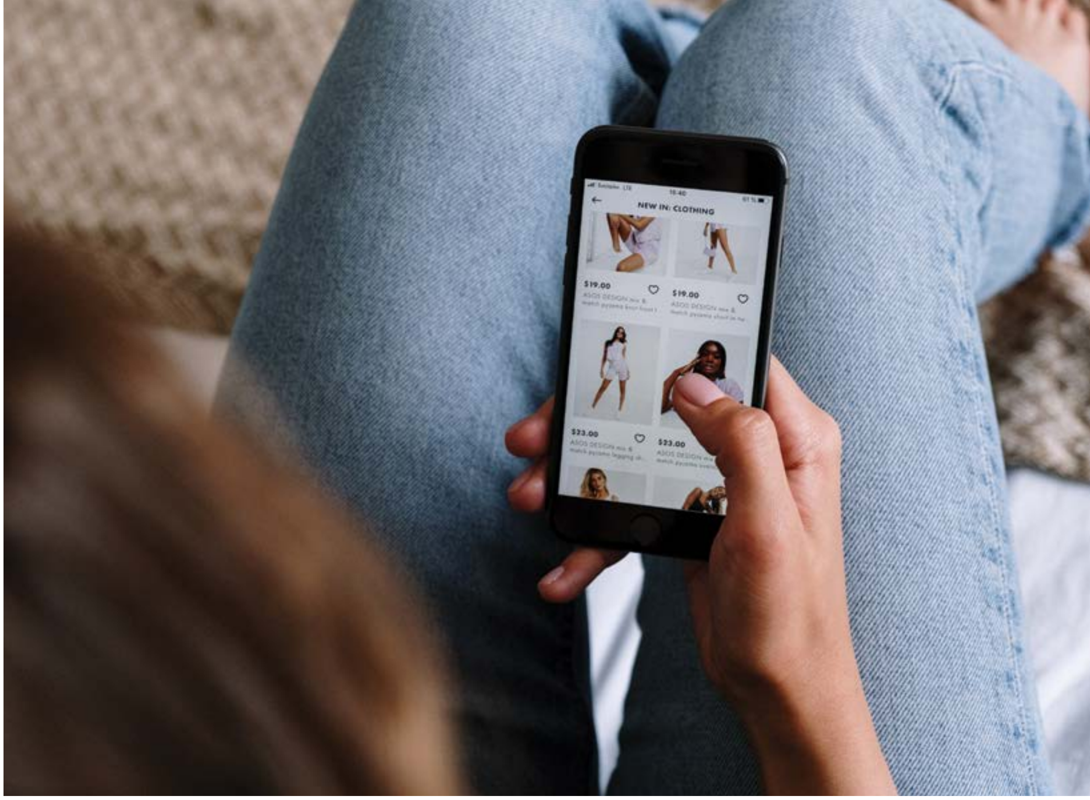
Two consistent patterns stood out. First, the COVID-19 pandemic accelerated digital adoption, especially in grocery shopping and healthcare, and we expect this to continue.

Second, the pandemic and associated lockdowns, by encouraging home nesting, reversed the longstanding decline in money and time spent at home. We anticipate that this behaviour will persist as well because some people in high-income households will continue to work more from home after the pandemic, while low-income households will retain low-cost, at-home digital entertainment.

At the same time, many other behaviours that the pandemic interrupted – including leisure air travel and in-person education and dining – will likely resume with the recovery, although potentially in modified form.

While consumer demand is a prerequisite for behavioural changes, the speed and depth at which these changes become embedded within a population depend on the actions of governments and industries. For example, product and service innovations shape consumers' choices, and government regulations nudge their behaviour. What companies and policymakers do will shape post-pandemic consumer behaviour at least as much as consumers themselves.

Each major economic crisis in the past left its mark on consumer behaviour. The Great Depression created a generation of careful savers. The 1973-74 oil-price shock kick-started a move toward energy efficiency and reduced environmental impact. As the greatest economic disruption of this generation, the COVID-19 pandemic also will have a lasting impact on consumer behaviour – but one that may be more varied and divergent than ever before. BQ



How COVID-19 changed Kiwi shopping

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Photo by:
cottonbro from Pexels

Understanding local consumer behaviour will help business recovery in many industries.

After a crisis, it is natural for our values and behaviours to change.

However, many of these changes are short-term and history suggests that people will return to their old behaviours. It is often, therefore, pertinent to focus on what is constant, as opposed to what is changing.

Jeff Bezos advocated this line of thinking, when he said: “I very frequently get the question: ‘‘What’s going to change in the next 10 years?’ And that is a very interesting question. It’s a very common one. I almost never get the question: ‘What’s not going to change in the next

10 years?' And I submit to you that that second question is actually the more important of the two - because you can build a business strategy around the things that are stable in time."

Two of the key changing behaviours Kantar (a global data, insights and consulting company) has observed among consumers since the onset of COVID-19 relate to revenge shopping and online shopping.

Revenge shopping is unlikely to be an ongoing significant experience for businesses – particularly in New Zealand – but directors will need to be across how to support their business's e-commerce capabilities to take advantage of continued rapid growth in online shopping.

POCKETS OF REVENGE SHOPPING

The term "revenge shopping" gained widespread usage throughout 2020 as consumers spent big to make up for lost time during COVID-19 lockdowns.

While more prevalent in countries like China in the early days of the pandemic, and more recently in the UK – which has seen stricter stay-at-home orders, quarantines and business restrictions – Kiwis changed their shopping habits, too.

When the country was in level 4 lockdown in April last year, the height of the pandemic, Kantar asked 500 New Zealanders how their approach to shopping had changed (compared to before the pandemic). Most (42%) said they were spending less or scaling back. This sentiment tallies with a report from Statistics New Zealand (Stats NZ) that said the impact of the first lockdown saw each New Zealander spending about $520 less, on average, in April 2020 than they did in March 2020.

Fast forward a year to April 2021. Kantar's latest survey revealed that just 32% of Kiwis were buying less or scaling back, and over half of consumers are now shopping just like before.

WHAT KIWIS SHOPPERS SAY

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR APPROACH TO SHOPPING, COMPARED TO PRE-COVID-19?

I am buying less – only essential items and brands

25% April '20

14% April '21

DURING THE COVID-19 PANDEMIC, WHAT ISSUES OR PARTS OF YOUR LIFE ARE YOU THINKING ABOUT THE MOST?

The impact of COVID-19 on the NZ economy

64% April '20

47% April '21

Job security for myself and my family

40% April '20

31% April '21

SURGE TO DIGITAL

Shopping more frequently at online websites

14% April '20

23% April '21

Overall shopping spend is higher at online websites

15% April '20

29% April '21

Consumer spending will inevitably increase after a lockdown – a recent Stats NZ report revealed there was a lift in retail card spending in March following a fall in the lockdown-disrupted February this year. However, New Zealand's short lockdowns are unlikely to generate the same high spending patterns witnessed in the UK, where shoppers have been unleashing their pent-up demand for consumer goods.

The key reason we are seeing shopping habits return to normal here is that Kiwis have fewer concerns about the impact of the pandemic on the economy, job security and the risk of a global recession.

Online shopping, both in terms of frequency and spend, has increased significantly between last April and now. When asked, 19% of Kiwis also said they have purchased more groceries online since the pandemic started. This rises to 30% for general goods (ie clothes, toys, etc.).

Online shopping growth is set to continue over the next 10 years, but it will not completely replace offline shopping any time soon.

