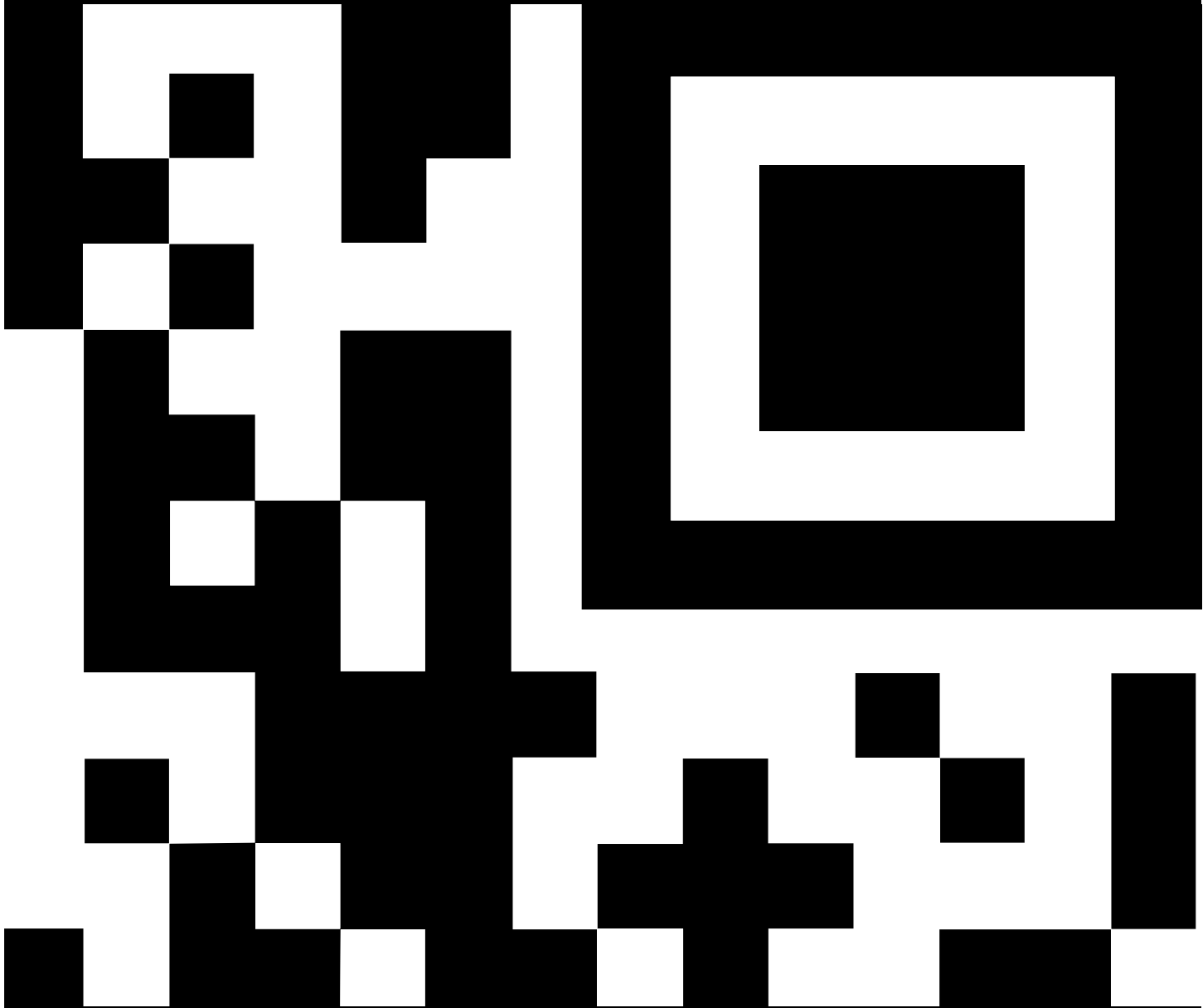


Boardroom

QUARTERLY MAGAZINE OF THE INSTITUTE OF DIRECTORS

SUMMER 2021/2022



 Institute of
DIRECTORS
NEW ZEALAND

Vaccination – a passport to normality? | The test of
pandemic preparedness | The top issues for directors in 2022
| Global talent pool | From Amazon to Tauranga

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“The urgent question of our time is whether we can make change our friend and not our enemy.”

Former US President Bill Clinton in his inaugural address, 1993

Since we started pulling together this issue of *Boardroom*: booster shots have gone from being an idea to a reality; vaccination passports have been introduced; our four levels of covid-19 alerts have been swept away by the “traffic light” system; organisations have devised and implemented vaccination policies; and a new coronavirus variant of concern, Omicron, has emerged on the global stage.

The pace of change is astonishing. And it is the idea of change that ties together the articles in this bumper summer edition.

We explore what “living with” covid-19 might look like in New Zealand during 2022. Immunologist Professor Graham Le Gros discusses the benefits, and limitations, of our current vaccines. UK-based director John Tusa offers a glimpse

into the experience of England, where covid-19 restrictions were lifted in July.

Our Governance Leadership Centre’s “Top five issues for directors in 2022” explores other areas of rapid change – climate, global reconnection, the talent shortage, board character and active regulators.

And we look at innovative change at Te Papa. Given the challenges of finding a good chief executive, why has the board of our national museum decided to appoint two of them?

I hope you find something to interest and stimulate you in this issue. And I wish you a happy and prosperous 2022.

Ngā mihi
Aaron Watson, editor

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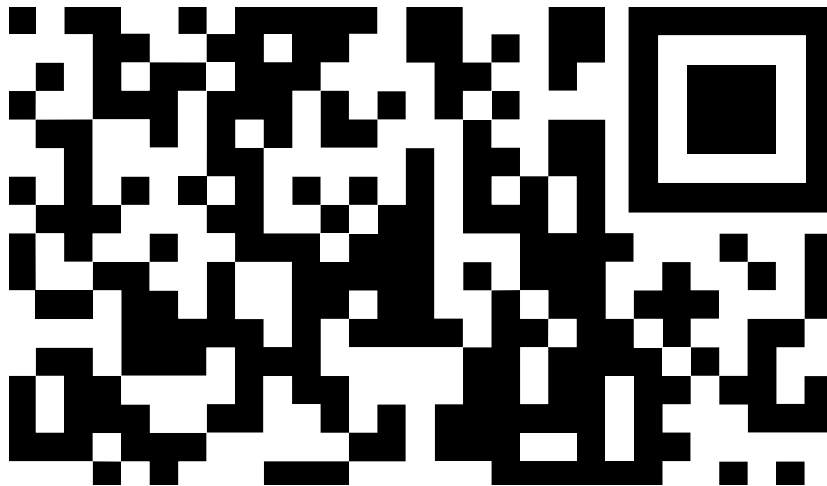
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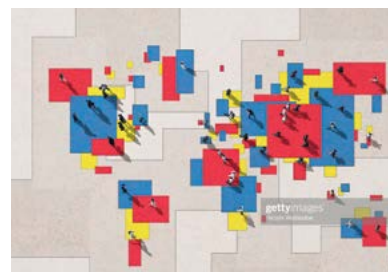
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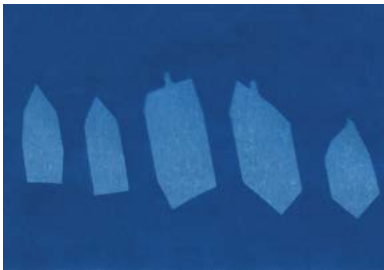
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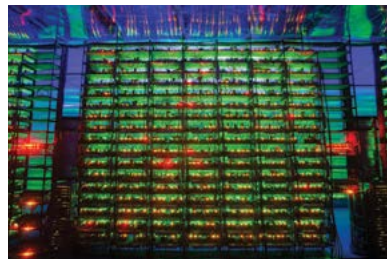
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Scar of freedom

In the days before digital vaccination certificates, people could prove their immunity status by the scar a vaccination can leave.

In the early 20th century it was common for US citizens wanting to board a train or boat, or go to the movies, to prove they were not carrying smallpox by showing a circular scar on their upper arm – a legacy of the smallpox vaccine of the day. New Zealanders of a certain age may bear a similar scar from our tuberculosis vaccination.

More formal vaccine certificates and cards have been required for international travel at various places and times. For example, in the 18th century, visitors to Mecca required a certificate to show there were free of smallpox. And in the 1950s, UK citizens were required to have a certificate of vaccination for yellow fever in order to travel to Egypt.

By the later 20th century, medical practices specialising in vaccination of travellers had sprung up all around the world. Perhaps the only truly unique thing about our covid-19 vaccine certificates will turn out to be the phone that carries them.

Pictured

Four women check their vaccination marks prior to being posted overseas to British Armed Forces bases in the Middle East, in April 1952.

(Kemp/Popperfoto via Getty Images)

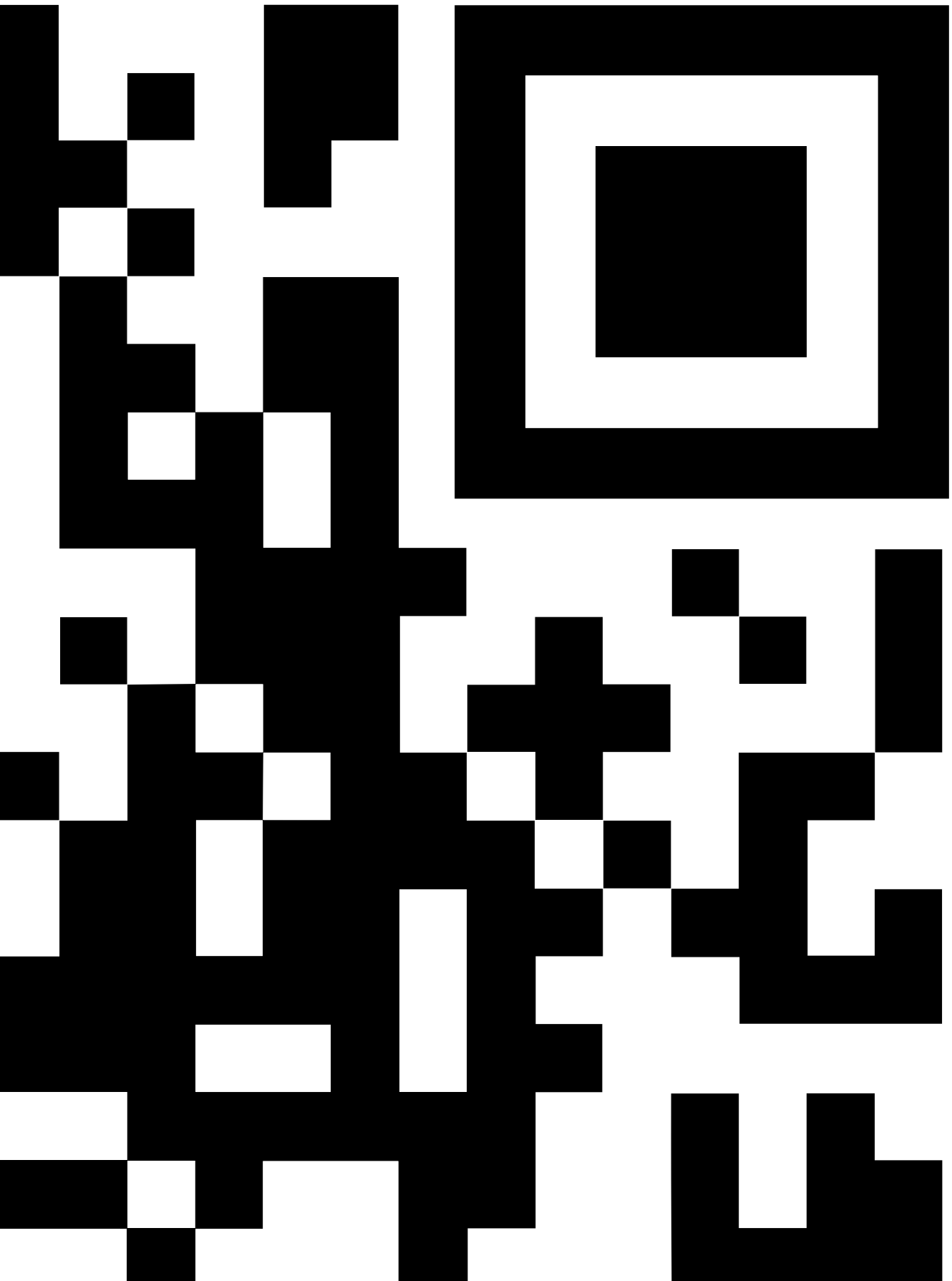


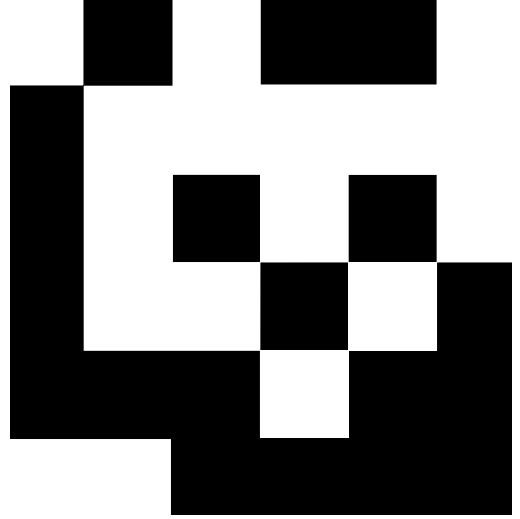
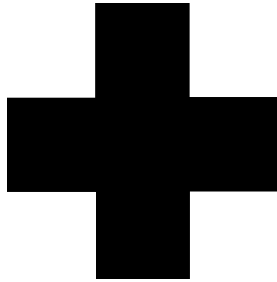


Vaccination – a passport to normality?

AUTHOR:
AARON WATSON,
BOARDROOM
EDITOR

New Zealand's vaccination
regime is not going to get
business back to usual, says
immunologist Professor
Graham Le Gros.





Don't expect achieving the government's 90% vaccination target to vanquish the covid-19 foe. Our current vaccines are simply not good enough.

"We have managed to pull out of our armpits a vaccine that is safe, can be globally distributed manages to stop hospitalisations and death," says immunologist Professor Graham Le Gros, director of the Malaghan Institute of Medical Research and Vaccine Alliance Aotearoa New Zealand – Ohu Kaupare Huaketo.

"But it doesn't necessarily stop transmission."

Unlike vaccines for other diseases, such as measles, our covid-19 vaccine doesn't prevent you contracting and spreading the virus. So businesses instituting mandatory vaccination regimes or restricting custom to holders of the government's vaccine certificate will not be safe from the spread of covid-19, Le Gros warns, adding international travellers could bring back new covid-19 variants [as we were going to print, Omicron had just emerged], even if they are fully vaccinated.

"The vaccine we have was not made to stop the Delta version of the virus. It was stopping transmission of the Alpha version of the virus. But the Alpha variant didn't like that, and acquired a mutation that gave it a way to escape immunity and increase transmission – Delta."

"There will be a whole pool of people – the unvaccinated, young people – who are

"The vaccine we have was not made to stop the Delta version of the virus. It was stopping transmission of the Alpha version of the virus. But the Alpha variant didn't like that, and acquired a mutation that gave it a way to escape immunity and increase transmission – Delta."

vulnerable to contracting the illness from the vaccinated population.

"We need a better vaccine that can protect against covid-19 variants and stop the virus recirculating and becoming endemic. Eliminate it. Eradicate it. Exterminate it. Get rid of it."

A NEW HOPE

It is serious stuff, but Le Gros also offers a glimmer of hope.

"I predict – and you can cut one of my fingers off if this does not come true – there will be an effective vaccine for stopping transmission by this time [October] next year."

If he is right, the covid-19 threat will finally be reduced to a manageable level by late 2022 (or once we all have the yet-to-be developed vaccine) and business can begin to find the much-talked-about new normal.

Part of reaching that milestone is work Le Gros is doing with Vaccine Alliance Aotearoa New Zealand, a collaboration between the Malaghan Institute, Otago and Victoria Universities and other science organisations.

The group is targeting the development of a booster vaccine for New Zealand that could be rolled out as immunity wanes. The government has announced that everyone over 18 will become eligible for a booster six months after their first vaccination.

"We don't know exactly what that timeframe is [that boosters are required]. But we will know later in 2022. We will have a lot more understanding of what

the vaccine can and can't do, and what boosters can achieve."

Vaccine Alliance Aotearoa New Zealand is hoping to have a homegrown booster – a potential supplement to international supplies – in clinical trials by October 2022.

Knowledge of how to treat the infected will also continue to improve, he says.

"At the moment all the panic, and all the shutting down that is affecting business, is because we don't want to overwhelm the health system. Once we have that understanding of how to treat the disease symptoms, and how to 'trickle in' the serious cases, covid-19 will be closer to influenza. You won't have all these shutdowns."

BUSINESS AS UNUSUAL

Le Gros is a strong supporter of "no jab, no job" policies. While imperfect, our current vaccine is the best tool we have to reduce covid-19 harm, he says, but he urges business leaders to think carefully about how living with covid-19 in the community may unfold in 2022.

"My deepest sympathies to anyone trying to run a business or organisation with any scale of people at this very difficult time. But pandemics don't just disappear," he says.

"Businesses are going to have to deal with vaccine certificates, self diagnosis and understanding supply chains."

Don't expect to see lockdowns discarded from the public health toolbox, he says,

"At the moment all the panic, and all the shutting down that is affecting business, is because we don't want to overwhelm the health system. Once we have that understanding of how to treat the disease symptoms, and how to 'trickle in' the serious cases, covid-19 will be closer to influenza. You won't have all these shutdowns."

but expect them to be a lot more targeted. The new "traffic light" system shows how they are likely to play out.

"We cannot go on with these current types of lockdowns. They destroy people's lives. They create mental health issues. Business has to be stronger with its lobbying. Speak clearly and work together and create solutions for the country."

FANCY A FLIGHT?

The realities of the virus mean unrestricted overseas travel is also not going to reappear in 2022, he says. The rapid closure of borders in response to Omicron was a reminder of this.

"Through vaccinations and booster vaccinations we will achieve quite a bit of security for our population. We can have a relatively open environment within New Zealand. The trouble is, people will want to travel to places where it is not like that. To places where there will be different covid-19 strains milling around, where they may still have lockdowns or border control, where they may require a vaccination certificate."

"If we had a way of certifying a person's immunity level – against all the variants of the virus – we would know people were safe when they come back. The sooner we can get a vaccine regime that provides durable immunity and prevents transmission, and a test that you have a certain level of immunity established by your vaccine – we have not got that yet – the sooner we will have a certificate that says you are safe to travel because you are not bringing the virus with you.

New Zealand-based biotech company Orbis is working on an immune test that will show how much protection you have from covid-19. Watch this space.

“The trouble is, business is going to demand these things now, but they don’t yet have the tools. So it is going to be very frustrating for businesses. They just want the rules, and the technology for them to fit within the rules. And that has yet to be created.”

In the meantime, border control will remain important to prevent someone unwittingly bringing a variant of the virus back in.

Meanwhile, the virus is mutating within vaccinated and unvaccinated populations globally.

“We are a breeding ground. At the moment we are guessing that future variants can’t be worse than Delta, but we don’t know.”

THE SCARY BIT

When asked about vaccinating children, which our government has indicated will happen in 2022, Le Gros pauses before delivering a frightening assessment.

“This virus doesn’t just infect our lungs. It infects our heart. It infects our gut. It infects our brain. It infects the cells lining our blood vessels. The long-term consequences of this infection – I am talking about decades – we do not know yet. We do not know the long-term consequences of having this virus growing in your brain or in your heart.”

