

# board room

AUG / SEPT 2020

*Magazine of the Institute of Directors in New Zealand*



**A US view  
of cannabis  
legalisation**

**The challenge of  
“assisted dying”**

 Institute of  
**DIRECTORS**  
NEW ZEALAND

# boardroom

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

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

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## PRODUCTION NOTES

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



## A note from the editor

There's an election coming (a little later than we expected). And it will be accompanied by two interesting referenda.

Our cover story touches on the first of those, the decision on whether or not to legalise cannabis. This referendum is part of a global trend towards legalisation and we hear from leading US director Maryscott "Scotty" Greenwood on how this has impacted over there. She also muses on trade and the challenges raised by COVID-19.

The second of the referenda is on the ratification of the End of Life Choice Act. If ratified, the Act will present new governance questions to the boards of medical organisations. We hear from Te Omanga Hospice's Michele McCreddie on what her board has been considering in the run up.

We have also asked the main political parties to outline their visions for New Zealand – both long term and for the next three years (should they be in government). Will their responses sway your vote on 17 October?

To be honest, the parties have all played a pretty safe hand in their comments. Which is perhaps to be expected for an apolitical magazine like *Boardroom*.

Thank you  
**Aaron Watson**  
*Boardroom* editor



*BoardRoom* is the magazine of the Institute of Directors in New Zealand [iod.org.nz](http://iod.org.nz)

August/September 2020

# The Agenda

AUG / SEP 2020

12



CANNABIS AND TRADE OPPORTUNITIES



POLITICAL VISIONS

34



THE NET IS TIGHTENING - COURT CASES ON CLIMATE CHANGE

## INSIDE IOD

**02** CEO letter – Strengthening our community

**04** Upfront

## FEATURES

**12** Cannabis and trade opportunities

**16** The challenge of “assisted dying”

**20** Political visions

**28** The board's role in a crisis

**34** The net is tightening - court cases on climate change

**42** A boost for community governance

**46** Challenges to diversity and inclusion

## FROM OUR PARTNERS

**32** The hacker mindset / Aura

**38** Transitioning to emissions targets / Marsh

**44** Reset, not return / KPMG

# Strengthening our community



**KIRSTEN PATTERSON**  
CEO, INSTITUTE OF  
DIRECTORS

## Tēnā koutou katoa

I would like to turn your thoughts to a challenge and an opportunity.

First, the opportunity. In August, the Centre for Social Impact launched its National Action Plan for Community Governance (see the story on [page 42](#)). The plan includes recognition of the important role that an effective chair plays in the success of non-governmental, not-for-profit and charitable organisations.

As part of the development of the action plan, I was involved in a “chairs sprint” that looked at ways to support chairs. Through my work with the Wellington Homeless Women’s Trust, I know first-hand the difficulties that chairs of community organisations face.

The opportunity is for IoD members to strengthen the community governance sector by sharing their experience and knowledge with the – often volunteer – chairs and boards which oversee it.

The plan calls for the establishment of tailored support for chairs, alongside resources for their boards. We identified mentoring and networking among the most valuable types of “development” chairs could receive. We also recognised that bite-sized, online micro-credential training needs to be available so time-poor volunteers can find support when they need it.

A more detailed plan is now in development. There is a lot of hard work ahead, but it is going to be fun and it will make a real difference.

I invite you to join in the project by taking on a leadership role in the sector, if you have the time, or through offering your knowledge to new and aspiring chairs.

The Centre for Social Impact is now planning the development of a Tuakana Teina: Mentoring for Chairs

programme and the establishment of the Aotearoa NGO Chairs Co-learning Community advisory group, which will seek to implement the ideas in the National Action Plan.

And so to the challenge. Can you help community sector organisations survive the impact of COVID-19?

Our pulse check of not-for-profit organisations in July found that 85% had experienced a funding dip due to COVID-19, while 43% were experiencing increasing demand for their services.

This presents a very real risk to the sustainability of organisations in the sector at the very time their work is needed most.

Half (51%) of our members already serve on not-for-profit boards. They contribute significant time to the \$12.1b sector. Could you join them at this difficult time?

At the IoD, we believe in the power of good governance to transform communities. Boards, trustees and directors need great people leading them. That’s where the stewardship and the leadership of the chair comes in. We know great boards have great chairs. By developing a high-performance and effective governance culture through leadership, empathy, compassion and humour, a good chair is critical to board performance.

The work underway through the Centre for Social Impact is the greatest initiative for community governance that we have seen in a generation. With all of our support we can ensure that the boards of community organisations are well chaired.

## Ngā mihi

**Kirsten (KP)**

# Create your future

Just 50% of directors agreed that their board has the right capabilities to deal with increasing business complexity and risk.

*(Director Sentiment Survey 2019)*

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[iod.org.nz/governance-courses](http://iod.org.nz/governance-courses)

# UpFront

## Director fees *flat*

When COVID-19 first hit New Zealand earlier this year, 40% of directors stopped being paid or took reduced fees, the Directors' Fees Report 2020/21 shows.

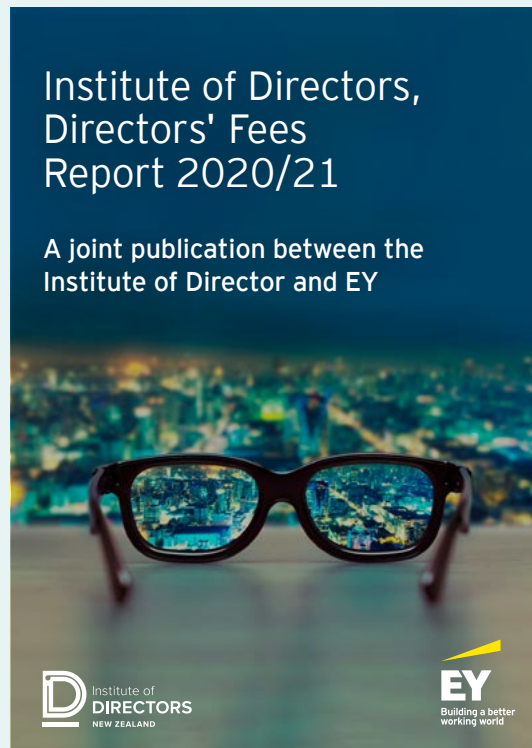
Prepared by the Institute of Directors and EY, the report interviewed 674 directors holding 1,830 directorships during May this year, at the height of the first pandemic wave.

"Almost a quarter of the organisations surveyed (23.5%) had stopped paying their non-executive independent directors altogether; and 16.4% of organisations had reduced fee payments," says the IoD's General Manager Learning and Branch Engagement Dr Michael Fraser.

"Meanwhile, non-executive directors were meeting more often and spending more time on their duties, working an average 176 hours this year compared to 169 hours in 2019."

The median annual fee for non-executive board directors or trustees participating in the survey was almost flat, rising by just \$350 (0.8%) to \$46,700 in 2020, compared to \$46,350 in 2019.

"Not all sectors, industries or organisations surveyed have felt the impact of COVID-19 equally – trends vary across the 18 sectors and types of entity. But it's clear boards of Kiwi organisations decided to do more for less in order to help as many of those organisations as possible recover, as quickly as possible," says EY Partner People Advisory Services Una Diver.



### Key findings

**57%** of directors spend more time on board duties.

**29%** of directors surveyed were women.

**82%** of boards meet six to fifteen times a year.

Most directors had four directorships.

**59.7%** of directors were satisfied with their remuneration levels.

## COVID-19 stunts

### funding for NFPs

A poll of members in July said that 85% of not-for-profit organisations had suffered a funding downturn as a result of COVID-19.

“Half (51%) our members serve on not-for-profit boards. We asked them how their NFP organisation was doing as a result of COVID-19,” General Manager Governance Leadership Centre and Membership Felicity Caird says.

“Most (85%) of the directors who responded said their NFP organisation’s funding had been impacted by the COVID-19 pandemic – only 15% said their funding had not been affected.”

This IoD pulse check was conducted during the first two weeks of July 2020 and had 163 respondents. It is available in full at [iod.org.nz](http://iod.org.nz)

## Diversity =

### more men on board

GirlGuiding NZ has announced the appointment of three men to its board, describing the step as “a major step” in its push for diversity at governance level.

While diversity issues have led to a global push for more women on boards, GirlGuiding NZ until recently had no male board members. It says the appointments will strengthen its mission to support girls and young women develop the skills and confidence to make positive changes in their world.

The new board members are Siva Sivapakkim, executive general manager operations for KiwiRail, Shaun Greaves, general manager humanitarian development at the New Zealand Red Cross, and Cory Gordon, founder of Roger Roger Marketing.



## APPOINTMENTS

### Regular

#### *Margaret Devlin*

Chartered Fellow, has been appointed to the board of Waimea Water Ltd.

#### *Steve Grave*

Member, has been appointed to the board of Buller Holdings.

#### *Susie Johnstone*

Chartered Fellow, has been appointed to the boards of Dunedin City Council-owned enterprises Dunedin City Holdings Ltd, Dunedin City Treasury Ltd and Dunedin Stadium Property Ltd.

#### *Candace Kinser*

Chartered Member, has been appointed to the board of Eastland Group.

#### *Hayden Swann*

Chartered Member, has been appointed to the board of council-controlled organisation Gisborne Holdings Ltd.

### Mentoring for Diversity

#### SIXTEEN MENTEES HAVE BEEN CONFIRMED FOR OUR 2020 MENTORING PROGRAMME:

*Jacqui Apiata-Coyne*

*Paula Kearns*

*Brent Carey*

*Ben Kepes*

*Tania Dickie*

*Sarah Meikle*

*Analisa Elstob*

*Jennifer Moxon*

*Venus Guy*

*Rachel Ritchie*

*Jerry He*

*Kennie Tsui*

*Laura Humphreys*

*Kate Vennell*

*Tina Jennen*

*Kate Yang*

## BusinessDesk

### discount for members

The Institute of Directors has established a partnership with news service BusinessDesk that will provide members with a 20% discount on an annual subscription.