People like shopping in person. In addition to wanting to explore new shopping centres opened since the pandemic started – such as Commercial Bay and Ormiston Town Centre – Kiwis also want to support local businesses; many of which are small, and often have no online presence.

Business leaders agree with consumers that online shopping will grow. In Kantar's Global Business Compass, a survey of nearly 4,500 business leaders across the world, a clear majority (95%) believe that online spending will continue to accelerate. However, only 55% plan to increase their ecommerce capabilities.

Businesses – including small firms keen to engage with local consumers – that invest in their ecommerce capabilities are naturally best placed to benefit from the rise in online shopping. BQ

3.2-billion-dollar man

Few of us can describe our work as the bridge over the valley of death, but Dr John Caradus MInstD, CEO of Grasslanz Technology, does just that.

The highly respected scientist and his Grasslanz team bridge the gap between plant and microbial-based research innovations and commercial companies by, firstly, directing investment into research and, secondly, ensuring the innovations are commercially delivered as technologies that can be used by Kiwi farmers.

Caradus was recently awarded the Royal Society Te Aparangi (RSNZ) Thomson Medal for his pastoral research leadership, which includes developing, patenting and commercialising a novel ryegrass fungi, which protects ryegrass from insect pests while maintaining the health of grazing animals.

The large gains in farming productivity this offers is projected to contribute $3.2b dollars to the New Zealand economy over 20 years.

GREEN SHOOTS, LITERALLY

Grasslanz Technology, a wholly owned subsidiary of AgResearch, operates on a unique business model with a shoestring staff of just 14 people. It's a success story among the country's Crown-owned entities. The royalties it receives from the successful commercialisations of its innovations, both in New Zealand and offshore, have enabled it to invest and grow.

"We use the royalties to leverage other commercial contract R&D and we have been on a growth trajectory for the past 15 years or so, of around 7% per annum. It's plateaued a little bit now, and we are waiting for the next big thing, which will just take us to the next level."

Caradus says it surprises him the model isn't used by other organisations, both public and private.

"The beauty of it is that I don't need to employ other scientists to keep funding them," he says. "This model allows us to pick and choose who we fund based on the need."

"AgResearch has put a lot of faith in Grasslanz Technology to make good decisions about how we invest and our driver is to invest in projects which we believe will deliver technologies that will continue to generate value to New Zealand - and back to us as well."

AUTHOR:
ALEXANDRA JOHNSON, FREELANCE JOURNALIST

PRIMARY CONCERNS

Following the success of the ryegrass fungi, John says the next big thing can be hard to predict.

"We've invested in some really exciting technologies that we thought were going to be world beaters, and for whatever reason, whether it was bad timing, regulatory constraints, or poor commercialisation by the company we've licensed to, it's just gone nowhere."

He has spent his whole career working to improve the value of pasture for New Zealand farmers. Caradus led the white clover breeding team at AgResearch, where he was involved in developing 16 white clover cultivars, and prior to taking the helm at Grasslanz, he was CEO at Dexcel (now DairyNZ).

But looking ahead, he says environmental concerns and controls are going to impact heavily on the primary sector in terms of the way it undertakes business.

"We can see that now with the current tree planting programmes and with the nitrogen cap from June this year, so there are some drivers that are focussing the mind in terms of what we can do to develop technologies that will help farmers going forward."

> "We use the royalties to leverage other commercial contract R&D and we have been on a growth trajectory for the past 15 years or so, of around 7% per annum."

AND OPPORTUNITIES

Biopesticides are the focus for the future and Grasslanz has some in the pipeline.

"This is an opportunity for New Zealand to move away from synthetic chemistry in terms of pesticides and fungicides. It is a challenging area, and not one you will automatically succeed in as you are dealing with a live organism which has to be protected through its manufacture, and then in its delivery to the paddock and plant.

"We tend to try and link with a New Zealand commercial partner, ideally, we want New Zealand to be the territory where our products are used. But in terms of the fermentation of microbes, there is not a large industry based here, there are very few companies capable of manufacturing large amounts."

John firmly believes New Zealand's farmers are the best in the world, partly due to their readiness to adopt new technologies.

"We work with companies in mostly

temperate places – New Zealand, Australia, the USA, Europe, South America – but I have to say our farmers are the ones that are prepared to look at the opportunities and use them on their farms. They are always looking at ways to make their businesses more efficient and effective.

"This is because we have no subsidies in New Zealand for farming, and farmers need to run their farms as profitable businesses. Their European counterparts for example, receive so much subsidisation they can just about live off their subsidies. It's a bit of a generalisation, but that's my overview."

New Zealand's efficient agricultural production system shows our farmers are world class, he says.

"We are the only OECD country whose economy is based on the primary sector. We are absolutely unique in that respect."

John says that despite increasing changes to consumer priorities, from food mile concerns to plant-based meats, there is still going to be a huge global demand for meat, and that New Zealand needs to fill the niche, top-of-the-line markets.

"In Asia for example, peoples' wealth is increasing over time, and they want animal protein. We only create enough food in New Zealand to feed about 40 or 50 million people [per annum]. We just have to feed the wealthy 50 million that can afford it."

"We don't want to be in commodity markets, which we unfortunately still are in some areas. We need to be looking at improved added value, both on-farm and off-farm. We can do it on-farm by having more sustainable practices, and we can do it off-farm by actually adding value to that produce before it is shipped off to overseas markets."

SCIENTIFIC GOVERNANCE

Caradus has served on many boards throughout his career. Most have governed scientific organisations including AgResearch USA Ltd, the Foundation for Arable Research (FAR), Grassland Innovation Ltd and the Royal Society of NZ.

> "This is an opportunity for New Zealand to move away from synthetic chemistry in terms of pesticides and fungicides. It is a challenging area, and not one you will automatically succeed in as you are dealing with a live organism..."

"A lot of the boards I've been on have been part of my job rather than me specifically seeking them out."

But he currently also sits on not-for-profit boards including The House of Science Central Waikato Trust, which encourages young New Zealanders in primary and intermediate schools to develop an interest in science.

Although the principles of governance and those of research don't necessarily match, Caradus says scientists can offer a unique viewpoint at the board table.

"Scientists set hypotheses and set about to prove or disprove them and that's not often the way people do business.

"But there's a lot of discussion about diversity, gender and ethnicity for example, and scientists do have a different way of looking at the world. They are quite analytical, generally. They have deep knowledge in particular areas but they also have broad knowledge across a whole range of areas, and they know how to apply processes across a range of areas as well."

He says that while scientists can be quite myopic, and would have to be prepared to give away some of that specific interest for a broader perspective, it's a mindset boards shouldn't hesitate to bring in.

But how can more scientists be attracted into governance?

"Governance needs to be explained to scientists in terms of the value they can deliver. I think most scientists wouldn't bother applying for governance positions because they don't think they have a chance.

"Scientists with some training in governance will bring a different view to a board and offer different ideas that wouldn't otherwise be considered." BQ

A natural leader

Sir Eion Edgar on his storied life in local, national and international governance.

Sir Eion Edgar DFInstD's first meeting as a director of the NZ Stock Exchange was 20 October, 1987. Black Tuesday.

It was the start of a global crash that destroyed 60% of the Exchange's value over the next four months. He took it in his stride.

"The stock exchange role was fascinating," says Sir Eion wryly.

"We realised that, obviously, four or five of our members were insolvent and probably more. But we restructured and put the Exchange back on its feet – without government help."

For Sir Eion, it was a chance to put into practice the governance lessons he had learned as a Forsyth Barr director. Forsyth Barr is a growth success story in New Zealand. He began working there in his university holidays, became a partner in 1973, then joined the board when it incorporated in 1978 and has had a lifelong association with the financial services company - including 20 years as chair.