“I do not want this virus in me and I do not want it in our kids. GET YOUR BOOSTER!” **BQ**

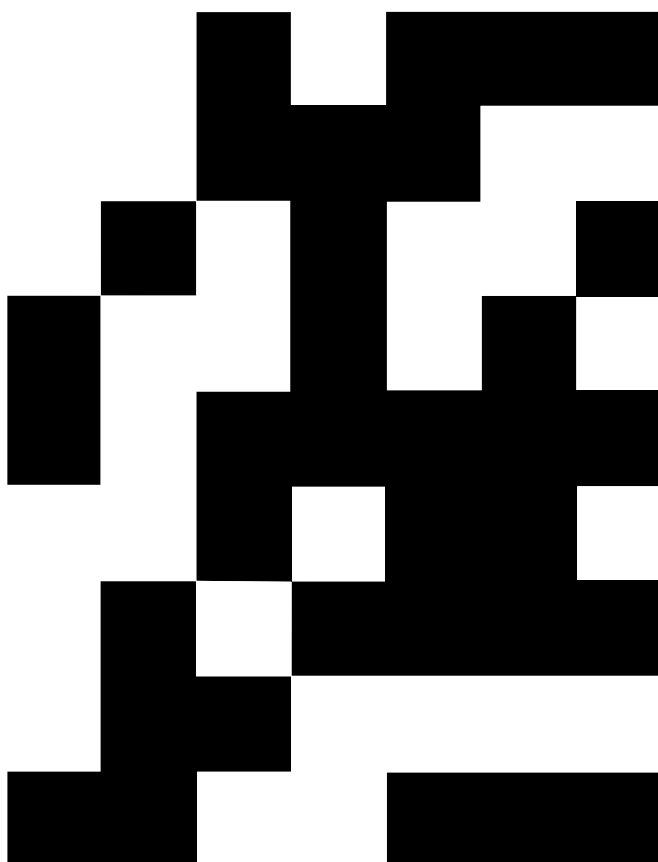
VACCINATION POLICY AT THE INSTITUTE OF DIRECTORS

.....
The Institute of Directors (IoD) has introduced a vaccination policy for employees and attendees at courses and events.
.....

At the heart of our approach is the health, safety and wellbeing of our staff, members and customers. We have also considered how to operate our core business and deliver courses and events with certainty under the government’s traffic lights (Covid-19 Protection Framework) system.
.....

.....
Our policy will require public-facing staff, and attendees at events and courses, to be fully vaccinated, including booster shots as, and when, appropriate.
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Given the high likelihood that health guidelines will evolve as new tools (such as antigen testing) become available, the policy will be regularly reviewed and updated to ensure the most appropriate rules and controls are in place.
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Open for business

AUTHOR:
AARON WATSON,
BOARDROOM EDITOR

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Oxford Street, London 2021.
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What can the UK's experience of living with covid-19 tell us about New Zealand in 2022?

The United Kingdom has been living with covid-19 since dropping all restrictions on 19 July, 2021 – freedom day.

Case numbers held steady – even dropped at one point – before beginning the seemingly inexorable climb familiar in many open or partially-open countries around the world. But daily deaths appear to have stabilised at under 200 (as of November). And authorities have yet to re-impose restrictions, although that could change as the Northern Hemisphere winter deepens.

This UK experience of high daily case numbers, ongoing transmission and an unofficial acceptance of daily deaths is mirrored across Europe and the US. It is not unlikely that New Zealand will see something similar as we attempt to reopen our society and economy in 2022. Although our “traffic light” system means we won't have exactly the same freedoms as those in the UK.

So what does it feel like to be living with covid-19 and does it require a different way of thinking from boards?

H&M



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A UK PERSPECTIVE

Sir John Tusa is a UK broadcaster and arts administrator whose governance experience includes time with the National Portrait Gallery Trust, the board of American Public Radio and as co-chair of the European Union Youth Orchestra. His is a former managing director of the BBC World Service and the Barbican Arts Centre.

Tusa says that England today (Scotland, Wales and Northern Ireland have their own experiences) feels very open, after more than a year in lockdowns since 26 March, 2020.

“It is remarkably open. A lot of people are behaving as if the pandemic is over,” Tusa says.

“We are getting warnings from the medical fraternity that we may have a difficult winter and that you need to get your third jab, if you are eligible for it. There is a certain amount of caution, but more and more people are behaving as if it was, for all intents and purposes, over.”

Tusa still wears a mask. Many people don't. With daily deaths far below the peak of the pandemic (199 on 18 November, 2021, down from 1,820 20 January, 2021), there is an unspoken feeling that this is how things are going to stay.

“My impression is this is regarded as manageable. You don't throw society and the economy into anything like another set of restrictions because, at this level, it is considered manageable.”

GETTING OUT OF HOME

Questions remain as to how many people will go back to work in an office and how many people should, Tusa says.

“On the one hand, some people like working from home because it is cheaper and more convenient. On the other hand, senior people wonder how an organisation can continue to learn if

“My impression is this is regarded as manageable. You don't throw society and the economy into anything like another set of restrictions because, at this level, it is considered manageable.”

it doesn't have everybody in the same place at least some of the time. How can the young learn if they are not in the same place as the people who have experience? That is something we are not yet facing up to.”

Zoom or other online tools remain in high use for both necessary and “unnecessary conferences”, he says.

“Certainly, if this pandemic eliminates unnecessary meetings that will be a good thing.”

Vaccine passports are required to attend prescribed premises or events in Scotland and Wales, and Northern Ireland has announced it will soon launch a similar scheme. But England does not require them.

“My impression is that from time to time the government [in England] raises the possibility of vaccine certificates so you can go into nightclubs or vaccine passports as a whole. Something as complex and thorough as a vaccine passport seems to me to be a long way away. I think it is felt that there are other ways of making sure that the virus doesn't spread accidentally, or in an irresponsible way.”

In England, you may be asked to provide proof of wellness through self-testing for covid-19 in order to attend an event.

“It happens, but I wouldn't say self-testing is part of people's routine. It is regarded as something you do if you are asked to. Each organisation does what it has to, to make people feel safe.

“It doesn't seem particularly onerous but it is a reminder that we are a long, long way away from the way we were able to behave before the pandemic. What shall we go and see? Let's go and see it now. Those days are gone and I don't know when they will come back.”

BOOSTERS A WIN

Booster shots are available to people with underlying health conditions and all adults

over 40. The expectation is that booster shots will help keep the virus in check as immunity due to vaccination wanes.

“Boosters are absolutely crucial. My wife and I got the invitation for a booster exactly six months after we had our second jab and we went straight away,” Tusa says.

“All the signs are that the third jab is having a positive affect on community health. While it is not popular, it is not controversial.”

INTERNATIONAL TRAVEL

Travel is possible but is much more complicated that it was, he says.

“I don’t know anyone who thinks they will go back to their pre-pandemic levels of travel and of holidays. The complications of travel are such that it puts a lot of people off,” he says, adding, “it puts me off.”

“Travel can feel like a burden and you are very glad once you have gotten through it all without having fallen foul of the paperwork and bureaucracy.”

ANTI-VAXXERS

Even as the booster programme is being extended, people remain unvaccinated across the UK. And among those yet to have a first shot are a vocal group who may never accept it.

“Anti-vaxxers are hardcore. They make a lot of noise. They do very unpleasant things like demonstrating outside of school gates and accusing schools of being criminals.”

The government appears to leave anti-vaxxers largely alone on the basis that they make “more noise than cause trouble”, he says.

“There is a great deal of talk here about nudge theory. You try to nudge people in the right direction rather than telling them.

“I am not sure that nudging the anxious, the suspicious, the fearful, the

conspiratorial is actually nudging them very far. The government probably needs a more systematic approach.”

A challenge for government messaging is not to appear to be “crowing” about the risks to those who choose not be vaccinated, he says.

“It does need to be pointed out that if you are unvaccinated then your chances of being extremely ill are very much higher and your chances of dying are very much higher. Keeping that information to the forefront without getting the tone wrong is quite difficult.”

GOOD GOVERNANCE CRITICAL

Tusa doesn’t feel the fundamental role of directors in the UK has changed in the pandemic. But it has put the spotlight on the importance of good governance.

“It is still up to the executive of an organisation to explain what its plans are and how it is going to respond in every sense to the pandemic. And it is still up to the supervisory board to look at those plans and decide whether they are right, appropriate, necessary and so on. I don’t think those things have changed.

“If you don’t have a CEO and chair who are on good terms and talk to each other you are in trouble. If you don’t have a supervisory board that respects the executive while monitoring it, and actually monitors it, then you are in trouble. If you don’t have a good strategy then you are in trouble.”

This is no different during a pandemic than in normal times, he says.

“It’s just a worse crisis. There is more of an argument for getting the governance right. Organisations with good governance are far more likely to emerge successfully than those with bad governance, idle governance or lazy governance.” **BQ**

“If you don’t have a CEO and chair who are on good terms and talk to each other you are in trouble. If you don’t have a supervisory board that respects the executive while monitoring it, and actually monitors it, then you are in trouble. If you don’t have a good strategy then you are in trouble.”



John Tusa’s latest book, *On Board – the insider’s guide to surviving life in the boardroom.*

Jeremy Sole MInstD explains how Etco - the Electrical Training Company arrived at its vaccination policies.

Balanced vaccination policies

AUTHOR:
AARON WATSON,
BOARDROOM EDITOR

Photo:
Chinese acrobats perform a
chair balancing act, 2021.
(Keystone/Getty Images)

Vaccination is mandatory for public-facing workers in many industries including teaching, hospitality and medical care. But what vaccination policy settings are best in businesses with a mixture of public-facing and in-house only staff?

It's a question that can be answered from a values perspective, says Jeremy Sole MInstD, CEO of Etco – the Electrical Training Company.

The business offers online and in-person courses for electrical tradespeople and places apprentices with host companies to gain practical experience, which means managing cross-organisational



expectations around vaccination. It has implemented vaccination policies that bring together legal and ethical concerns and are designed to keep people safe.

“We spent a lot of time over the past few years embedding the company’s values of being energised, caring and grounded. You get a sense that people are attuned to these values,” Sole says.

Those values dictated that Etco ask all staff to be vaccinated as a way to balance health and safety responsibilities and the organisation’s duty of care. Sole says this was met with about the same level of acceptance seen across society generally, with most people happy to be vaccinated, a few uncomfortable but willing and a rump group who do not want the vaccination.

“The last group are the ones we worry about.”

Communications on the policy were clear about the company’s position and rationale. They also acknowledged that some people may have a different view.

Sole says that, from a values perspective, getting a covid-19 vaccination is a way to protect the community in terms of health, freedom from lockdowns and, ultimately, protect jobs. Individuals who exercise their right to choose not to be vaccinated can put those community benefits at risk.

Etco considered making vaccination mandatory for all staff, but legal complexity made this problematic. There is an intersection of law across health and safety, employment rights, privacy and human rights issues that puts businesses

"You have moral obligations, you have legal obligations. It is quite a minefield."

in a difficult position with regards to staff who do not want to be vaccinated, and staff who do not want to work alongside unvaccinated people.

“I don’t want to be a test case,” he says. “You have moral obligations, you have legal obligations. It is quite a minefield.”

So, in line with the latest government recommendations, Etco will take steps to ensure staff are safe on a case-by-case basis. For example, if vaccination is required by a host company then an unvaccinated apprentice will be unable to complete their training at this time.

Sole is pleased the government has signalled moves to clarify legal obligations around vaccination and individual rights versus community safety. Businesses need clear rules if they are to make good – and legal – decisions on vaccination policies, he says.

The current situation requires businesses to make risk assessments for individual roles.

“We don’t want to live in a nanny state but right now it would be useful if they could tell us. There needs to be an avenue for businesses to make a decision.”

With it now clear booster shots will be necessary in 2022 as people reach six months from their second jab, Sole feels being vaccinated is likely to move to being business as usual.

“I think if people have already had two jabs then having a booster shot will not be a problem for them.” **BQ**



**THE
EVOLVING
LEGAL
FRAMEWORK**

The government has announced measures to clarify how businesses should approach policies around vaccination. At the time *Boardroom* went to print the key pointers for businesses were:

.....
Vaccination will be required for all workers at businesses where customers need to show covid-19 vaccination certificates, such as hospitality and close-contact businesses.

Non-vaccinated workers in roles requiring vaccination should be given a four-week notice period to get vaccinated before employment can be terminated.

.....
Employers will be required to provide paid time off for workers to get vaccinated and will need to keep records about workers' vaccination status.

The G20's historic opportunity

AUTHOR:
**FRANCESCO
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EDITOR-IN-CHIEF
AT GLOBALDATA

Governments must abandon the toxic nationalism that has so far stood in the way of a sufficient global response to the pandemic, says Gordon Brown, former prime minister and chancellor of the exchequer of the United Kingdom.

Gordon Brown, former British prime minister and one of Europe's most influential politicians, urged the G20 leaders meeting in Italy to "make history" and sanction the transfer of millions of unused vaccines from rich countries to developing countries that desperately need them. For Brown, the challenge is not just about health. In his view, a nationalist or protectionist response on vaccines would jeopardise economic growth and the return to normality after the covid-19 crisis. Below, he outlines his view.

The G20 has an opportunity to make a huge difference in the fight against covid-19 in two ways. One is to coordinate the flow of vaccines around the world. Six months ago, the problem was supply. Now, the problem is distribution, the inequity of distribution. Africa has got only 5% of its population vaccinated, while Europe and America are at around 70%. We have boosters in rich countries, but still not the ability to have the first vaccine in poor countries. And only the G20 could sort this out because the vaccines are being held by countries that have a surplus of unused vaccines. And they should be airlifted as quickly as possible to the poorer countries.

The organisation that has been set up to deliver vaccines (COVAX) is a very good organisation. If it had the vaccines, it would get them to the poorest countries. The problem is that COVAX is at the bottom of the queue in getting vaccines because countries like the United Kingdom, the United States, Canada, the whole of the European Union and Japan have ordered the vaccines and are ahead in the queue. And so they are stockpiling vaccines. Even if we take into account boosters, and even if young people are vaccinated, and even after we've taken into account the donations that have been offered to those countries, there are around 240 million vaccines that are unused in the EU, America, Canada, and the UK at the moment, that could be airlifted out. And by the end of 2021, the figure will be 600 million. And that's enough for us to meet a 40% vaccination target if the vaccines were distributed equitably.

Unless we act, the disease will spread, it will mutate and it will be in places where people are least protected. Then it will come back to haunt even the fully vaccinated. We in the West may feel safe and blessed at the moment because we've had the vaccines, but we may find

Photo:
Activists from charity
Oxfam wearing giant heads
of G7 leaders tussle over
a vaccine syringe at the G7
summit, 2021.
(Adrian Dennis/AFP via
Getty Images)



a new variant that comes out of Africa or Asia, where people have not been vaccinated and are not protected. And it obviously isn't susceptible to the vaccines that we have at the moment. And that's a real danger, if we don't act quickly to vaccinate the world. The G20 literally provides an opportunity to make history in this regard, because not only can we do something to coordinate the flow of vaccines, but at the same time, we can create the means by which we prevent pandemics in the future.

My worry is, I'll be honest, that the dominant ideology of the age is nationalism. It's not some economic philosophy, neoliberal or Keynesian, or whatever. The dominant government ideology is nationalism. We've seen this with vaccine nationalism and medical protectionism. We've seen the failure to cooperate at certain points during the health crisis, despite the fact that I believe World Health Organization Director-General Tedros Adhanom Ghebreyesus has led the WHO with great integrity.

That's something international organisations have got to fight, to get people to work together. They've got to work hard to achieve this. And obviously,

that makes the G20 a very challenging organisation to chair. But I don't think we can afford to give up trying to achieve cooperation. I do believe that the G20 can take a big step forward. And it's really about persuading other countries. This coordination is essential. And if it's not done, everybody loses. We need that coordination and getting vaccines up to the borders. Otherwise, we will be as ill-prepared for the next crisis as we were for the last one.

I want to see resilience. And of course, when I see businesses and individuals and countries, resilient, that is a good thing. But I would not be complacent about the path of the economy going forward. I think we've got to be aware that this age of nationalism, which is more aggressive than it was 10 years ago or five years ago, is actually a barrier to growth. And it's a barrier to trade. And of course, it may be inflationary in the way it expresses itself. So, I would say to you, we need greater cooperation if we're going to avoid some of the pitfalls that people are anticipating in the months ahead. **BQ**

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“I think we've got to be aware that this age of nationalism, which is more aggressive than it was 10 years ago or five years ago, is actually a barrier to growth. And it's a barrier to trade.”



The test of pandemic preparedness

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The covid-19 pandemic is the product of a globalised, interconnected world. Without new mechanisms that offer truly global approaches to crisis management and prevention, the experience of the past 18 months is likely to be repeated.

The covid-19 pandemic has instilled many harsh lessons. But the most important is that infectious-disease outbreaks pose a risk not just to public health but also to global security.

Like nuclear proliferation, terrorism, and climate change, covid-19 has shown that pandemics can rapidly undermine social stability and economic wellbeing. This point may seem obvious now. But before the covid-19 crisis, infectious disease barely registered on the global security agenda.

If efforts to change that by establishing new funding and monitoring mechanisms for pandemic preparedness are to succeed, half measures won't cut it. To avoid a repeat of history, our preparations must reflect the true extent of the challenge. We must recognise that pandemics now represent one of the biggest – and most likely – threats to global security.

Preventing future pandemics will require not only the same level of investment as other global security threats, on which trillions are spent

Photo:
Hiroshi Watanabe via
Getty Images

routinely, but also an entirely different way of thinking about global security. The pandemic represents a new form of globalised crisis, one that is both caused and exacerbated by the modern world's interconnectedness.

NEW TYPE OF CRISIS

The Spanish influenza pandemic a century ago was not this kind of crisis. Back then, most people across the globe lived in less dense rural settings and international travel was much slower and undertaken by only a small fraction of the population.

But we saw something similar in 2008-09, when economies fell like dominoes. That was the first globalised crisis of this century and we are now coming to grips with what will be the century's defining crisis: climate change.

The common denominator in each case is that the crisis demands solutions that no individual government can provide on its own. An infectious disease cannot be fought with traditional security countermeasures such as economic sanctions, bilateral diplomacy, deterrence or military posturing. Rather, it calls for scientific collaboration, resilient health systems, and long-term investments in global health networks.

Shows of force and unilateral acts of national self-preservation are useless. Global collaboration, strategic multilateralism, and transnational compassion are the only way out of this kind of disaster.

Judging by the current global distribution of covid-19 vaccines, we have yet to muster the necessary response. The coronavirus is still winning and a lack of global coordination is the principal reason why. Instead of finding ways to work together toward common solutions in the face of an unprecedented crisis, key governments are still putting their national interest first, at the expense of the global response we need.

GLOBAL SOLUTION

The global solution to the vaccine distribution problem is the covid-19 Vaccine Global Access (COVAX) facility established last year. By ensuring equitable access to vaccines for people in the poorest countries, COVAX is not only saving millions of lives and protecting hundreds of millions more; it is also offering the best path to recovery.

Even from a strictly economic standpoint, COVAX is far more cost-effective than any form of fiscal or monetary stimulus.

There are now more than 1.5 billion vaccine doses being produced each month – an astounding feat less than a year after the first vaccine was approved, and just 18 months into the pandemic. It is predicted that a total of more than 12 billion doses will have been produced by the end of 2021. Yet while that is enough to vaccinate every adult on the planet, we are still a long way from doing so, because distribution is so inequitable.

Shockingly, only 3.1% of eligible people in low-income countries have received at least one dose, on average, compared to more than 71.1% of people in high-income countries.

This disparity is both morally wrong and dangerously short-sighted. Prolonging the pandemic and allowing more opportunities for the virus to generate new variants ultimately harms everyone. But this failure will not be corrected until governments start acting globally.

Although more than 190 countries support COVAX, many governments are struggling to balance protecting their own populations with acting in ways that serve everyone's interest in global health and economic recovery. **BQ**

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“Shockingly, only 3.1% of eligible people in low-income countries have received at least one dose, on average, compared to more than 71.1% of people in high-income countries.”

The top issues for directors in 2022

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Active regulators, ethics, global travel and supply chains, the talent shortage and climate – again – are the issues directors need to get their heads around in the context of their own organisations.