BusinessDesk's team of writers includes Milford co-founder Brian Gaynor, Patrick Smellie, Jane Clifton, Rebecca Stevenson, Victoria Young, David Chaplin, Jehan Casinader and more. At the lighter end of the news agenda, Bob Campbell MW writes about wine, Sally Ann Mullin covers fashion and style and Jean Teng and Simon Farrell-Green cover food for features section The Life, which is edited by former *Kia Ora* editor Jacqui Loates-Haver.

Visit [businessdesk.co.nz](http://businessdesk.co.nz) to review content and services. Should you choose to subscribe, use code IoD20for2020 to activate the discount.

### Global director survey opens

The 2020 GNDI Global Director Survey is now open. The results from this year's survey will be used to identify ways in which directors have helped their organisations navigate COVID-19.

In 2018, the IoD ran the inaugural GNDI survey, which enabled New Zealand organisations to benchmark their governance against international practice. We will share the results of the 2020 survey with members when it is completed.

To have your say on global governance in the time of COVID-19, answer the questionnaire [here](#).

The survey should take around 10 minutes to complete. All information collected and reported will be anonymous. The results will be reported only in aggregate and used to craft tools and resources to help enhance boards' understanding of the current corporate governance landscape.

### Director Vacancies

**Director Vacancies is a cost-effective way to reach our extensive pool of membership talent. We will list your vacancy until the application deadline or until you find a suitable candidate. A full list of vacancies can view viewed at [iod.org.nz](http://iod.org.nz)**

#### Auckland Cricket Association

Role: Director  
Location: Auckland  
Closes: 8 September

#### Miss Amara NZ Limited

Role: Director  
Location: National

#### Strath Clyde Water Limited

Role: Independent board chair  
Location: Otago Southland  
Closes: 31 August

#### Trust House Limited

Role: Independent director  
Location: National  
Closes: 11 September



## Six questions with...

Murray Seamark MInstD  
Taranaki branch committee



### How did you find yourself on a branch committee?

I think it was the result of being around at local events a bit and, I suppose, my desire to share my story with others that I was asked to contribute on the team. To be honest, I felt a little inadequate, really, I wasn't a corporate star or a professional heavyweight, just a guy who wished he knew more about what was available within the governance space. The contribution I added was asking how can we make the IoD relevant and accessible to the many SMEs? How can we change the SME market perception that we are just a bunch of semi-retired stuffed shirts? How can we provide value to what is the largest business sector in the region?

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

To be honest it was less about what I could give back to the Institute but more about how I can serve our community through the IoD. For me, it's about providing opportunity for organisations to connect at the level they are at, and what need they are facing at the time. As we do this not only are we making some difference out in the field, but we are also fulfilling our purpose. I feel that over the few years Taranaki has been a branch we have seen a shift in perception of who the IoD is and how we can assist. This is a real credit to the team.

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

Firstly, if you think you can have MInstD behind your name, do a few courses and they will come queuing, you are mistaken. If you have a heart to serve organisations for the benefit of its community, then you qualify. The base of good governance is made of hard skills, knowledge and behaviour. Education provides the hard skills, knowledge comes from experience but behaviour is from within. Leadership is quickly undone when behaviour fails at the top. Start small, take your skills and experiences, and get involved in a local NFP. They will really appreciate it and you will make a difference

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

No matter how much scenario planning you may have done, nothing would have prepared you for this type of disruption. Who would have guessed that some of our lowest-paid people were the heroes, as being an essential worker increased their risk by taking them outside of their bubble? What I have really taken out of this is how adaptable people are. Those organisations that are nimble have been able to pivot quite quickly. I think we also all learned to care for each other a little more, and we can all do with more of this within our organisations. That being said, this should not cloud good judgement and difficult decisions that directly impact on the lives of our people may still be the right ones.

## What will your branch look like in 2022?

Thank God for the internet! This really came to the fore during COVID -19 as we all quickly learned to become Zoomers. Honestly, I think it has done us a favour. The Taranaki Branch "Coffee Cart" series was a huge hit with more member, and non-member, engagement than we have ever seen. Heck, I even attended the AGM online. I have never felt more engaged with the IoD than I do now, and while traditional revenue streams have taken a bit of a knock the online platform has created lots of opportunity. I now can attend events hosted by other branches, and while they get my \$20 at no marginal cost, I get to connect, engage wider and improve my governance knowledge, all for the benefit of the communities I serve. Wins all round!

Looking forward, I hope that we can connect the Institute into the Māori world better. The Māori space will become more predominant in the coming years. I feel it will be an important issue not that far ahead.

# The experts in building cyber resilience.

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# Welcome

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

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Keith Land  
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Kathryn Ruge

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Aimee Bourke  
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Amber Carpenter  
Cecilia Chai-Tse  
Pete Cunningham  
Verena Cunningham  
Genevieve Dawick  
Angela Day  
David Deavoll  
Andrew Dickeson  
Emma Dore  
Sylvester D'Souza  
Genna Elvin  
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Jeff Fahrensohn  
Edmond Fehoko  
Brooke Fitness  
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Steve Friedlander  
Ryan Frost  
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Warren Green  
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Ali Hamza  
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Dillon Ip-Brady  
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Rob Marks  
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Vailoa Milo-Harris  
Sina Wendt Moore  
Poohan Nathan  
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Rudo Tagwireyi  
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Blair Gilbert  
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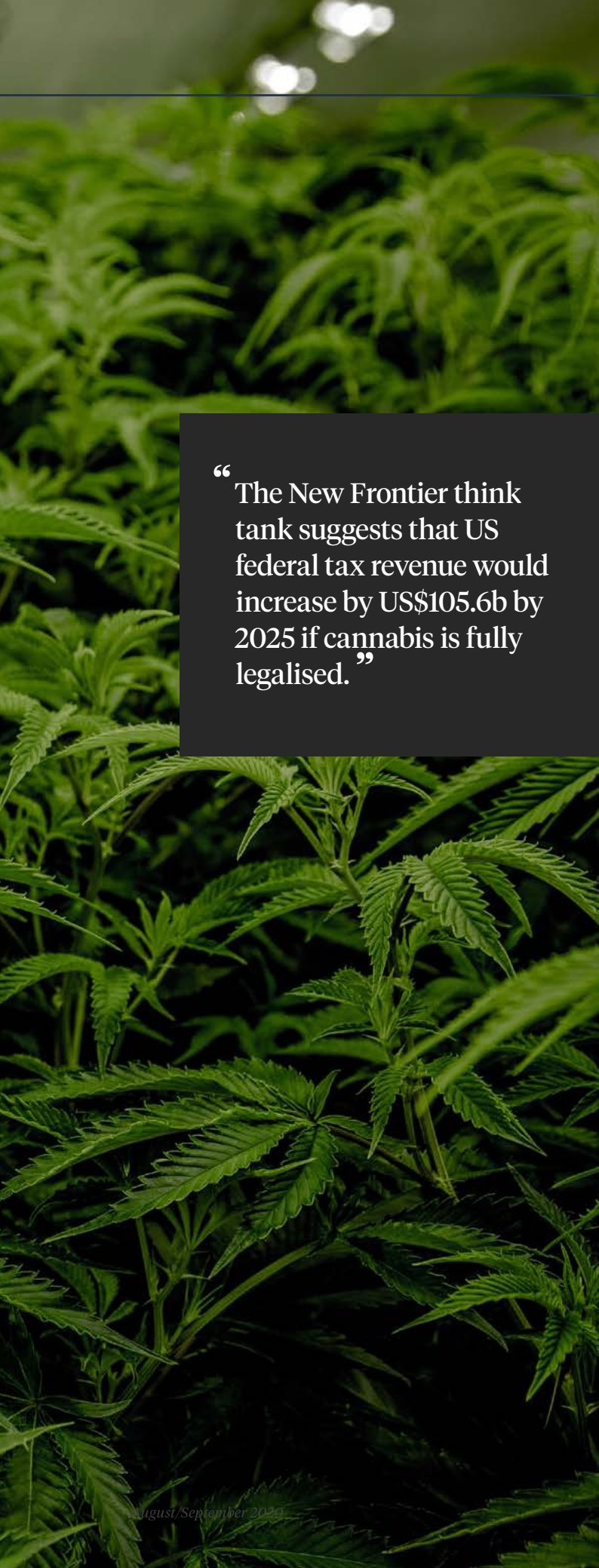
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# Cannabis and trade opportunities

US director Maryscott “Scotty” Greenwood talks about the North American experience of cannabis legalisation and the impact of COVID-19 on trade.



“The New Frontier think tank suggests that US federal tax revenue would increase by US\$105.6b by 2025 if cannabis is fully legalised.”

**New Zealand is holding a referendum on the legalisation of recreational cannabis at its general election in October. What is your general sense of the impact of the legalisation of cannabis in the North American jurisdictions that have made this shift?**

We are at the beginning of an entirely new industry and sector of the economy.

In the jurisdictions that have made the shift from prohibition to legalisation, there is considerable social and economic benefit. An example of the social benefit is for parents of children with epilepsy who have hope in treating their children’s previously untreatable seizures. The economic benefits are visible in places like the State of Colorado which in 2019 collected more than \$300 million in taxes and fees on cannabis.

The New Frontier think tank suggests that US federal tax revenue would increase by US\$105.6b by 2025 if cannabis is fully legalised.

**Has there been an economic impact associated with the legalisation of cannabis?**

The economic impacts are undeniable. A recent study by [business services consultants] ICF found that over 81,000 direct and indirect jobs were created in the State of California alone with the concurrent increase in labour income.

The economic activities associated with cannabis include not only cultivation, production and distribution of the various forms of the product, but also the supply chain associated with a brand new sector of consumer packaged goods.



### Has the move spurred discussion of new health and safety risks among North American directors?

North American directors, as a general rule, tend to have a robust approach to identifying and mitigating risks to their businesses. It is important in any new industry to make decisions based on the best available science and guidance from experts.

In the cannabis industry, there are a number of good corporate practices that have been gleaned from the innovative pharmaceutical industry as well as the food/wellness vertical.

### How can business leaders look to take advantage of the opportunities of a new product coming onto the legal market?

With the end of prohibition and the beginning of legalisation, the scientific research into the properties of the cannabis plant will increase exponentially. The opportunities for super foods like hemp products and the potential for new therapies born about of innovation are nearly endless. It's an exciting time for cannabis.

It is also an important time for the banking and insurance industries to make sure there is sufficient capital as well as legal protections for the early stage companies who are pioneers in this sector.