The lessons he learned there have stood him in good stead across many governance roles, he says.

LEADER IN GOVERNANCE

"When I started at Forsyth Barr, there were 10 of us. Now there are 450 in 23 offices. Being involved at the coalface there gave me great satisfaction."

The most valuable lesson learned, he says, was: "Surround yourself with people more able than yourself."

It's, perhaps, an overly modest statement.

In a varied governance career Sir Eion has achieved more than most and served as a director of the Reserve Bank, chancellor of the University of Otago, president of the New Zealand Football Association, president of the New Zealand Olympic Committee (now honorary president for life), chair of the aforementioned Stock Exchange and a founding trustee of the Arts Foundation of New Zealand. Plus many more commercial and charitable roles.

In April 2021, he was made a Distinguished Fellow of the Institute of Directors, the highest honour the organisation can bestow. If there was ever a natural leader, he is it.

"It really started in my school days," he muses.

"I was always organising things. I was made a prefect. Then at university I got involved in student politics and was chairman of the Commerce Students Association. I liked being involved in leadership and liked getting on and doing things - and I found the best way to get on and do things was to start it yourself. Other people were happy for you to show the leadership."

If you are interested in governance, don't be afraid to put your hands up, he says, but be prepared to "start at the bottom".

"I started with the local kindergarten committee and then the school committee."

The great thing about those types of committees, particularly if they ask you to chair, is that you have to learn to work with people, he says.

AUTHOR:
AARON WATSON,
BOARDROOM EDITOR

> "When I started at Forsyth Barr, there were 10 of us. Now there are 450 in 23 offices. Being involved at the coalface there gave me great satisfaction."

"You have to find a way through, to respect people's views and all recognise that you have to find a solution. That's one of the important things in governance, recognising that people have different views. But the most important thing for a board – or a school committee – is to come to a decision.

"Don't throw your toys out if it's not what you wanted – at least you contributed to the ideas."

BIG LEAGUE PLAYER

Sitting between superpowers China and the USA at Olympic discussions is a far cry from a Dunedin kindergarten board meeting. But Sir Eion talks about his time chairing the New Zealand Olympic Committee in the same breath.

"I was always asked by the Chinese if I would talk to the US, or the US would ask if I would talk to the Chinese. As in many areas on the international stage, New Zealand was seen as a friend to everyone. We were able to act as a sort of catalyst to ensure nations established better relations. So both of them wanted you to sit at the top table with them - well above our status for a country of our size.

"That was a fantastic role because it not only covered all the sports but had a wider mandate through Olympism and the educational aspect of it."

Sport has been a big part of Sir Eion's governance career. Alongside working in some of New Zealand's most popular codes – football, rugby and tennis among them – he has played sport most of his life, with basketball, cricket and tennis among his favourites. His passion for community sport, too, is evidenced by Dunedin's indoor sports Edgar Centre, to which he and his wife's Charitable Trust donated $1,000,000.

"I have always been a sports fanatic. Not that good at it, but always competitive."

GIVING BACK

As a patron and philanthropist, Sir Eion has offered his governance expertise alongside donations to the benefit of his community. He has given time as readily to the Queenstown Trails Trust, a non-profit that develops public walks and cycle trails, as to more high-profile roles such as the Otago University Council, which he chaired as chancellor.

"My involvement with the university came about because, when I came back to Dunedin, I saw that it was by far the biggest industry, the most important thing for the city."

While admitting to bias, having graduated from Otago University and spent 23 years on the council, he says it is an example of what a tertiary institution should aspire to be in New Zealand.

"It is outstanding. It's New Zealand's oldest, finest university."

Photo:
Sir Eion (front, fourth from left) at the Dunedin Stock Exchange in the 1980s.

This willingness to give back to his community and his ability to guide organisations to success have been recognised in many awards over the years.

Sir Eion was made Companion of the New Zealand Order of Merit in 1996, a Distinguished Companion in 2003, and then knighted on the restoration of titles in 2009 as a Knight Companion of the New Zealand Order of Merit. He was NBR New Zealander of the year in 2004 and has been inducted into the New Zealand Business Hall of Fame.

Becoming a Distinguished Fellow of the Institute of Directors, he joins a small roster of leaders including Dame Alison Paterson, The Right Honourable Jim Bolger, Dame Margaret Bazley and Sir Tipene O'Regan.

"I am extremely honoured to be made a Distinguished Fellow, when I look at some of the other people who are there, a lot of who I know and have great respect for," he says.

WHAT MAKES FOR GOOD GOVERNANCE?

Firstly, he says, the most important relationship is between the chair and the chief executive.

"That is absolutely vital. When I look back at things that have gone well, in each case there was a strong relationship between the chair and the chief executive. You have to get that right. If it isn't working then one needs to go."

Secondly, he says, effective boards give a voice to all directors and find solutions even when they have disagreements.

"As a director, recognise that you do not have all the ideas and encourage others to voice their views. You don't get the best out of people unless you give them that opportunity. As a chair you may have people on a board with strong views and you have to say to them, 'you are not the only one. There are other views and you may learn from them'.

> "I was always asked by the Chinese if I would talk to the US, or the US would ask if I would talk to the Chinese. As in many areas on the international stage, New Zealand was seen as a friend to everyone."

Strong views shouldn't make a chair's job harder because the best solutions tend to come from shared knowledge.

"In most cases, that should involve diversity because you get a range of thinking. That diversity of thought helps. But the important thing is to make sound decisions and you want the best people around the table in order to do that."

Remembering who you work for is also important. Directors must recognise they act for all shareholders, he says.

"I had a situation with Mr Chips where I was chair and majority shareholder. But when we sold it everyone received the same price. That was a key thing. My view is that you act in the best interest of all shareholders.

"With Mr Chips we had shareholders who were potato growers. It was in their interests to have the potato price high, while that might not be in the interest of other shareholders. You have to try to balance that."

Governance, he says, is all about getting the best result for the people you are acting for. In a lot of cases that is a really wide brief, eg sports organisations or the Olympic Committee. You won't get every decision right, so strive to go through a thorough process before you reach a decision.

If boards can do that, they will help New Zealand emerge from the impacts of the pandemic "in great shape", he says.

Asked where he sees the country in two year's time, Sir Eion's optimism shines through.

"We will be starting to pay down our debt. Our agricultural exports will continue to grow. Our local economy will be stronger. As long as we can resolve the delays with getting COVID-19 jabs then I think we are in a good position.

"At the end of the day we are lucky to live in a wonderful country and I can't see why we wouldn't be in better shape than most places." BQ


Is your board
at its best?
Great boards don't just happen they are created.
Bringing the skills, input and experiences of each director together in the right way isn't always easy. Get help from someone you can trust and build a strong future for your organisation.
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Taste of creativity

Sarah Meikle MInstD, CEO of Wellington Culinary Events Trust and Festival Director of Visa Wellington on a Plate, lives and breathes all things culinary.

AUTHOR:
ALEXANDRA JOHNSON,
FREELANCE JOURNALIST

Sarah Meikle says it was inevitable she would work in the food industry. Not only did her father establish a range of iconic eateries in the capital, from Dockside to One Red Dog, her mother went into labour with her in a restaurant.

"I grew up behind the scenes, knew lots of people in the industry and did lots of holiday jobs in Wellington restaurants," she says.

After studying tourism at Massey University, Meikle went on to travel the world as the manager of emerging markets for Tourism New Zealand.