Recognising which of the myriad issues facing directors should be in our annual top five is always a challenge. Directors need to be across many things as they steer their organisations. The list is long and growing and includes global forces such as the covid-19 pandemic still surging around the world, the climate emergency, transformative technologies, and ever-shifting societal and community expectations.

As we enter 2022, it is almost certain that the pace will pick up as we experience global and local change, challenge and developments. On the horizon for legislative change is a “little bill” which could have a profound impact. The Companies (Directors Duties) Amendment Bill seeks to clarify current practice and provide guidance on directors’ duties. The Bill outlines that a director, in acting as the mind and will of the company, may take actions based on considerations that go beyond the financial bottom line. In the Bill these considerations are open-ended but may include matters such as the principles of Te Tiriti o Waitangi, environmental impacts, good corporate ethics, being a good employer, and acting in the interests of the wider community. [See page 56 for a word from the Bill’s sponsor.]

This year, as we adapt to a rapidly changing environment, the top five issues for 2022 focus on what we believe will be the immediate imperatives.

- Climate crossroads
- Reconnecting globally
- Talent shortage
- Board character
- Active regulators

Core areas such as cybersecurity, and

health and safety have featured in the top five in previous years and are no less important now. It goes without saying that these should, by now, be part of business as usual for directors and on the board agenda.

And while we have focused on immediate issues, boards also need to be thinking longer-term and imagining the future.

This year, take time to envision 2040 – it’s (only) 18 years away. We have selected this date because it will mark a significant milestone for Aotearoa New Zealand, the bicentenary of Te Tiriti o Waitangi.

Many boards are already looking beyond this decade and in te ao Māori applying an inter-generational lens to the future. While 2040 isn’t quite a generation gap (c25 years) the rate of societal, technological and scientific advancement will make it feel like another world when we get there. New business models will have come and gone, artificial intelligence (AI) will be entrenched in all facets of life and business.

When envisioning 2040, rather than asking “where are we going?” ask “where **can** we go?”

In the 2021 *Director Sentiment Survey*, 71% of directors said they expect technology will transform how their board is operating by 2030 (eg, using real time, interactive data in the boardroom and artificial intelligence). Fast forward another 10 years and change will be that much greater. However, directors will still need to cast their minds forward to understand the short-term, medium-term and long-term challenges their organisations face and provide stewardship, strategic leadership and strong governance.

The top five issues for 2022



Pointers for 2022

- Benchmark the climate capability of your board and executive team to identify where you need to build competency.
- Identify and assess the top two or three climate-related risks for your business to help ensure your business strategy is resilient in a low-carbon future.
- Get started immediately. Understand the business improvements needed in your business to drive the sustainability and reputation of your organisation. Don't be afraid to share your experience and your plan of how you will improve each year.

Climate crossroads

“We are, after all, the greatest problem solvers to have ever existed on Earth. If working apart, we are a force powerful enough to destabilise our planet. Surely working together, we are powerful enough to save it.” – Sir David Attenborough at COP26

Boards have a very real opportunity to be a powerful force in taking action on climate-related issues and reducing the environmental impact of their organisations. This year the 2021 *Director Sentiment Survey* saw a rise to 48% of boards saying they were engaged and proactive on climate change risks, which is up from 35% in 2020. Although engagement is increasing, there's still some way to go for many boards as we reach a critical juncture on the road to creating a sustainable future.

AN AMBITIOUS COP26 – BUT WILL IT DELIVER?

The 26th meeting of the Conference of the Parties (COP26) in Glasgow saw a raft of ambitious announcements, new targets, and pledges to try to reach net zero emissions by the middle of the century. But frustration with dramatic gestures and talk, is raging – epitomised by Greta Thunberg's “No more blah, blah, blah!”

In signing New Zealand up to new targets (which received the full ambit of reactions) the Minister of Climate Change, Hon James Shaw warned that: “This decade is make or break for the planet. To stand a chance of limiting global warming to 1.5°C, the science shows we now have about eight years left to almost halve global greenhouse gas emissions.”

Government announcements included a new Nationally Determined Contribution (NDC) target to reduce net greenhouse emissions 50% below 2005 levels by 2030, driven by the Emissions Reduction Plan (ERP) due out in 2022. This will be supplemented by paying for reductions in other countries, especially

in the Pacific. New Zealand also signed up to the methane pledge, with the goal of reducing methane by 30% by the end of the decade.

At COP26 Mark Carney (former head of the Bank of England) announced the United Nations Glasgow Financial Alliance for Net Zero, a coalition of global investors, banks and insurers controlling US\$130 trillion in assets, which would commit to net zero emissions in their investments by 2050. Another ambitious target, but one that will also drive more climate disclosures and scrutiny.

A sustainable financial system is critical to accelerating progress to net zero. In August 2021 Toitū Tahua, the Centre for Sustainable Finance was launched to implement the Aotearoa Circle's Sustainable Finance Forum *Roadmap for Action*, and advance a sustainable financial system that incorporates environmental, social and economic considerations in financial decisions.

SUSTAINABILITY REPORTING TAKING OFF

Climate and broader sustainability reporting is here and on the road to becoming standard business practice.

The *Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021* ushers in mandatory climate-related reporting. The External Reporting Board (XRB) is establishing the reporting framework based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on governance, risk management, strategy, metrics and targets. The XRB has already started consultation on a new standard with phase one focusing on governance and risk management.

Climate-related disclosures will be mandatory for large listed companies with a market capitalisation of more than \$60m; large licensed insurers, registered banks, credit unions, building societies and managers of investment schemes with more than \$1b in assets; and some Crown financial institutions (via letters of expectation). Subject to parliamentary approval,

these entities could be required to make disclosures in 2024.

Reporting under the standard is primarily for investors but the XRB acknowledges the wider stakeholder interest. The XRB's new mandate also extends to issuing guidance on ESG matters. As part of the guidance the XRB has initiated a project considering Te Ao Māori in the context of reporting in Aotearoa New Zealand.

The XRB is already well underway with developing a standard, which it has plans to introduce quite quickly. This poses an extra challenge for reporting in New Zealand, as we will need to ensure we are aligned with global developments.

At COP26, there was another step towards harmonising the global approach to sustainability and ESG reporting with the introduction of the new International Sustainability Standards Board (ISSB). The new board will consolidate the Climate Disclosure Standards Board and the Value Reporting Foundation (VRF, which houses the Integrated Reporting Framework and the SASB Standards). The initial focus of the ISSB will be working on the prototype climate standard and is expected to extend into other ESG areas.

Although the standard will initially only apply to select entities (eg, larger entities in the financial sector) we can expect wider application, including as requirements filter through supply chains, and sustainability reporting becomes the norm alongside financial reporting.

The advancement of climate-related disclosures will also drive more ESG disclosures from organisations. The true value of this reporting will be realised when it goes beyond compliance and is used to drive strategic thinking and decision making across organisations, and realises the goal of reducing emissions.

“This decade is make or break for the planet.”



Reconnecting globally

Travel is expected to remain challenging and supply chains will continue to be unpredictable as the world seeks to revive global connections in 2022.

Are you planning a holiday in 2022? Have you actually booked it? The same risks that impact decisions on whether or not to visit Disneyland will be in play for all decisions on business travel in 2022.

While it is likely that New Zealand and the rest of the world will start to relax border restrictions, the prospect of localised covid-19 outbreaks will probably result in cancelled flights and temporary restrictions on returning to New Zealand. If you are planning to send your staff overseas you'll need a plan to get them home if things change. You'll need to be always on watch to stay up to date with the rules around vaccine certificates, rapid testing and self-isolation for travellers.

Looking at travel through a health and safety lens and understanding the risks in real time will be key. Because things will change quickly if local surges in the virus occur or new variants take hold in different parts of the world.

There is no global standard for things like vaccine certification or when borders may close. So every potential trip will raise its own health and safety issues.

It's a high priority area for directors – 54% of respondents to the *Director Sentiment Survey 2021* put border restrictions in the top three impediments to national economic performance.

IMPORTS AND EXPORTS

Supply chain issues will be one of the major headaches facing New Zealand businesses in 2022. The Ministry of Foreign Affairs and Trade describes the pressure on global supply chains as “intense”. When New Zealand runs out

of fireworks and struggles to import enough presents for Christmas, the supply problem has grown pretty big.

This isn't necessarily reflected in our trade totals. Statistics New Zealand says both imports and exports of goods were up in September 2021 compared with a year earlier. But shortages are being reported in construction goods, consumer goods and a rising trend in shipping costs has caused price inflation in seemingly random ranges of products. Ironically in the midst of a housing crisis, building companies have run out of some raw materials.

Supply chain dysfunction – evident in high costs, slow shipping times and clogged ports around the world – will continue to be an issue through 2022. Seventeen percent of respondents to the *Director Sentiment Survey 2021* identified supply chain issues as the single biggest threat to their organisations.

Boards may need to look at their reliance on “just in time” materials, materials in high demand or key products in their portfolio and adjust their strategy accordingly.

MAINTAINING LINKS

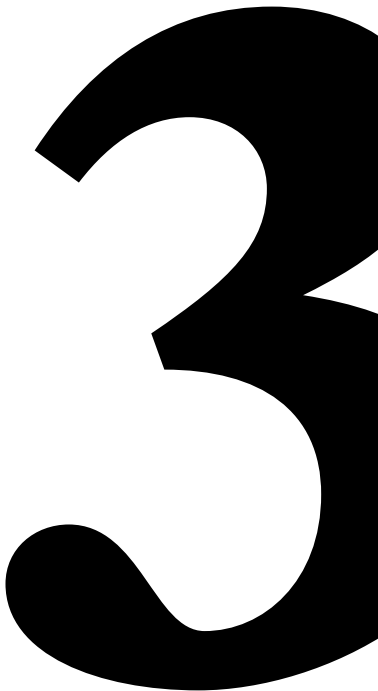
Keeping in touch with your colleagues, suppliers, buyers and friends overseas will help alleviate the risk of unexpected issues creating intractable problems. Maintaining contact will also keep you up to date with the rules, risks and mood in parts of the world that are important to your organisation.

It's also important to recognise that other countries' experiences of the pandemic are different to our experience in New Zealand. And different to each other.

Boards should leverage their international connections to keep abreast of risks that may emerge, and reduce the impact of problems as they arise.

Pointers for 2022

- If you need to travel or send staff overseas, have a very clear plan about how to get back home.
- Assess your reliance on “just in time” materials, materials in high demand or key products in your portfolio and adjust your strategy accordingly.
- Leverage your international contacts to keep abreast of risks that may emerge, and reduce the impact of problems as they arise.



Pointers for 2022

- Plan for the likelihood you will be able to bring staff in from overseas but don't rely on it as the timing remains hard to predict.
- Set the expectation that management take an employee-centric approach.
- Overseeing culture, wage budgets, and organisational purpose are board responsibilities that can have a direct impact on the organisation's ability to retain and attract talent.

Talent shortage

An employee-centric approach will be required as organisations seek to retain key staff and attract new talent.

The government was, as we went to print, introducing changes to the MIQ system and talking about a mix of testing, vaccination certification and self-isolation requirements for new arrivals. Expect some, or all, of this to be in the travel mix for 2022.

Once most of New Zealand's population is vaccinated, it is likely we will be able to bring new employees in from overseas again without gambling on the MIQ lottery. Plan for it, but don't rely on it as the timing remains hard to predict.

WHERE HAVE ALL THE WORKERS GONE?

It's been dubbed the "Great Resignation". Employees, globally, are looking for new opportunities.

In New Zealand, a study by Auckland University of Technology found two

clear trends were emerging in 2021. The percentage of employees with "high turnover intentions" rose to 46% in April 2021, up from 35% in May 2020. The percentage of employees with no thought of leaving their current roles dropped to 9% in April 2021, down from 19% in May 2020.

There are many reasons that people resign, but burnout remains a common factor. The opportunity for a pay increase or a step up the career ladder at a new organisation may tempt some. People may feel the organisational culture and benefits at another organisation suit them better, or that the work they would be doing is more meaningful.

Strategies for the attraction and retention of talent need to recognise these truths. People leave a role, or choose to join a new organisation, for combinations of reasons. It may not be enough to hit most of the right notes, you need to try and hit all of them.

Of course, the Great Resignation may offer opportunities for organisations to bring in overseas talent if they have a good offering, once border restrictions loosen.

PEOPLE DON'T QUIT A JOB...

As the saying goes, people don't quit a job, they quit a boss.

If you want to retain your best employees, ensure your managers are up to scratch. Research from the US (see "The Great Resignation and the employee-manager disconnect" at nacdonline.org) suggests employees want support from their managers (being accessible and helpful), understanding from their managers (listening to their staff and paying attention to their needs) and recognition (acknowledging good work and effort).

Boards should set the expectation that management take an employee-centric approach. And make sure remote working policies reflect employee expectations and needs, where they are applicable.

BOARDS KNOW THIS IS A PROBLEM

Labour quality and capability was a significant concern for respondents to our *Director Sentiment Survey 2021*, with 57% (up from 32% in 2020) selecting it as one of the top three impediments to national economic performance (followed by the related issues of border restrictions at 54% and the effectiveness of vaccinations at 37%).

When asked about the single biggest risk facing their organisations, labour quality and capability was top with 30% of respondents (up from 14% in 2020) identifying it as the main risk. Employee engagement, performance and retention has been discussed by 88% of boards over the past 12 months.

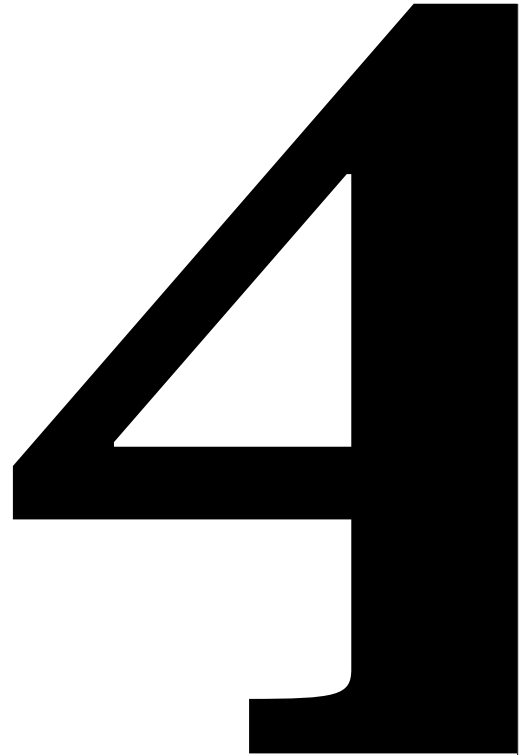
BE A GOOD EMPLOYER

Fair pay. Better working conditions. A sense of pride in work. Career advancement opportunities. A feeling that their employer cares for them. Support in their roles, understanding of their needs and recognition for the work they do. That's what employees want.

Those are the factors most likely to help your organisation retain employees in the face of the Great Resignation and find new staff in the midst of a talent shortage.

Boards have a key role in many important elements of organisation culture including defining and sharing an organisation's purpose and ensuring it is clearly communicated, building a sustainable business model and overseeing and guiding the organisation's remuneration and reward policy to ensure they are competitive with the market. Training and development pathways are also important ways to help build skills, opportunity and advancement.

Don't get caught out in the Great Resignation – turn it to your advantage.



Pointers for 2022

- Lead with courage, commitment and high standards of ethical conduct
- Understand and articulate what ethical leadership looks like for your organisation, and ensure that ethical decision making is underpinned by the organisation's ethical framework (purpose, values and principles).
- Ensure ongoing succession planning for the board and management. When reviewing the board skills matrix, ensure soft skills, diverse thinking and other behavioural attributes are considered.

Board character

Courage and commitment, purpose and values, and culture and inclusion underpin board leadership and set the tone for an organisation.

Boards play a critical role in driving the economic success and wellbeing of New Zealand. Strong and effective governance doesn't come easily and needs constant attention to enable continuous improvement and to support trust and confidence in business and our institutions.

The place of business in society has changed and boards are having to consider investor and public expectations on sustainability, ESG matters and maintaining a social licence to operate. In the 2021 *Director Sentiment Survey* 90% of respondents said their board considers stakeholder interests are very important to their business. And over half (54%) of respondents thought the board should speak out on social issues beyond the

business of the organisation (eg, income inequality, housing, trust and racism).

Ethical failures destroy organisational value, and corporate and personal reputations. Societal expectations of boards and executive leaders go beyond legal compliance to expecting high standards of ethical behaviour, care and diligence.

ETHICAL LEADERSHIP

How pervasive is ethical leadership?

According to you it is almost a 50/50 split with just over half (52%) of respondents in the 2021 *Director Sentiment Survey* confident that their boards, staff, business partners and supply chains are familiar with and adhere to the organisation's ethical standards. Conversely, 85% of respondents said their boards were regularly discussing the organisation's brand and reputation.

Leadership requires courage and commitment. A strong ethical focus needs to be seen coming from the top to be embedded in an organisation. Boards have a key role in setting the tone for the organisation including by defining and leading the organisation's ethical framework, purpose, values and culture. And the board's own culture and character underpins trustworthy leadership.

Boards that can manage complexity are better placed to lead thriving organisations. But it's not easy. Ethical dilemmas can mean balancing competing values, and rights and obligations. Many boards will have faced challenging dilemmas around covid-19 vaccination policies and the effect they will have on staff, customers, suppliers and also on their business model, strategy and brand.

THE GOVERNANCE TEAM

The board represents the power of the

collective by bringing together a range of skills, expertise, diverse perspectives, challenge and wisdom. Each director brings their own individual perspectives, skills, strengths and modus operandi. Traditional requirements such as financial and legal literacy have been joined by a need for health and safety, cyber, digital and climate literacy. In addition, soft skills, emotional agility, cultural awareness and competency are all gaining increasing recognition.

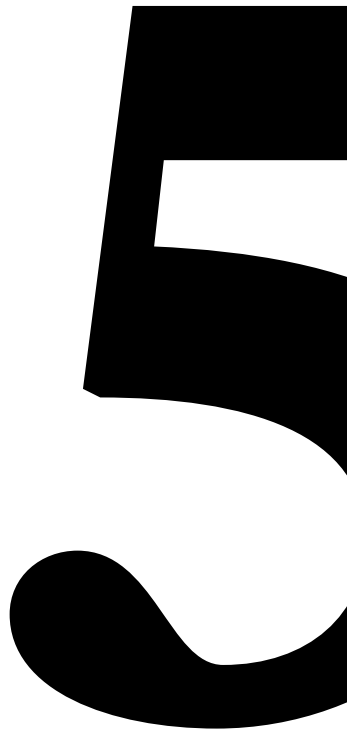
Learning and development are critical components of board character and enable continuous improvement to help ensure collective capability is future fit.

Strong and effective board culture is also characterised by effective relationships between directors - and also with management. Inclusion and respect in the boardroom enables contribution from all players (directors and management) and better decision-making to drive performance and organisational sustainability.

Board and management composition are both critical. Succession planning should receive regular and robust attention, and be aligned with expectations of future needs. Developing a skills matrix setting out the skills, experience and other attributes your organisation needs will support a strategic approach to appointments and the development of capability on the board and in the management team.

In the 2021 *Director Sentiment Survey* 70% of respondents said their boards were regularly discussing board composition and renewal. Less than two thirds were discussing CEO succession (58%) and key staff succession (60%). Succession planning needs regular attention. This is even more critical in a complex and ever changing operating environment.

"Boards that can manage complexity are better placed to lead thriving organisations. But it's not easy. Ethical dilemmas can mean balancing competing values, and rights and obligations."



Pointers for 2022

- Review systems, policies and processes to ensure conduct and organisational culture meet regulatory expectations. Ensure there is a process in place for managing any issues that require escalation to the board and any regulator.
- Measure and report – review the information the board receives from management to ensure it is comprehensive and timely to ensure effective compliance. Conduct regular audits and keep comprehensive records.
- Best practice includes proactive self-reporting, early engagement with any regulators, having a plan in place for responding to any inquiry from a regulator, and having appropriate professional advisers who can assist with advice when necessary.