“We in North America can learn a lot from the experiences in New Zealand about how to confront the risks of a global pandemic while also remaining engaged on the world stage. Dialogue between our regions is more important now than ever, and I am grateful to you for this opportunity to share ideas.”

### Any other thoughts?

In addition to regulating the newly legalised industry, it is incumbent on policy makers to take strong measures to stamp out the black market in cannabis.

It's just not possible for a highly-regulated industry that meets the top standards in manufacturing and production to compete with the informal or criminal economy. Policymakers have a role to play in ensuring that the legitimate players succeed.

### As a nation reliant on trade, New Zealand is both keen to maintain international contacts while simultaneously being afraid the coronavirus could reappear here. Has the virus had an impact on trade between Canada and the US?


The full economic impact of the pandemic is not yet known, but the border between the US and Canada has been closed to non-essential travel since March. That said, essential commerce has been able to continue unimpeded. The two governments worked closely together to ensure the flow of goods back and forth across the border.

In the midst of the pandemic, on 1 July, the new North American trade agreement [United States-Mexico-Canada Agreement (USMCA)] came into effect as well. The benefits of that new agreement will come into force once demand for manufactured goods increases and the economic rebound is underway. At the moment, it is too early to measure the success of that agreement on the economy. The important thing is that both countries are committed to trading with each other even during difficult times.

### What can business leaders do to help their countries' economies trade safely in the midst of a global pandemic?

Business has a role to play in helping the general public understand that our interconnectedness as a global community is a strength, not a threat. We have to take precautions to ensure health and safety of our society and, at the same time, we should not be tempted to retreat back into a “go it alone” approach to global trade.

### Any other thoughts?


We in North America can learn a lot from the experiences in New Zealand about how to confront the risks of a global pandemic while also remaining engaged on the world stage. Dialogue between our regions is more important now than ever, and I am grateful to you for this opportunity to share ideas. 

**Maryscott “Scotty” Greenwood** is a US director on the board of medicinal cannabis company Tilray. She also serves on the boards of the Foundation for Art and Preservation in Embassies, and the Future Borders Coalition. She is the CEO of the Canadian American Business Council and is a partner in Crestview Strategy US, a government relations consultancy.



# The challenge of “assisted dying”

Te Omanga Hospice Trust board member Michele McCreadie talks about the End of Life Choice Act referendum and the governance implications for palliative care organisations.



**W**hen New Zealand goes to the polls in October voters will be asked to say yes or no in a referendum on the End of Life Choice Act.

If a simple majority say yes, the Act will make it legal for a terminally ill person to request “assisted dying” in New Zealand.

Doctor-assisted suicide is legally available in countries including Australia, US, Canada and the Netherlands.

The board of the Te Omanga Hospice Trust, a palliative care organisation in the Hutt Valley, has been grappling with what that might mean for its staff, its funding and its culture. That has meant leaving personal views at the door to focus on governance.

### **CLOSE TO THE HEART**

Board member Michele McCreadie, an Associate of the IoD, says the referendum is a “big issue” for hospices.

“As a board, we have had a lot of discussion about it over time including presentations from clinicians,” McCreadie says.

“The End of Life Choice Act – and euthanasia – is something that people have quite strong personal views on. Trustees on our hospice board have had the dilemma of balancing their personal view with what is best for the organisation.”

The Te Omanga board did not canvass the personal views of directors, instead addressing the issue in governance terms – organisational strategy, culture and funding. McCreadie describes it as looking at what was best for the organisation and “how we could support the organisation through this whole process”.

“Balanced information was something we needed. Especially because people can be quite polarised on an issue like this between very pro and anti groups. We had to come to a balanced decision.”

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## A CULTURE OF CARE

One of the main issues the board considered was the effect on staff and overall morale if the Act comes into force. People involved in palliative care are committed to enabling people to have the best quality of life possible for as long as possible.

“So we had to be very conscious that whatever position the board came to needed to be communicated effectively and that we, as a board, needed to fully understand the position of the staff. There could be a damaging effect on staff morale if they felt they were not supported by their board.

“There was also the potential for the passage of the Act to impact Te Omanga’s relationship with funders and our community.”

Hospices are funded by District Health Boards (DHB) but rely on a high level of community support to fully deliver their services.. Hospice New Zealand has received a judicial ruling that DHBs would continue to fund regardless of whether or not a hospice offered “assisted dying” services. But with strong views each way in the community, the impact on fundraising remains unclear.

“One of the many things we needed to consider was the impact on our local supporters. Te Omanga is a hospice the community feels a great ownership of. So we always consider the issue of how we work with our community and would not wish to adversely affect our relationship with them, nor our supporters.”

Te Omanga Trust board has decided to support the position of Hospice New Zealand “to neither hasten nor postpone death” and to increase funding for, and improve access to, first class palliative care services.

But that may not be the end of the matter.

“They were really the big issues in terms of governance for us and if the End of Life Choice Act becomes law we will have to reassess our position. We will be subject to the law. We will need to have a new discussion on how we are going to manage that.”

## THE LEGAL LANDSCAPE

Hospice New Zealand has received a view from the High Court on how a positive vote for the End of Life Choice Act would impact medical practitioners (see the “Conscientious objection” sidebar).

McCreadie says this has given palliative care organisation boards a sound basis on which to plan.

“Hospice New Zealand has done a lot of work in order to help hospices through. It is valuable having an advocacy body that has a level of independence from the organisations that are doing the doing.”

One of the key things the Court opinion identifies is the right of staff and organisations to conscientiously object.

“That’s not totally new to clinical staff – they may conscientiously object to, say, abortions, or family planning. So it’s not something new. There is probably a similar scenario here. But we would, according to what we understand, have a responsibility to provide patients and their whanau the choices available to them, including a choice to end life and, if they requested, refer them to someone who could provide that service even if our policy is not to offer that service.”

“I suspect that would be our policy but we would need to have further discussion and I can’t pre-empt that outcome,” McCreadie says.

But first the public will have its say in the referendum. **6**

“...we would, according to what we understand, have a responsibility to provide patients and their whanau the choices available to them, including a choice to end life and, if they requested, refer them to someone who could provide that service even if our policy is not to offer that service.”

## Conscientious objection

In May 2020 the High Court clarified that no medical organisation would be obliged to offer euthanasia services under the End of Life Choice Act.

In *Hospice New Zealand v Attorney General* the court offered a view on how conscientious objection to the Act protected medical personal from being required to assist in a procedure they held a strong personal or clinical objection to.

It also found that medical organisations could legally decline to offer “assisted dying” services to patients if that was against the organisation’s ethos. The judgment was particularly important for New Zealand’s palliative care facilities, which exist to comfort those near the end of their life – but not to end life.

Further, the court found that District Health Boards cannot tie funding to the provision of euthanasia services.

Should the Act come into force, organisations that choose not to offer euthanasia services will need to put in place arrangements for protecting medical staff and honouring a patient’s legal right to request this.

The full decision in *Hospice New Zealand v Attorney General* is available on the [High Court website](#).

## The End of Life Choice Act

The End of Life Choice Act has been passed by Parliament but will not come into force unless it is endorsed at the referendum in October. Voters will be asked: Do you support the End of Life Choice Act 2019 coming into force?

The Act allows people in the advanced stages of a terminal illness to request “assisted dying” if they meet certain criteria including that they are:

aged 18 years or over

likely to die within six months

experiencing unbearable suffering

competent to make an informed decision.

# Political visions

## ACT leader David Seymour

**Boardroom** asked the five parties currently in Parliament about their long term vision – and immediate priorities – should they be returned after the election. Four responses are listed below alphabetically (New Zealand First did not respond to the request for comment).

### WHAT IS YOUR VISION FOR NEW ZEALAND IN 2050?

A country in which we support, not stop, people from being innovative. We need to seize the opportunities presented by COVID-19. This could be the reset New Zealand has long needed but we have to be honest about why productivity hasn't grown and our economy has not been firing. We must begin by reforming our outdated laws.

Resource management reform must be a priority of the next government. We need a clear commitment to replacing a law that is out of date.

New Zealand is regularly ranked as one of the most difficult countries to send capital to. If we are going to have an economic renaissance we will need foreign capital. We should fast track foreign investment from friendly OECD countries.

Genetics students at Auckland University tell me they have solutions to some of our most pressing issues. The problem? Because of our superstitious, medieval laws around genetic engineering, they need to go to California to test them outside the lab.

What about fintech? Harmoney, an innovative business in Epsom, had to cancel their original business model of peer-to-peer lending because of restrictive regulations. I suspect that, over time, they will become an overseas company as a result.

We need to create an environment in which innovators are supported.

### **WHAT WOULD YOUR FOCUS AREAS BE OVER THE NEXT THREE YEARS?**

ACT's focus will be on restarting the economy, reconnecting safely with the world and starting to repay the debt.

Restarting the economy will require tax cuts, a reduction in low-value spending, a return to 90-day trials for all firms and cutting red tape that holds us back, particularly the Resource Management Act. Our Alternative Budget has more detail.

Reconnecting safely with the world means the next government must do a better job at public health and creating smart and safe borders. ACT has released five principles for being a world leader in public health: stop preaching fear and ask what we can do, not what we can't do; have an open debate; start working on a country-by-country basis; augment our public health response with better technology; engage with the private sector.

Government can do one of three things to get back to surplus and begin repaying the debt: tax more, spend less or grow faster. New Zealand is already the

most heavily-taxed economy in the Asia-Pacific. As a proportion of GDP, we pay 32% to local and central government, more than Australia, Japan, Singapore and Korea. We can't increase taxes and doing so will mean option three – growing faster – won't happen. We must reduce low-value, politically-motivated spending we can no longer afford. Only ACT has put forward a credible plan to get back to surplus and begin repaying the debt.

### **WHAT ARE THE KEY ISSUES FACING BUSINESS IN 2021?**

Infrastructure is a key barrier to greater productivity. Governments have chosen where to build infrastructure based not on economic need, but political advantage. ACT would remove infrastructure decisions from Ministers and vest them in an independent infrastructure corporation. It would be held to transparent performance indicators like the average speed reached on major arterial routes. Replacing political discretion with economic discipline will get more congestion reduction and road safety for every taxpayer dollar spent.