"I've always had a strong love of food and interest in different cultures. I was first in charge of South America but, as the focuses of different governments changed, interest increased in different emerging markets and my job expanded to include India, South Africa and the Middle East, none of which are close together. But the food cultures of those countries are so strong".

> "Fixing" August, which meant increasing visitor numbers at a slow time of year, was the most challenging as "Wellington at that stage suffered from quite significant tourism seasonality"

Following several years in London as Tourism New Zealand's marketing manager for UK and Europe, Sarah returned to New Zealand and became general manager marketing at Positively Wellington Tourism.

"They gave me three problems to help solve. One was the then dwindling popularity of the Sevens rugby tournament, so we gave that to Hamilton," she jokes.

"Another was to refresh the Wellington tourism website, and the third was to fix August."


$1-49c
Kg

"Fixing" August, which meant increasing visitor numbers at a slow time of year, was the most challenging as "Wellington at that stage suffered from quite significant tourism seasonality".

"We have a much bigger domestic tourism market than most regions and other places, such as Queenstown, have stronger winter offerings. Wellington didn't have that same attraction. We were tainted by the weather brush."

"It was at that point I started thinking about a food festival. Up to that point there were day-long wine and food events in New Zealand but no multi-day food festivals such as I had attended overseas."

She and Anna Nielson from Grow Wellington put their heads together to see what could be done.

"My angle was very consumer-focused, but I knew we really needed the producing end of it as well. Anna was responsible for the food and beverage producer relationships for the region and we decided we could make it work, especially with the backing of both organisations."

In 2009, and after just six weeks planning, the first Wellington on a Plate (WOAP) festival was kicked off with 30 restaurants and 15 events.

Now, she says, it takes the whole year to orchestrate. The 2021 festival, coming up in August, has the highest ever levels of registration.

"We have over 300 restaurants and well over 500 food businesses participating in the festival. It is by far the largest culinary celebration in Australia and New Zealand."

Last year, there were an estimated 130,000 people participating in the festival, of which 30% came from out of town. The estimated increase in spend in the hospitality sector during August 2020 was $30 million.

"We have over 300 restaurants and well over 500 food businesses participating in the festival. It is by far the largest culinary celebration in Australia and New Zealand."

PANDEMIC PIVOT

For a lesson in agility, one need not look much further than how the Wellington Culinary Events Trust and Visa WOAP created At Yours, a one-stop directory of Wellington food and beverage businesses offering takeaway and contactless delivery during lockdown level 3 and level 2.

Meikle says she and her colleagues felt a huge responsibility to help restaurants get back on their feet after level 4 lockdown.

"There were scary projections at the time, it was suggested that 50% of restaurants would close, so we forgot about the festival for a minute. The whole culture of Wellington is as a dining-out city. Losing half our restaurant stock would be devastating, let alone the job losses."

"At the time, no one had certainty around their jobs or if the festival was even going to go ahead," she says. "But we had an amazing team which turned At Yours around in five days. We had a community we were connected into, a website with a significant audience, and we were already working on mapping technology which we could repurpose."

Registration was free and anyone across the food and beverage value chain could sign up, from restaurants to cupcake cooks and vegetable producers.

"And the people were ready for it, ordering in food was the first thing people wanted to do. You didn't need a new pair of shoes but by god you were sick of cooking."

They had more traffic to the website in the first week than across the entire festival period. "It goes to show that once you've got a well-coordinated system and an audience, how you can, although I hate the word, pivot."

Excluding a few events, such as this year's Art Deco Festival in Napier, which was unfortunately cancelled due to a later Auckland lockdown, the festival sector in general has been incredibly resilient to COVID-19 disruptions.

"And that's because festivals have to be very flexible and agile - most are run on incredibly small budgets by highly creative people. We are resilient by nature. It's more than a livelihood for these people, it's a passion."

She says that while most festivals managed to survive, "we all live holding our breath."

DIFFERENT PERSPECTIVES

In addition to her festival and foody roles, Meikle holds board positions at Palliser Estate Ltd and Yachting New Zealand and appreciates the different perspective being in governance offers.

"A CEO is working in the business, but when you are on the board you are much more strategically focussed. I do believe it makes me a better CEO and encourages me to think about issues the way a board does, such as the long-term view."

Conversely, she brings different skills and experiences to the board table. "I'm not a lawyer, I'm not an accountant and I never will be, but I find that is one of the biggest challenges in advancing my governance career.

"Businesses are risk averse, they want creativity but they often aren't willing to take the plunge and bring creative people onto their boards. I enjoy bringing in a different way of thinking and approach, a consumer approach a lot of the time, because that's my background."

"Our food products overseas should be revered. And post-COVID-19, food provenance is going to be high on people's agendas: organics, quality and sustainability."

She says New Zealand's food brand has traditionally been product led, and known internationally for foods such as fresh salmon, mussels, cheese and Sauvignon Blanc, "we have been for a long time the shopping basket of the world".

"I'm prepared to argue that our national dish is not roast lamb, our national dish is about the food grown here, the world's best products from the most incredible land, produced by the most amazing growers. That is our story.

"Our food products overseas should be revered. And post-COVID-19, food provenance is going to be high on people's agendas: organics, quality and sustainability."

So how do we include that in our international messaging?

"Well, we have to say, if you think it tastes amazing when you eat it at home, imagine what it tastes like when you eat it in New Zealand, because everything tastes better at the source."

If Meikle has her way there will be plenty of world-class festivals and food events for our international visitors to enjoy.

"My phone has run hot in the past six months, I've been working with five or six regions which are writing food and beverage tourism strategies. They are looking at Wellington and how we have transformed a period of the year that was historically very quiet."

But won't that increase competition for the capital?

"No, not at all! All boats float on a rising tide." BQ

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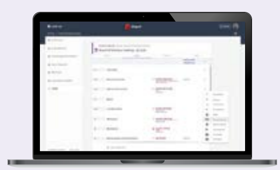

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Work:Space

What does your desk say about your working style?

Jackie Lloyd CMInstD has a spotty pumpkin on her desk. From 2019. It helps her focus.

"It represents creativity and very happy memories of travelling," Lloyd says.

"This is a Yayoi Kusama pumpkin [a recurrent motif of the world famous 'dotty lady']. The original installation is on the island of Nayoshima, which I visited for the Setouchi Triennial art exhibition. Which happened to coincide with the Rugby World Cup in Japan."

Like the pumpkin, the desk on which it sits is a tidy size with clean lines. – "small and perfectly formed".

"I like it to be uncluttered," Lloyd says, while noting that there is a pile of filing waiting to be dealt with.

Her home office, where she has predominantly worked over 10-plus years as a professional director, was remodelled four years ago from a "dark, dingy mahogany-panelled study" to a the light and bright room she has today. That renovation proved a boon during lockdown.

"I was incredibly pleased that I had made that decision, glad to no longer 'hover' in the family room. During lockdown it was a complete blessing as my two adult daughters were working from home.

"The frequency of meetings ramped up and to have this space that could be shut off from the rest of the house, a space where I could spend a lot of time, was an absolute blessing."

Having a room where you can be "present" and concentrate without distractions is incredibly valuable, she says. As is a comfortable chair.

So what makes a good chair? Depends what you are talking about, she laughs.

The right way to worry

AUTHOR:
DARON ACEMOGLU,
PROFESSOR OF
ECONOMICS AT MIT,
CO-AUTHOR OF
*WHY NATIONS FAIL:
THE ORIGINS OF
POWER PROSPERITY
AND POVERTY*

Photo by:
Piotr Makowski on Unsplash

After a year in which COVID-19 has suspended normal economic life around the world, humanity has acquired a new appreciation for risk. But simply acknowledging potential threats is merely the beginning of the process; the real challenge comes in deciding which problems warrant our attention, and in what order.