Active regulators

Boards can expect to see increasing activity from regulators in 2022 with extending remits, better resources, and increased enforcement powers.

In 2021, regulatory actions against companies and directors were on the rise and are expected to escalate in 2022 driven by a focus on governance culture and conduct, privacy, health and safety, and anti-money laundering/countering the financing of terrorism (AML/CFT) breaches, and expanding out to include new legislative regimes.

In 2022 the Financial Markets Authority (FMA) will continue to concentrate on two main priorities: governance and culture, and deterrence of misconduct. It now expects organisations to have appropriate governance, incentive structures, sales and advice processes and systems to manage conduct risk and is prepared to take increasingly strong action against weaknesses in these areas.

Non-compliance with New Zealand's AML/CFT rules will remain a focus, building on the FMA's increased enforcement in these areas over the past three years.

In addition, the FMA's remit (and resourcing) is set to expand over the next 3-4 years with the introduction of three new legislative regimes: the conduct of financial institutions, changes to insurance contract law and climate-related disclosures.

Other developments to note include the introduction of a criminal offence for people engaged in cartel conduct, the new "fit and proper" person test for directors and senior managers of lenders under the *Credit Contracts and Consumer Finance Act 2003* (to be met from 1 October 2021), and the new duties for directors of deposit takers under the proposed new Deposit Takers Act. Expect regulators such as the Commerce Commission and the Reserve Bank of New Zealand to increase their monitoring and enforcement activities in 2022.

We expect regulators will also keep an eye on increasing number of mergers and acquisitions. 2021 has been a busy year for mergers and acquisitions and market commentators predict this will continue into 2022.

Boards will also need to continue to prioritise the health, safety and wellbeing of their workers. 2021 saw an increase in focus on officer due diligence duties under the *Health and Safety at Work Act 2015* (HSWA). One of the most significant cases currently before the courts relates to the Whakaari/White Island eruption, where 13 parties have been prosecuted, including the three directors of the company owning the island.

In October, the first sentencing of a director under HSWA emphasised the risks for directors if they fail to exercise due diligence to ensure their companies comply with their health and safety obligations. 2021 also saw the first prosecution of a New Zealand employer for a health and safety incident that occurred outside New

Zealand (*Maritime New Zealand v General Limited*) highlighting that boards are also responsible for the health and safety of any employees working overseas.

The new Privacy Act came into force in 2020, introducing some key changes including mandatory privacy breach notifications, compliance notices and new criminal offences. Several high-profile privacy breaches in 2021, including the Waikato hospital cybersecurity incident, highlighted the significant issues an organisation can face following a privacy breach. To date the Privacy Commissioner has only issued one compliance notice (against the Reserve Bank following a cyber-attack in December 2020) but boards can expect to see more enforcement in the future. While we haven't seen any prosecutions (yet) for the new criminal offences, the Privacy Commissioner noted in a presentation in October that there has been a 272% increase in the number of notifiable privacy breaches reported since the new Act, compared to the 10 months preceding the Act. Other privacy challenges for boards include covid-19, the use of tracer apps and vaccine mandates, emerging technologies such as facial recognition, AI, deepfakes and drones.

While we can expect to see increased activity from regulators in 2022, we also expect to see more shareholder activism. Class actions (with the support of litigation funders) have been increasing in recent years and we expect this trend to continue in 2022, especially after the recent decision in *Southern Response Earthquake Services Limited v Ross*, where a landmark decision of the Supreme Court determined class actions could be brought on an "opt out" basis. The Law Commission is currently conducting a review on class actions and litigation funding, with a preliminary view that a general class actions regime should be introduced in New Zealand and that litigation funding should be regulated. **□**

"Several high-profile privacy breaches in 2021, including the Waikato hospital cybersecurity incident, highlighted the significant issues an organisation can face following a privacy breach."



Two heads, one body

Imagery supplied
by Te Papa

AUTHOR:
VANESSA
GLENNIE,
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JOURNALIST

Te Papa's board has implemented a new strategy and a cooperative leadership model to change the organisation's culture and expand its reach.

Te Papa Tongarewa Museum of New Zealand has come a long way from its humble beginnings in 1865, housed in a small building behind Parliament. Now, its looming Lego-like façade dominates the capital's waterfront.

Despite being built close to a fault line on spongy, reclaimed soil, it's famously regarded as one of the safest places in Wellington should a major earthquake hit – thanks to the 152 large rubber blocks which isolate the structure from the unpredictable ground beneath.

Yet, even the most impressive engineering feats couldn't help Te Papa avoid the shock of a global pandemic.

COVID CLOSES DOORS

Te Papa Chair Dame Fran Wilde CFInstD says covid-19's impact was dramatic and immediate.

“We simply closed our doors and our commercial operations virtually ceased. Not many people realise that, although Te Papa is government owned, it has to earn about 40% of its revenue from its own activities. Things like events, conferences, dinners, paid tours and retail,” Wilde says.

Pre-pandemic, Te Papa welcomed around one and half million visitors a year through its doors, more than half of these from overseas – a cohort that tends to spend the most. But big conferences and events were either cancelled or postponed.

Wilde says that, despite this, staff wellbeing was management's chief concern, a focus the board strongly supported.

“One of the board's priorities was to improve staff engagement, which by 2019 had fallen to an historic – and well publicised – low. Alongside senior leadership, we'd put in place the building blocks needed for a fully-engaged staff, with a new board committee – the Tikanga Tangata Committee – to oversee delivery.

“Our employees are the most important ingredient in Te Papa's success,” she says. And in challenging circumstances, staff did the organisation proud.

“Staff thought laterally to reimagine other commercial opportunities within the parameters of the pandemic, from retail to small group events,” Wilde says.

Lockdown also upped the pace of digitisation.

“Te Papa has a well-developed educational role and is a key information source for thousands of people. We'd wanted to expand our virtual delivery in these areas anyway. The pandemic gave us greater impetus.”

“Not many people realise that, although Te Papa is government owned, it has to earn about 40% of its revenue from its own activities. Things like events, conferences, dinners, paid tours and retail.”

CHANGING OF THE GUARD

Covid-19 followed hot on the heels of considerable change at Te Papa's helm. Wilde was appointed chair in July 2019, while the board itself was refreshed with a number of new directors. Around the same time, they launched the search for a new CEO, or Tumu Whakarae.

Wilde says Te Papa's strong global reputation meant the role attracted a lot of international interest. But the board was clear about what it wanted.

“We agreed we needed someone who could deliver transformational change and who also deeply understood the museum sector, te ao Māori and New Zealand culture generally,” she says.

“I personally felt that if the right candidates were available, it might be time for a woman in the role, while a younger perspective would help us deliver for the future, which is a fundamental part of our mandate.

“We found all these characteristics in an internal candidate – Courtney Johnston. The fact she didn't need to learn about the organisation was a bonus, because a few months after her appointment, covid-19 arrived,” Wilde says.

Ultimately, like all businesses, the pandemic forced Te Papa to adjust and learn how to do things differently. However, while it might've delayed progress in some areas, it did not change the overall trajectory of the organisation's strategy.

THE PUBLIC SECTOR'S ONLY BI-CULTURAL LEADERSHIP MODEL

Wilde says a key priority of that strategy was rejuvenating Te Papa's bi-cultural kaupapa.

“The bi-cultural leadership model had clearly weakened over the years and we needed to support that as the base for other changes, both within and outside the museum.”



This model is unique in the public sector and, therefore, uniquely challenging – not least because the organisation’s governing legislation envisaged only one CEO.

“We have a Tumu Whakarae and a Kaihautu. In other organisations the Kaihautu or “Māori advisor” is not usually at the same level as the CEO, so the formal line of accountability is singular and clear,” she says.

“Honestly, it’s been an exploration for all of us and it’s not over yet. We searched, but couldn’t find many useful models. We also looked at Te Papa’s history and the expectations of iwi in particular.”

She says they’ve made great progress, but admits there’s been some trial and error on things like key performance indicators – joint, complementary or both?

Meanwhile, advice from people like Public Service Commissioner Peter Hughes has helped the board work out how to achieve

“Te Papa works around the motu with iwi in both the Treaty settlement process (including the return of taonga) and also post-settlement.”

its desired outcomes within the context of the public sector legislation.

“We’re extremely fortunate that the current Kaihautu – Arapata Hakiwai – is not only knowledgeable and experienced, but very highly regarded in te ao Māori. Both Arapata and Courtney now report directly to the board and we’ve been able to draw on their complementary strengths to re-position and reinforce the bi-cultural model,” Wilde says.

THE WIDER CONTEXT

Te Papa’s board has also become more engaged in the organisation’s work outside the museum’s walls.

“The renewed bi-cultural kaupapa includes fostering closer relations with the mana whenua of our region,” she says.

“Te Papa works around the motu with iwi in both the Treaty settlement process (including the return of taonga) and also post-settlement. The board is keen to be involved and we’ve scheduled meetings

outside of Wellington to facilitate this... although many have been thwarted by covid.”

Te Papa’s leadership role in the museum and gallery sector has also undergone a revival, something the board actively supports. Wilde says Te Papa worked closely with the Ministry of Culture and Heritage during the pandemic to help smaller players in the sector.

“I’m hosting an event soon for those in museum and gallery governance positions around the motu. This is an important initiative to link boards into current strategic thinking in the sector and is something I hope we can do every year,” Wilde says.

“I like to think we’re changing attitudes towards ‘big sister’ Te Papa.”

REPAIRING STRAINED RELATIONSHIPS

It’s not just relationships within the sector that are important to Te Papa. Wilde says external colleagues are critical for the organisation to deliver its mandate, whether in collaborative research, science, arts or education.

“For a number of reasons, our relationship with members of the science and research community had become strained. And we had no practical relationship at all with the primary sector. This was something we, as a board, wanted to change.”

She says the organisation reached out at both board and management level and were welcomed in return.

“The board’s role has been particularly critical. We have regular meetings scheduled in our timetable to make sure we get to engage with as many of these colleagues as possible.”

PUSHING FOR PROGRESS ON REPATRIATION

Te Papa has made headlines both at home and abroad for its leadership role in the now well-established practice of repatriating human remains. Wilde says the board is not only wholly supportive of this work, but firmly believes the organisation should lead by example and go much further.

“I’m hosting an event soon for those in museum and gallery governance positions around the motu. This is an important initiative to link boards into current strategic thinking in the sector and is something I hope we can do every year.”

“There are thousands of objects in our museum that will never see the light of day. Some of these will have, at some point, been stolen from their source communities – often frighteningly recently.

“We believe that museum practice should be anchored in a partnership with the community and that the source community of any taonga is an entirely appropriate place for it to be treasured.

“This will be a difficult conversation in the museum community, here and overseas. But, in my view, it’s a necessary one. Moving down this path will require very close working relationships outside the museum, which can only be positive,” she says.

DIVERSITY IN ACTION

Wilde says Te Papa’s board has very open discussions and is always keen to find creative solutions.

“It’s without doubt the most diverse board I’ve worked with in terms of gender, ethnicity, occupation and geography. And I’ve yet to find an issue or challenge that the board wants to sweep under the carpet.

“At the same time, we’re keenly aware of our legal responsibilities as board members, as well as our responsibility to our shareholder – the government – and to New Zealanders as a whole,” she says.

“Governing Te Papa is about creating a legacy for future Kiwis, whether they be tangata whenua or tangata Tiriti. We want them all to feel comfortable at ‘our place’ – which we consider ‘their place’ – and use Te Papa to engage in important conversations.

“It will always be a museum and art gallery, run education outreach, service other museums and galleries, and engage in science and research. But it should also be at the heart of Aotearoa’s ongoing process of celebrating and defining our national identity.” **BQ**

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Global talent pool

Google New Zealand Country Director Caroline Rainsford muses on the opportunities – and risks – to the tech sector of borders reopening.

Struggling to find technology talent? You are not alone. Even a top tech brand like Google is finding it difficult to get the skills it needs.

This is not a new problem at all, says Caroline Rainsford MInstD, Google's country director for New Zealand.

"The war for tech talent and the challenges around tech talent has been going on for the last decade.

"The covid-19 pandemic has just accelerated it threefold and has slightly changed the dynamics in organisations thinking about talent shortages. If we were to go back five years, when we talked about this, it was the big tech companies and tech start-ups we were talking about. Now you have almost every company trying to evolve into a tech company and facing these challenges."

Long before covid-19 struck, businesses were starting to leverage technology to understand their consumers and use data to improve business.

"In 2019, I talked about the existential threat that this created for businesses. I think I described it as the digital divide between companies that were on the wrong side or right side of this," she says.

Then came March 2020 and that digital divide grew between companies that were able to adapt during covid-19 and those that weren't.

TECH SKILLS SHORTAGE

Rainsford believes the skills in short supply fall into two buckets.

The first she describes as technical software skills. They include software engineers, data scientists and people who understand machine learning and artificial intelligence. There's also a huge demand for development resources proficient across cloud, automation, location software and other areas.

"We are also seeing a need for what Google describes as creative technical people who have slightly nuanced skills in being able to understand the different applications of technology and data."

The second bucket is for support roles – people who understand the customer experience or are user interface designers or good product owners and managers. This category also includes project managers with solid experience in running infrastructure or tech migration projects.

"Then there's a lot of need for analytical people – those who understand how to

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mine the data and get the most important insights from that,” says Rainsford.

The resulting competition for skills is driving up pay packets.

“Without a doubt, if you are a computer science graduate coming out of university anywhere in the world right now, you will be able to command a really strong starting salary,” she says.

“But it’s not always just about salary. I still think that New Zealand businesses can have success in acquiring strong tech talent thinking beyond salary.”

Rainsford encourages businesses to think about tapping into the global freelance economy and the role that M&A can play in acquiring talent.

“Also, as a board, you should ensure that the organisation is really clear on what are those top 2% of the roles that you need to invest in for the future, and also ensure that they have the investment needed to build it out,” she says.

“In the short term, that might involve partnering and looking at having offshore pools of talents, but I would far rather see boards encouraging that long-term investment in their talent strategy.”

TABLE STAKES

Rainsford talks to businesses about what she describes as the “table stakes of talent”.

Firstly, they need a clear talent strategy that has a long-term vision and some short-term table stakes, she says.

Short-term table stakes include having a good compensation and benefits package and an approach to hybrid working.

“You have to show that you are open to experimenting and iterating with what the future of work and a hybrid workplace is going to look like,” says Rainsford.

“Without a doubt, if you are a computer science graduate coming out of university anywhere in the world right now, you will be able to command a really strong starting salary...”

“Our research shows that 95% of tech talent is expecting some form of hybrid work in the future. Strong tech talent won’t even look at an organisation, in my opinion, if you don’t have that.”

Beyond that, Rainsford says companies need to have a strong vision and a purpose that aligns with the talent they are talking to.

“If you are trying to attract talent, you better be damn sure you know how your unique employee differentiators in terms of the market because talent has a lot of options these days,” she adds.

But while many businesses are caught up in how they attract talent, Rainsford says retaining the talent you have is just as crucial.

“This is really important for me at Google. Increasingly, I can’t take for granted that the incredible Google team that we have in New Zealand and Australia is going to stay,” she says.

“So how do I ensure I lead our leaders to be really thinking about retention and investing in meaningful career development and training? And then how do we make sure they feel a clear alignment to our values and purpose as a company?”

“It’s about ensuring you are spending a lot of time on career development and coaching but, certainly for me now, it’s about making sure that we are creating the right environment - and by that I mean deciding what flexible working looks like at Google.”

UPSKILL

Rainsford believes that companies should also start thinking about how to reskill or upskill their workforce.

“I still see some organisations just grappling with what appears to be an insurmountable challenge around reskilling people who may be doing some

“It’s around things like how you put in place training programmes for your employees as they come into the organisation so that they can do their day jobs but also participate in training programmes that develop them on the side.”

quite menial work into the digital skills area. But they should take a really long-term approach with this,” she says.

“It’s around things like how you put in place training programmes for your employees as they come into the organisation so that they can do their day jobs but also participate in training programmes that develop them on the side.

“That might not pay off for five-plus years, but you are slowly embedding tech training into the career development and training curriculum of the organisation.”

Rainsford says companies also need to think about tech apprenticeships, internships and how they create more pathways for people considering a tech future.

“Apprenticeships are a really cool way where you can get a diverse array of talent out of, say, school and bring them into your organisation and train and develop them and give them an exposure to different aspects of technology,” she says.

“Then you help them to look at a pathway like, maybe, joining a polytechnic or doing some study in computer science or data analytics and things like that.

“Some companies are really embracing that. Google is certainly hoping to roll out a future tech apprenticeship programme in New Zealand in coming years.”

More broadly, Rainsford believes that the government, in partnership with the private sector, needs to be more focused on embedding digital skills into education curriculums.

“We are on that journey, but it is nowhere where it needs to be,” she says.

“We can also invest a lot more as a country in supporting micro-credentials and people who want to upskill so that they can do that while still working or earning while they learn.”

OPENING BORDERS

Rainsford believes the challenge to attract technology skills is still going to be there when borders open.

“Certainly, the managed isolation and quarantine (MIQ) process has made it a lot harder to bring in tech talent,” she says.

“In June, we announced that we are starting to put engineering presence for Google on the ground in New Zealand. It’s been really challenging with the borders being closed and MIQ restrictions.

“But it’s not just the borders. We still have work to do on our immigration policies... There are a lot of discrepancies in terms of what roles are deemed to be unique skills. You can have a similar role that gets rejected. There are some anomalies there.”

Another challenge, says Rainsford, has been around visas and getting the families of new hires into the country.

When the borders re-open, Rainsford fears that New Zealand may also be at risk of losing talent overseas.

“Companies these days are now thinking about tech talent as being a global talent pool.”

For example, she says capital is readily available for start-ups on the west coast of the US and a lot of investment is going “aggressively” after tech talent from a global pool.

“Our experience has been similar to every other business in New Zealand at the moment,” says Rainsford.

“The New Zealand government has been incredibly supportive of our ambition to bring an engineering hub to New Zealand.

“We have started on that journey. I am pleased to say that we have our first engineering presence on the ground in New Zealand, but as I have said, it’s been challenging.” **BQ**

Could Fonterra's business model solve the housing crisis?

AUTHOR:
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Cooperative housing could be a big part of the solution to our affordable housing problem, if government and the business community are ready to get on board.

Image:
Jessica O'Brien

The cooperative as a business model has not always been well understood. It's sometimes thought to be alternative; "some sort of socialistic, mung-bean-growing farmers," as Cooperative Business New Zealand's CEO Roz Henry puts it – rather than a viable business model.

It can come as a surprise, then, for some, to learn that cooperative businesses are responsible for around 18% of New Zealand's GDP.

They range from the behemoth that is Fonterra through every sector including healthcare, retail, finance, agribusiness, construction, manufacturing, transport and more. New Zealand's top 30

cooperatives employ more than 41,000 Kiwis and generate revenue of \$42b annually.

What's more, the cooperative model – that of a member-owned and controlled business, where the benefits are derived and distributed equitably – has an important role to play in the future of business as focus shifts more and more beyond a solely financial bottom line, and we look to solve some of our most intractable problems.

“The business model is very, very good in terms of improving the lives and livelihoods of people,” notes Henry.

“You can actually move someone from being on the breadline to having a sustainable income long term. So if you look at New Zealand, there's actually a really big opportunity here to move people out of poverty situations.”

In its recent *New Zealand Cooperative Economy Report*, Cooperative Business NZ emphasises the opportunity the co-op model presents in assisting New Zealand to deliver against the United Nations Sustainable Development Goal (SDG) targets the country has signed up to.

“This business model will enable that – it's really bred into the psychology of these businesses,” says Henry.

There are seven key principles that characterise cooperative businesses. Chief among them are member ownership and control, democracy and the sharing of wealth.

“But the other parts are around community and education; co-operation and collaboration are really fundamental to how they operate. And those will be the things that get us through to enabling meeting those SDG challenges,” Henry stresses.