We would also replace fuel excise with congestion charging, encouraging drivers to drive at non-peak times or use alternative modes of transport without punishing owners of vehicles with poor fuel economy. It would also provide a price signal, showing where there is the most demand for new roading infrastructure.

Skills are another barrier. COVID-19 has closed the border, but the government should be looking to open to COVID-free countries like those in the Pacific Islands. Why, for example, can't recognised seasonal employers in the horticulture sector bring workers here from COVID-free Samoa?

More generally, businesses need greater certainty from the government around its public health strategy, how it will get back to surplus and begin repaying the debt, and what its plan for tax and regulation is.

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# Green Party co-leader Hon James Shaw

## **WHAT IS YOUR VISION FOR NEW ZEALAND IN 2050?**

In 2050, the Green Party wants an Aotearoa where everyone has what they need, businesses and homes thrive on the power of clean energy, and our precious environment is protected for future generations.

We want New Zealanders to be able to hear a dawn chorus from birds that once bordered on extinction, and to be able to swim in their local rivers, free from pollution.

The Green Party wants a thriving economy which harnesses nature's power without exploiting it. New Zealand can be a global leader on climate change, transitioning to a low carbon economy and supporting communities to reduce emissions.

We can set an example for the world to follow, and be well-placed to support communities that need to adapt to rising seas and changing weather patterns.

All New Zealanders will enjoy the benefits of living in a more equal Aotearoa where everyone has what they need to live a good life. We want a country where Kiwis can afford warm, safe housing and still put food on the table. The Green Party wants everyone paid fairly for the work they do and a strong social safety net which gives people the help they need, when they need it.

## **WHAT WOULD YOUR FOCUS AREAS BE OVER THE NEXT THREE YEARS?**

The Green Party's top priorities are climate action, healthy nature and tackling inequality.

During this term in government we've made huge progress in these areas, including passing the Zero Carbon Act and reforming the Emissions Trading Scheme. We have secured the strongest ever protections for our waterways, created thousands of new green jobs to employ those who have lost theirs as a result of the pandemic crisis and invested millions of dollars in sustainable projects.

Now we want to go further and faster to protect our people and the environment so everyone can thrive in our communities.

## **WHAT ARE THE KEY ISSUES FACING BUSINESS IN 2021?**

The global economic consequences of COVID-19 are still emerging, but we already know the crisis will reshape the world fundamentally.

Our business sector will face enormous challenges in 2021 but, because of our team effort, we are in a stronger position than almost every other country on Earth.





One thing is for sure, we will not see a simple return to the status quo. Therefore we should think ahead and focus our efforts on what sort of economy, what sort of society and what state the environment we want in the future.

The path ahead will require outside-the-box thinking. One key issue for business will be to rapidly innovate in the face of changing circumstances. What opportunities might open up for New Zealand, as one of the only clean, green and COVID-free countries?

Another key issue will be how to collaborate across sectors and between business and government to direct the post-COVID stimulus spend towards a new generation of infrastructure.

We have an opportunity and a responsibility to direct every dollar of short-term stimulus towards solving long-term challenges facing the country. These include the need to increase housing supply, replace our aging three waters infrastructure, stave off the biodiversity crisis, decarbonise the economy and build additional renewable electricity generation.

The Green Party will work with the private sector to increase productivity and wages, reduce environmental damage, and grow the value of sustainable exports as we navigate the COVID-19 economic response.

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# Labour Party Deputy Leader and Minister of Finance Hon Grant Robertson

## **WHAT IS YOUR VISION FOR NEW ZEALAND IN 2050?**

New Zealand is a vastly different country today than it was just a year ago. Together we're facing the biggest health crisis and the biggest economic crisis in 100 years. One of the challenges New Zealand faces this election is there's so much uncertainty. Nobody knows exactly what the next three years will bring, let alone the next 30. But we're committed to building a better New Zealand in wake of COVID-19.

In the midst of global crisis, we are still thinking long term and planning for the future by investing in people and environment. Our economic plan is based on making New Zealand more productive, sustainable and inclusive. The result of that will be make sure that kids today are growing up in warm, dry houses, learning in decent classrooms, and that their families have secure incomes and access to world class healthcare.

We're seeing the benefits of this work already, but by 2050 the investments we're making now will have been fully realised as a more productive, connected and resilient New Zealand. We're building thousands of public houses, rebuilding our long-neglected hospitals and schools, taking mental health seriously, and taking real action on climate change. And we're investing in free apprenticeships and trades training to help the New Zealand workforce bounce back from COVID-19.

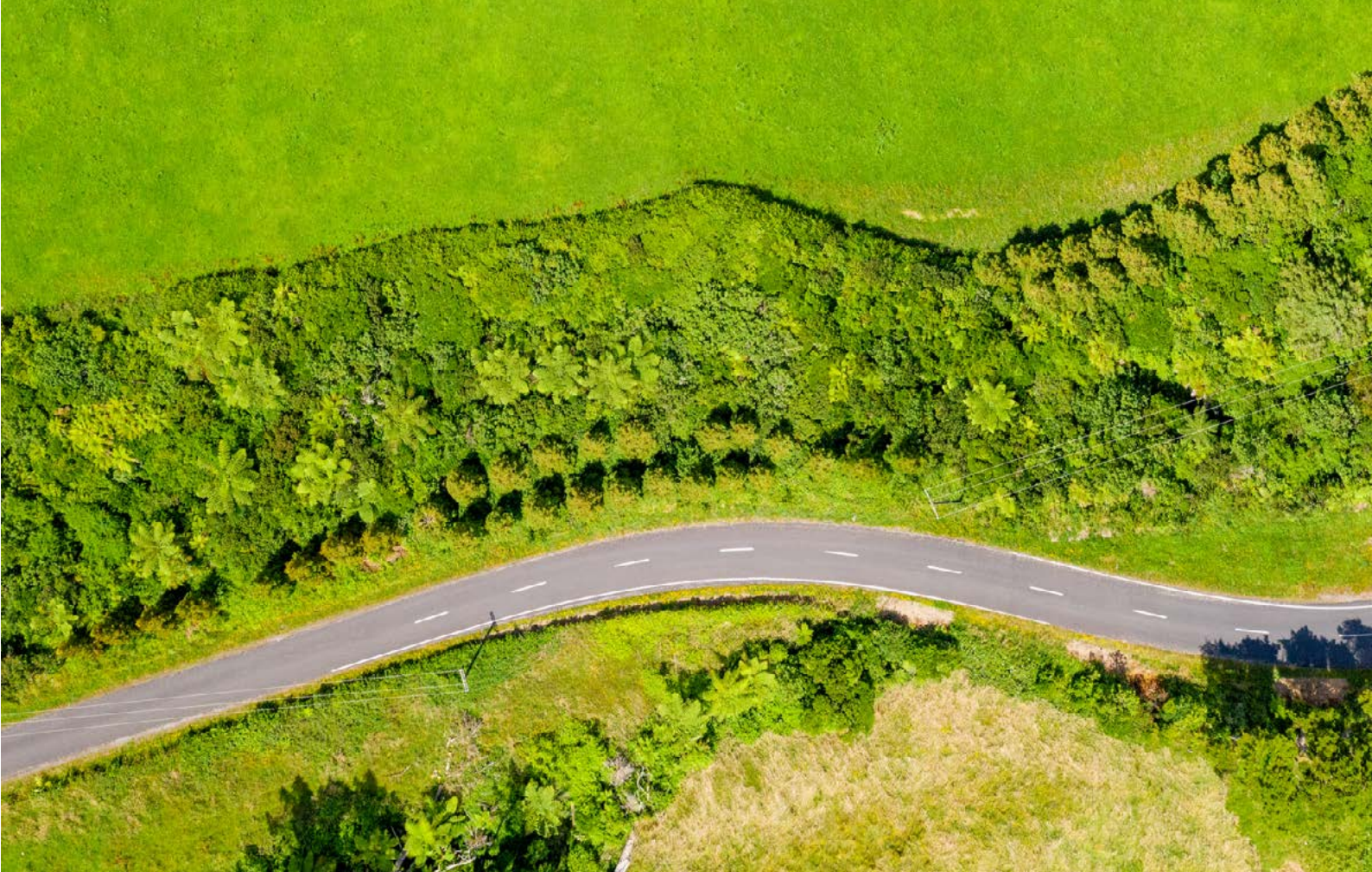
Through the progress we've already made, and the progress we will make over the next term, New Zealand will build back better.

## **WHAT WOULD YOUR FOCUS AREAS BE OVER THE NEXT THREE YEARS?**

Labour is already rolling out our plan to build a better New Zealand in the wake of the pandemic. As a result of our team going hard and early, we're currently performing well. We're containing the virus, opening up New Zealand's economy faster than other countries, and looking after our people.

And we're getting on with our plan to rebuild. We're investing in our people, cushioning the blow with the wage subsidy and investing in extra mental health and wellbeing support. We're getting Kiwis back to work and training by making apprenticeships free, building thousands of new state houses and creating thousands of jobs on crucial infrastructure projects. We're preparing for the future by investing in clean energy, housing and our environment.

We backed our small businesses, entrepreneurs and job creators through the COVID-19 outbreak and continue to support them to grow and export, with tax refunds, interest free loans and more. And we're positioning New Zealand globally by helping exporters connect with overseas markets and negotiating trade deals with the UK and the EU.



Our work over the next term in government is to keep rolling out this plan, making wise investments to improve New Zealanders' wellbeing for many years to come. Labour's plan will keep New Zealand moving.

### **WHAT ARE THE KEY ISSUES FACING BUSINESS IN 2021?**

Labour has backed New Zealand businesses during COVID-19. We acted quickly to cushion the blow on businesses and workers with the wage subsidy scheme that supported around 1.7 million workers through the lockdown. And we've continued to provide support as the pandemic has exploded through the global economy.

We've made significant changes to the tax system to boost cash flow and encourage investment. We've provided low interest and interest-free loans to more

than 50,000 businesses. We've changed laws and regulations to help people stay in work. And we've set up more business consultancy support to provide advice and help businesses get through the tough time. And we'll continue our massive infrastructure investment programme, including new roads and public transport, to create jobs and fill New Zealand's infrastructure deficit.