The reign of the dinosaurs was brought to an end 65 million years ago by an asteroid that crashed into what is now the town of Chicxulub in Mexico.

Although this lump of rock and metal was not particularly large – probably about 10 kilometres (six miles) across – it struck the Earth at more than 60,000 kilometres per hour (37,000 miles per hour), generating an explosion billions of times greater than that of the atomic bomb dropped on Hiroshima and killing all life within 1,000 kilometres.

More ominously, the explosion sent a massive cloud of dust and ash into the upper atmosphere, blocking the sun for years to come. This prevented photosynthesis and led to sharply reduced temperatures, which is why scientists reckon that it was this atmospheric dust and sulphate aerosols that ultimately killed the dinosaurs and many other species.

If a similar asteroid or comet were to crash into Earth today, it would cause another mass-extinction event, wiping out most species and human civilization as we know it. This distant possibility is an example of a natural existential risk: an event not caused by humans that leads to the extinction or near-extinction of our species.

But there are also anthropogenic – human-created – existential risks. As the University of Oxford philosopher Toby Ord argues in his thought-provoking new book *The Precipice: Existential Risk and the Future of Humanity* (Bloomsbury, London, 2020), it is these risks that should most concern us now and in the coming century.

RISK AND REWARD

Ord recognises that science and technology are humankind's most potent tools for solving problems and achieving prosperity.

The world-altering powers that technology has delivered into our heads now require a degree of consideration and foresight that has never before been asked of us.

But he reminds us that there are always dangers associated with such power, particularly when it is placed in the wrong hands or wielded without concern for long-term and unintended consequences.

More to the point, Ord argues that anthropogenic existential risk has reached an alarmingly high level because we have developed tools capable of destroying humanity without the accompanying wisdom needed to recognise the danger we are in.

He notes that the eminent twentieth-century astronomer Carl Sagan issued a similar warning in his 1994 book *Pale Blue Dot*, writing: "Many of the dangers we face indeed arise from science and technology – but, more fundamentally, because we have become powerful without becoming commensurately wise. The world-altering powers that technology has delivered into our heads now require a degree of consideration and foresight that has never before been asked of us."

For Ord, this gap between power and wisdom could decide humanity's future.

On one hand, we could disappear entirely or suffer a collapse that wipes out most of the hallmarks of civilization (from vaccines and antibiotics to art and writing). But, on the other hand, Ord sees in humankind the potential for long-term flourishing on a cosmic scale: with both wisdom and technological ingenuity, humans could well outlive this planet and launch new civilizations across space.

This far-reaching vision of flourishing weighs heavily in Ord's reckoning because he recognises that there may not be any other intelligent life forms in the universe. If we are indeed alone, a mass-extinction event that wiped out everyone on this planet would also eliminate all of the potential for intelligent, purposeful existence everywhere.

Based on this reasoning, Ord arrives at what mathematicians and economists would call a "lexicographic preference ordering". In a situation where we care about multiple criteria, a lexicographic order assigns overwhelming importance to one criterion in order to provide clarity when two options are being compared.

For example, in a lexicographic order between food and shelter, one would always prefer whichever option offers more food, regardless of how much more shelter the other option offers.

Ord's philosophical stance is equivalent to a lexicographic order because it implies that we should minimise existential risk, whatever the costs. A future in which existential risk has been minimised trumps any future in which it has not been minimised, regardless of any other considerations.

After establishing this basic hierarchy, Ord then proceeds with an expert overview of different types of anthropogenic existential risk, concluding that the greatest threat comes from an artificial superintelligence that has evolved beyond our control.

WHEN PROGRESS ISN'T PROGRESS

One can date science-driven existential risk at least to the controlled nuclear chain reactions that enabled atomic weapons.

Ord is probably right that our (social) wisdom has not increased since this fateful development, with its earlier culmination in the bombings of Hiroshima and Nagasaki. Though we have established some institutions, regulatory tools, norms and other internalisation mechanisms to ensure that we do not misuse science, nobody would argue that these are sufficient.

He recognises that there may not be any other intelligent life forms in the universe. If we are indeed alone, a mass-extinction event that wiped out everyone on this planet would also eliminate all of the potential for intelligent, purposeful existence everywhere.

Ord suggests that today's inadequate institutional framework may be a temporary phenomenon that could be addressed in due time, so long as we survive the next century or so.

"For we stand at a crucial moment in the history of our species," he writes. "Fuelled by technological progress, our power has grown so great that for the first time in humanity's long history we have the capacity to destroy ourselves..." And, in fact, in writing his book, Ord "aspires to start closing the gap between our wisdom and power, allowing humanity a clear view of what is at stake, so that we will make the choices necessary to safeguard our future".

However, I see no evidence that this is really feasible. Nor is there any sign that our society and leaders have shown any wisdom when it comes to reining in the destructive power of technology.

To be sure, one could argue in favour of Ord's optimism on the basis of what the German sociologist Norbert Elias famously called the "civilizing process".

According to Elias, the process of economic development and the emergence of state institutions for resolving conflicts and controlling violence since the Middle Ages have led to the adoption of manners and behaviours conducive to coexistence in mass societies. Elias's nuanced case for why people in advanced economies have become less violent and more tolerant was popularised recently by the Harvard University cognitive psychologist and linguist Steven Pinker in his bestselling book *The Better Angels of Our Nature: The Decline of Violence in History and Its Causes*. Both authors offer arguments for why we should continue to expect a strengthening of the norms and institutions needed to control the misuses of science and technology.

ARE WE TRULY CIVILIZED?

But even if such a civilizing process is acting on individual behavioural norms and social intercourse more broadly, it doesn't seem to have affected many political leaders or scientists and technologists.

The civilizing process should have been in full swing by the first half of the twentieth century; and yet the Nobel Prize-winning chemist Fritz Haber enthusiastically used his scientific knowledge to invent and then peddle chemical weapons to the German Army in World War I.

Nor was the impact of the civilizing process much in evidence in the thinking of the American leaders who ordered the attacks on Hiroshima and Nagasaki, or in the attitudes of other political leaders who eagerly embraced nuclear weapons after World War II.

Some may find hope in the fact that we haven't had a repeat of WWI or WWII over the past 75 years. But this sanguine view ignores many near misses, not least the Cuban Missile Crisis in 1962 (the episode with which Ord opens his book).

One can identify many more examples contradicting the idea that we are becoming more "civilized," let alone better at controlling anthropogenic risks or cultivating collective wisdom. If anything, controlling our bad behaviour and adapting to the constant changes wrought by scientific discovery and technological innovation will remain a constant struggle.

This raises problems for the rest of Ord's argument. Why should trying to eliminate future existential risks be given a superordinate priority – over

> **Ord estimates that there is a one in 10 chance that humanity will fall prey to an evil superintelligence (which he calls, euphemistically, "unaligned AI") in the next 100 years. By contrast, his estimated existential risk to humanity from climate change is one in 1,000, and one in a million in the case of collisions with asteroids or comets.**

all other efforts to ameliorate the ills and suffering that our current choices are generating now and in the near term?

For the sake of argument, suppose we could significantly reduce the probability of our own extinction by enslaving the majority of humankind for the next several centuries. Under Ord's lexicographic ordering, we would have to choose this option, because it minimises existential risk while still preserving humanity's potential to flourish fully at some point in the distant future.