“I think what we're going to see is a big upswell in terms of people looking to do things differently, especially the younger generation.”

“You can actually move someone from being on the breadline to having a sustainable income long term. So if you look at New Zealand, there's actually a really big opportunity here to move people out of poverty situations.”

CO-OP HOUSING: THE WAY OF THE FUTURE?

One of the people trying to do things differently is Imogen Schoots, founder of Forever Affordable Homes. She's working to use a cooperative approach to help solve one of our biggest problems: affordable housing.

Forever Affordable Homes is a start-up that grew out of a project exploring cooperative housing run by Panuku, Auckland Council's development arm.

Cooperative housing, Schoots explains, is commonplace internationally.

“In some countries and cities, it's the dominant, most common form of home ownership. For example, up to 80% of real estate in Manhattan is owned in a form of cooperative.”

Closer to home, Australia has around 5,500 housing cooperatives, providing homes to over a million people.

Schoots says community land trusts and cooperative business models could be brought together to bring to market housing solutions to what she terms the “missing middle”. This is the large - and growing – portion of the population that sits between being able to afford to buy or pay market rent, and being eligible for any income support.

“Not surprisingly, with covid-19 that is a hugely growing segment of people,” she notes.

“Research that was done for Auckland Council just before the pandemic hit found that 450,000 Aucklanders by 2028 would fall into that market segment.”

Many of these are essential workers; the people we all rely on. When – as is increasingly the case – they decide to move out of Auckland, they “take a housing unaffordability problem with them”, increasing demand on housing where they're going and increasing infrastructure pressure as well.

“It’s in the nation’s interest to solve this problem,” Schoots says, “because, if we don’t, who knows what’s going to happen to the productivity of this country?”

NEW MODEL

In Schoots’ “forever affordable” homes model, land is owned securely in a trust, which charges long-term ground rent to a cooperative, with pre-set rent rises in place.

The cooperative owns the buildings, just like a company. Residents pay a one-off fee to become part owners of the cooperative and buy a lifelong, inheritable licence to occupy a home.

Residents also pay a below-market rent and co-ordinate the running of the building, or development, themselves. They are able to scale up or down to different homes in the cooperative, and over time are paid a dividend on their investment.

The benefits to the owners are immense: security, stability and forever affordability among them.

Schoots also points out these types of developments foster a sense of belonging and community. Overseas cooperative housing developments have even kick-started the regeneration of neighbourhoods, prompting redevelopment around them and encouraging other types of development.

This is all a long way from Kiwis’ long-held obsession with owning freehold property and capital gain as a retirement strategy. And the state of legislation and the banking environment currently reflects that.

Schoots says it’s difficult to get traditional bank funding for cooperative developments because they fall far outside the traditional structure. That needs to change for this type of housing to succeed.

“We need to restructure and reframe our banking industry,” Schoots says, “if we

“In some countries and cities, it’s the dominant, most common form of home ownership. For example, up to 80% of real estate in Manhattan is owned in a form of cooperative.”

want to diversify our housing market to be able to actually provide housing for those who are in different situations, who will never be on the [traditional] housing ladder.”

Likewise, legislation needs to allow for cooperative housing ventures to easily be set up.

Co-op Business NZ’s Henry notes that, at the moment, to try to set up a cooperative business in the housing space would be “very, very difficult”. She believes it doesn’t have to be this way.

“Canada does a huge amount of co-op housing as does Europe and Australia. So we’ve actually got the opportunity to leverage. We don’t need to reinvent the wheel. We could leverage what they’ve done to simplify what we’ve got here,” Henry says.

Schoots says currently the Cooperatives Act doesn’t enable housing cooperatives. That means start-ups are often forced to spend large amounts of money on bespoke, special-purpose legal instruments to get up and running.

That might be set to change with the recent release of the Government Policy Statement on Housing and Urban Development (GPS-HUD). It recognises collective housing and the need for this form of housing in the affordable housing space, and proposes exploring ways to remove barriers to making it happen.

Schoots hopes this will allow Forever Affordable Homes to get a development up and running. She’s looking to create a partnership and is talking to organisations and potential investors to try and get a deal across the line as a pilot project.

It’s time we caught up with the rest of the world, she reckons.

“I don’t know of any other country that doesn’t have an ability to have housing cooperatives. We are decades behind.” **BQ**



DRIVING DIGITAL RESILIENCE: A TECHNOLOGY CHECKLIST FOR YOUR ORGANISATION

Governance is highly complex and strictly regulated. It must contend with constantly evolving global regulatory requirements, increasing stakeholder demands related to ESG, fluctuating operational risks and sophisticated cybersecurity threats. By digitising governance practices, organisations can create a strong framework to mitigate these risks while still driving growth and performance. This digital transformation allows them to respond more rapidly to crises and to be more effective in their approach to business.

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From Amazon to Tauranga

AUTHOR:
**ALEXANDRA
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Photo:
Hello I'm Nick
on Unsplash

Agility, trust and a commitment to the vision are key requirements of a start-up board, just as they are of a global corporation.

The shift from global HR leader for trillion-dollar multinationals such as Amazon, Microsoft and GE to being an independent business consultant in Tauranga might sound like quite a leap.

But John Olsen MInstD has taken the move in his stride. And is now helping local start-ups grow large enough to, perhaps, leap the other way onto the global stage.

“Amazon is a massive company but it is giant collection of start-ups,” says Olsen from his home in the Bay of Plenty.

The strategies Amazon used to build and market products – such as Alexa, Kindle, and Amazon logistics – are similar to those a small New Zealand business might need, he says.

“The same challenges were new to Amazon. For example, it had not been producing consumer electronics and

had to ask, 'How do you build that business? How do you develop those products? How do you hire and retain the right people?'

Olsen, his children and his wife, who was originally from Wellington, moved to Tauranga in 2018. He sits on the board of Mentemia, a digital mental wellbeing platform helping employers embed a wellbeing-first culture across their organisation, and undertakes advisory work "for start-ups and established companies both in New Zealand and overseas".

He enjoys working with start-ups because of the strong vision founders hold about what they want to achieve.

"Most of them want to change the world and building a company – to do that – is a tonne of fun for me."

So what lessons are transferable from a company like Amazon to a small Kiwi start-up?

"First and foremost," says Olsen, "and what I'm most passionate about, is hiring. There's lots of money in the venture capital world, and people have great ideas, but once they get that funding, they need a team of people around them to help them achieve their goals. So how do you build a great team of people who are really going to make that vision a reality? That's a super-critical input."

He says companies that have been able to scale well, such as Amazon and Google, have taken hiring processes very seriously.

"It is important you have a process by which you can effectively evaluate people, learn from your successes and your mistakes – you will make mistakes – and make sure you are figuring out how to do the best you can."

"Such as, how do we keep a critical eye on the vision? How are we executing against it? What has changed? How do we think about those things before we run out of money? Because that's one of the most important things of course, you have to help to manage the burn rate in a start-up."

FOUNDERS AND THEIR BOARDS

Olsen is aware some founders are concerned a board of directors will slow them down. Directors moving onto start-up boards should be aware of a few key differences between those businesses and established companies, he says.

"Good governance is always important, but start-up boards need to realise that a start-up probably doesn't have all the people and resources it needs. A start-up requires the board to interact and help those founders innovatively."

Different governance expertise can be needed at different developmental stages.

"You need to think about where that start-up is going over the next 12, 18 or 36 months. What kinds of strategic decisions might be made over that time? Do you have the right mix of independent directors, investors and founders on your board? Who can add both subject matter and governance expertise?"

"For a guy like myself for example, if you are rapidly growing, my expertise in how you scale and how you think about leading larger groups of people has definite points in time where it's super useful."

So, is it a case of swapping out board members in short time frames?

"Not necessarily, but you may need to evaluate the range of skills you need frequently. You can also leverage advisors as a way to gain additional insights."

Olsen says that directors on a start-up board need to stay engaged and be committed to thinking about that company and industry, "more than just when they get the prep materials".

"Such as, how do we keep a critical eye on the vision? How are we executing

“People need to be encouraged to have open and rigorous debates. This can be done in a myriad of ways, but the goal of a good chair is to make sure that everyone feels they can participate and say what’s on their mind for the good of the organisation.”

against it? What has changed? How do we think about those things before we run out of money? Because that’s one of the most important things of course, you have to help to manage the burn rate in a start-up.”

AGILITY AND TRUST

Olsen says that, on occasion, he has had concerns boards are not being quite as agile as they could.

“That’s one of the things I worry the most about with boards. I don’t think applying solutions from prior experience is in itself a bad thing, as long as you have understood what made that solution successful in the first place. Are those conditions the same in the company you want to apply it to?”

This can be particularly relevant in the relationship between the board, and the founder or CEO.

“One of the things I see in an advisory capacity is boards having given a CEO very specific instructions. At times that works great, and other times it hasn’t taken into account what’s unique about that founder, product or company and it’s actually going to create more problems than it’s going to solve.

“For start-up boards, it’s about really getting down to first principles and understanding what the company needs. And if we can steal from our prior experience, awesome. If we can’t, then we need to figure out a different way to do it.”

He says key to any high performing team, whether that’s a business or a board, is high levels of trust.

“People need to be encouraged to have open and rigorous debates. This can be done in a myriad of ways, but the goal of a good chair is to make sure that everyone feels they can participate and

say what’s on their mind for the good of the organisation.”

And the easiest way to build trust, he says, is to ask questions. “People who ask more questions than make statements generate more trust and get better thinking from those around them.”

He says people have typically used face-to-face meetings to grow trust, although of course that’s had its challenges of late.

“But whether remote or in person, if the only time a board ever interacts is in a very structured environment, it takes longer to build that trust. You need to figure out how to get people to have more open-ended discussions, where people can get comfortable having harder conversations.”

He also believes boards can rethink the way they share information and discuss issues.

“For example, I’m not your best PowerPoint presenter, but I write really well. Teams and boards can experiment with different ways of presenting and ingesting information and have everyone ask questions.”

He says if you have been presenting information the same way for the last five years, you can guarantee people are starting to get tired of it.

And as a company evolves, the ways you inspect and understand how it is performing, also evolve.

“You have to change the ways you get information. Some of that comes from experimentation and some of that comes from proven models, and you need to marry those things together to come up with something unique for the company you are working with.” **BQ**

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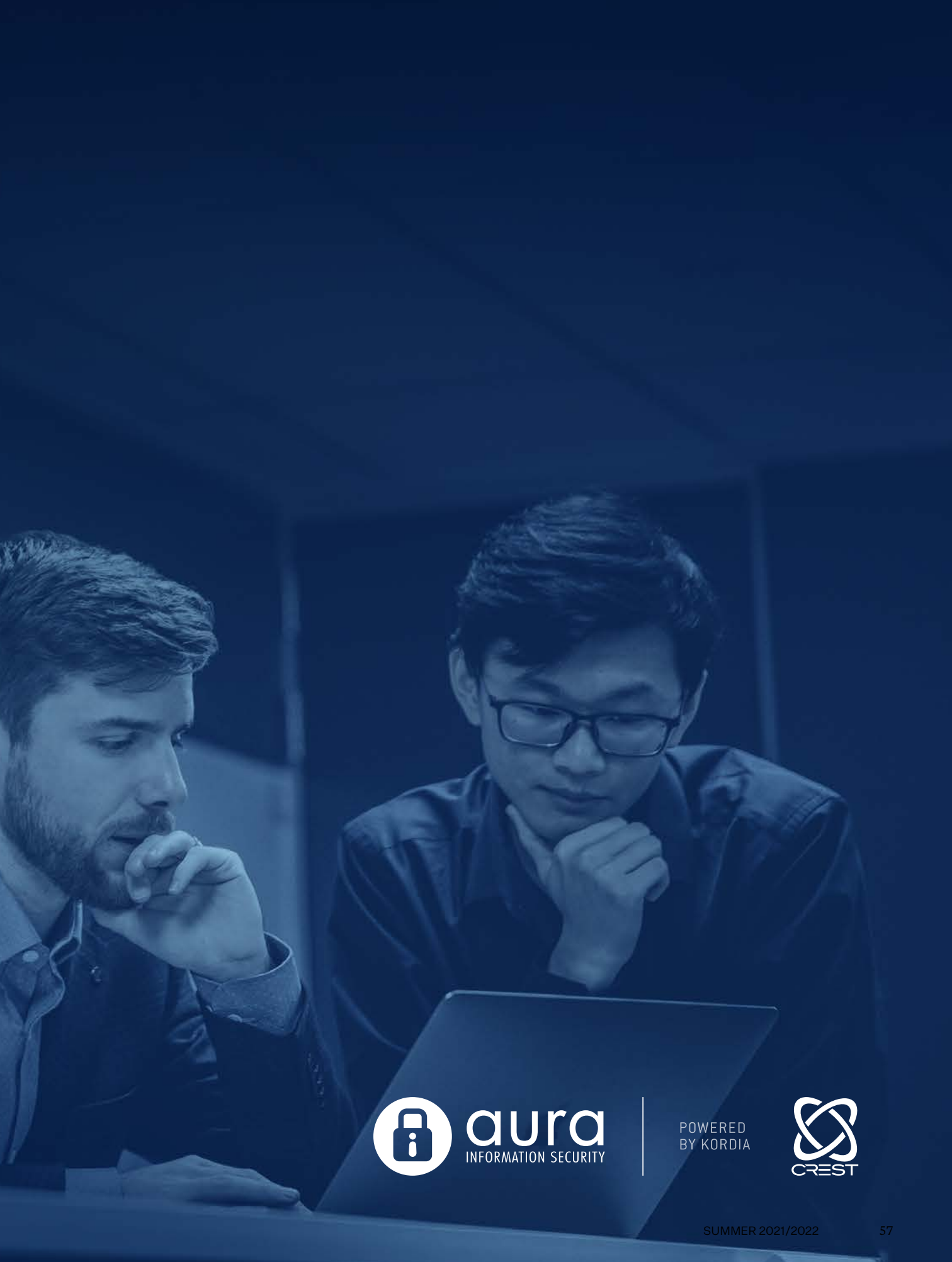
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CREST

Enabling directors

The Companies (Directors Duties) Amendment Bill makes it clear that companies are able to act as responsible corporate citizens.

AUTHOR:
DR DUNCAN WEBB,
 LABOUR MP FOR
 CHRISTCHURCH
 CENTRAL

The Companies (Directors Duties) Amendment Bill will give boards the power to think more broadly about a company's purpose and the strategies they want to put in place to support it, says the bill's sponsor Dr Duncan Webb.

In effect this bill will confirm in law what many companies have been doing for a long time – taking into account the wider impact that they have on society, the community and the environment.

A director is an agent and fiduciary of the company he or she directs. They have a duty to act in good faith and in what the director believes to be the best interests of the company. That is what section 131 of the Companies Act says, and has always been the law in relation to companies and fiduciaries.

Somewhere along the way, the interests of the company were conflated with making profits. It is clear that a company must be solvent and not act recklessly, risking creditors' funds. However, it has never been the law that there is a legal obligation on a director to seek to maximise profits at the cost of all else.

While the law places minimum constraints on the behaviour of companies in respect of all of the activities of a company, we expect more – and by and large, companies deliver more.

This bill will enable companies to understand that the interests of a company – even a company which is seeking primarily to provide a return on investment to shareholders – can take a wide range of considerations into account.

Of course, this should not be a surprise to

anyone who has read Larry Fink's 2021 Letter to CEOs in which he warned that companies who ignore stakeholders do so at their own peril. Even a company that seeks to maximise profits has to take into account the wider context in which it does business if it is going to be sustainable in the long term.

REAL COMPANY LAW

This bill also recognises the really important place of companies which have as a key objective a goal other than profit, such as social impact or environmental outcome.

It has long been the case that these entities – whatever you label them – have existed. However, an incorporated company has not always been seen as a useful vehicle and they have tended towards other entities – incorporated societies, charitable trusts, even friendly societies, industrial and provident societies, credit unions and so on.

The need for a more flexible approach to corporate governance was identified by the Akina Foundation in its report *Structuring for Impact Evolving Legal Structures for Business in New Zealand*.

The fact is that the limited liability company is a flexible, nimble and useful vehicle for any project. It can bring capital of shareholders together, it brings together the disparate views of shareholders in the form of a board of directors, it can act as a legal person in entering into legal arrangements and, of course, it acts as a vehicle for risk in that if, despite the directors taking reasonable care, it all goes terribly wrong the shareholders lose only their share capital.

So it is no wonder that many social enterprises, impact companies and

Photo:
 Maximal Focus
 on Unsplash



B-Corporations use the limited liability company as a vehicle.

This bill will make that easier and better. While flattered I am not sure that this is the great leap forward in Aotearoa New Zealand Company Law that Andrew Davies of B-Corp ANZ suggested, but I hope that it marks the beginning of positive change as suggested by Steven Moe – a real advocate of impact companies and investment in New Zealand.

WHAT’S THE CHANGE?

The bill is short, perhaps even tiny. It simply adds one subsection to section 131 of the Act:

“To avoid doubt, a director of a company may, when determining the best interests of the company, take into account recognised environmental, social and governance factors, such as:

- recognising the principles of the Treaty of Waitangi (Te Tiriti o Waitangi)
- reducing adverse environmental impacts
- upholding high standards of ethical behaviour
- following fair and equitable employment practices
- recognising the interests of the wider community.”

I note that the formulation of “interests of the company” has been departed from somewhat in UK legislation. In their Act they say that the directors must act to “promote the success of the company” and in some ways this is a more modern formulation – success can have many measures.

Having said that I am sure that the select committee will make significant improvements as the bill progresses and encourage submissions from the business community.

For example, sections that different sectors may have wider views on include:

- Section 131(5)(a) which recognises the Treaty of Waitangi
- Section 131(5)(b) where directors may take into account reducing environmental impacts

- Section 131(5)(c) where a company may seek to uphold high ethical standards.

In some ways the proposals in 131(5)(d) and 131(5)(e) simply build on these, with a recognition of employees and the wider community as stakeholders.

ENABLING DIRECTORS

The intention of the bill is enabling, not restricting.

A company is entitled to promote its own mission. This bill makes clear that, in doing that, the company may take wider matters into account.

I have been approached by some to say that “may” should be “must”. That we should leap ahead and leapfrog the reforms of 2017 in the UK. I am not sure that this is the case, but I expect this is an argument that will be made before the select committee.

The other important point is that this list is non-exhaustive. It is not static. It is entirely appropriate for companies to take other matters into account – in some cases because of the special nature of the company and its members, such as one with a particular religious or ethnic purpose.

Companies are not real people – but they can have their own purposes, objectives, missions – call them what you will. The idea that shareholders are interested in only the return on investment is old and tired thinking. And we know that increasingly customers, creditors, workers and the wider community expect companies to act as part of the communities in which they sit.

This is a law which recognises existing practice in this area – it not only approves of past practice, but it also sends a clear signal to the corporate community that a good board will turn its mind to the question of what its purpose is. In doing so the board will take into account a wide range of interests. That is certainly a good thing. **BQ**

“In effect this bill will confirm in law what many companies have been doing for a long time – taking into account the wider impact that they have on society, the community and the environment.”

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Breaking barriers

AUTHOR:
ALEX ASHTON,
FREELANCE
JOURNALIST

Mele Wendt MInstD speaks about her accidental path into governance, mentorship, and what it's like to be the only brown woman in the room.

Mele Wendt MInstD had her first taste of governance while living in a student hostel.

At 18, she had just left Samoa for a scholarship at Wellington's Victoria University. Her residence hall had elections for student president and, after prods from her peers, Wendt put her name forward.

Turned out she had a lot of backing. She won – and exceeded expectations from the start.

“I would go along to the hall's board meetings, and they were really quite surprised because apparently it was quite common for previous presidents to flag that responsibility, and not show up very often. And I'd be showing up to meetings and expecting to contribute.”

Her early step into governance wasn't a career move; she had little idea what she wanted to do.