As a result of our success with our health response, our economy is now more open than almost any other country in the world. There's no doubt there will be economic challenges ahead as the pandemic rages overseas, but New Zealand is well-positioned to build back better right now. Labour will continue to roll out its plan to support New Zealand businesses and grow the economy, providing proven, stable, and trusted leadership to help us through.

# National Party finance spokesperson Hon Paul Goldsmith

## WHAT IS YOUR VISION FOR NEW ZEALAND IN 2050?

Our vision is for a prosperous, dynamic country where people have opportunities to succeed. Not just making a lifestyle decision to live in New Zealand, but seeing opportunities for themselves and their families to reach their potential. A prosperous economy where Kiwis can find satisfying and well-paying work that allows them to enjoy a high standard of living.

More broadly, I want to see a country that has preserved and built on the things that are special about New Zealand now, such as the quality of our environment, so that our water is cleaner, our forests continue to regenerate, and our air is clearer. But also that we strengthen our social cohesion between the rich and poor, and the people from many ethnicities who call New Zealand home. We should never take for granted our high levels of trust and low levels of corruption, our freedoms and our commitment to the rule of law.

## WHAT WOULD YOUR FOCUS AREAS BE OVER THE NEXT THREE YEARS?

1. Creating jobs. The government clearly believes the best way to create jobs is for the government to buy them. National has a different view. Astute government investment during a crisis can help generate jobs, but the primary engine of sustainable job creation is private sector investment.
2. Making sure debt doesn't spiral out of control. The actions we take today could leave a legacy of debt for future generations. Such levels of debt would leave our children and grandchildren – not to mention ourselves

– profoundly vulnerable to the inevitable next shock. The recipe for getting on top of debt hasn't changed. Rather than the lazy option of putting up taxes we will rely on the prudent mix of disciplined spending and growth-orientated policies.

3. Making a start on infrastructure that will transform our economy. National's approach to infrastructure is simple: make decisions, get projects funded and commissioned and then get them delivered. We have already announced our \$17b Upper North Island Transport Programme that would connect Whangarei, Auckland, Hamilton and Tauranga with four-lane expressways to create a genuinely integrated region of 2.5 million New Zealanders. A further \$14b in projects will be announced over the remainder of the country.

## WHAT ARE THE KEY ISSUES FACING BUSINESS IN 2021?

1. Safely opening the border. On setting a path to make progress on the border, we recognise the great anxiety being felt by New Zealanders about a potential second wave of COVID-19. The most important thing for the economy is to avoid a return to any sort of lockdown. That is why competent management of the border and quarantine arrangements is vital.
2. The restoration of an environment where business feels confident to invest. National has an economic plan to restore business confidence and revive the economy. The core elements to the economic recovery are lower taxes, regulatory restraint, consistency and an openness to investment. 



# Is your board at its best?

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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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**TRAIN** together for your  
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***The  
board's  
role in  
a crisis***

AUTHOR  
AARON WATSON



Thinking ahead, identifying missing actions and providing technical and emotional support are among the best things a board can do in a crisis, two leading directors say.

**W**hen COVID-19 hit New Zealand in early 2020, Don Elder CMIInstD reached for his pandemic response pack.

“I was able to go into my cupboard and pull out my pandemic pack that included masks, plastic gloves, a water purifier and a range of things like that. This was a pack that had been given to me before travelling overseas during the SARS outbreak,” Elder says.

“I also knew the procedures that are needed. For example I already knew what social distancing was.”

Any significant company that didn’t have a crisis response plan suitable for COVID-19 after some work to make it specific was not managing risk as well as it should, he says.

“It may be at the extreme end, but I would struggle with anybody saying COVID-19 was something we couldn’t see coming.”

**“It may be at the extreme end, but I would struggle with anybody saying COVID-19 was something we couldn’t see coming.”**

His anecdote highlights that a board’s first role in a crisis takes place long before the crisis hits. Boards must understand risk and ensure their organisations are as well prepared as they can be for likely higher risk events.

But it’s when the unforeseen occurs that a board must really step up.

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## CRISIS LEADERSHIP

“In a crisis there are no rules. You have to go back to fundamentals and work out what the right answers are. The worst thing you can do is think conventionally,” Elder says.

“A lot of the time normally available to challenge, ask questions and think strategically is no longer available. That’s where the board’s role is really important.”

Former Reserve Bank chair Rod Carr was Vice Chancellor of Canterbury University when Christchurch was hit by major earthquakes in late 2010 and early 2011. The second, larger, quake in February 2011 left 185 people dead and the city badly damaged.

In the immediate aftermath, Carr had his hands full ensuring the safety of his students and staff. It left him with a profound appreciation of having a board that can remain a step removed from the pressure of the immediate crisis.

“Somebody has to think about reopening, future cash flows, the impact on society and how that may affect the organisation. That is difficult for management when the question in front of them is ‘how do we get the lights on?’” Carr says.

The day-to-day operations also need to remain a priority, as far as that is possible, Elder adds.

“What often happens is that management are so busy fighting fires that people who should be focussing on BAU can get sucked into the crisis,” Elder says.

“The CEO is often one of those people so most organisations will have a crisis plan, for most types of crisis, that does not place the CEO in charge of the crisis response team.”

**“What often happens is that management are so busy fighting fires that people who should be focussing on BAU can get sucked into the crisis” — Don Elder CMInstD**

## ADDING VALUE

Carr says boards must find ways to help the executive team – and the CEO in particular – find a way through the crisis without overstepping the traditional separation between board and management.

“The board should not try to manage the business,” he says.

“The board should be sufficiently involved to test, to form a view and have confidence that the chief executive and the leadership team are doing what could be expected - and then keep out of the way.”

Boards should offer “technical and emotional support” that helps the CEO and the executive team manage the organisation through the crisis, Carr says. Technical support may be simply continuing with normal oversight and helping assure stakeholders – be they shareholders or government agencies – that the CEO and executives are doing all that could be reasonably expected.

“So, to run interference for the management team.”

Technical support also includes offering knowledge. “Where there is guidance to be offered, a board should offer it to the chief executive. There is a collective wisdom that arises and that’s why we have boards as governing bodies rather than just individuals.”

But boards need to remain mindful that they are not managing the crisis response.

“In a crisis, it is important to know who is in charge and what they are in charge of. Any confusion about that will make it very difficult to provide timely and consistent decision making.”

Boards can also provide emotional support, Carr says.

“A board needs to remember that CEOs and executives are individuals, people who may themselves be personally affected, depending on the nature of the crisis. They will certainly be under unusual levels of stress and anxiety as they seek to respond. The emotional support a chair and board can provide can be critical to helping a chief executive stabilise a situation and focus on the necessary tasks at hand.”



Elder was also CEO when the quakes hit Christchurch, heading state-owned coal company Solid Energy. He says the space afforded by having a crisis response manager take over the response team was very useful.

“When I got into the crisis response room thinking – that as the CEO – I should be running this, I discovered instantly that the crisis response plan had appointed a crisis response leader who was already there, who had called the team together and they were waiting for me to take up my role as a link to the rest of the organisation, including the board.

“That was great because it let me sit and listen, challenge, offer thoughts and then make sure the interface with the rest of the organisation was working. I could make sure everyone else knew that their main focus was to keep running the business.”

### WHEN THE BOARD STEPS UP

At that time, Elder began having nightly calls with the chair and the board to seek views on the organisation’s crisis response. There were often things identified by the board that the busy executive team had missed, he says.


“The board was more active than ever but wasn’t intruding on the company. It was providing extra thinking. The board’s role was to check in and, more importantly, to think about the things the exec team were probably not thinking about. The board must think a week down the road when everyone else is thinking in terms of hours or days. “

A board also has to be confident that the CEO and executive team are making the right decisions. But what can they do if they feel the crisis response is going awry? Carr warns that this is a time for caution.

“There is a temptation, particularly where chairs or board members have previously been executives, to revert to type and want to be right in the middle of it,” Carr says.

“The first step is a timely diagnosis of why things are going wrong. Is a chief executive incapable? Is it simply a judgement that things are going wrong because the

CEO is not doing things the way the chair might have done them?

“Are things going wrong due to things beyond the control of the executive team? That is different to concerns about the executive team’s ability to execute their responsibilities.” 

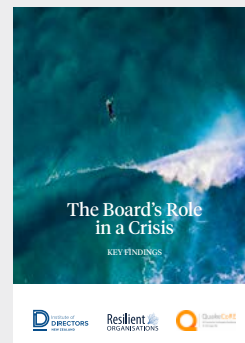
## The board’s role in a crisis

Don Elder CMIInstD and Rod Carr were among the chairs, board members and chief executives interviewed for the research paper *The Board’s Role in a Crisis*.

The paper includes insights from Kiwi and Australian directors who have had to respond to natural disasters, reputational crises, market collapse, critical infrastructure failure, terrorist attacks and pandemics responses.

Interviewees were drawn from many sectors including banking, education, health, electricity, transport, mining, manufacturing, retailing, local government, and scientific research.

The guide was prepared by Resilient Organisations in partnership with the Institute of Directors and QuakeCoRE. It identifies six key areas for a successful board response: be prepared; coach and guide the team but don’t try to play the game; trust and relationships are critical; agile decision making; prepare for the long haul; amplify health and safety.



The guide is available to IoD members at [iod.org.nz](http://iod.org.nz)

# The hacker mindset

How to understand and counteract hacker behaviour.



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



POWERED  
BY KORDIA

Understanding the perpetrators behind cyberattacks and their motives has always been difficult. Unlike traditional criminals, it's rare for hackers to be identified and captured by the authorities, especially when they operate from jurisdictions beyond our own.

You may have a preconception of a typical hacker – a socially withdrawn individual operating out of a basement somewhere. Media depictions do little to dispel this myth, often illustrating reports of hacks with imagery of a hooded, faceless figure hunched over a laptop.

While there are some instances of individual hackers causing damage, most of the high-profile breaches are in fact the work of multiple criminals working together in large, sophisticated organisations. These gangs are much like other crime syndicates – they are efficient, well organised and have plenty of resources to fuel their exploits. They treat hacking like a business – and a lucrative one at that.

## HACKING IS A BUSINESS

To give you some perspective of the scale, Information Age reports that over 1.5 trillion dollars passed through criminal networks in 2019 – a figure equal to the GDP of Russia. There is big money to be made through cybercrime, and the global connectivity enabled by the internet means it's very easy for foreign criminals to expand their operations to our shores.