Not everybody will be convinced by this argument. Count me among the unpersuaded.

THE AGE OF DEMONIC MACHINES

To clarify the choice further, consider the main existential risk that Ord focuses on: the potential misuse of artificial intelligence.

Ord estimates that there is a one in 10 chance that humanity will fall prey to an evil superintelligence (which he calls, euphemistically, "unaligned AI") in the next 100 years. By contrast, his estimated existential risk to humanity from climate change is one in 1,000, and one in a million in the case of collisions with asteroids or comets.

Even if many other experts would not assign quite so high a probability to the threat of superintelligence, Ord is not alone in worrying about the long-term implications of AI research.

In fact, such concerns have become commonplace among many technology luminaries, from Stuart Russell of the University of California, Berkeley, to Microsoft founder Bill Gates and Tesla founder Elon Musk.

These figures all believe that, notwithstanding the existential risks, AI will bring many net benefits. But while Ord is well enough informed about these debates to know that even this last proposition is actually rather shaky, his lexicographic stance leads him to ignore most of the non-existential risks associated with AI.

But if one accepts that our scope of attention is finite, this weighing of priorities is problematic. My own assessment is that the likelihood of superintelligence emerging anytime soon is low, and that the risk of an evil superintelligence destroying our civilization is lower still.

As such, I would prefer that the public debate focus much more on the problems that AI is already creating for humanity, rather than on intriguing but improbable tail risks.

BACK TO NOW

The current trajectory of AI design and deployment is leading us astray, causing a wide range of immediate (albeit prosaic) problems. Far from being inevitable or reflecting some inherent logic of the technology, these problems reflect choices being made (and imposed on us) by large tech companies and, specifically, by a small group of executives, scientists and technologists within these companies (or within their orbit).

One of the most visible problems that AI is causing is incessant automation, which is displacing workers, boosting inequality and raising the spectre of future joblessness for large swathes of the labour force. Worse, the obsession with automation has come at the expense of productivity growth, because it has led executives and scientists to overlook more fruitful, human-complementing uses of innovative technology.

Worse, the obsession with automation has come at the expense of productivity growth, because it has led executives and scientists to overlook more fruitful, human-complementing uses of innovative technology.

AI is also being designed and used in other problematic ways, none of which inspire hope for humanity's moral progress. Democratic politics has been defiled not just by an explosion of algorithmically amplified misinformation but also by new AI technologies that have empowered governments and companies to monitor and manipulate the behaviours of billions of people.

This development represents a double whammy.

Democratic politics is the primary means by which a society can rein in misbehaviour by political and economic elites, yet it is precisely this process that is being undermined.

If we cannot hold elites accountable for the damage they are causing because democracy itself has been impaired, how can we possibly escape our current predicament?

We are not helpless. The costs that AI is inflicting can be addressed because, unlike the existential risks that Ord focuses on, they are tangible and easy to recognise. But, first, we must call more attention to the problem in order to generate pressure on governments and companies to acknowledge the risks that are materialising now.

Besides, a tech sector that is bent on automation and anti-democratic manipulation and surveillance is hardly a good foundation upon which to address longer-term risks.

Though we should not dismiss more speculative risks to humanity out of hand, we cannot afford to ignore the threats that are right in front of us. We may reach a precipice at some point, but we are already sliding down a slippery slope. **BQ**

Have you counted your slaves?

AUTHOR:
MATT PRICHARD, EXECUTIVE CHAIRMAN, KPMG, AND WORLD VISION NZ BOARD MEMBER

Photo by:
Hermes Rivera
on Unsplash

New Zealand households spend more than $30 per week on products implicated in modern slavery. Directors should not wait for legislation to compel them to audit their supply chains.

Firstly, let me apologise for the shocking headline. I was trying to get your attention. Nevertheless, identifying, measuring and reporting slavery in your supply chains is now on the horizon for New Zealand directors. It is already the law in Australia, and is in its fifth year of reporting by large companies in the United Kingdom.

But I'm sure it's not the word "counted" in the headline that gave you an emotional response. I'm confident there is not a single director reading this article who has an appetite for slavery in their business or its supply chains.

Despite zero-tolerance at a governance level, World Vision New Zealand has recently estimated that New Zealand households unwittingly spend an average of $34 per week on industries whose products are implicated in modern slavery. Its Risky Goods – New Zealand Imports report found these risky goods are as diverse as bananas from Ecuador, cocoa from Ghana, clothing from Bangladesh, shrimps from Thailand and Christmas decorations from China.

The report, released in May 2021, identified $3.1m of these products being imported into New Zealand in a single year. But in New Zealand today, there is no legal requirement for businesses importing these products to do even the most basic checks.

Walk Free's Global Slavery Index estimates that over 40 million people are victims of forced labour, with the overwhelming majority of these being women or girls. Gender imbalance issues are an enormous contributing factor to the prevalence of modern slavery. The impact of COVID-19 on poverty has exacerbated the vulnerability of millions of women and girls to exploitation, human trafficking and modern slavery.

Whilst the focus is often on the hopelessness of the circumstances in many source countries, a "don't ask, don't tell" approach at a governance level is no longer acceptable in many developed economies.

The UK passed its Modern Slavery Act in 2015. This requires companies with turnover in excess of £36m to publish a Transparency in Supply Chains (TISC) statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in its operations or supply chains. Statements must be published on the companies' websites, they must be approved by the board of directors and must be signed by a director.

Whilst the focus is often on the hopelessness of the circumstances in many source countries, a "don't ask, don't tell" approach at a governance level is no longer acceptable in many developed economies.

Australia passed a similar law in 2018, which applies to companies with a turnover of more than A$100m and is already affecting a number of New Zealand subsidiary businesses. Australia's law aims to address some of the weaknesses observed in UK law. For example, it requires Australian companies to report against prescribed criteria, including:

- the reporting entity's structure, operations and supply chains
- modern slavery risks in the reporting entity's operations and supply chains (including those of subsidiary entities)
- actions taken (including by subsidiary entities) to assess and address those modern slavery risks, including due diligence and remediation processes
- how the reporting entity assesses the effectiveness of actions taken
- the process of consultation with subsidiary entities in preparing the modern slavery statement.

The New Zealand government is yet to commit to following this lead and introducing our own modern slavery legislation. In April 2020, World Vision New Zealand and Trade Aid launched a petition calling for our parliament to enact modern slavery legislation that requires public and private entities to report on the risks of modern slavery in their operations and supply chains, and on the actions they are taking to address those risks.

This followed an open letter signed by over 100 New Zealand businesses calling for an inquiry into a modern slavery legislation.

Given my confident opening statement that IoD members would not knowingly tolerate slavery in their operations or supply chains, let's not wait to be compelled by legislation to understand our risks, seek out and stop modern slavery. BQ

Governance for the now

AUTHOR:
BRIAN STAFFORD,
CEO OF DILIGENT

Governance technology that provides insight into ESG strategies and outcomes is essential to boards that want to manage the risks and opportunities changing regulator and societal expectations.

Since the start of the new millennium, software companies have driven business' digital transformation with cutting-edge technology.

SAP and Oracle transformed the back office with Enterprise Resource Planning (ERP) platforms. Salesforce unlocked a new way for companies to engage customers and drive growth with customer relationship management (CRM) and marketing platforms.

Fast forward to today and we are at another inflection point where an integrated governance, risk and compliance (GRC) platform is needed, connecting boards and leadership teams to the people, data and insights that maintain the integrity of day-to-day operations.