Wendt spent most of her childhood in Samoa with stints in Fiji. She had two teacher parents – her father Samoan, and her mother Pākeha.

“You very much live in both worlds, but then are not necessarily always accepted by either of those worlds.

“I knew I wanted to do work that was about improving the outcomes and the lot of Pacific people and other minorities. And I wanted to serve. My Samoan upbringing very much instilled a servant leadership ethos.”

She graduated with a BA in English Literature – the “default position” she says, because it came easily. She followed in her parents' footsteps and started out as a teacher, but the pressures of a growing family meant something had to change.



To free up time for family, she took a part-time role at Victoria University looking after international scholarship students – the group which Wendt had been part of.

“I came to Victoria University under an MFAT scholarship, and so I was in a perfect position because I had been in their shoes.”

Further opportunities arose at Victoria. She became the university’s first Pacific Islands liaison officer, which she loved. And then a management position came up. But Wendt wasn’t sure she was the woman for the job.

“I had no management skills but people said to me I should apply. So I did, absolutely believing there’s no way I was going to be hired. But they obviously saw some potential in me.”

A few years later, she was shoulder-tapped to apply as Fulbright New Zealand’s executive director. Mele did, “knowing that it was a long stretch,” and got the job.

SHIFT INTO GOVERNANCE

As the university’s Pacific Islands liaison officer, Wendt had joined the board of her former residence hall again. This time she was the staff representative. She remained on that board for a decade.

“Most, if not all of the people on that board were the same people that had been on the board when I was 18. Except this time, they were in their 60s and 70s.”

She was co-opted onto the board of Volunteer Service Abroad (VSA) as they wanted a Pacific director and Wendt had been involved in VSA selections. Then, as Fulbright’s executive director, she honed her governance skills on fellowship boards.

In 2010, Wendt received her first Ministerial appointment (through the Ministry for Pacific Peoples) and in the decade since has sat on “a variety of boards, for different lengths of time and for different reasons.”

“I had no management skills but people said to me I should apply. So I did, absolutely believing there’s no way I was going to be hired. But they obviously saw some potential in me.”

In 2019, she was made a member of the New Zealand Order of Merit for services to governance, the Pacific community and women.

Self-employed now, Wendt serves on the boards of Te Kura (formerly The Correspondence School), Wellington Community Trust, Toi Mai Workforce Development Council and the Real Estate Authority. She chooses her board roles “quite deliberately”, opting for organisations which align with her passion for social justice and reducing inequalities.

“I have always, in both my professional and governance careers, put my effort where it would be about transforming people’s lives for the better.”

IMPROVING BOARDS IN THE COMMUNITY SECTOR

Mentorship in governance can be ad-hoc, Wendt says, which means boards don’t always work as effectively as they could, especially in non-government and not-for-profit organisations.

“Proactive chairs go and seek advice from experienced chairs themselves or rely on the goodwill of people around them to mentor them, but it’s very informal. Many just learn on the job, and by trial and error.”

Now, Wendt is part of a group seeking to put more structured support in place for chairs who are forced to learn on the job. She is both a mentor of Tuakana Teina Chair Mentoring – a partnership between Community Governance NZ and the Institute of Directors – and chair of the group implementing the National Action Plan for Community Governance, under which the mentor scheme was developed.

Tuakana Teina Chair Mentoring matches 25 tuakana (mentors) with 25 teina (mentees). The programme is based on the Māori principle of ako, or two-way learning.

“Teina can learn so much from more experienced and skilled tuakana chairs, who share their knowledge and experience.

“They can hear about tried-and-true methods and best practice and what that looks like in the boardroom. This is real life, experiential learning, rather than theoretical learning.”

She says there are benefits for the mentors too, who can give back and keep sharp.

“In the process of mentoring you’re also thinking about what good practice looks like and thinking about your own chairing performance. It helps keep you on your game.”

INTERNAL AND EXTERNAL BARRIERS

Wendt says a lack of confidence puts people off governance. Throughout her career, she has ended up in positions she didn’t know she could get and she credits her feminist upbringing for her willingness to try. Diligence is also in her blood and she’s from a long line of hard workers.

“I’m really thankful for all the key influencers around me, who have said, ‘hey, apply for that job. What have you got to lose?’”

Entering governance is harder, she says, when you don’t see people who look like you or have your life experience on boards.

“It’s hard to get onto board positions in general, let alone when you are a Pacific person. Bias and racism, whether it’s structural or unconscious, is real and continues to this day.”

Alongside Caren Rangi ONZM, MInstD, Wendt runs one-day courses aiming to support Pacific people in governance roles.

Pacific people have innate governance qualities and experience because of their culture’s collectivist governance systems, she says.

“It’s hard to get onto board positions in general, let alone when you are a Pacific person. Bias and racism, whether it’s structural or unconscious, is real and continues to this day.”

“In our cultures there are clear responsibilities and accountabilities, and we prioritise the interests of the collective over individual interests. Unfortunately, some [course] participants don’t realise that their mahi on the committees of church, school, or community groups is ‘proper’ governance experience, which they can leverage to apply for board positions.

“Many also see governance as a very palagi world and a very ‘senior’ world; that is, you have to have grey hair and be at least 50 years old. Those stereotypes pervade. They are barriers and, in some senses, they are true.

“Why would I even put myself up for a board if I’m only 35 and I’m brown and there are no brown people on those boards? I have been on many boards when I’ve been the youngest, only brown person, and sometimes the only woman. And it’s not easy.”

As attitudes continue to change, the governance community increasingly recognises that diversity can lead to better decision making for organisations, she says.

“Theoretically, people are now ‘on board’ with the notion of needing more diversity of thought. And you get that diversity of thought by having different types of people around the table.

“A lot of boards don’t know where to start. There might be the willingness, and the lack of action might be because they don’t know how to go about finding a Māori or Pacific or other ‘diverse’ board member. But there are people with specialist services to help you find and recruit that diversity.

“I also struggle with the fact that, in 2021, we still face having to explain and convince some people why they need their boardrooms to be more ethnically diverse,” she admits. **BQ**



Interesting times

Dame Patsy Reddy DFInstD reflects on being Governor-General through the Kaikoura earthquake, the Christchurch Mosque shootings and the Whakaari/White Island eruption.

AUTHOR:
SONIA SPEEDY,
FREELANCE
JOURNALIST

Dame Patsy GNZM, QSO, DStJ, DFInstD is no stranger to tough assignments.

She was the first female partner at law firm Watts and Patterson (now MinterEllisonRuddWatts). She has sat on the boards of some of New Zealand's largest commercial organisations, including Telecom and Air New Zealand, and public agencies, including the New Zealand Transport Agency and the Film Commission.

But her term as Governor-General coincided with a few new challenges for Dame Patsy and New Zealand – the Kaikoura earthquake, the Christchurch Mosque shootings, the Whakaari/White Island eruption and 18 months of a rampaging virus among them.

“Like a lot of businesses and organisations, we’ve had to reimagine ourselves in the last little while and try and do as much as we can in a different way,” she says of the role, which involves a lot of public events, presentations and face-to-face meetings.

“To some extent, that is governed by the opportunities you have to engage. I have to say, the last 18 months has been particularly hard with the pandemic.”

CELEBRANT

“The great thing about being Governor-General is that you celebrate success, and you leave all the challenges to the politicians,” Dame Patsy says. “I say that slightly glibly because I think over my term we’ve had more unexpected tragedies than most. They’ve been some pretty challenging times to help fellow New Zealanders mourn, grieve, and deal with sudden economic shocks as well.”

Her term as Governor-General ran from September 2016 to September 2021. And Dame Patsy believes we have changed as a nation over that time.

One of the changes is New Zealanders’ growing appreciation of the impacts of the climate crisis and concern about the environment.

“We sort of knew about it five years ago, but many of us paid lip service to it.”

Another is the “flourishing” of te reo and the growing appreciation of Māori values across business and society, such as kaitiakitanga (environmental guardianship) and manaakitanga (care for others).

“I think the importance of te Tiriti o Waitangi is more recognised by everyday New Zealanders today than it once was. I’ve really valued the opportunity of learning more myself and enjoyed the experience of engaging with New Zealanders, Māori and tangata tiriti [New Zealand non-Māori] and new New Zealanders - refugees and migrants - about what the Treaty can mean and how we can make it something we are all proud of.”

But there have been less positive changes too, including the pandemic’s impacts on the economy and business sector, which Dame Patsy says are still becoming apparent. Of increasing concern is the growing inequality gap New Zealand faces, which she describes as almost more concerning now than the gender or diversity gap, although they often go hand-in-hand, she says.

“Inequality is something that we all have to address and how we address inequality – that’s the thing that will shape policies, current and future, more than it did in the past.”

AN EVOLVING ROLE

When she was a child, Dame Patsy saw the Governor-General as a distant figure, imposed upon us as part of politics. But today, a key part of the role is bringing people together and recognising them in an apolitical way.

“I’ve tried to use my time for things like celebrating New Zealand culture, arts and creativity, but also leadership and innovation, environmental sustainability and innovation. But also diversity.

“Inequality is something that we all have to address and how we address inequality – that’s the thing that will shape policies, current and future, more than it did in the past.”

“Can I tell you the role has definitely changed? No. I think it will be incremental.”

While every Governor-General has a slightly different approach the role, of course, is essentially as a figurehead, she says. The Governor-General represents the idea of the Crown in our constitutional monarchy.

“We don’t have power to change the world, we just have a responsibility to make sure that those that are governing us are keeping to the rules, making sure that the rule of law is what governs our constitutional framework.”

This includes upholding the Treaty of Waitangi, she says, stressing the uniqueness of having such a document – built on fundamental principles she believes are still appropriate today.

“I’ve represented the Crown side of that Crown/Māori connection, started by Governor Hobson in 1840. I see that as something that can continue to develop.”

Her personal view is there are advantages to not having a rigid written constitution developed in a particular time or place. Instead, New Zealand’s constitution is found across a variety of legislation, common law and constitutional practices.

“I don’t think we need to be a republic. I don’t think we need to have a written constitution. We’ve got the flexibility to move with the times. We’ve got the flexibility to have a constitution that works based on the social license that the country gives to the government and the head of state.”

GOVERNANCE TODAY

“When I look at the challenges for directors today – the ESG (environmental, social and governance) exposures, the challenges of trying to reimagine businesses in a post-pandemic world, not even knowing what a post-pandemic world will look like, the inequality challenges that I mentioned – I think it’s a tough gig being a director.”

While things like diversity within organisations have been improving, she highlights important challenges for the future such as how our business environment develops and how we make sure our democratically elected government holds the appropriate powers when dealing with huge multinationals on issues such as what happens on the internet and taxation.

However, Dame Patsy is encouraged by the growing focus on social enterprise as a part of business, pointing to Peri Drysdale MBE's fashion brand Untouched World, which uses a percentage of its profits to fund leadership courses for young people, and the buy-one, gift-one catering service Eat My Lunch, which gives away lunches to Kiwi children.

While the primacy of shareholders has been the key concern for boards, there is increasing talk of stakeholders now, she says.

“And stakeholders are interpreted much more widely. It involves looking after our environment, looking after the planet. It’s a wide remit, a wide responsibility. I don’t think when I was in private sector governance we’d given that much thought, frankly.”

“I think this is the way of the future in the post-pandemic environment, in the climate crisis environment.”

PREPARING FOR THE FUTURE

The current environment may be challenging for directors, but Dame Patsy says not getting despondent is vital.

“We need to make sure people are looking at what we can do, as opposed to what the challenges are or and what can go wrong. And we’re all responsible for doing that.

“We have to make sure that what we do is a good thing, is a value-adding activity and we’ve got to walk the talk.”

“And stakeholders are interpreted much more widely. It involves looking after our environment, looking after the planet. It’s a wide remit, a wide responsibility. I don’t think when I was in private sector governance we’d given that much thought, frankly.”

She points to inspiring leaders such as New Zealand businessman and philanthropist Eion Edgar DFInstD, who died earlier this year.

“He was one of the most amazing can-do people I’ve ever met. He was full of positivity and where he saw problems and challenges, he’d say, ‘let’s roll up our sleeves and find a solution’. We need people like that and we do have them in New Zealand.”

Another person who has made a significant impact on Dame Patsy is chimpanzee expert Dr Jane Goodall, who she has met several times.

“She embodies what we need to understand regarding how to live in this world – how to understand nature, and to be part of it. She’s desperately keen to save the environment and save the wild creatures that live in that environment, like her beloved chimpanzees. But she says we can’t do that if we don’t look after the people because if the people can’t survive, then nor will the environment.”

Dame Patsy is staying mum on what she plans to do next and how governance might feature.

“I’ve said to everybody, that I’m not making any decisions about my future, I wanted to finish this role, without moving my head into where I will go next.

“But I doubt I’ll be retired for long – I don’t have enough hobbies. And there are lots of things I want to do.

“I think you’ll probably see me around more in the public or not-for-profit sector... I don’t think I’ll be taking on full-time roles.” **BQ**

Note: Dame Patsy was succeeded as Governor-General by former Children’s Commissioner Dame Cindy Kiro.

A coffee with... Sam Johnson MInstD

AUTHOR:
ALEXANDRA JOHNSON,
FREELANCE JOURNALIST

Solving problems is the motivation for this young director, award winner and Student Volunteer Army general.

2010 Christchurch: The city has been torn asunder by earthquakes and the public are instructed to stay at home.

One young student, however, has a better idea. Through social media, he mobilises 11,000 students to sweep, scoop and shovel 360,000 tonnes of silt and sludge from the city's streets. The Student Volunteer Army (SVA) was born.

Sam Johnson MInstD, Young New Zealander of the Year 2012 and founder of the SVA, had quite a ride after his "army" formed. He worked with the United Nations Office for Disaster Risk Reduction and with major charities around the world. He contributed to disaster responses in Japan, Nepal and around the Pacific. He dined with the Dalai Lama, danced with the Duchess of Cornwall and hosted many dignitaries, including David Attenborough.

Fast forward to 2021 and Johnson is the chief executive of the Student Volunteer Army (SVA), has been a founding member of several other charities and altruistic businesses, and has become an IoD member.

RESILIENCE AND REACTION

Today, his SVA continues the values and ethos of the original volunteer earthquake response.

"That's the vehicle through which we have completed projects around the



world and worked with organisations and governments on how to better utilise volunteers in a crisis. Institutions are typically not very good at letting people help at the very moment they are willing to do so,” Johnson says.

He says disaster response was the first chapter of SVA, but that it has since shifted focus.

“The second chapter, and what I’m more interested in, is preparedness and resilience to crises and disaster. We now focus on the volunteerism pipeline and design interventions that create communities where people naturally help each other.”

Johnson describes himself as a civic entrepreneur. He defines that as someone who exploits opportunities that create value for society.

“It’s opportunistic. It’s looking at ways you can mobilise people to achieve change, whatever that change may be. It’s about creating a solution for a problem.”

When it comes to volunteering generally, he says many people are cause-focused and would like to do more, but don’t know where to start.

I don’t think we make it easy; I think we have underinvested in volunteering over the past 20 years.”

“New Zealand has a problem where we rely on an official or expert to assist with every issue rather than people having a sense of agency to take responsibility. How do you give people the sense of permission to work on the projects that they care about?

“My favourite saying is: ‘You are the “they” in they should do something about that.’”

SVA’s work is about instilling that value in people.

“Tech is a major enabler, people want volunteering instantly, they want it recognised, they want to know they can help, and they want to be valued. So, it is our responsibility as NGOs to make sure our technology is what people expect it to be.”

START 'EM YOUNG

The organisation has established the SVA School Volunteer Programme, which provides tools and resources to teachers to help kids in primary and secondary schools find a project, build a team, and run a volunteering project in their community.

Johnson says the programme is not just about inspiring kids to contribute to their communities but actually teaching them project management and coordination skills.

“We teach them how to work with someone, who is not your best friend, to get a project done. What we want to teach them is if you see something you want to see changed, you can do it. Even if it is something controlled by government, go and advocate, write a letter.”

This same ethos is carried through to tertiary students and by the end of 2021 he estimates 120,000 young New Zealanders would have been through SVA’s programmes.

TECH SOLUTIONS

At the start of the covid-19 pandemic in 2020, Johnson and his colleagues saw that supermarket delivery services were overwhelmed.

“Last time it was shovelling silt. This time we saw food delivery was a problem. So we decided to use volunteers to deliver groceries.”

SVA partnered with a group of Kiwi tech entrepreneurs “and in about ten days we built a grocery ordering, purchasing and fulfilment system through which people could order food which would then be purchased by SVA from New World.”

He says SVA is the only group that caters to people who can afford food but struggle to access it.

“At the start of the first lockdown, we had three people working at SVA, that

“We’ve got great skills around the boards in New Zealand but I think directors should actually be responding to what the world is going to be like in 10 years, rather than how it is now.”

went to 98 during 2020. And now with this [Auckland] lockdown, we have used the system more than ever. We have 300 volunteers working across Auckland, delivering largely to older people and people who don’t operate a computer, as it’s a telephone operated service as well.”

He says there’s a big gap in charities utilising technology.

“Tech is a major enabler, people want volunteering instantly, they want it recognised, they want to know they can help, and they want to be valued. So, it is our responsibility as NGOs to make sure our technology is what people expect it to be.”

At the NZ Tech Awards this year, SVA and partnering tech company Custom D won the 2021 Best High-Tech Solution for the Public Good award for a volunteering mobile app, a social infrastructure platform that is the backbone to SVA’s work.

“It helps people find opportunities to volunteer and improves students’ employability. As it records what they do, it helps them get ahead”.

BRAVE BOARDS

Johnson believes directors are key to driving change and help organisations develop. But board members need to be prepared to take risks, he says.

“We need to back ourselves to deal with the consequences, whether it goes well or badly. When you look at disaster risk reduction, forecasts clearly indicate things will go wrong, much more than they have in the past. So how are we dealing with that? What opportunities are there within a crisis? A crisis is also an opportunity for change and growth and to do things differently, but unfortunately only some people recognise that.

“We’ve got great skills around the boards in New Zealand but I think directors should actually be responding to what the

world is going to be like in 10 years, rather than how it is now.”

He sits on the board of the Prince’s Trust NZ, a youth-focused NFP that helps young people set themselves up in business, and is a trustee of the Isaac Theatre Royal in Christchurch.

“And I’m on the Westpac Sustainability Advisory Panel, which is a quasi-governance role looking at the bank’s sustainability. It’s a very diverse group of people who come in and challenge the bank’s executive team on their thinking, on anything from how it can be challenging for some people to get a bank account through to what more should they be doing about climate change. The bank has a set of policies and the role of the sustainability panel is to hold a mirror up to them.”

How much change has come about as a result of the panel?

“I’ve been on it for four years and the level of ambition within the bank, and the willingness of the leaders to take risks has grown. And in terms of my governance career, that’s been really informative to me, how do you have those conversations? How do you make an impact in a different way? Having the diversity of thought and a proper discussion on the direction of an organisation has taught me how to make decisions collectively and how to focus on the right issues, not just the big ones.”

His background has made Johnson a huge fan of board diversity. “And I don’t just mean a woman, a man, a brown and a black person. I mean diversity of ideologies, of skills, of people who have come from different backgrounds and have different stories to tell.”

A diverse board is more likely to come up with unexpected ideas, challenge accepted wisdom and deliver what Johnson expects good governance to deliver.

“I just like to solve problems.” **BQ**



The bonfire of the currencies

Two recent books by renowned economists have set the stage for today's great debate over the future of money in a digital age.

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Ready or not, the financial world is being forced to face the possibility of a future without traditional notes and coins.

Is cash going the way of the dodo? Should the prospect of its extinction be welcomed or feared? And what would its disappearance mean for domestic and global markets and politics?

Two recent books by renowned economists have set the stage for the coming debates, highlighting two questions in particular. The first is whether cash should disappear. The second is whether it actually will disappear. Kenneth Rogoff of Harvard University and Eswar Prasad of Cornell University have much to say on both issues.