Early cases of hacking often saw big organisations targeted – with bad actors looking to gain the most from their efforts by targeting those with plenty of wealth.

Now, we're just as likely to see the SME sector in the firing line.

Tools exist to help criminals automate and scale up attacks across multiple victims – a mass market approach to sourcing fresh victims. There are even "ransomware as a service" toolkits available for sale on the dark web with everything an unprincipled individual needs to launch a campaign, even those without a technical background.

Hackers are also finding new ways to extract the maximum amount of money from their victims. In the past, a hacker may have just locked you out of your systems. This has evolved and now the more sophisticated attackers will also steal sensitive data, which is then used to elicit ongoing ransoms or is on-sold to other criminals via the dark web.

The significant thing to remember is that money is the main motivator for these types of cyber criminals. They are always looking for something, or someone, to exploit for maximum return for their investment.

The recent reports of hackers using COVID-19 themed attacks are typical of their behaviour. Preying on fear and uncertainty is part of their modus operandi – which is why businesses are particularly at risk following the disruption caused by the pandemic.

## PSYCHOLOGY OF AN ATTACK

Hackers typically follow the same way of operating. By analysing this we can start to counteract their behaviours.

### 1 Reconnaissance

The first stage of an attack usually involves reconnaissance, either online or through physical scouting. A group of hackers may research your key personnel or even try and infiltrate your offices – depending on how deep they want to go. This is important groundwork for the next stages of the attack.

### 2 Delivery

This is where the hacker attempts to scam their way into your systems, often via a social engineered phishing email or SMS. A very convincing phishing campaign can successfully mimic correspondence from colleagues, financial institutions and even the authorities. Some hackers will even go as far as constructing fake company login webpages in a bid to fool you into sharing your credentials.

### 3 Breach

Once a target is breached, the hacker will probe your systems looking for anything they can use to their advantage. This period can take weeks, or sometimes months - akin to the way a burglar might trawl through every room in your home during a robbery. Exploring your networks is a way for a cybercriminal to determine what data or systems hold the most value to you – so they can extract whatever they can use to make you pay the highest ransom.

### 4 Attack

All this happens before the hacker injects their malicious code, infecting your systems. If you can stop a cyberattack anywhere along this kill chain you have a much better chance of rebuffing the forthcoming attack.

## YOUR BEST DEFENCE

It may seem futile to fight off a cyberattack against a faceless hacking syndicate, but there is plenty you can do to make your organisation a less vulnerable target.

### 1 Detect intrusion

Having the means to detect an intrusion during that critical period where hackers are exploring your network is invaluable. By monitoring for unusual or irregular activity you can detect and eject an intruder before they wreak havoc on your organisation.

### 2 Assess systems


Ensuring you conduct regular and ongoing assessments of your systems and applications, probing for gaps and regularly patching vulnerabilities, is an absolute must. The board should be setting expectations with executives to provide regular reporting on this. It is an issue that cannot be ignored.

### 3 It's not just IT

It's also important for directors to understand that technology is only part of the story. Malicious hackers prey on our human nature to elicit a behavioural response – whether that be a clicking on a link or entering details into a scam site. Employees must be trained to adopt cyber-safe behaviours and learn to identify, and report, suspected phishing attacks. Remember, a hacker only needs one person to click on a bad link to access your systems.

### 4 Ongoing improvements

Finally, the most important thing to remember is that the road to creating a more secure and resilient organisation is never ending. It should be looked at as a journey that requires constant improvement and benchmarking as the threat landscape evolves. Just as cybercriminals evolve their operations and techniques to attack our most valuable assets, boards need to look at cybersecurity as a strategic initiative and drive focus within the organisation on achieving and maintaining the strongest defensive position. **b**



More than 100 climate test cases globally are looking for legal purchase against companies. What happens when one finds it?

# The net is tightening

## AUTHOR

**DR SAM MCLENNON, NEW ZEALAND  
ASSOCIATE, CLIMATE CHANGE AND  
MODERN SLAVERY, BWD STRATEGIC**

**D**irectors are accustomed to differentiating a snapshot from a trendline. Earnings over a given financial year, for example, might not adequately portray the position of the company to generate earnings over the subsequent decade.

The legal risks posed for companies and directors by the climate crisis can be looked at through the same two lenses. Except in this case, both the “state of play” and the “direction of travel” reveal a similar story: a tightening net.

## THE STATE OF PLAY

The utility company Pacific Gas and Electric is generally considered the first corporate casualty of climate change, bankrupted by its legal liabilities for the 2018 Californian fires. While the success rate of climate lawsuits has been relatively low, when they succeed the consequences can be severe.

A survey late last year counted a cumulative global total of 1,400 climate-related litigation cases, with a sharp uptick in case volumes occurring in 2007 and jumping further again from 2016. More than 1,000 of those cases have been filed in the US, with – at last count – 18 here in New Zealand and another 104 in Australia (the second highest number globally).

The vast majority have targeted governments and their agencies either directly or for approval of/consent to business projects. Businesses have been directly targeted in 135 cases, predominantly against operators in the energy and natural resources industries.

Typically, the claims launched against business can be characterised as making one or more of three broad demands:

1. **Greater disclosure from a business** on its climate risks and how they have been taken into account in its strategies or decisions.
2. **Cancellation or changes to specific projects** to avoid “locking in” future emissions or introducing new climate risks (for the business or for other groups within society).
3. **Compensation** for historical emissions (including, in some cases, the future impacts they will cause).

The litigants in these cases consist of a dazzling array of stakeholders, including some surprising ones.

Perhaps most expected are individuals and groups directly affected by company actions, including customers. In 2018, for example, Mark McVeigh launched a lawsuit against his Australian superannuation provider, REST, for “failing to have, and failing to disclose, strategies to deal with climate-related risks” relevant to his retirement savings.

Against a backdrop of increasing shareholder activism, shareholders have also extended their efforts on to this legal front, as have NGOs including the environmental law firm ClientEarth.

Local and regional governments have felt moved to litigate against business. The State of New York has



recently and repeatedly sued Exxon Mobil, for example, initially seeking compensation to fund New York City's adaptation costs against future climate impacts such as storm surges, hurricanes and sea level rise.

Some lawsuits have been even more surprising, such as Saúl Luciano Lliuya, a Peruvian farmer, targeting the giant German energy company RWE. The farmer sued RWE for its 0.47% share of cumulative historical emissions, which threaten to cause flood damage to his farm by melting the glaciers above it. The case was ruled admissible, opening a door for further cases between distantly correlated business and affected parties.

These cases may not seem overly threatening for NZ companies and directors. Case numbers remain fairly low, and their success rate – in a legal sense – isn't overwhelming.

But even when businesses are not the direct target, the intent of many climate lawsuits is to exert pressure on business strategies, projects and activities. It may soon, or may already, be the case that the mere threat of legal action changes the pliancy of insurers and banks in business projects, further shaping and constraining corporate behaviour.

All in all, it pays to beware a jury still out.

## THE DIRECTION OF TRAVEL

Even if the specific legal strategies have not yet been locked in, the intention to use the law to challenge previous, current and future corporate activity is clear.

Globally, courts are in a period of legal testing, with litigants pursuing multiple potential vulnerabilities in companies and, to a lesser extent, directors. Successful cases will likely unleash a host of "chaser" lawsuits leveraging any new precedents.

It's important to realise that the evolving backdrop to this legal action – societies grappling with climate trajectories, risks and action – provides an ever-more conducive setting for these lawsuits.

For example, scientific understanding of current and future climate impacts, and its ability to discern climate signal from noise, is increasing. Likewise, regulatory moves and investor and shareholder demands are increasingly clear and well-supported. These trends favourably affect the prospects of future lawsuits finding purchase.

Business needs to understand that climate change is shifting from being an ethical issue to a financial issue. As NZ directors will perceive, that shift cues various legal obligations on both companies and directors.

**“The State of New York has recently and repeatedly sued Exxon Mobil, for example, initially seeking compensation to fund New York City’s adaptation costs against future climate impacts such as storm surges, hurricanes and sea level rise.”**

We can look to Australia for a glimpse of the legal territory New Zealand might soon be headed for. The update last year of a landmark 2016 legal opinion, written by leading NSW barrister Noel Hutley SC and Sebastian Hartford Davis, chronicles relevant developments from the last three years. Hutley and Davis point to:

the emergence of a striking degree of alignment amongst Australia’s regulatory bodies’ on climate risk and disclosure,

significant changes in financial reporting frameworks, including the appearance of the Taskforce on Climate-related Financial Disclosures (which the NZ Government has proposed making mandatory for NZX-listed companies)

notable developments in the state of scientific knowledge, enabling more accurate attribution of severe weather or climatic events to climate change (for which companies contribute a calculable proportion).

Taken together, these developments are tightening the net on what is expected of businesses in relation to climate risks. As Hutley and Davis concluded in 2019: “Regulators and investors now expect much more from companies than cursory acknowledgement and disclosure of climate change risks.”

## BRINGING IT HOME

Directors, whose responsibilities go hand in hand with the material and financial risks of the companies they oversee, are clearly implicated in these developments.

Australian directors will be familiar with Hutley and Davis’ conclusion last year that: “It is increasingly difficult... for directors of companies of scale to pretend that climate change will not intersect with the interests


of their firms. In turn, that means that the exposure of individual directors to ‘climate change litigation’ is increasing, probably exponentially, with time.”

The legal context differs here in NZ, with the result that – for the time being – directors appear to have slightly freer rein.

In October last year, reporting to the Aotearoa Circle, Chapman Tripp conclusion was that: “Directors must assess and manage climate risk as they would any other financial risk.” The law firm expanded to state that, where the company has public disclosure obligations, directors also need to ensure they are disclosing material financial risk due to climate change as they would disclose other material business risks.

Yet any flexibility inherent in this conclusion seems unlikely to endure. Adrian Orr, the Governor of the Reserve Bank of New Zealand, is famed for his attention and advocacy on this issue, while the government has proposed making climate reporting mandatory for NZX-listed companies (if not others too). That proposal received strong support from the business community, with a handful of leading members already moving to disclose their climate risks and strategy.