Business leaders are also now being challenged to deliver sustainability and societal outcomes relating to environmental, social, and corporate governance (ESG) goals. Today's most visionary leaders know their companies must transform in significant ways to keep pace with the rising tide of ESG.

Business and government agencies in New Zealand are leveraging tools and technology to meet, address and prioritise diversity, environment, and sustainability issues, especially on the road to recovery from the COVID-19 health crisis.

PRIORITISE GOVERNANCE

While there are several companies addressing the risk and compliance space, often "the G" (governance) factor in GRC is ignored, which is a distinct practice that needs a targeted technology solution.

And while many companies are concerned about governance, risk, and compliance, these are managed separately as siloed business functions, amplifying that chance of "missing something".

Modern technology is critical to enable a holistic view of GRC alongside regulation.

No purpose-driven organisation can afford to simply wonder if every vendor in the supply chain is complying with local environmental or child labour laws. They must know this information.

The good news is that information to avoid these business pitfalls is usually readily available to organisations. The bad news is that legacy practices and technology often leave critical information obscured from the view of the C-suite leaders and board members.

While environmental and social outcomes are incredibly important, the governance aspect needs just as much effort and attention. The power of modern governance already exists in organisational data. But legacy practices rely far too heavily on the manual collection of information from people through traditional forms and workflows.

INTEGRATE E, S AND G

Australian Ethical investments recently released a survey that showed that ESG investment, as far as retail investors are concerned, is primarily about the "E" (environmental) factor.

What this comes down to is aversion to people trying to position themselves as ethical investments without authenticity, otherwise known as "greenwashing", and just ticking a box. This, too, can be solved by local regulators and government stamping out loose standards.

According to the Sustainable Business Council, short-term projects currently in place in New Zealand will have a meaningful impact on emissions. Across a 10-year implementation timeframe, these projects alone will deliver a 5.5% reduction in emissions with a total capital spend over this timeframe of $7.23b.

To achieve this, New Zealand businesses must put long-term and short-term plans in place to mobilise capital, enable the government to act now and have a lasting effect.

Even with these short- and long-term business plans, ESG concerns continue to be investor-led. According to the same Australian Ethical survey, "an estimated 55% of new inflows allocated by financial advisers to ESG-aligned investments in the last 12 months were driven by investors".

So, the question then becomes how do we create a comprehensive process that integrates, tracks and reports on ESG metrics to ensure investors, boards and executives are all aligned? Especially given ESG will continue to underpin most, if not all, debates about the future of investing, one holistic view is needed to make decisions regarding ESG.

MODERN BOARDS AND LEADERSHIP

We have entered a new era in business where hitting financial metrics simply is not enough for an organisation to be successful. There is a need to manage the impact on broader stakeholders.

In fact, the US Business Roundtable, a leading association of chief executive officers representing 200 of the world's most prominent organisations, acknowledges the importance of all stakeholders. The difference between a leader and a visionary leader is a nuanced, but important distinction, and can be seen in how they guide their organisation on a clear path following the "North Star" of the business efficiently, effectively and safely.

"I believe organisations that invest in their stakeholders and their communities and take an overall long-term view will see great success."

A multinational corporation that is entering a significant overseas deal must conduct due diligence to assess whether growth is legitimate or if there may be sophisticated bribes or kickbacks in play. A data breach that dumps private data from millions of customers onto the dark web cannot go unreported to senior leaders, government cyber and privacy enforcement, or undisclosed to customers. Suspicious transaction patterns flowing through a major financial institution must be unearthed and exposed to regulators.

Modern boards and executives understand that, to thrive in this new ESG chapter, leaders must reimagine the relationship they have with their company. They must deepen the connective tissue across all layers of the organisation, from the board to leadership to front-line employees.

CREATE AN ESG ACTION PLAN

Corporations cannot be better and do better if they have blind spots that disappoint stakeholders or erupt into scandal — especially as risks multiply, and guidelines and regulations evolve.

Only once companies have bridged the gap between their leadership and employees, creating transparency across the entire organisation, will they be strong and resilient enough to make progress on the greatest business objective of all: positive change.

I believe organisations that invest in their stakeholders and their communities and take an overall long-term view will see great success.

As we venture further, and C-suite executives and board members look for ever-expanding ways to drive positive impact for stakeholders, a modern GRC platform will be an indispensable tool to help companies deliver on ESG commitments. While there is still more work to do, we are on the right path. BQ

We need to talk about chairs

AUTHOR:
JO CRIBB MINSTD, EXPERIENCED BOARD DIRECTOR AND CONSULTANT SPECIALISING IN NOT-FOR-PROFIT GOVERNANCE

Photo by:
Manuel Nägeli on Unsplash

A new video resource is available to help NFP chairs improve the performance of their boards.

We need to talk about chairs. In the community sector alone, there are more than 115,000 of us. And our competency and capacity can have a marked impact on board and organisational performance.

We have all left a community committee meeting that has run over time frustrated about those wasted hours we will never get back.

Research quantifies our experiences. Poorly run meetings confuse all involved and result in board members becoming disengaged. Meetings focus on management issues at the expense of strategy. Action points are not followed up.

Poor chairing can lead to strained or broken relationships between board members and the board and staff.

THE CHAIR SETS THE PACE

Getting board meetings right is a critical role for the chair given it is in these meetings that most of our governance function is executed.

Chairs set the agenda and are responsible for guiding the meeting to clear outcomes for management to carry out. The chair should invite all possible views on an issue and then work to a consensus decision between board members but may have to be the final arbiter if needed. The chair should ensure all decisions are understood and recorded.

But the role does not stop at setting an agenda and keeping to time. The chair needs to make regular assessments of board capability and support board members to be effective.

The chair will be visible to stakeholders, especially funders and the community the organisation seeks to support and will need to front in time of crises and complaints. As well as providing that critical link between governance and management.

But it is a difficult and often lonely role; one many of us did not sign up for when we joined the board or committee.

Once in the role, many of us are unprepared for the number of hours and demands. Our capacity to chair can become an issue, especially in times of crisis and change.

The need to get our heads around all facets of governance: risk, compliance, constitution, AGMs, constant emails from members, managing conflicting views of board members, the demands of funders: being the chair can get quickly overwhelming, especially as, for most of us, this is a volunteer role.

As part of the National Action Plan for Community Governance, we asked 30 experienced Community Sector chairs what they wished they knew before they stepped into the role.

They wished they had an inkling of: the extra time commitment required between meetings (up to two or three times that of a board member); how important developing a strong but critical relationship with the chief executive was; how to support their board to understand the difference between governance and management when board members wore both hats in the organisation; how to chair good meetings; and build a team from a group of passionate volunteers with varying degrees of governance experience.

They were also clear there is little support available for chairs and that they often felt on their own and out of their depth.

As one action to support chairs of community organisations, last month a series of four videos, "Chairing the Board", was launched as part of the National Action Plan for Community Governance.

These are based on what the experienced chairs told us would have been most useful for them with a focus on practical advice, relatable spokespeople and pragmatic tips.

> "Once in the role, many of us are unprepared for the number of hours and demands. Our capacity to chair can become an issue, especially in times of crisis and change."

Board chairs share their experience (the good, bad and ugly), technical experts provide useful commentary and each video ends with key "takeaways" and links to more resources. The Institute of Directors Not-for-Profit Hub is included as an important link here.

The videos aim to support aspiring chairs to step up into the role with more confidence, and for current chairs to reflect on their practice.