DOES MONEY MAKE THE WORLD GO AROUND?

For Rogoff, cash is a curse. Paper currency, he argues, “lies at the heart of some of today’s most intractable public finance and monetary problems” and thus should be phased out as quickly as possible.

He highlights two big problems. On one hand, by permitting large recurrent and anonymous transactions, cash facilitates tax evasion and other crimes. High-denomination bills like US “Benjamins” (\$100 notes) or Switzerland’s 1,000 franc note play a starring role in a broad range of criminal activities, from drug trafficking and money laundering to racketeering and extortion.

On the other hand, cash handicaps monetary policy. The availability of currency effectively sets a “zero lower bound” on interest rates. Returns on Treasury bills or other fixed-income securities cannot fall much below zero so long as people have the option of holding paper money, which at least pays zero interest. Cash therefore ties central bankers’ hands, inhibiting negative-interest-rate policies.

The Curse of Cash represents the culmination of a campaign that Rogoff has waged for more than two decades and he pulls no punches in his advocacy of a “less-cash” economy. Written in accessible if somewhat colourless language, it is a clarion call for action – in effect, a manifesto for our times. The sense of urgency is palpable.

Prasad, by contrast, is more in the forecasting business. He believes we are in the midst of a financial revolution that is being driven by “fintech” – the ongoing wave of innovations in financial technologies that are dramatically disrupting traditional ways of doing business. In the vanguard are cryptocurrencies, a new class of financial instruments that threaten to displace conventional notes and coins.

“The era of cash is drawing to an end,” Prasad declares, though he hesitates to offer any firm predictions concerning what will come next.

Photo:
 Illuminated mining rigs
 operate inside racks
 at the CryptoUniverse
 cryptocurrency mining farm
 in Nadvoitsy, Russia, 2021.
 (Andrey Rudakov/Bloomberg
 via Getty Images)

Prasad's text is relatively easy to read, showing flashes of humour despite the complexities of the subject. Its analysis, however, is ultimately inclusive, because most of its discussions end cautiously (and rather unhelpfully) with words like "seem," "may," or "could." In a book that aspires to be virtually encyclopaedic in its coverage, Prasad's takeaway message is that there remain "many unanswered questions".

THE FINTECH DISRUPTION

Cryptocurrencies have become one of the hottest sectors in finance, led by Bitcoin, which is barely a decade old.

New cryptocurrencies have since proliferated like dandelions; according to the International Monetary Fund, there are around 9,000 digital tokens listed on various exchanges today. Earlier this year, the market value of all crypto assets surpassed US\$2 trillion – a tenfold increase in not much more than a year.

The roots of the crypto boom go back to the dawn of the digital age in the last years of the twentieth century. Traditional notes and coins are creatures of an analogue world, physical in nature and reliant on face-to-face interactions. Cryptocurrencies, by contrast, are digital – that is, based on encrypted strings of zeros and ones – and transferable through vast electronic networks.

Once computers and the internet came to be part of our daily life, smart operators realised that it might be possible to create units of purchasing power that would be fully usable through cyberspace. The race was on to produce "virtual" money that could be employed as easily as conventional paper money or coins to acquire real goods, services or assets.

The earliest attempts to achieve this, going back to the 1990s, aimed simply to facilitate the settlement of payments electronically. These initiatives, which *The Economist* once playfully labelled "e-cash version 1.0", included diverse card-based systems as well as network-based systems. Operating on a principle of full pre-payment by users, each scheme

“Operating on a principle of full pre-payment by users, each scheme functioned as not much more than a convenient proxy for conventional cash – in effect, something akin to a glorified traveller’s cheque.”

functioned as not much more than a convenient proxy for conventional cash – in effect, something akin to a glorified traveller's cheque. Few caught on with the general public.

Subsequent models, "e-cash version 2.0", were more ambitious, aspiring to produce genuine substitutes for traditional notes and coins. Examples included Flooz (using the comedienne Whoopi Goldberg as a spokesperson) and Beenz. But the impact of these schemes, too, was limited, because most were offered as a reward for buying products or services from designated vendors – constituting, in effect, updated electronic versions of ancient scrip.

Vendor-specific media live on in airline mileage programmes and the like; but they failed to provide a direct substitute for traditional currency. Most disappeared after the brief downturn in financial markets at the turn of the century.

REVOLUTIONARY DAWN

Then came Bitcoin, a revolutionary innovation introduced in 2009 by a person (or persons) who remains anonymous. Bitcoin could be called "e-cash version 3.0".

Designed as a decentralised payments system independent of governments and private financial institutions, the currency has soared in popularity. Since Bitcoin's unheralded inception, its price has skyrocketed from \$1 per unit to as much as \$66,000 earlier this month.

Many other digital currencies, including increasingly well-known rivals such as Ether, Litecoin, and Ripple, have followed in its wake, especially over the past year. Prasad calls Bitcoin the "granddaddy" of cryptocurrencies. Digital money is now an established part of the global financial ecology, and has been declared legal tender in two countries, El Salvador and Cuba.

Prasad finds it hard to conceal his enthusiasm for Bitcoin, which he describes as "truly ingenious and innovative". Words like "magic," "genius," and "elegant" are liberally sprinkled throughout his discussion. For

anyone who really wants to understand how the currency works in all its technical splendour, there is no better introduction than Prasad's fourth chapter, which dwells on the Bitcoin revolution in elaborate detail.

There you will find a step-by-step tutorial on the currency's underpinnings – the so-called blockchain technology that enables Bitcoin to function without any trusted central authority to manage it. No government agency or private institution is needed to validate transactions. Instead, blockchain relies exclusively on a public consensus mechanism managed through a peer-to-peer network that alerts participants to every exchange in real time. A publicly shared ledger of transactions is created and maintained in a decentralised network.

The ledger is called a blockchain because once transactions coming into the network are grouped into blocks of data and validated, the blocks are then chained together. The “magic” comes from delegating trust and verification to the public square. As Prasad breathlessly puts it: “This is people power, backed up by computing power, at its finest.”

People power to manage money is obviously attractive to libertarians and others who, taking inspiration from the Austrian economist Friedrich von Hayek, have long argued for the “denationalisation” of currency.

Governments, driven by politics, all too frequently abuse their control of “state” money, sooner or later generating runaway inflation. In recent years, we have seen that ruinous process devastate countries like Venezuela and Zimbabwe.

Cybercurrencies, by contrast, are designed to rely on market forces to keep the growth of money supply in line with real economic activity. Inflation, crypto enthusiasts contend, will be contained by the wisdom of crowds.

THE CRACKS IN CRYPTO

But there are also downsides, and they are not insignificant.

“This is people power, backed up by computing power, at its finest.”

First and most obvious is the danger that competition among cybercurrencies could lead their sponsors to take ever greater risks. Many of the thousands of digital tokens currently available are backed by nothing more than flimsy promises. Even so-called “stablecoins” like Tether or USD Coin, which in principle are fully backed by conventional reserves, are in practice often quite lacking in transparency.

Observers frequently liken today's cybercurrencies to the private bank notes that circulated in the United States during the co-called free-banking era of the nineteenth century. But that system was fragile and frequently subject to “runs,” owing to the ebb and flow of public trust. Crowds did not always show the greatest wisdom.

Why should we expect today's cybercurrencies to be any less prone to panics and wild price fluctuations? Just in the last year, Bitcoin has traded up and down by over 50%. Prasad calls it “wacky... a wild roller-coaster ride” Others might call it a bubble that could burst any time.

Second, the prospect of unfettered price volatility limits cybercurrencies' usefulness as a medium of exchange. Who wants to accept payment in a currency whose value might drop through the floor tomorrow? Admittedly, there will always be some market actors, particularly criminal elements, who might value cryptocurrencies' supposed anonymity enough to take the risk.

It stands to reason, then, that Rogoff's complaints about the role of cash in facilitating tax evasion and other nefarious activities apply to cybercurrencies as well. But Rogoff himself suggests that the real threat from cybercurrencies lies elsewhere.

“Yes,” he says, “digital currencies raise important questions for the future, but more as competitors for other financial instruments and institutions, not so much for paper currency.”

Prasad agrees, suggesting that the allure of digital currencies for illegal activities

is wearing off. Some scholars, however, estimate that criminal activities still account for as much as 50% of Bitcoin transactions.

Moreover, the legitimate business world does not appear to be attracted to the quotidian use of cybercurrencies. Instead, cybercurrencies have primarily become a vehicle for risk-loving investors, serving as a class of speculative assets reminiscent of the seventeenth-century tulip mania in the Netherlands, when a single bulb sold for the equivalent of a mansion on the Amsterdam Grand Canal.

In a sense, the “cybercurrency” label is a misnomer because none of these new creatures actually perform all three of the traditional functions of money: medium of exchange, unit of account, and store of value. They are, at best, liquid quasi-moneys.

THE STATE VS CRYPTO

Looming over the entire incipient debate is the possibility of a real threat to state authority in monetary affairs. The more that ordinary transactions come to be conducted in cryptocurrencies, the more difficult it will be for monetary authorities to manage existing payments systems via traditional interest-rate policy or open-market operations.

If traditional cash becomes largely extinct, so, too, does much of the power of central banks.

That is why we now see mounting interest around the world in the development of central-bank digital currencies (CBDCs). As Prasad points out, there is nothing mysterious about central-bank digital money. It is simply an existing fiat currency that is issued by a monetary authority in digital form as a complement to, or in place of, conventional notes and coins.

For a clear guide to the merits and risks of such an innovation, readers could do worse than to consult Prasad’s sixth chapter, which provides a careful point-by-point examination of the case for CBDCs.

“If the private sector comes up with a much better way of doing things, the government will eventually adapt and regulate as necessary to eventually win out.”

The rationale for CBDCs is simple: fight fire with fire. If conventional paper money really is going the way of the dodo, monetary authorities should create a more attractive alternative. In any competition with privately issued rivals, CBDCs would have the advantage of being firmly backed by the full faith and credit of their sovereign governments. One country, the Bahamas, has already created a CBDC of its own – the sand dollar – and others like Sweden and Uruguay are quickly moving in the same direction.

Who will prevail? Writing some five years ago, before the cryptocurrency craze really took off, Rogoff expressed confidence in governments’ ability to fend off any competitive threat from the private sector. This is not the first time, he points out, that currency innovations have emerged from the private sector to leapfrog ahead of publicly issued money, at least for a time.

In every previous instance, he insists, innovations were either tamed by regulation or appropriated by governments, which have broad advantages in providing a safe guaranteed asset. Some governments, most notably China, have already begun cracking down on cryptocurrencies.

“If the private sector comes up with a much better way of doing things,” Rogoff observes, not without a touch of cynicism, “the government will eventually adapt and regulate as necessary to eventually win out.”

But Prasad is not so sure. Writing more recently, he notes that cryptocurrencies have come a long way in the last half-decade. Yes, he concedes, central banks are likely to remain central. But that does not rule out sustained rivalry between the private and public sectors. Privately issued digital currencies have competitive advantages of their own, including faster, lower-cost transactions and broader access to financial products and services. A “glorious future” beckons, Prasad concludes – before adding, “perhaps”. **BQ**

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Accountable for human rights

Courts in the United Kingdom and the Netherlands have sent shockwaves across the business world and alarmed corporate lawyers with judgments that workers and community members in all regions where subsidiaries operate have a right to access the courts in the parent company’s home country.

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Photo:
 Ian Nguyen
 on Unsplash

At the end of October 2021, an intergovernmental working group met to push for an international treaty governing multinational companies’ responsibility for upholding human rights.

The working group, created in 2014 by the UN Human Rights Council, holds annual sessions that are attended faithfully by a large cohort of human-rights advocates, environmentalists, and members of social-development organisations. But, while many countries, mostly from the global south plus China, send representatives to the meetings, the United States, Canada, Australia and Japan ignore them, while the EU sends a token delegation and makes no substantive contribution to negotiations.

That needs to change. The treaty on business enterprises and human rights would be the first of its kind under the auspices of the United Nations, and has been a decade in the making.

In 2011, the UN Human Rights Council approved a set of guiding principles that declared commercial enterprises “have a responsibility to respect human rights”. Business associations supported the principles and committed to comply with them – in part because it was not legally mandatory to do so. The principles were non-binding and adherence to them was impossible to monitor or enforce. States were expected to prevent and punish human-rights abuses by corporations as part of their existing duties under international law.

In 2017, France became the first country to adopt a law requiring large multinational companies operating on French territory to conduct due diligence on human rights throughout their global operations. Earlier this year,

Germany adopted a similar law that will go into effect in 2023, and the European Commission is preparing a directive on the issue that will cover the entire bloc.

The drafts of the treaty also contain provisions on corporate due diligence, now with public monitoring and enforcement. If approved, this responsibility would become a worldwide obligation, raising the bar for global business.

The guiding principles also declared that states should investigate and sanction corporate human-rights violations and provide remedies to victims. Recourse to an effective judicial remedy is a fundamental principle of international human-rights law and should be included in any treaty covering corporate responsibility. But legal redress often has failed to materialise in the context of global business operations with complex value chains. The rights of workers and indigenous groups, in particular, are often disregarded.

NEW LEGAL IDEAS

Recently, courts in the United Kingdom and the Netherlands issued groundbreaking judgments in cases concerning major multinationals, including Vedanta Resources and Royal Dutch Shell. These decisions made it clear that workers and community members in all regions where subsidiaries operate have a right to access the courts in the parent company's home country.

These decisions sent shockwaves across the business world and alarmed corporate lawyers, and for good reason: corporate accountability advocates and academics view this new jurisprudence as a key component of a nascent legal framework to hold parent companies responsible for the abuses committed in their global value chains.

But these judgments are unlikely to have the necessary broader effect unless the principles they set out are further developed and embedded in both domestic and international law. The European Parliament is proposing to do this with draft legislation on responsible business.

“The treaty would strengthen the international framework governing social and environmental sustainability in global business operations.”

The proposed UN treaty is explicit about the legal responsibility of parent or controlling companies. Under the draft's provisions, controlling companies in a chain or network may be liable for the harm caused by commercial associates whose activities they control or supervise, or for failure to prevent those associates from harming workers, indigenous people, women, and children.

The treaty would strengthen the international framework governing social and environmental sustainability in global business operations.

The largest trade-union confederations and other civil-society organisations support the proposed treaty, but major developed countries such as the US and EU member states are largely ignoring it. The problem is that policymakers in these countries prefer the old model of limited regulation and maximum freedom for their multinational corporations – and for themselves.

The token participation of EU members in the treaty discussions so far is surprising, given these countries' stated commitments to multilateralism and human rights.

This treaty is an opportunity for the EU to show policy coherence and leadership in this field, following the milestone national legislation in France and Germany and the groundbreaking jurisprudence in the UK and the Netherlands. The same goes for the US, which is attempting to reaffirm its leadership in a rules-based international order.

These countries' governments routinely proclaim that respect for human rights is a fundamental value. And yet they seem content with old formulas and empty models that lack legally binding obligations. As the next round of treaty negotiations approaches, their credibility depends on showing they are serious about holding corporations accountable for human rights under international law. **BQ**

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Where is your auditor?

A shortage of auditors is threatening the ability of companies to meet their statutory reporting obligations and could undermine trust in our businesses and institutions.

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Photo:
Bernard Hermant
on Unsplash

In the covid-19 era, maintaining trust in our public institutions and in the private sector is critical, particularly as we work towards achieving a 90% vaccination rate.

It's a good thing then that, by and large, New Zealanders trust our government and businesses.

But that trust is under threat, from an unlikely corner. And that is New Zealand's critical shortage of auditors, who are vital for ensuring that trust in both public sector institutions and the private sector is maintained.

A GLOBAL REPUTATION BUILT ON TRUST

Most of us have had the interesting experience of having to identify as a Kiwi while overseas. Thankfully, the international community has strong touchstones that they associate with New Zealand: the All Blacks, Sir Edmund Hillary, Aotearoa's magnificent landscapes and our reputation for trustworthiness and integrity, both as people and as a society.

These touchstones engender confidence in New Zealanders and the businesses and institutions we operate. And while the All Blacks, Sir Ed and our clean green image are great for New Zealand, it's really that last one – a reputation for integrity and trust – that gives us such an edge when we are striking up a conversation anywhere in the world.

But it's more than just a reputation. New Zealand shares joint first place (with Denmark) in Transparency International's ranking as the least corrupt country on the planet, and we

hold third place (of 196) in the Global Corruption Index.

These rankings can be attributed to our non-partisan government, transparent judiciary, robust electoral processes and clear regulatory lines of sight from the Auditor-General, Ombudsman and other regulators.

A MECHANISM UNDERPINNING INTEGRITY

There's one other factor that is critical to this trust and that is audit, a mechanism that underpins integrity in all of these institutions and our reputation in the minds of the global community.

Every year thousands of New Zealand businesses and public organisations put a priority on completing their external audit both to meet their legislative and regulatory obligations and to deliver on stakeholder expectations.

Auditors provide transparency, reduce risk and underpin investment.

For government and public organisations, auditors help ensure public resources are used properly and directed to their intended purpose. For business they deliver assurance and oversight that directors, investors, government and the public rely on.

The scrutiny and rigour that auditors apply can lead to some robust conversations, but any director worth their salt will appreciate the assurance they provide.

THE ORIGINAL FACT CHECKER

Auditors are the watchdogs who apply proven, internationally recognised



methodologies to ensure that we can have trust and confidence in our private and public institutions.

There's no better example of the need for trust than in our current drive to reach a 90% vaccination rate. For many, vaccination raises a number of questions. To successfully answer these questions and reach our 90% goal, we have to have trust in our government and institutions.

However, trust in governments and institutions has taken quite a hit over the past few years. We've seen the rise of fake news and a US presidency arguably built on half-truths and fabrications. Unfortunately, here in New Zealand we can also see an increasing polarisation of viewpoints and social media content that does not wait for fact checking.

But for the public and private sectors, we do have a fact checker. Maintaining trust in our political frameworks and economy is critical for New Zealand's future, and audit plays a huge role in this.

A CRITICAL SHORTAGE

Prior to covid-19 our audit providers made up their workforce shortage by recruiting experienced auditors from overseas.

The long-term auditor pipeline has challenges with a range of causes – increasing demand for auditors, their highly transferable and desirable skillset across the financial sector and, to be quite frank, the long hours and pressures that are involved in auditing.

While the profession has worked hard to address the long-term challenges through improved working conditions and remuneration, flexible work practices, remote auditing and other retention and recruitment strategies, there is still an acute shortage of auditors.

In short, covid-19 related border restrictions have cut off our supply of auditors and this poses a major risk for our reputation for trust and integrity, both domestically and internationally.

“There’s one other factor that is critical to this trust and that is audit, a mechanism that underpins integrity in all of these institutions and our reputation in the minds of the global community.”

In April, a Chartered Accountants Australia New Zealand (CA ANZ) survey of audit providers revealed 206 vacancies which by October this year had grown to over 260.

DEADLINE EXTENSIONS

In response to the shortage, Parliament passed urgent legislation in the middle of the year to extend reporting deadlines for public organisations. The Auditor-General is still struggling to get all public sector audits completed and last month announced delays to audits for some smaller public organisations. The FMA also had to give entities such as banks and insurers more time to meet their reporting deadlines because of the auditor shortage.

These deadline extensions illustrate the seriousness of the shortage and the profession has significant concerns about the ongoing ability to meet statutory deadlines, particularly as we move towards the peak financial reporting period in 2022.

This is why CA ANZ is working with the government and officials on a class border exception for up to 200 auditors to enter the country next year. Although deferred or missed audits don't generate the same headlines as rotting crops with no one to pick them, our case for an exception has strong quantitative and qualitative proof points.

It can be difficult to tell, but signs are that officials and ministers are alive to both the risks that this shortage poses, and the benefits that auditors provide.

By the time this column is published, we may well know the result of the government's decision. For the sake of the integrity of, and trust in, our public and private sectors, we need to address this shortage now.