Again from Australia, Geoff Summerhayes, an executive board member of the Australian Prudential Regulation Authority, stated his organisation’s position unequivocally: “Climate change risks are no longer a future or non-financial problem and that many of these risks are foreseeable, material and actionable now.”

It seems that anyone - directors included - tempted to downplay the impacts of climate change on business has another river to cross, and a new legal front to watch. 

# Transitioning to emissions targets

The “net zero emissions by 2050” announcements by governments, companies and now investors are now coming thick and fast. The foundations are in place and the stage is set for the next phase – actual emissions reductions.

AUTHOR

*JILLIAN REID, SENIOR RESPONSIBLE INVESTMENT SPECIALIST AT MERCER, MARSH AND MCLENNAN COMPANIES*



Institutional investors - those responsible for superannuation, insurance, endowment or other wealth funds - collectively manage trillions of dollars globally. They each have varying objectives and portfolio allocations and function within different regulatory requirements. However, they are all exposed to climate change as long-term investors.

Financial regulators are increasingly setting the expectation that climate-related risks are financially material and, therefore, must be considered and managed in accordance with fiduciary duty. However, for a growing cohort of investors it is not just regulation driving action, they've already moved beyond minimum standards and are now focused on getting ahead of the risks and opportunities created by the transition momentum.

## TRANSITION AND DAMAGE

There are two parts to climate change considerations: the transition to a low-carbon economy and the physical damages that come with temperature increases we've failed to avoid (the magnitude of the latter depending on the speed of the former).

Transition comes with change in technology and policy to transform the economy away from fossil fuels, invariably creating risk in some sectors and opportunities in others. Physical damage from an increasing frequency and severity of storms, wildfires, floods and droughts will also generate higher risk exposure in sectors most closely connected to real asset exposure – property, consumer staples and telecoms – but create new adaptation opportunities as well.

The expected financial materiality of these risks is evidenced in Mercer's "Investing in a Time of Climate

Change" report (2015) and [The Sequel \(2019\)](#). The findings in Mercer's reports support the view that it is in investors' best interests - and consistent with fiduciary duty - to actively support the low-carbon transition to avoid the worst physical damages.

This view is reinforced in reports by The Bank of England, the G-20 Financial Stability Board, The Economist Intelligence Unit and an increasing number of reports within the investment-industry.

## REGULATION AND LEGAL CONSENSUS

As awareness of the financial materiality of climate-related factors has increased, regulators have moved to clarify and legislate their expectations of investors, particularly those responsible for retirement savings and insurance.

Europe has led the way; for example the 2016 EU directive, gradually captured within country laws, that requires pension trustees to document how they take account of environmental, social and governance (ESG) factors and climate change.

During a recent four-year period working in Mercer's London office, I saw first-hand how these new expectations drove changing priorities for consulting colleagues and our clients. And that was before the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, the central banking Network for Greening the Financial System (NGSF), the Sustainable Finance Action Plan and the Shareholder Rights Directive.

There is movement in key Asian markets, mainly on stewardship, and regions in North America and Canada as well, while the current US administration and Department of Labour seem to be heading in a different direction.



More locally, the NZ Sustainable Finance Forum (linked to the Aotearoa Circle) commissioned a legal opinion from [Chapman Tripp](#) which concludes that “directors and scheme managers must assess and manage climate risk as they would any other financial risk”. Further, KiwiSaver default funds are soon to have a fossil fuel exclusion requirement.

In Australia, the Sustainable Finance Initiative is soon to release recommendations, and regulatory bodies Australian Prudential Regulation Authority and the Australian Securities and Investments Commission have flagged their expectations on climate change, to be formalised later this year (industry has been calling for these updates to the 2013 Prudential Practice Guide since at least 2016).

These developments only strengthen the legal arguments and avenues where investors fail to keep pace. Litigation is primarily being targeted at companies for failure to mitigate, adapt or disclose, but there are examples of litigation against governments and, most recently, superannuation funds.

As signals from regulators become stronger and/or more investors take action, those who fail to consider, manage and disclose their potential portfolio-specific risks may be susceptible to legal challenges in the future.

## TARGETING TRANSITION

At the other end of the spectrum, there is a growing group of investors who, rather than waiting for regulation or threats of litigation, are instead taking the lead.

They have already followed the TCFD guidance and undertaken scenario analysis and carbon footprinting, and joined collaborative initiatives like [Climate Action 100+](#). That scenario analysis has told them it is in investor best interests for a transition from our current 3°C temperature increase trajectory to 2°C or ideally 1.5°C (consistent with the Intergovernmental Panel on Climate Change’s scientific consensus and the 2015 [Paris Agreement](#) ambition).

With this in mind, there is now the [Net Zero Asset Alliance](#) of 27 investors and the [Science-based Targets](#) initiative on the financial sector, committed to net zero emissions by 2050, actively working on the methodology for specific metrics and targets over the next decade.

The investor groups on climate change across Europe, Pacific and North America are also agreeing guidance to support their members to set transition action plans. Not surprisingly, Mercer is also now ready to help investors to build on scenario analysis and create a transition plan that sits within investment process decisions, including setting emissions baselines and calculating reductions targets across a total portfolio.

The methodology on how to account for emissions throughout the supply chain, and account for growth and meet investment objectives while achieving emissions reductions, are works in progress. However, the first steps for the initial years are actually fairly clear.

Forecasting exactly how a transition scenario might play out also isn’t simple, especially anticipating market pricing. It could be a gradual, orderly transition, but Mercer also stress tests sudden scenario shift over the next decade. A transition, of some description, as the most likely direction of travel is fairly clear.

It’s up to all of us – investors, companies, governments, individuals – to decide if we are intent on achieving the 2050 net zero target and the road we take to get there. Perhaps the current global pandemic will help focus our minds on systemic risk impacts and the benefits of coordinated action sooner rather than later. We might even find positives in the transition, and avoid the worst of the negatives that we can no longer ignore. **b**

106 HOURS

2017

\$44K

127 HOURS

2018

\$45K

140 HOURS

2019

\$46K

147 HOURS

2020

\$46.7K

## Get the full picture

### Institute of Directors Directors' Fees Report 2020/21

The Institute of Directors (IoD) with EY has released its 2020 IoD Directors' Fees Report. The report is a key source of information on director remuneration trends in the New Zealand market. The result of the survey of 1,202 directorships, overs 674 members and 1,830 organisations.



If you would like to purchase the full report from our survey partner EY please call EY on (09)377 4790, email [survey@nz.ey.com](mailto:survey@nz.ey.com) or call IoD 0800 846 369.



# A boost for community governance

The National Action Plan for Community Governance launched in August will help boards across 114,000 New Zealand non-governmental organisations, charities and community groups.



Work is beginning on the implementation of new ideas to support community governance in New Zealand.

The National Action Plan for Community Governance launched in August by the Centre for Social Impact brings together the expertise of 150 people from across the country, and across the community governance spectrum. It targets seven “outcome areas” (see sidebar) for discussion.

The Centre’s focus will now turn to ensuring the Action Plan is effectively implemented. This will occur in two phases.

The initial “disrupt and support” phase includes the development of a good governance code of practice, campaigns to promote awareness of the value of community governance and the On Board initiative to deliver basic training to board members when they first take up a role. The plan also calls for the enhancement of resources and opportunities for sharing knowledge across the community.

Phase two, “embed and sustain”, will seek to strengthen the pipeline of talented leaders in the sector, provide opportunities for chairs to support one another, and to promote increased business investment to support the work of community organisations.

In the foreword to the Action Plan, Steering Group Chair Mele Wendt MNZM MInstD and Head of the Centre for Social Impact Monica Briggs note that COVID-19 has put pressure on funding and presented huge challenges to the community sector, which is facing the potential of unprecedented change.

“There is always huge weight placed on those who serve on the governance (boards and committees) of community organisations, especially to make good strategic decisions and navigate changing environments,” they write.

“This Action Plan is for the 500,000 committed community board members serving their communities.”

## SEVEN OUTCOME AREAS

The Action Plan was developed to answer seven questions on governance capability and effectiveness in the community sector:

1. How can we ensure all board members have the basic skills and knowledge needed for their governance roles?
2. How can we ensure boards perform their governance functions well?
3. How can we ensure community governance is understood and valued?
4. How can we ensure a pipeline of diverse and talented community leaders become members of NGO and community boards?
5. How can we ensure best practice in community governance is identified and shared?
6. How can we ensure the boards of all community organisations are well chaired?
7. How can we ensure all kaitiaki exhibit and role model the right behaviour needed for success in their governance roles?

## READ THE PLAN

The National Action Plan for Community Governance is available in full at [centreforsocialimpact.org.nz](http://centreforsocialimpact.org.nz)





# Reset, not return

Let's choose not to go back but to emerge from COVID-19 smarter, faster, and better in both our businesses and our communities.

AUTHOR  
**MATTHEW PRICHARD, KPMG  
EXECUTIVE CHAIRMAN ELECT**

History tells us that fundamental shifts come out of times of significant disruption.

The Spanish Flu in 1918 triggered the social security and universal healthcare movements in place in most developed countries today. World War II saw the single biggest shift ever in women's participation in the workforce. SARS in Asia normalised the wearing of facemasks in affected countries, and was one of the original catalysts for the uptake of e-commerce in China.

Although we're all still in the middle of crisis management from the economic upheaval of COVID-19, it's time we all had at least half of our energy, imagination and brainpower focused on what shape we want New Zealand to be in out the other side of this crisis.

Not everything about before was ideal. Some things about before are not on the table for us to choose, even if we did want to return. But we do have choices.

## **WE CAN CHOOSE TO RESET OUR MESSAGE TO THE WORLD**

We've spent the last two decades telling the world that we're a nice place to visit. It served us well, and made global tourism an enormous export earner and employer for us. Those tourists aren't coming back in big numbers in the near future.

But suddenly we're on the world stage for different reasons. We have the world's attention for our leadership and our response to this crisis. The world is listening to us and watching us. We have the opportunity to say:

.....  
"Move your high tech / high value business here!"  
.....

.....  
"Move your talented people here!"  
.....

.....  
"Move your capital here!"  
.....