Ultimately, given the important role community organisations play in our communities, we will all benefit when all community organisations in Aotearoa/New Zealand are well chaired. **BQ**

For more information about the National Strategy for Community Governance, contact the programme manager **Rose.Hiha-Agnew@csinz.org**

Chairing the board video resources are available at **iod.org.nz**

Your board and your assets

AUTHOR:
AARON WATSON,
BOARDROOM EDITOR

The Directors and Officers Insurance market is facing a crunch moment, and directors' personal assets could be put at risk.

Insurers are reassessing their exposure to Directors and Officers (D&O) Insurance as trends in litigation – both internationally and in New Zealand - make premiums more difficult to calculate.

D&O insurance protects the personal assets of directors in legal claims made against them for actions taken as part of their board responsibilities. The recent Mainzeal case, in which four directors face personal liability for what could be more than $36m (the amount is currently under appeal), shows how large the issue can be.

"That legal environment has a huge impact on insurers," says Catherine Tait, Specialty Strategy Leader, Marsh New Zealand. "And the concern within the New Zealand insurance industry is that the total annual premium pool may not be enough to cover the costs associated with multiple claims at the level of Mainzeal or other similar size actions."

Class actions are a huge unknown for the insurance market and a likely source of much larger costs and settlements than have been present in the past. Regulation is also playing a part and there is a real drive for accountability of the board as insurers look at these trends when pricing and providing capacity. You also have to wonder what level of limit will be sufficient for the D&O market in New Zealand in the changing landscape.

"The uncertainty in the New Zealand legal environment is a huge issue for us. New Zealand doesn't have a structured class action regime at the moment. As a consequence, every time something new comes up it has the potential to affect insurers' deliberations – the likes of the Southern Response claim, for example, where there is an opt-out case in play," Tait says.

"Insurers would have concerns they will end up in a situation where the premium pool is insufficient for the risk which is driving some of the upward pressure we are seeing on rates for clients in the listed space and larger corporate organisations who purchase significant limits."

CAN DIRECTORS GET COVER?

Directors have traditionally left decisions on insurance to management and signed off without taking a personal role in decisions of what types of cover – or how much – is being purchased, Tait says.

This was a reasonable strategy while the market was stable, pricing low and coverage broad, but the current situation puts the onus back on directors to ensure they are not unnecessarily exposed through limits or exclusions in their organisation's D&O insurance policies, she says.

"Stakeholder engagement is important and Boards should have discussions around why they purchase the cover, how much D&O insurance they really need to buy, and what and who that insurance should cover.

"It's important that you understand what is covered and match this up to your needs. For example, most of the larger claims that have hit the press in New Zealand have been around insolvency. From that perspective, directors need comfort that they have an insurance policy to respond if the company does not have funds available - due to insolvency."

> "Cover remains available, but as insurers seek to price in uncertain risks the premiums are rising and you are getting less cover today for the same money."

It is too late to get this cover if you are already in that position.

TAKE AN INTEREST

Organisations that do not find a way to navigate the uncertain D&O market could find themselves unable to attract high-quality directors, Tait warns.

"This is a director's single most important liability policy from a personal asset protection perspective. It is really important that directors understand what they are covered for, and what they are not covered for. For some directors, shrinking D&O cover could make the difference in whether to take on a board role or not."

It is not all doom and gloom, she says. Insurers want to provide insurance – the challenge for them is understanding the quantum of risk and establishing appropriate pricing in the current market. Utilising your broker to engage early and with an appropriate level of detail with the insurer can help clarify the issues that may impact the price or availability of cover.

"For the most impacted end of the market, your dual or NZX-listed companies, it's a case of presenting to insurers in a similar manner as you would present to potential investors," Tait says.

You have to demonstrate to them that you are a company with the right culture around some obvious risks, such as climate change or employment issues, so they are comfortable putting their money (insurance capacity) behind you.

"It gives the insurers more confidence if you are engaging with them, at the least at C-suite level. Insurers can read a lot in financial reports but these types of engagements are about giving insurers comfort around less tangible risks."

At the smaller end of the market, SMEs should make sure the advisers who act for them can talk about those less-tangible attributes when seeking cover on a SMEs behalf. BQ

Did you know...?

Kiwi directors acknowledge bullying

Almost a third of respondents (32%) have witnessed or experienced bullying on one or more of their boards, according to an IoD pulse check.

However, most (91%) said they'd feel comfortable raising or challenging bullying behaviour on some or all of their boards.

Boards could consider developing policies, codes of conduct or practices to address bullying. Although 46% of respondents were confident some or all of their boards had effective policies and practices to deal with poor boardroom behaviour, the remaining 54% indicated they either had no policies or practices in place or were unsure if these existed.

Read more at **iod.org.nz**

US investors flex climate muscles

Two Exxon Mobil board members were unseated by activist hedge fund Engine No. 1 in May, over concerns the company was not moving fast enough to address climate change issues.

The hedge fund has just US$50m shares in the energy behemoth, which has a market value around US$250b.

Exxon has been following a strategy of boosting oil and gas output, in contrast to global rivals that have scaled back fossil fuel activities and begun to diversity their energy businesses.

The willingness of investors to rally behind the directors nominated by Engine No. 1 shows climate concerns are increasingly driving investment decisions. Although being able to get giant firm BlackRock on board certainly helped Engine No. 1 swing the vote.

Tipping point?

The World Meteorological Organization says there is now a 40% change of the world seeing a 1.5 degree temperature rise above pre-industrial temperatures in the next five years.

The I.5 degree marker has been identified by the UN Intergovernmental Panel on Climate Change (IPCC) as a potential tipping point – beyond that level the risk of extreme drought, wildfires, floods and food shortages will increase dramatically.

The IPCC predicts that 1.5 degrees of warming will expose 485 million more people to “extreme” or “exceptional” heatwaves and boost the hottest days in the Earth’s mid-latitudes by 3 degrees.

Hardest hit will be regions that already get warm - Central and Eastern North America, Central and Southern Europe, the Mediterranean (including Southern Europe, Northern Africa and the near-East), Western and Central Asia and Southern Africa.

Proposed duty for directors of deposit takers

The government is one step closer to introducing a new prudential framework for deposit takers in New Zealand.

In late April, the government announced high-level policy changes that will form the basis of a new Deposit Takers Act (replacing the Reserve Bank of New Zealand Act). A key change is the decision to decouple key director responsibilities from the existing disclosure requirements and the attestation process, including through the creation of a new high-level director duty.

The duty will require directors to ensure that there are “adequate systems, processes and policies in place to ensure the deposit taker complies with its prudential requirements and obligations”. There will be a defence for directors if they can show they took reasonable steps to meet their obligations.

This duty is similar to the new due diligence duty for directors and senior managers under the Credit Contracts and Consumer Finance Act.

Directors will be able to take out personal insurance to protect themselves in the event of a breach.

Apple is... everywhere

Apple is turning its phones into electronic keys which will lock (or unlock) cars, houses, work and hotel doors.

An update to the Apple Wallet app will allow people to store the digital signatures of multiple devices on their mobiles – in some states of the US it may extend to identity cards.

The Hyatt hotel chain has confirmed it will make virtual room keys once the update is in place. Apple is also seeking to make its Wallet IDs usable to board flights.

In an increasingly internet-connected world, would you put all your apples in one basket, so to speak?

A shopping bag installation is seen outside the CDF Mall, a duty-free shopping center, on April 13, 2021 in Shanghai, China. (Photo by VCG/VCG via Getty Images)


Gain new perspectives.
Grow tomorrow's talent.
Host a Future Director on your board.
Institute of DIRECTORS NEW ZEALAND
Future Directors
To find out more email futuredirectors@iod.org.nz or visit iod.org.nz/future-directors