Call me an eternal optimist, but I hope that when our future generations get the chance to travel the world, they enjoy the same reputation for trust and integrity that we have enjoyed. **BQ**



CRAIG PELLETT
DIRECTOR, STREAMLINE BUSINESS NZ LTD

THE CALIBRE
OF THE
DIRECTORS
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FROM WAS
IMPRESSIVE.
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AND CLARITY
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Governance development



Tax governance

Inland Revenue’s focus on tax governance puts the spotlight on tax strategy and assurance, and puts boards on notice.

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Greater scrutiny on businesses “paying their fair share” by governments and civil society has resulted in increasingly complex tax rules and greater use of data analytics by tax authorities when reviewing tax affairs.

Expectations have also changed. Rather than just showing that tax is correctly accounted for (and being penalised to the extent that it is not), it is now expected that businesses will be managing their tax risks through appropriate governance arrangements.

In summary, Inland Revenue’s expectation is that tax governance arrangements will provide sufficient assurance to stakeholders that tax risks are subject to proper controls and that outputs such as tax returns can be relied upon. Tax should not be viewed just as an operational matter for management. The tone from the top is important. To that effect, boards should take ownership of, and responsibility for, setting the company’s overall taxation strategy and direction.



Inland Revenue expects the following questions to be reviewed on a regular basis by the board:

- Is there a documented tax strategy and has it been kept up-to-date?
- Have effective systems, procedures and resources been put in place to manage tax risks and, if so, is a clear statement made in the annual report to that effect?
- Is annual reporting sufficiently transparent such that all stakeholders have the capacity to analyse and effectively interpret the information provided on taxes paid?

That expectation has been signalled largely through Inland Revenue's Multinational Enterprises Compliance Focus document. In the most recent version, the tax governance focus has been extended to more businesses, not just large multinationals.

This is being backed up by an Inland Revenue campaign looking at tax governance arrangements. This campaign targets a select number of companies who have been sent a questionnaire for completion. Some of the questions being asked include:

- Is there a well-documented tax strategy and tax control framework in place and is it fit for purpose?
- Are these policies regularly reviewed/updated and subject to independent testing?
- Are internal policies/procedures for tax compliance processes (including data collection, analysis, calculation, recording and reporting) documented?
- Are accounting and tax changes regularly reviewed to ensure that the tax impacts are considered?
- Are material tax issues/risks reported by management to the board and is there a process in place for significant transactions to be reviewed from a tax perspective?

Where formal tax governance frameworks are not already in place, Inland Revenue has asked whether it is expected that they will be in place in the next 12 months. The clear implication being that if tax governance has not been considered, this

“Regular reporting to the board on tax risks and compliance with the strategy should give comfort to all that tax is being appropriately managed and that actions are being taken to mitigate risks.”

needs to be addressed as a matter of priority.

Inland Revenue has also signalled that, for the taxpayers selected, follow-up actions in the form of “more detailed inquiries or an in-depth review as part of a wider examination of the company’s taxation affairs” may be taken. Safe to say, business is now on notice.

This is likely the first step in Inland Revenue being more active in this area and, over time, we see this applying to a widening range of taxpayers. Our expectation is that tax governance will form part of the overall risk assessment framework for audits and other enforcement activity (similar to the approach in Australia). Therefore, it is more important than ever to ensure appropriate tax governance policies are in place and, importantly, that these are being complied with by the business.

However, even in the absence of Inland Revenue’s focus, we would argue that robust tax governance arrangements are simply good business practice.

Tax strategies and tax control frameworks provide clear instructions on how the board expects tax risks in the business to be managed. Regular reporting to the board on tax risks and compliance with the strategy should give comfort to all that tax is being appropriately managed and that actions are being taken to mitigate risks. Having well-documented, and independently verified, processes will also reduce the risk of anything slipping through the cracks.

Accordingly, tax governance isn’t just about demonstrating that tax is being well managed to Inland Revenue, when it inevitably comes asking. Good governance will make tax processes more robust and outcomes more predictable – that’s just good for business. **BQ**



Healthy work and society

The concept of healthy societies can help boards manage people risk in their organisations.

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Directors have responded swiftly to the pandemic by supporting management teams, but now they face new challenges to the health and safety of their workforces.

At the same time, there is a rising awareness of the need to begin addressing societal concerns, such as mental health and wellbeing, and the long-term impacts of covid-19.

At the intersection of these two issues is the notion of creating healthy societies. This notion incorporates equitable access to affordable, quality healthcare and support, providing healthy environments to live and work in, creating financial security and a more equitable workforce across race, ethnicity, and gender.

Your employees are a key strength, but they can also be a key risk if they become unhappy and leave. Boards that manage “people risks” with the right balance of empathy and economics will be better positioned to prosper during this accelerated period of sustained change.

CREATING A SAFE ENVIRONMENT

With the widespread adoption of

working from home, the line between the workplace and the office has blurred. While this shift has been welcomed by the majority of affected employees, new mental health stressors have emerged as people are reluctant to leave their home offices and go back in the office, particularly as covid-19 remains a threat.

Providing employees with a safe working environment remains a top concern for most directors and their organisations. Changes to the physical design of workspaces plus the use of masks, sanitisers, physical distancing, temperature checks, testing, and other safety measures, are being normalised. These changes give employees who need to be physically present to perform their jobs the confidence that they are protected.

A consistent and sustained safety policy will help make the transition from the home office less stressful for those returning to the workplace.

But a larger question remains for directors and management: when we emerge from the pandemic, will organisations try to revert to pre-pandemic “business as usual” or will they create new operating

Photo:
Drew Farwell on
Unsplash

models to ensure flexibility and agility in response to future outbreaks or other disruptions?

Boards that advocate for contingency planning that factors in the health and safety of those in the workplace will enable companies to swiftly pivot and maintain productivity in the face of unforeseen circumstances.

EMOTIONAL WELLBEING

Organisations are already responding to the pandemic-related mental health crisis among employees. In the 2020-2021 Global Talent Trends Study by Mercer, 45% of human resources executives reported adding benefits to address mental and emotional health issues.

A continued focus on employee wellbeing will take time and resources, and conversations at the board level about these critical issues will help keep the needs of employees front and centre as new policies are proposed.

TALENT ACQUISITION

Talent acquisition and retention continues to be another top challenge facing organisations. This was borne out in the results of the same Mercer survey, as well as the *2021 Mercer Marsh Benefits Global People Risk Report*.

That challenge is not only finding the right talent to fill positions, but also creating a diverse organisation that contributes to the overall health of our workplaces and society, as well as contributing to an employee's sense of inclusion and belonging.

Meeting this challenge is core to limiting a company's people risk exposure to what has recently been termed the Great Resignation. This is in terms of both a growing domestic and international war for talent.

In a tight labour market, employees want to have a strong connection to purposeful organisations that demonstrate strong environmental, social, and governance (ESG) values, and they are more likely to stay at and be more productive for these kinds of employers.

New technologies, changing demographics and the pandemic are creating other challenges for employees as they seek not only to find satisfying work but also to work in a manner that contributes to their wellbeing. This changing nature of work also requires new considerations for talent management.

For example, boards should be aware of the legal and operational issues associated with flexible working and technology adoption. As more of the workforce opts into flexible working arrangements, organisations will need to examine investing in digital technology and designing work experiences and benefits that demonstrate a deep understanding of the needs of their people. These topics belong at the board table, as directors can support talent development that leads to healthy and sustained organisational growth.

LOOKING AHEAD

After threatening public health and ushering in unprecedented disruptions, the covid-19 pandemic has uprooted daily life and fundamentally transformed values for companies, employees, and society. Boards that adopt a people-first and healthy-society mindset can help organisations develop sound strategies for the future. And that future begins with recognising and embracing the expanded role employers can play in the health and wellbeing of employees inside and outside the workplace.

Boards that adopt a people-first and healthy society mind-set can help leadership in developing sound strategies for the future. And that future begins with recognising and embracing the expanded role employers can play in the health and wellbeing of employees inside and outside the workplace. **BQ**

For further information please contact Alison Bamford, Country Leader of Mercer Marsh Benefits New Zealand, alison.bamford@mercermarshbenefits.com or +64 27 910 5540.

THE NEW ZEALAND PERSPECTIVE

Here are some of the key challenges for directors to consider.

.....
The legal implications of companies' current and future covid-19 responses from a corporate operating policy perspective (whether essential service or not) derive from the New Zealand Health & Safety Act. This includes when people are working from home. Directors are personally liable under the legislation.

.....
A current, and developing, challenge is grappling with covid-19 vaccination policies, such as mandating vaccination or not. These policies feed directly or indirectly into company culture ethos around exclusion and freedom of choice.

.....
Future immigration policies will impact the ability to attract talent in some sectors more than others - such as aged care, hospitality, horticulture and transportation, especially around minimum earnings requirements for visa eligibility.

.....
Mental health issues are still to play out in New Zealand. Many SME companies are likely to fold.

.....
Boards will continue to see high turnover of senior executives in large corporates due to the fatigue of dealing with covid-19.

.....
Attracting staff today will require a holistic approach, engaging with mind, body and spirit.



A glass half full

AUTHOR:
MIRANDA JAMES,
ASB HEAD OF
CORPORATE
RESPONSIBILITY

Photo:
Katerina Gladkikh
on Unsplash



Sustainability policies can provide opportunities as well as mitigate risks.

Climate change is now well embedded as a business risk that deserves boardroom attention.

As we increasingly support our customers with their climate goals, it's inspiring to work alongside companies that see sustainability not as a risk to be managed, but as an opportunity – and one that can also embrace community and social values.

Climate change has long been recognised as a financial risk. The Reserve Bank of New Zealand (RBNZ) is a member of an international alliance of global central banks focused on, among other things, how to mobilise capital to help the world decarbonise. (At a recent event, the RBNZ stated their view succinctly as, “every year counts, every action counts, every bit of warming counts”.)

The He Pou a Rangi – Climate Change Commission has highlighted the important role of Aotearoa’s financial sector in directing investment to help build a climate-resilient economy and society.

This is a role ASB takes seriously. Our purpose is to “accelerate the financial progress of all New Zealanders” and supporting our customers’ climate and sustainability goals is integral to this.

What this means for each individual business will vary. For example, a customer in the tech sector has identified diversity as one of their key sustainability challenges.

Like most corporates in the financial sector, ASB’s carbon footprint is comprised mostly of the cars we drive, the buildings we run, and air travel. We have targets to reduce our footprint in line with the Paris Agreement goals. Our science-aligned target is a 42% reduction in emissions from FY20 to FY30.

This impact is fairly small though, compared to the impact of our “financed emissions”. When it comes to playing our part in the transition to net zero, we absolutely have to engage with our customers on their own plans to reduce emissions and build resilience.

Different challenges require different solutions. In the farming sector we launched the Rural Sustainability Loan, targeted at supporting on-farm environmental projects.

In the corporate market there has been a growing trend towards sustainability-linked loans (SLL). These require the borrower to commit to key environmental, social and/or governance (ESG) targets, with borrowing costs adjusted based on their performance against these targets.

Hawke’s Bay Airport recently partnered with us on an SLL to continue important work on carbon and waste reduction including a pledge to reach zero

“The He Pou a Rangi – Climate Change Commission has highlighted the important role of Aotearoa’s financial sector in directing investment to help build a climate-resilient economy and society.”

Our science-aligned target is a

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reduction in emissions from FY20 to FY30.

emissions by 2030 and progressing a major solar farm next to the runway. The airport’s vision doesn’t stop at climate change with a focus also on the community and how it can contribute to local biodiversity initiatives.

Not all businesses are at the same stage of the journey. An innovation we developed is the sustainable transition loan, designed to assist larger business clients to embed a robust sustainability strategy.

We recently worked with Craigmore Sustainables, one of New Zealand’s largest diversified farm management companies, with a loan of nearly \$80 million. Craigmore is targeting its emissions footprint but is equally focused on delivering more equitable social outcomes for rural communities through development, training, job creation, and working with mana whenua.

Guidance and advice is an important part of the banking relationship. As our customers’ climate change and sustainability plans become business as usual, our bankers’ knowledge and toolkit also needs to evolve.

Sustainability will only become more critical for businesses, and for ASB. It’s exciting to be there to support our customers’ journey, and the New Zealand economy more broadly, to becoming more resilient, and fit for the low-carbon future. **BQ**

Did you know...?

BRAND NEW NUMBER ONE RISK

Brand and reputation risk took first spot in the Marsh New Zealand Survey of Risk for the first time in 2021. The category only registered in the survey for the first time in 2018.

Released in November, the survey found highly publicised cyber events and cyber breaches over 2020 and 2021 increased the understanding of brand and reputation risk.

While brand and reputation risk tends to arise due to failures in other areas, Marsh recommends that it be treated as an issue of its own and mitigation strategies are developed to deal with incidents.

The organisation says open dialogue between board members, the executive team, general counsel and risk managers is essential if this category of risk is to be minimised.

GOING ELECTRONIC

From 3 November 2021, eligible entities can use “electronic means” to undertake certain activities even if their constitution or rules don’t permit it.

An extension to the *Covid-19 Response (Requirements For Entities—Modifications and Exemptions) Act 2020* makes it legal for them to call or hold meetings online, implement electronic signing of documents and undertake electronic voting. It also provides options to change reporting requirements or fee-raising requirements where these are not practical due to the impact of covid-19.

Eligible registered entities include:

- building societies
- charitable trusts
- companies
- credit unions
- friendly societies
- incorporated societies
- industrial and provident societies
- limited partnerships (NZ and overseas).

CALL FOR MORE TRANSPARENCY

The chief executive of the UK’s financial Reporting Council (FRC), Sir Jon Thompson, has called on boards to be more transparent about the actions and outcomes of governance.

The FRC’s 2021 review of corporate reporting in the UK found that, overall, reporting on governance activities and outcomes was improving there were still gaps in what boards shared.

Areas for improvement identified by the FRC Included reporting of:

- disclosures of non-compliance with UK’s Corporate Governance Code
- diversity and inclusion and succession planning at board-level
- risk management
- the alignment of remuneration with company strategy.

The review considered the clarity and quality of reporting vis a vis the Corporate Governance Code including the transparency board decision making.

Work:Space



What does your desk say about your working style?

Clare Swallow MInstD, director and business consultant

Clare Swallow had a 4am epiphany. In the wee small hours she wrote down four things she wanted from her future working life. On a Post-it note.

The note is still on her desk three-and-a-half years later.

At the time, Swallow was general manager of a technology consultancy. She had taken maternity leave with her second child.

“The list was things I either was doing and thought were important, or I wanted to do if I set up my own business,” Swallow says.

So that’s what she did, she set up her own business. With the Post-it note as a foundation document.

Her business Mulberry St is now a thriving human-centred change consultancy.

So what’s on the Post-it?

1. Keep it simple.
“I think we often overcomplicate things.”
2. Do the right thing, not just what the book says.
“Every business is unique and every challenge is unique. It speaks to co-creating with clients rather than ‘doing it to’ them.”
3. Have fun.
“People are scared to talk about fun, joy and laughter at work. If we connect with people and enjoy their company then we are more creative and innovative. And if we are more innovative we are more likely to survive.”
4. Put human beings at the heart of decision making.
“We can’t create products and services in isolation from the people they impact.”

Swallow has some advice for business leaders – let yourself have fun at work.

“Leaders’ emotions are disproportionately contagious. You really do set the tone. Creating a space for laughter and joy is really important.”

It’s advice she has lived by. Swallow once “rocked up” to a customer experience workshop in a carrot suit.

“Who is this crazy lady? I needed them to break out of a mentality of ‘this is the way things are done’. It was to say ‘things can be done differently around here, and we are allowed to do that’.”

While she is a person who makes lists and checks them off, “this note was a bit more important, Swallow says.

A little worse for wear, the Post-it note sits on her desk to this day.

“I actually Blu Tacked it to the desk. It was the things I needed to hold on to. It is as true three-and-a-half years on as it was then.”



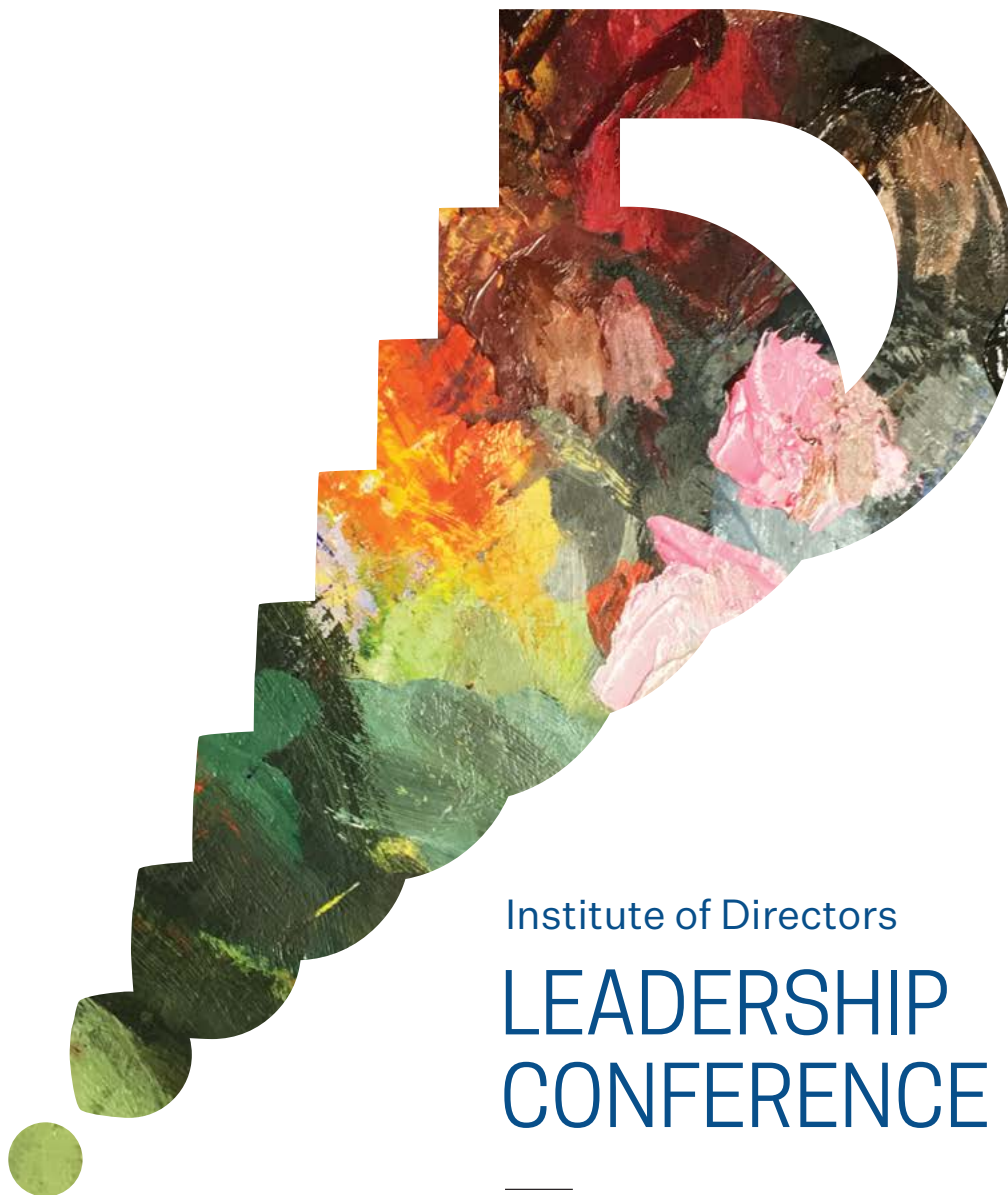
World of possibilities

As we come to more fully understand the challenges and opportunities of living with covid-19 in our communities, we should try to look to the future with young eyes. Because, as World Economic Forum founder Professor Klaus Schwab has pointed out: "The pandemic represents a rare but narrow window of opportunity to reflect, reimagine, and reset our world."

He's 83, BTW.

Photo:
Michal Balog
on Unsplash

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