## WE CAN CHOOSE TO RESET SOME THINGS ABOUT OURSELVES AS A NATION

We've had good growth in GDP, low unemployment and we've taken some real steps to address our challenges with the environment. But we've struggled to generate high value jobs, struggled to make real gains in productivity, struggled to modernise our health, education and other services to our people, and we've had creeping growth in inequality between different groups within our society.

Politicians of all flavours are digging deep with promises designed to attract our attention and support. So far, in my view, those are too focused on short-term relief (hundreds of millions of dollars for wage subsidies, \$148 million for jobs killing possums and other predators, \$100 million ripping out wilding pines and altogether close to \$800 million to create jobs in regional environmental projects).

Put that alongside this recent headline: "Government to invest \$11.4 million on developing the country's agritech sector". This crisis creates space for bold thinking, backed with bold spending – let's see more ambition in jobs for science and technology alongside the labour-intensive work schemes.

COVID-19 has made us think harder about our communities. It's harder to ignore the gaps and the cracks when they're expanding under our feet. Let's reset our communities – the way we live, work, learn and interact.

A lot of this needs to be driven by data. We've had some steps over the past several years to be more targeted and joined up in changing outcomes for the hardest hit people and whānau in our communities. This has to be accelerated in this time of crisis, where needs will go up and individual agencies could be stretched more than in any living memory.

Let's reset the way we deliver to our citizens – digital, smart, everywhere, everyone. Today, Auckland parking wardens have smarter, hand-held, joined up technology to do their "essential" jobs than the doctors in our emergency departments, or the social workers and mental health workers on our frontlines.

August/September 2020

“**Let's choose not to go back. Move faster. Get smarter. Stay kind. Mō Aotearoa. Mō tātou.**”

This “infrastructure” is as underinvested and important as the roads and railways we're committing billions to.

Let's choose not to go back. Move faster. Get smarter. Stay kind. Mō Aotearoa. Mō tātou.

## WE CAN CHOOSE TO RESET THE DNA OF OUR ORGANISATIONS

We've made a good start on moving from volume to value. From low-value food commodities to high-value food tech and IP. But it's been at the fringes. COVID-19 showed up the fragility of two dominant markets. It showed up our lack of control over key supply chains. It showed up the weakness of our fragmentation and lack of collaboration.

As businesses, iwi, and government organisations, it's time for a tune up. Time to collaborate. Reset our ambition. We're well placed to beat most of the world out of this event and lead by example. Reset our delivery model – digital everything, from education in Te Tai Tokerau to chilled fish to the door in Seoul. Reset our skill base – attract the world's best, and retrain and educate our own. Reset our attraction of capital – there's plenty of it out there looking for a safer, high-growth home.

We don't confront these kind of fundamental shifts in normal times. But now we're confronted by them – like it or not.

Let's choose to reset. 



Read more in KPMG's "Reset – The future of New Zealand after COVID-19", which is available at [kpmg.co.nz](https://kpmg.co.nz)



# Challenges to diversity and inclusion

Boards should help protect diversity and inclusivity to maintain long-term gains as organisations are forced into short-term restructures due to COVID-19, says Diversity Works.

AUTHOR  
**SUSAN DOUGHTY**

**A** strategic focus on diversity and inclusion cannot be underestimated as a critical part of business recovery in the post-COVID-19 period, says Diversity Works New Zealand Chief Executive Maretha Smit.

She says finding a way to govern inclusion as a strategic imperative to business recovery is a major challenge facing New Zealand's directors in the current economic and cultural climate.

"There is a broad acknowledgement that markets and customer preferences are shifting significantly. Businesses need to equip themselves with all the tools available to compete effectively in this uncharted territory. One of these tools is the prioritisation of inclusive cultures, which will enable organisations to connect with the changes in the customer and stakeholder landscape," Smit says.

Susan Doughty, chair of the Diversity Works New Zealand, says this may require a review of board charters and policies related to people management along with the identification of specific metrics related to inclusive leadership practices.

"These need to be reflective of the current cultural and economic climate manifesting from the COVID-19 economic fallout and the growing social discontent highlighted by the global Black Lives Matter movement," Doughty says.

"Directors need to be using data effectively to make decisions to avoid creating longer-term problems for the business. To do that, boards need to ask the right questions of management," Doughty says.

"What will be the short and long-term effects of restructuring on the diversity profile of the



## “We need to safeguard the diversity and inclusion advances we’ve made to date”

organisation? Review the numbers by gender, by age, by ethnicity. Make sure you understand by occupational groupings what is happening in terms of the workforce segmentation. It’s taken decades to achieve progress in diverse representation within the workforce and it can only take a few ill-informed decisions to impact that progress.”

If achieving gender targets has been a board focus, directors should be asking about the proportion of males versus females as well as ethnicity of those being made redundant during a restructuring process, Doughty says. Often females and under-represented groups are impacted by restructuring in greater numbers because of the nature of the jobs that they perform.

“It’s not to say we should be favouring one gender or group over the other, but it does help you understand what the impact of decisions will be on the workforce.

“It is also important that these metrics span beyond the easy targets of demographic composition, and drill into detailed insights regarding organisational culture and practices to drive equity in the business,” says Doughty, who held senior roles with Ernst & Young and Fonterra and was a director and co-owner of two businesses in a corporate career spanning 30 years.

Obviously, directors need to have a significant focus on the financial sustainability of the organisation, Doughty says. But they will also have a longer-term focus on the overall health of the business and shareholder interests.

“We need to safeguard the diversity and inclusion advances we’ve made to date, and ensure unconscious bias is not playing a role in eroding that hard work,” Doughty says.

### LONG-TERM BUSINESS CASE

Deloitte, in a 2015 study “High-impact talent management: The new talent management maturity model”, found that organisations generate up to 30% higher revenue per employee when employees perceive the culture to be inclusive.

“The business case for an inclusive culture is significant, as it brings innovation and different viewpoints, with a direct correlation to profitability,” Smit says.

But creating that culture requires directors to have the courage to change the status quo, says Rob Campbell CFInstD, who chairs several high-profile Boards including SkyCity, Summerset Group, Tourism Holdings and WEL Networks.

“The natural tendency is to fall back on the old ways in a crisis; to pull in, not look out and open our hearts and minds,” he says.

“We have racial inequality, gender inequality, disability inequality in our employment situation. When you have inequality in a system, and you apply rigid rules, you end up cementing and exacerbating that inequality.”

Campbell says he is very worried when he sees organisations that need to rationalise staff and cut jobs applying principles that are not fair to everyone.

“If we apply rules such as last on, first off, that will suit the interests of the dominant group. The marginal group will be the ones that will get laid off and that’s exactly what we’re seeing.”

Boards need to consider whether what’s happening in the organisation is serving the interests of the people who are most vulnerable or simply protecting the interests of the least vulnerable.

“Diversity of people doesn’t automatically result in inclusion of people. Inclusive cultures create an environment of trust where people feel safe to be themselves...”

Smit says it’s important to note that the terms “diversity” and “inclusion” cannot be used interchangeably.

“Diversity of people doesn’t automatically result in inclusion of people. Inclusive cultures create an environment of trust where people feel safe to be themselves, whatever their background and personal context. Positive and definitive actions to foster cultures of conscious inclusion are needed, because, when you are not consciously fostering inclusion, you may be subconsciously fostering exclusion.”

# Emerging diversity issues

**These are a few of the diversity dimensions becoming increasingly important in a post-COVID world.**

## The next generation

Massey University’s Distinguished Professor Paul Spoonley, one of New Zealand’s leading experts on demographics, says migration to New Zealand is going to decrease significantly for the next few years and employers will have to rely on the talent and labour pool that is currently in the country – or returning New Zealanders.

But the size of the cohorts entering the workforce will also decrease as a result of declining fertility. The effect is that those in the prime working age population will get smaller, and this will be particularly noticeable in some regions in New Zealand. Also, the younger age groups will be increasingly made up of Māori, Pasifika and Asians. If your business or sector doesn’t recruit these young New Zealanders, you will struggle to get the workers you need, Spoonley says.

## Ethnic diversity

Ethnic diversity will continue to characterise population change through this next decade, Professor Spoonley says. Pākehā are ageing – fast – and by 2030, Asian communities will be as large as the Māori community, and both will make up almost 20% of the population, and will constitute a higher proportion of the working age population.

As ethnic diversity increases, the consumption and demand patterns of New Zealanders is changing – sometimes dramatically.

“An understanding of the changing nature of New Zealand and what it means in terms of recruiting and retaining workers, or responding to general shifts in demand and consumption, are going to be hugely important.”

## Gender diversity

Diversity Works New Zealand Chief Executive Maretha Smit is concerned that a disproportionate number of women, from our frontline tourism, hospitality and retail industries, will be lost from the workforce. The new jobs being created are in “shovel-ready projects” within industries that are typically not well-represented by women.

“COVID-19 is also expediting the digital revolution and technology is yet another industry with poor credentials as far as gender diversity is concerned.” **b**

# CLIMATE CHANGE + BUSINESS CONFERENCE 2020

## Redefining Our Future

The global Covid-19 pandemic will define 2020 as the year the world locked down. But a vision of a different world also became – momentarily - a reality: traffic-free roads and skies, falling emissions, clean air, remote working, localised shopping, a heightened sense of community spirit and togetherness, a greater appreciation of nature, and a general slowing down and opportunity for reflection.


In this period of reflection, most people agreed that they didn't want things to return to 'normal' when we re-emerged from lockdown. That this was a once-in-a-lifetime chance to chart a course for a kinder, more equitable, greener future. And to rapidly accelerate the decarbonisation of the planet.

The 2020 Climate Change + Business Conference will explore the extent to which businesses, policy-makers, and civil society have seized the opportunity to transform our future. Among other things, it will consider:

- the flow of Government funding toward recovery projects and international recovery trends;
- the impact of recent policy and legislative changes;
- perspectives from the Climate Change Commission and revised climate science projections;
- impacts on the price of carbon and carbon markets;
- sectoral issues and opportunities; and
- our adaptation preparedness.

The need to build on the urgency and momentum for rapid and substantial decarbonisation remains.

Covid-19 has given us an opportunity - an *obligation* - to transform our future. Will we act with the level of ambition and hope that the climate crisis requires of us, and future generations deserve from us?

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Kirsten Patterson, Chief Executive of Institute of Directors.

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